Decimal Annual Report
30 June 2016

Empowering your customers' financial future, today.

decimal

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Contents

Corporate Directory

Directors	Mr Mark Potts Mr Nic Pollock Mr Jan Kolbusz Mr Gary Cox
Company Secretary	Mr Stef Weber
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Share Register	Computershare Investor Services Pty Ltd Level 11 172 St Georges Terrace Perth, WA 6000 Tel: 1300 557 010 Int: +61 8 9323 2000 Fax: +61 8 9323 2033
Stock Exchange Listing	Australian Securities Exchange Home Branch – Sydney Level 6, 20 Bridge Street Sydney, NSW 2000
ASX Code	DSX – Fully Paid Ordinary Shares
Bankers	Australia and New Zealand Banking Limited Level 1, 1275 Hay Street West Perth, WA 6005
Solicitors	Corrs Chambers and Westgarth Brookfield Place 123/125 St. Georges Terrace Perth, WA 6000
Auditor	Ernst and Young 11 Mounts Bay Road Perth, WA 6000

Who we are

Our purpose is to make financial advice more available to all Australians via digital advice solutions.

We partner with banks, superannuation funds and fund administrators already entrusted with customer's funds and investments to deliver advice to the community as a whole.

To achieve this we have developed the world's first enterprise focused digital advice platform. Our software provides fully compliant, transparent digital advice to the customers of our client organisations across numerous topics such as savings, superannuation, insurance and retirement – as well as investments.

Our market leading solution for financial institutions, **Eqilize**, was launched in mid-2016. Eqilize is quick to install, easy to integrate into existing environments, scalable and compliant with both ASIC and APRA standards.

Decimal is headquartered in Australia and listed on the Australian Securities Exchange under the code DSX.

Operating Highlights

In the past financial year we have appointed a new CEO, released new product offerings, signed new customers and contracts, brought on new strategic partnerships and appointed a new Chairman and Advisory Board. All of this we have done on a vastly lower cost basis.

In May we launched our first packaged product offering to the Superannuation industry, Eqlize. Eqlize is a preconfigured solution for small to mid-size super funds directly, or the administrators of these funds who manage multiple funds. This has grown our sales pipeline significantly as well given us one to many sales leverage via multiple partnerships.

We have managed all this whilst maintaining a sustained focus on significantly reduced cost of operations, whilst increasing our market facing activity. This has enabled us to significantly reduce our net loss by 47%.

47% improvement in net loss after tax

Increased market awareness of digital advice and corresponding activity, coupled with new packaging options and careful investment in field sales and marketing has resulted in more sales and a strong qualified pipeline for forward revenues.

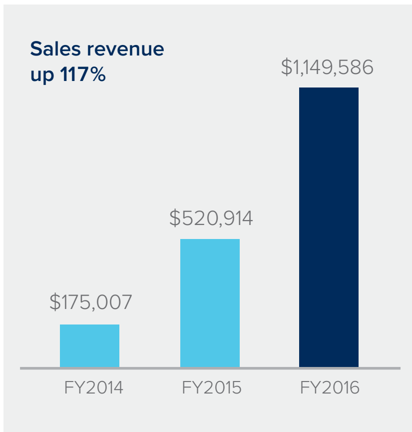
The results for our customers and in turn their customers speaks volumes to the long term growth of digital advice. Over $4 Billion of funds under advice through the Decimal system with access to two million end customers via our current clients.

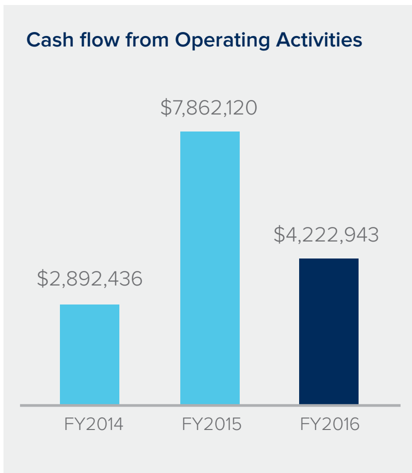
The pipeline for the upcoming year is extremely healthy and Decimal should maintain its current revenue growth trajectory for the forthcoming years.

Cash outflow from operating activities reduced 46%

The Decimal platform is now built and we have been able to reduce our development overhead substantially. The elegance of the Decimal cloud based architecture allows us to on board new clients in a very resource efficient manner.

We have also entered into agreements with strategic partners who will leverage our technology so they can begin to offer the solutions and implement themselves.





Chairmans Letter

On behalf of the Board, I am pleased to present shareholders with the Annual Report for 2016. The last year has seen Decimal transform from a software developer to a serious commercial entity with the world's only business-to-business (B2B) focused automated digital advice platform.

I was extremely pleased to be appointed Non-Executive Chairman in June. With a career spanning 25 years in global enterprise technology, including my current senior role at Hewlett-Packard Enterprise, I look forward to bringing my skills and experience to Decimal to help steer the Company's growth over the coming years.

The rise of digital financial advice in Australia

The market for digital advice in Australia has grown rapidly over the past year and will continue to do so in the foreseeable future. The Australian Securities and Investments Commission's (ASIC) recent moves to regulate the sector signals its growing maturity and acceptance by the market.

Technology is reshaping the financial landscape and institutions are racing to understand and adopt digital solutions into their systems. It is becoming apparent to financial institutions that their customers want traditional financial advice methods augmented by digital technology.

Digital advice also enables financial institutions to consistently address a much broader spectrum of customers at a much lower cost of service, whilst maintaining a strict focus on compliance.

Decimal is ideally placed to deliver flexible and scalable digital-advice capabilities into financial institutions rapidly. Our ready-to-use offerings integrate seamlessly with institutions' current systems to generate advice and reporting for thousands of their existing customers.

Our market focus – targeting the 80%

Often cited as the '80 per cent', the large majority Australians are unlikely to seek financial advice.

With our focus on enterprise, rather than direct advice to consumers lucky enough to have spare investment funds, our digital packages could positively impact the superannuation, annuities, and savings and investment funds of millions of Australians.

Our software is already working successfully in three major clients, directly benefiting the wealth of thousands of Australians. Furthermore, our superannuation advice applications were rated number one by the annual Investment Trends Planning Software Benchmark Report. Decimal has a multitude of applications outside superannuation, and increasingly, we are being engaged on broader financial topics relating to insurance and earlier phases of wealth building for customers.

New solution hits the market

The launch of Eqlize in March this year was significant. The package caters directly for the superannuation and Non-Bank Financial Institution (NBFI) market with a digital advice solution that is fast to roll out and easy to integrate with existing systems and processes. Eqlize allows enterprises to quickly provide the digital offering and benefits for their customers without having to build their own compliant systems or undertake significant development and configuration.

Compliance and transparency at core of our platform

The rapid expansion of digital advice technology has created potentially murky issues around compliance for providers which have not embedded transparent risk and governance measures into their software. With the growing appetite for digital advice, ASIC is seeking to rectify this by establishing an important compliance and governance standards framework for the digital advice sector.

As market leaders for enterprise-focused digital advice, we have built compliance in to the core of our software with a reporting system that is both transparent and lawful. We are committed to ensuring our clients and their customers receive digital advice that is both beneficial and compliant with legislative requirements.

Strengthened Board and executive

I would like to take this opportunity to welcome Mr Nic Pollock as Chief Executive Officer, who joined the Company in November 2015 and the Board in January 2016.

He has been pivotal in driving the direction and focus of Decimal since commencing his role and brings more than 20 years' experience within the enterprise technology sector. Previously, he was President of Mincom, Asia Pacific, which was Australia's largest software company before being acquired by ABB.

I would like to thank outgoing Chairman Rob Kirtlan for his dedicated and long service to both Aviva and Decimal shareholders and look forward to a continued association.

Gary Cox who joined the board in December 2015 as non-executive director has provided us with very sound counsel gained over a long and successful business career.

Our newly formed Advisory Board provides expertise on industry disruption and trends while addressing growth opportunities for our digital advice platforms.

Former NAB Chief Information Officer Mr Glenn Mescher was the first appointment made in June this year. Glenn has an unparalleled depth of knowledge on global compliance, risk management and governance – all vital for digital financial advice systems. At NAB, Glenn was also part of the executive team that managed Regulatory Relations, Compliance and Operational Risk.

Outlook

In the year ahead, I believe that Decimal is well positioned to drive further growth. With no current direct competitors in the B2B enterprise digital advice solutions market, we have a unique opportunity to become the preferred supplier for superannuation funds, aggregators and banks, both in Australia and overseas.

Our software can integrate with any financial institution in Australia and with ASIC's focus on compliance, we are well positioned to offer customer-focused digital advice solutions that enterprises can roll out with confidence.

We have built strong foundations for growth by demonstrating the far-reaching benefits of our technology to our existing client base, and I look forward to widening our market scope considerably during the next year and beyond.

CEO update

The past financial year has been one of transition for Decimal as we finalised the development of our ground-breaking digital advice software packages and positioned ourselves to be the dominant player in our chosen markets within financial services sector.

I was extremely pleased to be appointed as Chief Executive Officer in November last year, as I believe Decimal is uniquely placed to become the industry's preferred partner for the provision of highly compliant digital-advice platforms.

It's a rare privilege in this industry to lead a company that can intersect a rapidly growing market opportunity with technology products and services which are ready now rather than having to build them and chase the market.

Operating loss down 47 per cent and revenue up 117 per cent

Our operating loss was down significantly on last year's loss, to $4,039,070 from $7,613,071 in 2015, a reduction of 47 per cent. The reduced loss was due to a 117 per cent increase in sales revenue and a 46 per cent drop in operating costs.

The higher sales revenue was partly due to increased revenues from our existing customers, Mercer and QSuper, and through our new customer Energy Super as well as the completion of a consultancy agreement.

We reduced operating costs following a strategic and operational review in August 2015, and as a result of the maturation of our platform requiring much lower implementation and maintenance costs.

We successfully completed a capital placement in January 2016 to raise $3,500,000 before cost. The placement included 50 million shares at 7 cents per share to sophisticated investors over two tranches. In addition, our substantial R&D rebate of $1,482,542 ensures we continue to retain a strong cash position.

Funds under Advice exceeds $4.1 billion

I am extremely pleased to report that our total automated Funds under Advice (FUA) now exceeds $4.1 billion. The customer driven FUA now exceeds $3 billion this was achieved in 12 months since June 2015 visibly demonstrating the fast growing enthusiasm of our clients' customers seeking online advice through Decimal's platform.

Importantly, our FUA has continued to be achieved with no unscheduled outages and at no marginal cost of advice for the client – representing unprecedented efficiency and customer engagement.

Growing customer base

We have continued to grow our client base and customer reach, with three major clients. In April 2016, we were very pleased to secure our first Eqilize customer, Energy Super, a platinum-rated superannuation firm with an AAA Quality Assessment rating, 48,000 members and around $6.3 billion funds under management. We went live with the first phase of Eqilize's roll out into Energy Super in September 2016

In December 2015 we signed a contract to extend our services to one of our cornerstone clients, Mercer Australia. The contract changed the focus from advisor driven digital advice to customer driven (or online) advice – validating our emphasis on consumer driven technology.

During the year we continued the ongoing rollout of our software with Australia's third largest super fund, QSuper, which has more than 530,000 members and $54 billion in assets under management.

We significantly boosted our sales network by signing a Memorandum of Understanding (**MoU**) with a major global professional services firm to promote our software to its networks in Australia and overseas. The MoU, signed in May, means we are able to work together to target tier one banks and financial service companies to create joint sales opportunities.

Market ready packages

We restructured our offerings earlier this year to create a new pre-configured solution for small to medium sized superannuation funds. This package is called **Eqilize** and it allows funds of any size to enter the digital advice market rapidly and with much less risk than building their own.

Eqilize was launched in March. The focus is to enable our clients, whether they require ready to rollout solutions or more tailored offerings to quickly provide customer-focused, fully compliant digital-advice through seamless integration of our software into their existing systems.

Eqilize leverages our delivery experience to enable our clients to offer digital advice to their customers within a fixed budget and short timeframe. It includes multiple topics, in-built compliance and can be easily integrated with other business systems, and is delivered with consistency of the customers' branding and online presence.

