

Knowledge Genes®

The screenshot displays the Knowledge Genes website interface. At the top, there is a navigation bar with the site name, a search bar, and user information. The main content area is titled "The WHY Code - the standard for coding, sharing and executing knowledge". It is divided into several sections: "Your Enterprise WHY Code" with bullet points and a diagram; "WHY Map of the week" featuring an IBM case study; "The WHY Code" with a diagram and text; and "INFORMATION SYSTEMS" and "LIFE" sections with various articles and images. The footer contains copyright information for 2011 Knowledge Genes Ltd.

Business Plan

12th January 2012

Knowledge Genes Limited
Chesterford Research Park (Cambridge)
Little Chesterford
CB10 1XL

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EXECUTIVE SUMMARY

World civilization is in a period of major transformation - to a knowledge society. Knowledge is now *the* primary resource for organizations, individuals and the economy overall¹.

But there are obstacles in the way - knowledge is difficult to access, understand, validate and replicate, causing organizations and economies to run inefficiently and ineffectively. A modern organization or economy is composed of specialists, each with a narrow area of expertise, working in isolated knowledge silos. Lack of transparency and cohesion and poor governance are the consequences². Information is *not* knowledge. For example, the Web has generated fantastic information access but it has not become an effective knowledge exchange. Something is missing.

The Solution – it seems inevitable that a common protocol for codifying and sharing knowledge must emerge. This will unblock knowledge flows, addressing the above problems and enabling full transition to a knowledge society³. We are believed to be the first in the world to discover and develop such a standard. It is called the *WHY Code™*.

We believe that the *WHY Code* will become *the* global standard for knowledge exchange and will help overcome information overload on the Web and corporate webs. The approach is patented and delivered via the *Knowledge Genes®* website. Knowledge is encoded in a beautifully simple but very powerful interface that is focused on three fundamental question – **WHAT**, **HOW** and **WHY**.

AIMS & GOALS

The Company is focused on the following minimum goals within 5 years:

1. 7 million unique visitors to the site per month
2. 7,000 organizations using Knowledge Genes as the 'DNA' of their organization
3. £35 million of annual revenue, and £7.5 million of annual net income

Annual revenues in excess of £650 million and unique monthly visitors in excess of 24 million are achievable future goals, via licensing deals with key players in the information industries.

FINANCIALS – FORWARD LOOKING PROJECTIONS

The Company's forward looking projections are set forth below:

		£,000			
		Year Ending March 31			
	2012	2013	2014	2015	2016
Total Revenue	463	1,489	4,896	15,891	34,873
Net Income	12	103	866	3,061	7,656
Net Cash from Operations	-53	-68	32	1,018	5,360
Debt Finance	0	150	-50	-50	-50
Equity Finance	54	0	1,236	0	0
Net Cash Balance	-24	59	1,277	2,244	7,554

The parent company underwrites any cash shortfalls. Within two years, the Company envisages an equity investment from one or more major players in the information industries.

STRATEGIC ANALYSIS

Knowledge is captured and shared today using a variety of means - none of them satisfactory.

Conventional text is mostly unstructured, vague, longwinded and ambiguous. Conventional process documentation is complex, unnecessarily technical and unattractive to users.

The cost to organizations and economies of such inefficiency is only too evident and runs into hundreds of billions of dollars.

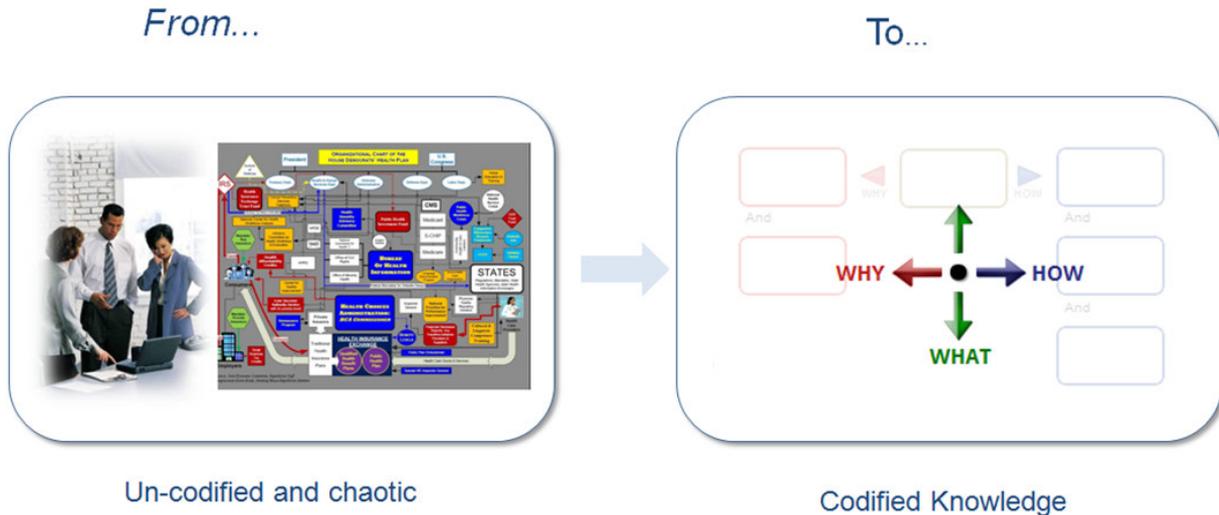
Knowledge Genes® is a simple but powerful way to codify knowledge that can bring about dramatic improvements in efficiency and effectiveness. It is based on the patented technology we call the *WHY Code* and can be applied wherever knowledge needs to be captured and shared.

A standard code of knowledge will dramatically change the way organizations, individuals and economies document and share knowledge in the next 5 – 10 years. And *Knowledge Genes®* is the clear world leader in this embryonic market.

“One day, somebody will work out a common way to codify knowledge and change the way we work”

“If history is any guide, this transformation to a knowledge society will not be completed until 2010 or 2020”

Peter Drucker



“Catch those transitions three to five years before they are obvious... because by the time it's obvious, it's too late”

John Chambers
Chairman & CEO
Cisco

MARKET STRUCTURE & SIZE

The market is currently fragmented but runs into many billions of dollars:

- Business Process Analysis market - around \$500 million per annum (Gartner).
- Business Process Management (Workflow) - generally estimated as anywhere between \$1 and \$3 billion per annum (Various).
- Compliance software - in excess of \$1.3 billion per annum (Forrester).
- Organizational Learning - a totally fragmented and inaccessible market, but we estimate the theoretical market size to be \$5 billion per annum.
- The Knowledge Management market - very fragmented but estimated to be in excess of \$30 billion per annum (Various).

Knowledge Genes® has won praise in each of these categories, but we do not plan an ill-conceived attempt to conquer such a large and complex market alone.

Our thinking is as follows:

1. The real question is not market size, but access to market.
2. The problem (and actually the opportunity) is that knowledge is used in all the above market categories but codified in totally different ways, all of them inefficient.
3. This gives us an opportunity to license our technology to major players in the above categories and begin to propagate our standard across all categories, thereby creating a new subcategory that we can dominate.
4. But, potential allies will not license technology until market demand is proven.
5. Early sales (direct into target organizations) must therefore become compelling case studies and demonstrate significant revenue potential. This process has begun with our early successes at Shell, Credit Suisse, ING and others.
6. It's critical to be a big fish in a small pool not vice versa, so the fact that the market is currently fragmented is a good thing, not a bad thing. Our new subcategory is initially small – therefore one we can dominate – one with which we can become synonymous.
7. We can then grow our market niche quickly, maintaining subcategory leadership, driven by the compelling benefits of the *WHY Code* versus conventional approaches, until our expanding subcategory finally pushes out conventional approaches.

