

18 April 2018

Decimal Report and Update – Quarter ending 31 March 2018

- ✓ **Total Revenue for the quarter increased by 42%**
- ✓ **Annual Recurring Revenue increased by 28% following contract extensions**
- ✓ **Expenses reduced by 17% over the quarter for total annual reduction of 44%**
- ✓ **Increased engagement with strategic partners**
- ✓ **Mobile First platform released with clients now developing roll-out program for balance of calendar year 2018**

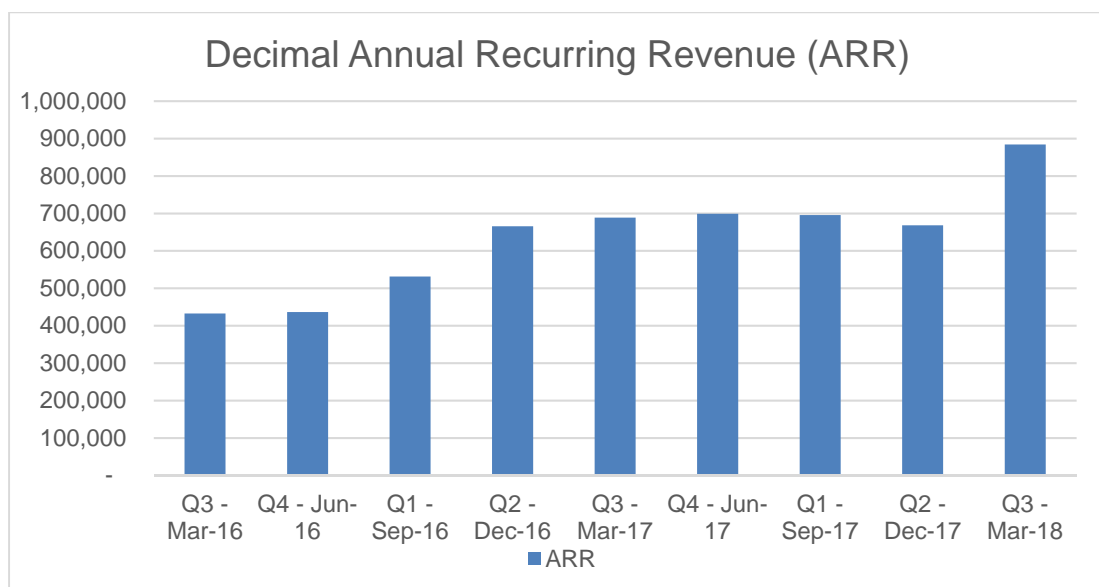
Decimal Software Limited (ASX: DSX; “Decimal” or “the Company”) is pleased to provide this update on its financial and operational performance for the quarter ended 31st March 2018.

Appendix 4C quarterly cash flow report follows this update.

1. REVENUE

Total revenue for the quarter increased by 42% on Q2 to \$297,991 following previously announced contract extensions with key clients and an uptick in professional services revenue related to client growth initiatives.

The Company’s preferred measure, Annual Recurring Revenue (ARR), increased by 28% from Q2 to \$884,130 reflecting a continuing focus on extending the Decimal solution within the existing client base through scope enhancements and contract extensions.



2. EXPENSES

Expenses over the quarter were reduced by 17%, for a total annualised reduction over the last 12 months of 44%. Of particular note is that this reduction has been achieved concurrently with a material uplift in ARR, demonstrating the increasing maturity of the Decimal Platform and the leverage effects available from a Software as a Service (SaaS) model.



The Company does not anticipate further material expense reductions. Our team is focused on supporting the ongoing growth and development of the Decimal Platform with existing customers, and assisting the sales efforts of our direct and partner channels in driving new client opportunities.

3. MARKET ENGAGEMENT

The market for digital advice solutions provides significant long-term potential for technology-led disruption. The Company continues to pursue a number of direct sales opportunities with potential clients, while at the same time accelerating our engagement with strategic partners capable of distributing Decimal's digital advice platform.

The Company's aim is to achieve a step-change in market engagement, driving sales and implementations by leveraging our strategic partners' capabilities. We will also continue to demonstrate technology alignment with components already in place within a clients' existing architecture.

4. OPERATIONS UPDATE

South Australia's industry superannuation fund Statewide Super went live with the release of Decimal's digital advice platform to its 145,531 members. Further releases planned over the rest of 2018 will extend the scope of advice available to members driving further engagement.

QSuper renewed and extended its contract for a further three years. The scope includes Decimal's platform fees as well as potential upside for the provision of SOAs to members that allows for revenue growth over time.

In future the Company will incorporate similar growth metrics in all client contracts so revenues better reflect the success of the Platform in delivering ongoing digital advice services to members.

The Mobile First version of the Decimal platform has been completed with clients now reviewing their adoption and roll-out plans for the balance of 2018.

Damon Watkins replaced Nic Pollock as Decimal CEO. Mr Watkins brings a broad background in financial services, having previously held leadership positions with AMP and Prudential in both the UK and Australia.

5. Corporate

During the quarter, funds of \$867,000 were received by IFM Investors to increase its stake in Decimal to 15 per cent as per previous announcements.

The Company is currently renewing the R&D rebate funding facility to allow draw down during Q4 FY2018. This arrangement is the same as was used previously in 2017 and is provided by Rocking Horse Nominees Pty Ltd (“Rocking Horse”).

The Company is expecting total client receipts during the next two quarters of \$690,000, which along with the expected drawdown of the Rocking Horse facility of \$600,000, will leave the Company with sufficient cash reserves at 30 September 2018 to continue its operations and meet its business objectives.

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")

31 MARCH 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	395	916
1.2 Payments for		
(a) research and development	(363)	(1,404)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(27)	(336)
(d) leased assets	-	-
(e) staff costs	(277)	(1,142)
(f) administration and corporate costs	(167)	(576)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	9
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	1,171
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(436)	(1,362)
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 (9 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	867	867
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	(5)	(5)
3.5 Proceeds from borrowings	-	600
3.6 Repayment of borrowings	-	(600)
3.7 Transaction costs related to loans and borrowings	-	(6)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	(14)	(48)
3.10 Net cash from / (used in) financing activities	(848)	808

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	260	1,226
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(436)	(1,362)
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)	848	808

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	672	672

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	632	220
5.2	Call deposits	40	40
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)	672	260

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
72
Not applicable

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	-	-
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 is currently negotiating a facility with Rocking Horse Nominees Pty Ltd secured against the Company's R&D Rebate that is expected from the ATO in November 2018. The facility is expected to be \$600,000.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	428
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	8
9.4 Leased assets	-
9.5 Staff costs	275
9.6 Administration and corporate costs	249
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	960

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

18 April 2018

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.