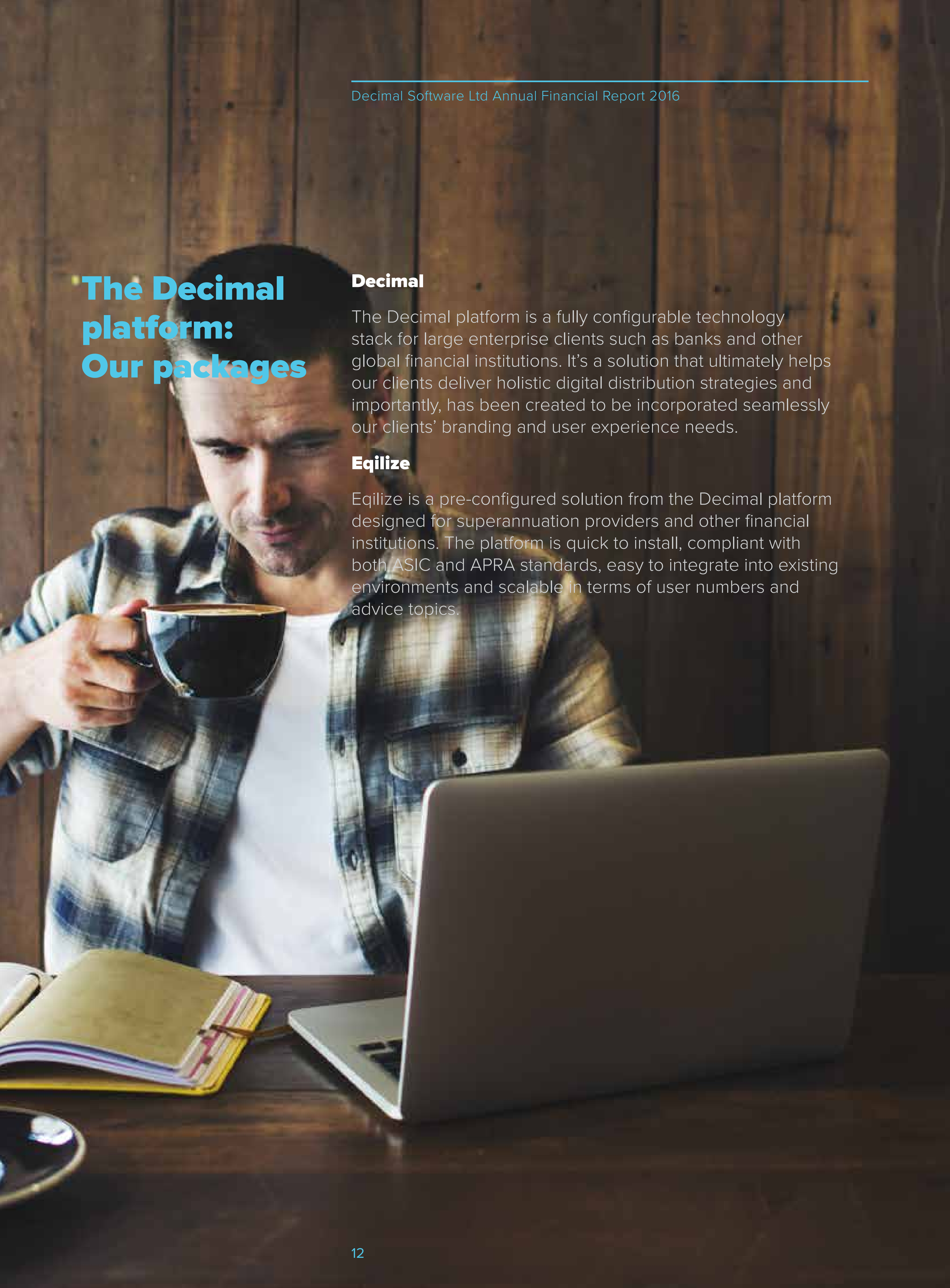
Decimal's focus during the next 12 months is to build the sales pipeline for Eqilize and our more customised offerings across our chosen market segments. The Superannuation industry via our direct channels as well as our focus on super administrators and other aggregators. Decimal will also concentrate on tier one and tier 2 banks and Mutuals. Our focus remains in Australia where from here we can quickly become the dominant player before reaching into new geographies.

Decimal team

Decimal has an extremely experienced and well credentialed team and on behalf of the Board, I would like to thank our team, suppliers, contractors and shareholders for their continued support over the past 12 months.

I would also like to welcome Mr Stewart Cochrane, who joined the team in March as Regional Manager for Australia and New Zealand.

The opportunities for our technology are highly compelling and I am extremely excited to build and maintain Decimal's position at the cutting edge of the fast-evolving digital-advice sector.



The Decimal platform: Our packages

Decimal

The Decimal platform is a fully configurable technology stack for large enterprise clients such as banks and other global financial institutions. It's a solution that ultimately helps our clients deliver holistic digital distribution strategies and importantly, has been created to be incorporated seamlessly our clients' branding and user experience needs.

Eqilize

Eqilize is a pre-configured solution from the Decimal platform designed for superannuation providers and other financial institutions. The platform is quick to install, compliant with both ASIC and APRA standards, easy to integrate into existing environments and scalable in terms of user numbers and advice topics.

Directors' Report

The Directors of Decimal Software Limited present their report on the Consolidated Entity consisting of Decimal Software Limited ("Company" or "Decimal Software" or "Decimal") and the entities it controlled at the end of, or during, the year ended 30 June 2016 ("Consolidated Entity" or "Group").

Directors

The names and details of the Company's Directors in office at any time during the financial year or since the end of the financial year are:

Mr Mark Potts
Non-Executive Chairman
(Appointed 14 June 2016)

Mr Nic Pollock
Chief Executive Officer
(Appointed 23 November 2015) and Executive Director
(Appointed 1 February 2016)

Mr Jan Kolbusz
Executive Director

Mr Gary Cox
Non- Executive Director
(Appointed 1 December 2015)

Mr Robert Kirtlan
Non- Executive Director
(Resigned 14 June 2016)

Mr Michael Sertorio
Executive Chairman
(Resigned 1 February 2016)

Current Directors and Officers

Mr Mark Potts,
Non-executive Chairman

Mr Potts has more than 25 years enterprise software and financial sector experience, having led a distinguished career in Australia and the US. He has worked with Hewlett-Packard Enterprise (HPE), Ajilon, Growth Equities Mutual and Sealcorp, as well as founding a number of successful start-ups and working with venture capital companies.

Prior to his current role with HPE, Mr Potts was Vice President Market Development, Asia Pacific for HPE helping them to become the market leader in that region. Mr Potts has led work in developing technology standards and innovations for service orientated architecture (SOA), web services and cloud technology, as well as new middleware and application development technologies. Mr Potts holds a Bachelor of Science Degree in Computer Science from Brookes University, Oxford England.

During the past three years, Mr Potts has not served as a director of any other listed company.

Mr Jan Kolbusz,
Executive Director Strategy and Innovation

Mr Kolbusz is the founder and executive director of Decimal Group Pty Ltd that was legally acquired by Decimal Software Limited with effect from 11 April 2014. Mr Kolbusz was formerly the Director, Technology and Operations of Asgard. Mr Kolbusz spent over nine years at Asgard, pioneering portfolio administration platforms, before driving further innovation and profitability following the company's successful acquisition by St George Bank. Mr Kolbusz was also a Director of Consulting at Ernst & Young.

Prior to his time at Ernst & Young, Mr Kolbusz worked for US headquartered Baxter Healthcare, including managing the US to Australia conversions and implementations of integrated hospital systems. Mr Kolbusz began his career working across a variety of technical and management roles on large-scale IBM platforms. Mr Kolbusz is a Fellow of the Institute of Company Directors and has a double major in Mathematics and Computer Science from the University of Western Australia and a Masters in Information Systems from Curtin University.

During the past three years, Mr Kolbusz has not served as a director of any other listed company.

Mr Nic Pollock,

Chief Executive Officer and Executive Director

Mr Pollock is an accomplished technology executive who has been operating in the enterprise software and professional services market at senior levels for over 20 years. Commencing in banking technologies for Natwest in London, he then moved quickly to regional and global leadership roles. During this period, he worked with enterprise software leader Oracle and was also Managing Director, Asia Pacific with Gemcom, the world's biggest supplier of resources industry planning and scheduling software. Mr Pollock was also the President of Mincom Asia Pacific which was Australia's largest software company before being acquired by ABB. and also has experience leading and consulting to emerging technology businesses through to commercialization and rapidly growing sales.

During the past three years, Mr Pollock has not served as a director of any other listed company.

Mr Gary Cox,

Non- Executive Director

Mr Cox has had a highly successful and diverse career in business. He has had substantial experience in the IT sector, particularly in building his own IT recruitment business which was ultimately sold to one of the world's largest IT recruitment firms, Adecco. During his time in this business Mr Cox gained considerable insight into the IT sector and brings experience in structure, costs and revenue models relevant to the IT industry. He was General Manager for Optus in WA and oversaw its successful start-up and launch for four years. More recently he has built a successful business which he is in the process of divesting.

During the past three years, Mr Cox has not served as a director of any other listed company

Mr Stef Weber,

Company Secretary

Mr Weber is a qualified chartered accountant and company secretary with nearly 20 years' experience in senior management roles both in Australia and Africa. Mr Weber has extensive experience in mergers and acquisitions, joint ventures, fundraising (debt and equity), tax planning, and financial management.

Principal Activities

Decimal is an Australian based company, which has developed the world's first omni-channel, cloud based automated digital advice platform designed to operate with any existing product. The platform, which includes embedded compliance features, enables enterprises to provide consumer-driven automated financial advice and execution to the mass consumer market with global application.

Prior to now this has not been viable or technically possible, providing Decimal with a first mover advantage. Decimal partners with Financial Institutions of all sizes including banks, superfunds, credit unions, insurers, mortgage brokers and dealer groups to enable the execution of Financial Service advice via a seamless omni-channel solution. Decimal's focus is on financial institutions, rather than end users, and digital packages could positively impact the superannuation, annuities, savings and investment funds of millions of low-to-middle income Australians.

Significant change in the State of Affairs

Total equity decreased to $3,264,873 from $3,789,968, a decrease of $525,095. The movement was largely due to the loss for the year offset by the capital placement that was completed in January 2016. Refer to note 18 for further movements in equity.

Significant Events after Balance Date

There have been no significant events from 30 June 2016 until the date of this report.

Employees

The Group employed twenty one employees at 30 June 2016 (30 June 2015: forty two employees).

Dividends

No dividend has been declared, provided for or paid by the Consolidated Entity in respect of the financial year ended 30 June 2016 and the Directors do not at present recommend a dividend.

Review and Results of Operations

Decimal is an Australian company which has developed the world's first enterprise-focused automated financial advice and execution platform for the mass consumer market. The omni-channel, cloud based platform is designed to operate with any existing product and includes embedded compliance features. The consumer-driven software has global application.

During the period under review Decimal continued to grow its client base and customer reach. The Company increased its sales revenue 117% from $530,914 in 2015 to $1,149,586 in 2016. The significant increase can be attributed to the following factors:

- Energy Super (a platinum rated superannuation fund) became the first client to sign up for Eqilize in April 2016
- Mercer entered into a new contract leading to an extension of services
- Continued growth from QSuper contract
- Completion of a consultancy agreement

Earnings per Share

	2016 Cents	2015 Cents
Basic loss per share	(1.97)	(4.24)
Diluted loss per share	(1.97)	(4.24)

Decimal's pipeline of prospects also continues to grow. Decimal's operating loss decreased 47% from $7,613,071 in 2015 to $4,039,070. This was driven by the higher sales revenue and lower operating cost. In August 2015 the Company completed a strategic and operational review to reduce its operating costs. This was made possible by the fact that Decimal's platform has matured to such an extent that it requires lower maintenance and implementation costs. The R&D benefit is still substantial at $1,482,542.

Decimal successfully completed a capital placement in January 2016 to raise $3,500,000 gross before costs. The placement was for 50,000,000 shares at 7 cents per share. The placement and R&D benefit means that Decimal remains strongly positioned to achieve its objectives.

An overview of Decimal's operations and products are included in the Chairman Letter, the CEO Report and the Who we are section of the Annual Report.

More information on the operating results, financial position and cash flow movements are included in the Financial Statements which forms part of the Annual Report.

Investment in Coppermoly

In January 2013 Decimal Software (as Aviva Corporation) made an investment of $125,000 in Coppermoly Ltd ("Coppermoly") through a convertible note, maturing 12 months after date of issue. Proceeds on the convertible note were received in January 2014.

As part of the agreement with Coppermoly, Decimal Software was also issued with one million unlisted options with an exercise price of 5 cents per option, which expired on 4 February 2016 unexercised.

Risk Management

As part of its risk management the Board has developed a Risk Management Framework and in its approach to risk it considers the nature and scale of the Group's activities. This includes monitoring actual performance against budgets and forecasts. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Consolidated Entity's objectives and activities are aligned with the risks and opportunities identified by the Board.

Risk Management forms part of all strategic, business planning and day to day operational activities. Business risks are determined on a departmental basis and continuously evaluated with a view to establishing an acceptable level of risk in each area. The Board reviews the consolidated risk appetite for residual risks and ensures it is aligned with Decimal's group strategy.

Decimal's management reviews all the risks registers per department on a regular basis and compiles a consolidated risk register and presents it to the Board. Strategies are developed for all the material risks on the consolidated risk register. On an annual basis the board reviews the Company's policies on risk management to satisfy itself that management has developed and implemented a sound system of risk management and internal control.

The material business risks faced by the Company that can have an effect on the financial prospects are as follows:

- Protection of intellectual property;
- Government policies and legislation;
- Retention of key employees;
- New market entrants or technological developments; and
- Macro-economic environment

Likely Developments and Expected Results

The Company enters FY 2017 with a positive outlook is well positioned to drive further growth. With no current direct competitors in the B2B enterprise digital advice solutions market, Decimal has a unique opportunity to become the preferred supplier for superannuation funds, aggregators and banks, both in Australia and overseas.

The Group's software can integrate with any financial institution in Australia and with ASIC's focus on compliance, we are well positioned to offer customer-focused digital advice solutions that enterprises can roll out with confidence.

Other than as referred to in this report, due to the nature of the business, future information as to likely developments in the Consolidated Entity would, in the opinion of the Directors, be speculative.

Directors' Interests

As at the date of this report, the Directors' interests in the securities of the Company are as follows:

Interest in Securities at the Date of the Report

	Ordinary Shares[1]	Options[2]
Mr Mark Potts	-	-
Mr Jan Kolbusz	12,571,032	4,000,000
Mr Nic Pollock	715,000	4,000,000
Mr Gary Cox	718,000	500,000

Notes
1. "Ordinary Shares" means fully paid Ordinary Shares in the capital of the Company.
2. "Options" means an option to subscribe for one Ordinary Share in the capital of the Company.

Share Options

At the date of this report the following options have been issued to directors to acquire Ordinary Shares in the Company:

- 3,000,000 options exercisable at $0.12, vested on 27 January 2016 and expiring on 27 January 2019.
- 500,000 options exercisable at $0.40, vested on 1 July 2015 and expiring on 30 June 2017.
- 500,000 options exercisable at $0.50, vested on 1 July 2016 and expiring on 30 June 2018.
- 500,000 options exercisable at $0.60, vesting on 1 July 2017 and expiring on 30 June 2019.
- 1,333,333 options exercisable at $0.18, vesting on 23 November 2016 and expiring on 23 November 2018.
- 1,333,333 options exercisable at $0.35, vesting on 23 November 2017 and expiring on 23 November 2019.
- 1,333,334 options exercisable at $0.60, vesting on 23 November 2018 and expiring on 23 November 2020.

Remuneration Report (Audited)

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Key Management Personnel ("KMP") of the Group.

