REGISTERED NUMBER: 4062416 (England and Wales)

Knowledge Technology Solutions PLC

Year ended 30 June 2007

Contents

Chairman's Statement

Introduction

This is my first report to you as Chairman. The period since 30 June 2006 has been one of considerable change for Knowledge Technology Solutions Plc ("KTS").

During the year KTS completed substantial fund raising amounting to over £1.7 million (net of expenses), which has been used to provide additional working capital and to substantially strengthen the company's balance sheet. In September 2007 the acquisition of Arcontech, a provider of IT solutions for the CfD and Spread Betting markets, for an initial consideration of £1.24 million in cash and 45 million new ordinary shares in KTS, has also substantially broadened and strengthened the Group's trading activities. Recent sales wins by Arcontech, including Hichens Harrison, give us confidence that significant opportunities exist in this area.

As regards the original KTS business, considerable development has been undertaken to provide solutions for our customers relating to MiFID and internal data aggregation, and whilst we believe opportunities in these areas remain we have not yet succeeded in winning any significant orders for these products. We are focusing sales effort in these areas to identify the opportunities that may exist.

The Market Terminal Subscription business has been disappointing with a net reduction in subscribers over the year and we are presently carrying out a detailed review of this part of the business.

The results for the year to 30 June 2007 which report a 31% reduction in turnover to £982,000 (2006 £1,417,000) and an operating loss of £1,191,000 (2006 £1,070,000) are reviewed in detail in the Chief Executive's Review set out on page 2.

Board Appointments

In addition to my own appointment to the Board on 19 February 2007, Louise Barton also joined on that date. Louise has over twenty years experience in the City in both Fund Management and Stockbroking and provides the Board with excellent support and advice on such issues as fund raising, shareholder communication and in the areas of customer expectation and needs from our products.

Andrew Miller, Managing Director of Arcontech, joined the Board of KTS as Chief Technology Officer following the acquisition of Arcontech on 4 September 2007. Andrew brings a wealth of knowledge and experience of the IT Solutions market- place in the City of London.

Employees

I would like to thank all our employees for their hard work and commitment to the Group over the last year.

Business Development

We propose to continue to develop the Group's business in providing IT Solutions for data aggregation and dissemination within and between financial institutions. The IT solutions provided by Arcontech, particularly in the Spread Betting and CfD areas will also be a focus for continued development. We are confident of organic growth opportunities in these areas.

Outlook

The addition of Arcontech has brought closer the time by which the Group should reach profitability. Cost reductions and the organic growth anticipated from the KTS Solutions business are also expected to generate financial benefits for KTS. The Board's priority and immediate focus is to stem the recurring losses in the KTS business whilst supporting the organic development of Arcontech. We will, however, continue to look for and pursue suitable acquisition opportunities, which would enhance shareholders' value.

Richard Last

Chairman
4 December 2007

Chief Executive's Review

It has been an exciting period for KTS since our last report, marked by the successful acquisition of Arcontech, the award-winning specialist middleware software company, as well as further development work focused on solutions which are designed to address the changing market requirements, particularly in the light of opportunities presented by the Markets in Financial Instruments Directive (MiFID).

During the year ended 30 June 2007, turnover continued to be solely attributable to the MarketTerminal subscription service which continues to address a challenging market place. Turnover dropped 31% to £981,745 (2006: £1,417,063) in part as a result of the discontinuation of international market coverage, which took effect from 1 January 2007. Although costs decreased by £314,389 compared to the previous year, this was not sufficient to compensate for the decrease in subscription revenue and as a result, pre-tax losses increased by 12% to £1,140,518 (2006: £1,016,166).

We have continued to make significant investment in the enhancement of our underlying technology to reduce latency, increase stability and reduce total cost of ownership.

The acquisition of Arcontech, completed on 4 September 2007, provides us with a basis for offering complete solutions combining front-end display components based on our proven MarketTerminal application and the award-winning middleware solutions in which Arcontech specialises. Arcontech's middleware products currently provide a broad base of blue chip customers including major investment banks, data vendors and leading spread betting and Contracts for Difference (CfD) brokerages with leading edge solutions for real time calculation, publishing, distribution and aggregation of financial data, as well as a complete online trading platform.

Arcontech's trading platform (AXE), which comprises a low latency price calculation engine, order management and position keeping, as well as a full back office administration system, allows Arcontech to exploit the fast growing CfD and Spread Betting markets. In September 2007, we announced a significant contract win for the provision of this trading solution to Hichens Harrison.