LICENSING MAJOR PLAYERS – WHAT ARE THE CHANCES?

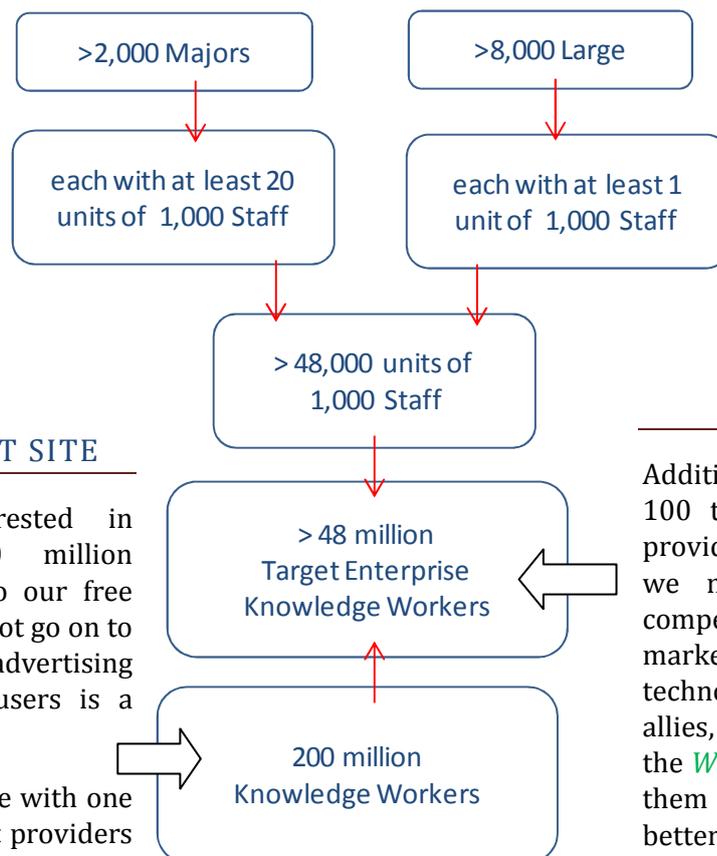
In 2008, an early prototype of *Knowledge Genes*® was shown to major vendors including IBM and Microsoft (via Regent Partners International, claimed to be Europe’s premier corporate finance service specializing in technology mergers and acquisitions).

We know from this dialogue that our technology was of potential interest to these major vendors. For example, Regent told us that they had never before secured such interest from Microsoft.

Unfortunately, the economic crisis since 2008 has made it impossible for the Company to continue this project as the need to focus on survival was paramount. But we now plan to restart this program, aimed at licensing our technology to the top players in the various segments of our target markets.

TARGET END CUSTOMERS

We are targeting organizations in English speaking communities - 2,000 major organizations with greater than 20,000 employees and 8,000 large organizations with in excess of 1,000 employees. This suggests 48 million target users out of a total knowledge worker population of 200 million.



PUBLIC CONTENT SITE

We are also interested in attracting the 200 million knowledge workers to our free public site. Many will not go on to make a purchase, but advertising revenue from these users is a strategic goal.

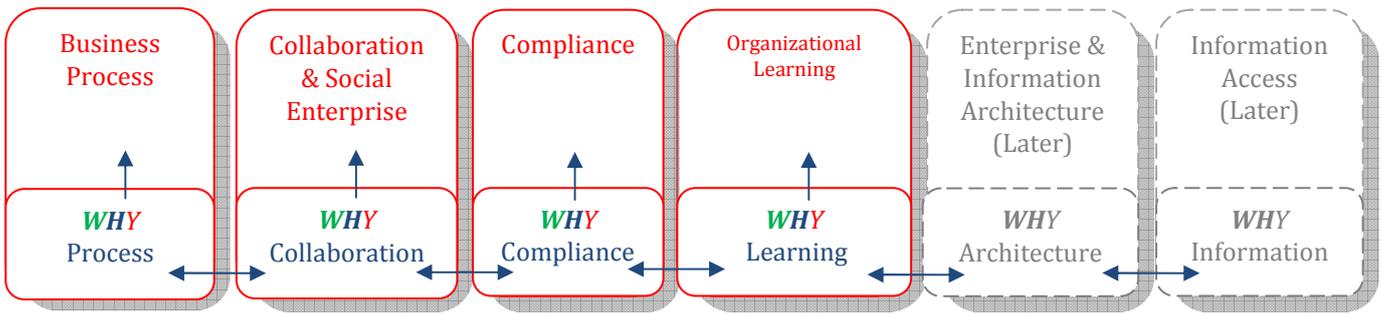
We plan a joint-venture with one or more major content providers in this area of our plan.

TARGETING ALLIES

Additionally, we are targeting the top 100 technology vendors and service providers in our target markets – First, we must demonstrate success via compelling case studies in these target markets. Then we license these technology and service providers as allies, improving their offerings with the *WHY Code* – we don’t compete with them – we enable them to perform better using our technology.

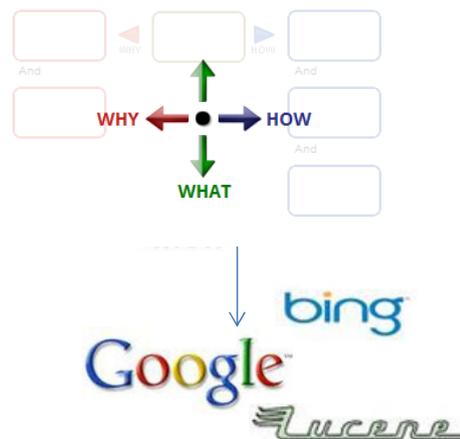
Excluded from consideration at present is the Education market, but this is a possible opportunity area for future consideration.

DIFFERENTIATION AND SPECIFIC TARGET BENEFITS



The initial target applications, within an enterprise, are business process (and information systems requirements definition), collaboration, compliance and organizational learning. We already have success stories at Shell, Credit Suisse, ING and Progressive Insurance.