Details of KMP

Details of the KMP of the Group during or since the end of the financial year are set out below:

Directors

Mr Mark Potts
Non-Executive Chairman
(Appointed 14 June 2016)

Mr Nic Pollock
Chief Executive Officer
(Appointed 23 November 2015)
and Executive Director (Appointed 1 February 2016)

Mr Jan Kolbusz
Executive Director

Mr Gary Cox
Non-Executive Director Appointed 1 December 2015

Mr Robert Kirtlan
Non-Executive Chairman
(Resigned 14 June 2016)

Mr Michael Sertorio
Non-Executive Director (Resigned 1 February 2016)

Executives

Mr Stewart Cochrane
Regional Manager Australia and New Zealand
(Appointed 1 March 2016)

Ms Carolyn Colley
CEO (Australia and New Zealand)
(Resigned 16 November 2015)

Remuneration Policy

The Group's remuneration policy for its KMP has been developed by the Board taking into account the size of the Group and the management team, the nature and stage of development of the Group's current operations, and market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

Executive and Key Management Personnel Remuneration

The remuneration structure for KMP is based on a number of factors, including, particular experience of the individual concerned and their role within the organisation. The Group's remuneration policy is to provide a fixed remuneration component and a performance based component (short term incentive and long term incentive). The Board believes that the remuneration policy is appropriate in aligning executives' objectives with shareholder and business objectives. The contracts of service between the Group and KMP are on a continuing basis.

Fixed Remuneration

Fixed remuneration consist of base salaries as well as employer contributions to superannuation funds. Fixed remuneration is reviewed annually by the Board.

The process consist of a review of company and individual performances, relevant comparative remuneration, externally and internally, and where appropriate, external advice on policies and practices.

Performance Based Remuneration – Short Term Incentive (STI)

The Group did not pay any short term incentives for the year ended 30 June 2016. Executives might be entitled to an annual cash bonus in future upon achieving various key performance indicators ("KPIs"), as set by the Board. Having regard to the current size, nature and opportunities of the Company, the Board has determined that these KPIs will include measures such as:

- Achieving strategic, financial and operational targets;
- New customer numbers;
- Development activities; and
- Business development activities.

These measures were chosen as the Board believes these represent the key drivers in the short and medium term success of the Company's development. On an annual basis, subsequent to year end, the board assesses performance against each individual executive's KPI criteria.

Performance Based Remuneration – Long Term Incentive

The Board issued 8.5 million options (refer "Options Granted to Key Management Personnel during the year ended 30 June 2016" in Remuneration Report) in the financial year under review to Key Management Personnel as a key component of the incentive portion of their remuneration, in order to attract and retain the services of these people and to provide an incentive linked to the performance of the Company. The Board considers that for each executive who receive options, their experience in the Technology industry will greatly assist the Company in achieving its strategy and objectives. As such, the Board believes that the number of Incentive Options to be granted to executives is commensurate to their value to the Company. Ms Carolyn Colley (CEO, Australia and New Zealand) resigned on 16 November 2015 and forfeited all her unvested options. On resignation 1 million of Ms Colley's options had vested and the Board determined that she can retain 500,000 of these options.

The Board has a policy of granting incentive options to executives with exercise prices above prevailing market share price. As such, incentive options granted to executives will generally only be of benefit if the executives perform to the level whereby the value of the Company increases sufficiently to warrant exercising the incentive options granted.

Other than service-based vesting conditions, there are no expected additional performance criteria relating to the incentive options that may be granted to executives. Given the speculative nature of the Company's activities and the small management team responsible for its running, the Company considers that the performance of the executives and the performance and value of the Company are closely related.

Non-executive Director's Remuneration

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to Non-Executive Directors and reviews their remuneration annually based on market practice, duties and accountability. Independent external advice is sought when required. No independent advice was sought during the financial year ended 30 June 2016.

The maximum aggregate amount of Directors' fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the annual general meeting. The latest determination was prior to June 2002 when shareholders approved an aggregate remuneration of $200,000 per year.

Relationship between Remuneration of KMP and Shareholder Wealth

The past financial year has been one of transition for Decimal as we finalised the development of our ground-breaking digital advice software packages and positioned ourselves to be the dominant player in the financial services sectors. Notwithstanding this progress the Board anticipates that the Company will utilize cash resources to achieve its objective. Accordingly, the Company does not currently have a policy with respect to the payment of dividends and returns of capital.

Discretionary annual cash bonuses are based upon achieving various non-financial key performance indicators, as detailed under Performance Based Remuneration – Short Term Incentive, and are not based on share price or earnings. However, as noted, certain KMP did receive incentive options during the year and may receive incentive options in the future which generally will be of greater value to the KMP if the value of the Company's shares increases sufficiently to warrant exercising the incentive options.

Relationship between Remuneration of KMP and Earnings

Given the current phase of the Company's development the Board does not consider earnings during the current and previous financial years when determining, and in relation to, the nature and amount of remuneration of KMP.

Emoluments of Directors and Executives

Details of the nature and amount of each element of the emoluments of each Director and KMP of Decimal Software Limited are as follows:

Short-term Benfits

30 June 2016	Salary & Fees $	Cash Bonus $	Non-monetary benefit $	Post-employment Benefits $	Long Service Leave $	Share-based Payments $	Total $	% performance related
Directors								
Mr Mark Potts(a)	2,267	–	–	–	–	–	2,267	–
Mr Nic Pollock(b)	121,282	–	–	11,522	–	34,887	167,691	21
Mr Gary Cox(c)	21,000	–	–	–	–	15,125	36,125	42
Mr Jan Kolbusz	258,333	–	–	19,308	(3,798)(h)	92,840	366,683	25
Mr Robert Kirtlan(d)	30,000	–	–	–	–	15,125	45,125	34
Mr Michael Sertorio(e)	50,687	–	–	4,592	–	–	55,279	–
Executives								
Mr Stewart Cochrane (f)	65,000	–	–	6,175	–	2,885	74,060	4
Ms Carolyn Colley(g)	226,786	–	–	9,654	–	(19,934)	216,506	–
Total	**775,355**	**–**	**–**	**51,251**	**(3,798)**	**140,928**	**963,736**	**15**

Notes (a) Appointed on 14 June 2016. (b) Appointed as Chief Executive Officer on 23 November 2015 and Director on 1 February 2016
(c) Appointed on 1 December 2015 (d) Resigned on 14 June 2016 (e) Resigned on 1 February 2016. (f) Appointed on 1 March 2016.
(g) Resigned 16 November 2015 (h) Mr Kolbusz salary reduced from 300,000 to 250,000 on 1 September leading to a net reduction in long service leave for the financial year ended 30 June 2016

30 June 2015	Salary & Fees $	Cash Bonus $	Non-monetary benefit $	Post-employment Benefits $	Long Service Leave $	Share-based Payments $	Total $	% performance related
Directors								
Mr Michael Sertorio	247,692	–	–	18,618	–	–	266,310	–
Mr Robert Kirtlan	24,000	–	–	–	–	–	24,000	–
Mr Jan Kolbusz	300,000	–	–	18,783	5,508	22,700	346,991	7
Executives								
Ms Carolyn Colley (a)	248,718	–	–	24,020	–	118,830(b)	391,568	30
Mr Paul Harapin(c)	205,128(d)	–	–	4,696	–	–	209,824	–
Mr Andy Watt(e)	250,000	–	–	18,784	–	–	268,784	–
Mr Sascha Ambrose(f)	98,719	–	–	8,593	–	–	107,312	–
Total	**1,374,257**	**–**	**–**	**93,494**	**5,508**	**141,530**	**1,614,789**	**–**

Notes (a) Appointed on 17 November 2014. (b) Includes $73,886 relating to treasury shares and $44,944 relating to share option charge
(c) Resigned on 12 September 2014. (d) Includes termination payment of $30,769. (e) Resigned on 19 June 2015. (f) Resigned on 14 November 2014.

Option Holdings of Key Management Personnel (Consolidated)

30 June 2016	Balance at Beginning of Period	Granted	Options Exercised	Options Lapsed	Resignation balance	Balance at End of Period	Exercisable	Not Exercisable
Directors								
Mark Potts(a)	–	–	–	–	–	–	–	–
Nic Pollock(b)	–	4,000,000	–	–	–	4,000,000	–	4,000,000
Gary Cox(c)	–	500,000	–	–	–	500,000	500,000	–
Jan Kolbusz	1,500,000	2,500,000	–	–	–	4,000,000	3,000,000	1,000,000
Robert Kirtlan(d)	–	500,000	–	–	(500,000)	–	–	–
Michael Sertorio(e)	–	–	–	–	–	–	–	–
Executives								
Stewart Cochrane(f)	–	1,000,000	–	–	–	1,000,000	–	1,000,000
Carolyn Colley(g)	3,000,000	–	–	(2,500,000)	(500,000)	–	–	–
Total	**4,500,000**	**8,500,000**	**–**	**(2,500,000)**	**(1,000,000)**	**9,500,000**	**3,500,000**	**6,000,000**

Notes (a) Appointed as Chairman on 14 June 2016. (b) Appointed as Chief Executive Officer on 23 November 2015 and Director on 1 February 2016 (c) Appointed on 1 December 2015 as Director (d) Resigned on 14 June 2016 (e) Resigned on 1 February 2016. (f) Appointed on 1 March 2016. (g) Resigned 16 November 2015

30 June 2015	Balance at Beginning of Period	Granted	Options Exercised	Options Lapsed	Balance at End of Period	Exercisable	Not Exercisable
Directors							
Michael Sertorio	–	–	–	–	–	–	–
Robert Kirtlan	–	–	–	–	–	–	–
Jan Kolbusz	–	1,500,000	–	–	1,500,000	–	1,500,000
Executives							
Carolyn Colley(a)	–	3,000,000	–	–	3,000,000	–	3,000,000
Paul Harapinb)	–	4,000,000	–	(4,000,000)	–	–	–
Andy Watt(c)	–	1,000,000	–	(1,000,000)	–	–	–
Sascha Ambrose(d)	–	1,000,000	–	(1,000,000)	–	–	–
Total	**–**	**10,500,000**	**–**	**(6,000,000)**	**4,500,000**	**–**	**4,500,000**

Notes (a) Appointed 17 November 2014. (b) Resigned on 12 September 2014. (c) Resigned 19 June 2015. (d) Resigned 14 November 2014.

Options Granted to Key Management Personnel in the year ended 30 June 2016

During the year 8.5 million options were granted to KMP. Excluding resignations 9.5 million options remained on 30 June 2016 of which the detail are as follows:

- 3,000,000 options exercisable at $0.12, vested on 27 January 2016 and expiring on 27 January 2019
- 500,000 options exercisable at $0.40, vested on 1 July 2015 and expiring on 30 June 2017.
- 500,000 options exercisable at $0.50, vested on 1 July 2016 and expiring on 30 June 2018.
- 500,000 options exercisable at $0.60, vesting on 1 July 2017 and expiring on 30 June 2019.
- 1,333,333 options exercisable at $0.18, vesting on 23 November 2016 and expiring on 23 November 2018.
- 1,333,333 options exercisable at $0.35, vesting on 23 November 2017 and expiring on 23 November 2019.
- 1,333,334 options exercisable at $0.60, vesting on 23 November 2018 and expiring on 23 November 2020.
- 333,333 options exercisable at $0.15, vesting on 24 March 2017 and expiring on 24 March 2019.
- 333,333 options exercisable at $0.35, vesting on 24 March 2018 and expiring on 24 March 2020
- 333,334 options exercisable at $0.60, vesting on 24 March 2019 and expiring on 24 March 2021

Ms Carolyn Colley resigned as CEO on 16 November 2015 forfeited her unvested options and 500,000 of her vested options. The Board determined that Ms Colley can retain the other 500,000 of her vested options.

Mr Robert Kirtlan resigned as director on 14 June 2016 and held 500,000 vested options on resignation date.

Details of the values of Unlisted Options granted, exercised or lapsed to KMP of the Group during the 2016 financial year are as follows:

30 June 2016	Value of Options Granted During the Year $	Value of Options Exercised during the Year $	Value of Options Lapsed During the Year $	Value of Options included in Remuneration Report for the Year $	Remuneration for the Year that Consists of Options %
Directors					
Mark Potts	–	–	–	–	–
Nic Pollock	91,534	–	–	34,887	21
Gary Cox	15,125	–	–	15,125	42
Jan Kolbusz	75,624	–	–	92,840 (a)	25
Robert Kirtlan	15,125	–	–	15,125	34
Michael Sertorio	–	–	–	–	–
Executives					
Stewart Cochrane	16,665	–	–	2,885	4
Carolyn Colley	–	–	31,325 b)	(19,934) b)	(9)
Total	**214,073**	**–**	**31,325**	**140,928**	**15**

(a) Includes options that was issued in prior years and had an option value cost of $17,200 in the year ended 30 June 2015
(b) Ms Colley resigned on 19 November 2015 and forfeited 2.5million of the 3 million options issued to her in the prior year

Options Granted to Key Management Personnel in year ended 30 June 2015

During the 30 June 2015 financial year 10.5 million options were granted to KMP. Of these 4 million options lapsed on the resignation of Paul Harapin (CEO, Australia and New Zealand) on 12 September 2014, 1 million lapsed on the resignation of Sascha Ambrose (Head of Sales) on 14 November 2014 and 1 million options lapsed on the resignation of Andy Watt (Chief Financial Officer) on 19 June 2015.

The detail of the remaining 4.5 million options are as follows:

- 1,500,000 options exercisable at $0.40, vesting on 1 July 2015 and expiring on 30 June 2017.
- 1,500,000 options exercisable at $0.50, vesting on 1 July 2016 and expiring on 30 June 2018.
- 1,500,000 options exercisable at $0.60, vesting on 1 July 2017 and expiring on 30 June 2019.