We are currently looking at ways to capitalise on our investment in the MarketTerminal technology to provide customised solutions to financial institutions.

The increased resources, technology and blue-chip client base brought to the Group through the acquisition of Arcontech provides a solid base to address the increasing demand for sophisticated real-time, on-line and web-based data distribution and trading systems.

Marc Pinter-Krainer

Chief Executive
4 December 2007

Directors, Secretary and Advisers

Directors	Richard Last *(Chairman and Non-executive Director)**+ Marc Pinter-Krainer *(Chief Executive)*+ Michael Levy *(Group Finance Director)* Louise Barton *(Non-executive Director)**+ Andrew Miller *(Chief Technology Officer)*
Secretary and Registered Office	Michael Levy 8th Floor Finsbury Tower 103-105 Bunhill Row London EC1Y 8LZ
Nominated Adviser and Broker	Blue Oar Securities Plc 30 Old Broad Street London EC2N 1HT
Registered Number	4062416
Solicitors	TLT LLP One Redcliff Street Bristol BS1 6TP
Auditors	Smith & Williamson Solomon Hare Audit LLP Oakfield House Oakfield Grove Clifton Bristol BS8 2BN
Registrars	Capita IRG Plc Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA
Principal Bankers	HSBC Bank plc 20 Eastcheap London EC4N 6AR

* Members of the Remuneration Committee
+ Members of the Audit Committee

Board of Directors

Directors - Executive

Dr Marc Pinter-Krainer (36)

Marc is a founder director and Chief Executive Officer of the Company. With a keen interest in technical analysis, Marc has been instrumental in the conception and development of the KTS MarketTerminal product and manages the business on a day to day basis. Previously, he worked on the PowerVR technology programme at Imagination Technologies Group PLC. Marc obtained a BSc in Physics with Management Studies at Sussex University in 1993 and was awarded a PhD in Physics by the University of Surrey in 1996.

Michael Levy (46)

Michael was appointed Group Finance Director in May 2001. In addition he operates his own Chartered Accountants practice, Michael Levy & Co. Michael obtained a BA (Econ) in Economics and Social Studies from the University of Manchester in 1983. He qualified as a Chartered Accountant in 1986 with BDO Stoy Hayward and is a Fellow of The Institute of Chartered Accountants in England & Wales.

Andrew Miller (49)

Andrew was appointed Chief Technology Officer in September 2007. Andrew has been Managing Director of Arcontech Limited since 2000. He conceived the CityVision product strategy in response to market demand for fast, reliable, cost-effective alternatives. He is a vocal advocate of technology to reduce costs and increase quality of real-time market data and has been instrumental in turning Arcontech Limited into an award-winning technology provider in the City with a blue-chip client list.

Directors – Non-executive

Richard Last (50)

Richard was appointed Chairman and Non-executive Director in February 2007. He has over 15 years' senior experience in information technology, having worked at board level for a number of publicly quoted and private companies operating in this sector. Currently, he is Chairman and Chief Executive of Lynx plc, a privately-owned provider of technology infrastructure and mobile data solutions. Richard sits on a number of other boards including Patsystems plc, an AIM quoted provider of solutions for futures trading and exchange systems and is Chairman of Xpertise Group plc, an AIM quoted IT training company

Louise Barton (57)

Louise was appointed Non-executive Director in February 2007. She has more than 26 years' experience as an investment analyst. Louise's background embraces a high profile City career, including having held senior positions with fund management group Prudential Portfolio Managers and stockbrokers CCF Laurence Prust and Investec Securities.

Directors' Report

The Directors present their Report and Accounts for the year ended 30 June 2007.

Principal activities

The principal activities of the Company and its subsidiaries during the year were the development and sale of proprietary software and publishing a financial information service across the Internet.

Review of the business and prospects

A full review of the operations, financial position and prospects of the Group is given in the Chairman's Statement and Chief Executive's Review on pages 1 and 2.

Results and dividends

Details of the results for the year are given on page 11. The Directors do not recommend the payment of a dividend.

Key performance indicators

Key performance indicators include subscription revenues. As noted in the profit and loss account on page 11, turnover for the year has fallen by 31%, whilst distribution and administrative costs for the year fell by 13%.

With the exception of the product development referred to in the Chief Executive's Review, the Directors consider that there are no non-financial key performance indicators relevant to the business at the current stage of development.

