

Mach7 Technologies Limited
Appendix 4D
Half-year report

1. Company details

Name of entity: Mach7 Technologies Limited
ABN: 26 007 817 192
Reporting period: For the half-year ended 31 December 2023
Previous period: For the half-year ended 31 December 2022

2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	18.8% to	13,332,313
Loss from ordinary activities after tax attributable to the owners of Mach7 Technologies Limited	up	3454.9% to	(4,634,590)
Loss for the half-year attributable to the owners of Mach7 Technologies Limited	up	3454.9% to	(4,634,590)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the consolidated entity after providing for income tax amounted to \$4,634,590 (31 December 2022: \$130,371).

Please refer to the "Operating and Financial Review" in the Directors' Report for a detailed explanation and analysis of the Group's performance for the six months ended 31 December 2023.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>9.65</u>	<u>8.22</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half Year Report.

11. Attachments

Details of attachments (if any):

The Half Year Report of Mach7 Technologies Limited for the half-year ended 31 December 2023 is attached.

12. Signed



Signed _____

Date: 29 February 2024

Robert Bazzani
Chairman
Melbourne

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Mach7 Technologies Limited

ABN 26 007 817 192

Half Year Report - 31 December 2023

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Mach7 Technologies Limited
Directors' report
31 December 2023

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Mach7 Technologies Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2023.

Directors

The following persons were Directors of the Company during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mr Robert Bazzani - Chairman (Independent Non-Executive Director until 16 November 2023 and appointed Chairman effective 16 November 2023)
Mr Eliot Seigel, MD - Independent Non-Executive Director
Mr Michael Lampron - Managing Director and Chief Executive Officer
Ms Rebecca Thompson - Independent Non-Executive Director (Appointed effective 16 November 2023)
Mr David Chambers - Chairman (Resigned effective 16 November 2023)
Mr Philippe Houssiau - Independent Non-Executive Director (Resigned effective 16 November 2023)

Principal activities

The principal activity of the Company is the development and commercialisation of medical imaging and data management software solutions for global healthcare enterprises.

Operating and financial review

Financial position

At 31 December 2023, the Group reported net current assets of \$19.12 million (30 June 2023: \$20.06 million), which includes cash on hand of \$22.73 million (30 June 2023: \$23.39 million) and customer contract assets of \$3.25 million (30 June 2023: \$3.89 million).

Review of operations

Revenue from continuing operations

Revenue recognised for the current reporting period was \$13.33 million (half-year 31 December 2022: \$16.41 million).

The Group has reported a record \$49.5 million in sales orders (total contract value) for this half-year of which 87% is related to Subscription and Support and Maintenance sales as customers increasingly opt for the Subscription rather than Capital model. The ongoing transition to a predominantly subscription model will ultimately result in higher quality recurring revenue which will provide greater predictability and less volatility around future earnings and cash. However, there will be a short-term revenue impact due to the 12-to-18-month lag between signing a sales order and the achievement of First Productive Use which is when the recurring revenue from Subscription orders can start being recognised.

As a result, Group revenue has decreased by \$3.08 million (19%) compared to the previous corresponding period ("PCP"). Recurring revenue which is comprised of Subscription revenue and Support and Maintenance revenue increased by 21% on PCP to \$9.89 million for the half-year. Software license revenue which represents capital software sales orders that are generally contracted over a 5-year term was \$1.73 million for the half-year, a decline of \$5.42 million compared to PCP as customers moved away from capital licences. Professional Services revenue for the half-year was \$1.71 million, a 55% increase compared to PCP.

Sales orders continue to be the best measure of Mach7's financial progress as the timing of cash receipts and revenue can be affected by contract milestones, revenue recognition rules and the mix of Capital and Subscription agreements.