Details of the values of Unlisted Options granted, exercised or lapsed to KMP of the Group during the 2015 financial year are as follows:

30 June 2015	Value of Options Granted During the Year $	Value of Options Exercised during the Year $	Value of Options Lapsed During the Year $	Value of Options included in Remuneration Report for the Year $	Remuneration for the Year that Consists of Options %
Directors					
Michael Sertorio	–	–	–	–	–
Robert Kirtlan	–	–	–	–	–
Jan Kolbusz	47,176	–	–	22,700	7
Executives					
Carolyn Colley	93,546	–	–	44,944	12
Paul Harapin	507,508	–	(507,508)	–	–
Andy Watt	126,877	–	(126,877)	–	–
Sascha Ambrose	126,877	–	(126,877)	–	–
Total	**901,984**	**–**	**(761,262)**	**67,644**	**8**

Shareholdings of Key Management Personnel (Consolidated)

30 June 2016	Balance at Beginning of Period	Granted as Remuneration	Options Exercised	Net Change Other	Movement on resignation	Balance at End of Period
Directors						
Mark Potts	–	–	–	–	–	–
Nic Pollock	–	–	–	715,000	–	715,000
Gary Cox	–	–	–	718,000	–	718,000
Jan Kolbusz	11,871,032	–	–	700,000	–	12,571,032
Robert Kirtlan	1,160,535	–	–	718,000	(1,878,535)	–
Michael Sertorio	32,137,190	–	–	–	(32,137,190)	–
Executives						
Stewart Cochrane	–	–	–	–	–	–
Carolyn Colley	700,000	–	–	–	(700,000)	–
Total	**45,868,757**	**–**	**–**	**2,851,000**	**(34,715,725)**	**14,004,032**

30 June 2015	Balance at Beginning of Period	Granted as Remuneration	Options Exercised	Net Change Other	Movement on resignation	Balance at End of Period
Directors						
Michael Sertorio	31,937,190	-	-	200,000	-	32,137,190
Robert Kirtlan	1,160,535	-	-	-	-	1,160,535
Jan Kolbusz	11,871,032	-	-	-	-	11,871,032
Executives						
Carolyn Colley	-	583,333	-	116,667	-	700,000(a)
Paul Harapin	-	-	-	-	-	-
Andy Watt	100,000	-	-	-	(100,000)	-
Sascha Ambrose	100,000	-	-	-	(100,000)	-
Total	**45,168,757**	**583,333**	**–**	**316,667**	**(200,000)**	**45,868,757**

Employment Contracts with Executive Directors and KMP

Nic Pollock- Chief Executive Officer and Executive Director

- Mr Pollock is employed by Decimal as Chief Executive Officer from 23 November 2015 and Director from 1 February 2016. The key terms of his contract are:
- Remuneration: The total fixed remuneration (excluding statutory minimum superannuation payments) for Mr Pollock is $200,000 per annum. Mr Pollock's salary is subject to annual review.
- Intellectual property: Decimal owns all intellectual property created by Mr Pollock in the course of his employment, and Mr Pollock is obliged to assign to Decimal any such intellectual or industrial property rights.
- Term: Mr Pollock's contract of employment has no fixed term. Either Mr Pollock or Decimal may terminate Mr Pollock's employment by giving 12 weeks written notice or, in Decimal's case, payment of total remuneration in lieu of notice.
- Post termination: Upon termination of Mr Pollock's contract of employment, he will:
- be subject to a restraint of trade for a maximum of 12 months. The enforceability of this restraint clause is subject to all usual legal requirements; and
- at the request of the board of Decimal, resign without claim for compensation from any office (including that of director) which he holds in Decimal or any Subsidiary of Decimal.

Jan Kolbusz-Executive Director Strategy and Innovation

Mr Kolbusz is employed by Decimal as Executive Director and Strategy and Innovation. The key terms of his contract are:

- Remuneration: The total fixed remuneration (excluding statutory minimum superannuation payments) for Mr Kolbusz is $250,000 per annum. Mr Kolbusz salary is subject to annual review.
- Intellectual property: Decimal owns all intellectual property created by Mr Kolbusz in the course of his employment, and Mr Kolbusz is obliged to assign to Decimal any such intellectual or industrial property rights.
- Term: Mr Kolbusz contract of employment has no fixed term. Either Mr Kolbusz or Decimal may terminate Mr Kolbusz employment by giving 12 weeks written notice or, in Decimal's case, payment of total remuneration in lieu of notice.
- Post termination: Upon termination of Mr Kolbusz contract of employment, he will:
- be subject to a restraint of trade for a maximum of 12 months. The enforceability of this restraint clause is subject to all usual legal requirements; and
- at the request of the board of Decimal, resign without claim for compensation from any office (including that of director) which he holds in Decimal or any Subsidiary of Decimal.

Stewart Cochrane-Regional Manager

Mr Cochrane is employed by Decimal as Regional Manager (Australia and New Zealand) from 1 March 2016. The key terms of her contract are:

- Remuneration: The total fixed remuneration (excluding statutory minimum superannuation payments) for Mr Cochrane is $195,000 per annum. Mr Cochrane's salary is subject to annual review.
- Intellectual property: Decimal owns all intellectual property created by Mr Cochrane in the course of his employment, and Mr Cochrane is obliged to assign to Decimal any such intellectual or industrial property rights.
- Term: Mr Cochrane's contract of employment has no fixed term. Either Mr Cochrane or Decimal may terminate Mr Cochrane's employment by giving 12 weeks written notice or, in Decimal's case, payment

of total remuneration in lieu of notice.

- Post termination: Upon termination of Mr Cochrane's contract of employment, he will:
- be subject to a restraint of trade for a maximum of 12 months. The enforceability of this restraint clause is subject to all usual legal requirements; and
- at the request of the board of Decimal, resign without claim for compensation from any office (including that of director) which he holds in Decimal or any Subsidiary of Decimal.

Payments applicable to outgoing executives

Carolyn Colley-Chief Executive Officer (Australia and New Zealand)

Ms Colley resigned from the Group on 16 November 2015. Ms Colley forfeited her unvested options and 500,000 of her vested share options, retaining the other 500,000 vested options. Following her resignation Ms Colley had to repay the loan that was granted to her on 10 October 2014. The repayment was capped at the prevailing share price leading to Decimal receiving proceeds of $36,919.

End of Audited Remuneration Report

Directors' Meetings-Decimal Software

Directors meetings during the year end 30 June 2016

The number of meetings of Directors held during the year and the number of meetings attended by each director was as follows:

Director	Directors' Meetings Eligible to Attend	Directors' Meetings Attended
Mark Potts	–	–
Nic Pollock	2	2
Gary Cox	2	1
Jan Kolbusz	6	6
Robert Kirtlan	6	6
Michael Sertorio	4	4

Directors held a number of informal single purpose meetings during the year culminating in the passing of circular resolutions relating to the business discussed. During the year there were 9 such occasions.

Given the size of the Board, the directors meeting covers audit and remuneration items. For details of the Group's policy, refer to the Corporate Governance Statement on page 64.

Non-audit Services

Non-audit services provided by our auditors Ernst and Young are set out below. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature, scope and quantum of fees involved means that auditor independence was not compromised.

Ernst and Young received the following amounts for the provision of non-audit services in the 2016 financial year:

	2016 $	2015 $
Tax related services	51,469	27,637
Other advisory services	–	9,477
Total	**51,469**	**37,114**

Corporate Governance

In recognising the need for the highest standard of corporate behaviour and accountability, the Directors support and have adhered to the principles of corporate governance.

Indemnification and Insurance of Officers

Under Decimal's constitution, unless arising out of conduct involving a lack of good faith, Decimal must indemnify, to the extent permitted by law, each Director, secretary, executive officer and employee of Decimal against:

(i) any liability incurred by each such person in their capacity as Director, secretary, executive officer or employee, as the case may be:

(ii) any liability incurred:

- in defending civil or criminal proceedings in which judgment is given in their favor or in which they are acquitted;
- in connection with any application relating to such proceedings in which relief is granted to them under the Corporations Act or the corresponding law of another jurisdiction; or
- in connection with any investigation of any kind relating to the affairs or conduct of Decimal in which they are examined or required to give evidence or produce documents.

Each of the Directors named in this report has the benefit of this indemnity, which extends to all Directors, secretaries, executive officers and employees of Decimal.

No amount was paid under these indemnities during the financial year ended 30 June 2016 or since that date.

The constitution permits Decimal to pay or agree to pay premiums in respect of any contract of insurance which insures any person who is or has been a Director, secretary, executive officer or employee of Decimal against any liability incurred by that person in any such capacity and being a liability:

- for costs and expenses in defending proceedings (whether civil or criminal), whatever their outcome; and
- not arising out of conduct involving a willful breach of duty or which contravenes section 182 and 183 of the Corporations Act.

Indemnification of Auditors

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

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 29 and forms part of the directors' report

Signed in accordance with a resolution of the Directors.

Nic Pollock

Chief Executive Officer and Director

Perth 30 September 2016

Auditor's Independence Declaration

Building a better working world

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Auditor's Independence Declaration to the Directors of Decimal Software Limited

As lead auditor for the audit of Decimal Software Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Decimal Software Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

T G Dachs
Partner
30 September 2016

TD:KG:DECIMAL:006

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 $	2015 $
Revenue	6(a)	1,149,586	530,914
Finance income	6(b)	57,558	237,937
R&D benefit	6(b)	1,482,542	1,786,478
Total revenue and other income		**2,689,686**	**2,555,329**
Total expenses		**6,728,756**	**10,168,400**
Directors and employee benefits expense	7(a)	4,319,770	6,330,832
Consultant expenses		237,660	941,198
Technical expenses		390,290	777,402
Professional and public listed company fees		479,994	485,497
Travel cost and entertainment		185,199	389,514
Office related expenses		495,711	503,242
Advertising, marketing and media		211,001	448,034
Other expenses	7(b)	102,523	64,545
Depreciation, amortisation and impairment	7(c)	147,578	83,799
Share based payment expense	25(a)	159,030	144,337
Loss before income tax		**(4,039,070)**	**(7,613,071)**
Income tax benefit	8(a)	–	–
Loss for the year		**(4,039,070)**	**(7,613,071)**
Other comprehensive income		–	–
Total comprehensive loss for the year, net of tax		**(4,039,070)**	**(7,613,071)**
Basic loss per share (cents per share)	9	(1.97)	(4.24)
Diluted loss per share (cents per share)	9	(1.97)	(4.24)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Notes	2016 $	2015 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	2,005,388	2,878,306
Trade receivables	11	79,716	179,168
Prepayments		171,286	151,583
Other receivables and other current assets	12	1,775,518	1,839,813
TOTAL CURRENT ASSETS		**4,031,908**	**5,048,870**
NON-CURRENT ASSETS			
Other non-current assets	12	7,733	267,494
Property, plant and equipment	13	61,769	135,767
Intangible assets	14	78,915	153,359
TOTAL NON-CURRENT ASSETS		**148,417**	**556,620**
TOTAL ASSETS		**4,180,325**	**5,605,490**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	376,684	458,030
Income in advance		–	521,539
Employee benefit liabilities	16	509,514	692,360
TOTAL CURRENT LIABILITIES		**886,198**	**1,671,929**
NON-CURRENT LIABILITIES			
Other payables	15	–	120,608
Employee benefit liabilities	17	29,254	22,985
TOTAL NON-CURRENT LIABILITIES		**29,254**	**143,593**
TOTAL LIABILITIES		**915,452**	**1,815,522**
NET ASSETS		**3,264,873**	**3,789,968**
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	18	32,861,410	29,506,465
Reserves	19	839,568	680,538
Accumulated losses	20	(30,436,105)	(26,397,035)
TOTAL EQUITY		**3,264,873**	**3,789,968**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Contributed Equity $	Treasury Shares $	Share Based Payment Reserves $	Accumulated Losses $	Total Equity $
Balance at 1 July 2014	**29,580,351**	**–**	**536,201**	**(18,783,964)**	**11,332,588**
Other comprehensive income	–	–	–	–	–
Loss for the year	–	–	–	(7,613,071)	(7,613,071)
Total comprehensive loss for the year	–	–	–	(7,613,071)	(7,613,071)
Equity transactions:					
Issue of ordinary shares	–	–	–	–	–
Share-based payments	–	–	144,337	–	144,337
Treasury shares	–	(73,886)	–	–	(73,886)
As at 30 June 2015	**29,580,351**	**(73,886)**	**680,538**	**(26,397,035)**	**3,789,968**
Balance at 1 July 2015	**29,580,351**	**(73,886)**	**680,538**	**(26,397,035)**	**3,789,968**
Other comprehensive income	–	–	–	–	–
Loss for the year	**–**	**–**	**–**	**(4,039,070)**	**(4,039,070)**
Total comprehensive loss for the year	–	–	–	(4,039,070)	(4,039,070)
Equity transactions:					
Issue of ordinary shares	3,500,000	–	–	–	3,500,000
Cost of share issue	(181,972)	–	–	–	(181,972)
Share-based payments	–	–	159,030	–	159,030
Repayment of Treasury shares	–	36,917	–	–	36,917
As at 30 June 2016	**32,898,379**	**(36,969)**	**839,568**	**(30,436,105)**	**3,264,873**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Payments to suppliers and employees		(6,860,636)	(9,721,131)
Receipts from sales		796,249	461,975
Receipt of research and development tax rebate		1,779,871	1,095,155
Interest received		61,573	301,881
Net cash flows used in operating activities	**21**	**(4,222,943)**	**(7,862,120)**
Cash flows from investing activities			
Payments for property, plant and equipment		(2,906)	(93,429)
Proceeds from disposal of PPE		13,169	–
Payments for intangible assets		(18,182)	(98,936)
Repayment/(Payment)/ on security deposit		3,000	(3,000)
Net cash flows used in investing activities		**(4,919)**	**(195,365)**
Cash flows from financing activities			
Receipts from share issues		3,500,000	–
Payments for share issue costs		(181,973)	–
Proceeds/(Payment) /for treasury shares		36,917	(73,886)
Net cash flows from/(used in) financing activities		**3,354,944**	**(73,886)**
Net decrease in cash and cash equivalents		**(872,918)**	**(8,131,371)**
Cash at the beginning of the year		2,878,306	11,009,677
Cash at the end of the year	**10**	**2,005,388**	**2,878,306**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

Following are the notes to, and forming Part of, the Financial Statements for the Year Ending 30 June 2016.

1. Corporate Information

The Financial Report of Decimal Software Limited ("the Company") and its controlled entities ("the Consolidated Entity" or "the Group") for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 29 September 2016.

Decimal Software Limited is a for-profit Company limited by shares, incorporated and domiciled in Australia, and whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Consolidated Entity 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.

The financial report is presented in Australian dollars (AUD).

Going Concern

During the year the consolidated entity continued to incur losses and operating cash outflows although substantially reduced from the prior year. This was as a result of increased revenue and lower operating cost. The reduction in cost was due to the Decimal platform reaching a level of maturity to enable customers to fully benefit from the business model of low implementation and maintenance cost. For the year ended 30 June 2016, the consolidated entity incurred a loss from continuing operations after tax of $4,039,070 (30 June 2015: $7,613,071). In the same period the consolidated entity had operating cash outflows of $4,222,943 (year ended 30 June 2015: $7,862,120).