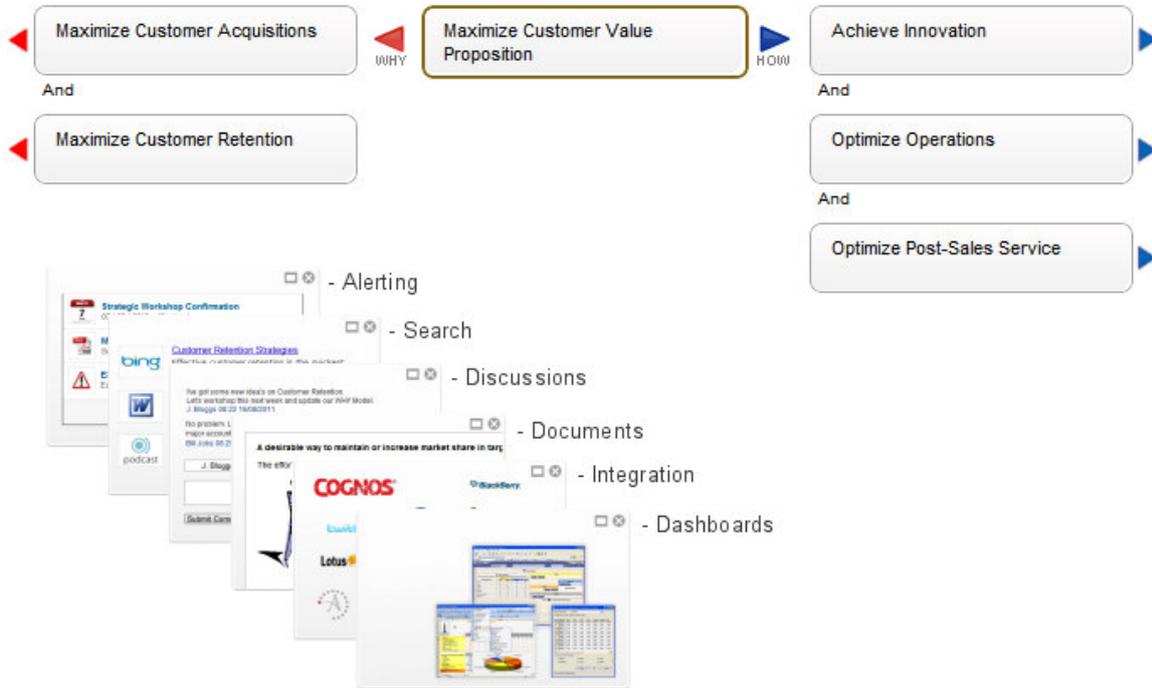
Later, we plan to move into Enterprise Architecture and Information Architecture (April 2012) and Information Access (October 2012). The opportunity is considerable and based on the automatic indexing capabilities of the *WHY Code*. We already have some powerful natural language technology, and future patents are to be filed in this area.



In each of these target categories, we plan to create a new sub-category – *WHY process*, *WHY compliance*, *WHY collaboration*, *WHY learning* and so on – driven by our target customers’ increasing dissatisfaction and frustration with conventional approaches. These conventional approaches are a barrier to ongoing improvements in efficiency and effectiveness within organizations and the economy overall¹. Because of the significant benefits of our new approach, we believe that we can grow our subcategory to be dominant in each of these areas.

We have selected the *WHY* adjective phrase because it can be applied to every new application segment we take on, bringing brand & benefit recognition to each new segment we attack – a new way for the new knowledge-based economy.

By definition, people, process, communication, and information are all about achieving a purpose. Therefore, our **WHY Code** makes it more likely that users will spread our approach across the organization. As one observer has said, it can become the 'DNA' of the organization.



“Specialized knowledge by itself produces nothing. It can become productive only when it is integrated into a task. If history is any guide, this transformation to a knowledge society will not be completed until 2010 or 2020.

Only a focused and common mission will hold the organization together and enable it to produce.

The first questions in increasing productivity – in working smarter - have to be: **WHAT** is the task? **WHAT** do we try to accomplish? “

WHY do it at all?

Peter Drucker



THE BENEFITS

The benefits are as follows:

1. The approach and user interface are simple, fast and fun. This means projects can be executed faster, at lower cost, and with higher staff morale.
2. The **WHAT? HOW? WHY?** structure eliminates verbosity, vagueness and ambiguity – things become more efficient and easier to understand.
3. The mind map is organized around the fundamental learning questions **WHAT? HOW? WHY?** People make far fewer errors. Even complex knowledge can be readily absorbed.
4. People communicate better by focusing on the key questions **WHAT? HOW? WHY?** In today's busy world, we just do not have time to waste on longwinded communication.
5. Information from corporate webs and the Web can be automatically indexed into each Knowledge Gene® so that the information map (schema) is automatically 100% aligned with the mind map, giving faster and more effective information access.
6. Above all else, people, process, communication and information are efficiently wired around the organization's purpose.

Imagine the impact on business performance if everybody understood exactly **WHAT** needs to be done, **HOW** and most importantly **WHY**.

SOME CUSTOMER EXAMPLES



ING uses *Knowledge Genes*® to control their trading desks and reduce risks of rogue trading.

After selecting us in 2009, they have successfully rolled-out worldwide and spent over \$0.5m with us. They are dependent upon us to provide an efficient service 24 X 7. There is an ongoing pipeline of sales opportunities.



Progressive is one of the biggest auto insurers in the USA with revenues of \$15Bn.

After lengthy trials they have just selected *Knowledge Genes*® in which to codify corporate knowledge, thus giving everyone in the enterprise – from senior management, to IT, to call-centre workers – the same shared understanding of critical processes.

The identified benefits of this project already exceed \$15m and Progressive believe, after comparison with all leading conventional business process management (BPM) tools, that the **WHY** Code is the only technology that will give the results they need. They recently placed their first pilot order of \$33,000 and their budget for our involvement in the next phase is believed to be around \$250,000.



Credit Suisse is off-shoring major parts of its 'shared services' functions (e.g. Finance, IT, and HR) to India.

This project is driven by the Deputy CFO and his strategy depends on our technology to deliver executable knowledge to overseas staff, to ensure that even complex high-risk tasks are undertaken correctly.

Senior management have recently completed a SWOT analysis of our technology versus alternatives and told us – “No other technology can give us what we need.”



Shell uses our technology to document and control worldwide best practice in all areas of capital project management worldwide.

All projects, upstream and downstream, above a certain minimum size are mandated to use our technology to assure compliance with best practice. Furthermore, their **WHAT HOW WHY** Maps index all the documents that any given project would require at each step – in Shell’s words, “All the information we need to execute a project can be accessed... a ‘one-window shop’ on how to manage a project... anyone working on a project can find the information they need.”

The system has been highly successful – again in their words, Knowledge Genes “allows us to access the best practices and procedures that are used in the Group... you have a high probability of delivering the benefit to the bottom line when you said you would... a huge success.”

COMPETITIVE EDGE

Our first competitive edge is that our **WHY** Code really works – it gets results, and its simple but powerful structure seems to appeal to people’s sense of beauty and symmetry.

Secondly, it may be less of an invention and more of a discovery about the structure of knowledge. If so, it will be difficult for competitors to develop a better approach.

Thirdly, the site is covered by various patents and trademarks covering some of the major regions of the globe.

COMPETITION

For the purpose of assessing competition, *Knowledge Genes*® can best be categorized in two ways:

- A standard code of knowledge - delivering fast, no-nonsense access to knowledge
- Information Access (coming soon) – corporate webs and the Web indexed in the context of **WHAT** users seek to know, **HOW** and **WHY**.

A standard code of knowledge

Knowledge is mostly exchanged today using text based approaches – books, academic papers, training materials, web pages. In this sense, we face competition from an overwhelming number of sources. But the problem is that text alone is inefficient and ineffective. Authors can be vague, hiding snippets of knowledge in large chunks of verbosity.

By contrast, we offer a way to demand **WHAT** are you telling me? **WHY** is it important? And **HOW** do I apply it? This offers an opportunity for us to shift the balance of power from the provider of knowledge to the consumer.

The approach doesn’t replace text, it complements text. The underlying technology is similar to hypertext. It links objects together. But unlike the unstructured approach of hypertext, our links have the underlying **WHAT-HOW-WHY** structure.