Mach7 Technologies Limited
Directors' report
31 December 2023

The table below provides a breakdown of revenue recognised by product/service (table 1):

	31 December 2023	31 December 2022	Change	Change
	\$	\$	\$	%
Subscription revenue*	3,993,550	3,201,485	792,065	25%
Support and maintenance revenue	5,900,389	4,959,543	940,846	19%
Total recurring revenue	<u>9,893,939</u>	<u>8,161,028</u>	<u>1,732,911</u>	21%
Software license revenue*	1,730,970	7,150,020	(5,419,050)	(76%)
Professional service revenue**	<u>1,707,404</u>	<u>1,101,692</u>	<u>605,712</u>	55%
	<u><u>13,332,313</u></u>	<u><u>16,412,740</u></u>	<u><u>(3,080,427)</u></u>	(19%)

* Subscription and software licence revenue above comprises the total software licence revenue amounting to \$5,724,520 as disclosed in note 4 to these financial statements.

** Represents combination of implementation & training services and migration services disclosed in note 4 to these financial statements.

Expenses from operations

Operating expenses increased by \$1.16 million or 9%

Despite the first six months of the fiscal year traditionally being the more expensive half for the Company due to the timing of trade shows and other operating expenses, operating expenses increased by 9% reflecting careful cost management (half-year 31 December 2022: increased by 28%).

Operating expenditure (excluding Right-of-use lease liability interest expense, share-based payments expense, foreign exchange (losses)/gains and depreciation & amortisation) is presented in the following table:

	31 December 2023	31 December 2022	Change	Change
	\$	\$	\$	%
Employment and related expenses	11,062,153	9,963,756	1,098,397	11%
Professional fees and corporate expenses	710,523	841,880	(131,357)	(16%)
Marketing and investor relations expenses	508,294	583,091	(74,797)	(13%)
Travel and related expenses	715,971	615,615	100,356	16%
General administration and office expenses	<u>1,139,801</u>	<u>969,048</u>	<u>170,753</u>	18%
	<u><u>14,136,742</u></u>	<u><u>12,973,390</u></u>	<u><u>1,163,352</u></u>	9%

* excluding Right-of-use lease liability interest expense, share-based payments expense, foreign exchange (losses)/gains and depreciation & amortisation.

Profitability

NPATA* of (\$1.25) million

The Group has reported EBITDA (on an adjusted basis) of (\$1.57) million for the half-year (half-year 31 December 2022: \$3.09 million). The decrease in EBITDA (adjusted) is primarily due to the decrease in revenue (down 19% from PCP). This reflects the short-term revenue impact arising from the accelerating transition to a Subscription model and 12-to-18 month delay in the recognition of recurring revenue. This is set out in the table below:

	31 December 2023	31 December 2022	Change	Change
	\$	\$	\$	%
Revenue from contracts with customers	13,332,313	16,412,740	(3,080,427)	(19%)
Distributor and licence fees	(660,667)	(325,255)	(335,412)	103%
Gross Margin	<u>12,671,646</u>	<u>16,087,485</u>	<u>(3,415,839)</u>	<u>(21%)</u>
Operating expenditure	(14,136,742)	(12,973,390)	(1,163,352)	9%
Net foreign exchange (losses)/gains (realised)	(2,553)	74,667	(77,220)	(103%)
Other income/expenses (net)	(108,439)	(95,567)	(12,872)	13%
	<u>(14,247,734)</u>	<u>(12,994,290)</u>	<u>(1,253,444)</u>	<u>10%</u>
EBITDA Adjusted**	(1,576,088)	3,093,195	(4,669,283)	(151%)
Interest income	437,712	49,925	387,787	777%
Net foreign exchange (losses)/gains (unrealised)	(172,371)	36,936	(209,307)	(567%)
Share-based payments expense (non-cash)	(544,171)	262,828	(806,999)	(307%)
Right-of-use lease liability interest expense	(29,986)	(35,287)	5,301	(15%)
Depreciation (non-cash)	(259,845)	(233,740)	(26,105)	11%
Income tax benefit (non-cash)	896,699	1,072,632	(175,933)	(16%)
NPATA	<u>(1,248,050)</u>	<u>4,246,489</u>	<u>(5,494,539)</u>	<u>(129%)</u>
Amortisation (non-cash)	(3,386,540)	(4,376,860)	990,320	(23%)
Loss for the year	<u>(4,634,590)</u>	<u>(130,371)</u>	<u>(4,504,219)</u>	<u>3455%</u>

* NPATA (Net Profit After Tax and before Amortisation) is NPAT adjusted for amortisation of acquired intangibles

** Adjusted EBITDA (Earnings Before Interest, Tax, Depreciation, Amortisation) is EBITDA adjusted for unrealised foreign exchange (losses)/gains and non-cash item share-based payments expense.

