



# KNOSYS LIMITED PROSPECTUS

**Knosys Limited** ACN 604 777 862

An initial public offering of 20,000,000 Shares each at an issue price of \$0.20 to raise approximately \$4,000,000 (before costs).

## Important Information

This document is important and should be read in its entirety.

If after reading this Prospectus you have any questions about the Shares being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

An investment in the Shares offered by this Prospectus should be considered as speculative.

Lead Manager to the Offer







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SECTION 1

# IMPORTANT INFORMATION



# 1. Important Information

## 1.1 Important Notice

This Prospectus is dated 22 July 2015 and was lodged with the ASIC on that date. The ASX, ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which the Prospectus relates.

The expiry date of this Prospectus is that date which is 13 months after the date this Prospectus was lodged with the ASIC. No Shares may be issued on the basis of this Prospectus after that date.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary before deciding whether to invest. The Shares the subject of this Prospectus should be considered speculative. Please refer to Section 11 for details relating to risk factors that could affect the financial performance and assets of the Company.

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. You should be aware that this examination may result in the identification of deficiencies in this Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act. Applications for Shares under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on applications lodged prior to the expiry of the Exposure Period.

Application will be made to ASX within seven days after the date of this Prospectus for Official Quotation of the Shares the subject of this Prospectus.

Persons wishing to apply for Shares pursuant to the Offer must do so using the Application Form as provided with a copy of this Prospectus. The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus.

No person is authorised to give any information or to make any representation in relation to the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having authorised by the Company or the Directors in relation to the Offer. You should only rely on information in this Prospectus.

## 1.2 Web Site – Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at [www.knosys.it/investor](http://www.knosys.it/investor). Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to, or accompanied by, the complete unaltered version of the Prospectus. If you have received this Prospectus as an electronic Prospectus, please ensure that you have

received the entire Prospectus accompanied by the relevant Application Forms. If you have not, please contact the Share Registry on + 61 (0)8 9324 2099 between 9.00am and 5.00pm (WST) Monday to Friday and they will send you, at no cost, either a hard copy or a further electronic copy of the Prospectus or both. Alternatively, you may obtain a copy of the Prospectus from the Company's website at [www.knosys.it/investor](http://www.knosys.it/investor).

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

## 1.3 Overseas Applicants

The offer of Shares made pursuant to this Prospectus is not made to persons to whom, or places in which, it would be unlawful to make such an offer of Shares. No action has been taken to register or qualify the Offer under this Prospectus or otherwise permit the Offer to be made in any jurisdiction outside of Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law in those jurisdictions and therefore persons who come into possession of this Prospectus should seek legal advice on, and observe, any of those restrictions. Failure to comply with these restrictions may violate securities laws.

It is the responsibility of any overseas Applicant to ensure compliance with all laws of any country relevant to his or her Application. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty that there has been no breach of such law and that all necessary approvals and consents have been obtained.

## 1.4 Forward looking statements

This Prospectus may contain forward-looking statements which are identified by words such as 'may', 'should', 'will', 'expect', 'anticipate', 'believes', 'estimate', 'intend', 'scheduled' or 'continue' or other similar words. Such statements and information are subject to risks and uncertainties and a number of assumptions, which may cause the actual results or events to differ materially from the expectations described in the forward looking statements or information.

Whilst the Company considers the expectations reflected in any forward looking statements or information in this Prospectus are reasonable, no assurance can be given that such expectations will prove to be correct. The risk factors outlined in Section 11, as well as other matters not yet known to the Company or not currently considered material to the Company, may cause actual events to be materially different from those expressed, implied or projected in any forward looking statements or information. Any forward looking statement or information contained in this Prospectus is qualified by this cautionary statement.

## 1.5 Definitions

A number of defined terms are used in this Prospectus. Unless the contrary intention appears, the context requires otherwise or words are defined in Section 15, words and phrases in this Prospectus have the same meaning and interpretation as in the Corporations Act or ASX Listing Rules.



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SECTION 2

# CORPORATE DIRECTORY



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## 2. Corporate Directory

### Directors

Hon. Alan Stockdale (Non-Executive Chairman)  
Ashley Gall (Managing Director)  
Alistair Wardlaw (Executive Director)  
Gavin Campion (Executive Director)  
Richard Levy (Non-Executive Director)  
Peter Pawlowitsch (Non-Executive Director)

### Company Secretary

Stephen Kerr

### Registered Office and Principal Place of Business

40 Glasshouse Road  
Collingwood Vic 3066  
Telephone: +61 (0)3 9415 6111  
Email: [info@knosys.it](mailto:info@knosys.it)

### Investigating Accountant

William Buck Audit (Vic) Pty Ltd  
Level 20, 181 William Street  
Melbourne Vic 3000

### Auditors

William Buck Audit (Vic) Pty Ltd  
Level 20, 181 William Street  
Melbourne Vic 3000

### Lawyers

GTP Legal  
Level 1, 28 Ord Street  
West Perth WA 6005

### Lead Manager

Lodge Corporate Pty Ltd  
Level 5, 60 Collins Street  
Melbourne Vic 3000

### Share Registry \*

Automic Registry Services  
Suite 1A, Level 1, 7 Ventnor Avenue  
West Perth WA 6005  
Telephone: + 61 (0)8 9324 2099  
Facsimile: +61 (0)8 9321 2337

### Company Website

[www.knosys.it](http://www.knosys.it)

### Proposed ASX Code

KNO

*\* This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus.*



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SECTION 3

# KEY INFORMATION & INDICATIVE TIMETABLE



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### 3. Key Information and Indicative Timetable

Description	Amount
Price per Share under the Offer	\$0.20
Shares offered under the Offer	20,000,000
Amount to be raised under the Offer (before costs of the Offer)	\$4,000,000
Shares on issue before completion of the Offer	58,099,386
Total Shares on issue on completion of the Offer	78,099,386
Market capitalisation on completion of the Offer based on the price per Share under the Offer	\$15,619,877.20

Indicative timetable	Date
Lodgement of this Prospectus with ASIC	22 July 2015
Opening Date for the Offer	29 July 2015
Closing Date for the Offer	28 August 2015
Issue of Shares under the Offer	18 September 2015
Dispatch of holding statements	21 September 2015
Expected date for Official Quotation on ASX	24 September 2015

The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offer early without notice.



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SECTION 4

# INVESTMENT OVERVIEW



## 4. Investment Overview

This Section is not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety. The Shares offered pursuant to this Prospectus carry no guarantee in respect of return of capital, return on investment, payment of dividends or the future value of the Shares.

### 4.1 Introduction

Topic	Summary	Details
<b>Who is the issuer of the Prospectus?</b>	Knosys Limited ACN 604 777 862.	Section 7.1
<b>What is the Knosys Platform?</b>	<p>The Knosys Platform is an enterprise-grade, knowledge management solution for organisations.</p> <p>The Knosys Platform enables organisations, large or small, to better capture, manage and access information across often disparate business units, divisions and information technology (IT) platforms, improving and simplifying the knowledge.</p> <p>The Knosys Platform sits above an organisation's existing technology or IT platform, without disrupting existing processes. The Knosys Platform optimises the outcomes of existing IT platforms in an organisation through the integration of their capabilities and content, without moving the data from the legacy system. This is done by indexing the data/information location or tagging the file and creating a virtual link to the information without the requirement to replicate the information into a central repository.</p>	Section 7.3
<b>Who is the Group?</b>	<p>The Group is comprised of 3 companies, the Company, Knosys Products and Knosys Systems as set out in Section 7.1.</p> <p>The Company is a public company that was incorporated on 16 March 2015 for the primary purpose of being the holding company of Knosys Products and Knosys Solutions and raising equity through a listing on ASX to accelerate the commercialisation of the Knosys Platform.</p> <p>Knosys Products and Knosys Solutions were formed in June 2013 for the purpose of developing the Knosys Platform. Knosys Solutions is the operating entity which conducts the business of supplying the Knosys Platform while Knosys Products owns the intellectual property of the Knosys Platform which it licences to Knosys Solutions.</p>	Section 7.1

Topic	Summary	Details
<b>What is the Group's business model?</b>	<p>The Knosys Platform is targeted at large organisations, both corporate enterprises and government.</p> <p>The Group's business model is software-as-a-service (<b>SaaS</b>), with recurring licence fees payable by clients per User.</p> <p>The Group's primary route to market is through Channel Partners, accessing their pre-existing sales, deployment and technology providers, which are supported by the Group's sales and technical staff as required.</p> <p>The Group's business has only been operating for a short period of time. The Group's business should therefore be considered as having a limited operating history. Whilst revenue is currently being produced the business is still loss making. The Group's business should accordingly be considered high risk and speculative.</p>	Section 7.4
<b>What are the Group's key assets?</b>	<p>The intellectual property associated with the Knosys Platform and the commercialisation of that product.</p> <p>This comprises various unregistered trademarks, copyright in the software which is the Knosys Platform, as well as other unregistered intellectual property constituted by confidential information and know-how. It also comprises registered domain names.</p>	Section 7.3
<b>What is the Offer?</b>	<p>The Company is offering to the public 20,000,000 Shares at an issue price of \$0.20 each to raise \$4,000,000 before expenses.</p> <p>The Offer is not underwritten.</p> <p>The Shares offered under the Offer will be issued at the discretion of the Directors.</p>	<p>Section 6.1</p> <p>Section 6.15</p> <p>Section 6.12</p>
<b>Why is the Offer being conducted?</b>	<p>The purpose of the Offer is to:</p> <ul style="list-style-type: none"> <li>• facilitate an application by the Company for admission of the Company to the Official List;</li> <li>• provide capital to develop and commercialise the Company's business;</li> <li>• provide the Company with access to equity capital markets for future funding needs;</li> <li>• enhance the public profile of the Company;</li> <li>• meet the costs of the Offer; and</li> <li>• provide working capital.</li> </ul>	Section 6.5

## 4.2 Key strengths

Topic	Summary	Details
<b>Enterprise grade software platform</b>	The Knosys Platform was rebuilt from the ground up in 2013 and launched in May 2014. It has been pressure tested by the ANZ. It is a fully functioning and operating enterprise grade product, with over 12,000 active Users.	Section 7.3
<b>Software-as-a-service 'OPEX' pricing model</b>	The productised nature of the Knosys Platform allows it to be sold on an OPEX only model – monthly subscription per user – with no capital costs.	Section 7.4
<b>Ability to globalise and scale readily</b>	The Knosys Platform is geographically agnostic and highly scalable.	Section 7.3
<b>Experienced management team</b>	<p>The Company has a highly experienced management team led by the Managing Director, Ashley Gall and founders, Gavin Campion and Alistair Wardlaw, the Chief Technology Officer. The skills of the Group's management incorporate all elements of the Company's business particularly in sales and marketing, global distribution networks and continuing product research and development.</p> <p>Alistair has over seven years experience with knowledge management systems (including building the Knosys Platform) and Gavin has worked for nearly three years managing the successful transition from a development company to having a ready-made product that can be sold to customers.</p> <p>The Board is led by Hon. Alan Stockdale as Non-Executive Chairman.</p>	Sections 8.1 and 8.5
<b>Highly differentiated product offer</b>	The underlying method of indexing and virtualising data from disparate systems without requiring traditional integration appears unique in the market, where existing competitive solutions require the physical consolidation of all required data. This task is often deemed too hard or too expensive.	Section 7.3
<b>Established relationships</b>	The Company has contracts in place with key client ANZ and distribution partners Singtel Optus and Go Cloud IT.	Sections 7.4, 12.2, 12.3 and 12.4
<b>Go-to-market plan</b>	The Company is primarily a product development and licensing company, utilising resellers to sell, deploy and support the Knosys Platform. This model has potential high operating margin if the Knosys Platform is successfully commercialised.	Section 7.4

Topic	Summary	Details
<b>Adequately capitalised for growth</b>	Based on the assumption that the Offer disclosed in this Prospectus achieves Minimum Subscription, the Company would have cash balance of approximately \$4 million (after expenses) and no debt.	Section 7.4

## 4.3 Key risks

Prospective investors should be aware that subscribing for Shares involves a number of risks and uncertainties. The risk factors set out in Section 11 and other general risks applicable to all investments in listed securities, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. This Section summarises only some of the risks which apply to an investment in the Company and investors should refer to Section 11 for a more detailed summary of the risks.

Topic	Summary	Details
<b>Commercialisation, technology, third party service provider reliance, competition and development timeframes</b>	One of the Company's key strengths is technological advantage, however history in the information and communications technology industry shows that technical advantages are typically short lived. Accordingly, the Company's success will depend, in part, on its ability to commercialise and expand the Knosys Platform and grow its customer base and generate revenue in response to changing technologies, customer and third party service providers' demands and competitive pressures. Failure or delay to do so may impact the success of the Company.	Section 11.1(a)
<b>Limited operating history and acquisition and retention of customers</b>	The Company has less than two years of relevant operating history in the development and commercialisation of knowledge management software and the limited proof points of its proposed new business model makes any evaluation of the business or its prospects difficult. No assurances can be given that the Company will achieve commercial viability through the successful acquisition and retention of customers and implementation of its business plan in respect of the Knosys Platform.	Section 11.1(d)
<b>Maintenance of key business partner relationships with Channel Partners</b>	The Company will rely on relationships with key business Channel Partners to enable it to continue to promote the Knosys Platform. The Company's main avenue for sale and implementation of the product is through Channel Partners. There is a risk that Channel Partners may not follow best practice when implementing the Knosys Platform.	Section 11.1(g)

Topic	Summary	Details
<b>Reliance of key personnel and to recruit additional personnel</b>	The Company's operational success will depend substantially on the continuing efforts of senior executives. The loss of services of one or more senior executives may have an adverse effect on the Company's operations. Furthermore, if the Company is unable to attract, train and retain key individuals and other highly skilled employees and consultants, its business may be adversely affected.	Section 11.1(e)
<b>Reliance on continual product development</b>	The Company's ability to grow the number of Users of the Knosys Platform and generate revenue will depend in part on its ability to continue to develop the product.	Section 11.1(h)
<b>Brand establishment and maintenance</b>	The Company believes that establishing and maintaining the brand credibility of the Knosys Platform in the knowledge management industry is important to growing its proposed User base and product acceptance.	Section 11.1(j)
<b>Protection of the Company's intellectual property rights and infringement of third party intellectual property rights</b>	<p>The Company does not currently have any patent protection of its intellectual property and it is not yet known whether it will be in fact possible to obtain any patent protection of its intellectual property. If the Company fails to protect its intellectual property secrets, competitors may gain access to its technology which could harm the business.</p> <p>If a third party accuses the Company of infringing its intellectual property rights or if a third party commences litigation against the Company for the infringement of patent or other intellectual property rights, the Company may incur significant costs in defending such action, whether or not it ultimately prevails. In addition, claimants may be able to obtain injunctive or other equitable relief that could prevent the Company from further developing discoveries or commercialising its products.</p>	Section 11.1(n)
<b>The Knosys Platform may contain errors</b>	The Knosys Platform contains complicated programming and the Group's objectives are to quickly develop and launch new and innovative products and features. The Knosys Platform may therefore contain now or in the future, errors, bugs or vulnerabilities. Any errors, bugs or vulnerabilities discovered could result in (among other consequences) damage to the brand of the Knosys Platform, loss of Users, loss of Channel Partners, fall in revenues or liability for damages, any of which could adversely affect the Company's business and operating results.	Section 11.1(o)

Topic	Summary	Details
<b>Management of growth</b>	There is a risk that the Company will not be able to manage rapid growth of the business. The capacity of the Company to properly implement and manage business growth may affect the Company's financial performance.	Section 11.1(i)
<b>Competition</b>	The Company will compete with other businesses and companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities.	Section 11.1(q)
<b>Liquidity and realisation</b>	There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. On completion of the Offer, 68.6% of the issued Shares will be subject to escrow, only 31.4% of the issued Shares will be freely tradable at completion of the Offer.	Section 11.1(x)
<b>Directors retain a significant stake</b>	Following completion of the Offer, the Directors will retain approximately 63% of the issued capital of the Company.	Section 8.3

## 4.4 Proposed use of funds and other key terms of the Offer

Topic	Summary	Details
<b>What is the proposed use of funds raised under the Offer?</b>	<p>The proposed use of funds raised under the Offer is to:</p> <ul style="list-style-type: none"> <li>• provide for development, sales and marketing, and business growth</li> <li>• pay the costs of the Offer; and</li> <li>• provide general working capital, including for corporate overhead and administration.</li> </ul>	Section 6.6
<b>Will the Company be adequately funded after completion of the Offer?</b>	The Directors are satisfied that on completion of the Offer the Company will have sufficient working capital to carry out its business objectives as set out in the row above.	Section 6.6
<b>What rights and liabilities attach to the Shares being offered?</b>	All Shares issued under the Offer will rank equally in all respects with existing Shares on issue. The rights and liabilities attaching to the Shares are described in Section 13.1.	Section 13.1
<b>Is the Offer underwritten?</b>	No, the Offer is not underwritten.	