Notwithstanding these losses, the consolidated financial statements have been prepared on a going concern basis. The Directors consider this to be appropriate for the following reasons:

- The directors have reasonable expectations that they will be able to raise additional funding needed for the company to continue to execute against its business plan in the medium term.

However, if the consolidated entity is unable to obtain such funding at an amount and timing necessary to meet the future operational plans, or to successfully commercialise their intellectual property, it may be unable to continue as a going concern.

As a result of these matters, there is a material uncertainty related to events or conditions that may cast significant doubt on whether the Group will continue as a going concern and therefore whether it will realise its assets and settle its liabilities and commitments in the normal course of the business and at the amounts stated in the financial report. No adjustments have been made relating to the recoverability and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

b) Compliance Statement

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

c) New Accounting Standards and Interpretation

New standards adopted during the financial year

From 1 July 2015 the Group has adopted all the Standards and Interpretations mandatory for annual reporting periods beginning on or after 1 July 2015, including the following pronouncements and amendments:

- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality

Adoption of these Standards and Interpretations has resulted in new disclosures but did not affect the Group's accounting policies or any of the amounts recognised in the financial statements.

New standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods. The Group has elected not to early adopt these new standards or amendments in the financial statements. The Group has yet to fully assess the impact the following accounting standards and amendments to accounting standards will have on the financial statements, when applied in future periods. The relevant pronouncements which have not been adopted by the Group are as follows:

- AASB 9 Financial Instruments.
- AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)
- AASB 15 Revenue from Contracts with Customers.
- AASB 1057 Application of Australian Accounting Standards
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle
- AASB 2015-Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
- AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs
- AASB 16 Leases
- IFRS 2 (Amendments Classification and Measurement of Share-based Payment Transactions [Amendments to IFRS 2]

Other standards and interpretations that have been issued but are not yet effective are not expected to have any significant impact on the Group's financial statements in the year of their initial application with the exception of AASB 15 Revenue from Contracts with Customers and AASB 16 Leases which the Group is still assessing the potential impacts of the new standards.

d) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Decimal Software Limited and its subsidiaries (the Group) as at 30 June 2016 or for any time during the year.

The financial statements of subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions, have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

e) Segment Reporting

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Consolidated Entity operated in a single operating segment, and geographical location during the financial year and no segment report has therefore been included in the financial statements.

f) Foreign Currency Translation

(i) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars (AUD), which is Decimal Software's functional and presentation currency.

(ii) 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 denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

g) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank 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 values.

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

h) Trade and Other Receivables

Trade receivables are generally paid on 30 day settlement terms and are recognised and carried at original invoice amount less an allowance for impairment. Trade receivables are non-interest bearing. Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified.

An impairment provision is recognized when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 120 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

i) Investments and Other Financial Assets

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired.

(ii) Fair value through profit and loss

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the income statement.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under AASB 139 are satisfied.

j) Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of these items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using a straight line method to allocate their cost over their estimated useful lives. The expected useful lives are detailed in note 13.

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

(i) Impairment

Property, plant and equipment are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

(ii) Derecognition and disposal

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

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

k) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Consolidated entity as a lessee

Operating lease payments and incentives are recognised as an expense in the income statement on a straight-line basis over the lease term.

l) Trade and Other Payables

Trade payables and other payables are carried at transaction price minus principal repayments. They represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

m) Provisions and Employee Benefits

(i) Provisions

Provisions are recognised when the Consolidated Entity 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.

When the Consolidated Entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

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. The risks to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. 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.

(ii) Employee benefits

a. Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave due 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 due to be paid when the liabilities are settled.

b. 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.

n) Equity Settled Transactions

The Consolidated Entity provides benefits to its directors and employees in the form of share-based payments, whereby directors and employees render services in exchange for shares or rights over shares (equity-settled transactions).

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 is determined using a Black Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted.

The cost of these equity-settled transactions is recognised as an expense, together with a corresponding increase in equity, on a straight-line basis, over the period in which the vesting and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant directors and employees become fully entitled to the options (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income reflects:

i. the grant date fair value of the options;

ii. the current best estimate of the number of options that will ultimately vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of vesting conditions being met, based on best available information at the reporting date; and

iii. the extent to which the vesting period has expired.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

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 satisfied.

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. In addition, an 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, other than forfeiture, 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.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

o) 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.

p) Revenue Recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured, regardless of when payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue is deferred until the specific criteria for recognition of revenue is met. The following specific criteria must also be met before revenue is recognised:

(i) Sale of products

Revenue from license fees are recognised when the significant risks and rewards of ownership have passed to the buyer.

(ii) Interest revenue

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 revenue 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.

q) Income Tax and Other Taxes

Current tax assets and liabilities for the current and prior periods 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; or

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference 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, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits 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; or
- when 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 recognized 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 utilized.

The carrying amount of deferred income 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 income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit 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.

(i) Tax consolidation legislation

Decimal Software and its wholly owned Australian controlled entities formed a tax consolidated group on 30 October 2003. Decimal Group and its wholly owned Australian controlled entities joined the Decimal Software tax consolidated group following completion of the transaction between the parties on 11 April 2014.

(ii) 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 recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which 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 Statement of Cash flows 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, is classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

r) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognized as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Changes to the estimated liability, including changes as a result of changes to discount rates are added to or subtracted from the cost of the asset in the current period. The carrying value of the asset may not, however, be reduced below zero, hence any excess is taken immediately to the statement of comprehensive income.

s) Non-Current Assets Held for Sale

Non-current assets and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment once classified as held for sale are not depreciated or amortized.

t) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised on a straight line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is de-recognised.

u) Research and Development

Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset 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 asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development the assets are tested annually for impairment.

Rebate

Research and development rebates are recognised as income when there is reasonable assurance that the rebate will be received. Income from research and development rebates is disclosed separately on the Statement of Comprehensive Income.

v) Treasury Shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share-based payments reserve. Share options exercised during the reporting period are satisfied with treasury shares.

3. Significant Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities and contingent liabilities, revenue and expenses. Management bases its judgments 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 judgments, 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.

a) Share Based Payment Transactions

The Consolidated Entity measures the cost of equity settled transactions with directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black Scholes Option Pricing Model, with the assumptions detailed in note 25. The accounting estimates and assumptions relating to equity settled share based payments would have no impact on the carrying amounts of the assets and liabilities within the next annual reporting period but may impact income and expenses.

b) Impairment of non-financial assets other than goodwill

The Consolidated Entity assess impairment of all non-financial assets other than goodwill at each reporting date by evaluating the carrying value of the asset and the recoverable amount which is the higher of fair value less costs to sell and its value in use. This requires assessment of conditions specific to the Consolidated Entity and to the particular asset which may lead to an impairment being recognised.

c) Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Further details on taxes are disclosed in note 8.

d) Employee benefits

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. Management make estimates and assumptions on various factors, including future salary expectations, discount rates and probability of employees remaining with the Consolidated Entity.

4. Segment Information

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Consolidated Entity operated in a single operating segment, and geographical location during the financial year and no segment report has therefore been included in the financial statements.

Sources of revenue is from Australia only. During the year, the Group had three major customers accounting for $450,830, $274,184 and $256,339 of total revenue respectively.

Other prospective opportunities outside of these geographical locations are also considered from time to time, and if they are secured, will then be attributed to the geographical location where they are located.

5. Parent Entity Information

The following details information related to the parent entity, Decimal Software Limited, at 30 June 2016. The information presented here has been prepared using consistent accounting policies as presented in note 2.

Parent	2016 $	2015 $
Assets		
Total current assets	2,417,765	11,495,018
Total non-current assets	43,560	37,443,910
Total assets	**2,461,325**	**48,938,928**
Liabilities		
Total current liabilities	319,072	398,504
Total non-current liabilities	–	124,676
Total liabilities	**319,072**	**523,180**
Equity attributable to equity holders of the parent		
Contributed equity	77,130,642	73,812,615
Treasury shares	(36,969)	(73,886)
Reserves	2,066,266	1,907,236
Accumulated losses	(77,017,686)	(27,230,217)
Total equity	**2,142,253**	**48,415,748**
Loss for the year	(49,787,469)	(228,493)
Other comprehensive income for the year	–	–
Total comprehensive loss for the year	**(49,787,469)**	**(228,493)**

6. Revenue and Other Income

	2016 $	2015 $
(a) Revenue From Sales		
Sales to external customers	1,149,586	530,914
(b) Other Income and Revenue		
Interest Revenue	57,558	237,937
R&D benefit	1,482,542	1,786,478

7. Expenses

	2016 $	2015 $
(a) Directors and Employee Benefits Expense		
Directors fees, wages and salaries	4,006,355	5,893,695
Post-employment benefit expense	313,415	437,137
	4,319,770	**6,330,832**
(b) Other Expenses		
Included in other expenses is the following:		
Bad debts written off	85	500
	85	**500**
(c) Depreciation, Amortisation and Impairment		
Depreciation-computer equipment	51,450	55,923
Depreciation-furniture and fittings	2,723	4,089
Amortisation –leasehold improvements	779	130
Amortisation-Intangible assets	33,386	18,177
Intangible assets impaired (refer note 14)	59,240	–
Property, plant and equipment impaired (refer note 13)	–	5,480
	147,578	**83,799**
(d) Expenditure under operating leases		
Minimum lease payments recognised as an operating lease expense	371,732	361,950
Amortisation of rent incentive	(70,178)	(63,542)
	301,553	**298,408**

8. Income tax

	Consolidated 2016 $	Consolidated 2015 $
(a) Numerical Reconciliation of Accounting Loss to Tax Expense A reconciliation between tax expense and the product of the accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting loss before tax	(4,039,070)	(7,613,071)
At the Group's statutory income tax rate of 30% (2015: 30%)	(1,211,721)	(2,283,921)
Non-deductible expenditure	49,422	43,301
R&D Incentive	543,599	652,619
Prior period adjustments / temporary differences not brought to account	618,700	1,588,001
Aggregate income tax benefit	**–**	**–**

8. Income tax cont

	Opening balance $	Credited (Charged) to Income $	Credited (Charged) to Equity $	Closing Balance $
(b) Recognised Deferred Tax Assets and Liabilities 2016 Deferred tax balances Taxable and deductible temporary differences arise from the following:				
Deferred tax assets:				
Intangibles	6,099,430	700,765	–	6,800,195
Provisions	118,185	134	–	118,319
Losses available for offset against future taxable income	1,939,006	637,483	–	2,576,489
Losses acquired on acquisition of Aviva	4,608,645	–	–	4,608,645
Capital raising expenses	21,285	55,460	43,673	120,418
Other	324,878	(40,753)	–	284,125
	13,111,429	**1,353,089**	**43,673**	**14,508,191**
Deferred tax liabilities:				
Other	(2,101)	810	–	(1,291)
	(2,101)	810	–	(1,291)
Net deferred tax assets	13,109,328	1,353,899	43,673	14,506,900
Less unrecognised deferred tax assets	(13,109,328)	(1,353,899)	(43,673)	(14,506,900)
Net recognised deferred tax assets	**–**	**–**	**–**	**–**

	Opening balance $	Credited (Charged) to Income $	Credited (Charged) to Equity $	Closing Balance $
(c) Recognised Deferred Tax Assets and Liabilities 2015 Deferred tax balances Taxable and deductible temporary differences arise from the following:				
Deferred tax assets:				
Intangibles	6,099,430	–	–	6,099,430
Provisions	92,010	26,175	–	118,185
Losses available for offset against future taxable income	707,198	1,231,808	–	1,939,006
Losses acquired on acquisition of Aviva	4,608,645	–	–	4,608,645
Capital raising expenses	28,380	(7,095)		21,285
Other	101,825	223,053	–	324,878
	11,637,488	**1,473,941**	**–**	**13,111,429**
Deferred tax liabilities:				
Other	(24,276)	22,175	–	(2,101)
	(24,276)	22,175	–	(2,101)
Net deferred tax assets	11,613,212	1,496,116	–	13,109,328
Less unrecognised deferred tax assets	(11,613,212)	(1,496,116)	–	(13,109,328)
Net recognised deferred tax assets	**–**	**–**	**–**	**–**

8. Income tax cont

	Consolidated 2016 $	Consolidated 2015 $
(d) Unrecognised Deferred Tax Balances The following deferred tax assets have not been brought to account:		
Tax losses – revenue Australia	7,185,134	6,547,651
Intangibles	6,800,195	6,099,430
Other	521,571	462,247
	14,506,900	**13,109,328**

e) Tax Consolidation

Decimal Software and its wholly-owned Australian controlled entities formed a tax consolidated group on 30 October 2003. Decimal Group and its wholly-owned Australian controlled entities joined the Decimal Software tax consolidated group following completion of the transaction between the parties on 11 April 2014.

9. Earnings per Share

The following reflects the income used in the basic and diluted earnings per share computations:

	Consolidated 2016 $	Consolidated 2015 $
(a) Earnings Used in Calculating Earnings Per Share For basic and diluted loss per share:		
Net loss for the year attributable to ordinary shareholders of the parent	**(4,039,070)**	**(7,613,071)**

	2016 Number	2015 Number
(b) Weighted Average Number of Shares For basic and diluted loss per share:		
Weighted average number of ordinary shares	204,649,209	179,498,524
Effect of dilution of share options	–	–
Weighted average number of ordinary shares adjusted for the effect of dilution	**204,649,209**	**179,498,524**

At 30 June 2016 the Company had 17,333,343 unlisted options (2015:11,333,343) on issue with the last exercisable on or before 24 March 2021. These options are not considered to be dilutive as their exercise price was, on average, higher than Decimal's prevailing share price throughout the financial year.

10. Current Assets – Cash and Cash Equivalents

	Consolidated 2016 $	Consolidated 2015 $
Cash at bank and on hand	2,005,388	2,878,306

11. Current Assets – Trade Receivables

	Consolidated 2016 $	Consolidated 2015 $
Trade receivables	79,716	179,168

a) Allowance for Impairment loss Trade receivables are non-interest bearing and generally paid on term of 30 days. Due to the short term nature of these receivables the carrying amounts are assumed to approximate fair value. The maximum exposure to credit risk is the carrying amount of those receivables. Trade receivables are not impaired at 30 June 2016.