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Contingent liability

Mach7 Technologies, Inc., a wholly-owned subsidiary of Mach7 Technologies Limited, received a patent infringement claim from AI Visualize. This case was dismissed by the Federal Court and subsequently AI Visualize filed an appeal. The appeal was heard on 5 October 2023 and a summary judgement is still pending. The Company will continue to strongly defend the matter.

Mach7 Technologies Limited
Directors' report
31 December 2023

Outlook

Mach7's innovative and interoperable products are the foundation of an enterprise imaging strategy that provides both hospital networks and private practices with a consolidated image data management solution with diagnostic image viewing from any location.

Mach7 continues to benefit from market dynamics influencing the adoption of enterprise imaging with buying decisions increasingly being made by the C-suite or CIO for the whole hospital system and outpatient practice or enterprise rather than the radiology department.

The Company is well positioned to take advantage of a highly fragmented market for medical imaging and the ongoing shift in demand from acute to ambulatory settings. The Company has a strong sales pipeline which reflects opportunities with new and existing customers across multiple regions, care settings and product combinations.

The record sales orders achieved in the first half of FY24 reflected the ongoing shift to subscription sales, especially in North America, and a large renewal program which demonstrated strong retention among existing customers. The changing customer preference for subscription licencing is expected to have a short-term revenue impact but will ultimately provide Mach7 with a more predictable and scalable business model.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company during the financial half-year.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' Report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001 (Cth).

On behalf of the Directors



Robert Bazzani
Chairman

29 February 2024

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Mach7 Technologies Limited and its controlled entities for the half year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

**RSM AUSTRALIA PARTNERS****M PARAMESWARAN**

Partner

Dated: 29 February 2024
Melbourne, Victoria

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Mach7 Technologies Limited
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Mach7 Technologies Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023

		Consolidated	
	Note	31 December 2023	31 December 2022
		\$	\$
Revenue from contracts with customers	4	13,332,313	16,412,740
Other income		443,492	55,409
Expenses			
Employment and related expenses		(11,062,153)	(9,963,756)
Depreciation and amortisation		(3,646,385)	(4,610,600)
Professional fees and corporate expenses		(710,523)	(841,880)
General administration and office expenses		(1,139,801)	(969,048)
Distributor and license fees		(660,667)	(325,255)
Marketing and investor relations expenses		(508,294)	(583,091)
Travel and related expenses		(715,971)	(615,615)
Right-of-use lease liability interest expense		(29,986)	(35,287)
Other expenses		(114,219)	(101,051)
Share-based payments expense (non-cash)		(544,171)	262,828
Net foreign exchange (losses)/gains		(174,924)	111,603
Loss before income tax benefit		(5,531,289)	(1,203,003)
Income tax benefit		896,699	1,072,632
Loss after income tax benefit for the half-year attributable to the owners of Mach7 Technologies Limited		(4,634,590)	(130,371)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(1,146,456)	(794,271)
Other comprehensive income for the half-year, net of tax		(1,146,456)	(794,271)
Total comprehensive income for the half-year attributable to the owners of Mach7 Technologies Limited		(5,781,046)	(924,642)
		Cents	Cents
Basic and diluted earnings per share	5	(1.9)	(0.1)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Mach7 Technologies Limited
Statement of financial position
As at 31 December 2023