Topic	Summary	Details
<b>Who is the lead manager to the Offer?</b>	The Company has appointed Lodge Corporate Pty Ltd as Lead Manager to the Offer. The Lead Manager will receive 6% of the value of the Shares issued under the Offer (plus GST) in cash, together with a monthly retainer fee of \$12,000 until the Company achieves Official Quotation on ASX.	Sections 6.14 and 12.1
<b>Will the Shares issued under the Offer be listed?</b>	The Company will apply for listing of the Shares on the ASX under the ASX code KNO within seven days of the date of this Prospectus. Completion of the Offer is conditional on ASX approving this application.	Section 6.4
<b>What are the tax implications of investing in Shares under the Offer?</b>	The tax consequences of any investment in Shares will depend upon your particular circumstances. Prospective investors should obtain their own tax advice before deciding to invest.	Section 6.20
<b>What is the Company's dividend policy?</b>	<p>The Company does not expect to pay dividends in the near future as its focus will primarily be on using cash reserves to grow and develop its business.</p> <p>Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend upon matters such as the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurances are given in relation to the payment of dividends, or that any dividends may attach franking credits.</p>	Section 6.9
<b>How do I apply for Shares under the Offer?</b>	Applications for Shares under the Offer must be made by completing an Application Form and must be accompanied by a cheque in Australian dollars (or a direct transfer to the bank account advised by the Company) for the full amount of the application being \$0.20 per Share. Cheques must be made payable to "Knosys Limited – Share Application Account" and should be crossed "Not Negotiable".	Section 6.10
<b>When will I receive confirmation that my application has been successful?</b>	It is expected that holding statements will be sent to successful Applicants by post on or about 21 September 2015.	Section 3
<b>How can I find out more about the Prospectus or the Offer?</b>	Questions relating to the Offer can be directed to the Company on +61 (0)3 9415 6111 between 9.00am and 5.00pm (AEST) Monday to Friday. Questions relating to the completion of an Application Form can be directed to the Share Registry, on + 61 (0)8 9324 2099 between 9.00am and 5.00pm (WST) Monday to Friday.	Section 6.21



## 4.5 Board and Management

Topic	Summary	Details
<b>Who are the Directors of the Company?</b>	<p>The Board comprises:</p> <p><b>Hon. Alan Stockdale</b> – Non-Executive Chairman</p> <p><b>Ashley Gall</b> – Managing Director</p> <p><b>Alistair Wardlaw</b> – Chief Technical Officer and Executive Director</p> <p><b>Gavin Campion</b> – Executive Director</p> <p><b>Richard Levy</b> – Non-Executive Director</p> <p><b>Peter Pawlowitsch</b> – Non-Executive Director</p> <p>Refer to Section 8.1 for details of the relevant experience and expertise of the Directors.</p>	Section 8.1
<b>Who are the key management personnel?</b>	<p>The key management personnel of the Company include:</p> <p><b>Ashley Gall</b> – Managing Director</p> <p><b>Alistair Wardlaw</b> – Chief Technical Officer and Executive Director</p> <p><b>Gavin Campion</b> – Executive Director</p> <p><b>Stephen Kerr</b> – Chief Financial Officer and Company Secretary</p> <p>Refer to Sections 8.1 and 8.5 for details of the relevant experience and expertise of the key management personnel.</p>	Sections 8.1 and 8.5

Topic	Summary	Details
<b>What are the significant interests of Directors?</b>	<p>The interests of the Directors are detailed in Section 8.2.</p> <p>The security holdings of Directors are set out in Section 8.3.</p> <p>Section 8.6 sets out details of related party agreements and transactions with the Company from which the Directors may benefit.</p> <p>These comprise:</p> <ul style="list-style-type: none"> <li>• customary executive service agreements, consultancy agreements, appointments and deeds of indemnity, insurance and access;</li> <li>• a services agreement between the Company and MMG Interactive, a partnership associated with Alistair Wardlaw and Richard Levy, for the provision of platform development, consultancy, system management and support services to the Company; and</li> <li>• a sub-lease of part of the premises at 40 Glasshouse Road, Collingwood, Victoria between MMG Interactive as landlord and the Company as tenant.</li> </ul>	Sections 8.2, 8.3 and 8.6

## 4.6 Miscellaneous

Topic	Summary	Details
<b>What material contracts is the Company a party to?</b>	<p>The Company is party to a Licence and Support Agreement with ANZ for the licence of the Knosys Platform and the provision of ongoing support and maintenance services to ANZ.</p> <p>The Company also has distribution and resale arrangements in place with Singtel Optus in the form of a Master Supply Agreement and Go Cloud IT in the form of a Master Distributor Agreement.</p>	<p>Section 12.2</p> <p>Sections 12.3 and 12.4</p>
<b>What is the financial position of the Company post completion of the Offer?</b>	Financial information regarding the Company is considered in Section 9 of this Prospectus and the Investigating Accountant's Report in Section 10 of this Prospectus.	Sections 9 and 10
<b>Will any Shares be subject to escrow?</b>	<p>No Shares issued under the Offer will be subject to escrow.</p> <p>A number of Shares (on issue prior to the date of this Prospectus) will be subject to escrow for up to 24 months from the date of Official Quotation. Details are contained in Section 6.8.</p>	Section 6.8

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SECTION 5

# CHAIRMAN'S LETTER



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## 5. Chairman's Letter

Dear Investor

On behalf of the Board, I am delighted to invite you to consider becoming a shareholder in Knosys Limited, an Australian-based company which offers a transformative, enterprise grade knowledge management software technology.

The Knosys Platform enables organisations to better capture, manage and access information across often disparate business units, divisions and information technology platforms, improving and simplifying the knowledge.

Competitive systems largely depend on all of the data being held in that system – a task deemed too difficult by most organisations. The Knosys Platform is different. It sits gently across the existing technology ecosystem, indexing and virtualizing the content and making it available in the one place without the need for expensive integration.

The Company's management team has extensive experience in working with new technologies and, together with its channel partners, is constantly seeking new markets for the Knosys Platform. This, coupled with the deployment of the funds raised under this Prospectus, will allow the Company to continue its commercialisation endeavours.

The Company is seeking to raise \$4,000,000 through an issue of 20,000,000 Shares at a price of \$0.20 per Share. The Offer is an important next step in the evolution of our Company and the Board believes it is an integral part of our long term growth strategy. The Offer provides an opportunity for you to share in our exciting future.

The information in this Prospectus contains detailed information about the Offer and a detailed explanation of the Company's business. It also includes a description of the key risks associated with an investment in the Company, covering those risks typically found in most early stage companies including the ability to commercialise and expand its products, grow its user base and generate revenue in response to changing technologies, customer demands and competitive pressures. I encourage you to read the Key Risks in Section 4.3 and Risk Factors in Section 11.

Before making your decision to invest, I ask that you carefully read this Prospectus and seek professional advice if required. Share applications must be made on the form included in the Prospectus.

On behalf of the Board, I look forward to welcoming you as a Shareholder.

Yours faithfully



**Hon. Alan Stockdale**  
Non-Executive Chairman



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SECTION 6

# DETAILS OF THE OFFER



## 6. Details of the Offer

### 6.1 The Offer

By this Prospectus, the Company offers 20,000,000 Shares at an offer price of \$0.20 per Share to raise funds of \$4,000,000 (before costs of the Offer).

The Shares under the Offer will be issued at the discretion of the Directors.

All Shares issued pursuant to this Prospectus will rank equally with the existing Shares on issue. The rights and liabilities attaching to the Shares are further described in Section 13.1 of the Prospectus.

Applications for Shares must be made on the Application Form as provided with a copy of this Prospectus and received by the Company on or before the Closing Date. Persons wishing to apply for Shares should refer to Section 6.10 for further details and instructions.

### 6.2 Conditions of Offer

The Offer is conditional upon the following events occurring:

- (a) the Company raising the full amount under the Offer (being the amount of \$4,000,000) (refer to Section 6.3); and
- (b) ASX granting conditional approval for the Company to be admitted to the Official List (refer to Section 6.4),

(together the **Conditions of the Offer**).

If the Conditions of the Offer are not achieved, then the Company will not proceed with the Offer and will repay all Application Monies received (without interest) in accordance with the Corporations Act.

### 6.3 Minimum Subscription

The minimum level of subscription for the Offer is \$4,000,000, 20,000,000 Shares (**Minimum Subscription**). No Shares will be issued until the Minimum Subscription has been received. If the Minimum Subscription is not received within four months after the date of this Prospectus (or such period as varied by ASIC), the Company will not issue any Shares under this Prospectus and will repay all Application Monies received (without interest) in accordance with the Corporations Act.

### 6.4 ASX Listing

The Company will apply to ASX within seven days after the date of this Prospectus for admission to the Official List and for Official Quotation of the Shares, other than those existing Shares that the ASX is likely to treat as “restricted securities” (as that term is defined in the ASX Listing Rules). For information on the Shares which are likely to be treated as restricted securities, please refer to Section 6.8.

If the Shares are not admitted to Official Quotation by ASX before the expiration of three months after the date of issue of this Prospectus, or such period as varied by the ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

## 6.5 Purpose of the Offer

The purpose of the Offer is to:

- (a) facilitate an application by the Company for admission of the Company to the Official List;
- (b) provide capital to develop and commercialise the Company's business (Section 7.4);
- (c) provide the Company with access to equity capital markets for future funding needs;
- (d) enhance the public profile of the Company;
- (e) meet the costs of the Offer; and
- (f) provide working capital.

## 6.6 Use of Funds

The table below sets out the intended use of funds raised under the Prospectus on the basis of the Company raising the full amount of the Offer in the two years following completion of the Offer:

Use of funds	Year 1	Year 2
Administration and business growth	\$323,890	\$339,337
Product Development of Knosys Platform	\$344,025	\$264,857
Sales and marketing of Knosys Platform	\$753,744	\$1,157,437
Corporate overhead	\$182,907	\$131,973
Expenses of the Offer	\$501,830	-
<b>Total</b>	<b>\$2,106,396</b>	<b>\$1,893,604</b>

The above table is a statement of current intentions as at the date of this Prospectus. Investors should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments and market and general economic conditions. In light of this, the Board reserves the right to alter the way the funds are applied.

The Board is satisfied that upon completion of the Offer the Company will have sufficient working capital to meet its stated objectives as set out in the table above and to meet its objectives upon completion of the Offer.

The use of debt or further equity funding will be considered by the Board where it is appropriate to expand sales and marketing efforts, accelerate a specific product development or capitalise on further opportunities.

## 6.7 Capital Structure

The proposed pro forma capital structure of the Company following completion of the Offer on the basis of the Company raising the full amount of the Offer is as follows:

Shares	Number
Shares on issue at the date of this Prospectus	58,099,386
Shares to be issued pursuant to the Offer	20,000,000
<b>Total Shares (post-Offer – undiluted)</b>	<b>78,099,386</b>

Options	Number
Options on issue (and vested) to Directors and Management at the date of this Prospectus	636,670
Options on issue (but not yet vested) to Directors and Management	7,188,330
<b>Total Options on issue (when fully vested) to Directors and management</b>	<b>7,825,000</b>

Refer to Sections 13.1 and 13.2 for the rights and obligations attaching to the Shares and Options (including details regarding the vesting of the unvested Options).

The Company has adopted an employee share option plan and is planning to implement the plan post admission to the Official List. Section 13.4 contains a summary of the terms and conditions of the plan. No decision has been made at the number of securities to be issued under the plan.

## 6.8 Restricted Shares

Chapter 9 of the Listing Rules prohibits holders of restricted securities from disposing of those securities or an interest in those securities or agreeing to dispose of those securities or an interest in those securities for the relevant restriction periods. The holder is also prohibited from granting a security interest over those securities.

Subject to the Company being admitted to the Official List, certain Shares on issue prior to the Offer may be classified by ASX as restricted securities and may be required to be held in escrow for up to 24 months from the date of Official Quotation. During the period in which these Shares are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

It is anticipated that 53,607,138 Shares will be escrowed as follows:

- (a) 50,900,000 for 24 months from the date of Official Quotation (primarily held by Directors and Promoters); and

(b) 2,707,138 for 12 months from the date of issue of those Shares (primarily held by seed investors).

Shares issued on exercise of the 7,400,000 Options issued to the Directors will be subject to ASX escrow for 24 months from the date of Official Quotation. Refer to Section 8.3 for the numbers of Options held by each Director and to Section 13.2 for the terms and conditions of the Options, including as to vesting.

None of the Shares issued under the Offer are expected to be restricted securities.

## 6.9 Dividend Policy

The Company does not expect to declare any dividends in the near future as its focus will primarily be on using cash reserves to grow and develop its business.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on matters such as the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurances can be given by the Company in relation to the payment of dividends or that franking credits may attach to any dividends.

## 6.10 Applications

Applications for Shares under the Offer must be made using the application form accompanying this Prospectus.

The Application Form must be completed in accordance with the instructions set out on the back of the form. Payment for the Shares must be made in full at the issue price of \$0.20 per Share. Applications for Shares must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares.

The Company reserves the right to close the Offer early.

Completed Application Forms and accompanying cheques, made payable to “**Knosys Limited – Share Application Account**” and crossed “Not Negotiable”, must be received by the Share Registry before 5.00pm (WST) on the Closing Date at either of the following addresses:

**Mailed to:**

Automic Registry Services  
PO Box 223  
West Perth WA 6872

**Delivered to:**

Automic Registry Services  
Suite 1A, Level 1, 7 Ventnor Avenue  
West Perth WA 6005

Applicants are urged to lodge their Application Forms as soon as possible as the Offer may close early without notice.

An original, completed and lodged Application Form for Shares together with a cheque for the Application Monies or a payment to the bank account advised by the Company, constitutes a

binding and irrevocable offer to subscribe for the number of Shares specified in the Application Form. The Application Form does not need to be signed to be valid. If the Application Form is not completed correctly or if the accompanying payment is for the wrong amount, it may be treated by the Company as valid. The Directors' decision as to whether to treat such an application as valid and how to construe, amend or complete the Application Form is final. However, an Applicant will not be treated as having applied for more Shares than is indicated by the amount of the cheque or direct transfer for the Application Monies.

## 6.11 Application Monies to be held on Trust

Until the Shares are issued under this Prospectus, the Application Monies for Shares will be held by the Company on trust on behalf of Applicants in a separate bank account maintained solely for the purpose of depositing Application Monies received pursuant to this Prospectus. If the Shares to be issued under this Prospectus are not admitted to quotation within three months after the date of this Prospectus, no Shares will be issued and Application Monies will be refunded in full without interest in accordance with the Corporations Act.

## 6.12 Allocation of Shares

The Directors will determine the recipients of the Shares under the Offer in consultation with the Lead Manager. The Directors (in conjunction with the Lead Manager) reserve the right to reject any application or to issue a lesser number of Shares than that applied for. If the number of Shares allocated is less than that applied for, or no issue is made, the surplus Application Monies will be promptly refunded by cheque to the Applicant (without interest).

Subject to ASX granting approval for quotation of the Shares, the issue of Shares will occur as soon as practicable after the Offer closes. Holding statements will be dispatched as required by ASX. It is the responsibility of applicants to determine their allocation prior to trading in the Shares.

Applicants who sell the Shares before they receive their holding statement will do so at their own risk.

## 6.13 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place in which, or to any person to whom it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register this Prospectus or qualify the Shares or otherwise permit a public offering of the Shares, the subject of this Prospectus in any jurisdiction outside Australia.

It is the responsibility of Applicants outside Australia to obtain all necessary approvals for the issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the Applicant that all relevant approvals have been obtained.

## 6.14 Lead Manager

The Company has appointed Lodge Corporate Pty Ltd as lead manager to the Offer.

The Lead Manager will receive 6% of the total amount raised under the Offer (plus GST) in cash, together with a monthly retainer fee of \$12,000 until the Company achieves Official Quotation.

A summary of the agreement with the Lead Manager is set out in Section 12.1

## 6.15 Underwriter

The Offer is not underwritten.

## 6.16 CHESS and Issuer Sponsorship

The Company will apply to participate in Clearing House Electronic Subregister System (**CHESS**), for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company.

All trading on the ASX in the Shares will be settled through CHESS. ASX Settlement Pty Ltd (**ASXS**), a wholly-owned subsidiary of the ASX, operates CHESS in accordance with the Listing Rules and the ASX Settlement Operating Rules. On behalf of the Company, the Share Registry will operate an electronic issuer sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together will make up the Company's principal register of securities.

Under CHESS, the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their holder identification number or security holder reference number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship. Ownership of securities can be transferred without having to rely upon paper documentation.

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their security holdings changes. Shareholders may request a statement at any other time, however a charge may be made for additional statements.

## 6.17 Risks

As with any share investment, there are risks associated with investing in the Company. The principal risks that could affect the financial and market performance of the Company are detailed in Section 11 of this Prospectus. The Shares on offer under this Prospectus should be considered speculative. Accordingly, before deciding to invest in the Company, applicants should read this Prospectus in its entirety and should consider all factors in light of their individual circumstances and seek appropriate professional advice.

## 6.18 Forecast Financial Information

Given the nature of the Company's business and the fact the Company is in an early stage of development, there are significant uncertainties associated with forecasting future revenues and expenses of the Company. In light of uncertainty as to timing and outcome of the Company's growth strategies and the general nature of the industry in which the Company will operate, as well as uncertain macro market and economic conditions in the Company's markets, the Company's performance in any future period cannot be reliably estimated. On this basis and after considering ASIC Regulatory Guide 170, the Directors believe that reliable financial forecasts for the Company cannot be prepared and accordingly have not included financial forecasts in this Prospectus.

## 6.19 Privacy Statement

If you complete an Application for Shares, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your Application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers; regulatory bodies, including the Australian Taxation Office; authorised securities brokers; print service providers; mail houses and the Share Registry.

You can access, correct and update the personal information that the Company holds about you. If you wish to do so, please contact the Share Registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application.

## 6.20 Taxation

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them in relation to the Offer, by consulting their own professional tax advisers. Neither the Company nor any of its Directors or officers accepts any liability or responsibility in respect of the taxation consequences of the matters referred to above.

## 6.21 Enquiries

This is an important document and should be read in its entirety. Investors should consult with their professional advisers before deciding whether to apply for Shares under this Prospectus. Any investment in the Company under this Prospectus should be considered highly speculative.

Questions relating to the Offer can be directed to the Company on +61 (0)3 9415 6111 between 9.00am and 5.00pm (AEST) Monday to Friday.

Questions relating to the completion of an Application Form can be directed to the Share Registry on + 61 (0)8 9324 2099 between 9.00am and 5.00pm (WST) Monday to Friday.



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SECTION 7

# COMPANY OVERVIEW



## 7. Company Overview

### 7.1 Background

The Group is the owner of the Knosys Platform which provides an enterprise-grade, knowledge management solution for organisations.

The Knosys Platform enables organisations, large or small, to better capture, manage and access information across often disparate business units, divisions and information technology (IT) platforms, improving and simplifying the knowledge.

The Knosys Platform sits above an organisation's existing technology or IT platform, without disrupting existing processes. The Knosys Platform optimises the outcomes of existing IT platforms in an organisation through the integration of their capabilities and content, without moving the data from the legacy system. This is done by indexing the data/information location or tagging the file and creating a virtual link to the information without the requirement to replicate the information into a central repository.

The Group's business model is software-as-a-service (**SaaS**), with a recurring subscription fee payable by clients on a per User basis.

The Group comprises the Company, Knosys Products and Knosys Solutions.

The Company was incorporated in March 2015 for the primary purpose of being the holding company of Knosys Products and Knosys Solutions (see Figure 1 below for the Group structure), and raising equity through a listing on ASX to accelerate the commercialisation of the Knosys Platform.

Knosys Products and Knosys Solutions were formed in June 2013 by the Group's founders, Alistair Wardlaw, Gavin Campion and Richard Levy to productise the Knosys Platform. In March 2015, the Company acquired all of the issued share capital of Knosys Products and Knosys Solutions, from entities associated with the founders, in consideration for the issue of Shares to those entities (see Section 8.3 for details of the founders' relevant interests in the Company's securities). Knosys Solutions is the operating entity which conducts the business of supplying the Knosys Platform to clients, while Knosys Products owns the intellectual property which it licences to Knosys Solutions.



Figure 1: Knosys corporate group structure

## 7.2 Knowledge management

Knowledge management is the process of capturing, developing, sharing and effectively using organisational knowledge. It refers to a multi-disciplined approach to achieving organisational objectives by making the best use of knowledge.

The growth of the amount of data available to employees has led to the need for more sophisticated knowledge management systems. The sharing and collaboration within and across teams and the effective flow of information across an enterprise has become a high priority, as it drives successful business strategy execution.

The business need for management and control of knowledge and the ability to share the knowledge has led to a significant amount of organisation planning and investment in tools and processes around the capture and sharing of an enterprise's knowledge.

Some of the risks faced by enterprises without suitable knowledge management are set out below.

### *Effect on organisations in general:*

- Information overload leads to time wasting and inefficiency
- A broken information culture (bad knowledge management practices) suppresses organisational performance
- Immature knowledge management capabilities lead to underperformance in dealing with complex issues

### *Effect on employees:*

- Employees can spend significant time searching for information
- Finding important information is difficult and time-consuming
- A large number of searches for internal information are not successful
- Employees who are customer contact agents are facing significant challenges as a result of not being able to find necessary information for customers

### *Effect on management:*

- Managers suffer from information overload
- Managers are the most affected by having to search for information
- Difficult to ensure business leaders have sufficient information, resulting in decisions being made with incomplete, inconsistent and inadequate information
- Making managers feeling ill-prepared to deal with information risk issues

These factors make knowledge management a key focus for large enterprises across many industry sectors.

