



Knosys Limited ABN 96 604 777 862
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Melbourne Vic 3000
www.Knosys.it
(ASX: KNO)

ASX Announcement
31 January 2017

QUARTERLY REPORT & APPENDIX 4C

31 DECEMBER 2016

CURRENT HIGHLIGHTS

- **Delivered first deployment of Knosys into Legal sector**
- **First cloud deployment of Knosys on Azure for CITIC Telecom opportunity**
- **Completed recruitment program (now 10 full time staff)**
- **Commenced revamp of company sales and marketing collateral for 2017**
- **Cash balance of \$1.5 million at 31 December 2016, to fund commercial operations**

Knosys Ltd (ASX: KNO) ("Knosys" and "Company") is pleased to report on key operational matters and cash flows for the quarter ending 31 December 2016.

OPERATIONS

Australian Operations

- **Knosys deployed into Legal Sector**

The Company announced during the Quarter the 250 user deployment of the Knosys Knowledge Management suite to the Victorian Office of Public Prosecutions (OPP). The Knosys software improved the productivity of their solicitors by not only contextually presenting information but also using the powerful suite of tools available including decision trees, calculators, and process guidance.

- **Sales and Development Team Expansion**

During the Quarter, the Company completed its Australian recruitment program, bringing onboard an experienced team of 3 highly skilled sales executives to create a National Sales Team. This team joined Knosys having worked with specialist software vendors including AvePoint, Axios Systems and Panviva. Recruitment hires of this calibre, brings Knosys true sales experience in big data, cloud services, IT service management & business process guidance markets and a diverse network of partners and potential customers.

The Company also strengthened its development capabilities by recruiting an additional 3 software developers to replace contract resources. Knosys has a clearly defined product roadmap and these recruits will be responsible for the delivery of new software over the coming quarters with the Company's SharePoint integration due for release by the end of March.

- **2017 Marketing and Sales Preparation**

The newly formed National Sales Team was tasked with refining the sales strategy and messaging for Knosys in 2017. As part of this exercise they commenced the redesign of our electronic and printed collateral and also the company website. Knosys expects to launch the website and updated marketing material mid next quarter to support the sales push in 2017.



Asian Operations

- **Knosys deployed in Cloud for CITIC Telecom**

The Knosys software was for the first time deployed in Azure, Microsoft's cloud hosting service. This enables CITIC to easily rollout Knosys across the region with minimum investor infrastructure and reduces deployment time. The initial implementation of the CITIC Telecom's integrated "Sales Engagement Software" which involves delivering a single view of knowledge relative to each customer has been deployed and is under test. The final release of software will be in February and is expected to be deployed to over 100 users in March.

CORPORATE

Appendix 4C Quarterly Report and statement of cash flows

The ASX Appendix 4C quarterly report is attached to this report.

The Company's Appendix 4C Quarterly Report and this report cover the Company's cash flow information for the quarter ended 31 December 2016.

Cash balance at 31 December 2016 was \$1.5 million after incurring net cash outflows for the December quarter of \$0.79m. The result included \$63k of new sales receipts for the quarter. The operational outflows for the quarter continue to reflect the pursuit of Knosys' growth and expansion plans.

The Company's revenue model to date has predominantly been based on billing customers annually in advance. This is reflected in the quarterly cash flow fluctuations. Revenue invoiced in advance is recognised in the financial accounts each month as it is earned evenly over a 12 month period. Higher receipts in the June 2016 quarter and lower receipts in the December 2016 quarter and half year reflect this revenue model.

ABOUT KNOSYS

The Knosys software suite is an enterprise-grade, knowledge management solution that enables organisations, large or small, to better capture, manage and access information across often disparate business units, divisions and information technology (IT) platforms.

Knosys augments an organisation's technology or IT platforms, without the need to disrupt existing processes. The Knosys Platform optimises the business outcomes by providing various integration and touchpoints into an organisation's IT capabilities and knowledge repositories.

The Knosys suite drives business outcomes and allows organisations to capture, manage and utilise information in various forms of decision making and issue resolution. Analytics allows companies to measure and tune the relevance of their knowledge management solution and optimise the information delivered to specific queries, business processes and ultimate outcomes.

The Knosys knowledge management software provides an open and expandable framework, which can extend into a fully integrated digital work centre, becoming the window into an organisation's applications environment.

For more information please visit: www.knosys.it

For further information please contact:

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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

Knosys Limited

ABN

96 604 777 862

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	63	76
1.2 Payments for		
(a) research and development	(13)	(21)
(b) product manufacturing and operating costs	(43)	(97)
(c) advertising and marketing	(69)	(116)
(d) leased assets	-	-
(e) staff and consultant costs	(515)	(1,026)
(f) administration and corporate costs	(197)	(427)
1.3 Dividends received (see note 3)		
1.4 Interest received	14	32
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives (net)	-	196
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(760)	(1,383)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(23)	(26)
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	(23)	(26)

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		
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)		
3.10	Net cash from / (used in) financing activities	-	-

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	2,321	2,947
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(760)	(1,383)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(23)	(26)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	1,538	1,538

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	66	12
5.2	Call deposits	560	697
5.3	Bank overdrafts	-	-
5.4	Other – Term deposits	912	1,612
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,538	2,321

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**

54
-

Payments per item 6.1 include:

Non-Executive directors' remuneration and payments of \$19k for technical services provided by an associated company.

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	0	0
8.2 Credit standby arrangements	0	0
8.3 Other (please specify)	0	0
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. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(10)
9.2 Product manufacturing and operating costs	(45)
9.3 Advertising and marketing	(40)
9.4 Leased assets	-
9.5 Staff and consultant costs	(510)
9.6 Administration and corporate costs	(195)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(800)

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:

(Company secretary)

Date: 31 January 2017

Print name: Stephen Kerr

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.