Although nobody really knows how knowledge is stored in the brain, we suspect that it involves a schema similar to our **WHY** Code structure. So it’s incredibly inefficient to translate this pure structure into a text format for communication from one person to another, and then for the recipient to have to translate it back again as they internalize the knowledge. By contrast, we significantly bypass this conversion. Increased speed and accuracy of knowledge sharing are proven benefits.

As an alternative to text, some of our users had previously attempted to use process tools to document and exchange corporate knowledge. But these attempts failed because these tools are technical, over-complicated, and most important of all, they neither capture knowledge effectively nor enable effective learning. The threat from this source is receding as our target users increasingly report disillusionment with these old fashioned process tools.

Information Access

Some semantic mapping technology is already exposed on our public website. Further incremental developments are imminent, allowing us to offer the following benefits versus competition:

Real-time search via Google & Microsoft technology - Using the *Knowledge Genes*® in a user's personal knowledgebase, we automatically connect to Google, Microsoft, and other search engines to retrieve better results. This can be done because we understand more about the user – **WHAT** a user seeks to know, **HOW** and **WHY**. This enables us to give...

A better navigation experience – As a user navigates around the **WHAT, HOW, WHY** structure, search results are automatically returned. The user can move from concept to related concept using the *WHY Code* links. The knowledge in a *Knowledge Gene*® takes them to places they would not otherwise think to go (or have the knowledge to go).

This is central to our competitive edge – a better navigation and search experience than can be gained by using Google, Microsoft, or other tools alone.

Please note – we do not plan to compete with search engines, but simply provide a layer of intelligence within the user interface.

Versus Semantic Tagging

Behind the scenes, our website retains the web documents retrieved in the foreground. These documents are then parsed using our natural language engines and indexed into an overall semantic map of the Web or corporate webs. Our fundamental advantage here is that we can automatically scan and map any text to define **WHAT** it's about, **WHY** it's important and **HOW** to use it. This enables us to go further in understanding a document than can be done by Google or Microsoft, and enables us to further complement the services they and other web services provide.

Semantic Tagging is the new vision for the Web and the objective is to bring structure to an unstructured world. But current approaches use agreed standards which require laborious manual tagging, and thought leaders question whether such a top-down approach can ever work on the Web. Versus semantic tagging standards such as RDF/OWL, our underlying technology has the following benefits:

1. It is an automated process, eliminating the need for manual tagging
2. It provides an intuitive and compelling user interface whereas RDF/OWL has none
3. It is a more complete and useful structure than the alternatives. It provides aspects of purpose, natural language and process that are not covered by RDF/OWL
4. There is a 100% correlation between the user mind-map and the underlying paradigm. This means that in addition to it being very powerful at the automated level, the user also knows how the results have been achieved, thereby improving the transparency of information access.

Versus Social Business Software

Social Business Software such as Jive provides a good way for users to communicate – a bit like Facebook for the enterprise. But there is no underlying architecture to bring users together with common purpose. By contrast our *WHY Code* is a simple, fun and powerful way to ensure communication and collaboration within an enterprise is focused on the purpose.

Also, getting started with Jive, for example, is a laborious process requiring downloads that are not easy. By contrast, visitors to Knowledge Genes get started straight away – type something and click.

MARKETING & SALES PLAN

To succeed with our marketing objectives, we focus on three things:

1. Attracting people to our web site,
2. Making it easy and fun for them to start building their own Knowledge Genes,
3. Making it easy for them to refer their colleagues to the Knowledge Genes they've created.

The first questions have to be:

WHAT is the task?

WHAT do we try to accomplish?

WHY do it at all?

Peter Drucker



We attract visitors to our site as follows:

1. Link Building – There are many bloggers and websites on the Web, and some are followed by big audiences in our target segments. We are gradually building links to our site from these popular web properties.
2. Communities – The ability to build *Knowledge Genes*® on specific subjects makes it easier for us to build communities of interest. We plan to achieve our visitor goals via lots of special interest niches rather than one generic goal.
3. Search Engine Optimization – Because *Knowledge Genes*® are built on specific subjects, we can gradually get them appearing in search results on a wide variety of topics, not just in response to searches on knowledge, process mapping, compliance or information access. In this way we believe we can spread 'bottom-up' within organizations.

Additionally, we have now started cold calling into the complete Forbes 2000, contacting the CEO's office and seeking referral to those people tasked with organizational change on behalf of the CEO.

SALES PROCESS

It's always easier for people to buy once they've tried something out. This observation is central to our sales strategy which is constructed on the following basis:

1. People visit the site, attracted by our marketing programs,
2. 2% of visitors register for a free trial of our *Enterprise Express* offering,
3. 10% of these free trials will convert to sales,
4. These initial enterprise seeds grow virally within an organization,
5. 10% of enterprise subscribers go on and buy an application extension. For example, an application to add accountabilities and alerts,

6. 1% of new enterprise installations take a service pack to help them with their initial implementation.

Beyond the short-term, significant opportunities for advertising revenue will emerge. When people browse specific *Knowledge Genes*® they have specific tasks in mind and this makes for a particularly attractive proposition to advertisers. Even those users who do not register with us are attractive in this regard because anonymous visitors still generate advertising revenue.

RECENT COMMENTS ON OUR WEBSITE AND TECHNOLOGY

Senior Architect, Bank of America (ex IBM, ex SAP) - **“Absolutely wonderful”**

Director, Information Architecture at GlaxoSmithKline - **“You definitely win the award this month for the coolest tool I’ve seen.** It could be the next generation of data modeling. It really could. You could not only do a great service for the world, but also the IT community - you could expand the conceptual vocabulary of people who work in IT, and they need it!”

Head of Knowledge Management Department for Barloworld, a US\$460M annual-revenue international logistics company - **“this is really a cool tool! ...you are really doing awesome stuff!”**

Business Architect, ING -“My overall judgment is very positive. **In my view we should go in this direction”**

CIO North America, Aviva – **“I found it a fabulous concept** and am just about to blog about it (internally). I need to explore a bit more but was very taken by it! Am wondering whether we can build it into our internal global SharePoint implementation?”

GROWTH IN USERS

In the first financial year of *Knowledge Genes*®, unique monthly visitors to the site grew to over 20,000, about 75% ahead of our expectation. Visitors to the site came from 112 different countries – 44% from North America, 27% from Europe and 29% from the rest of the world.

This plan forecasts that the number of visitors will grow to around 7 million per month within five years and ultimately to at least 24 million.

Because organizations use our site to create their own knowledge bases, this creates a viral effect on our site, driven by the organizational imperative to share knowledge.

We also plan to promote public communities, in addition to private enterprise knowledge bases, as another way of bringing visitors back to our site at regular intervals.