## 7.3 The Knosys Platform

### Background

The original concept for a bespoke knowledge management solution was developed in 2008 by the Group's founders with ANZ as the key client and development partner.

In 2013, the Group's founders decided to productise the Knosys Platform before further deployments to ANZ. Knosys Solutions was formed to be the operating entity supplying the Knosys Platform to clients, having licensed the intellectual property from Knosys Products, and Knosys Products was formed to be the entity which holds the intellectual property. During this phase the knowledge management application was completely rewritten incorporating the latest Service Oriented Architecture (**SOA**) and support for all multi devices, such as smartphone, tablet and computers.

The fully productised enterprise grade knowledge management platform (product version 4.1) of the Knosys Platform was launched in May 2014 in conjunction with the brand name "Knosys".

The intellectual property associated with the Knosys Platform and the commercialisation of that product comprises various unregistered trademarks, copyright in the software which is the Knosys Platform, as well as other unregistered intellectual property constituted by confidential information and know-how. It also comprises registered domain names.

### What does the Knosys Platform do?

The Knosys Platform delivers sales, productivity and satisfaction improvements across organisations.

The three core elements to the Knosys Platform are set out below in Figure 2.

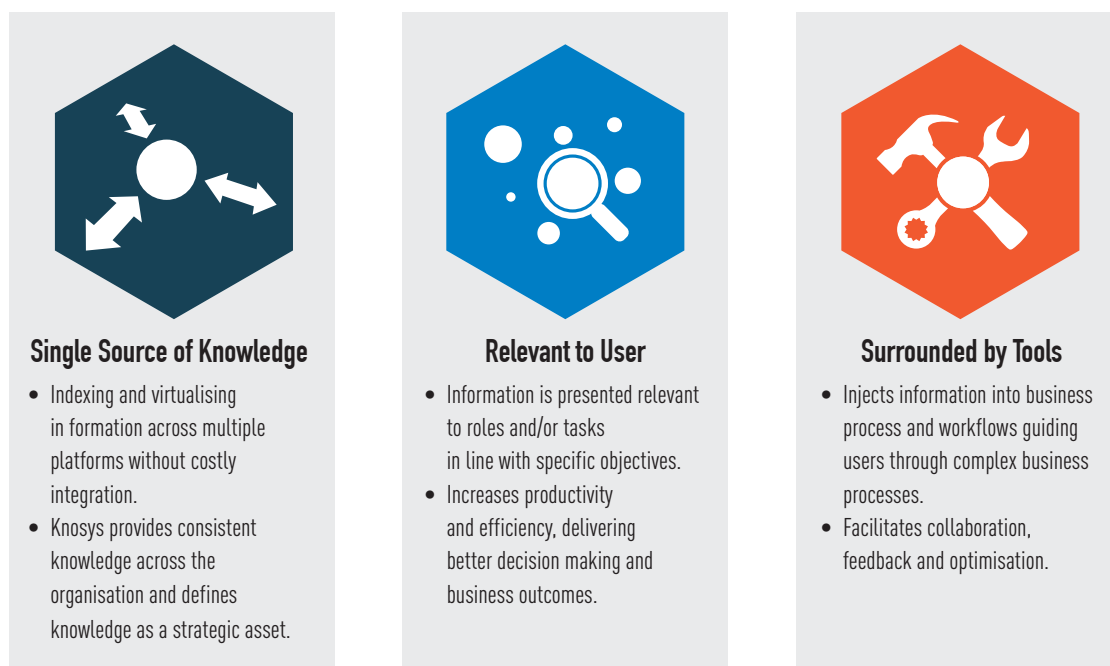


Figure 2 (Above): Three core elements of Knosys Platform



**Relevant to the user**

Optimises the delivery of content to specific issues and outcomes based on user roles

**User Interface UI and User Experience**

Modern framework that extends into Digital Work and Knowledge Centre

**Single Source of Information**

Indexing and virtualising information across multiple platforms without costly integration

**Collaboration and Communication tools**

Better decisions by connecting the right people with the right knowledge

**Integrated Knowledge Base**

Searches and presents information from organisation content and applications

**Business Process Tools**

Guiding users through complex business processes by injecting information into workflows and decision tools

Improved productivity through:  
Reduced training

Extended capability sets

Faster/improved decision making

Figure 3 (Above): How the Knosys Platform user interface brings together content and tools relevant to Users

Indexing and virtualising information across an organisation enables the right information to be put in front of the right person at the right time.

The Knosys Platform sits above an organisation's existing technology or IT platform, without disrupting existing processes. The Knosys Platform optimises the outcomes of existing IT platforms in an organisation through the integration of their capabilities and content, without moving the data from the legacy system. This is done by indexing the data/information location or tagging the file and creating a virtual link to the information without the requirement to replicate the information into a central repository. Information is easily accessed from a tailored User interface as shown in Figure 3. Many other knowledge management platforms require the data to be replicated and ingested into their platform, thereby leading to yet another copy of the data and potentially introducing confusion and uncertainty about version control and current correct data source issues.

### The Knosys Platform is about driving business outcomes

The Knosys Platform allows organisations to capture, manage and utilise information in all forms of decision making and issue resolution. The analytics allow the organisation to continually improve the knowledge held, its application to business process and ultimate outcomes. Analytics allows companies to measure and tune the relevance of their knowledge management solution and optimise the information delivered to specific queries or processes.





### Examples of the types of outcomes demonstrated are:

- productivity increases for senior staff
- increases in efficiency against key operational targets
- increase in targeted sales results
- improved staff engagement and collaboration
- consistent information across the organisation
- continuous improvement through feedback and analytics

The key outcomes that the Knosys Platform can deliver an organisation are set out below in Figure 4;



Figure 4: Key outcomes from the Knosys Platform

***Knosys delivers a purpose built, effective search tool tailored to service and support employees and customers by providing a ‘first time’ and ‘every time’ knowledge solution.***

## Positioning of the Knosys Platform in the market place

The Knosys Platform has been developed using an innovative approach to information management by being able to access knowledge from many disparate platforms without disruption.

This gives the Knosys Platform a key competitive advantage, allowing it to be the central framework, which creates an ecosystem that combines an organisation's disparate content and allows access to applications without the requirement to copy or ingest information into a central repository.

### Ecosystem Evaluation

- MS SharePoint
- Oracle WebCenter

- Limited comparable features exist out-of-the-box
- High configuration and development effort required
- Knosys delivers superior capabilities and UX.

### Capability Comparison

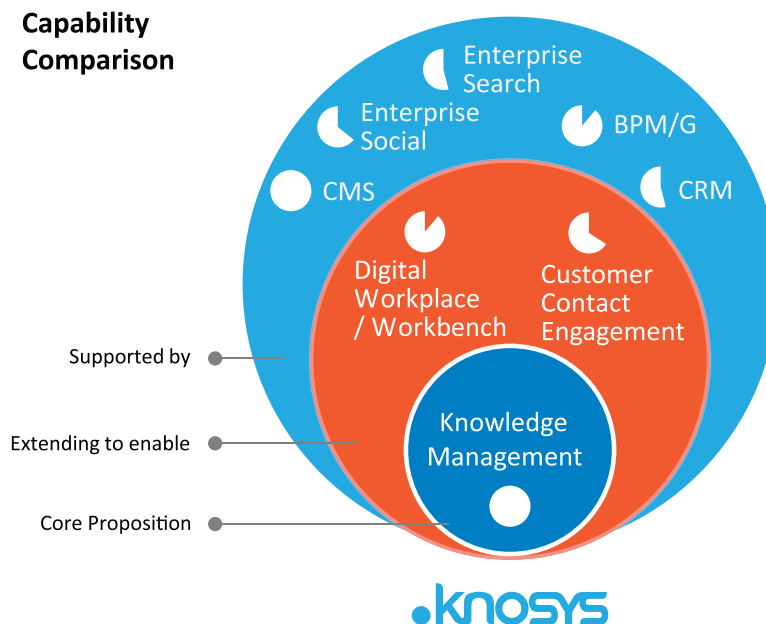


Figure 5: How the Knosys Platform was designed to be the centre of an organisation's knowledge management

### Ecosystem Evaluation

The left hand side of Figure 5 above refers to comparative platforms, such as MS SharePoint and Oracle WebCenter that organisations may already have to provide limited solutions to operate various functions within their businesses. This approach often results in siloed information repositories, making it difficult for users to efficiently access the required information. These applications tend to be corporate or process centric rather than user centric.

### Capability Comparison

#### Core Proposition

The Knosys Platform has been designed from the ground up to provide a User centric consolidated view of an organisation's information sources. This is achieved by indexing, linking and integrating these applications and providing the information in a context relevant to the User's role within the organisation.

#### Extended to Enable

This knowledge is then actionable using workflow, analytics and other digital process toolsets that are either a base part of the Knosys Platform or are applications that customers already have, and which can form part of the Knosys Platform framework to extend and enable.

The Knosys Platform can extend to a fully integrated digital work centre to become the window into an organisation's applications environment.

### *Supported By*

The framework of the Knosys Platform is at the heart of an organisation's knowledge focus and provides the conduit for quickly accessing and, if required, integrating disparate applications. This framework allows organisations to not only access information from disparate systems in the right User context but, importantly, also utilise the supporting and extending toolsets to action a query/request through to resolution.

The platforms and applications referred to below provide competitive and potential co-operative environments for the Knosys Platform, which is a core component of any content-based platform.

#### **Content Management System (CMS):**

The Knosys Platform is a core component of any content-based platform. It provides a fully featured CMS, however it is also capable of integrating into many open or accessible CMS platforms. Other applications which the Knosys Platform could be integrated with include MS SharePoint and SiteCore, which offer a variety of commercial and open source solutions.

#### **Business Process Management/Guidance (BPM/G):**

The Knosys Platform provides workflow and guidance tools used to manage processes and complex information by presenting information in a tiered and manageable form. It has an extensive set of functionality and unique methods of enabling:

- simple management processes with relatively static content;
- complex workflow with rapidly changing content, distribution of knowledge into external workflow tools, variable decision and routing pathways; and
- dynamic data capture capability for processing, applications or integration into external platforms.

Other applications which the Knosys Platform could be integrated with include Pega, Oracle and SupportPoint.

#### **Enterprise Search:**

The Knosys Platform provides cross platform search, integration into key data and content repositories, and potential access points for it to leverage high-end search capabilities, including Google Search Appliance, Oracle Enterprise Search and Endeca.

#### **Enterprise Social:**

The Knosys Platform provides collaboration and communication toolsets, allowing for cross-sharing of knowledge and process across an organisation. This extends to surface conversations and continuous improvement around inbuilt social capabilities or integration into enterprise models. Applications which the Knosys Platform could be integrated with include Sitrion, Socialtext, Jive, and Yammer.

#### **Customer Relationship Management (CRM):**

The Knosys Platform has the ability to provide customer information to business and knowledge repositories within an organisation. Its data capture and process tools extend to CRM features. Other applications which the Knosys Platform could be integrated with include Microsoft Dynamics, Siebel and Salesforce.

## 7.4 Business Model

### How is the Knosys Platform sold to market?

The Knosys business model is software-as-a-service (**SaaS**), with a recurring licence fee payable by clients per User.

The amount of the recurring licence fee per User payable by clients depends on:

- whether the customer is a direct customer or obtained through a Channel Partner
- the number of subscriptions (or Users)
- frequency of billing (monthly/quarterly or annually), and
- whether the fee is pre or post paid

The Group's recommended retail price for licence fees is \$29 per User per month, exclusive of GST.

### How does the Knosys Platform fit in the market?

The Knosys Platform operates in a complex market segment as all forms of enterprise platforms manage information and claim degrees of knowledge management. The Knosys Platform has a unique method of sitting gently across the top of these complex ecosystems, of indexing and virtualising information from all platforms and ensuring the right information is presented to the right person at the right time to meet the business objective.

The Knosys Platform is therefore focused on integrating with enterprise platforms and positioning as synergistic rather than competitive with a value add proposition. In this way the Knosys Platform can become part of existing sales channels and events. Integrations into customer systems will be either completed in house or through partners. The Company is currently planning to engage with relevant software providers with a view to integrating the Knosys Platform with Salesforce, MS SharePoint, HP Trim and Autonomy, which will enable the Knosys Platform to provide more integrated options and multi-screen user interfaces to these and other platforms.

### What's the marketing plan?

Although the product can be sold to smaller organisations, the Knosys Platform is primarily targeted at large organisations, both corporate enterprises and government. Its transformative technique of indexing and virtualisation is most highly valued where the organisation has complex information technology ecosystems with multiple and varied information technology platforms. However, as the Knosys Platform is sold on a per User basis, it can be deployed into smaller organisations with as little as 30 licenses.

The Company's initial focus is a broad range of opportunities that exist within the large enterprise market and government through Channel Partners. The Company's management believe that accessing the Channel Partners' pre-existing sales, deployment and technology providers is the fastest path to growth. This strategy ensures that executive management can focus on product development and growth without building expensive, large scale sales teams and client operations functions.

Therefore the primary route to market is through Channel Partners supported by the Company's sales and technical staff as required.

This provides a potentially high margin sales model if the Knosys Product is successfully commercialised and provides access to the Channel Partners' existing customer base and contracts with the aim to increase the number of Users on the Knosys Platform quickly and efficiently. These partners typically buy licenses at a discount from the Company. This discount ranges from 25% to 50% depending on volume and local market norms. Implementation of the Knosys Platform is usually undertaken by the Channel Partner or a systems integrator, providing additional revenue to the Channel Partner.

The Company currently has a number of these agreements in place, with two of the larger ones being:

- Singtel Optus – reselling, deploying and supporting the Company into existing and new customers/prospects, and
- Go Cloud IT, Singapore – master distributor (non-exclusive), servicing a growing number of south east Asian resellers across Vietnam, Malaysia, Singapore, Indonesia, Philippines.

The Company may generate direct sales from its network but it is the intention to re-direct these customers into a Channel Partner to access the Channel Partner technical support capabilities so the Company does not need to incur the customer support overhead.

Additionally the Knosys Platform is accessible through the Knosys application programme interface (**API**). The API enables third party developers to easily integrate the Knosys Platform into any solution they may be considering, potentially generating revenue for Knosys with minimal or no operational involvement.

Based on the Company achieving the Minimum Subscription under the Offer, the Company will have a cash balance of approximately \$4 million (after expenses) and no debt. Accordingly, the Company will be adequately capitalised for growth in the manner set out above and to meet its stated objectives.

The Company's management will continually monitor and assess the results of the above strategies and market awareness, then deploy resources accordingly to achieve the best outcome for the Company.



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SECTION 8

# DIRECTORS, KEY MANAGEMENT & CORPORATE GOVERNANCE



## 8. Directors, Key Management & Corporate Governance

### 8.1 Director Profiles

#### **Hon. Alan Stockdale**

Non-Executive Chairman

Hon. Alan Stockdale served as Treasurer in the Victorian Government from 1992 to 1999 and his responsibilities included the Government reform agenda and general financial management.

Alan was responsible for the privatisation of \$A30 billion of Government business enterprises. He was also Minister for IT and Multimedia from 1996 to 1999, promoting Victoria as a leader in the application of multimedia and new information technologies.

In the private sector, Alan was employed by Macquarie Bank for a total of six years, co-leading the Macquarie team that successfully bid to acquire Sydney Airport. Taking on a number of other corporate advisory roles, he was involved in a wide range of infrastructure transactions, especially in the power, gas and transport sectors in Australia and overseas.

Alan has developed a career as a company Chairman and director of a number of ASX-listed companies and of various unlisted companies and not-for-profit organisations. He has been Chairman of Axon Instruments Inc (incorporated in the USA and listed on the ASX), Symex Holdings Limited, Senetas Corporation Limited and a director of Mariner Financial Limited.

He was Federal President of the Liberal Party from 2008 to 2014.

Alan holds a Bachelor of Laws and a Bachelor of Arts, both completed at the University of Melbourne, is a Barrister of the Supreme Courts of Victoria and NSW and the High Court of Australia and is a Fellow of the Australian Institute of Company Directors.

#### **Ashley Gall**

Managing Director

Ashley Gall has over 25 years' experience working in the information technology sector. This has formed the basis of Ashley's strong industry expertise in enterprise market segments including government, health, utilities, education, finance and banking.

Serving as an Enterprise Account Manager with multinational information technology corporation Hewlett-Packard from 1991 until 2009, Ashley then moved on, becoming a Senior Account Manager for Southern Cross Computer Systems from 2009 until 2012. From 2013 to January 2015, Ashley was the Victorian Sales Manager for NTT Communications ICT Solutions.

Coming from an engineering background, Ashley has developed his knowledge and skills from working in sales and sales management, with a strong focus on business solution.

Ashley studied at Collingwood & Box Hill TAFE obtaining a Certificate and Associate Degree in Civil Drafting and Civil Engineering.



## Alistair Wardlaw

Chief Technology Officer and Executive Director

Alistair has 20 years' experience in multimedia, information technology and software development and delivery.

As a co-founder of the Group and Chief Technology Officer, Alistair has played a key role in productising and commercialising the Knosys Platform, taking the original conceptual model of the Knosys Platform through each phase of the software development life cycle to the final product.

For the last 15 years has been a part owner and operations director of MMG interactive, which has provided services for many blue chip and high value small-to-medium enterprise customers, developing customer-centric websites, application and SaaS platforms.

Alistair is also a co-founder of apStream, a streaming and content distribution network to commercial and government sectors.

Alistair has academic training from La Trobe and Monash University and applications experience in electronic graphic design.

## Gavin Campion

Executive Director

Gavin Campion was the founder and a director of marketing services company, Reality Group. Reality Group won agency of the year in 2003. Gavin sold Reality Group in 2005. In 2004, Gavin acquired Shoppers Advantage, serving as CEO (2004-2008) and Chairman (2008-2011), Gavin took responsibility for re-engineering the business into a large SaaS based business-to-business retail e-commerce business. Shoppers Advantage was sold in 2011.

Also in 2004, Gavin acquired Presidential Card. Serving as director, Gavin assisted in making Presidential Card a large Australian online discount program. In 2010 Gavin merged Presidential Card with Strategic Rewards and acquired a number of minor players in the market. Gavin sold his shares to management in 2013.

Gavin was the founder and CEO of the digital marketing services agency, Sputnik Agency. In 2007 Sputnik Agency won B&T Agency of the Year. Gavin sold Sputnik in 2008.

From April 2008 until March 2012, Gavin served as President of KIT digital, global provider of video asset management solutions for multi-screen IP-based delivery.

Gavin has been involved with productising and commercialisation of the Knosys Platform since 2012.

In 2014, Gavin joined Dubber Corporation Ltd (ASX:DUB) as commercial director. He assisted in repositioning the business and listing it on the ASX in Feb 2015.

Gavin also sits on a number of small cap technology companies advisory boards.

Gavin holds an honours degree in marketing from the UK.

