

Tuesday, 31 October 2017

Decimal Quarterly Report and Update – Q1 2018

HIGHLIGHTS

- **31% growth YoY Annual Recurring Revenue (ARR)**
- **30% further reduction in annual operating expenses**
- **Major diversified financial services firm goes live with Eqilize trial**
- **Mercer signs Guild Super and Child Care Super to Eqilize offering**
- **Strategic partnership MOU signed with UK-based AHC**
- **R&D rebate and financing secured**

Decimal Software Limited (ASX: DSX; “Decimal” or “the Company”) is pleased to provide this update on its financial and operational performance for the quarter ended 30 September 2017.

Appendix 4C quarterly cash flow report follows this update.

1. OPERATIONAL UPDATE

Decimal is continuing to focus on its core markets in Australian superannuation and banking, and is currently delivering several key projects across those sectors including the recent go live of a paid pilot with one of Australia’s largest diversified banking and financial services enterprises.

Annual Recurring Revenue (ARR) streams were steady for the quarter, with the year-on-year (YoY) revenue growing by 31 per cent, while quarterly revenue reduced in the first quarter due to lower professional services demand.

Due to the maturity of the Decimal product and reduced development overhead, Decimal was able to further reduce annual expenditures by 30 per cent.

Decimal also finalised its R&D rebate of \$1,170m due November including immediate draw down facilities.

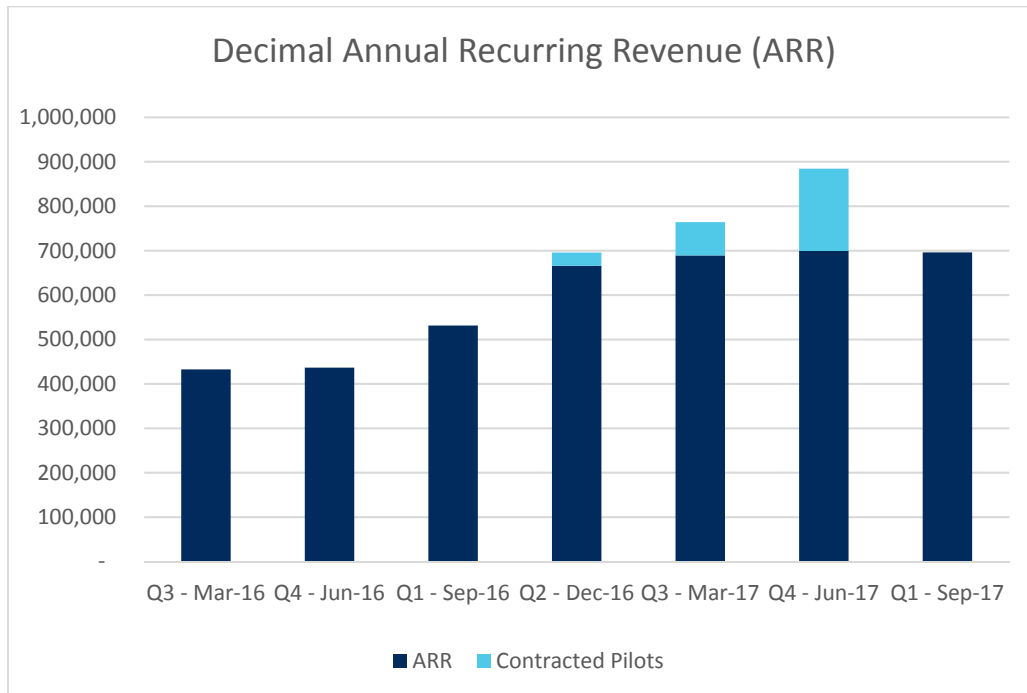
Decimal continues to make progress with key strategic partnerships. A partnership was signed with UK-based AHC and Mercer have finalised an agreement with Guild Super and Child Care Super to leverage Mercer’s Eqilize offering as part of their leading digital offering.

2. ARR AND REVENUE

Decimal’s ARR continued to grow with an increase of 31 per cent for YoY to \$695,740 as the end of Q1 2018. This is exclusive of the contracted pilots in delivery.

Total revenue for the quarter was \$247,458 which is a reduction of 27 per cent from Q4 2017 due to reduced demand for variable professional services.

Several customer pilots are now live and we continue to focus on transferring those to Annual Recurring Revenue (ARR) in this fiscal year.



3. 30 PER CENT REDUCTION IN ANNUAL OPERATING EXPENSES

The Company continues to review and reduce its operating expenses. During the quarter, a 12 per cent saving in expenses was achieved compared to Q4 2017.

During the quarter the Decimal Board approved the budget which resulted in a further annualised 30 per cent reduction in annual operating expenses.

4. STRATEGIC PARTNERSHIP MOU SIGNED WITH UK-BASED AHC

Decimal further strengthened its strategic partnerships with a MOU agreement signed with UK-based AHC in September 2017.

AHC is one of Britain's and Australia's leading creative communications consultancies focussed on the financial services market.

As a global leader in calculator development AHC is able to connect super customers with the appropriate tools to educate and help them plan for the future.

AHC have delivered calculators to over 20 superannuation and financial services organisations in Australia alone, and will integrate with Decimal's Equilize digital advice offering.

AHC is also a major supplier of calculators and engagement tools to the UK pension funds.

5. R&D REBATE AND R&D FINANCING SECURED

Shareholders should note that 45.1 per cent of cash spent on payments to suppliers and employees (\$5,958,218) in the 12-month period to June 2017 was attributable to eligible research and development (R&D).

Total eligible R&D deductions of \$2,691,120 (45.1 per cent of \$5,958,218) attracted a refundable R&D tax offset of \$1,170,637. The tax offset is 43.5 per cent of eligible R&D deductions.

The Company anticipates that this refundable R&D tax offset from the Australian Taxation Office will be received in November 2017.

In advance of the refundable R&D tax offset, the Company has secured a \$600,000 facility with Rocking Horse Nominees Pty Ltd that will be repaid when the tax offset is received. The funds are being applied to working capital for the Company.

As at the date of this report, the Company has drawn \$450,000 of the facility.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

DECIMAL SOFTWARE LIMITED

ABN

31 009 235 956

Quarter ended ("current quarter")

30 SEPTEMBER 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	222	222
1.2 Payments for		
(a) research and development	(558)	(558)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(139)	(139)
(d) leased assets	-	-
(e) staff costs	(512)	(512)
(f) administration and corporate costs	(170)	(170)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	5
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,152)	(1,152)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	450	450
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	(6)	(6)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	(14)	(14)
3.10 Net cash from / (used in) financing activities	430	430

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,226	1,226
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,152)	(1,158)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	430	430

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	504	504

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	464	1,544
5.2	Call deposits	40	1,045
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	504	2,589

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
229
Not applicable

6.1 includes payout of annual leave to Mr Jan Kolbusz during the quarter of \$74,500.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	600,000	450,000
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

The Company has a \$600,000 facility with Rocking Horse Nominees Pty Ltd to 19 December 2017. The interest rate is 1.25% per month and the facility is secured against the Company's R&D Rebate that is expected from the ATO in November 2017.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	535
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	77
9.4 Leased assets	-
9.5 Staff costs	422
9.6 Administration and corporate costs	232
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	1,266

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



David Gardner
Company Secretary

31 October 2017

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.