



## **ASX ANNOUNCEMENT | TESSERENT LIMITED**

MELBOURNE – 31st OCTOBER 2016

### **APPENDIX 4C – QUARTERLY AND ACTIVITIES REPORT**

Tesseract Limited (ASX: TNT) is pleased to deliver the September Quarterly Financial and Activities Report, highlighted by execution of the Company's planned growth strategy and an increase in quarterly sales by 12%.

#### **Key highlights during the quarter:**

- Customer receipts increased by 12% on previous quarter from \$1.107m to \$1.240m
- Quarter on quarter receivables maintained at stable rate
- Asian markets Business Development Manager appointed
- Renewed and upgraded several existing customers
- Continue to sign-up new customers
- US channel partner commences, delivering solid growth

Company revenue growth was reflected by customer receipts increase of 12% for the September quarter to \$1.240 million. As part of planned company expansion there were several items of expenditure on infrastructure and acquisition that will accelerate growth for the Company across a number of opportunity verticals and will enhance diversification both geographically and across industry sectors.

Working capital costs were higher for the quarter due to a number of one-off payments, which included costs associated with the Blue Reef acquisition, establishment of the executive team and expansion of the sales team.

Staffing costs for the quarter increased by 54.6%, in line with expectations as Tesseract appointed a new Asian Business Development Manager (currently based in Singapore), expanded our team in Sydney and realised the full quarter impact of the Blue Reef acquisition. Overall, spending on staff and infrastructure has been as expected and the Company is pleased to have efficiently achieved this as part of our planned growth strategy.

Cash position at 30 September was \$2.112 million



## Moving Forward

With the Blue Reef acquisition finalised, full revenue from sales and contract renewals will be realised by Tesseract in the coming quarter. This increase, along with anticipated revenues from new US schools associated with the new US channel partner in West Virginia, should see a welcome increase in revenues after the impact of several one-off costs.

The second quarter is traditionally the key contract buying and renewal period for the education sector. Due to the government agency nature of budget allocation, a significant proportion of education clients pay annually in advance and the Company expects this to flow through in the coming quarter results.

Subsequent to the end of the September quarter, Tesseract signed a distribution agreement with a US education distribution partner (ASX announcement of 4 October 2016) who supplies the school system of West Virginia. This agreement has, so far, resulted in 31 schools from Berkeley County and 16 schools from Jefferson County (West Virginia), now using Tesseract's solutions. These schools represent just a small portion of 26 counties in this state alone that have access to Tesseract's education platform through this channel partner. This has been a very pleasing start to the relationship with our US education channel partner, vindicating our US education target growth strategy and we anticipate continued growth in this area in 2017.

## About Tesseract

Tesseract is a specialist in managed cyber security. Tesseract manages direct end-customers in Australia and around the world while also offering a managed security service to wholesale channel partners globally, enabling them to deliver effective cyber-security management to their end-customers.

For more information, please visit the company's web site at [www.tesseract.com](http://www.tesseract.com).

## 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

TESSERENT LIMITED

ABN

13 605 672 928

Quarter ended ("current quarter")

30 SEPTEMBER 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	1,240	1,240
1.2 Payments for (a) staff costs	(849)	(849)
(b) advertising and	(40)	(40)
marketing		
(c) research and	-	-
development		
(d) leased assets	(1)	(1)
(e) other working capital	(1,289)	(1,289)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	3	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(9)	(9)
1.7 Other (provide details if material)		
Payment of bond for new premises	(239)	(239)
<b>Net operating cash flows</b>	<b>(1,184)</b>	<b>(1,184)</b>

+ See chapter 19 for defined terms.

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**Quarterly report for entities**  
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	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(1,184)	(1,184)
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(15)	(15)
(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)	-	-
<b>Net investing cash flows</b>	(15)	(15)
<b>1.14 Total operating and investing cash flows</b>	(1,199)	(1,199)
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	-	-
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	-	-
<b>Net financing cash flows</b>	-	-
<b>Net increase (decrease) in cash held</b>	(1,199)	(1,199)
1.21 Cash at beginning of quarter/year to date	3,381	3,381
1.22 Exchange rate adjustments to item 1.20		
1.23 <b>Cash at end of quarter</b>	2,182	2,182

+ 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	137
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	<p>Explanation necessary for an understanding of the transactions</p> <ul style="list-style-type: none"> <li>• Executive Director salaries</li> <li>• Director fees</li> </ul> <p>Includes amounts paid to entities associated with the Directors</p>	

**Non-cash financing and investing activities**

2.1	<p>Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows</p> <p style="border: 1px solid black; padding: 2px;">N/A</p>
2.2	<p>Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest</p> <p style="border: 1px solid black; padding: 2px;">N/A</p>

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**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	-	-

**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	182	1,381
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	2,000	2,000
<b>Total: cash at end of quarter (item 1.23)</b>	<b>2,182</b>	<b>3,381</b>

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## Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	-	-
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 ~~does not~~<sup>\*</sup> (*delete one*) give a true and fair view of the matters disclosed.



31/10/2016

Sign here: ..... Date: .....  
(~~Director~~/Company secretary)

Print name: Oliver Carton

## 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.

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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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