12. Current and Non-Current Assets – Other Receivables

	Consolidated 2016 $	Consolidated 2015 $
Other Receivables		
R&D receivable	1,482,542	1,779,871
Interest receivable	4,306	8,231
Net GST receivable	31,909	51,711
Security deposits	256,761	–
Total other receivables	**1,775,518**	**1,839,813**
Other non-current assets		
Security deposits	7,733	267,494
Total other non-current assets	**7,733**	**267,494**

a) Interest receivable

Interest receivable on term deposits held with financial institutions are paid on maturity of term deposits.

b) R&D receivable

Research and Development expenditure, included within the expenses recognised in the Consolidated Statement of Comprehensive Income totalled $3,294,537(30 June 2015: $3,955,269) of which a receivable at a 45% rebate rate has been recognized. Due to the short term nature of this receivable the carrying amount is assumed to approximate fair value.

c) Security deposits

Term deposits held as security over lease of commercial premises in Sydney and Perth. The carrying amount of the asset is considered to be the fair value of the asset. Decimal assigned the Sydney lease effective 1 July 2016 leading to the release of a security deposit of $256,761 subsequent to year end.

13. Non-Current Assets – Property, Plant and Equipment

	Consolidated 2016 $	Consolidated 2015 $
Computer Equipment at cost	168,171	205,612
Accumulated depreciation	(115,696)	(82,640)
Net carrying amount	**52,475**	**122,972**
Furniture and Fittings at cost	17,793	17,793
Accumulated depreciation	(11,486)	(8,764)
Net carrying amount	**6,307**	**9,029**
Leasehold Improvements at cost	3,896	3,896
Accumulated depreciation	(909)	(130)
Net carrying amount	**2,987**	**3,766**
Total cost	189,860	227,301
Accumulated deprecation	(128,091)	(91,534)
Net carrying amount	**61,769**	**135,767**
Computer Equipment		
At 1 July, net of accumulated depreciation	122,971	95,945
Additions	2,906	88,429
Impairments	–	(5,480)
Disposals	(21,952)	–
Depreciation charge for the year	(51,450)	(55,923)
	52,475	**122,971**
Furniture and Fittings		
At 1 July, net of accumulated depreciation	9,030	12,014
Additions	–	1,105
Depreciation charge for the year	(2,723)	(4,089)
	6,307	**9,030**
Leasehold Improvements		
At 1 July, net of accumulated depreciation	3,766	–
Additions	–	3,896
Depreciation charge for the year	(779)	(130)
	2,987	**3,766**
Total Fixed Assets		
At 1 July, net of accumulated depreciation	135,767	107,959
Additions	2,906	93,430
Impairments	–	(5,480)
Disposals	(21,952)	–
Depreciation charge for the year	(54,952)	(60,142)
Net carrying amount	**61,769**	**135,767**

The useful life of the assets was estimated as follows: Computer Equipment - 3 to 4 years. Furniture and Fittings - 5 years.

14. Intangible Assets

	Consolidated 2016 $	Consolidated 2015 $
Cost		
At 1 July	311,094	212,158
Additions	18,182	98,936
At 30 June	**329,276**	**311,094**
Amortisation & impairment		
At 1 July	(157,735)	(139,558)
Amortisation of intangible assets	(33,386)	(18,177)
Impairment of intangible assets	(59,240)	–
At 30 June	**(250,361)**	**(157,735)**
Net book value	**78,915**	**153,359**

a) Intangible Assets impaired

At 30 June 2016, the Directors have performed an assessment of the recoverable amount (using a value in use method) of intangible assets that relate to the Group which has been assessed as the lowest Cash Generating Unit.

The recoverable amount of the intangible asset relating to the domain name and an online community asset were considered to be fully impaired.

The Directors have considered the following factors in determining the impairment of intangible assets:

- an estimate of the future cash flows the Consolidated Entity expects to derive from the asset;
- expectations of possible variations in the amount or timing of those future cash flows;
- time value of money, represented by the current market risk free rate of interest; and
- the price for bearing the uncertainty inherent in the asset.

At 30 June 2016 Intangible Assets of $78,915 remained.

This relates to accounting software purchased in June 2014 and the purchase of a data service supplier in the 2015 and 2016 financial years. All have a finite useful life and will be amortised over a useful life of five years. At 30 June 2016, the remaining amortisation period is as follows: accounting software 3 years, and data service supplier 2.1 years. Directors have assessed the value of the intangible assets and have concluded that the carrying value is reasonable.

15. Current and Non-Current Liabilities – Trade and Other Payables

	Consolidated 2016 $	Consolidated 2015 $
Current liabilities-Trade and other payables		
Trade payables	213,184	157,295
Accrued expenses	163,500	237,193
Rent incentive Payment (current portion)	–	63,542
Total current liabilities-Trade and other payables	**376,684**	**458,030**

	Consolidated 2016 $	Consolidated 2015 $
Non-curent liabilities- Other payables		
Rent incentive Payment (non-current portion)	–	120,608
Total non-current liabilities-Other payables	**–**	**120,608**

a) Trade Payables

Trade payables are non-interest bearing and are normally settled on 30 day terms. Due to the short term nature of these payables, their carrying value is considered to approximate their fair value.

b) Rent Incentive Payment

The Consolidated Entity entered into a lease agreement for a property in Sydney under which they received a rent incentive payment. During the financial year Decimal assigned the Sydney lease agreement to a third party and therefore offset all of the rent incentive payment through the Consolidated Statement of Comprehensive Income during the year ended 30 June 2016. The assignment of the Sydney lease is effective 1 July 2016.

16. Current Liabilities – Employee Benefit Liabilities

	Consolidated 2016 $	Consolidated 2015 $
Annual leave	208,056	298,219
Employment related taxes	144,374	321,395
Superannuation	82,410	93
Long service leave	74,674	72,653
	509,514	**692,360**

17. Non-current Liabilities – Provisions

	Consolidated 2016 $	Consolidated 2015 $
Long service leave	29,254	22,985

18. Contributed Equity

	Consolidated 2016 $	Consolidated 2015 $
Ordinary shares fully paid(i)(ii)	32,898,379	29,580,351
Treasury Shares	(36,969)	(73,886)
	32,861,410	**29,506,465**

Notes (i) Fully paid ordinary shares carry one vote per share and carry the right to dividends.
(ii) The Company does not have authorised capital or par value in respect of its shares.

	2016 Number	2015 Number
Movement in ordinary shares on issue		
At the beginning of the reporting period	179,498,524	179,498,524
Shares issue - 03 December 2015	26,000,000	–
Shares issued – 27 January 2016	24,000,000	–
At the end of the reporting period	**229,498,524**	**179,498,524**

	2016 $	2015 $
Movement in share capital		
At the beginning of the reporting period	29,580,351	29,580,351
Issue of shares for cash	3,500,000	–
Less Cost relating to share issue	(181,972)	–
At the end of the reporting period	**32,898,379**	**29,580,351**

	2016 $	2015 $
Movement in treasury shares		
At the beginning of the reporting period	(73,886)	–
Issue of treasury shares	–	(73,886)
Repayment of treasury shares	36,917	–
At the end of the reporting period	**(36,969)**	**(73,886)**

19. Reserves

	Consolodated 2016 $	Consolodated 2015 $
Share based payment reserve at the beginning of the financial year	**680,538**	**536,201**
Expense arising from equity settled share based payment transactions	159,030	144,337
Balance at the end of the financial year	839,568	680,538
At the end of the reporting period	**(36,969)**	**(73,886)**

a) Nature and purpose of reserve The share based payments reserve records the value of share options issued to the Company's directors, employees and third parties.

20. Accumulated Losses

	Consolidated 2016 $	Consolidated 2015 $
Accumulated losses	**(30,436,105)**	**(26,397,035)**
Movements in accumulated losses		
Balance at the beginning of the financial year	(26,397,035)	(18,783,964)
Net loss for the reporting period	(4,039,070)	(7,613,071)
Balance at the end of the financial year	**(30,436,105)**	**(26,397,035)**

21. Cash Flow Statement Reconciliation

	Consolidated 2016 $	Consolidated 2015 $
Reconciliation of Loss after Tax to Net Cash Flows from Operations		
Loss from ordinary activities after income tax	(4,039,070)	(7,613,071)
Adjustments for non-cash income and expense items:		
Depreciation, amortisation and impairment	147,578	83,799
Loss on disposal of fixed assets	8,512	–
Share based payments	159,030	144,337
Bad debts written off	85	500
Changes in assets and liabilities:		
Decrease/(Increase)/ in trade receivables	99,451	(130,369)
Increase in prepayments	(19,705)	(63,963)
Decrease/(Increase)/ in other receivables and current assets	321,056	(591,324)
(Decrease)/Increase in trade and other payables	(17,615)	158,225
Decrease in rent incentive payment	(184,150)	(63,542)
(Decrease)/Increase in income in advance	(521,539)	7,839
(Decrease)/Increase in employment liabilities	(176,576)	205,449
Net cash flows used in operating activities	**(4,222,943)**	**(7,862,120)**

22. Financial Assets at fair value

In January 2013 Decimal Software made an investment of $125,000 in Coppermoly Ltd ("Coppermoly") through a convertible note, maturing 12 months after date of issue. Proceeds on the convertible note were received in January 2014. As part of the agreement with Coppermoly the Consolidated Entity was also issued with 1 million unlisted options with an exercise price of 5 cents per option. These options expired on 4 February 2016 unexercised.

23. Related Party Disclosures

a) Ultimate Parent

The ultimate Australian parent entity and the ultimate parent of the Consolidated Entity is Decimal Software Limited. There were no transactions other than loan arrangements between the group and the parent during the financial year or the prior year.

b) Subsidiaries

The subsidiaries of Decimal Software Limited are listed in the following table:

c) Key Management Personnel

Disclosures relating to director and Key Management Personnel are set out in the audited remuneration report. In addition, note 25(h) details the transaction in the prior year with Carolyn Colley in respect of treasury shares.

Name	Country of Incorporation	Functional Currency	Equity Interest 2016 %	Equity Interest 2015 %
Decimal Technology and Systems Pty Ltd	Australia	AUD	100	100
Decimal Pty Ltd	Australia	AUD	100	100
Simpla Pty Ltd	Australia	AUD	100	100
Decimal Software (US) Inc	United States	USD	100	100

24. Directors and Key Management Personnel

a) Compensation for Key Management Personnel

	Consolidated and Parent 2016 $	Consolidated and Parent 2015 $
Short term employee benefits	**775,355**	**1,353,223**
Post-employment benefits	51,251	93,494
Long term benefits	(3,798)	5,508
Share Options	140,928	67,644
Treasury Shares	–	73,886
	963,736	**1,593,755**

25. Share Based Payments

a) Recognised Share Based Payment Expenses

	Consolidated 2016 $	Consolidated 2015 $
Expense arising from equity settled share based payment transactions	159,030	144,337

b) Share Based Payment Plan

Employees and Executives option plan

Decimal has an Employees and Executives option plan where the Company may at the discretion of the Board, grant options over the ordinary shares of Decimal Software to executives and certain members of staff of the Consolidated Entity. The options, issued for nil consideration, are granted in accordance with guidelines established by the Directors of Decimal Software. The contractual life of each option granted is variable. The vesting period is pre-determined by the Company without considering the performance conditions. There are no cash settlement alternatives.

The share options are forfeited if the Company initiates the termination of the employee, the employee resigns or director due to serious misconduct. The options will not be quoted on the ASX.

c) Summary of Options Granted

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2016	WAEP	2015	WAEP
Outstanding at the beginning of the year	11,333,343	0.41	6,833,345	0.37
Granted during the year	8,500,000	0.27	11,000,000	0.50
Exercised during the year	–	–	–	–
Forfeited during the year	(2,500,000)	(0.52)	(6,000,000)	0.50
Expired during the year	–	–	(500,002)	0.62
Outstanding at the end of the year	**17,333,343**	**0.33**	**11,333,343**	**0.41**

The outstanding balance as at 30 June 2016 is represented by:

- 3,333,343 options over ordinary shares with an exercise price of $0.345 each, exercisable and will expire on 15 July 2017.
- 3,000,000 options over ordinary shares with an exercise price of $0.345 each, exercisable and will expire on 15 July 2017.
- 166,666 options exercisable at $0.40, vesting on 1 July 2015 and expiring on 30 June 2017.
- 166,666 options exercisable at $0.50, vesting on 1 July 2016 and expiring on 30 June 2018.
- 166,668 options exercisable at $0.60, vesting on 1 July 2017 and expiring on 30 June 2019
- 3,500,000 options exercisable at $0.12, vested on 27 January 2016 and expiring on 27 January 2019.
- 1,000,000 options exercisable at $0.40, vested on 1 July 2015 and expiring on 30 June 2017.
- 500,000 options exercisable at $0.50, vested on 1 July 2016 and expiring on 30 June 2018.
- 500,000 options exercisable at $0.60, vesting on 1 July 2017 and expiring on 30 June 2019.
- 1, 333,333 options exercisable at $0.18, vesting on 23 November 2016 and expiring on 23 November 2018.
- 1,333,333 options exercisable at $0.35, vesting on 23 November 2017 and expiring on 23 November 2019.
- 1,333,334 options exercisable at $0.60, vesting on 23 November 2018 and expiring on 23 November 2020.
- 333,333 options exercisable at $0.15, vesting on 24 March 2017 and expiring on 24 March 2019.
- 333,333 options exercisable at $0.35, vesting on 24 March 2018 and expiring on 24 March 2020.
- 333,334 options exercisable at $0.60, vesting on 24 March 2019 and expiring on 24 March 2021.

d) Weighted Average Remaining Contractual Life

The weighted average remaining contractual life for the share options outstanding at 30 June 2016 is 2.16 years (2015: 2.47 years).

e) Range of Exercise Prices and Weighted Average Share Price at the Date of Exercise

The range of exercise prices for options outstanding at the end of the year was $0.12-$0.60 (2015: $0.345-$0.60). There were no options exercised in the current or the prior year.

f) Weighted Average Fair Value

The weighted average fair value per option granted during the current year was $0.27 (2015: $0.14).

g) Option Pricing Model

Equity settled transactions

The fair value of the equity settled share options granted during the financial year is estimated as at the date of grant using a Black Scholes Option Pricing Model.