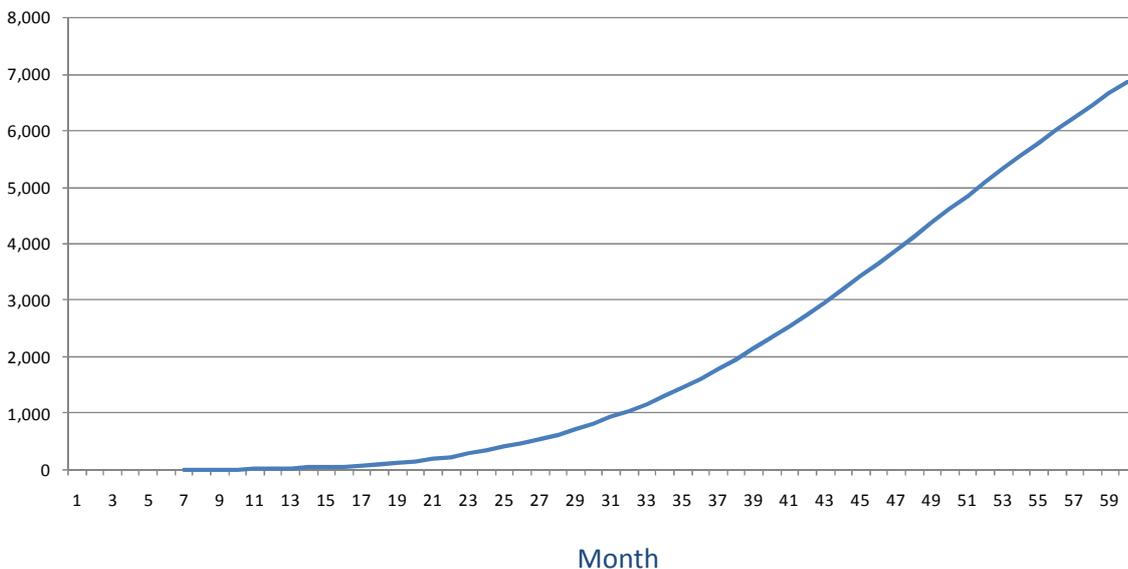
Viral growth rate is the addition of two percentages, the % of users returning from the previous month, plus the number of new visitors referred to the site. A minimum percentage has to be achieved or there will be no viral effect. So the percentage of visitors returning is critical to our success. If we attract people to the site but they never come back, then our efforts have been completely wasted. So we are carefully monitoring and tuning site activity to avoid this error.

Our forward projections are as follows:

	2012	2013	March 31 2014	2015	2016
Unique Visitors per Month	20,000	360,633	1,623,481	4,127,417	6,858,927
Enterprise Subscribers	879	14,595	93,198	325,372	703,892

Note – users on in-house installations are ignored and excluded from these projections. There are currently 10,000 – 12,000 such users.

Number of Enterprise Customers

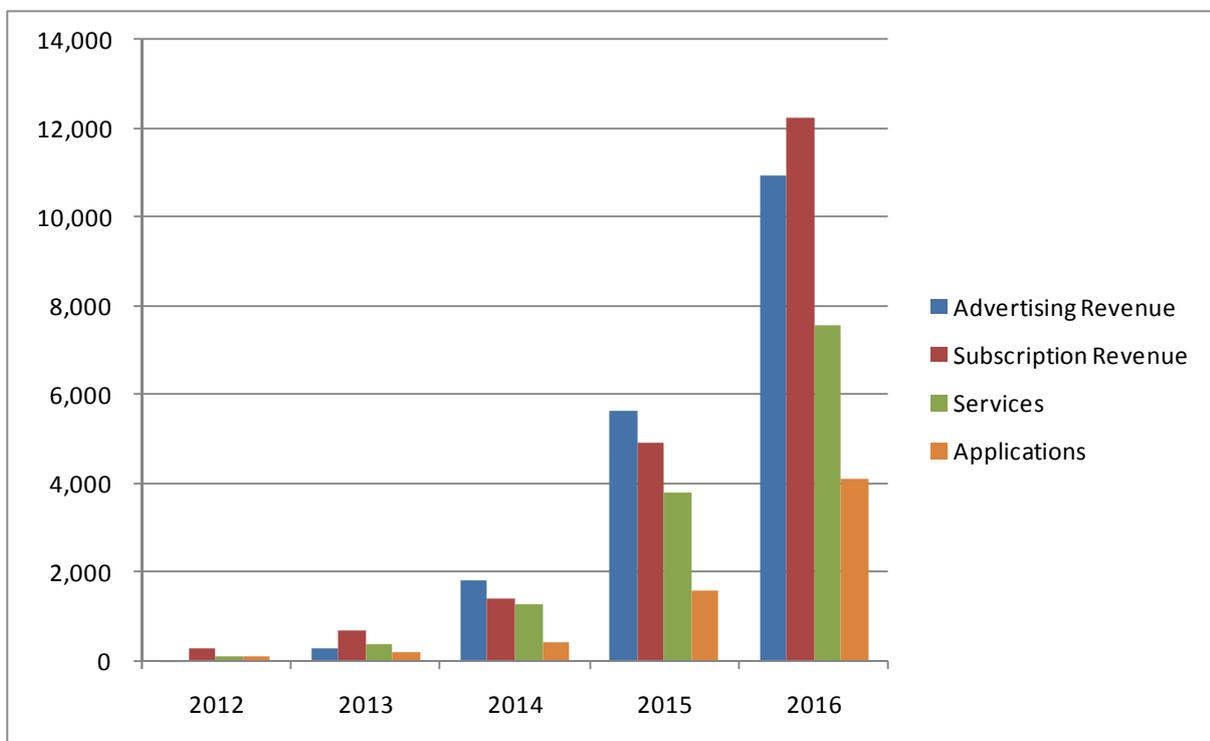


SALES FORECAST

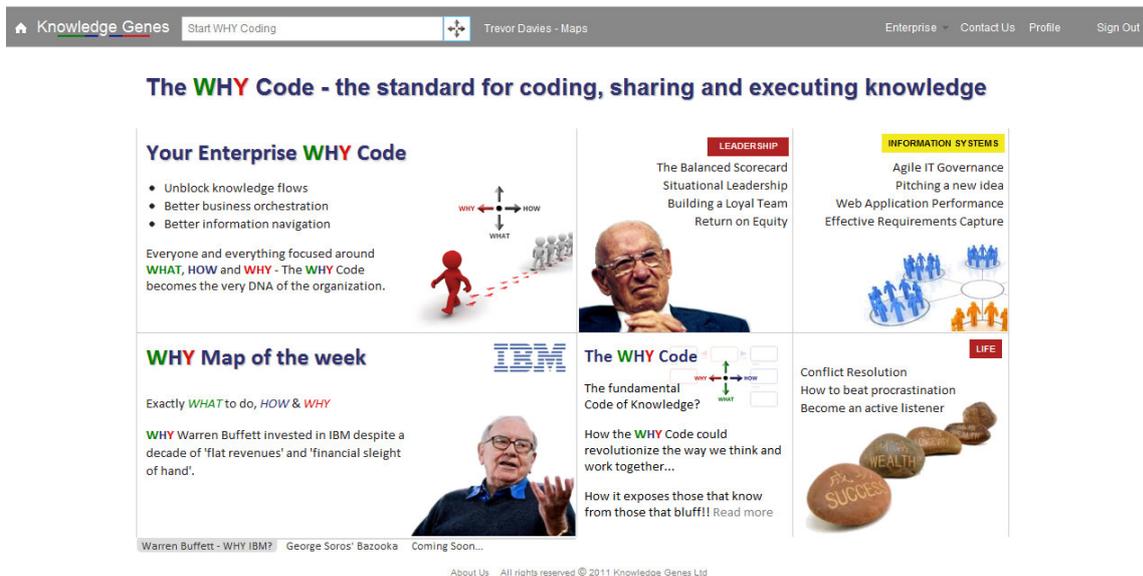
Our sales projections are as follows:

	£,000				
	Year Ending March 31				
	2012	2013	2014	2015	2016
Advertising Revenue	13	294	1,813	5,617	10,929
Subscription Revenue	277	685	1,417	4,897	12,249
Services	102	345	1,251	3,804	7,579
Applications	70	165	415	1,573	4,115
Total Revenue	463	1,489	4,896	15,891	34,873

Represented diagrammatically as follows:



DEVELOPMENT & OPERATIONS PLAN



We have made our Home Page as simple as possible, providing example business content and enabling users to build their own *Knowledge Genes*® immediately – nothing to learn, no need to register, nothing to download – it works with all browsers, Apple iPad, and Android equivalents.