Directors and Directors' shareholdings

Details of the Directors of the Company at the date of this report are given on page 4.

In accordance with the Company's Articles of Association, all of the Directors will offer themselves for re-election at the Annual General Meeting.

The beneficial interests of the Directors in the Ordinary Shares of the Company were as follows:

	At 30 June 2007		At 1 July 2006 or on appointment	
	Number	%	Number	%
Richard Last (appointed 19 February 2007)	2,500,000	0.76	-	-
Dr Marc Pinter-Krainer*****	20,390,000	6.14	20,390,000	13.75
Michael Stewart Levy	259,960	0.08	259,960	0.18
Louise Barton** (appointed 19 February 2007)	26,820,000	8.07	4,660,000	3.15

* The interests of Dr Marc Pinter-Krainer include 20,000,000 Ordinary Shares held by Smartshares Inc. of which he is a Director and majority shareholder.

** The interests of Louise Barton include 24,660,000 Ordinary Shares held by her husband.

The interests of the Directors in the Company's share warrants and options are shown in note 13.

Except as disclosed in note 22 to the accounts none of the Directors had an interest in any contracts with the Company or its subsidiaries during the year.

Andrew Miller was appointed a Director on 4 September 2007.

Directors' Report (continued)

Substantial shareholdings

The Company has been notified of the following interests at 30 June 2007 (other than the Directors) of 3% or more in the issued ordinary share capital of the Company:

	Number of Shares	%
Vidacos Nominees Limited	40,500,000	12.18
Giltspur Nominees Limited	27,400,000	8.24
Sinjul Nominees Limited	20,967,528	6.31
Anthony William Cross	19,500,000	5.87
Jagan Nominees PTY Ltd	17,500,000	5.26
Dartington Portfolio Nominees Limited	15,282,820	4.60
Chase Nominees Limited	13,316,667	4.00
Barclayshare Nominees Limited	11,304,249	3.40

Employees

The Directors recognise the importance of good communication with employees to ensure a common awareness of factors affecting the Group. They also recognise their statutory responsibilities. Matters of current concern or interest are discussed with staff on a regular basis.

Charitable and political contributions

The Group did not make any political or charitable donations during the year.

Corporate Governance

The Company's shares are traded on AIM, a market operated by the London Stock Exchange and the Company is not, therefore, required to report on compliance with the Combined Code ("the Code"). However, the Board of Directors support the Code and also the recommendations made by Quoted Companies Alliance in its bulletin "Guidance for Smaller Quoted Companies". The bulletin provides a series of recommendations for smaller quoted companies in approaching the question of corporate governance.

Internal control

The Directors acknowledge their responsibilities for the Group's system of internal control. The Board considers major business and financial risks. All strategic decisions are referred to the Board, which meets monthly, for approval. Accepting that no system of control can provide absolute assurance against material misstatement or loss, the Directors believe that the established systems of internal control within the Group are appropriate to the business.

Financial risk management

With the exception of cash at bank, the Group does not have any financial instruments.

The main risks arising from the Group's financial instruments are interest rate fluctuations and liquidity risk. It is the Group's policy to finance its operations through a mixture of cash and, where appropriate, external finance and to review the projected cash flow requirements of the Group with an acceptable level of risk exposure.

Going concern

On the basis of current projections, and having regard to the facilities available to the Group, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Directors have adopted the going concern basis in the preparation of the accounts.

Supplier payment policy

The Group's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction, and to ensure that suppliers are made aware of the terms of payment and abide by them. The average trade creditors for the Group, expressed as a number of days, were 84 days (2006: 50 days).

Directors' Report (continued)

Research and Development

The Group continues to make progress in product development, while continuing to keep control of costs. Research and development expenditure is charged to the profit and loss account in the year incurred.

Disclosures to auditors

In the case of each of the persons who are directors at the time when the report is approved, the following applies:

- So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and

- The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

On 2 April 2007 Solomon Hare Audit LLP changed its name to Smith & Williamson Solomon Hare Audit LLP. A resolution to re-appoint Smith & Williamson Solomon Hare Audit LLP as the Group's Auditors will be proposed at the Annual General Meeting.

On behalf of the Board

Michael Levy
Company Secretary

4 December 2007

Statement of Directors' Responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the shareholders of Knowledge Technology Solutions PLC

We have audited the Group and parent company accounts ('the accounts') of Knowledge Technology Solutions PLC for the year ended 30 June 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 23. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and Chief Executive's Review that is cross-referenced from the Principal Activities and Review of Business section of the Directors' Report. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises only the Directors' Report, the Chairman's Statement and Chief Executive's Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Independent Auditors' Report to the shareholders of Knowledge Technology Solutions PLC *(continued)*

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company and the Group as at 30 June 2007 and of the loss of the Group for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the accounts.