The following table lists the inputs to the model used for the year ended 30 June 2016.

	2016
Dividend yield (%)	–
Expected volatility (%)	90%
Risk-free interest rate (%)	1.93
Expected life of options (years)	3–5
Options exercise price ($)	$0.12–$0.60
Weighted average share price at grant date ($)	$0.27

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated into the measurement of fair value.

h) Share based payment – treasury shares

On 10 October 2014, the Company entered into an executive loan arrangement with Carolyn Colley, CEO for Australia/ New Zealand, for the provision of up to $100,000 to be used solely for the purchase of shares in Decimal Software Ltd, and to be matched by a personal contribution in the ratio of 5:1 (loan: personal contribution).

A loan of $73,886 was provided on 11 November 2014.

Interest was charged on the outstanding balance at a rate equal to the rate earned by the Group on term deposits.

Following her resignation Ms Colley had to repay the loan. The repayment was capped at the prevailing share price leading to Decimal receiving proceeds of $36,919.

Given the terms and conditions of the agreement, the loan was deemed to have limited recourse and treated as share based payment transaction in the prior year accounts.

The fair value of the options, estimated using the Black Scholes Option Pricing Model, was $0.067. The following table lists the inputs used in the model.

	2016
Dividend yield (%)	–
Expected volatility (%)	80%
Risk-free interest rate (%)	3.06
Expected life of options (years)	3
Options exercise price ($)	$0.125
Share price at grant date ($)	$0.125

26. Financial Risk Management

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

The Consolidated Entity has a policy not to participate in debt financing or derivatives or hedging activity. As a result the Consolidated Entity has not formulated any specific management objectives and policies in respect to these types of financial instruments. Should the Consolidated Entity change its position in the future, a considered summary of these policies will be disclosed at that time.

The Consolidated Entity 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 assessment of market forecasts for interest rate and foreign exchange. The credit risk is managed by only dealing with recognized, creditworthy third parties and liquidity risk is monitored through the development of future rolling cash flow forecasts.

a) Interest Rate Risk

The Consolidated Entity's current exposure to the risk of changes in market interest rates relate primarily to cash assets rates and is managed by the Board of Directors.

During the financial year, the Group has managed its cash assets by entering into term deposits to maximise its cash balance and minimise investment risk.

The following table summarises the impact of reasonably possible changes on interest rates for the Consolidated Entity at 30 June 2016. The sensitivity is based on the assumption that interest rate changes by 80 basis points with all other variables held constant.

The 80 basis points sensitivity is based on reasonably possible changes over a financial year, using the observed range of actual historical rates for the preceding three year period. The analysis was performed on the same basis for the comparative period.

The exposure to interest rate risk on pre-tax profit arises from higher or lower interest income from cash and cash equivalents. The Group's main interest rate risk arises from cash and cash equivalents with variable interest rates.

Consolidated	2016 $	2015 $
Financial assets		
Cash and cash equivalents	2,005,388	2,878,306

	Pre-tax Profit		Other Comprehensive Income	
	2016 $	2015 $	2016 $	2015 $
Consolidated Entity				
80 basis point increase	16,043	23,026	–	–
80 basis point (decrease)	(16,043)	(23,026)	–	–

b) Foreign Currency Risk

The Consolidated Entity transacts predominantly in Australian dollars and therefore does not participate in the use of derivative financial instruments. Minor exposure to foreign exchange transactions may occur as a result of the Consolidated Entity's activities in other jurisdictions arising from variations in the Australian exchange rate.

The impact of these foreign exchange differences is not material, therefore the Consolidated Entity considers there is no material foreign exchange risk at present.

c) Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

d) Liquidity risk

The responsibility for liquidity risk management rests with the Board of Directors. The Consolidated Entity manages liquidity risk by maintaining sufficient cash to meet the operating requirements of the business and investing excess funds in highly liquid, high security short term investments.

The Consolidated Entity's liquidity needs can be met through a variety of sources, including cash generated from operations and issue of equity instruments.

The following table details the Consolidated Entity's non-derivative financial instruments according to their contractual maturities. The amounts disclosed are based on contractual undiscounted cash flows.

	Less than 6 months $	6 months to 12 months $	1 to 2 Years $	Greater than 2 Years $
Consolidated entity at 30 June 2016				
Trade and other payables	376,684	–	–	–
Consolidated entity at 30 June 2015				
Trade and other payables	458,030	–	–	–

e) Capital Risk Management

Capital is defined as contributed equity of $32,861,410 (2015: $29,506,465).

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

In order to maintain or adjust the capital structure, the entity may adjust the amount of dividends paid to shareholders, issue new shares, enter into joint ventures or sell assets.

The entity does not have a defined share buy-back plan.

No dividends were paid in 2016 and no dividends are expected to be paid in 2017.

The Consolidated Entity is not subject to any externally imposed capital requirements.

27. Commitments

Estimated commitments for which no provisions were included in the financial statements are as follows:

Consolidated	2016 $	2015 $
(a) Operating Lease Commitments		
Not later than one year	94,099	361,880
Later than one year and not later than five years	–	485,512
Total minimum lease payments	**94,099**	**847,392**

The lease commitment is for the lease of Decimal's offices in Perth. The Sydney office lease has been assigned from 1 July 2016.

28. Contingent Liabilities and Contingent Assets

Contingent liabilities

The Consolidated Entity previously had operations in foreign jurisdictions. Some of the transactions in these foreign jurisdictions are subject to calculations and determinations which require a considerable amount of judgement and an understanding of the various legislation.

During the period under review the Consolidated Entity settled a potential exposure by giving up its historical rights under the original agreement in lieu of any future exposure.

Contingent assets

In February 2013, Decimal Software sold its Coolimba power project to Westgen Pty Ltd. Under the terms of the agreement Decimal Software will receive a payment of $1 million if financial close is achieved to construct a coal or gas project under the Coolimba project approvals. No value has been placed on the contingent consideration of $1 million as the Company is unable to assess the probability, if any of the amount receivable in the future.

29. Significant Events after Balance Date

There have been no significant events from 30 June 2016 until the date of this report

30. Auditor's Remuneration

Consolidated	2016 $	2015 $
The auditor of Decimal Software is Ernst & Young. Amounts received or due and receivable by Ernst & Young (Australia) for:		
An audit or review of the financial report of the Company and any other entity in the consolidated group	67,418	66,052
Other services in relation to the entity and any other Company in the consolidated group for tax compliance and advisory services	51,469	37,114
	118,887	**103,166**

Directors' Declaration

In accordance with a resolution of the directors of Decimal Software Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

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

(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, subject to the achievement of the matters set out in Note 2(a);

(d) 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 year ended 30 June 2016.

On behalf of the Board

Nic Pollock

Chief Executive Officer and Director

Perth 30 September 2016

Independent Auditors Report

EY
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Independent auditor's report to the members of Decimal Software Limited

Report on the financial report

We have audited the accompanying financial report of Decimal Software Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2a, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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Opinion

In our opinion:

a. the financial report of Decimal Software Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in note 2a.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2a in the financial report which describes the conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the remuneration report

We have audited the Remuneration Report included in pages 18 to 27 of the directors' report for the year ended 30 June 2016. 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 respon sibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Decimal Software Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

T G Dachs
Partner
Perth
30 September 2016

Corporate governance statement

The Board of Directors of Decimal Software Limited ("Decimal") is responsible for its corporate governance, that is, the system by which the Group is managed. This statement outlines the main corporate governance practices in place during the financial year, which comply with the ASX Corporate Governance recommendations unless otherwise stated.

1. Board of directors

Role of the Board and Management

The Board represents shareholders' interests in ensuring a successful business, which seeks to optimise medium to long-term financial gains for shareholders. By not focusing on short-term gains for shareholders, the Board believes that this will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

The Board is responsible to oversee that the Group is managed in such a way to best achieve this desired result. Given the current size and operations of the business, the Board currently undertakes an active, not passive role.

The Board is responsible for evaluating and setting the strategic directions for the Group, establishing goals for senior management and monitoring the achievement of these goals. Senior management is responsible to the Board for the operation and administration of the Group.

The Board is responsible for:

- approving the Company's strategic and operating objectives and monitoring the implementation by senior management;
- reviewing and ratifying the Company's financial position, systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestments;
- approving the appointment and remuneration of directors and reviewing their performance;
- evaluating the performance of the CEO and setting the basis for determining corporate remuneration bases;
- ensuring that policies and procedures in place are consistent with the Company's objectives; and
- monitoring that the Company and its officers act legally, ethically and responsibly in all matters.

The Board's role and the Group's corporate governance practices are being continually reviewed and improved as required.

Composition of the Board

The Company has the following Board members at the date of this report:

Mr Mark Potts
Independent Chairman
Appointed 14 June 2016

Mr Nic Pollock
Executive Director
Appointed 1 February 2016

Mr Gary Cox
Independent Director
Appointed 1 December 2015

Mr Jan Kolbusz
Executive Director
Appointed 11 April 2014

Details of the directors, including their qualifications, experience and date of appointment are set out in the Directors' Report.

The Company's Constitution provides that the number of directors shall not be less than three and not more than ten. There is no requirement for any shareholding qualification.

The Board has assessed the independence status of the directors and has determined that there is two independent directors, being Messrs Potts and Cox.

The Board has followed the ASX Corporate Governance Principles and Recommendations when assessing the independence of the directors, which define an independent director to be a director who:

- is non-executive;
- is not a substantial shareholder (i.e. greater than 5%) of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Group member, or been a director after ceasing to hold such employment;
- within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company or another Group member;
- is not a significant supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a significant supplier or customer;
- has no material contractual relationship with the Company or another Group member other than as a director of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative basis. An amount which is greater than five percent of either the net assets of the Company or an individual director's net worth is considered material for these purposes.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the appointment and further expense of additional independent Non-Executive Directors. The Board believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues. It is however noted that Decimal implemented an independent advisory Board during the year

If the Group's activities increase in size, nature and scope, the size of the Board will be reviewed periodically and the optimum number of directors required for the Board to properly perform its responsibilities and functions will be appointed.

The membership of the Board, its activities and composition is subject to periodic review to ensure an appropriate mix of expertise and experience. The criteria for determining the identification and appointment of a suitable candidate for the Board shall reflect the following skills matrix.

Expertise	Experience
Legal, governance and compliance	Executive leadership
Investor relations	Non-executive background
Corporate finance	Listed companies
Financial and risk management	Financial Services
Corporate strategy	Information technology
Commercial acumen	Growth stage businesses

Before the Board appoints a new Director or puts forward a candidate for election, the Board will ensure that appropriate background checks are undertaken. Directors are initially appointed by the full Board subject to election by shareholders at the next annual general meeting. All material information relevant to a decision on whether or not to elect or re-elect a Director must be provided to security holders in the Notice of Meeting containing the resolution to elect or re-elect a Director. Under the Company's Constitution the tenure of directors is subject to reappointment by shareholders not later than the third anniversary following their last appointment.

Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A chief executive officer may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

The Company Secretary is accountable to the Board, through the Chairman, on all governance matters.

Committees of the Board

Decimal do not currently have an Audit, Nomination or Remuneration Committee.

The Board considers that the Group is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Group's activities and to ensure that it adheres to appropriate ethical standards. As a result, these committees are not currently in place.

The Board has also established a framework for the management of the Group including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds regular meetings to address any general or specific matters as required.

If the Group's activities increase in size, scope and nature, the appointment of separate or special committees will be reviewed by the Board and implemented if appropriate.

Conflicts of Interest

In accordance with the Corporations Act and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. Where the Board believes that a significant conflict exist the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

Independent Professional Advice

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

2. Ethical standards and diversity policy

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all Directors and employees of the Group.

Code of conduct

The Group has implemented a Code of Ethics and Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Group.

The principles of the code are:

- actively promote the highest standards of ethics and integrity in carrying out their duties for the Company;
- disclose any actual or perceived conflicts of interest of a direct or indirect nature of which they become aware and which they believe could compromise in any way the reputation or performance of the Company; and
- respect confidentiality of all information of a confidential nature, which is acquired in the course of the Company's business and their dealings with the Company and not disclose or make improper use of such confidential information to any person unless specific authorisation is given for disclosure or disclosure is legally mandated;
- deal with the Company's customers, suppliers, competitors and each other with the highest level of honesty, fairness and integrity and observe the rule and spirit of the legal and regulatory environment in which the Company operates; and
- protect the assets of the Company to ensure their availability for legitimate business purposes that all corporate opportunities are enjoyed by the Company and that no property, information or position belonging to the Company or opportunity arising from these are used for personal gain or to compete with the Company.

All employees and Directors are expected to:

- respect the law and act in accordance with it;
- respect confidentiality and not misuse Group information, assets or facilities;
- value and maintain professionalism and maintain professional competence;
- avoid real or perceived conflicts of interest and act with objectivity;
- act in the best interests of shareholders;
- by their actions contribute to the Group's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers the public generally and any other third parties; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Ethics and Conduct may face disciplinary action. If an employee suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must report that breach to senior management. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

Diversity Policy

The Company has an approved Diversity Policy. The Company encourages diversity in employment as a means of assuring that the Company has access to an appropriate mix of skills and talents to enable it to conduct its business and achieve the Company's goals in an effective manner.

The Company will promote diversity and foster an environment within the Company that respects diversity in the workplace and promotes equal opportunities for employment and work environment that is free from harassment.

The Board proactively monitor Company performance in meeting the standards and policies outlined in the Diversity Policy. This includes an annual review of the diversity objectives set by the Board, and its progress in achieving them.

At the date of this report Decimal had 4 women employees, which represent 19% of employees.