		Consolidated	
		31 December	
	Note	2023	30 June 2023
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		22,729,147	23,394,568
Trade and other receivables	6	4,770,999	6,707,403
Customer contract assets	7	3,247,580	3,897,609
Other assets		952,409	890,916
Total current assets		<u>31,700,135</u>	<u>34,890,496</u>
Non-current assets			
Customer contract assets	7	4,290,674	5,005,951
Property, plant and equipment		757,882	815,602
Right-of-use assets		1,028,288	1,181,128
Intangibles	8	31,191,809	35,466,096
Deferred tax asset		4,047,887	4,153,583
Other assets		771,193	793,131
Total non-current assets		<u>42,087,733</u>	<u>47,415,491</u>
Total assets		<u>73,787,868</u>	<u>82,305,987</u>
Liabilities			
Current liabilities			
Trade and other payables		2,439,386	3,397,681
Customer contract liabilities	9	9,925,849	11,223,534
Lease liabilities		213,594	209,614
Total current liabilities		<u>12,578,829</u>	<u>14,830,829</u>
Non-current liabilities			
Lease liabilities		855,356	991,039
Deferred tax liability		5,932,659	7,000,453
Total non-current liabilities		<u>6,788,015</u>	<u>7,991,492</u>
Total liabilities		<u>19,366,844</u>	<u>22,822,321</u>
Net assets		<u>54,421,024</u>	<u>59,483,666</u>
Equity			
Issued capital	10	116,223,871	115,697,098
Reserves		6,019,344	7,312,323
Accumulated losses		<u>(67,822,191)</u>	<u>(63,525,755)</u>
Total equity		<u>54,421,024</u>	<u>59,483,666</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Mach7 Technologies Limited
Statement of changes in equity
For the half-year ended 31 December 2023

Consolidated	Issued Capital \$	Share Based Payment Reserves \$	Foreign Exchange Translation Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2022	115,295,443	4,080,659	2,494,548	(63,495,432)	58,375,218
Loss after income tax benefit for the half-year	-	-	-	(130,371)	(130,371)
Other comprehensive income for the half-year, net of tax	-	-	(794,271)	-	(794,271)
Total comprehensive income for the half-year	-	-	(794,271)	(130,371)	(924,642)
<i>Transactions with owners in their capacity as owners:</i>					
Issue of shares upon exercise of options	184,450	(70,841)	-	-	113,609
Share-based payments (note 15)	-	(262,828)	-	-	(262,828)
Balance at 31 December 2022	<u>115,479,893</u>	<u>3,746,990</u>	<u>1,700,277</u>	<u>(63,625,803)</u>	<u>57,301,357</u>

Consolidated	Issued Capital \$	Share Based Payment Reserves \$	Foreign Exchange Translation Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2023	115,697,098	3,923,857	3,388,466	(63,525,755)	59,483,666
Loss after income tax benefit for the half-year	-	-	-	(4,634,590)	(4,634,590)
Other comprehensive income for the half-year, net of tax	-	-	(1,146,456)	-	(1,146,456)
Total comprehensive income for the half-year	-	-	(1,146,456)	(4,634,590)	(5,781,046)
<i>Transactions with owners in their capacity as owners:</i>					
Issue of shares upon exercise of options	174,233	-	-	-	174,233
Share-based payments (note 15)	-	310,171	-	-	310,171
Transfers upon exercise of options/rights	118,540	(118,540)	-	-	-
Transfers upon lapse of options/rights	-	(338,154)	-	338,154	-
Shares issued as remuneration	234,000	-	-	-	234,000
Balance at 31 December 2023	<u>116,223,871</u>	<u>3,777,334</u>	<u>2,242,010</u>	<u>(67,822,191)</u>	<u>54,421,024</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Mach7 Technologies Limited
Statement of cash flows
For the half-year ended 31 December 2023

	Consolidated	
	31 December 2023	31 December 2022
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	15,481,106	8,947,782
Payments to suppliers (inclusive of GST)	<u>(15,766,904)</u>	<u>(14,226,488)</u>
	(285,798)	(5,278,706)
Interest received	226,044	35,075
Income taxes paid	<u>(133,241)</u>	<u>-</u>
Net cash used in operating activities	<u>(192,995)</u>	<u>(5,243,631)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	<u>(63,483)</u>	<u>(89,893)</u>
Net cash used in investing activities	<u>(63,483)</u>	<u>(89,893)</u>
Cash flows from financing activities		
Proceeds from issue of shares	174,233	113,383
Repayment of lease liabilities	<u>(106,465)</u>	<u>(126,555)</u>
Net cash from/(used in) financing activities	<u>67,768</u>	<u>(13,172)</u>
Net decrease in cash and cash equivalents	(188,710)	(5,346,696)
Cash and cash equivalents at the beginning of the financial half-year	23,394,568	25,747,608
Effects of exchange rate changes on cash and cash equivalents	<u>(476,711)</u>	<u>203,852</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>22,729,147</u></u>	<u><u>20,604,764</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

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Note 1. Corporate information

The financial report of Mach7 Technologies Limited (the “Company” or the “Parent”) for the half-year ended 31 December 2023 was authorised for issue in accordance with a resolution of the Directors on **29 February 2024**.