**Richard Levy**

Non-Executive Director

Richard Levy has had 27 years automotive manufacturer (Nissan/Ford) and supplier (Air International) experience in sales and marketing management positions including four years as Director of Sales and Dealer Operations at Nissan. He has also had investments and participation in several commercial ventures including food, travel and now internet.

Richard has been a partner and Managing Director of MMG Interactive for the last 15 years including involvement with servicing many blue chip and high value SME customers, and has also published papers on the internet and the auto industry - both business-to business and business-to-consumer. He was and continues to be a founding owner of apStream, an internet streaming services company.

Richard holds an Economics degree from the ANU.

**Peter Pawlowitsch**

Non-Executive Director

Peter Pawlowitsch is an accountant by profession with extensive experience as a director and officer of ASX-listed entities. He brings to the team experience in operational management, business administration and project evaluation in the IT, hospitality and mining sectors during the last 15 years.

Peter is Chairman of Dubber Corporation Limited, and a non-executive director of Ventnor Resources Ltd and Kunene Resources Ltd (formerly Bannon Ltd), all ASX-listed companies.

Peter holds a Bachelor of Commerce from the University of Western Australia, is a current member of the Certified Practising Accountants of Australia and also holds a Masters of Business Administration from Curtin University.

## 8.2 Directors' Interests

Other than as set out in this Prospectus, no Director has, or had within two years before lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or the Offer; or
- (c) the Offer,

and the Company has not paid any amount or provided any benefit, or agreed to do so, to any Director, either to induce that Director to become, or to qualify them as a director of the Company, or otherwise, for services rendered by them in connection with the formation or promotion of the Company or the Offer.

## 8.3 Directors' Security Holdings

Directors are not required under the Company's Constitution to hold any Shares. Set out in the table below are details of the existing relevant interests of the Directors in Shares at the date of this Prospectus and the anticipated relevant interests of the Directors in Shares upon completion of the Offer.

Director	No. Shares	% Total Shares	Options <sup>1</sup>
Hon. Alan Stockdale	-	-	500,000
Gavin Campion	19,100,000	24.46%	1,000,000
Ashley Gall	-	-	3,400,000
Alistair Wardlaw	19,471,130	24.93%	1,000,000
Richard Levy	9,921,130	12.70%	1,000,000
Peter Pawlowitsch	900,000	1.15%	500,000

### Notes

- Options each exercisable at \$0.25 on or before 1 July 2019, vesting over several tranches until 1 April 2018. Further terms and conditions of the Options (including details of vesting conditions) are set out in Section 13.2.

## 8.4 Remuneration of Directors

The Constitution provides that the remuneration of Non-Executive Directors will not be more than the aggregate fixed sum determined by a general meeting of Shareholders or, until so, by the Directors. The aggregate remuneration for Non-Executive Directors has been set by the Board at an amount not to exceed \$500,000 per annum. The Board has resolved that the Non-Executive Directors' fees will be \$60,000 per annum for the Chairman and \$40,000 per annum for non-executive Directors (inclusive of statutory superannuation). Hon Alan Stockdale is Non-Executive Chairman, and Richard Levy and Peter Pawlowitsch are Non-Executive Directors. Summaries of the material terms of their appointments are set out in Section 8.6 (c).

The remuneration of Executive Directors will be fixed from time-to-time by the Directors and may be paid by way of fixed salary or consultancy fees. Summaries of the material terms of agreements between the Company and Ashley Gall (Managing Director), Alistair Wardlaw (Chief Technology Officer and Executive Director), Gavin Campion (Executive Director) and other key personnel (or their associated entities) are set out in Section 8.6 (a) and (b).

The annual remuneration (exclusive of statutory superannuation) on completion of the Offer payable to each of the Executive Directors is as follows:

Director	Base	Bonus
Gavin Campion <sup>1</sup>	\$250,000 <sup>2</sup>	-
Ashley Gall	\$182,650	\$200,000 <sup>3</sup>
Alistair Wardlaw <sup>1</sup>	\$250,000 <sup>2</sup>	-

#### Notes

1. Includes consulting fees paid to associated companies.
2. These amounts are payable on the Company's admission to the Official List. See Section 8.6 (b) for details.
3. The amount of the bonus is up to \$200,000, subject to the achievement of certain specified milestones, the terms of which are set out in Section 8.6(a).

For details of the Directors' interests in securities in the Company refer to Section 8.3 above.

In the two years prior to the date of this Prospectus, the Directors have been paid the following remuneration from the Group:

Director	Amount
Ashley Gall	\$59,092
Gavin Campion	\$79,000
Alistair Wardlaw	\$55,167
Hon. Alan Stockdale	\$5,000
Richard Levy	\$37,750
Peter Pawlowitsch	Nil

## 8.5 Senior Management Profiles

In addition to the executive capacity of Directors as set out in Section 8.1, the following person is in a key senior management role with the Company.

### Stephen Kerr

Chief Financial Officer and Company Secretary

Stephen Kerr is a qualified chartered accountant and chartered company secretary. He is an experienced CFO and governance professional, having held senior finance positions in private and publicly listed company environments across Australia and New Zealand for over 15 years.

Stephen has had exposure to a wide range of markets and industries including IT, business services, logistics, transport and life-sciences and brings strong financial, commercial and governance skills to the Group.

Stephen holds a Bachelor of Commerce from the University of Melbourne and is a current member of the Institute of Chartered Accountants in Australia and a Fellow of the Governance institute of Australia.

## 8.6 Key Terms of Agreements with Directors, Senior Management or Related Parties

### (a) Executive Service Agreements

#### **Ashley Gall**

#### **Managing Director**

Knosys Solutions and Ashley Gall have entered into an executive service agreement for his role as Managing Director of the Group.

The principal terms of the agreement are as follows:

- (i) The employment term is not fixed and continues until the agreement is terminated in accordance with its terms.
- (ii) The agreement may be terminated:
  - (A) by either party without cause with three months' notice, or in the case of Knosys Solutions, immediately with payment in lieu of notice (subject to the limitation of the Corporations Act and Listing Rules);
  - (B) by Knosys Solutions on one months' notice, if Ashley is unable to perform his duties due to illness, accident or incapacitation, for three consecutive months or a period aggregating more than three months in any 12 month period; or
  - (C) summarily following material breach or in the case of serious misconduct.
- (iii) Ashley must devote the whole of his time and attention to the business of the Group during normal working hours and at such other times as may be reasonably necessary.
- (iv) The remuneration comprises:
  - (A) a base salary of \$182,650 per annum (excluding statutory superannuation);
  - (B) 3.4 million Options each exercisable at \$0.25 on or before 1 July 2019, vesting over several tranches until 1 April 2018 on the same terms and conditions as Options issued to the other Directors (as set out in Section 13.2);
  - (C) a performance bonus of \$100,000 (including statutory superannuation) accruing when the Group achieves earnings before interest and tax of \$1,000,000 for the financial year commencing 1 July 2015 (**2015/16**) and payable upon the Board's approval of the 2015/16 annual accounts and financial statements for the Group; and
  - (D) an additional performance bonus of up to \$100,000 (including statutory superannuation) payable in fixed increments on the basis of the achievement of 13 separate performance milestones linked to net first year revenues from new clients of the Group (for whom Ashley has in the Board's view undertaken a key role in securing as new clients), such that he will be paid an additional \$10,000 for every \$100,000 in such revenue received from such clients up to \$700,000, and thereafter an additional \$5,000 for every additional \$50,000 received (up to \$1,000,000).

The agreement otherwise contains industry-standard provisions for a senior executive of a public listed company.

**Stephen Kerr****Chief Financial Officer and Company Secretary**

Knosys Solutions and Stephen Kerr have entered into an executive service agreement for his role as Chief Financial Officer of the Group.

The principal terms of the agreement are as follows:

- (i) The employment is for three days per week during normal working hours on days agreed with the Managing Director and reasonable additional hours during these days in order to perform his responsibilities and duties.
- (ii) As from the date which is six months from the date of admission of the Company to the Official List or another date agreed by the parties, Stephen takes up the role of company secretary to all Group companies. Stephen was appointed in this role on 14 July 2015.
- (iii) The employment term is not fixed and continues until the agreement is terminated in accordance with its terms.
- (iv) The agreement may be terminated:
  - (A) by either party without cause with three months' notice, or in the case of Knosys Solutions, immediately with payment in lieu of notice (subject to the limitation of the Corporations Act and Listing Rules);
  - (B) by Knosys Solutions on one months' notice, if Stephen is unable to perform his duties due to illness, accident or incapacitation, for three consecutive months or a period aggregating more than three months in any 12 month period; or
  - (C) summarily following material breach or in the case of serious misconduct.
- (v) The remuneration comprises:
  - (A) a base salary of \$132,000 per annum (including statutory superannuation), which increased to \$162,000 on Stephen taking on the company secretary role;
  - (B) 425,000 Options each exercisable at \$0.25 on or before 1 July 2019, vesting over several tranches until 1 April 2018 on the same terms and conditions as Options issued to the Directors (as set out in Section 13.2); and
  - (C) a performance bonus:
    - (1) of \$50,000 (including statutory superannuation) with 40% accruing when the Group achieves the budgeted operating revenue for the financial year commencing 1 July 2015 (**2015/16**), 40% accruing when the Group achieves budgeted earnings before interest and tax (**EBIT**) for 2015/16 and the other 20% accruing upon him establishing and implementing public-listed company standard financial corporate governance and reporting processes for the Group to the satisfaction of the Board; and
    - (2) equal to 10% of that amount of EBIT earned by the Group in excess of budgeted EBIT for 2015/16,

in each case payable if such milestones are achieved upon the Board's approval of the 2015/16 annual accounts and financial statements for the Group.

The agreement otherwise contains industry-standard provisions for a senior executive of a public listed company.

**(b) Consultancy Agreements**

**Alistair Wardlaw**

**Chief Technology Officer and Executive Director**

Knosys Solutions has entered into a consultancy agreement with WFT Services Pty Ltd as trustee for the A L Wardlaw Family Trust, a company and trust associated with Alistair Wardlaw, for the appointment of Alistair Wardlaw as Chief Technology Officer and Executive Director of the Company, and the provision of consultancy services to the Group.

The material terms of the consultancy agreement are as follows:

- (i) specific duties include responsibility for the Group's engineering team which consists of development, information technology, support and quality assurance and strategic planning (technical and organisational);
- (ii) the consultant is to undertake such duties and exercise such powers in relation to the Group and its business as the Board and Managing Director from time to time assigns to or vests in the Executive Director and consultant;
- (iii) the consultant must devote, and must ensure that Mr Wardlaw devotes, sufficient time per month in order to properly and efficiently ensure the provision of the consultancy services to the Group during the normal working hours and at such other times as may be reasonably necessary; and
- (iv) the remuneration package comprises:
  - (A) no director's fees;
  - (B) a consultancy fee of \$150,000 per annum (plus GST) increasing to \$250,000 per annum upon admission of the Company to the Official List; and
  - (C) 1 million Options each exercisable at \$0.25 on or before 1 July 2019, vesting over several tranches until 1 April 2018 on the same terms and conditions as Options issued to the other Directors (as set out in Section 13.2).

The parties may terminate the consultancy agreement by giving 12 months' notice or payment in lieu of such notice on the part of Knosys Solutions (subject to the limitation of the Corporations Act and Listing Rules). Standard immediate termination provisions apply.

The agreement otherwise contains industry-standard provisions for a consultancy of this nature to a public listed company.

**Gavin Campion**

**Executive Director**

Knosys Solutions has entered into a consultancy agreement with Hydria Plenus Pty Ltd, a company associated with Gavin Campion, for the appointment of Gavin Campion as Executive Director of the Company and the provision of consultancy services to the Group.

The material terms of the consultancy agreement are as follows:

- (i) specific duties include strategic planning (structural, financial and organisational), assisting in the implementation of strategic plans and establishing marketing channels for the growth of the Group's business;
- (ii) the consultant is to undertake such duties and exercise such powers in relation to the Group and its business as the Board from time to time assigns to or vests in the Executive Director and consultant

- (iii) the consultant must devote, and must ensure that Mr Campion devotes, sufficient time per month in order to properly and efficiently ensure the provision of the consultancy services to the Group during the normal working hours and at such other times as may be reasonably necessary; and
- (iv) the remuneration package comprises:
  - (A) no director's fees;
  - (B) a consultancy fee of \$150,000 per annum (plus GST) increasing to \$250,000 per annum upon admission of the Company to the Official List; and
  - (C) 1 million Options each exercisable at \$0.25 on or before 1 July 2019, vesting over several tranches until 1 April 2018 on the same terms and conditions as Options issued to the other Directors (as set out in Section 13.2).

The parties may terminate the consultancy agreement by giving 12 months' notice or payment in lieu of such notice on the part of Knosys Solutions (subject to the limitation of the Corporations Act and Listing Rules). Standard immediate termination provisions apply.

The agreement otherwise contains industry-standard provisions for a consultancy of this nature to a public listed company.

### (c) Non-Executive Director Appointments

#### **Hon Alan Stockdale**

##### **Non-Executive Chairman**

The Company has entered into an agreement with Hon Alan Stockdale in respect of his appointment as a Non-Executive Director.

Alan is paid a fee of \$60,000 per annum (inclusive of statutory superannuation) for his services as Non-Executive Director and Chairman and will be reimbursed for all reasonable expenses incurred in performing his duties. In addition, the Company has issued to him 500,000 Options each exercisable at \$0.25 on or before 1 July 2019, vesting over several tranches until 1 April 2018 on the same terms and conditions as Options issued to the other Directors (as set out in Section 13.2).

The agreement may be terminated by either party without cause with three months' notice, or in the case of the Company, immediately with payment in lieu of notice (subject to the limitation of the Corporations Act and Listing Rules). Standard immediate termination provisions apply.

The appointment of Alan as Non-Executive Chairman is otherwise on terms that are customary for an appointment of this nature.

#### **Richard Levy**

##### **Non-Executive Director**

Richard Levy, a co-founder of the Group, having seen the Company through from its inception to completion of this Prospectus in the capacity of Executive Director has accepted the role of Non-Executive Director from 20 July 2015.

In this capacity, Richard will be paid a fee of \$40,000 per annum (inclusive of statutory superannuation) for his services as Non-Executive Director and will be reimbursed for all reasonable expenses incurred in performing his duties. In addition, the Company has issued to him 1,000,000 Options each exercisable at \$0.25 on or before 1 July 2019, vesting over several



tranches until 1 April 2018 on the same terms and conditions as Options issued to the other Directors (as set out in Section 13.2).

The agreement may be terminated by either party without cause with three months' notice, or in the case of the Company, immediately with payment in lieu of notice (subject to the limitation of the Corporations Act and Listing Rules). Standard immediate termination provisions apply.

The appointment of Richard as Non-Executive Director is otherwise on terms that are customary for an appointment of this nature.

#### **Peter Pawlowitsch**

##### **Non-Executive Director**

The Company has entered into an agreement with Peter Pawlowitsch in respect of his appointment as a Non-Executive Director.

Peter will be paid a fee of \$40,000 per annum (inclusive of statutory superannuation) for his services as Non-Executive Director and will be reimbursed for all reasonable expenses incurred in performing his duties. This fee will accrue on and from the date on which the Company is admitted to the Official List. In addition, the Company has issued to him 500,000 Options each exercisable at \$0.25 on or before 1 July 2019, vesting over several tranches until 1 April 2018 on the same terms and conditions as Options issued to the other Directors (as set out in Section 13.2).

The agreement may be terminated by either party without cause with three months' notice, or in the case of the Company, immediately with payment in lieu of notice (subject to the limitation of the Corporations Act and Listing Rules). Standard immediate termination provisions apply.

The appointment of Peter as Non-Executive Director is otherwise on terms that are customary for an appointment of this nature.

#### **(d) Deeds of indemnity, insurance and access**

The Company is party to deeds of indemnity, insurance and access with each of the Directors. Under these deeds, the Company indemnifies each Director to the extent permitted by the Corporations Act against any liability arising as a result of the Director acting as a director of the Company. The Company is also required to maintain insurance policies for the benefit of the relevant Director and must also allow the Directors to inspect board papers in certain circumstances.

#### **(e) MMG Interactive Services Agreement**

Knosys Solutions entered into a services agreement on 1 August 2013 with MMG Interactive, a partnership associated with Alistair Wardlaw and Richard Levy, for the provision of platform development, consultancy, system management and support services by MMG Interactive to Knosys Solutions for the Knosys Platform, in accordance with the agreement and statements of work issued pursuant to the agreement. The agreement was varied on 30 June 2015 with Knosys Products joining as a party.

The initial term of the agreement expires on 31 July 2015, and thereafter may be terminated by either party on 90 days' prior notice.

Support and managed services are ongoing. These comprise ongoing training and instruction, maintenance (updates and checks of hardware and software), hardware management, the provision of the information technology systems and technical infrastructure (including servers, software and networks) to enable the Knosys Platform to be hosted and maintained (for all editions of the platform) and the provision of 24 hour technical and operational support, seven days per week.

Consultancy services comprise project administration, project management, technical and business analysis, and technical architecture and infrastructure services.

The cost to Knosys Solutions for the provision of the system and technical infrastructure by MMG Interactive is \$1,000 per month (plus GST).

To the date of this Prospectus, the Group has paid to MMG Interactive an aggregate of \$682,981 under the services agreement and for use of part of its premises (which was subsequently formalised under the sub-lease referred to in paragraph (f) below).

In addition, MMG Interactive will make available three technical staff as and when required by Knosys Solutions at a maximum monthly cost of \$20,077 (plus GST), which cost is reduced on a pro rata basis if Knosys Solutions does not require the services for the entire month. MMG Interactive has agreed to indemnify Knosys Solutions in connection with the provision of such technical staff.

The agreement provides that all intellectual property rights associated with the Knosys Platform and any improvements, enhancements and developments are and remain the property of Knosys Products as owner without further payment to MMG Interactive.

MMG Interactive is not liable under the agreement for claims which may be brought against it by Knosys Solutions' clients in connection with software content issues and malicious code, and/or non-compliance by Knosys Solutions of its obligations under the agreement.

The agreement otherwise contains terms considered standard for a document of this nature.

**(f) Sub-Lease of Premises**

Knosys Solutions has entered into a sub-lease of part of the premises at 40 Glasshouse Road, Collingwood Vic. 3066 with MMG Interactive, a partnership associated with Alistair Wardlaw and Richard Levy, as landlord and an unrelated party as head landlord, which commenced on 1 May 2015.

Under the sub-lease:

- (i) The term of the sub-lease is two months, and thereafter continues until terminated by either party on two months' written notice to the other. If the head lease terminates for any reason, then the sub-lease will also terminate.
- (ii) Rent is payable monthly in advance at \$2,129 per calendar month (plus GST) until 31 August 2015 and thereafter subject to review pursuant to the head lease, which is adjusted by reference to the quarterly Consumer Price Index (All Groups) figure for Melbourne. Any change in rent under the sub-lease is to be applied proportionally to that applied to the rent under the head lease to MMG Interactive.
- (iii) The Company must also pay a fixed amount of \$1,660 (plus GST) per calendar month in respect of outgoings, concurrently with payment of rent.

The sub-lease otherwise contains terms considered standard for a document of this nature.

## 8.7 Corporate Governance

The Board is concerned to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that the Company, its Directors, officers and employees operate in an appropriate governance environment.