Dealings in Company Securities

The Company's share trading policy imposes basic trading restrictions on all Directors and employees of the Group. Directors and employees must not:

- deal in the Company's securities on considerations of a short term nature and must also take reasonable steps to prevent any person connected with them from doing the same; and
- deal in any of the Company's securities if they have unpublished price-sensitive information.
- 'Unpublished price sensitive information' is information that:
- is not generally available; and
- if it were generally available, it would, or would be likely to have a significant effect on the price or value of the Company's securities.
- If an employee possesses inside information, the person must not:
- trade in the Company's securities;
- advise others or procure others to trade in the Company's securities; or
- pass on the inside information to others, including colleagues, family or friends, knowing (or where the employee or Director should have reasonably known) that the other persons will use that information to trade in, or procure someone else to trade in, the Company's securities

In addition to the above, Key Management Personnel ('KMP') must obtain clearance from the Chairman before dealing in any securities. The Chairman must seek written approval from two Directors before trading in any securities of the Company. KMP must notify the Company Secretary immediately after they have bought or sold the Company's securities or exercised options. In accordance with the provisions of the Corporations Act and the Listing rules of the ASX, the Company Secretary on behalf of the Directors must advise the ASX of any transactions conducted by Directors in the securities of the Company.

KMP must not deal in the Company's securities during a closed period. A 'closed period' is:

- during the 5 business day period prior to the expected release of
  - a materially price sensitive announcement;
  - introduction of an important new product or service;
  - a possible change in the strategic direction of the company
  - entry or likely entry into or termination of material contracts or other material business arrangements;
  - a capital raising;
  - a target statement for a takeover offer for securities of the Company;
  - a bidder statement for the issue of securities in the company;
  - senior management changes.
- from the 31st of the July until the opening of the first full day of trading after the Company's full year results are released to the ASX;
- from the 31st of January until the opening of the first full day of trading after the Company's half year results are released to the ASX; and

- any other period determined by the Board from time to time to be a closed period.

Breaches of the Securities Trading policy will be subject to disciplinary action, which may include termination of employment.

Interests of Other Stakeholders

The Group's objective is to be a successful technology focussed provider of cloud based software-as-a-service, predominantly to the financial services sector and expanding into other segments and create wealth for shareholders. The Group's operations are subject to various laws and regulations under government legislation. Full compliance with these laws and regulations is regarded as a minimum standard for the Group to achieve.

To assist in meeting its objective, the Group conducts its business within the Code of Ethics and Conduct, as outlined in this section.

3. Disclosure of information

Continuous Disclosure to ASX

The continuous disclosure policy requires all employees and Directors to inform the Chairman or in his absence the Company Secretary of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

Information need not be disclosed if:

- it is not material and a reasonable person would not expect the information to be disclosed, or it is material but due to a specific valid commercial reason is not to be disclosed; and
- the information is confidential; or
- one of the following applies:
  - it would breach a law or regulation to disclose the information;
  - the information concerns an incomplete proposal or negotiation;
  - the information comprises matters of supposition or is insufficiently definite to warrant disclosure;
  - the information is generated for internal management purposes;
  - the information is a trade secret;
  - it would breach a material term of an agreement, to which the Group is a party, to disclose the information;
  - the information is confidential and release of it may benefit the Group's potential competitors.

The Chairman and the Company Secretary is responsible for interpreting and monitoring the Group's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with ASX.

Communication with Shareholders

The Group places considerable importance on effective communications with shareholders.

The Group's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Group. The strategy provides for the use of systems that ensure a regular and timely release of information about the Group to shareholders.

Mechanisms employed include:

- Announcements lodged with ASX;
- ASX Quarterly Cash Flow Reports;
- Half Yearly Report;
- Presentations at the Annual General Meeting/General Meeting's and other forums;

- Annual Report;
- Conferences and Investor Briefings; and
- Decimal Software's website which will include all reports, ASX and media releases and copies of significant business presentations.

Shareholders can also communicate electronically with Decimal's share registry Computershare Investor Services Pty Ltd on all shareholder related matters via web.queries@computershare.com.au or via telephone on 1300 557 010.

Furthermore, shareholders can communicate directly with the Group through email via enquiries@decimal.com.au and telephone via 1300 220 799.

The Board encourages full participation of shareholders at the Annual General Meeting ("AGM") and General Meetings to ensure a high level of accountability and understanding of the Group's strategy and goals.

Those shareholders who are unable to attend can appoint a proxy who will vote on their behalf. The results of voting at the AGM will be lodged with ASX as soon as possible after the AGM and also published on the Group's website.

4. Risk management and internal control

Approach to Risk Management and Internal Control

The identification and effective management of risk, including calculated risk-taking, is viewed as an essential part of the Company's approach to creating long-term shareholder value.

The Group operates a standardised risk management process that provides a consistent framework for the identification, assessment, monitoring and management of material business risks. This process is based on the Australian/New Zealand Standard for Risk Management (AS/NZS 4360 Risk Management) control framework for enterprise risk management.

Strategic and operational risks are reviewed at least annually as part of the annual strategic planning, business planning, forecasting and budgeting process and other risks on a regular basis.

The Group has developed a series of operational risks which the Group believes to be inherent in the industry in which the Group operates having regard to the Group's circumstances (including financial resources, prospects and size). These include:

- protection of intellectual property;
- government policies and legislation;
- retention of key employees;
- new market entrants or technological developments; and
- macro-economic environment

These risk areas are provided to assist investors to understand better the nature of the risks faced by our Group and the industry in which the Group operates. They are not necessarily an exhaustive list.

The Group does not have material exposure to environmental and social sustainability risks.

Risk Management Roles and Responsibilities

Senior management is responsible for designing, implementing and reporting on the adequacy of the Group's risk management and internal control system. Senior management reports regularly to the Board on the Group's key risks and the extent to which it believes these risks are being managed.

The Board is responsible for reviewing and approving the Group's risk management and internal control system and satisfying itself annually, or more frequently if required, that senior management has developed and implemented a sound system of risk management and internal control. The Board reviewed its risk management during the financial year ended June 2016 and have confirmed it is operating effectively.

Integrity of Financial Reporting

The Board also receives a written assurance from the Chief Executive Officer (which is also a director) and the Head of Finance that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

The Board notes that due to its nature, internal control assurance from the Chief Executive Officer and Head of Finance can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

Internal Audit

The Group does not have an independent internal audit function. The Company Secretary and senior management are responsible for improving the effectiveness of the company's risk management and internal control processes which is monitored by the Board.

The Company Secretary and senior management have full access to all functions, records, property and personnel of the Group in discharging their duties.

Role of External Auditor

The Group's auditor is obliged to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

5. Performance review

The Board has adopted a self-evaluation process to measure its own performance on a regular basis. Reviews are also undertaken frequently in relation to the composition and skills mix of the Directors of the Company. The Board reviewed its performance during the financial year ended June 2016.

Arrangements put in place by the Board to monitor the performance of the Group's executives include:

- a review by the Board of the Group's financial performance;
- performance appraisal meetings incorporating analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Group;
- an analysis of the Group's prospects and projects; and
- a review of feedback obtained from third parties, including advisors.

The Board reviewed the performance of its senior executives during the financial year ended June 2016.

6. Remuneration arrangements

The broad remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board believes that the best way to achieve this objective is to provide executives with a remuneration package consisting of fixed components that reflect the person's responsibilities, duties and personal performance.

In addition to the above, the Group has developed a limited equity-based remuneration arrangement for executives. The plan rules prohibit participants entering into transactions which limit the economic risk of participating in the scheme.

The remuneration of Non-Executive Directors is determined by the Board as a whole having regard to the level of fees paid to non-executive directors by other companies of similar size in the industry.

The aggregate amount payable to the Company's Non-Executive Directors must not exceed the maximum annual amount of $200,000 approved by the Company's shareholders in 2002.

Compliance with ASX corporate governance recommendations

During the 2016 financial year, the Company complied with the ASX Principles and Recommendations other than in relation to the matters specified below:

Recommendation	Notification of departure	Explanation for departure
Recommendation 2.1-A The board should establish a nomination committee.	A separate nomination committee has not been established.	The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification of attributes required in new Directors.
Recommendation 2.4 A majority of the board should be independent directors.	A majority of the Board members are not independent Directors.	Only 2 of the 4 Directors are considered to be independent, being Messrs Mark Potts and Gary Cox. The Board believes that the individuals on the Board are able to make, and do make, quality and independent judgements in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic. The Board has also established an Advisory Board during the financial year
Recommendation 2.6 The board should have a program for inducting new directors and provide professional development opportunities for directors.	A formal induction and development plan has not been introduced.	The Board considers that the Company is not currently of a size where a formal induction and development program for Directors is necessary. All directors are encouraged and supported to continue their professional development and maintain their skills and knowledge in order to perform their roles effectively.
Recommendation 4.1 The board should establish an audit committee and have a formal audit committee charter.	A separate audit committee has not been formed and there is not an audit committee operating charter.	The Board considers that the Company is not currently of a size and nor are its financial affairs of such complexity so as to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operations of the internal control systems.
Recommendation 7.1 The board should establish a committee to oversee risk.	A separate risk committee has not been formed.	The Board considers that the Company is not currently of a size nor are its financial affairs of such complexity to justify the formation of a risk committee. Senior management is responsible for designing, implementing and reporting on the adequacy of the Group's risk management and internal control system. Senior management reports regularly to the Board on the Group's key risks and the extent to which it believes these risks are being managed.
Recommendation 8.1 The board should establish a remuneration committee.	A separate remuneration committee has not been formed.	The Board considers that the Company is not currently of a size nor are its financial affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for directors and executives of the Company.

As the Company's activities change in size, scope and/or nature, the Company's corporate governance principles will be reviewed by the Board and amended as appropriate.

Further details of the Company's corporate governance policies and practices are available on the Company's website at **www.decimal.com.au.**

Additional ASX information

The shareholder information set out below was applicable as at 14 September 2016.

1. Twenty largest holders of listed securities

The names of the twenty largest holders of listed securities are set out below:

	Name	Number of Ordinary Shares	Percentage of Ordinary Shares
1	Piperlake Pty Ltd<Sertorio Family A/C>	31,937,190	13.92
2	Magaurite Pty Ltd<The Peter Nelson Superannuation Fund A/C>	12,733,389	5.55
3	Swivelthree Pty Ltd<Kolbusz Investment A/C>	9,987,433	4.35
4	Intag Pty Ltd<The Begley Family A/C>	9,289,162	4.05
5	National Nominees Limited	8,457,156	3.89
6	Arredo Pty Ltd	7,000,000	3.05
7	Coast Equity Pty Ltd<The Coast Investment A/C>	5,125,334	2.23
8	Citicorp Nominees Pty Limited	4,818,288	2.10
9	DRFT Management Pty Ltd	4,190,000	1.83
10	Marford Group Pty Ltd	3,419,790	1.49
11	Morgan Stanley Australia Securities(Nominee) Pty Limited	3,336,667	1.45
12	Helmet Nominees Pty Ltd<Tim Weir Family Fund A/C>	3,100,001	1.35
13	Mr Ram Shanker Kangatharan	2,977,334	1.30
14	Mr Grant Michael Roberts	2,775,000	1.21
15	Brevmar Pty Ltd <Glen Invst S/F A/C>	2,004,673	0.87
16	Yabby Investments Pty Ltd The Steven Gilbert Family A/C	2,000,000	0.87
17	Mr Peter Leuzzi	1,829,345	0.80
18	Coast Equity Pty Ltd<The Coast Investment A/C>	1,761,561	0.77
19	Jetosea Pty Limited	1,758,334	0.77
20	Chellit Pty Ltd < The Madmit A/C	1,700,000	0.74
	Total Top 20	**120,200,557**	**52.38**
	Others	**109,297,967**	**47.62**
	Total Ordinary shares on issue	**229,498,524**	**100.00**

2. Restricted securities

The Company have no restricted securities as at the date of this report.

3. Distribution of equity securities

Analysis of number of holders by size of holding:

Distribution	Number of shareholders	Number of Ordinary Shares
1 - 1,000	777	312,612
1,001 - 5,000	500	1,248,632
5,001 - 10,000	166	1,291,103
10,001 - 100,000	216	16,654,333
100,001 and over	145	209,991,844
	2,076	**229,498,524**

4. On market buy back

The number of shareholders with less than a marketable parcel is 1,467

5. Voting rights

See Note 18 of the Notes to the Financial Statements.

6. Substantial shareholders

The number of shares held by substantial shareholders and their associates is set out below:

Name	Number of Ordinary Shares
Piperlake Pty Ltd<Sertorio Family A/C>*	32,937,190
Magaurite Pty Ltd<The Peter Nelson Superannuation Fund A/C*	13,750,056
Swivelthree Pty Ltd<Kolbusz Investment A/C>*	12,571,032

* Have multiple holdings in Decimal Software Limited

7. Unquoted securities

Holder	$0.345 unlisted options expiring 15 July 2017	$0.40 unlisted options expiring 30 June 2017	$0.50 unlisted options expiring 30 June 2018	$0.60 unlisted options expiring 30 June 2019
Correze Pty Ltd	2,000,000	–	–	–
Arredo Pty Ltd	1,333,334	–	–	–
Blackswan Group Pty Ltd	1,000,000	–	–	–
Jan Kolbusz	–	500,000	500,000	500,000
Carolyn Colley	–	500,000	–	–
Other	2,000,009	166,666	166,666	166,668
Total	**6,333,343**	**1,166,666**	**666,666**	**666,668**
Number of holders	**25**	**5**	**4**	**4**

7. Unquoted securities cont

Holder	$0.12 unlisted options expiring 27Jan 2019	$0.18 unlisted options expiring 23 Nov 2018	$0.35 unlisted options expiring 23 Nov 2019	$0.60 unlisted options expiring 23 Nov 2020
Jan Kolbusz	2,500,000	–	–	–
Gary Cox	500,000	–	–	–
Robert Kirtlan	500,000	–	–	–
Nic Pollock	–	1,333,333	1,333,333	1,333,334
Total	**3,500,000**	**1,333,333**	**1,333,333**	**1,333,334**
Number of holders	**3**	**1**	**1**	**1**

Holder	$0.15 unlisted options expiring 24 March 2019	$0.35 unlisted options expiring 24 March 2020	$0.60 unlisted options expiring 24 March 2021	$0.12 unlisted options expiring 8 Sept 2019	$0.24 unlisted options expiring 8 Sept 2020
Stewart Cochrane	333,333	333,333	333,334	–	–
Universal Solutions	–	–	–	250,000	250,000
Total	**333,333**	**333,333**	**333,334**	**250,000**	**250,000**
Number of holders	**1**	**1**	**1**	**1**	**1**

8. ON MARKET BUY BACK

There is currently no on-market buy-back program for any of Decimal Software Limited's listed securities.


BUDGET