Mach7 Technologies Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX:M7T). The nature of the operations and principal activities of Mach7 Technologies Limited and its consolidated entities (the “Group”) are described in the Directors’ Report.

Note 2. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001 (Cth), as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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Note 3. Operating segments

Description of segments and principal activities

Mach7 Technologies is a global provider of enterprise imaging solutions for healthcare institutions, predominantly throughout the North America, Asia Pacific, and the Middle East region. The Group's performance is monitored and reported for one main segment, which is enterprise imaging. In addition, revenue is monitored at a regional and product/services level. This information is presented in Note 4.

Profit or Loss

The Group's profit and loss is managed as a whole and is the same as what is presented in the statement of financial performance and other comprehensive income. In addition, management and the directors monitor Gross Margins, Earnings Before Interest, Tax and Depreciation (EBITDA), and EBITDA adjusted for non-cash items. This is presented below:

	Consolidated	
	31 December 2023	31 December 2022
	\$	\$
Revenue from contracts with customers	13,332,313	16,412,740
Distributor and licence fees	(660,667)	(325,255)
Operating expenditure	(14,136,742)	(12,973,390)
Net foreign exchange (losses)/gains (realised)	(2,553)	74,667
Other income/expenses (net)	(108,439)	(95,567)
EBITDA – before the following items	<u>(1,576,088)</u>	<u>3,093,195</u>
Share-based payments expense (non-cash)	(544,171)	262,828
Net foreign exchange(losses)/gains (unrealised)	(172,371)	36,936
EBITDA	<u>(2,292,630)</u>	<u>3,392,959</u>
Depreciation and amortisation expense	(3,646,385)	(4,610,600)
Right-of-use lease liability interest expense	(29,986)	(35,287)
Interest income	437,712	49,925
Income tax benefit	896,699	1,072,632
Net loss after tax	<u>(4,634,590)</u>	<u>(130,371)</u>

Segment assets and liabilities

The Group's chief decision makers review and monitor assets and liabilities as a whole.

Geographical non-current tangible assets*

	Consolidated	
	31 December 2023	30 June 2023
	\$	\$
North America	10,508,392	11,553,773
Asia	387,532	395,622
	<u>10,895,924</u>	<u>11,949,395</u>

*Non-current assets excluding the intangible assets of the Group.

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Note 4. Revenue from contracts with customers

Disaggregation of revenue from contracts with customers

Mach7 is a global provider of medical imaging software solutions. Every software sale, or provision of services, is subject to a software license agreement, statement of work and/or order form. The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

	Consolidated	
	31 December 2023	31 December 2022
	\$	\$
Software License Revenue (major segment)*	5,724,520	10,351,505
Professional Services Revenue:		
- implementation & training services	1,489,303	954,086
- migration services	218,101	147,606
Support and maintenance (recurring revenue)	5,900,389	4,959,543
	<u>13,332,313</u>	<u>16,412,740</u>
Geographical segment revenues		
North America	10,717,823	13,612,395
Asia Pacific	1,724,121	2,250,457
Middle East	421,603	407,589
Europe and other regions	468,766	142,299
	<u>13,332,313</u>	<u>16,412,740</u>
Timing of revenue recognition		
Revenue recognised at a point in time	1,730,970	7,150,020
Revenue recognised over time	11,601,343	9,262,720
	<u>13,332,313</u>	<u>16,412,740</u>

*Software License Revenue is comprised of Subscription Revenue (annual recurring revenue) and Capital Software License Revenue (recognised upfront upon delivery of software and is recurring at the end of each term, which is normally 5 years).

