

ASX Announcement
29 April 2016

QUARTERLY REPORT & APPENDIX 4C
31 MARCH 2016

CURRENT HIGHLIGHTS

- **MOU signed with CITIC Telecom in Singapore and initial deployment underway. CITIC Telecom is part of CITIC Limited, China's largest conglomerate**
- **MOU signed with 1Care Global in Singapore**
- **Expansion into Asia continues**
- **Master Reseller Agreement signed with a Global ICT Partner in New Zealand**
- **Cash balance of \$2.8 million at 31 March 2016, to fund growth & business development activities**
- **Executive team focused on responding to tenders and converting the substantial new business pipeline and expanding new users within the existing customer base**

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

OPERATIONS

Asian operations

- **MOU signed with CITIC Telecom**

Knosys was delighted to announce during the March Quarter that it had signed a memorandum of understanding (MOU) with the Singapore Asia Pacific operations of CITIC Telecom International (SEA) Pte Ltd for the deployment of the Knosys Platform. The initial deployment of the Knosys Platform will refine the important workflow and knowledge/guidance processes required to deliver market-leading customer support. This will lead to the digital transformation of sales and support strategies for CITIC customers.

The CITIC pilot program is underway and will be used to develop a business and financial case for delivering CITIC's whole of business "Customer Self Service" strategy to manage, communicate, upsell and cross sell to new and existing customers. Upon the achievement of the Singapore program delivery milestones, the company expects further roll out and deployments across the broader CITIC business. CITIC Limited is the biggest conglomerate in China with an estimated 125,000 employees and with leading businesses in sectors well matched with China's economic growth and development.

- **MOU signed with 1 Care Global**

Knosys was also pleased to announce during March 2016 that it had signed an MOU with 1CARE Global Pte Ltd for the deployment of the Knosys Platform. 1CARE Global Pte Ltd provides after-care warranty for leading global technology manufacturers.

1CARE Global Pte Ltd is currently deploying a new application suite and concurrently the Knosys Platform is being implemented during the phased rollout. The initial deployment will be implemented in 1CARE Global Pte Ltd Singapore Call Centre. Knosys expects that this will provide the potential for deployments of the Knosys platform across 1CARE Global Pte Ltd customer engagement centres in China, India, Thailand and Malaysia.

Channel Partner Activity

- **Asia**
Knosys has continued to develop its reseller and distributor relationships in Asia. Knosys is now represented by resellers across South-East Asia, with initial discussions and investigations also underway into China. The current pipeline includes 7 large enterprise and Government organisations and a substantial number of smaller opportunities.
- **SINGTEL OPTUS**
Following on from the national roadshow, Optus and Knosys have been engaged in further discussions with potential new clients and have also responded to a number of Government and enterprise tenders. The current pipeline includes 18 large enterprise and Government organisations and a substantial number of smaller opportunities.
- **Global ICT Partner in New Zealand**
In February, an agreement was signed with the New Zealand operations of a global ICT services and solutions provider, further enhancing international coverage. Partner onboarding and pipeline development is progressing well.

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.

Focus on growth, International and Domestic

With an expanded reseller network both locally and in New Zealand, the signing of MOU's in Asia and significant opportunities currently in the sales pipeline, Knosys is accelerating its entry into Asia and New Zealand. Senior team members continue to spend significant time in these international locations with the expectation of further expanding our partner network and resources in the regions as new business is secured. With expanding opportunities and pipeline, new experienced sales personnel have been hired to pursue local sales opportunities and to assist with converting sales opportunities into new and existing customer base.

Gartner

Knosys continues to work with Gartner, a world leading IT research and advisory company, to refine the sales and marketing approach and to work on key market strategies for the Knosys product. This engagement facilitates Knosys access to Gartner industry and customer analysts, who provide commentary to prospective customers. This will also provide Knosys with a more attuned and focused pathway to the future growth of the business.

In a recent Gartner Insight article, it was referenced that, "Knowledge Management Is Key to Customer Service & Self Service Strategy."¹ This is in line with and supports the Knosys Platform strategy of knowledge being a major part of a customer service solution.

1 - Gartner Insight: Knowledge Management Is Key to Your Customer Self Service Strategy: Oct 2015.

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 March 2016 and for the 9 month year to date period, Knosys having listed on ASX on 9 September 2015.

Cash balance at 31 March 2016 was \$2.8 million. Net operating cash flows for the quarter and for the year to date were outflows of \$0.67 million and \$0.92million respectively.

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, where the majority of the company's revenue was invoiced at the commencement of the financial year and was collected in the first half of the financial year. That revenue is recognised in the financial accounts each month as it is earned evenly over a 12 month period. Lower receipts from customers in the March 2016 quarter reflect this revenue model.

The increased operational outflows for the March 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")

31 March 2016

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (9 months) \$A'000
1.1	Receipts from customers (refer Note 1. below)	12	803
1.2	Payments for (a) staff costs	(387)	(1063)
	(b) advertising and marketing	(39)	(76)
	(c) research and development	-	-
	(d) leased assets	-	-
	(e) other working capital	(289)	(616)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	18	36
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other – GST on IPO expenses	16	-
Net operating cash flows		(669)	(916)

Note 1. Receipts from customers

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, where the majority of the company's revenue was invoiced at the commencement of the financial year and was collected in the first half of the financial year. That revenue is recognised in the financial accounts each month as it is earned evenly over a 12 month period. Lower receipts from customers in the March 2016 quarter reflect this revenue model.

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

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	(669)	(916)
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)	(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)	(17)
1.14 Total operating and investing cash flows	(686)	(933)
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	(686)	2,587
1.21 Cash at beginning of quarter/year to date	3,455	182
1.22 Exchange rate adjustments to item 1.20		
1.23 Cash at end of quarter	2,769	2,769

+ 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	201
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 \$12k for 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	42	147
4.2	Deposits at call	659	1,001
4.3	Bank overdraft	-	-
4.4	Other – Term deposits	2,068	2,307
Total: cash at end of quarter (item 1.23)		2,769	3,455

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: 29 April 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.

+ See chapter 19 for defined terms.