

## Decimal Software Quarterly Report and Update

### Highlights

- **Statewide Super signs Decimal to provide digital advice**
- **Energy Super goes-live with rollout of Decimal's *Eqilize* solution**
- **Decimal's Funds Under Advice (FUA) grows to A\$4.8 billion**
- **ASIC strengthens compliance regulations for digital advice industry**
- **Proceeds from customers up 53 per cent**

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

### Operational Update

During the quarter, Decimal strengthened its client base and operations following an important client win and the roll-out of Decimal's *Eqilize* solution with new client, Energy Super.

South Australia's largest superannuation fund, Statewide Super ("Statewide"), selected *Eqilize* to provide digital financial advice for its customers. The contract demonstrates Decimal Software's growing presence among superannuation providers, and follows Energy Super completing the first phase of its *Eqilize* roll-out in September 2016.

Decimal continues to focus on sales and marketing activity in Australia in its core segments of Superannuation, Super Fund administrators, Banking and Mutuals and we have built a strong sales pipeline across Australia.

The value of Decimal's Funds Under Advice (FUA) exceeded A\$4.8 billion at the end of the quarter, a 270 per cent increase from September 2015. The number of Statements of Advice (SoAs) requested by customers has also increased, rising 378 per cent over the same period from 4,379 to 16,579.

Due to the high levels of user activity on Decimal's advice platform, the company's first issue of a new quarterly Digital Data Insights report will be released in November. The report will provide a unique overview of Australia's fast growing adoption of digital financial advice, and in time will become a benchmark for the digital advice industry.

Decimal's cash position remains robust. Proceeds from customers this quarter have increased 53 per cent from the previous quarter, up to A\$303,000.

**DECIMAL SOFTWARE  
LIMITED**

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

## STATEWIDE SUPER SIGNS DECIMAL FOR DIGITAL ADVICE

In October, leading industry superannuation fund Statewide Super selected Decimal's *Eqilize* solution to provide digital financial advice to members.

The three-year agreement will incorporate the Decimal solution into South Australia's largest industry fund as part of an overall member services expansion. Statewide has more than 140,000 members and \$6.5 billion in Funds Under Management (FUM).

Statewide said Decimal's functionality, alignment to its broader strategic objectives and its ability to integrate with other advice channels was central to its decision to use *Eqilize*. The organisation also indicated that Decimal's understanding and compliance with ASIC's recently announced guidelines for digital advice was a key factor.

## ENERGY SUPER GOES LIVE WITH *EQILIZE*

In September, Energy Super went live with the first phase of its rollout of Decimal's *Eqilize* advice solution. Energy Super is a leading provider to energy sector employees in Australia with 48,000 members and \$6.3 billion FUM.

*Eqilize* will complement Energy Super's existing customer services and make financial advice accessible to those that otherwise may not seek it - providing an entry point into financial advice for members who may then go on to arrange face to-face appointments.

Energy Super said research showed its clients preferred to be self-informed and viewed online advice as educational. Decimal's omni-channel solution allow customers to explore various scenarios before deciding how they wish to proceed.

## ASIC REGULATORY GUIDE 255 STRENGTHENS DIGITAL COMPLIANCE

In August, Decimal welcomed the Australian Securities and Investments Commission (ASIC) new regulatory guidelines for providers of digital financial advice.

RG 255 brings together important issues that digital advisers should consider when operating in Australia, including a greater emphasis on compliance requirements.

Decimal believes RG 255 provides strong support for omni-channel advice, which is the use of digital advice alongside other advisory services such as phone or face-to-face meetings. Decimal has invested significantly to ensure robust compliance is at the heart of its digital advice platform.

## A\$4.8 BILLION IN FUNDS UNDER ADVICE, UP 270%

Decimal's new and existing clients continue to increase the value of FUA, with the current value now exceeding A\$4.8 billion, up 270 per cent from A\$1.85 billion in September 2015.

The demand for SoAs requested by customers increased 378 per cent over the same period, from 4379 to 16,579. This demonstrates the growing appetite among users to proactively seek digital financial advice, as well as being indicative of the continuing rollout of Decimal solutions with clients.

## REVENUE MODEL

In line with the growth and changing demands in the digital advice industry, Decimal is actively reviewing different pricing models to ensure flexibility for the varying needs of clients. More information will be released in near future.

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## **DIGITAL DATA INSIGHTS REPORT**

In November Decimal will release its first quarterly Digital Data Insights Report, which analyses the data usage habits of customers from its growing client base. The report highlights interesting trends among superannuation investors regarding age and gender of those seeking digital advice.

Decimal believes the Digital Data Insights Report will provide a benchmark for the digital financial advice industry on usage in the future.

## **CASH POSITION**

At 30 September Decimal had consolidated cash reserves of A\$1.14 million. The R&D rebate for the year ended 30 June 2016 is nearly \$1.5 million and is expected to be received in November.

Cash outflow for the quarter was \$857,000, this compares with the September 2015 quarter that had a cash outflow of \$2,396,000 (before convertible notes). This is a 64% reduction in cash outflow.

The cash outflow for the quarter was also \$256,000 lower than the June quarter. The reduction in cash outflow was a result of the assignment of the Sydney office lease effective 1 July 2016, leading to net proceeds on return of a security deposit of \$146,000. In addition the assignment of the lease reduces monthly outgoings by approximately \$25,000 per month. Proceeds from customers were \$303,000, which is a \$105,000 increase from the previous quarter.

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## 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 2016

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date ( 3months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	303	303
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(124)	(124)
(d) leased assets	-	-
(e) staff costs	(809)	(809)
(f) administration and corporate costs	(386)	(386)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	13	13
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)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,003)</b>	<b>(1,003)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date ( 3months) \$A'000</b>
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.2 Proceeds from disposal of:</b>		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities</b>	-	-
<b>2.4 Dividends received (see note 3)</b>	-	-
<b>2.5 Other (Net proceeds on assignment of Sydney lease)*</b>	146	146
<b>2.6 Net cash from / (used in) investing activities</b>	<b>146</b>	<b>146</b>

\*Decimal's Sydney lease was assigned effective 1 July 2016. This led to a net cash inflow of \$146k which was the proceeds of the security deposit less the rent incentive payment.

<b>3. Cash flows from financing activities</b>		
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	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	2005	2005
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,003)	(1,003)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	146	146
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date ( 3months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>1,148</b>	<b>1,148</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	598	705
5.2	Call deposits	550	1,300
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,148</b>	<b>2,005</b>

**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

<b>Current quarter \$A'000</b>
131
Not applicable

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**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

<b>Current quarter \$A'000</b>
-
-

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8. <b>Financing facilities available</b> <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.		

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9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	115
9.4 Leased assets	-
9.5 Staff costs	820
9.6 Administration and corporate costs	400
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>1,335*</b>

\*Decimal expect to receive R&D proceeds of nearly \$1.5million in November and debtor proceeds that would at least be at similar levels than this September 2016 quarter. These cash inflows are not included in section 9 above

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	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:

Company secretary

Date: 31 October 2016

Print name: Stef Weber

### **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.