Note 5. Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net loss for the half-year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the half-year. The income and share data used in the calculations of basic and diluted EPS is as follows:

	Consolidated	
	31 December 2023	31 December 2022
	\$	\$
Basic and diluted earnings per share for loss		
Loss after income tax attributable to the owners of Mach7 Technologies Limited	<u>(4,634,590)</u>	<u>(130,371)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	<u>240,554,891</u>	<u>239,073,820</u>
	Cents	Cents
Basic and diluted earnings per share	(1.9)	(0.1)

Note 6. Trade and other receivables

	Consolidated	
	31 December	30 June 2023
	2023	2023
	\$	\$
Trade receivables	4,663,335	6,618,876
Less: Allowance for expected credit losses	-	(74,366)
	<u>4,663,335</u>	<u>6,544,510</u>
Interest receivable	78,242	54,359
Sales tax receivable	20,909	74,628
	<u>99,151</u>	<u>128,987</u>
Other receivables	8,513	33,906
	<u>4,770,999</u>	<u>6,707,403</u>

Note 7. Customer contract assets

	Consolidated	
	31 December	30 June 2023
	2023	2023
	\$	\$
Contract assets - current	3,247,580	3,897,609
Contract assets - non-current	4,290,674	5,005,951
	<u>7,538,254</u>	<u>8,903,560</u>

Customer contract assets (or accrued revenue) represents fees which have been recognised as revenue which are yet to be invoiced to the customer. The customer is invoiced when certain contract milestones have been met. This can fluctuate from period to period, as these balances are impacted by the timing of when contracted sales occur, performance obligations are met and the payment milestones that are specified within each contract. The carrying values are assumed to approximate the fair values for these balances.

Under the accounting standards, contracts in which payment by the customer and performance by the Company occur at significantly different times will need to be assessed to determine whether the contract contains a significant financing component. For the reporting period ended 31 December 2022, the Company identified that its customer contract with Akumin contains a significant financing component due to the performance obligation in relation to the delivery of the capital licence being completed in December 2022 but payment for the capital software licence occurring over a 10-year period. In determining the promised amount of consideration adjusted for the significant financing component, the Company used a discount rate that would be reflected in a separate financing transaction between the Company and Akumin at contract inception which takes into account the credit characteristics of Akumin. The difference between the contract value and the capital software licence revenue recognised at contract inception will unwind over the 10 year contract term as interest income in the statement of profit or loss and other comprehensive income. The contract asset recognised in relation to the Akumin contract is split between current and non-current based on the invoicing schedule in the contract.

Mach7 Technologies Limited
Notes to the financial statements
31 December 2023

Note 8. Intangibles

	Consolidated	
	31 December	30 June 2023
	2023	2023
	\$	\$
Goodwill - at cost	4,237,798	4,354,315
Patents and trademarks - at cost	397,249	402,650
Less: Accumulated amortisation	<u>(321,767)</u>	<u>(322,290)</u>
	75,482	80,360
Customer contracts - at cost	11,580,921	11,656,701
Less: Accumulated amortisation	<u>(10,734,810)</u>	<u>(10,504,132)</u>
	846,111	1,152,569
Software - at cost	57,757,722	58,930,559
Less: Accumulated amortisation	<u>(36,216,443)</u>	<u>(33,666,329)</u>
	21,541,279	25,264,230
Brand Names - at cost	6,049,113	6,172,596
Less: Accumulated amortisation	<u>(1,557,974)</u>	<u>(1,557,974)</u>
	4,491,139	4,614,622
	<u>31,191,809</u>	<u>35,466,096</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Patents	Customer	Brand	Software	Goodwill	Total
	\$	Contracts	Names	\$	\$	\$
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2023	80,360	1,152,569	4,614,622	25,264,230	4,354,315	35,466,096
Exchange differences	(2,109)	(25,761)	(123,483)	(619,877)	(116,517)	(887,747)
Amortisation expense	<u>(2,769)</u>	<u>(280,697)</u>	-	<u>(3,103,074)</u>	-	<u>(3,386,540)</u>
Balance at 31 December 2023	<u>75,482</u>	<u>846,111</u>	<u>4,491,139</u>	<u>21,541,279</u>	<u>4,237,798</u>	<u>31,191,809</u>

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Note 9. Customer contract liabilities