The Board recognises the need for the Company to operate with the highest standards of behaviour and accountability.

The Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council (**ASX Recommendations**) articulate a number of core principles and associated recommendations that the ASX Corporate Governance Council believes underlie good corporate governance.

The Board endorses generally the ASX Recommendations and has considered the ASX Recommendations in determining an appropriate system of control and accountability, commensurate with these guidelines, to best fit its business and operations.

The Company will seek to follow the ASX Recommendations and, as required under the ASX Listing Rules, where the Company determines it would be inappropriate to follow the principles because of its circumstances (including as identified below), the Company will provide reasons for not doing so in its annual report. For further detail on this issue, please refer to the Section below headed 'ASX Recommendations'.

The Board intends to regularly review its corporate governance procedures and their continued appropriateness in the future.

#### **Corporate governance policies**

The Company intends that the following policies and procedures will be implemented by the Company. The policies and procedures will be available on the Company's website prior to the admission of the Company to the Official List.

#### **Board Charter**

The Board Charter formalises the functions and responsibilities of the Board. The Board is ultimately responsible for all matters relating to the running of the Company.

The responsibilities of the Board include:

- (a) protection and enhancement of Shareholder value;
- (b) formulation, review and approval of the objectives and strategic direction of the Company;
- (c) review of all significant business transactions including acquisitions, divestments and capital expenditure;
- (d) monitoring the financial performance of the Company by reviewing and approving budgets and results;
- (e) ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- (f) establishing and, as appropriate, reviewing and approving all delegations of authority and authorisations regarding the capacity of its officers and managers to bind the Company;
- (g) review of performance and remuneration of Directors;
- (h) review of performance and remuneration of the managing director (chief executive officer) and members of the senior management team; and
- (i) the establishment and maintenance of appropriate corporate governance and ethical standards.

**Code of Conduct**

The Code of Conduct for Directors addresses matters relevant to the Company's legal and ethical obligations to its stakeholders. The policy outlines its requirements with respect to:

- (a) relationships;
- (b) compliance with laws and ethics;
- (c) conflicts of interest;
- (d) confidentiality;
- (e) use of Company assets; and
- (f) competition.

**Share Trading Policy**

The Share Trading Policy sets out the Company's policy with regard to trading in Company securities and conflicts of interest. The policy applies to all Directors and key management personnel (if any) of the Company and their associates. The policy outlines the policy and procedure for all trading by such persons in the Company's securities, including the restrictions on trading (and the blanket prohibition on insider trading), the additional restrictions on short-term trading, the procedures and permissions required if a Director (or senior employee) wishes to trade and the required notifications to the Company and ASX of any trades in the Company's securities.

**Audit & Risk Committee Charter**

The Audit & Risk Committee Charter outlines the composition of the Committee, its responsibilities (in respect of the financial management, reporting, audit and the risk management systems of the Company), authorities, meeting requirements and reporting procedures.

**Market Disclosure Protocol**

The Market Disclosure Protocol has been adopted with a view to ensuring that the Company complies with the continuous disclosure requirements of the Corporations Act and the Listing Rules. The protocol highlights the requirements for immediate notification, the procedure for disclosing material information, the persons responsible for disclosing information and for ensuring compliance generally by the Company with its disclosure obligations.

**Shareholder Communication Policy**

The Board aims to ensure that Shareholders are informed of all major developments. The Security holder Communication Policy outlines the processes and responsibilities for reports issued to Shareholders, ASX announcements, annual general meetings, the maintenance of the Company website and the process for responding to requests for information. It also includes a process for review of shareholder communications.

**Diversity Policy**

This policy sets out the Company's objectives for achieving diversity amongst its Board, senior management and employees generally.

**Nomination & Remuneration Committee Charter**

The Nomination & Remuneration Committee Charter outlines the composition of the Remuneration Committee, its responsibilities (in respect of the structure and composition of the Board and the remuneration policies of the Company), authorities, meeting requirements and reporting procedures.

**ASX Recommendations**

Condition 13 of ASX Listing Rule 1.1 provides that the Company must provide a statement disclosing the extent to which it will follow, as at the date of its admission to the Official List, the ASX Recommendations. If the Company does not intend to follow all the ASX Recommendations

on its admission to the Official List, the Company must identify those recommendations that will not be followed and give reasons for not following them.

The Board is of the view that the Company complies with the ASX Recommendations, except in respect of:

- (a) Recommendations 2.1 (which recommends the establishment of a separate Nomination Committee) and 2.4 (which recommends that a majority of the Board should be independent directors); and
- (b) the Recommendations made under Principles 2, 4 and 8 relating to the structure and composition of the Board's Audit & Risk and Remuneration Committees (which principles recommend the committees be chaired by an independent director (who is not the Chairman of the Board) and are comprised of at least three members, a majority of whom are independent directors).

The size and the current composition of the Board preclude the Company from complying with Recommendations 2.1 and 2.4 (relating to the structure and composition of the Board) and Principles 2, 4 and 8 (relating to the structure and composition of the Board's governance committees). The Company is at an early stage in its evolution and, in the opinion of the Board, it is neither necessary nor appropriate for the Board to comprise of a majority of independent Directors.

It is recognised by the Board that, no matter how appropriate the Board structure may be at the present time, there will be a need to change the structure and composition of the Board going forward by the appointment of additional independent directors who have specific technology, operating, management, corporate finance and business development/ marketing business experience and expertise.

While the addition of further independent directors can be expected in the future, in the short to medium term, the Board considers that any perceived independence-related concerns regarding the composition of the Board are countered by the presence of Hon Mr Stockdale, an experienced independent Director, as Chairman and the Company's adherence with all ASX Recommendations, other than those referred to above.

In the short term, bearing in mind the present composition of the Board, the Board Committees are likely to comprise either all Board members, with the respective Committees being chaired by one of the independent directors, a majority of non-independent directors or less than three members. Again, as the Company grows, and additional independent directors are appointed to the Board, the Board intends to review the membership of the Board's governance committees with the objective of changing that membership such that the Company does comply with all ASX Recommendations in the future.

### **Independence**

The Board considers that each of Hon. Alan Stockdale and Peter Pawlowitsch is an independent director, free from any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with the independent exercise of his judgement (as a Director) and each is able to fulfil the role of an independent director for the purposes of the ASX Recommendations.

In the case of Mr Pawlowitsch, the Board is of the above view despite the fact that he has been involved, in an advisory capacity, in assisting the Company in relation to the Prospectus and the Offer.

In the case of Mr Campion, Mr Levy, Mr Wardlaw and Mr Gall, the Board does not currently consider any of them to be independent having regard to the indicators of independence set out in Box 2.3 of the ASX Recommendations.



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SECTION 9

# FINANCIAL INFORMATION



## 9. Financial Information

### 9.1 The Group

This Section contains a summary of the historical income statement and statement of financial position of Knosys Products and Knosys Solutions for the 2014 financial year (audited), and for the nine month period for the Group to 31 March 2015 (reviewed, not audited) that the Directors consider relevant to investors. The Company was only incorporated in March 2015 for the purpose of being the holding company of Knosys Products and Knosys Solutions. Knosys Products and Knosys Solutions were only incorporated in June 2013.

The financial information presented is in an abbreviated form and does not contain all of the disclosures that are usually contained in statutory accounts prepared in accordance with the Corporations Act.

	Knosys Solutions FY 2014  Audited Actual	Knosys Products FY 2014  Audited Actual	Group 31 March 2015  Reviewed
Total revenue	83,138	250	679,432 <sup>1</sup>
Operating expenses	185,000	-	759,259 <sup>2</sup>
EBITDA	(101,862)	250	(79,827)
Depreciation	-	-	-
Discontinued operations revenue	-	-	-
EBIT	(101,862)	250	(79,827)
Transaction costs relating to the reverse acquisition by the accounting acquirer Knosys Solutions Pty Ltd of Knosys Limited and Knosys Products Pty Ltd	-	-	(264,613)
NPBT	(101,862)	250	(344,440)
Tax	75	(75)	-
NPAT	(101,787)	175	(344,440)
Total assets	103,487	274	720,297
Total liabilities	205,250	75	466,000
Net assets	(101,763)	199	254,297

1. Knosys Solutions Pty Ltd earned \$350,000 in pre-acquisition revenue from Knosys Products Pty Ltd for development and implementation fees.

2. Knosys Solutions Pty Ltd incurred \$215,000 in pre-acquisition licence fees paid to Knosys Products Pty Ltd.



William Buck Audit (Vic) Pty Ltd (**William Buck**) has prepared an Investigating Accountants' Report which incorporates the audited financial information for Knosys Products and Knosys Solutions to 30 June 2014 and the reviewed (unaudited) income statement and statement of financial position for the Group to 31 March 2015. William Buck has also used the reviewed financial information for the Group to 31 March 2015 to prepare a pro-forma statement of financial position following completion of the Offer. Please refer to Section 10 of the Prospectus for further information.

The audited financial statements (inclusive of significant accounting policies) of the Group for the financial year ending on 30 June 2014 are available (free of charge) on request to the Company on +61 (0)3 9415 6111 between 9.00am and 5.00pm (AEST) Monday to Friday.

In the financial year ending 30 June 2015, the Group has generated approximately \$425,000 in licence revenue, which excludes \$350,000 of pre-acquisition related party development and implementation fees. It is intended that revenue will increase over coming months as marketing, development and sales initiatives are further progressed.

Given the limited trading history of the Group, no assurance can be given that the Group will achieve commercial viability through implementation of the business plan and accordingly an investment in the Company should be considered high risk.

## 9.2 Pro-forma statement of financial position

A consolidated pro-forma historical statement of financial position as at 31 March 2015 for the Company is contained in the Annexure to the Investigating Accountant's Report.

The pro-forma historical financial information has been derived from the reviewed historical financial information of the Group as at 31 March 2015, after adjusting for the effects of any subsequent events described in Note 2 in the Annexure and the pro forma adjustments described in Note 2 in the Annexure to the Investigating Accountant's Report. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro-forma adjustments relate, as described in Note 2 in the Annexure to the Investigating Accountants' Report, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the pro-forma historical financial information does not represent the Group's actual or prospective financial position.

Shareholders should read the Investigating Accountant's Report in full before making any investment decision.



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SECTION 10

# INVESTIGATING ACCOUNTANT'S REPORT



## 10. Investigating Accountant's Report



21 July 2015

The Directors  
Knosys Limited  
40 Glasshouse Road,  
Collingwood, VIC 3066

Dear Sirs

### INVESTIGATING ACCOUNTANT'S REPORT FOR KNOSYS LIMITED

#### Introduction

This Investigating Accountant's Report ("the Report") has been prepared at your request for inclusion in the Prospectus to be dated on or about 21 July 2015 to be lodged with the Australian Securities and Investment Commission in respect of the issue of 20,000,000 ordinary shares to raise of \$4,000,000 in Knosys Limited (the "Company").

The issue is not underwritten. Expressions and other terminology defined in the Prospectus have the same meaning in this Report.

#### Basis of Preparation

The report has been prepared to provide investors with information on the historical results and the financial position of Knosys Limited and its controlled entities (the "Consolidated Entity") and to provide investors with a pro-forma statement of financial position of the Consolidated Entity, as at 31 March 2015 adjusted to include funds raised by this Prospectus and related transactions, as referred to in Note 2 of the Annexure.

This Report does not address the rights attaching to the shares to be issued in accordance with the Prospectus, the risks associated with the investment, nor form the basis of an Expert's opinion with respect to a valuation of the Consolidated Entity or a valuation of the share issue price at 20 cents.

William Buck Audit (VIC) Pty Ltd ("William Buck") has not been requested to consider the prospects for Knosys Limited nor the merits and risks associated with becoming a shareholder, and accordingly, has not done so, nor purports to do so. William Buck accordingly takes no responsibility for those matters or for any matter or omission in the Prospectus, other than responsibility for this report. Risk factors, including those that specifically discuss the risks that may arise should the transaction not succeed in meeting the minimum fundraising objectives and regulatory approvals thereon accommodating those fundraising objectives, are set out in detail in Section 11 of the Prospectus.

#### CHARTERED ACCOUNTANTS & ADVISORS

Melbourne Office  
Level 20, 181 William Street  
Melbourne VIC 3000

Hawthorn Office  
Level 1, 465 Auburn Road  
Hawthorn East VIC 3123

PO Box 185, Toorak VIC 3142  
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### Scope of report

William Buck has been requested to:

- a) report whether anything has come to our attention which would cause us to believe that the historical financial information disclosed in the Annexure to this report is not fairly presented in accordance with the recognition and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Knosys Limited, and
- b) report whether anything has come to our attention which would cause us to believe that the pro forma financial information disclosed in the Annexure to this report is not presented fairly in accordance with the basis of preparation and assumptions applied in preparing the financial information as set out in note 2 to the Annexure and with the recognition and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Consolidated Entity.

The directors of Knosys Limited have prepared, and are responsible for, the historical and pro-forma financial information included in the Annexure to this report.

### Scope of the review

William Buck has not audited the financial statements of Knosys Limited as at 31 March 2015. We have conducted our review of the historical financial information in accordance with Australian Auditing Standard ASRE 2405 *Review of Historical Financial Information Other Than a Financial Report*. We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, including:

- enquiry of directors, management and others;
- analytical procedures on the historical information;
- a review of work papers, accounting records and other documents; and
- comparison of consistency in application of the recognition and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Knosys Limited.

The review procedures were substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards.

Having regard to the nature of the review, which provides less assurance than an audit and to the nature of the historical and pro forma financial information, this report does not express an audit opinion on the historical and pro forma financial information included in the Annexure to this report.



## **Conclusions**

### *Historical Financial Information*

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the historical financial information, as set out in the Annexure of this report is not presented fairly in accordance with the recognition and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Knosys Limited.

### *Pro Forma Financial Information*

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe the pro forma financial information, as set out in the Annexure of this report is not presented fairly in accordance with the basis of preparation in the Annexure and applied in preparing the financial information as set out in note 2 to the Annexure with the recognition and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Consolidated Entity.

## **Independence**

William Buck does not have any interest in the outcome of the listing of the shares, other than in connection with the preparation of this report for which normal professional fees will be received. With the exception of this Investigating Accountant's Report, William Buck was not involved in the preparation of any part of the Prospectus, and accordingly, makes no representations or warranties as to the completeness and accuracy of any information contained in any other part of the Prospectus.

## **Responsibility**

Consent to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it appears has been given, but should not be taken as an endorsement of the Company or a recommendation by William Buck of any participation in the share issue by any intending investors. At the date of this report our consent has not been withdrawn.

**General Advice Limitation**

This Report has been prepared and included in the Prospectus to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on this information contained in this Report. Before acting or relying on information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Yours faithfully

A handwritten signature in blue ink that reads 'William Buck'.

**William Buck Audit (VIC) Pty Ltd**  
ABN 59 116 151 136

A handwritten signature in blue ink, appearing to be 'N. S. Benbow'.

**N. S. Benbow**  
Director

Dated in Melbourne, Australia this 21<sup>st</sup> day of July, 2015



## Annexure

### Historical and Pro-forma Financial Information of the Consolidated Entity

#### Consolidated statements of financial position as at 31 March 2015

	Note	Reviewed Actual Knosys Limited 31 March 2015 \$	Pro-forma 31 March 2015 \$
<b>Current Assets</b>			
Cash and cash equivalents	3	590,676	4,058,096
Trade and other receivables		129,621	129,621
<b>Total Current Assets</b>			
<b>Total Assets</b>		<b>720,297</b>	<b>4,187,717</b>
<b>Current Liabilities</b>			
Trade and other payables		134,891	134,891
Related party loans	2a)	179,202	-
Deferred revenue from contracts with customers		111,909	111,909
Provisions for employee entitlements		39,998	39,998
<b>Total Liabilities</b>		<b>466,000</b>	<b>286,798</b>
<b>Net Assets</b>		<b>254,297</b>	<b>3,900,919</b>
<b>Equity</b>			
Issued capital	4	700,524	4,797,146
Options reserve	2c)	-	20,000
Accumulated losses	2b) c)	(446,227)	(916,227)
<b>Total Equity</b>		<b>254,297</b>	<b>3,900,919</b>

*These statements should be read in conjunction with the accompanying notes*





## Annexure

### Historical Financial Information of the Consolidated Entity

Statement of profit or loss and other comprehensive income for the period 1 July 2014 to 31 March 2015

	Note	Reviewed Actual Knosys Limited 31 March 2015 \$
<b>Revenues</b>		
Development and implementation fees	6	360,000
Licence fees		316,531
Other revenue		2,901
<b>Expenses</b>		
Research & development costs	6	(745,506)
Administrative expenses		(13,753)
<b>Loss before transaction costs and income tax</b>		<b>(79,827)</b>
Transaction costs relating to the reverse acquisition by the accounting acquirer Knosys Solutions Pty Ltd of Knosys Limited and Knosys Products Pty Ltd		(264,613)
<b>Loss before income tax</b>		<b>(344,440)</b>
Income tax benefit / (expense)		-
<b>Loss for the period</b>		<b>(344,440)</b>
<b>Total comprehensive loss for the period</b>		<b>(344,440)</b>

*These statements should be read in conjunction with the accompanying notes*



## Annexure

Historical Financial Information of Knosys Solutions Pty Ltd (formerly MMG Solutions Pty Ltd) and Knosys Products Pty Ltd (formerly MMG Products Pty Ltd)

Statements of financial position as at 30 June 2014

	<b>Audited Knosys Solutions Pty Ltd 30 June 2014 \$</b>	<b>Audited Knosys Products Pty Ltd 30 June 2014 \$</b>	<b>Total 30 June 2014 \$</b>
<b>Current Assets</b>			
Cash and cash equivalents	1,799	24	1,823
Trade and other receivables	18,475	250	18,725
Current tax receivable	83,138	-	83,138
<b>Total Current Assets</b>	<b>103,412</b>	<b>274</b>	<b>103,686</b>
<b>Non-Current Assets</b>			
Deferred Tax Assets	75	-	75
<b>Total Assets</b>	<b>103,487</b>	<b>-</b>	<b>103,761</b>
<b>Current Liabilities</b>			
Trade and other payables	205,250	-	205,250
Current Tax Liabilities	-	75	75
<b>Total Liabilities</b>	<b>205,250</b>	<b>75</b>	<b>205,325</b>
<b>Net (Deficiency of)/Assets</b>	<b>(101,763)</b>	<b>199</b>	<b>(101,564)</b>
<b>Equity</b>			
Issued capital	24	24	48
Accumulated losses	(101,787)	175	(101,612)
<b>Total Equity</b>	<b>(101,763)</b>	<b>199</b>	<b>(101,564)</b>

*These statements should be read in conjunction with the accompanying notes*



## Annexure

### Historical Financial Information of Knosys Solutions Pty Ltd and Knosys Products Pty Ltd

#### Statements of profit or loss and other comprehensive income for the period ended 30 June 2014

	<b>Audited Knosys Solutions Pty Ltd 30 June 2014 \$</b>	<b>Audited Knosys Products Pty Ltd 30 June 2014 \$</b>	<b>Total 30 June 2014 \$</b>
<b>Revenues</b>			
Research and development refunds	83,138	-	83,138
Licence fees	-	250	250
<b>Expenses</b>			
Administrative expenses	(250)	-	(250)
Research & development costs	(184,750)	-	(184,750)
<b>Profit before income tax</b>	<b>(101,862)</b>	<b>250</b>	<b>(101,612)</b>
Income tax benefit / (expense)	75	(75)	-
<b>Profit for the period</b>	<b>(101,787)</b>	<b>175</b>	<b>(101,612)</b>
<b>Total comprehensive income for the period</b>	<b>(101,787)</b>	<b>175</b>	<b>(101,612)</b>

*These statements should be read in conjunction with the accompanying notes*



## Annexure

### Notes to the Financial Information

#### 1. Summary of Significant Accounting Policies

##### Basis of preparation

The financial information included in this Annexure relates to the historical information of Knosys Limited and its controlled entities (the "Consolidated Entity"), the stand-alone entities Knosys Solutions Pty Ltd (formerly MMG Solutions Pty Ltd) and Knosys Products Pty Ltd (formerly MMG Products Pty Ltd), and of the significant transactions set out in Note 2, which include those set out in the Prospectus document to which this report is addressed.

