



CIRRUS NETWORKS HOLDINGS LIMITED

(ASX:CNW)

QUARTERLY ACTIVITIES REPORT

DECEMBER 2017

ACTIVITIES DURING THE QUARTER

Highlights

- The company announced the strategic acquisition of leading Canberra IT service provider Correct Communications. The transaction completed in late November and creates a market leading full service Canberra IT solutions and managed services innovator. The combined business provides greater scale, services and expertise to the client base.
- Cirrus announced the placement of fully paid ordinary shares was significantly oversubscribed. The placement was at an issue price of \$0.018 per share to raise approximately \$787,000. Funds raised were applied to partly pay for the cash component of the Correct Communications acquisition.
- Cirrus announced that Data#3 (ASX:DTL) WA State Manager Glenn McAtee would join the Cirrus executive team as WA State Manager. Glenn has over 30 years industry experience and a proven track record in driving sustainable growth through innovative solutions. During his six years at DTL Glenn delivered exceptional results and will be a valuable member of the Cirrus team.
- In providing an update to the market, Cirrus announced consolidated revenue continued to grow in the first half of FY18. The company expects H1 revenue to be in excess of \$30 million (FY17 H1 \$18.7 million) including \$19.5 million in the second quarter (Q2) of H1. Both the Victorian and Canberra acquisitions are showing promising signs particularly in the services focused opportunities. Pleasingly Q2 delivered an underlying profit after an underlying loss in Q1.

STATUS OF CONDITIONS FOR EXERCISE OF DEFERRED CONSIDERATION SHARES

As required by the waiver to ASX Listing Rule 7.3.2 granted to the Company by ASX on 17 April 2015 in relation to the issue of "Deferred Consideration Shares" to the Cirrus vendors as part of the Cirrus acquisition, the Company advises as follows:

Number of Deferred Consideration Shares issued during the reporting period	Nil
Number of Deferred Consideration Shares issued in previous reporting periods:	
1. Cirrus achieving AUD\$12,000,000 in actual gross revenue with a minimum Gross Profit of 10% within a period of 2 years from 2/7/2015 ("Milestone 1")	50,000,000 ordinary shares (per ASX release 16 September 2016)
Number of Deferred Consideration Shares that remain to be issued on the following bases:	
2. Cirrus achieving AUD\$2,000,000 in EBIT during any rolling period of 12 months within a period of 3 financial years from 2/7/2015 ("Milestone 2")	25,000,000 ordinary shares
3. Cirrus achieving AUD\$4,000,000 in EBIT during any rolling period of 12 months within a period of 3 financial years from 2/7/2015 ("Milestone 3")	17,500,000 ordinary shares

For enquiries please contact:

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About Cirrus:

Cirrus Networks Holdings Limited (ASX: CNW) is an innovative IT solutions provider who works with businesses to understand their technological needs and implement world leading solutions that are both cost effective and provide long term operational gain. The diverse reach of Cirrus means the company is able to provide a wide range of solutions including:

- Data Centre and Cloud;
- Convergence;
- Storage;
- Data management (including big data);
- Network design and optimisation;
- Business continuity;
- End user computing;
- Unified communications and IP Telephony;
- High quality IT Service Management, Consulting and Project Management services.

Excellent service and an innovative, holistic approach has seen Cirrus quickly grow an extensive base of blue chip clients across industry sectors. The rapid expansion of Cirrus has seen the company receive a number of awards as one of Australia's fastest growing technology companies.

The Cirrus offering was strengthened further in 2015 with the acquisition of Perth-based IT Solutions Provider, L7 Solutions. Since then, an assertive national expansion strategy has enabled Cirrus to establish a robust Eastern states presence with the recent acquisitions of Melbourne based IT Provider, NGage Technology Group and leading Canberra IT services company Correct Communications.

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

CIRRUS NETWORKS HOLDINGS LIMITED

ABN

98 103 348 947

Quarter ended ("current quarter")

31/12/2017

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	15,385	39,623
1.2 Payments for		
(a) research and development	-	-
(b) product and operating costs	(11,633)	(33,053)
(c) advertising and marketing	(117)	(204)
(d) leased assets	-	-
(e) staff costs	(3,506)	(6,806)
(f) other corporate costs	-	-
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	24
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)	-	-
1.9 Net cash from / (used in) operating activities	136	(416)

Consolidated statement of cash flows (continued)	Current quarter \$A'000	Year to date (6 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(332)	(332)
(b) businesses (see item 10)	(1,500)	(1,500)
(c) investments	-	-
(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)*	410	410
2.6 Net cash from / (used in) investing activities	(1,422)	(1,422)
*Relates to cash and cash equivalents acquired in Correct Communications Pty Ltd Business Combination		

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	736	736
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	1,000	1,000
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	1,736	1,736

Consolidated statement of cash flows (continued)	Current quarter \$A'000	Year to date (6 months) \$A'000
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	3,381	3,933
4.2 Net cash from / (used in) operating activities (item 1.9 above)	136	(416)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,422)	(1,422)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,736	1,736
4.5 Effect of movement in exchange rates on cash held		
4.6 Cash and cash equivalents at end of quarter	3,831	3,831

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	3,831	3,831
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,831	3,831

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	44
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	

Directors fees (including superannuation)

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	28
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	

Marketing services

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	-	-
8.2 Credit standby arrangements	-	-
8.3 Multi Option Facility	1,000	304
<ul style="list-style-type: none"> • Commercial Advance Facility • Bank Guarantee • Overdraft Facility 		304
8.4 Commercial Advance Facility	1,000	1,000

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.

8.3 The Company entered into a Multi Option Facility with Bankwest which forms part of the cash management for general business purposes. This Bankwest Multi Option Facility includes the following facilities drawn down at the Company's discretion across any or all of the facilities and totalling \$1,000,000. The facility options are:

- Commercial Advance Facility with interest payable at the rate of BBSY plus a Margin of 2.20% per annum
- Bank Guarantee Contingent Instrument Facility
- Business Corporate Transaction Account Facility with interest payable at the rate of the variable Bankwest Business Variable Overdraft Reference Rate.

8.4 The Company also entered into a separate Commercial Advance Facility with Bankwest specifically for Acquisition Funding. Interest is payable at BBSY plus a margin of 3.00% per annum. Loan is repayable over 3 years.

9. Estimated cash outflows for next quarter *	\$A'000
9.1 Research and development	-
9.2 Product and operating costs	(19,807)
9.3 Advertising and marketing	(60)
9.4 Leased assets	-
9.5 Staff costs	(3,000)
9.6 Other corporate costs	-
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(22,867)

* Cash inflows for the next quarter are estimated to cover the cash outflows

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	Correct Communications Pty Ltd	Not applicable
10.2 Place of incorporation or registration	Australian Capital Territory	Not applicable
10.3 Consideration for acquisition or disposal	\$1,500,000	Not applicable
10.4 Total net assets	Correct Communications Pty Ltd had \$300 of net assets on date of acquisition by Cirrus Networks Holdings Limited.	Not applicable
10.5 Nature of business	Leading IT solutions provider specialising in Networking, Storage, Security and Unified Communications Infrastructure to Government and large enterprises in Canberra.	Not applicable

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:  Date: ...24 January 2018.....
(Company secretary)

Print name:Catherine Anderson.....

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.