After users have created a small portion of their first *Knowledge Gene*® and thereby understood the approach, they are asked to register for a free trial. An Enterprise Space is automatically created for them and they can immediately share their work with colleagues in their organization.

The free trial is for 30 days after which users are prompted for payment. They need to pay (around \$30 per user per month) to be able to share significant content with their colleagues, but alternatively they can continue free use for smaller amounts of content.

But many visitors will just view our content and not go on to build their own *Knowledge Genes*®. They will combine and exploit other people’s *Knowledge Genes*® – we are increasing our library of business content plus also experimenting with *Knowledge Genes*® on topics of current interest to our target audience. For example, **WHY** and **HOW** did Warren Buffett invest in IBM? And for example, George Soros’ solution to the eurozone crisis – What he would do, **HOW** and **WHY**. The idea is to demonstrate the benefits of the approach and gradually create a site that brings simplicity, power and clarity to knowledge on the Web. This approach has very quickly achieved high Google search ranking for the topics so far covered. We now plan to increase the frequency of such content and hope to attract one or major internet content providers to joint-venture with us.

Note - It is very much cheaper for organizations to use our website for their knowledge base rather than implement it in-house themselves. This is the benefit of what is now called ‘cloud computing’ whereby organizations use systems on the Web rather than install them in-house. But we also offer in-house versions of our site which can later be migrated to the ‘cloud’ when the customer wishes.

As users navigates around the **WHAT**, **HOW**, **WHY** structure, the above content and any other relevant content from the Web (and corporate webs) is automatically indexed and displayed. Users can move from concept to related concept using the *WHY Code* links. *Knowledge Genes*® takes them to places they would not otherwise think to go (or have the knowledge to go).

FURTHER DEVELOPMENT PLANS

Further development plans include:

1. Functionality for IT Architects – for Enterprise Architecture and Information Architecture
2. Extensions to the current Discussions forums
3. Natural language parsing and related extensions to our current interface with Google and other search engines. Significant new patent applications are planned in this area.
4. Application interfaces – enabling organizations and individuals to create their own executable applications of *Knowledge Genes*®
5. Extensions for the integration of mathematical functions
6. Intelligent Personal Assistants – because *Knowledge Genes*® know **WHAT** a user needs to know, **HOW** & **WHY**, they provide a greater opportunity for intelligent assistance than has ever been available before. If a computer process knows **WHY** you're doing something, it can predict information and other needs in an unprecedented fashion. This technology will increasingly be delivered via Google Android and Apple iOS devices in addition to desktops and laptops.

OPERATIONS

The *Knowledge Genes*® site runs on Amazon's Elastic Compute Cloud with server instances in North America and Europe. Asia will be covered in 2012. This means that we can deliver virtual data centers where needed, and upgrade when needed, without having to purchase and maintain hardware installations ourselves - we can scale up data centers almost instantly to meet increasing demand.

All data is streamed to remote backup services on an automated and continuous basis.

FINANCIAL PLAN

Our important financial assumptions and projections for the next five years are as follows:

1. Site visitor traffic - a conservative growth rate of 20% per month on the public site (25% within an enterprise) for the first two years, gradually slowing to 12% (15%) by the end of year 5,
2. 2% of visitors register for an enterprise trial (in line with current rates),
3. 10% of free trial registrants eventually make a purchase (too soon to know but probably a conservative estimate),
4. Average initial enterprise purchase is 10 users (current average is 94),
5. 10% of enterprise customers purchase an application extension (current rate is 50%),
6. Average sale price of a basic enterprise service is \$3 per user per month (current price ranges from \$4 to \$30),
7. Average application-extension revenue is assumed to be \$10.75 per user per month (current price achieved is around \$20 per user),
8. 1% of new enterprise customers take a project services package of \$18,000 (current level is around 20%),
9. Average click-through advertising revenue per user, per month is \$0.25,
10. Users of in-house installations are ignored and excluded from visitor projections. There are currently around 10,000-12,000 such licensed users across several installations.

NET INCOME STATEMENT

	£,000				
	Year Ending March 31				
	2012	2013	2014	2015	2016
Advertising Revenue	13	294	1,813	5,617	10,929
Subscription Revenue	277	685	1,417	4,897	12,249
Services	102	345	1,251	3,804	7,579
Applications	70	165	415	1,573	4,115
Total Revenue	463	1,489	4,896	15,891	34,873
Cost of Sale	156	534	1,911	6,227	13,732
Gross Margin	307	955	2,986	9,664	21,140
Sales and Marketing	75	365	1,144	3,563	7,041
Development	124	181	418	1,247	2,707
General & Administration	94	273	387	1,242	2,381
Income before tax & interest	14	137	1,037	3,612	9,010
Interest	0	14	15	9	3
Taxation	2	21	156	542	1,352
Net Income	12	103	866	3,061	7,656

BALANCE SHEET SUMMARY

	£,000				
	March 31				
	2012	2013	2014	2015	2016
Cash	-24	59	1,277	2,244	7,554
Accounts Receivable	196	382	1,451	4,150	7,931
Other Asset	38	21	21	21	21
Assets	210	461	2,749	6,415	15,506
Curret Liabilities	50	230	415	1,020	2,455
Long Term Liabilites	32	0	0	0	0
Shareholder Equity	128	231	2,333	5,395	13,050
Liabilities & Shareholder Equity	210	461	2,749	6,415	15,506

KEY RATIOS

	Year Ending March 31				
	2012	2013	2014	2015	2016
Advertising Revenue	2.9%	19.7%	37.0%	35.3%	31.3%
Subscription Revenue	59.9%	46.0%	29.0%	30.8%	35.1%
Services	22.1%	23.2%	25.6%	23.9%	21.7%
Applications	15.1%	11.1%	8.5%	9.9%	11.8%
Total Revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Sale	33.7%	35.8%	39.0%	39.2%	39.4%
Gross Margin	66.3%	64.2%	61.0%	60.8%	60.6%
Sales and Marketing	16.2%	24.5%	23.4%	22.4%	20.2%
Development	26.8%	12.1%	8.5%	7.8%	7.8%
General & Administration	20.3%	18.3%	7.9%	7.8%	6.8%
Income before tax & interest	2.9%	9.2%	21.2%	22.7%	25.8%
Interest	0.0%	0.9%	0.3%	0.1%	0.0%
Taxation	0.4%	1.4%	3.2%	3.4%	3.9%
Net Income	2.5%	6.9%	17.7%	19.3%	22.0%
Debt/Equity Ratio	43%	65%	4%	1%	0%
Current Ratio	29%	52%	15%	16%	16%

CASH FLOW SUMMARY

	£,000				
	Year Ending March 31				
	2012	2013	2014	2015	2016
Cash Inflow	398	1,402	4,255	14,583	34,142
Cash Outflow	451	1,470	4,223	13,565	28,783
Net Cash from Operations	-53	-68	32	1,018	5,360
Debt Finance	0	150	-50	-50	-50
Equity Finance	54	0	1,236	0	0
Net Cash Balance	-24	59	1,277	2,244	7,554

MONTHLY CASHFLOW – FIRST THREE YEARS OF EFG LOAN

The monthly cash flow statements set forth below relate to the three years beginning 1st April 2012 – the projected start date of the EFG loan.