The financial information included in this Annexure has been prepared in accordance with the measurement and recognition criteria of applicable Australian Accounting Standards, mandatory professional reporting requirements, the specific accounting policies detailed in this Note 1 and the adjustments and assumptions detailed in Note 2.

Certain disclosure requirements under the *Corporations Act 2001* and applicable Australian Accounting Standards have not been included where the information which would be disclosed is not considered material or relevant to potential investors.

The historical financial information in this Annexure adopts the accruals basis of accounting, which includes the historical cost convention and the going concern assumption. All amounts have been presented in Australian dollars, which is the functional and presentation currency of each separate entity represented in this Annexure. The significant accounting policies which have been adopted in the preparation of the historical and pro-forma historical financial information (collectively referred to as the "financial information") are as follows:

##### Principles of consolidation

A controlled entity is any entity controlled by an accounting acquirer. Control exists where an entity has the capacity and power to govern the decision-making in relation to the financial and operating policies of an investee and also participate in the variable returns of that investee.

All inter-group balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of controlled entities have been changed where necessary to ensure consistencies with those policies adopted by the parent entity.

##### Accounting for purchases of non-trading entities through reverse acquisitions

On 23 March 2015 Knosys Limited acquired all of the share capital of Knosys Products Pty Ltd and Knosys Solutions Pty Ltd through the issue of 47,500,000 ordinary fully paid shares to the respective shareholders. This transaction is considered a reverse acquisition in accordance with Australian Accounting Standards and Knosys Solutions Pty Ltd was deemed to be the acquirer for accounting purposes. Knosys Solutions Pty Ltd is the larger of the combining entities, is the only entity that trades as at the date of the transaction and holds the revenue generating contracts and has recognised assets and liabilities on its statement of financial position. Therefore Knosys Limited and Knosys Products Pty Ltd have been identified as the accounting acquirees. As a consequence of the reverse acquisition, the financial information represented in the consolidated statements of financial position as at 31 March 2015 is issued under the name of Knosys Limited but is deemed under accounting rules to be a continuation of the legal subsidiary Knosys Solutions Pty Ltd.



## **Annexure**

### **Notes to the Financial Information**

#### **1. Summary of Significant Accounting Policies (*continued*)**

##### **Trade receivables**

All trade receivables are recognised at the amounts receivable as they are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is raised when some doubt as to collection exists and in any event when the debt is more than 90 days overdue.

##### **Trade and other payables**

These amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

##### **Borrowings**

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of current payables.

##### **Provisions**

Provisions are recognised when the entity has a present (legal or constructive) obligation as a result of a past event, it is probable the entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

##### **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included in BAS receivable or BAS payable in the financial statements.



## Annexure

### Notes to the Financial Information

#### 1. Summary of Significant Accounting Policies (*continued*)

##### Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Consolidated Entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

##### *Rendering of services*

Revenue recognition related to the provision of services is determined with reference to the stage of completion of the transactions at the end of the reporting period, where outcome of the contract can be estimated reasonably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

##### *Licence fees*

Revenue recognition related to the licence fees is recognised on accrual basis in accordance with the terms and conditions of the contracts (provided that it is probable that the economic benefits will flow to the Consolidated Entity and the amount of revenue can be measured reliably). Licence fee revenue is determined on a time basis and is recognised on a straight-line basis over the period set out in the agreement.

##### *Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

#### Going Concern

As at 31 March 2015, the Consolidated Entity had net available working capital of \$254,297 and accumulated losses totalling \$446,227. The directors of Knosys Limited believe that the Consolidated Entity can continue to apply the going concern basis accounting for the following reasons:

- The Consolidated Entity entered into two significant contracts during the period which management anticipate will generate net working capital inflows for the next 12 months that will be sufficient to support the overall working capital requirements of the Consolidated Entity;
- The Consolidated Entity will receive research and development credits from the ATO from its research and development program, which are remitted to the Consolidated Entity in-arrears;
- As this Prospectus sets out, management is in the process of seeking to raise capital and expects to raise \$4,000,000 via Initial Public Offering (IPO) following its successful seed capital raising in March 2015 for \$750,000; and
- It will continue to prudently manage its costs, of which the majority can be flexed, in order to continue to manage its working capital needs.

Based upon these points, the directors believe that the Consolidated Entity will have access to sufficient working capital reserves that it requires in order to meet its forecast plans. Consequently, financial report does not contain any adjustments relating to the recoverability and classification of recorded assets nor to the amounts or classification of recorded assets or liabilities that might be necessary should the Consolidated Entity not be able to continue as a going concern.



## Annexure

### Notes to the Financial Information

#### 2. Assumptions Applied in Preparing the pro-forma Financial Information

The pro-forma financial information has been included for illustrative purposes to reflect the position of both transacting entities on the assumption that the following transactions had occurred as at 31 March 2015:

*Significant transactions that have taken place between 31 March 2015 and the date of this Prospectus*

- (a) All loans owing to related party has been subsequently settled as follows: on 13 May 2015, a loan from MMG Interactive Partnership was converted to equity via the issue of 742,260 shares at 20 cents per share; on 21 April 2015, the \$30,000 loan from the Levy Family Trust was fully repaid; and on 24 June 2015, the remaining \$750 loan from MMG Interactive Partnership was fully repaid;
- (b) The issue of 2,250,000 shares at 20 cents per share on 17 July 2015 being the final component of the consideration for the acquisition of Knosys Products and Knosys Solutions; and
- (c) An issue of options to directors and employees of 7,825,000 with 636,670 having vested on 1 July 2015, with the next vesting date being 1 October 2015. The assessed fair value at grant date is determined using Black Scholes option pricing model that takes into account the exercise price, terms of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividends yield and the risk free interest rate for the term of the option. The value of the 636,670 options vested as at 1 July 2015 have been included in the pro-forma financial information. Details of the terms and conditions attached to these options are set out in section 13.2 of this Prospectus.

*Transactions that form part of this Prospectus*

- (d) Knosys Limited will allot and issue 20,000,000 fully paid ordinary shares to raise \$4,000,000 at 20 cents per share;
- (e) The Consolidated Entity will incur capital raising costs in-respect of the shares issued under this Prospectus. These costs are set out in section 13.9 of this Prospectus.



## Annexure

### Notes to the Financial Information

#### 3. Cash and cash equivalents

	Note	Reviewed Pro-forma 31 March 2015 \$
Cash and cash equivalents		590,676
Repayment of related party loan	2a)	(30,750)
Issue of shares under the Prospectus	2d)	4,000,000
Costs of capital raising	2e)	(501,830)
		<b>4,058,096</b>

#### 4. Issued capital

	Note	Reviewed Pro-forma 31 March 2015 \$
Issued capital		700,524
Conversion of \$148,452 loan to equity through the issue of 742,260 shares at 20c per share	2a)	148,452
Issue 2,250,000 shares at 20c per share	2b)	450,000
Issue of shares under the Prospectus	2d)	4,000,000
Costs of the offer	2e)	(501,830)
		<b>4,797,146</b>

#### 5. Contingent Liabilities and Commitments

For details concerning significant and material contracts that either represent contingent liabilities or legal commitments, refer to sections 8.6 and 12 of the Prospectus.

#### 6. Related party transactions

In the statement of profit and loss and other comprehensive income for the period 1 July 2014 to 31 March 2015 for the Consolidated Entity the following related party transactions took place:

- Knosys Solutions Pty Ltd earned \$350,000 in pre-acquisition revenue from Knosys Products Pty Ltd for development and implementation fees; and
- Knosys Solutions Pty Ltd incurred \$215,000 in pre-acquisition licence fees paid to Knosys Products Pty Ltd.

For information concerning other related party transactions that are relevant to this Annexure, refer to section 8.6 of the Prospectus.



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SECTION 11

# RISK FACTORS



## 11. Risk Factors

The Shares offered under this Prospectus should be considered speculative because of the nature of the Company's business. There are numerous risk factors involved with the Company's business. This Section identifies the major areas of risk associated with an investment in the Company, but should not be taken as an exhaustive list of the risk factors to which the Company and its Shareholders are exposed.

Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of the Company and cannot be mitigated. Accordingly, an investment in the Company carries no guarantee with respect to the payment of dividends, return of capital or price at which securities will trade. Potential investors should read the entire Prospectus and consult their professional advisers before deciding whether to apply for Shares.

### 11.1 Risks specific to the Group

A number of specific risk factors that may impact the future performance of the Company the following risks in relation to the Company, the Knosys Platform and the operations of the Company described below. Shareholders should note that this list is not exhaustive.

**(a) Commercialisation, technology, third party service provider reliance, competition and development timeframes**

One of the Company's key strengths is technology advantages, however history in the information and communications technology industry shows that technical advantages are typically short lived. Accordingly, the Company's success will depend, in part, on its ability to commercialise and expand the Knosys Platform and grow its business' customer base and generate revenue in response to changing technologies, customer and third party service providers' demands and competitive pressures. Failure or delay to do so may impact the success of the Company.

**(b) Product distribution and usability of the Knosys Platform depend upon various factors outside the control of the Company including (but not limited to) device operating systems, mobile device design and operation and platform provider standards**

The Company intends to develop the Knosys Platform for use across a number of internet access platforms, mobile and desktop devices and software operating systems. The Company will be dependent on the ability of the Knosys Platform to operate on such platforms, devices and operating systems. The Company cannot control the maintenance, upkeep and continued supply of effective service from external suppliers in these areas. Any changes in such platforms, operating systems or devices that adversely affect the functionality of the Knosys Platform or give preferential treatment to competitive products could adversely affect usage of the Knosys Platform.

**(c) Reliance on access to internet**

In some instances, the Company will depend on the ability of its Users to access the internet. Access is provided by various classes of entities in the broadband and internet access marketplace. Should any of these entities disrupt, restrict or affect the cost of access to the Knosys Platform, usage of the Knosys Platform may be negatively impacted.

**(d) Limited operating history and acquisition and retention of customers**

The Company has less than two years relevant operating history in the development and commercialisation of knowledge management software and the limited deployment of the Knosys Platform makes any evaluation of the businesses or its prospects difficult. No assurances can be given that the Company will achieve commercial viability through the successful retention of customers and implementation of its business plan to increase customer and User numbers.

**(e) Reliance on key personnel**

The Company's operational success will depend substantially on the continuing efforts of senior executives. The loss of services of one or more senior executives may have an adverse effect on the Company's operations. Furthermore, if the Company is unable to attract, train and retain key individuals and other highly skilled employees and consultants, its business may be adversely affected.

**(f) Need to attract and retain skilled staff**

The Company's future success will in part depend on its ability to hire and train suitable staff. Competition for such personnel is intense and there can be no assurance that the Company will be successful in attracting and retaining such personnel. A failure to do so may have an adverse effect on the operations and profitability of the Company's business.

**(g) Maintenance of key business partner relationships with Channel Partners**

The Company will rely on relationships with key business Channel Partners to enable it to continue to promote the Knosys Platform. A failure to maintain relationships could result in a withdrawal of support, which in turn could impact the Company's financial position.

The Company's main avenue for sale and implementation of the Knosys Platform is through Channel Partners. There is potential for the implementation of the Knosys Platform by Channel Partners to not follow best practice when implementing the Knosys Platform. Failure by the channel partner to do this may result in it affecting the User's perception of the Knosys Platform, which in turn could impact the adoption of the Knosys Platform.

**(h) Reliance on continual product development**

The Company's ability to grow the User base of the Knosys Platform and generate revenue will depend in part on its ability to continue to develop the Knosys Platform. The Company may introduce significant changes to the existing product, including technologies with which we have little or no prior development or operating experience. If the enhanced products fail to attract Users, the Company may fail to generate sufficient revenue or operating profit to justify its investments, and accordingly operating results could be adversely affected.

**(i) Management of growth**

There is a risk that the Company will not be able to manage rapid growth of the business. The capacity of the Company to properly implement and manage business growth may affect the Company's financial performance.

**(j) Brand establishment and maintenance**

The Company believes that establishing and maintaining the brand credibility of the Knosys Platform in the knowledge management industry is important to growing its proposed User base and product acceptance. This will depend largely on the Company's ability to provide useful and innovative products. The actions of external industry participants may affect the brand if Users do not have a positive experience using platforms, devices or operating systems that provide access to the Knosys Platform. If the Company fails to successfully establish and maintain its brand its business and operating results could be adversely affected.

**(k) Already lodged trademark**

A search of the trademarks register maintained by the Australian Trade Marks Office has disclosed the mark KNOESIS (registration no. 1575161) registered in the name of a third person. It is possible that the existence of such a mark may prevent the grant of the trade mark "Knosys" to the Company. Further it may be possible for the holder of this trade mark to take action to prevent the Company from using the mark "Knosys" in relation to its activities. Further investigation and advice would be necessary in order to determine the threat (if any) that mark poses (and any associated risks and/or liabilities), although the Company acknowledges that any successful claim by the existing registrant may mean that the Company would need to adopt a different brand.

There are also several instances of third parties using the unregistered trade mark "Knosys" in the US. It is possible that the use of such unregistered trademarks may prevent the grant of the trade mark "Knosys" to the Company in the US (should the Company choose to apply for the same in the future). Further it may be possible for the third parties using such unregistered trademarks to take action to prevent the Company from using the trade mark "Knosys" in relation to its activities in the US. Further investigation and advice would be necessary in order to determine the threat (if any) that that these unregistered trademarks pose (and any associated risks and/or liabilities), although the Company acknowledges that any successful claim by the existing registrant may mean that the Company would need to adopt a different brand in the US.

**(l) Operating system changes**

The Company uses third party operating systems with the providers of these systems regularly updating their systems. It is possible when these updates occur one or more of them could cause some of the Company's product to not operate as efficiently as before. This will require the Company to change the code on its system which may take some time to remedy.

**(m) The Knosys Platform and possible future products contain or will contain open source software, and the Company licenses some of its software through open source projects, which may pose particular risks to its proprietary software and products in a manner that could have a negative effect on its business**

The Company will utilise open source software in a number of its products and will use open source software in the future. The terms of many open source licenses to which the Company will be subject have not been interpreted by Australian or foreign courts, and there is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on the Company's ability to provide or distribute its products.

**(n) Protection of the Company's intellectual property rights and infringement of third party intellectual property rights**

The Company has trade secrets and other intellectual property rights that are important assets. The Company may therefore rely on a combination of confidentiality and license agreements with its consultants and third parties with whom it has relationships, as well as domain name, trade secret and copyright, to protect its brand and other intellectual property rights. The Company does not currently have any patent protection of its intellectual property and it is not yet known whether it will be in fact possible to obtain any patent protection of its intellectual property. If the Company fails to protect its intellectual property secrets, competitors may gain access to its technology which could harm the business.

If a third party accuses the Company of infringing its intellectual property rights or if a third party commences litigation against the Company for the infringement of patent or other intellectual property rights, the Company may incur significant costs in defending such action, whether or not it ultimately prevails. Typically, patent litigation is expensive. Costs that the Company incurs in defending third party infringement actions would also include diversion of management's and technical personnel's time.

In addition, parties making claims against the Company may be able to obtain injunctive or other equitable relief that could prevent the Company from further developing discoveries or commercialising its products. In the event of a successful claim of infringement against the Company, it may be required to pay damages and obtain one or more licenses from the prevailing third party. If it is not able to obtain these licenses at a reasonable cost, if at all, it could encounter delays in product introductions and loss of substantial resources while it attempts to develop alternative products. Defence of any lawsuit or failure to obtain any of these licenses could prevent the Company from commercialising available products and could cause it to incur substantial expenditure.

**(o) The Knosys Platform may contain programming errors, which could harm its brand and operating results**

The Knosys Platform will contain complicated programming and its objectives are to quickly develop and launch new and innovative products and features. The Knosys Platform may therefore contain now or in the future, errors, bugs or vulnerabilities. Any errors, bugs or vulnerabilities discovered could result in (among other consequences) damage to brand of the Knosys Platform, loss of Users, loss of platform partners, fall in revenues or liability for damages, any of which could adversely affect the Company's business and operating results.

**(p) Customer service**

The Company sells its product through Channel Partners and is therefore dependent on the Channel Partners' customer service departments for the end User's customer service experience. Poor experiences may result in adverse publicity, litigation, regulatory enquiries and reducing the use of the Knosys Platform or services. If this occurs it may negatively affect the Company's revenues.

**(q) Competition**

The Company will compete with other businesses and companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that the Company can compete effectively with these companies.

**(r) Changes in technology**

The Company's success will depend, in part, on its ability to expand its products and grow its business in response to changing technologies, User and third party service providers' demands and competitive pressures. Failure to do so may impact the success of the Company. Further, the cost of responding to changing technologies is unpredictable and may impact the Company's profitability or, if such cost is prohibitive, may reduce the Company's capacity to expand or maintain its business. The Company will seek to offset such costs where possible through applications for the research and development tax concession. However, these concessions are available in only limited circumstances and, even where the Company makes a claim which it and its advisors believe has merit, it can't be assured that the Australian Taxation Office and Ausindustry will deem the claim to be compliant.

**(s) Hosting provider disruption risk**

The Company relies on various hosting providers, to host the application and store all data gathered from its customers.

Should the provider suffer outages, for example due to catastrophic destruction following a natural disaster, service to the Knosys Platform delivered by that provider may also be disrupted.

**(t) Data loss, theft or corruption**

The Company's hosting partners carry this risk, the hosting providers networks will be required adhere to their customers security and compliance standards. If the providers don't provide an adequate safe guards and measures to mitigate breaches, it could negatively impact upon the Company's revenues and profitability.

**(u) Security breaches**

If the Company's security measures are breached, or if its products are subject to cyber-attacks that restrict User access to its products, its products may be perceived as less secure than competitors and Users may stop using the Knosys Platform.

**(v) Misuse of the Knosys Platform – privacy and surveillance legislation**

Users of the Knosys Platform are subject to the Company's terms and conditions of use which state that a User must protect the privacy and details contained within the systems and is liable if the Knosys Platform is used unlawfully (for example, the User causing any data or information to be exposed or shared without consent). Although the Company has strategies and protections in place to try and minimise misuse the system(including disclaimers and indemnities in the Company's terms and conditions of use), there is no guarantee these strategies will be successful in the event a User uses the Knosys Platform in an unlawful manner. In the event of a User misusing the Knosys Platform, this may result in adverse publicity, litigation, regulatory enquiries in respect of state and federal privacy and surveillance legislation, and reducing the use of the Knosys Platform. If this occurs it may negatively affect the Company's revenues.



