

ASX Announcement
28 July 2016

QUARTERLY REPORT & APPENDIX 4C
30 JUNE 2016

CURRENT HIGHLIGHTS

- **Strengthened management team with the appointment of new CEO John Thompson**
- **Proof of Concept delivered to CITIC Telecom.**
- **Commercial negotiations underway for staged rollout with CITIC Telecom.**
- **Business continues to build positive momentum**
- **Further opportunities in Asian markets being explored**
- **Cash balance of \$2.95 million at 30 June 2016, to fund growth & business development activities**

Knosys Ltd (ASX: KNO) ("Knosys" and "Company") is pleased to report on key operational matters and cash flows for the quarter ending 30 June 2016.

OPERATIONS

Appointment of New CEO – John Thompson

The Company appointed Mr John Thompson as its new CEO effective from Monday, 18 July 2016, following the resignation of former CEO Mr Ashley Gall.

Mr. Thompson brings a wealth of leadership experience to Knosys, having worked for more than 20 years at the helm of Information and Communication technology companies. Most recently, Mr. Thompson spent 11 years as CEO of Sigtec and 5 years as CEO of Wavenet International in addition to 5 years with CS Communications and Systems in New York and London. Mr Thompson has proven general management capability and a record of driving revenue growth and international sales.

The Company believes that Mr Thompson is an excellent appointment for the role, being highly qualified, having extensive experience in the technology industry and with the ability to make Knosys an even greater success story.

Asian operations

- **Proof of Concept delivered to CITIC Telecom**

During the quarter Knosys successfully deployed the Knosys Platform Proof of Concept ("POC") for Singapore operations of CITIC Telecom International (SEA) Pte Ltd ("CITIC Telecom). CITIC Telecom is part of CITIC Limited, China's largest conglomerate.

The Knosys implementation provides an aggregated view of each CITIC Telecom customer in order to enhance the focus of CITIC Telecom's sales and marketing activities. The successful Proof of Concept has delivered a single view of each CITIC Telecom customer demonstrating that Knosys is a best-of-breed tool to deliver CITIC Telecom's integrated "Customer Engagement Program" initiative.

- **CITIC Telecom – negotiations for planned future rollout of the Knosys Platform**

Following delivery of the POC, CITIC Telecom has requested that Knosys and its partner Corporate Innovations engage in commercial negotiations for a phased deployment of the platform to support CITIC's "Customer Engagement Program".

The first phase of the deployment of the Knosys Platform will refine the important workflow and knowledge/guidance processes required to deliver market-leading customer support. The initial stage of the rollout will be deployed to the internal sales team, support staff, key executives and senior staff to ensure the successful delivery on the key performance indicators (KPIs) of the business program.

The deployment will provide CITIC Telecom with a consolidated view of each CITIC Telecom customer across a number of core applications. Contingent on the successful achievement of the Singapore program targets and indicators, the company expects further roll out and deployments across the broader CITIC business.

Beyond the initial deployment, CITIC Telecom plans to expand its Partner Strategy via Knosys. This will provide their valued reseller network with all the tools, knowledge and processes to deliver customer sales and service requests whilst providing an integrated communications channel to continue to enhance partner relationships.

Knosys continues to work with a selection of other prospective channel partners and resellers, with the objective of further expanding the local and international penetration of the Knosys platform.

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 30 June 2016 and for the 12 months to 30 June 2016, Knosys having listed on ASX on 9 September 2015.

Cash balance at 30 June 2016 was \$2.95 million, following a positive operational cash flow result for the June Quarter.

Net operating inflows for the June quarter were \$0.18m, reflecting the receipt during the quarter of annual revenues from a major customer. Net operating cash flows for the year were outflows of \$0.74million.

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 reflect this revenue model.

The operational outflows for the June 2016 quarter reflect the pursuit of Knosys' growth and expansion plans, with continued investment in personnel resources, increased sales and marketing expenditure, the costs of international travel and also the operational costs of servicing existing customers and refining the Knosys product offering.



ABOUT KNOSYS

The Knosys Platform 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 Platform 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 platform 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 admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

Knosys Limited

ABN

96 604 777 862

Quarter ended ("current quarter")

30 June 2016

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12 months) \$A'000
1.1	Receipts from customers (refer Note 1. below)	766	1,568
1.2	Payments for		
	(a) staff costs	(417)	(1,479)
	(b) advertising and marketing	(39)	(116)
	(c) research and development	-	-
	(d) leased assets	-	-
	(e) other working capital	(146)	(762)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	14	51
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other – GST on IPO expenses	-	-
Net operating cash flows		178	(738)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	178	(738)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	(17)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	-	(17)
1.14 Total operating and investing cash flows	178	(755)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	4,000
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other – IPO/capital raising costs/refunds	-	(480)
Net financing cash flows	-	3,520
Net increase (decrease) in cash held	178	2,765
1.21 Cash at beginning of quarter/year to date	2,769	182
1.22 Exchange rate adjustments to item 1.20		
1.23 Cash at end of quarter	2,947	2,947

Note 1. Receipts from customers

The company's revenue model to date has predominantly been based on billing customers annually in advance. This creates material fluctuations in Receipts from Customers from quarter to quarter, as reported in the company's quarterly cash reports. The majority of the company's annual revenues are invoiced at or prior to the commencement of the financial year. The majority of FY16 revenue was billed prior to 1 July 2015 and was collected in the first half of the FY16 financial year.

The majority of current FY17 contracted revenue was invoiced in May/June 2016 and was collected in the June 2016 quarter.

Revenue invoiced in advance is recognised in the financial accounts each month as it is earned evenly over a 12 month period.

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	183
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Payments per item 1.24 include:
Managing Director's, Executive Directors' and Non-Executive directors' remuneration and payments of \$36k for technical staff and office occupancy provided by an associated company.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	142	42
4.2	Deposits at call	1,194	659
4.3	Bank overdraft	-	-
4.4	Other – Term deposits	1,611	2,068
Total: cash at end of quarter (item 1.23)		2,947	2,769

Acquisitions and disposals of business entities

		Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	N/A	N/A
5.2	Place of incorporation or registration		
5.3	Consideration for acquisition or disposal		
5.4	Total net assets		
5.5	Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:
 (Company secretary)

Date: 28 July 2016

Print name: Stephen Kerr

+ See chapter 19 for defined terms.

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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