	Consolidated	
	31 December	30 June 2023
	2023	2023
	\$	\$
Support and Maintenance Revenue received in advance	4,913,067	6,316,755
Professional Service Revenue received in advance	2,674,192	2,664,481
Subscription Revenue received in advance	2,228,408	2,113,846
Software License Revenue received in advance	110,182	128,452
	<u>9,925,849</u>	<u>11,223,534</u>

Customer contract liabilities (or deferred revenue) represents cash amounts that have been collected from customers that will be recognised as revenue in a future period. Revenue is recognised:

- at a point in time when Capital Software Licenses are delivered.
- over a period of time when Professional Service milestones are achieved.
- over a period of time when Support and Maintenance services are performed.
- for Subscription over the subscription period upon the customer achieving First Productive Use.

The carrying values are assumed to approximate the fair values for these balances. Support and Maintenance revenue and Subscription revenue received in advance are expected to grow year on year as the Group signs new customer contracts, i.e. every new Support and Maintenance contract and Subscription contract signed going forward will add to this balance. Professional Service Revenue received in advance are expected to fluctuate from year to year, as timing of sales orders, cash payment milestones and Professional Service milestones will impact this balance.

Note 10. Issued capital

	Consolidated			
	31 December	30 June 2023	31 December	30 June 2023
	2023	2023	2023	2023
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>241,191,047</u>	<u>240,009,381</u>	<u>116,223,871</u>	<u>115,697,098</u>

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 July 2023	240,009,381	115,697,098
Options exercised during the period		856,666	292,773
Shares issued as remuneration		<u>325,000</u>	<u>234,000</u>
Balance	31 December 2023	<u>241,191,047</u>	<u>116,223,871</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Note 11. Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 12. Related party transactions

Parent entity

Mach7 Technologies Limited is the parent entity.

Transactions with related parties

There were no transactions with related parties during the current and previous financial half-year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 13. Events after the reporting period

No matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 14. Contingent liabilities

Mach7 Technologies, Inc., a wholly-owned subsidiary of Mach7 Technologies Limited, received a patent infringement claim from AI Visualize. This case was dismissed by the Federal Court and subsequently AI Visualize filed an appeal. The appeal was heard on 5 October 2023 and a summary judgement is still pending. The Company will continue to strongly defend the matter.

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Mach7 Technologies Limited
Notes to the financial statements
31 December 2023

Note 15 Share-based payments

Share-based payments expense during the period is \$544,171 (31 December 2022:(\$262,828)) which relates to options/performance rights/shares issued to Directors, KMP and other employees of the company.

Summary of options granted and lapsed during the half-year ended 31 December 2023 are as below:

Unlisted Options

Set out below are summaries of options granted under the plan:

31 December 2023

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
17/10/2018	17/10/2023	\$0.185	646,666	-	(626,666)	(20,000)	-
12/11/2018	12/11/2023	\$0.244	225,000	-	(225,000)	-	-
02/05/2019	02/05/2024	\$0.265	50,000	-	-	-	50,000
11/10/2019	11/10/2024	\$0.680	793,333	-	(5,000)	-	788,333
11/10/2019	01/10/2024	\$0.680	166,667	-	-	-	166,667
18/11/2019	18/11/2024	\$0.820	285,000	-	-	-	285,000
18/11/2019	18/11/2024	\$0.800	250,000	-	-	-	250,000
18/11/2019	18/11/2024	\$0.950	250,000	-	-	-	250,000
18/11/2019	18/11/2024	\$1.100	250,000	-	-	-	250,000
01/12/2020	30/11/2025	\$1.400	85,000	-	-	(11,666)	73,334
03/02/2021	30/06/2025	\$1.480	1,550,000	-	-	-	1,550,000
10/09/2021	31/08/2026	\$0.980	2,510,000	-	-	(120,000)	2,390,000
11/11/2021	11/11/2026	\$0.910	110,000	-	-	(20,001)	89,999
11/11/2021	31/12/2025	\$1.380	225,000	-	-	(75,000)	150,000
20/01/2022	20/01/2027	\$0.782	200,000	-	-	-	200,000
24/02/2022	24/02/2027	\$0.731	250,000	-	-	-	250,000
12/12/2022	12/12/2027	\$0.610	110,000	-	-	(60,000)	50,000
01/01/2023	01/01/2028	\$0.570	200,000	-	-	-	200,000
01/05/2023	01/05/2028	\$0.636	200,000	-	-	-	200,000
01/07/2023	01/07/2028	\$0.582	-	400,000	-	-	400,000
14/08/2023	14/08/2028	\$0.800	-	50,000	-	-	50,000
01/09/2023	01/09/2028	\$0.760	-	30,000	-	-	30,000
16/11/2023	16/11/2028	\$0.710	-	225,000	-	-	225,000
01/12/2023	01/12/2028	\$0.695	-	50,000	-	-	50,000
18/12/2023	18/12/2028	\$0.730	-	2,435,000	-	-	2,435,000
			8,356,666	3,190,000	(856,666)	(306,667)	10,383,333

