

## Decimal Software Quarterly Report and Update

### Highlights

- **New Chairman appointment strengthens global enterprise market expertise**
- **New Advisory board member boosts local banking and compliance expertise**
- **MoU signed with global professional services firm**
- **Eqilize launched to superannuation market**
- **Decimal tops ratings for superannuation scaled advice applications**
- **Cash position remains strong, bolstered by R&D rebate in Q4 2016**

Decimal Software Limited (ASX:DSX; “Decimal” or “the Company”) is pleased to report on performance for the quarter ended 30 June 2016.

### Operational Update

Another busy quarter has concluded for Decimal with a number of key appointments, the launch of the Eqilize solution to market and the signing of a Memorandum of Understanding (MoU) with a global professional services firm.

In June, the Company announced the appointment of Mr Mark Potts as non-executive chairman. Mr Potts brings significant enterprise software and financial sector experience to Decimal, having led a distinguished 25-year career in Australia and the US. He currently holds the position of Vice President and Chief Technology Officer for Corporate Strategy with Hewlett-Packard Enterprise.

Decimal has also made its first appointment to a planned advisory board, announcing risk management, governance and technology expert Glenn Mescher as the first member. The advisory board will provide expertise on industry disruption and trends while continuing to grow opportunities for Decimal’s digital advice offering.

Earlier in the quarter, Decimal signed an MoU with a leading global professional services firm which will boost penetration into tier one banks internationally. Decimal and its new partner are currently working on a number of joint sales activities which will be announced in the near future.

Eqilize, the Company’s solution targeted at superannuation providers and those firms seeking quick-to-market solutions, was launched to industry in May. A panel consisting of key clients and industry thought leaders discussed the drivers for digital advice alongside traditional services. The event was very well attended and has already driven significant sales activity.

The Company’s active and pending projects are progressing well. Mercer has launched its Decimal solution for its 170 client super funds which ultimately can reach more than one million customers. The latest round of development for QSuper is nearing completion. We announced the signing of a contract with Energy Super at the end of last quarter and the implementation team is busy delivering that project.

Decimal’s sales pipeline continues to grow. For organisations looking at digital advice solutions, there are obviously many decision criteria and the sales lifecycle is consequently long. But so is the ongoing relationship between vendor and client and we look forward to announcing a number of significant deals over the coming months.

**DECIMAL SOFTWARE  
LIMITED**

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Phone: 1300 220 799 Fax: +61 8 6389 1977  
ACN: 009 235 956

## **New Chairman and advisory board appointments strengthen fintech expertise**

A key aspect of Decimal's strategic plan as the Company moved from development to major market growth was to add targeted expertise to the Board.

That plan was realised with the appointment of Mr Mark Potts as Decimal's new non-executive chairman recently. Mr Potts has had a distinguished 25-year career in Australia and the US, working 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.

"The global appetite for digital advice is growing rapidly, particularly in the enterprise space as banks and financial institutions look for appropriate solutions to bolster their offerings to customers," Mr Potts said.

Mr Potts also announced that Decimal would set up an advisory board to provide expertise on industry disruption and trends while continuing to grow opportunities for its digital advice offering.

That plan was initiated with the appointment of risk management, governance and technology expert Glenn Mescher to the Advisory Board in June.

Mr Mescher was formerly Executive General Manager for Regulatory Relations, Compliance and Operational Risk, and prior to that CIO, at NAB, and will provide strategic counsel, experience and an intimate understanding of the issues that drive digital advice decisions in the industry.

He currently works with global financial services consulting firm Promontory Financial Group and sits on the sub-board committees for several non-for-profit organisations including the Red Cross and Victorian State Library.

"Glenn's proven expertise and insights into new business opportunities will ensure Decimal has optimum market advantage now and into the future," Mr Potts said.

"His appointment will add more depth to our already deep compliance framework that provides our customers with confidence and enables sustainable growth of the company."

## **MoU signed with global professional services firm**

AUSTRALIA'S first enterprise digital advice program was agreed between Decimal and a leading global professional services firm in May.

The Memorandum of Understanding (MOU) signalled a major milestone for Decimal, as it immediately enhanced the Company's sales and delivery capabilities both in Australia and overseas.

CEO Nic Pollock said having the support of a respected international consulting firm added greater exposure to the company's already operational digital enterprise solutions.

"A core focus of the new relationship will be to leverage the international network of tier one banks and financial services companies into joint sales opportunities," Mr Pollock said.

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## **Eqilize launched to superannuation market**

The Eqilize launch event for industry in May was exceptionally well attended by 50 key superannuation and other finance industry professionals as well as journalists.

