



CIRRUS NETWORKS HOLDINGS LIMITED

(ASX:CNW)

QUARTERLY ACTIVITIES REPORT

MARCH 2017

ACTIVITIES DURING THE QUARTER

- Announced the achievement of Cisco Gold certification by the L7 Solutions wholly owned subsidiary. The certification highlights our expertise across multiple Cisco technologies while increasing the total addressable market for the company nationally.
- The company announced the awarding of the outsourced IT managed service contract with leading mining and resources service provider Emeco.
- The company announced record H1 revenue and NPAT results. Revenue growth was 185% on FY16 first half and delivered a \$724k NPAT result with strong positive cash from operations.
- On 24 March the company went into a trading halt and subsequently announcing the acquisition of Melbourne based IT solutions provider Ngage Technology Group along with a \$1.5 million capital raising to fund the acquisition and assist with working capital. The NGage acquisition accelerates growth through geographical expansion providing greater scale and expertise. The acquisition is expected to be earnings accretive for shareholders. The acquisition and capital raising both completed early in Q4.
- The company also continued to invest in future growth with ongoing support for the Canberra office, increased investment in the WA sales team, along with the extensive due diligence work done on acquisition target NGage during the quarter. The investment in future growth along with timing impacts on working capital of growing revenue delivered negative operating cash for the quarter.

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:

Mr Matt Sullivan
Managing Director

Mr Matt Green
Chief Financial Officer

Tel: (08) 6180 4222

investor@cirrusnetworks.com.au

www.cirrusnetworks.com.au

About Cirrus:

Cirrus Networks Holdings Limited (ASX: CNW) is an IT solutions provider that helps businesses understand their technology needs to implement solutions that are world leading, best of breed, cost effective and efficient for long term operational gain. Cirrus’ innovative approach has resulted in the swift establishment of a blue-chip customer base and its success was recently recognised at the Deloitte Australia’s Technology Fast 50 Awards, where it was named in second place for 2015. This followed the second placing received in the fastest growing “Rising Star” technology company category in Australia in 2014.

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")

31/03/2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	9,412	28,113
1.2 Payments for		
(a) research and development	-	-
(b) product and operating costs	(8,593)	(22,425)
(c) advertising and marketing	(37)	(120)
(d) leased assets	-	-
(e) staff costs	(2,142)	(6,078)
(f) other corporate costs	-	-
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	10	38
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	1,189
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,350)	(717)

Consolidated statement of cash flows (continued)	Current quarter \$A'000	Year to date (9 months) \$A'000
---	------------------------------------	--

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(14)	(57)
(b) businesses (see item 10)	-	(95)
(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)	-	-
2.6 Net cash from / (used in) investing activities	(14)	(152)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	90*	90
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	90	90

**This amount relates to the first deposit of monies related to the Capital Raising for the Purchase of NGage Technology Group Pty Ltd. The balance of the \$1.5m raised was received post 31 March 2017.*

Consolidated statement of cash flows (continued)	Current quarter \$A'000	Year to date (9 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	4,491	4,030
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,350)	(717)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(14)	(152)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	90	90
4.5 Effect of movement in exchange rates on cash held	(3)	(37)
4.6 Cash and cash equivalents at end of quarter	3,214	3,214

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	3,214	4,491
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)	3,214	4,491

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	34
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	35
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	-	-
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.		

The Company is negotiating to enter into a Multi Option Facility with Bankwest after quarter end which will form part of the cash management for general business purposes. This Bankwest Multi Option Facility includes the following facilities drawn at the companies 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 and
- Business Corporate Transaction Account Facility with interest payable at the rate of the variable Bankwest Business Variable Overdraft Reference Rate.

9.	Estimated cash outflows for next quarter *	\$A'000
9.1	Research and development	-
9.2	Product and operating costs	(18,829)
9.3	Advertising and marketing	(50)
9.4	Leased assets	-
9.5	Staff costs	(3,756)
9.6	Other corporate costs	-
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows	(22,635)

* 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	VTs Canberra Pty Ltd	Not applicable
10.2 Place of incorporation or registration	New South Wales	Not applicable
10.3 Consideration for acquisition or disposal	\$95,000 consideration	Not applicable
10.4 Total net assets	VTs Canberra Pty Ltd had \$100 of net assets on date of acquisition by Cirrus Networks Holdings Limited.	Not applicable
10.5 Nature of business	Holds panel status as an information and communications technology provider for government bodies.	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:



(Company secretary)

Date: ...24 April 2017

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.