£,000	2012/2013 (Year 1)											
	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	March
Operating Cash In												
Accounts Receivable - HKMS	0	0	0	0	0	0	0	0	0	0	0	0
Accounts Receivable - Others (incl VAT)	95	91	116	114	113	114	116	119	124	132	142	156
Loans from HKMS	0	0	0	0	0	0	0	0	0	0	0	0
Total Cash In	91	87	112	110	109	109	111	118	124	132	142	156
Operating Cash Out												
Cost of Good Sold	17	33	33	34	36	38	41	45	49	55	63	72
Marketing & Sales Costs	27	27	26	26	27	27	28	30	32	34	38	42
Research & Development Costs	15	15	15	15	15	15	15	15	15	15	15	15
General & Administration Costs	13	18	27	20	21	29	21	21	29	21	21	29
HKMS Distribution Charges	0	0	0	0	0	0	0	0	0	0	0	0
Interest Charges	1	1	1	1	1	1	2	2	2	2	2	2
Input VAT paid	1	3	5	3	3	5	4	4	5	4	5	7
VAT Payment to HMRC	18	0	0	19	0	0	17	0	0	19	0	0
Total Cash Out	91	96	107	119	103	116	128	116	132	151	143	167
Net Operating Cash Flow	-0	-9	5	-9	6	-6	-16	2	-8	-20	-1	-10
Debt Finance	75	75	75	75	75	75	150	150	150	150	150	150
Equity Funding	54	54	54	54	54	54	54	54	54	54	54	54
Cumulative Cash Balance	51	42	47	37	43	37	95	97	89	69	69	59

£,000	2013/2014 (Year 2)											
	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	March
Operating Cash In												
Accounts Receivable - HKMS	0	0	0	0	0	0	0	0	0	0	0	0
Accounts Receivable - Others (incl VAT)	175	198	222	247	276	310	348	390	438	490	549	613
Loans from HKMS	0	0	0	0	0	0	0	0	0	0	0	0
Total Cash In	175	198	222	247	276	310	348	390	438	490	549	613
Operating Cash Out												
Cost of Good Sold	81	90	101	113	127	142	159	177	197	219	242	263
Marketing & Sales Costs	50	56	61	68	76	84	94	105	117	130	144	159
Research & Development Costs	35	35	35	35	35	35	35	35	35	35	35	35
General & Administration Costs	26	26	34	27	28	37	29	30	39	33	34	43
HKMS Distribution Charges	0	0	0	0	0	0	0	0	0	0	0	0
Interest Charges	2	1	1	1	1	1	1	1	1	1	1	1
Input VAT paid	7	7	9	9	10	13	13	14	17	17	19	23
VAT Payment to HMRC	27	0	0	37	0	0	53	0	0	75	0	0
Total Cash Out	226	215	243	290	277	312	383	362	406	510	475	524
Net Operating Cash Flow	-52	-17	-21	-43	0	-2	-36	28	32	-19	74	89
Debt Finance	146	142	138	133	129	125	121	117	113	108	104	100
Equity Funding	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290
Cumulative Cash Balance	1,239	1,218	1,193	1,145	1,141	1,135	1,095	1,118	1,146	1,122	1,192	1,277

£,000	2014/2015 (Year 3)											
	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	March
Operating Cash In												
Accounts Receivable - HKMS	0	0	0	0	0	0	0	0	0	0	0	0
Accounts Receivable - Others (incl VAT)	683	759	841	930	1,025	1,126	1,234	1,347	1,466	1,591	1,722	1,858
Loans from HKMS	0	0	0	0	0	0	0	0	0	0	0	0
Total Cash In	683	759	841	930	1,025	1,126	1,234	1,347	1,466	1,591	1,722	1,858
Operating Cash Out												
Cost of Good Sold	332	360	390	422	456	492	529	567	607	648	690	734
Marketing & Sales Costs	176	194	213	233	255	278	302	328	354	381	410	439
Research & Development Costs	55	74	94	114	114	114	114	114	114	114	114	114
General & Administration Costs	68	73	86	84	89	104	102	109	124	124	132	148
HKMS Distribution Charges	0	0	0	0	0	0	0	0	0	0	0	0
Interest Charges	1	1	1	1	1	1	1	1	1	1	1	1
Input VAT paid	37	41	46	49	54	60	64	70	77	81	87	95
VAT Payment to HMRC	106	0	0	101	0	0	134	0	0	174	0	0
Total Cash Out	774	743	831	1,004	969	1,048	1,246	1,188	1,276	1,523	1,433	1,529
Net Operating Cash Flow	-91	16	11	-74	55	78	-13	159	190	69	289	328
Debt Finance	96	92	87	83	79	75	71	67	62	58	54	50
Equity Funding	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290
Cumulative Cash Balance	1,182	1,194	1,201	1,122	1,174	1,247	1,231	1,386	1,572	1,636	1,920	2,244

RISK FACTORS

The following risks are being mitigated:

The Company's business model has no significant history that can be evaluated

The Company started trading April 2009 and, although visitor traffic in the first years grew ahead of plan, the Company has no significant history yet of converting this visitor traffic to revenue.

There is no guarantee that current growth rates will continue in forthcoming periods

The Company's forward looking projections assume monthly growth in visitor traffic at a significantly more conservative rate than achieved in its first year, but there can be no assurance that the Company will be able to maintain this assumed rate of growth.

The Company needs the proceeds of this offering and possible subsequent offerings to achieve its financial goals

The proceeds of this offering, and possibly subsequent offerings, are needed to finance the continued operation and growth of the Company. Failure to achieve the planned funding would significantly impair the business.

The Company cannot guarantee the level of cash generated from operations

A significant percentage of funding has been derived via early sales of our technology to large organizations. But the nature of these sales is sporadic and no assurance can be given that the Company will continue to generate future cash from such sales, or that other developing revenue streams will flow as planned.

There is no guarantee that our intellectual property will remain protected

Significant aspects of the Company's current technology are protected by patents and trademarks. It may be possible for competitors to avoid our patent and trademark protection and replicate significant aspects of the current technology. The Company may not have achieved sufficient market presence by this time to offset this loss of protection. The Company continues to seek further protection via continuation and other patents on an ongoing basis, but there can be no guarantee that such patent applications will be successful. Additionally, it is generally accepted that large competitors with significant funds can challenge patents by legal process. Whilst such a challenge may not be successful, the potential cost and management deflection involved in defending such a challenge could have a negative impact on the Company's progress.

The Company may face competition from large, established companies

The benefits of codified knowledge are such that large, established companies may be attracted into the market. Whilst the Company's strategy is to license its technology and/or attract acquisition by such entities, there can be no guarantee that the Company will not face formidable competition from such entities.

Dependence on third parties for data center resource

The Company depends on third parties for data center resource (currently Amazon) and for data backup (Iron Mountain). These are large established organizations and the risks associated are judged to be lower than the risks carried by the Company using its own resources. But the Company cannot guarantee the quality and persistence of these services.