Attendees were treated to a live customer demonstration of Eqilize in action, as well as an in-depth panel discussion on a range of digital advice topics involving senior representatives from Decimal clients and partners.

Eqilize is the first packaged offering built on the Decimal platform which addresses an identified need in the Australian superannuation industry, albeit not limited to that industry.

It makes it easy for financial institutions wanting to provide digital advice solutions to enter the market with a proven, compliant offering out of the box. It can be rapidly deployed within three months and at a fixed price. Eqilize offers a low-risk start without limiting future expansion or topics.

## **Decimal tops ratings for superannuation scaled advice applications**

The Decimal platform has been rated number one for superannuation scaled advice applications in the annual Investment Trends Planning Software Benchmark Report.

Investment Trends is an independent research firm that compiles the report each year to help its clients - including leading banks, investment platform providers, online brokers, margin lenders and industry regulators - prioritise technology and process investments.

Technology analyst Ian Webster said Decimal's partnerships with QSuper and Mercer demonstrated that enterprise grade, intra-fund advice functionality should be deployed alongside super administration platforms.

## **Cash position remains strong**

At 30 June, Decimal had consolidated cash reserves of more than \$2 million. The substantial annual R&D rebate of more than \$1m is expected to be received in Q4 2016, which will further strengthen the cash position along with increased forecast revenues.

Cash outflow from operating activities was \$1.08m for the quarter. Taking into account the R&D rebate, the net cash outflow per month was just over \$250,000. Decimal has therefore continued to maintain its substantial reduction in operating cost compared with the \$680,000 per month for the six months ended 31 December 2015.

During the quarter an agreement to assign the Sydney office lease was concluded effective 1 July. The move further reduces Decimal outgoings by approximately \$25,000 per month. In addition the release of a bank guarantee will lead to a net cash inflow of more than \$140,000 during the September quarter.

Marketing costs increased during the quarter as a necessary requirement to grow Decimal's pipeline of opportunities.

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# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

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

Name of entity

DECIMAL SOFTWARE LIMITED

ABN

31 009 235 956

Quarter ended

30 JUNE 2016

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	198	796
1.2 Payments for (a) staff and director costs	(727)	(4,209)
(b) advertising and marketing	(157)	(269)
(c) research and development	-	-
(d) leased assets	-	-
(e) other working capital	(419)	(2,005)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	18	62
1.5 Interest and other costs of finance paid	-	-
1.6 R&D rebate received	-	1,780
1.7 Other: -Payments in respect of restructuring	-	(383)
<b>Net operating cash flows</b>	<b>(1,087)</b>	<b>(4,228)</b>

+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	(1,087)	(4,228)
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses(see note in section 5.3)	-	-
(b) bank guarantees	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	(1)
(e) other non-current assets	-	(18)
(f) deposit repaid	-	3
1.10 Proceeds from disposal of:		
(a) businesses	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	2	11
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	37
1.13 Other	-	-
<b>Net investing cash flows</b>	2	32
<b>1.14 Total operating and investing cash flows</b>	(1,085)	(4,196)
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	(28)*	3,323
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Reduction of capital payment	-	-
1.19 Dividends paid	-	-
1.20 Other – Convertible notes repaid	-	-
<b>Net financing cash flows</b>	(28)	3,323
<b>Net decrease in cash held</b>	(1,113)	(873)
1.21 Cash at beginning of quarter/year to date	3,118	2,878
1.22 Exchange rate adjustments to item 1.21	-	-
<b>1.23 Cash at end of quarter*</b>	2,005	2,005

\*-Relates to ASX fees when restricted shares were released from escrow-refer ASX announcements on 1 April 2016 and 18 April 2016

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	146
1.25	Aggregate amount of loans to the parties included in item 1.11	Nil
1.26	Explanation necessary for an understanding of the transactions	

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not applicable

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Not applicable

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Convertible Note Facility	-	-

+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	705	1,118
4.2 Deposits at call	1,300	2,000
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.23)*</b>	<b>2,005</b>	<b>3,118</b>

**Acquisitions and disposals of business entities**

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	Not applicable	Not applicable
5.2 Place of incorporation or registration	Not applicable	Not applicable
5.3 Consideration for acquisition or disposal	Not applicable	Not applicable
5.4 Total net assets	Not applicable	Not applicable
5.5 Nature of business	Not applicable	Not applicable

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act.
- 2 This statement does give a true and fair view of the matters disclosed.



Date: 29 July 2016  
 Stef Weber  
 Company secretary

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## 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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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