Smith & Williamson Solomon Hare Audit LLP
Chartered Accountants & Registered Auditors
Oakfield House
Oakfield Grove
Clifton
Bristol BS8 2BN

4 December 2007

Consolidated Profit and Loss Account

For the year ended 30 June 2007

	Note	Year ended 30 June 2007	Year ended 30 June 2006
		£	£
Turnover	2	981,745	1,417,063
Distribution costs		(1,043,738)	(1,316,988)
Administrative costs		(1,129,359)	(1,170,498)
Operating loss	3	(1,191,352)	(1,070,423)
Interest receivable		50,834	54,257
Loss on ordinary activities before taxation		(1,140,518)	(1,016,166)
Taxation	5	-	-
Loss on ordinary activities after taxation	16	(1,140,518)	(1,016,166)
Loss per share	6	(0.45)p	(0.69)p
Diluted loss per share	6	(0.45)p	(0.69)p

All of the results relate to continuing operations.

There are no recognised gains or losses other than the loss for the year.

The notes on pages 14 to 22 form part of these accounts.

Balance Sheets

As at 30 June 2007

	Note	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Fixed assets					
Tangible assets	7	122,226	158,527	-	-
Investments	8	-	-	79,297	79,297
		122,226	158,527	79,297	79,297
Current assets					
Debtors	9	216,641	229,059	31,085	3,384,789
Cash at bank and in hand		1,473,451	961,878	915,511	891,150
		1,690,092	1,190,937	946,596	4,275,939
Creditors: amounts falling due within one year	10	(442,542)	(562,723)	(35,198)	(19,787)
Net current assets		1,247,550	628,214	911,398	4,256,152
Net assets		1,369,776	786,741	990,695	4,335,449
Capital and reserves					
Called up share capital	13	332,532	148,275	332,532	148,275
Share premium account	14	6,316,870	4,777,574	6,316,870	4,777,574
Profit and loss account	16	(5,279,626)	(4,139,108)	(5,658,707)	(590,400)
Equity shareholders' funds	15	1,369,776	786,741	990,695	4,335,449

Approved on behalf of the board on 4 December 2007 by:

Marc Pinter-Krainer
Chief Executive

Michael Levy
Group Finance Director

The notes on the pages 14 to 22 form part of these accounts.

Consolidated Cash Flow Statement

For the year ended 30 June 2007

	Note	Year ended 30 June 2007	Year ended 30 June 2006
		£	£
Net cash outflow from operating activities	18	**(1,254,885)**	**(778,952)**
Returns on investments and servicing of finance			
Interest received		50,834	54,257
Net cash inflow from returns on investments and servicing of finance		**50,834**	**54,257**
Purchase of tangible fixed assets		(8,971)	(29,480)
Sale of tangible fixed assets		1,042	-
Net cash outflow from capital expenditure and financial investment		**(7,929)**	**(29,480)**
Net cash outflow before financing		**(1,211,980)**	**(754,175)**
Financing			
Issue of share capital		1,842,571	-
Expenses paid in connection with share issue		(119,018)	-
Net cash inflow from financing		**1,723,553**	**-**
Increase/(Decrease) in cash in the year	19	**511,573**	**(754,175)**

All cash flows relate to continuing operations.

The notes on the pages 14 to 22 form part of these accounts.

Notes to the Accounts

1. ACCOUNTING POLICIES

Accounting convention

The accounts have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

Basis of consolidation

The consolidated accounts incorporate the accounts of the Company and all of its subsidiary undertakings made up to 30 June 2007. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date control passes using the acquisition basis of accounting.

Turnover

Turnover represents revenue arising from subscriptions, advertising and sponsorship, excluding value added tax.

Income is recognised over the contract period.

Tangible fixed assets and depreciation

Depreciation has been provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life:

Leasehold property	-	over the period of the lease
Office furniture and equipment	-	25% on cost
Computer equipment	-	33% on cost

Investments

Investments are stated at cost less any provision for impairment in value.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating result.

Deferred taxation

Provision is made for deferred taxation, using the full provision method on an undiscounted basis on all material timing differences. Deferred taxation has been recognised as a liability or an asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more tax in the future, or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain.

