



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

ASX Announcement
28 July 2017

QUARTERLY REPORT & APPENDIX 4C

30 JUNE 2017

CURRENT HIGHLIGHTS

- **Total licence count now over 16,600, an increase of over 45% on the prior year**
- **Knosys completes convertible notes issue, raising \$1.65m, before costs**
- **Receipt of R&D Tax Incentive Rebate of \$0.34m**
- **Sales pipeline firming up**
- **Cash balance of \$2.8 million at 30 June 2017, to fund commercial operations**

Knosys Ltd (ASX: KNO) ("Knosys" and "Company") is pleased to report the growth in licence users of the Knosys knowledge management solution over the quarter and over the past 12 months. The total user licence count is now more than 16,600, representing a 45% increase compared to June 2016 figures. Knosys' CEO John Thompson commented "This is a great result for the company and directly attributed to the decisions made late last year to build internal capability and reduce our reliance on 3rd parties to provide key services to our key customer the ANZ Bank. This has allowed us to enhance our engagement with them and we are now seeing the financial benefits flow through."

During the quarter, the company also successfully undertook a fundraising initiative. The Company raised \$1.65m before costs via the issue of 13,750,337 convertible notes. The proceeds will be used to fund the company's current sales, marketing and business development activities and general working capital needs. The Company appreciates the support received from investors during this fundraising exercise.

Technology innovation and continued product development is essential to keeping the Knosys software solution current and relevant to its users. Knosys continues to invest in the underlying technology via a customer driven roadmap. To offset this investment Knosys applied for and was successful once again in receiving an R&D Incentive Rebate of \$0.34m for work conducted during the previous 12-month period.

The new Sales Team onboarded just on 9 months ago has focused on direct sales and marketing activities in our key sectors of Legal/Government and Banking and Financial Services. There continues to be a strong level of interest in our technology and capabilities from a wide array of corporate clients. The sales pipeline is promising and growing which is a good sign. Knosys remains optimistic about future sales opportunities and recurring revenue streams from its product and services during the coming year.

Appendix 4C Quarterly statement of cash flows

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

Cash balance at 30 June 2017 was \$2.8 million after incurring net operating cash inflows for the June 2017 quarter of \$0.42m. The operational outflows for the quarter continue to reflect the pursuit of Knosys' sales and marketing strategy and also reflected the receipt of \$0.71m in sales revenue relating to annual license renewals from the company's major customer. A further \$0.37m in license renewals was received in July 2017.



The Company's revenue model is predominantly based on billing customers annually in advance. This is reflected in the quarterly cash flow fluctuations. Licence fees invoiced annually in advance are recognised as revenue in the financial accounts each month as the revenue is earned evenly over a 12 month period. Higher customer receipts in the June quarter each year, due to the annual licence renewals, and lower receipts in the September, December and March quarters reflect this revenue model.

ABOUT KNOSYS

The Knosys Platform is a web based knowledge management solution that becomes the #1 used application in the life of a worker. It drives productivity and optimizes processes by incorporating process guides and workflows, collaboration & feedback and information governance of key information assets. It enables companies to better capture, manage and access information across often disparate business units, divisions and information technology (IT) platforms. Knosys augments a company's IT platforms, by virtualizing both internal and external information repositories without the need to disrupt existing processes or force migration of data.

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")

30 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	714	790
1.2 Payments for		
(a) research and development	-	(21)
(b) product manufacturing and operating costs	(33)	(170)
(c) advertising and marketing	(29)	(162)
(d) leased assets	-	-
(e) staff and consultant costs	(462)	(1,978)
(f) administration and corporate costs	(108)	(661)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	45
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives (net)	335	531
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	419	(1,626)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(6)	(31)
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	(6)	(31)

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	1,650	1,650
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings	(99)	(99)
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	1,551	1,551

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	877	2,947
4.2	Net cash from / (used in) operating activities (item 1.9 above)	419	(1,626)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6)	(31)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,551	1,551

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	2,841	2,841

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	747	25
5.2	Call deposits	981	739
5.3	Bank overdrafts	-	-
5.4	Other – Term deposits	1,113	113
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,841	877

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
38
-

Payments per item 6.1 include:

Non-Executive directors' remuneration and payments of \$3k 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	-
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(30)
9.4 Leased assets	-
9.5 Staff and consultant costs	(460)
9.6 Administration and corporate costs	(150)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows - See Note 1 below	(640)

Note 1 – Partly offsetting the above estimated outflows are estimated inflows of \$360,000, being further receipts from an existing major customer for annual licence renewal fees invoiced in advance for FY18. These fees will be brought to account as revenue in the financial statements of the company on a monthly basis over 12 months in the FY18 year.

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: 28 July 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.