Failure of our technology to scale up

Although designed to do so, we cannot guarantee that our software services will handle the ongoing growth in user activity. Any failure to accommodate volume could impair user satisfaction, lead to a loss of customers, impair our ability to add customers or increase our costs, all of which would harm our business.

The Company significantly depends on the Internet to conduct its business

The Company offers in-house installations of its technology to organizations but, increasingly, the majority of its business will be conducted via the Internet. A local or global failure of the Internet may therefore cause serious damage to the Company if not resolved by the appropriate authorities in a responsive manner.

Customer complaints or negative publicity could affect use of the Company's service and, as a result, its business could suffer

User complaints or negative publicity about the Company's service could diminish confidence in and use of its service. Breaches of users' privacy or the Company's security measures could have the same effect.

The Company needs to retain its senior management and recruit key personnel in sales and technology

The Company's success may depend to a significant extent upon the abilities of members of the Company's senior management. The loss of the services of one or more of these individuals for any reason could have a materially adverse effect upon the Company's business. The Company's future growth also depends upon its ability to attract, motivate and retain additional highly competent technical, management, sales and marketing personnel. The Company cannot guarantee that it will be successful in attracting and retaining such personnel. Departure and additions of key personnel may be disruptive to the Company's business, operating results and financial condition.

Risks regarding forward-looking statements

All statements included in this document that address future activities, events or developments, including such things as projections of future revenues, profits or other financial results, descriptions of future proposed features of the Company's website, predictions of market acceptance or competitor responses, statements of perceived competitive advantages and other such matters are based upon certain assumptions and analyses made by the Company. Many known and unknown risks, uncertainties and other factors may cause these assumptions to prove incorrect and may cause the actual results, performance and achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

CORPORATE INFORMATION

The Company is registered in England (registration number 06743277).

The Company's registered name and address is:

Knowledge Genes Limited
The Mansion House
Chesterford Research Park (Cambridge)
Little Chesterford
CB10 1XL

The following table shows the accounts of the Company since it began trading - for the years ended 31st March 2010 and 2011- and an estimate for the current year ending 31st March 2012.

Knowledge Genes Limited			
Years Ending March 31.....		
GBP	2012	2011	2010
	(Estimate)	(Actual)	(Actual)
Revenue - End Customers	463,027	279,422	227,506
Revenue - HKMS Contract		427,599	584,687
Total Revenues	463,027	707,020	812,193
Cost of Sale	156,395	334,721	276,270
Gross Margin	306,632	372,299	535,923
Ordinary Expenses	292,917	362,991	512,909
Ordinary Income/Loss	13,715	9,308	23,014
Extraordinary Expense	0	0	63,345
Net Income before Tax	13,715	9,308	(40,330)
Current Assets	182,629	106,340	73,751
Fixed & Other Assets	27,790	28,853	45,686
Total Assets	210,419	135,193	119,437
Current Liabilities	50,049	40,929	66,023
Long Term Liabilities	31,945	31,542	0
Total Liabilities	81,994	72,471	66,023
Shareholder Equity	128,425	62,722	53,414
Total Liabilities & Equity	210,419	135,193	119,437

The estimate for the current year is based on actual sales and costs to date, the budgeted cash outflows for the remaining period of the year, and *only two* projected further sales - both continuation sales with existing customers, and both understood and budgeted by the customer.

Revenue from customers versus the prior year increased by 22.8% last year and is set to increase by 65.7% this current year.

During the first two years, the Company had a development contract with its parent company and for reasons of transparency, this contract is shown as a separate revenue item (HKMS Contract).

SHAREHOLDER

The Company is a wholly owned subsidiary of Hyperknowledge Management Services AG (HKMS), registered in Bern, Switzerland (registration number CH-092.3.013.98).

The Company has one class of stock with 310,248 shares issued, at a nominal value per share of £1.

MANAGEMENT

The Company's management team is set forth below:

Trevor Davies..... Director - General Management & Finance, Alliances

Jo Ferri Director - Sales Operations

Oliver McPhee..... User Interface

Xiaoping Ding..... Software Development

Ian Rainton..... Services

Trevor Davies was previously a Partner of PricewaterhouseCoopers (Coopers & Lybrand) where he specialized in the information & technology industries, and previously Chief Information Officer of the Guinness Group. He is an Engineering graduate and the original inventor of the *Knowledge Genes*[®] and *WHY Code* technology. He recently completed the Harvard Business School program, Building New Ventures.

At PricewaterhouseCoopers he was responsible for the alliance program with major industry vendors such as SAP, Unisys, (IBM) Lotus Notes, and the industry standards body responsible for such standards as UML. He also ran the firm's Object Technology group, where some of the current IT industry's standards were pioneered. He has a track record of achieving big ticket sales to large organizations.

Jo Ferri - is responsible for sales operations to the Forbes 2000. He has a proven track record of large and complex sales to major multinationals in Europe and North America. In addition to a successful career in sales, he was previously a Principal Consultant at Unisys and PwC in the area of Business Performance Improvement. He has a MSc in Human Resource Development.

Oliver McPhee - is responsible for the user interface. He joined Knowledge Genes early in his career and has quickly become one of the key leaders of our organization. Originally joining as a software engineer, he quickly became the thought leader in the area of our user interface and has recently taken on a leadership role in marketing communications. He was previously an Electronic Engineer and has a Bachelor of Engineering in Electronic Systems Design.

Xiaoping Ding – is responsible for software development. She joined the organization as a software engineer and quickly established a reputation as an outstanding software engineer and also the natural leader of our software development function. She has a BSc (1st class) in Computer Science Technology and an MSc (with distinction) in Advanced E-Commerce Technology.

Ian Rainton - is responsible for services. He was previously with Halliburton and has 20 years' experience leading teams delivering technical and professional services in Europe, the USA, Asia

and the Middle East. He has a track record of successfully delivering major implementation projects to large multinationals. He has a degree in Information Systems Engineering.

The Company has other staff beginning to demonstrate leadership ability, and is also planning to recruit other highly experienced people into the leadership team, particularly in the USA.

HEADCOUNT PROJECTIONS

The outline headcount to achieve our business plan is as follows:

	Year Ending March 31				
	2012	2013	2014	2015	2016
General Management & Finance	2	3	5	7	7
Marketing & Sales	4	9	19	41	60
Services	4	8	16	24	48
Development	4	8	12	24	24
Total	14	28	52	96	139

NOTES

1. Classic Drucker, The New Society of Organizations, Harvard Business Review, 1992, 2008 – “In this society, knowledge is *the* primary resource for individuals and for the economy overall. Land, labor and capital – the economist’s traditional factors of production – do not disappear, but they become secondary. They can be obtained easily, provided there is specialist knowledge. At the same time, however, specialized knowledge by itself produces nothing. It can become productive only when it is integrated into a task. If history is any guide, this transformation [to a knowledge society] will not be completed until 2010 or 2020.”
2. Classic Drucker, The New Productivity Challenge, Harvard Business Review, 1991, 2008 – “Because the modern organization is composed of specialists, each with his or her own narrow area of expertise, its mission must be crystal clear. The organization must be single-minded, or its members will become confused. They will follow their own specialist rather than apply it to the common task. They will each define ‘results’ in terms of their own specialty and impose its values on the organization. Only a focused and common mission will hold the organization together and enable it to produce.”
3. Peter Drucker, International Knowledge Management Executive Summit, San Diego, 1998 - “One day somebody will work out a common way to codify knowledge and change the way we work.”