Leasing commitments

Payments made under operating leases are charged against profit as incurred.

Research and development

Research and development expenditure is charged to the profit and loss account in the year incurred.

Notes to the Accounts

2. TURNOVER

Turnover is attributable to the principal activities of the Group being the sale of real-time data and analysis services, together with advertising and sponsorship revenue. All turnover arises within the UK.

3. OPERATING LOSS

	Year ended 30 June 2007 £	Year ended 30 June 2006 £
The operating loss is stated after charging:		
Depreciation of owned assets	44,722	50,979
(Profit) on disposal of fixed assets	(492)	-
Rentals under operating leases - land and buildings	55,300	55,300
Fees payable to the group's auditor for the audit of the group's annual accounts	6,000	5,500
Fees payable to the company's auditor for other services:		
- audit of the company's subsidiaries, pursuant to legislation	3,500	3,350
- all other services	620	-
Research and development	816,682	907,862

Fees paid to the auditors in respect of non-audit work relate to advice given in respect of the Enterprise Investment Scheme. These services are reviewed by the Board of Directors to ensure that the independence of the auditor is not compromised.

4. STAFF COSTS

		Year ended 30 June 2007 £	Year ended 30 June 2006 £
a)	**Aggregate staff costs, including Directors' remuneration**		
	Wages and salaries	646,443	712,560
	Social security costs	72,031	79,069
		718,474	791,629
b)	**The average number of full time equivalent employees (including executive Directors) was:**		
	Sales and administration	16	20
		£	£
c)	**Directors' emoluments**		
	Aggregate remuneration:		
	Emoluments	117,700	89,000

None of the Directors are members of defined contribution or defined benefit pension schemes.

Notes to the Accounts

4. STAFF COSTS (Continued)

c) Directors' emoluments (continued)

	Year ended 30 June 2007 £	Year ended 30 June 2006 £
Executive Directors		
Marc Pinter-Krainer	103,000	85,500
Michael Levy *	3,500	3,500
Andrew Miller (appointed 4 September 2007)	-	-
Non-Executive Directors		
Richard Last (appointed 19 February 2007)	11,200	-
Louise Barton (appointed 19 February 2007)	-	-

***** Fees payable to Michael Levy & Co, Chartered Accountants, in which Michael Levy is the principal, in respect of accountancy services are disclosed in note 22.

5. TAXATION ON LOSS ON ORDINARY ACTIVITIES

Credit for the year:	Year ended 30 June 2007 £	Year ended 30 June 2006 £
UK corporation tax	-	-

Factors affecting the tax charge for the year

The tax assessed for the year ended 30 June 2007 is lower than the standard rate of corporation tax in the UK. The reasons for this difference are explained below:

	2007 %	2006 %
Standard rate of corporation tax in UK of 30% (2006 - 30%)	30	30
Effects of:		
Depreciation for the year in excess of capital allowances	(1)	(1)
Tax losses available to carry forward	(29)	(29)
Current tax credit for the year	-	-

Factors which may affect future tax charges

The Group expects to make sufficient profits in future years to utilise the tax losses carried forward at 30 June 2007 of approximately £4,975,000 (2006: £3,900,000).

Notes to the Accounts

6. LOSS PER SHARE

The loss per Ordinary Share has been calculated by dividing the loss on ordinary activities after tax attributable to shareholders by 254,113,141 (2006: 148,274,732), being the weighted average number of Ordinary Shares in issue during the year, which carry the right to receive a dividend. As a result of the loss for the year there is no difference between the basic and diluted loss per share.

7. TANGIBLE FIXED ASSETS

	Leasehold Property	Office furniture & equipment	Computer equipment	Total
Group	£	£	£	£
At 1 July 2006	6,373	51,689	327,893	385,955
Additions	-	1,427	7,544	8,971
Disposals	-	-	(1,179)	(1,179)
At 30 June 2007	6,373	53,116	334,258	393,747
Depreciation				
At 1 July 2006	1,795	19,052	206,579	227,426
Charge for year	1,077	7,422	36,223	44,722
Disposals	-	-	(627)	(627)
At 30 June 2007	2,872	26,474	242,175	271,521
Net book value at 30 June 2007	3,501	26,641	92,082	122,226
Net book value at 30 June 2006	4,578	32,636	121,313	158,527

8. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	Investments
Company	£
Cost and net book value	
At 30 June 2006 and 30 June 2007	79,297