**(w) Insurance**

The Company will maintain insurance where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

Accordingly, the Company may not be fully insured against all losses and liabilities that could unintentionally arise from its operations. If the Company incurs uninsured losses or liabilities, the value of the Company's assets may be at risk.

**(x) Liquidity and realisation risk**

There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. On completion of the Offer (assuming Minimum Subscription) 68.6% of the Shares will be subject to escrow, only 31.4% of the Shares will be freely tradable at completion of the Offer. With the limited free float, there may be relatively few potential buyers or sellers at any given time and this may increase the volatility of the market price of the Shares.

Further, there is a risk that once the Shares subject to escrow or trading restrictions are released from the restrictions attaching to them, there may be a significant sell down by the holders of those Shares. In the context of the limited free float and potential volatility mentioned above, this may affect the prevailing market price at which Shareholders are able to sell their Shares.

**(y) Additional requirements for capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in the future. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back the Knosys Platform development as the case may be.

**(z) Potential acquisitions**

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or prospects although no such acquisitions or investments are currently planned. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions.

**(aa) If securities or industry analysts do not publish or cease publishing research or reports about the Company, its business or its market, or if they change their recommendations regarding the Company's securities adversely, the price of its securities and trading volumes could be adversely affected**

The market for the Company's securities trading on ASX may be influenced by any research or reports compiled by securities or industry analysts. If any of the analysts who may cover the Company and its products change previously disclosed recommendations on the Company or for that matter its competitors, the price of its securities may be adversely affected.

**(ab) The Company does not expect to declare any dividends in the foreseeable future**

The Company does not anticipate declaring or paying any dividends to Shareholders in the foreseeable future. Consequently, investors may need to rely on sales of their securities to realise any future gains on their investment.

**(ac) If the Company's goodwill or intangible assets become impaired, it may be required to record a significant charge to earnings**

Under Generally Accepted Accounting Principles, the Company reviews its intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually.

## 11.2 General Risks

The future prospects of the Company's business may be affected by circumstances and external factors beyond the Company's control. Financial performance of the Company may be affected by a number of business risks that apply to companies generally and may include economic, financial, market or regulatory conditions.

**(a) General economic climate**

Factors such as inflation, currency fluctuation, interest rates and supply and demand have an impact on operating costs, and stock market prices. The Company's future revenues and securities' prices may be affected by these factors, which are beyond the Company's control.

**(b) Changes in legislation and government regulation**

Government legislation in Australia or any other relevant jurisdiction, including changes to the taxation system, may affect future earnings and relative attractiveness of investing in the Company. Changes in government policy or statutory changes may affect the Company and the attractiveness of an investment in it.

**(c) Global credit and investment market**

Global credit, commodity and investment markets have recently experienced a high degree of uncertainty and volatility. The factors which have led to this situation have been outside the control of the Company and may continue for some time resulting in continued volatility and uncertainty in world stock markets (including the ASX). This may impact the price at which the Company's Shares trade regardless of operating performance, and affect the Company's ability to raise additional equity and/or debt to achieve its objectives, if required.

**(d) Exchange rate risk**

The Company currently only operates in Australia and SE Asia (via Channel Partners) and may source products and services from overseas. Additionally the Company may further expand overseas.

If the Australian dollar falls in relation to the exchange rate where the product or service is sourced from, then since the Company's financial statements are prepared in Australian dollars, this may impact its performance and position.

**(e) Unforeseen risk**

There may be other risks which the Directors are unaware of at the time of issuing this Prospectus which may impact on the Company, its operation and/or the valuation and performance of the Company's Shares.

**(f) Combination of risks**

The Company may not be subject to a single risk. A combination of risks, including any of the risks outlines in this Section could affect the performance valuation, financial performance and prospects of the Company.

**(g) Unforeseen expenditure risk**

Expenditure may need to be incurred that has not been taken into account in the preparation of this Prospectus. Although the Company is not aware of any additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

**(h) Sharemarket conditions**

The market price of the Company's securities may be subject to varied and unpredictable influences on the market for equities.

**(i) Long term investment**

Investors are strongly advised to regard an investment in the Company as a long term proposition and to be aware that, as with any equity investment, substantial fluctuations in the value of their investment may occur. The Company cannot guarantee its future earnings and cannot provide a guaranteed level of return to investors.

**(j) Speculative nature of investment**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors and others not specifically referred to above may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus. Therefore, the Shares offered pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of the Shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisors before deciding whether to apply for Shares.



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SECTION 12

# MATERIAL CONTRACTS



## 12. Material Contracts

### 12.1 Lodge Corporate Mandate

The Company has entered into a mandate for Lodge Corporate Pty Ltd (**Lead Manager**) to act as lead manager of the Offer and provide general corporate and capital raising services to the Company (**Lead Manager Mandate**). The mandate was originally entered into by Knosys Solutions, and later replaced by a new mandate with the Company.

In this Section, “Proceeds” refers to the gross amount raised under the Offer:

- (a) regardless of which investors those funds are received from, and
- (b) regardless of whether the funds are received or arranged by the Company, the Lead Manager or a third party.

Pursuant to the terms of the Lead Manager Mandate, the Company has agreed to:

- (a) pay the Lead Manager a monthly retainer of \$12,000 (plus GST) from the date of the original mandate with Knosys Solutions (January 2015), which is payable monthly in advance until completion of the Offer;
- (b) an offer management fee equal to 2% of the Proceeds (payable on completion of the Offer); and
- (c) pay the Lead Manager a selling fee of 4% of the Proceeds (payable on completion of the Offer).

The Lead Manager or the Company may terminate the Lead Manager Mandate on written notice at any time. In the event of termination, the Lead Manager is entitled to fees and expenses incurred under the Lead Manager Mandate up until the date of termination.

The Lead Manager Mandate otherwise contains terms considered standard for a document of this nature.

### 12.2 ANZ Licence and Support Agreement

The Group is contracted with ANZ pursuant to a Licence and Support Agreement dated 4 May 2010 as varied on 5 August 2013 and 30 April 2015, and subsequently novated to Knosys Solutions on 30 April 2015, for the licence of the Knosys Platform and the provision of ongoing support and maintenance services to ANZ.

The agreement also provided for the development and installation of the Knosys Platform for the ANZ and its computer systems in accordance with specified software specifications and business requirements. This development and installation phase has completed.

The material terms and conditions of the agreement governing the ongoing contractual relations between the Group and ANZ are set out below (with references to Knosys to be construed as Knosys Solutions as the contracting party).

**(a) Licence**

ANZ is granted for the term of the agreement a perpetual, irrevocable, non-exclusive, worldwide licence to use the Knosys Platform in connection with the business of ANZ Group members from time to time at designated sites, locations and territories operated by an ANZ Group member.

Knosys retains all intellectual property in the Knosys Platform including as delivered, created, written or otherwise brought into existence by or on behalf of Knosys through the performance of its obligations under the agreement.

**(b) Support and maintenance services**

Knosys must provide support, management and maintenance services in accordance with nominated severity levels, service levels and performance standards.

This includes maintaining a service desk with responsibilities for providing a central point of contact between the parties, managing technical incidents and problems and requests for technical support and service, maintaining a dedicated telephone number and email address for reporting technical issues or requesting assistance at any time of day, and assigning all support and service requests a unique identifier and request log.

In the provision of these services, Knosys must exercise of all reasonable skill, care, prudence and foresight expected in the circumstances of skilled and experienced suppliers of services in the nature of the services provided, and comply with any reasonable instruction, direction, standard or protocol notified by ANZ and which support ANZ to meet its duties under law. All resources, technology and consumables necessary for or incidental to the services must be supplied by Knosys unless otherwise provided for.

Knosys must notify ANZ immediately of any problems which may have a significant effect on ANZ.

**(c) Fees**

ANZ must pay Knosys an agreed annual licence fee and support and maintenance services fees, in each case based on end-user licence volumes, for the entire year in advance, with a provision for reconciliation if licence volumes vary over the course of the following year.

Service fees for additional work on a case by case basis may be calculated on a time and materials basis or by way of fixed fee, in accordance with agreed methodologies.

**(d) Term and termination**

ANZ may terminate the agreement for convenience on 30 days' prior written notice to Knosys and a statement of work on such number of days' prior notice set out in the statement of work (or, if not stated, 14 days).

Either party may terminate the agreement or a statement of work immediately if the other party becomes insolvent, commits a material breach of the agreement which is not remediable or (where it is capable of remedy) is not remedied within 30 days after being required by notice to do so, or materially breaches the agreement twice or more whether or not the breaches are remedied, provided that Knosys cannot terminate for a material breach

by ANZ which can be reasonably compensated by payment of money and where ANZ agrees to pay.

If the agreement is terminated, the termination does not affect any accrued rights or liabilities of the parties and ANZ will cease using the Knosys Platform and remove it from its systems. Any licence or product and support services fees paid in advance by ANZ that are not delivered or provided to ANZ as at the date of termination must immediately be repaid to ANZ.

**(e) Warranties**

Knosys warrants that the Knosys Platform will operate fully and effectively in accordance with associated software documentation; be of merchantable quality and free from design and programming errors; and comply with the agreed specifications and any other requirements. Knosys also warrants that that neither use, disclosure, publication, transmission, communication, adaptation, exploitation or reproduction of the Knosys Platform by ANZ or its licensees or assignees, nor the provision or receipt of services under the agreement will infringe any rights (including intellectual property rights) of, or impose any obligation on behalf of ANZ, its licensees or assignees to pay compensation or royalty to, any person.

**(f) Indemnity and limitation**

Knosys indemnifies ANZ against all claims and liabilities arising as a result of the licence or services provided under the agreement infringing intellectual property rights of third parties; any fraudulent, wilful, unlawful or negligent act or omission by Knosys or its personnel; breach of confidentiality or privacy obligations, workers' compensation claims in respect of Knosys personnel; and income and payroll tax payable in respect of Knosys or its personnel.

Liability is capped at the greater of \$400,000 or five times the total fees paid or payable by ANZ under the agreement.

**(g) Confidentiality and privacy**

Standard confidentiality provisions apply to both ANZ and Knosys.

Knosys must also take all reasonable steps to protect personal information and comply with relevant privacy laws.

**(h) Subcontracting and assignment**

Knosys must not subcontract its obligations under the agreement without ANZ's prior consent. ANZ has consented to Knosys subcontracting help desk support and maintenance services to Singtel Optus.

Neither party may assign or novate the agreement without the prior written consent of the other party.



## 12.3 Singtel Optus Master Supply Agreement

Knosys Solutions has entered into a Master Supply Agreement with Singtel Optus dated 21 April 2015 which sets out the base terms for the supply of goods and services by Knosys Solutions to Singtel Optus. The goods comprise equipment, software and documentation (which include the Knosys Platform) and services include instruction and training necessary for the proper and effective use of the goods supplied.

The material terms and conditions of the agreement are set out below (with references to Knosys to be construed as Knosys Solutions as the contracting party).

### (a) Purchase Order and Statements of Work

Any Singtel Optus group company may order goods and/or services in accordance with a purchase order and statement of work. Each purchase order creates a separate supply contract between the parties.

### (b) Licence

Singtel Optus is granted for the term of each relevant supply contract a non-exclusive, fully paid-up, transferable, irrevocable licence to install, use modify and adapt the Knosys Platform, and to on-supply, sub-licence and distribute the Knosys Platform to its own customers, agents, channel partners or other distributors.

### (c) Rights to Intellectual Property

Knosys retains all rights or title to, or interest in, background intellectual property, being intellectual property created prior to or independent of the relevant supply contract.

All rights or title to, or interest in, all foreground intellectual property, being intellectual property which results from or is generated or created for Singtel Optus pursuant to, or for the purposes of or in connection with, a supply contract, shall vest in and shall be the sole and exclusive property of Singtel Optus (and Knosys must do all things necessary to ensure that all rights and title therein passes to Singtel Optus on the date of creation).

### (d) Support and Maintenance Services

The agreement contemplates the provision by Knosys of support and maintenance services under supply contracts and the setting of service levels and performance standards in relevant supply contracts.

### (e) Contract Guarantees

The agreement contemplates the provision by Knosys under a supply contract a guarantee and indemnity from a related body corporate and/or a bank guarantee or other form of financial security.

### (f) Fees

Fees will be provided for in each separate supply contract.

The agreement requires Knosys to annually or, at Singtel Optus's request, compare the price or prices in a supply contract to the price or prices of comparable goods and services that Knosys supplies to other customers or any third party offers to any Singtel Optus group company notified to Knosys by Singtel Optus. If the comparison indicates the supply contract price or prices are higher, the agreement provides for a downwards adjustment of such price or prices to at least the same level.

The agreement also contemplates supply contracts including service credits which are reflective of the diminution in value of the goods or services actually provided by Knosys, but which do not otherwise limit, prejudice or otherwise affect any other rights or remedies Singtel Optus may have against Knosys.

**(g) Term and termination**

The term of the agreement is three years.

Singtel Optus may terminate the agreement or a supply contract (or part of a supply contract) without cause on 60 days' prior written notice to Knosys.

Singtel Optus may terminate the agreement or a supply contract immediately if:

- (i) Knosys suffers an insolvency event;
- (ii) Knosys commits a material breach of the agreement which is not remedied within 30 days after being required by notice to do so;
- (iii) Knosys breaches provisions relating to supply due date obligations, intellectual property protection, confidentiality, a supply contract guarantee and indemnity, privacy and health and safety;
- (iv) a change of control (as that term is defined in section 50AA of the Corporations Act) occurs to Knosys that results in a competitor of Singtel Optus having control; or
- (v) there is a sale of substantially all of the assets of Knosys.

Knosys may terminate immediately if Singtel Optus commits a material breach of the agreement which is not remedied within 30 days after being required by notice to do so, suffers an insolvency event or fails to pay an undisputed amount of \$10,000 within 90 days of notice being issued by Knosys to Singtel Optus after the original due date for payment.

If the agreement is terminated, the termination does not affect any accrued rights or liabilities of the parties.

**(h) Warranties**

The agreement provides for the provision by Knosys of standard warranties under each supply contract for all services and goods supplied thereunder.

**(i) Indemnity and limitation**

Knosys indemnifies Singtel Optus against all claims and liabilities arising as a result of the breach of warranties for relating to intellectual property, confidentiality, privacy or health and safety, breach of a supply contract, infringing intellectual property rights of third parties, any fraudulent or unlawful act or omission by Knosys or its personnel, and loss, damage, misuse of Singtel Optus or customer data.

Liability for Singtel Optus is limited for each supply contract to 5% of the contract gross value, except for when doing so would contravene any statute or cause the limitation itself to be void or unenforceable, liability for death or personal injury caused by Singtel Optus or Singtel Optus personnel negligence, or liability to pay the actual price has already been accepted by Singtel Optus. Consequential loss is excluded.

Liability for Knosys is limited to greater of twice the contract gross value and \$10 million, except for when doing so would contravene any statute or cause the limitation itself to be void or unenforceable. This limitation does not apply to any indemnities given by Knosys under a supply contract.

**(j) Confidentiality and privacy**

Standard confidentiality provisions apply to both Singtel Optus and Knosys.

Knosys must also take all reasonable steps to protect personal information and comply with relevant privacy laws.

**(k) Subcontracting and assignment**

Knosys must not subcontract its obligations under the agreement without Singtel Optus's prior approval.

Neither party may assign or transfer the agreement without the prior written consent of the other party, though Singtel Optus may transfer within its corporate group.

## 12.4 Go Cloud IT Master Distributor Agreement

Knosys Solutions has entered into a Master Distributor Agreement with Go Cloud IT dated 1 May 2015 which sets out the base terms for distribution by Go Cloud IT of the Knosys Platform.

The material terms and conditions of the agreement are set out below (with references to Knosys to be construed as Knosys Solutions as the contracting party).

**(a) Licence**

Go Cloud IT is granted a non-exclusive, non-transferable right to acquire the Knosys Platform and to market and sub-licence to third parties and resellers appointed by Go Cloud IT throughout most countries in east and south-east Asia.

**(b) Orders**

Go Cloud IT is required to solicit orders for the Knosys Platform through appointed resellers based on an agreed opportunity lead sheets for prospective customers of the software.

End users of the Knosys Platform shall enter into software licence agreements directly with Knosys on a case by case basis.

**(c) Intellectual Property**

Intellectual property rights do not transfer under the agreement.

**(d) Support and Maintenance Services**

Knosys is required to supply customary support and maintenance services, and software updates, modifications and enhancements. Knosys must also provide training.

**(e) Fees**

For each order Go Cloud IT will pay to Knosys licence and maintenance fees in accordance with Knosys prevailing rates, less agreed discounts.

**(f) Term and termination**

The term of the agreement is three years.

After the initial three year term, either party may terminate by giving the other party three months' prior written notice.

Either party may terminate the agreement immediately if the other suffers an insolvency event or commits a material breach of the agreement which is not remedied within 30 days after being required by notice to do so.

If the agreement is terminated, the termination does not affect any accrued rights or liabilities of the parties, nor shall it affect any licences granted by Knosys to third parties in accordance with the agreement.

**(g) Warranties**

Knosys gives standard warranties and representation for an agreement of this nature in respect of the Knosys Platform and for all services supplied.

**(h) Indemnity and limitation**

Knosys indemnifies Go Cloud IT against all claims and liabilities arising as a result of a breach of any of the warranties.

Knosys is not liable to Go Cloud IT or any other party for any form of direct, indirect, special, consequential or incidental loss, damage or expense.

**(i) Confidentiality and privacy**

Standard confidentiality provisions apply to both Go Cloud IT and Knosys.

**(j) Assignment**

Neither party may assign or transfer the agreement without the prior written consent of the other party.

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SECTION 13

# ADDITIONAL INFORMATION



## 13. Additional Information

### 13.1 Rights Attaching to Shares

Full details of the rights attaching to Shares are set out in the Constitution a copy of which can be inspected, free of charge, at the Company's registered office during normal business hours.

The following is a broad summary of the more significant rights, privileges and restrictions attaching to all shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of shareholders.

#### (a) General meetings and notices

Each member is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to members under the Constitution, the Corporations Act or the Listing Rules.

#### (b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- (iii) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

#### (c) Issues of further shares

The Directors may, on behalf of the Company, issue, grant options over or otherwise dispose of unissued shares to any person on the terms, with the rights, and at the times that the Directors decide. However, the Directors must act in accordance with the restrictions imposed by the Constitution, Listing Rules, the Corporations Act and any rights for the time being attached to the shares in any special class of those shares.

#### (d) Variation of rights

Unless otherwise provided by the Constitution or by the terms of issue of a class of shares, the rights attached to the shares in any class may be varied or cancelled only with the written consent of the holders of at least three-quarters of the issued shares of the affected class, or by special resolution passed at a separate meeting of the holders of the issued shares of the affected class.