Weighted average exercise price	\$0.924	\$0.711	\$0.203	\$0.965	\$0.916
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For the options granted during the current financial half-year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
01/07/2023	01/07/2028	\$0.620	\$0.582	63.00%	-	3.78%	\$0.358
14/08/2023	14/08/2028	\$0.800	\$0.800	62.00%	-	3.93%	\$0.449
01/09/2023	01/09/2028	\$0.780	\$0.760	63.00%	-	3.76%	\$0.442
16/11/2023	16/11/2028	\$0.780	\$0.710	62.00%	-	4.23%	\$0.457
01/12/2023	01/12/2028	\$0.725	\$0.695	62.00%	-	4.14%	\$0.416
18/12/2023	18/12/2028	\$0.775	\$0.730	67.00%	-	3.37%	\$0.461

Note 15. Share-based payments (continued)

Performance rights

The Company has on issue 1,825,185 (June 2023: 1,503,299) performance rights of which 402,185 expires on 30 September 2024, 723,000 expires on 30 September 2025 and 700,000 expires on 30 September 2026.

Summaries of performances rights is as below:

	31 December 2023	30 June 2023
Outstanding at the beginning of the financial year	1,503,299	1,180,299
Granted	700,000	723,000
Exercised	-	(200,000)
Expired/Forfeited	(378,114)	(200,000)
	<u>1,825,185</u>	<u>1,503,299</u>

During the period, the consolidated entity issued 700,000 performance rights to Mr Michael Lampron with various vesting conditions relating to service period and performance hurdles. The fair value of the performance rights was determined using the Black Scholes option pricing model using the following inputs:

Number of performance rights granted	560,000	140,000
Grant date	16 November 2023	16 November 2023
Expiry date	30 September 2026	30 September 2026
Weighted average share price at date of grant (\$)	\$0.72	\$0.72
Weighted average exercise price (\$)	-	-
Weighted average volatility %	54.34%	54.34%
Weighted average risk-free rate %	4.177%	4.177%
Vesting conditions with 30 June 2026 target date	Note 1	Note 2
Fair value per performance right \$	\$0.6468	\$0.5096
Fair value of performance right \$	\$362,208	\$71,338

Note 1:

Vesting condition	No. of Performance Rights
Company performance vesting condition linked to Revenue Compound Annual Growth Rate	105,000
Company performance vesting condition linked to EBITDA Margin	350,000
Company performance vesting condition linked to Net Profit After Tax	105,000

Note 2:

Vesting condition	No. of Performance Rights
Market-based vesting condition linked to Total Shareholder Return	140,000

Mach7 Technologies Limited
Directors' declaration
31 December 2023

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001 (Cth), Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001 (Cth).

On behalf of the Directors



Robert Bazzani
Chairman

29 February 2024

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INDEPENDENT AUDITOR'S REVIEW REPORT To the Members of Mach7 Technologies Limited

Conclusion

We have reviewed the accompanying half-year financial report of Mach7 Technologies Limited ("Company") and its controlled entities ("Group") which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group at the half-year end.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mach7 Technologies Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Mach7 Technologies Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Mach7 Technologies Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



RSM AUSTRALIA PARTNERS



M PARAMESWARAN

Partner

Dated: 29 February 2024

Melbourne, Victoria

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