**(e) Transfer of shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

The Directors may decline to register a transfer of shares (other than a proper transfer in accordance with the ASX Settlement Operating Rules) where permitted to do so under the Listing Rules. If the Directors decline to register a transfer, the Company must, within 5 business days after the transfer is delivered to the Company, give the party lodging the transfer written notice of the refusal and the reason for the refusal.

**(f) Partly paid shares**

The Directors may, subject to compliance with the Constitution, the Corporations Act and Listing Rules, issue partly paid shares upon which there are outstanding amounts payable. These shares will have limited rights to vote and to receive dividends.

**(g) Dividend rights**

Subject to the rights of persons (if any) entitled to shares with special rights to dividends, the Directors may declare a dividend in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the shareholders of such a dividend.

The Directors may from time to time pay to shareholders any interim dividend that they may determine. Subject to the rights of any preference shareholders and to the rights of the holders of any shares credited or raised under any special arrangement as to the dividend, the dividend as declared shall be payable on all shares according to the amount paid up, or credited as paid up, on the shares, and otherwise in accordance with Part 2H.5 of the Corporations Act.

Interest may not be paid by the Company in respect of any dividend, whether final or interim.

**(h) Winding-up**

Subject to the rights of holders of shares with special rights in a winding-up, if the Company is wound up, members will be entitled to participate in any surplus assets of the Company in proportion to the percentage of the capital paid-up or credited as paid up on the shares when the winding up begins.

**(i) Dividend reinvestment and share plans**

Subject to the requirements in the Corporations Act and the Listing Rules, the Directors may implement and maintain dividend reinvestment plans (under which any member may elect that dividends payable by the Company be reinvested by way of subscription for fully paid shares in the Company) and any other share plans (under which any member may elect to forego any dividends that may be payable on all or some of the shares held by that member and to receive instead some other entitlement, including the issue of fully paid shares).

**(j) Directors**

The Constitution states that the minimum number of Directors is three and the maximum number is 10.

**(k) Powers of the Board**

Except as otherwise required by the Corporations Act, any other law, the Listing Rules or the Constitution, the Directors have the power to manage the business of the Company and may exercise every right, power or capacity of the Company.

**(l) Share buy backs**

Subject to the provisions of the Corporations Act and the Listing Rules, the Company may buy back shares in itself on the terms and at times determined by the Directors.

**(m) Unmarketable parcels**

The Company's constitution permits the Board to sell the shares held by a shareholder if they comprise less than a marketable parcel within the meaning of ASX Business Rules. The procedure may only be invoked once in any 12 month period and requires the Company to give the shareholder notice of the intended sale.

If a shareholder does not want his shares sold, he may notify the Company accordingly.

**(n) Capitalisation of profits**

The Company may capitalise profits. Subject to the Constitution and the terms of the issue of shares, members are entitled to participate in a capital distribution in the same proportions in which they are entitled to participate in dividends.

**(o) Capital reduction**

Subject to the Corporations Act and Listing Rules, the Company may reduce its share capital.

**(p) Preference shares**

The Company may issue preference shares, including preference shares that are liable to be redeemed. The rights attaching to preference shares are those set out in the Constitution unless other rights have been approved by special resolution of the Company's members.

## 13.2 Terms and Conditions of Options

The terms and conditions attaching to the Options issued to the Directors and to Stephen Kerr are as follows:

**(a) Vesting and Entitlement**

For the Directors, the Options will vest over time, in equal amounts (except for slight adjustments to avoid fractions) every three months, commencing 1 July 2015 with the final vesting date being 1 April 2018. For Stephen Kerr, 20,000 Options will vest on the first two vesting dates, and 38,500 Options will vest on subsequent vesting dates.

If the relevant holder is no longer employed or engaged, as the case may be, by the Group on a vesting date, the Options will not vest to that holder. Options that have previously vested in the holder shall be retained by the holder.

The Options will entitle the holder to subscribe for one Share upon the exercise of each Option that has vested in the holder.

**(b) Exercise price**

The exercise price of each Option will be \$0.25 (**Exercise Price**).

**(c) Expiry date**

The expiry date of each Option is 1 July 2019 (**Expiry Date**).

**(d) Exercise period**

The Options are exercisable at any time on or prior to the Expiry Date.

**(e) Notice of exercise**

The Options may be exercised by notice in writing to the Company and payment of the Exercise Price for each Option being exercised. Any notice of exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

**(f) Shares issued on exercise**

Shares issued on exercise of the Options will rank equally with the other issued Shares.

**(g) Quotation of Shares on exercise**

Application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Options.

**(h) Timing of issue of Shares**

After an Option is validly exercised, the Company must as soon as possible:

- (i) allot and issue the Share; and

(ii) do all such acts matters and things to obtain:

- (A) the grant of quotation for the Share on ASX no later than 5 days from the date of exercise of the Option; and
- (B) receipt of cleared funds equal to the sum payable on the exercise of the Options.

**(i) Participation in new issues**

There are no participation rights or entitlements inherent in the Options and the holder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.

However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten Business days after the issue is announced. This will give the holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

**(j) Adjustment for bonus issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

**(k) Adjustment for rights issue of Shares**

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E [P - (S+D)]}{N+1}$$

Where:

O = the old Exercise Price of the Option.

E = the number of underlying Shares into which one Option is exercisable.

P = average market price per Share weighted by reference to volume of the underlying Shares during the five trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

**(l) Adjustments for reorganisation**

If there is any reconstruction of the issued share capital of the Company, the rights of the Option holder may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

**(m) Unlisted Options**

The Company will not apply for quotation of the Options.

**(n) Options transferable**

The Options are transferable subject to compliance with the Corporations Act.

**(o) Lodgement instructions**

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for Shares on exercise of the Options with the appropriate remittance should be lodged at the Company's share registry.

## 13.3 Substantial Shareholders

At the date of this Prospectus, the following parties are holding a relevant interest in 5% or more of the Shares on issue.

Shareholder	No. Shares Held	% Total Shares Held as at date of this Prospectus	% Total Shares Held on Offer Completion
Earthrise Holdings Pty Ltd <sup>1</sup>	19,100,000	32.87%	24.46%
Panchito Services Pty Ltd <sup>2</sup>	19,471,130	33.51%	24.93%
Vabake Pty Ltd <sup>3</sup>	9,921,130	17.08%	12.70%

1. Gavin Campion is associated with and has a relevant interest in this entity.
2. Alistair Wardlaw is associated with and has a relevant interest in this entity.
3. Richard Levy is associated with and has a relevant interest in this entity.

The Company will announce to the ASX details of its top-20 Shareholders (following completion of the Offer) prior to the Shares commencing trading on ASX.

## 13.4 Employee Share Option Plan

The Company has established an employee share option plan (**ESOP**) to assist in the attracting, motivating and rewarding employees who are eligible to participate. The key terms of the ESOP are set out below:

- (a) The Board in its discretion may offer options to full time or part time employees (or directors) of the Company who qualify to participate according to the relevant ASIC relief.
- (b) An option offered under the ESOP may be subject to any conditions as determined by the Board in its absolute discretion.
- (c) Each option will be issued for nil consideration.
- (d) Each option can be exercised once all exercise conditions are satisfied and otherwise in accordance with the terms of the ESOP and the conditions determined by the Board. Upon exercise, the option will entitle the participant to subscribe for and be allotted one Share.
- (e) Subject to the discretion of the Board, a participant's options will immediately lapse on the earlier of:
  - (i) the participant ceasing to be an employee of the Company (or the Company's group);
  - (ii) the exercise conditions of the options being unable to be met; or
  - (iii) the option expiry date passing.
- (f) A Share issued on the exercise of an option will rank equally with all other Shares and the Company will obtain official quotation of the Share on ASX.
- (g) The Board may determine that a restriction period will apply to some or all of the Shares issued to the participant.

The ESOP otherwise contains terms considered standard for a document of this nature.

## 13.5 Fees and Benefits

Other than as set out below or elsewhere in this Prospectus, no promoter or person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus has, or had within two years before lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer under this Prospectus; or
- (c) the Offer under this Prospectus,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons for services rendered in connection with the formation or promotion of the Company or the Offer of Shares under this Prospectus.

Lodge Corporate Pty Ltd has acted as lead manager of the Offer. In respect of this work, it will be paid such amounts as detailed in Section 12.1. During the 24 months preceding lodgement of this Prospectus at the ASIC, Lodge Corporate Pty Ltd has received \$129,759 (inclusive of GST) in fees from the Company.

GTP Legal has acted as the solicitors to the Company in relation to the Offer and has been involved in due diligence enquiries on legal matters. The Company estimates it will pay GTP Legal approximately \$15,000 plus GST for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, GTP Legal has received no fees from the Company. Services have also been provided to the Company by another law firm, assisting on legal matters relating to the Offer and in due diligence enquiries, and the Company estimates it will pay approximately \$70,000 plus GST for these services.

William Buck Audit (Vic) Pty Ltd has acted as investigating accountant and has prepared the Investigating Accountant's Report which has been included in Section 10 of this Prospectus. The Company estimates it will pay William Buck Audit (Vic) Pty Ltd a total of \$8,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, William Buck Audit (Vic) Pty Ltd received \$18,700 (inclusive of GST) in fees from the Company.

Automic Pty Ltd trading as Automic Registry Services has been appointed to conduct the Company's share registry functions and to provide administrative services in respect to the processing of Applications received pursuant to this Prospectus, and will be paid for these services on standard industry terms and conditions.

## 13.6 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus, or any statement on which a statement in this Prospectus is based, other than those referred to in this Section;
- (b) has not authorised or caused the issue of this Prospectus or the making of the Offer; and
- (c) makes no representations regarding, and to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for any statements in, or omissions from any part of this Prospectus other than a reference to its name and a statement and/or any report (if any) included in this Prospectus with the consent of that party as specified in this Section.

Lodge Corporate Pty Ltd has given its written consent to being named as the Lead Manager to the Offer in this Prospectus and has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

William Buck Audit (Vic) Pty Ltd has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 10 in the form and context in which the report is included. William Buck Audit (Vic) Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

William Buck Audit (Vic) Pty Ltd has given its written consent to being named as the auditor to the Company in this Prospectus. William Buck Audit (Vic) Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

GTP Legal has given its written consent to being named as the lawyers to the Company in this Prospectus. GTP Legal has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Automic Pty Ltd trading as Automic Registry Services has given its written consent to being named the Company's Share Registry in this Prospectus and has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

## 13.7 Litigation

Other than as set out in Section 11, to the knowledge of the Directors, as at the date of this Prospectus, no Group Company is involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against any Group Company.

## 13.8 Taxation

The acquisition and disposal of securities in the Company will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring securities from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.



## 13.9 Expenses of the Offer

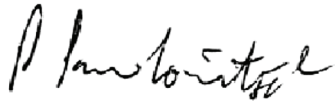
The estimated expenses of the Offer are as follows:

Item of Expenditure	Amount (\$)
ASIC fees	\$2,320
Legal fees	\$85,000
Investigating Accountant	\$8,000
Independent due diligence reviews	\$12,890
Lead Manager Fee	\$72,000
Capital Raising Fee	\$240,000
ASX fees	\$70,620
Printing and Other Expenses	\$11,000
<b>Total</b>	<b>\$501,830</b>

## 14. Directors' Authorisation

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.



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**Peter Pawlowitsch**  
Director  
for and on behalf of Knosys Limited

22 July 2015

## 15. Glossary

Where the following terms are used in this Prospectus they have the following meanings:

**A\$** or **\$** means an Australian dollar.

**AEST** means Australian Eastern Standard Time.

**API** means application programme interface.

**Applicant** means a person who submits an Application Form.

**Application** means a valid application for Shares pursuant to an Application Form.

**Application Form** means the application form accompanying this Prospectus relating to the Offer.

**Application Monies** means application monies for Shares received and banked by the Company.

**ANZ** means Australia and New Zealand Banking Group Limited ABN 11 005 357 522.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** means ASX Limited ABN 98 008 624 691 or the Australian Securities Exchange operated by ASX Limited (as the context requires).

**Board** means the board of Directors as constituted from time to time.

**Business Day** means a week day when trading banks are ordinarily open for business in Melbourne, Victoria.

**Channel Partner** means a person or entity that contracts with a Group Company to market and sell the Knosys Platform on behalf of the Group.

**Closing Date** means the date on which the Offer closes as set out in the indicative timetable in Section 3.

**CMS** means content management system, being a system used to manage the content of a website.

**Conditions of the Offer** means the conditions of the Offer outlined in Section 6.2.

**Company** means Knosys Limited ACN 604 777 862.

**Constitution** means the constitution of the Company.

**Corporations Act** means the Corporations Act 2001 (Cth).

**CRM** means customer relationship management.

**Directors** mean the directors of the Company specified in Section 8.1.

**ERP** means enterprise resource planning.

**Exposure Period** means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to section 727(3) of the Corporations Act.

**Go Cloud IT** means Go Cloud IT Pte Ltd N1525309W (Singapore).

**Group** means the Company, Knosys Products and Knosys Solutions and **Group Company** means any one of them.

**GST** has the same meaning as in A New Tax System (Goods & Services Tax) Act 1999 (Cth).

**Investigating Accountant's Report** means the investigating accountants report in Section 10.

**Knosys Products** means Knosys Products Pty Ltd ACN 164 457 827 (formerly MMG Products Pty Ltd).

**Knosys Platform** means the enterprise-grade SaaS knowledge management platform developed by the Group and called "Knosys".

**Knosys Solutions** means Knosys Solutions Pty Ltd ACN 164 457 783 (formerly MMG Solutions Pty Ltd).

**Lead Manager** means Lodge Corporate Pty Ltd ABN 50 125 323 168.

**Listing Rules** means the official listing rules of ASX.

**Minimum Subscription** means 20,000,000 Shares at \$0.20 each to raise \$4,000,000.

**MMG Interactive** means the partnership MMG Interactive Partnership ABN 53 928 954 174.

**Offer** means the offer of Shares pursuant to this Prospectus as outlined in Section 6.1.

**Official List** means the official list of ASX.

**Official Quotation** means official quotation of the Shares by ASX in accordance with the Listing Rules.

**OPEX** means operating expenditure, being expenditure required for day-to-day functioning of an enterprise such as salaries, utilities, maintenance and repairs, which is fully deducted in the accounting period during which they were incurred.

**Prospectus** means this prospectus.

**SaaS** means software as a service, a way of delivering applications over the internet, as a service. Instead of installing and maintaining software, it is accessible via the internet, freeing users of the software from complex software and hardware management

**Section** means section of this Prospectus.

**Share** means a fully paid ordinary share in the capital of the Company.

**Share Registry** means Automic Pty Ltd ABN 27 152 260 814 trading as Automic Registry Services.

**Shareholder** means a holder of Shares.

**Singtel Optus** means Optus Networks Pty Limited ABN 92 008 570 330.

**User** means a user of the Knosys Platform.

**WST** means Australian Western Standard Time.

- a) this Application is completed according to the declaration/appropriate statements on the reverse of this form and I/we agree to become members of the Company and be bound by the Constitution of the Company; and
- b) I/we have received personally a copy of the Prospectus accompanying the Application Form, before applying for Shares.

## INSTRUCTIONS FOR COMPLETION OF THIS APPLICATION FORM

### YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM

Please complete all relevant sections of this Application Form using BLOCK LETTERS. The below instructions are cross-referenced to each section of the Application Form.

#### 1 Number of Shares

Insert the number of Shares you wish to apply for in section 1. Your application must be for a minimum of 10,000 Shares and in multiples of 1,000 Shares thereafter.

#### 2 Payment Amount

Enter into section 2 the total amount payable. Multiply the number of Shares applied for by \$0.20 – the application price per Share.

#### 3 Name(s) in which the Shares are to be registered

Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person.

### CORRECT FORMS OF REGISTRABLE TITLE

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Trusts	Mr John Richard Sample <Sample Family A/C>	John Sample Family Trust
Superannuation Funds	Mr John Sample & Mrs Anne Sample <Sample Family Super A/C>	John & Anne Superannuation Fund
Partnerships	Mr John Sample & Mr Richard Sample <Sample & Son A/C>	John Sample & Son
Clubs/Unincorporated Bodies	Mr John Sample < Food Help Club A/C>	Food Help Club
Deceased Estates	Mr John Sample <Estate Late Anne Sample A/C>	Anne Sample (Deceased)

#### 4 Postal Address

Enter into section 4 the postal address to be used for all written correspondence. Only one address can be recorded against a holding. With exception to annual reports, all communications to you from the Company will be mailed to the person(s) and address shown. Annual reports will be made available online when they are released. Should you wish to receive a hard copy of the annual report you must notify the Share Registry. You can notify any change to your communication preferences by visiting the registry website – [www.automic.com.au](http://www.automic.com.au)

#### 5 CHESS Holders

If you are sponsored by a stockbroker or other participant and you wish to have your allocation directed into your HIN, please complete the details in section 5.

#### 6 Email Address

As permitted under the Corporations Act, Knosys Limited will only be forwarding printed annual reports to shareholders electing to receive one. Our company annual report and company information will be available at [www.knosys.it](http://www.knosys.it). You may elect to receive all communications despatched by Knosys Limited electronically (where legally permissible) such as a notice of meeting, proxy form and annual report via email.

#### 7 TFN/ABN/Exemption

If you wish to have your Tax File Number, ABN or Exemption registered against your holding, please enter the details in section 7. Collection of TFN's is authorised by taxation laws but quotation is not compulsory and it will not affect your Application Form.

#### 8 Cheque Details

Cheques must be drawn on an Australian branch of a financial institutional in Australian currency, made payable to **Knosys Limited – Share Application Account** and crossed "Not Negotiable". Please complete the relevant details in section 8.

#### 9 Contact Details

Please enter contact details where we may reach you between the hours of 9:00am and 5:00pm should we need to speak to you about your application.

#### 10 Declaration

Before completing the Application Form the Applicant(s) should read the Prospectus in full. By lodging the Application Form, the Applicant(s) agrees that this Application is for Shares in the Company upon and subject to the terms of the Prospectus, agrees to take any number of Shares equal to or less than the number of Shares indicated in Section 1 that may be issued to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign this Application Form.

### HOW TO LODGE YOUR APPLICATION FORM

Mail or deliver your completed Application Form with your cheque to the following address.

#### Mailing Address

Knosys Limited  
C/- Automic Registry Services  
PO Box 223  
West Perth WA 6872

#### Hand Delivery (Please do not use this address for mailing purposes)

Knosys Limited  
C/- Automic Registry Services  
Level 1, 7 Ventnor Avenue  
West Perth WA 6005

**Privacy Notice:** Please refer to Section 6.19 of the Prospectus for details about the collection, holding and use of your personal information. If you do not provide the information required on this Application Form, the Company may not be able to accept or process your Application. Automic Pty Ltd (ACN 152 260 814) trading as Automic Registry Services (Automic) advises that Chapter 2C of the *Corporation Act 2001* requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. Primarily, your personal information is used in order to provide a service to you. We may also disclose the information that is related to the primary purpose and it is reasonable for you to expect the information to be disclosed. You have a right to access your personal information, subject to certain exceptions allowed by law and we ask that you provide your request for access in writing (for security reasons). Our privacy policy is available on our website – [www.automic.com.au](http://www.automic.com.au).

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