The Company owned 100% of the ordinary share capital in the following subsidiary undertakings at 30 June 2007:

	Country of Registration	Country of operation	Activity
Knowledge Technology Services Limited	England and Wales	United Kingdom	Provision of financial information over the internet
Cognita Technologies Limited	England and Wales	United Kingdom	Software development

Notes to the Accounts

9. DEBTORS

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Due within one year:				
Trade debtors	16,073	18,597	-	-
Amounts owed by Group undertakings	-	-	-	3,371,285
Other debtors	35,055	5,814	24,038	5,700
Prepayments and accrued income	165,513	204,648	7,047	7,804
	216,641	229,059	31,085	3,384,789

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Trade creditors	325,772	437,518	12,615	3,869
Taxation and social security	21,433	37,819	5,922	2,466
Other creditors and accruals	95,337	87,386	16,661	13,452
	442,542	562,723	35,198	19,787

11. ANNUAL COMMITMENTS UNDER OPERATING LEASES

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Land and buildings:				
Expiring within one year	-	-	-	-
Expiring between two and five years	55,300	55,300	-	-
	55,300	55,300	-	-

12. DEFERRED TAXATION

There is no actual or potential liability for deferred taxation due to the availability of losses, which at 30 June 2007 amounted to approximately £4,975,000 (2006: £3,900,000). The unprovided deferred tax asset at 30 June 2007 was £980,000 (2006: £740,000).

Currently the criteria for the recognition of a deferred tax asset have not been met and accordingly a deferred tax asset has not been included in the balance sheet as at 30 June 2007 and as at 30 June 2006.

Notes to the Accounts

13. SHARE CAPITAL

	2007 £	2006 £
Company		
Authorised:		
500,000,000 Ordinary Shares of 0.1p each	500,000	200,000
Allotted, called up and fully paid:		
332,531,832 (2006: 148,274,732) Ordinary Shares of 0.1p each	332,532	148,275

On 4 December 2006 the authorised share capital of the Company was increased from £200,000 to £500,000 by the creation of 300,000,000 Ordinary Shares of 0.1 pence each.

The Company allotted Ordinary Shares of 0.1 pence each for cash during the year as follows:

Date	Number
29 November 2006	24,257,100 shares at 1.0 pence per share
4 December 2006	160,000,000 shares at 1.0 pence per share

Share options and warrants

Under the Company's approved 2002 Share Option Scheme, certain Directors and employees held options at 30 June 2007 for 3,711,443 unissued Ordinary Shares of 0.1 pence each as follows:

Share options	**At 1 July 2006**	**Granted**	**Exercised**	**Lapsed/ cancelled**	**At 30 June 2007**	**Exercise price**	**Normal exercise period**
Employees:	1,405,000	-	-	425,000	980,000	4.5 pence	2 May 04 – 1 May 08
	600,000	-	-	150,000	450,000	12.5 pence	17 Nov 06 – 17 Nov 10
	725,000	-	-	300,000	425,000	6.13 pence	7 Jan 07 – 6 Jan 11
	500,000	-	-	-	500,000	4.88 pence	4 May 07 – 3 May 11
Directors:							
Marc Pinter-Krainer	500,000	-	-	-	500,000	4.5 pence	2 May 04 – 1 May 08
	500,000	-	-	-	500,000	12.5 pence	17 Nov 06 – 16 Nov 10
	356,443	-	-	-	356,443	6.13 pence	7 Jan 07 – 6 Jan 11
Other Warrants:							
Michael Levy	500,000	-	-	-	500,000	2.5 pence	10 May 04 – 10 May 11
Share options (to Directors):							
Michael Levy	125,000	-	-	-	125,000	15.0 pence	17 Nov 05 – 17 Nov 09

In the case of each of the warrant instruments, Ordinary Shares resulting from the exercise of any such rights will rank pari passu in all respects with the Ordinary Shares in issue at the time of exercise.

The highest price of the company's shares during the year was 2.75p, the lowest price was 0.63p and the price at the year-end was 1.13p.

Notes to the Accounts

14. SHARE PREMIUM

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
At 30 June 2006	4,777,574	4,777,574	4,777,574	4,777,574
Issue of shares	1,658,314	-	1,658,314	-
Cost of share issues	(119,018)	-	(119,018)	-
At 30 June 2007	6,316,870	4,777,574	6,316,870	4,777,574

15. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

Group	2007 £	2006 £
Opening equity shareholders' funds	786,741	1,802,907
Loss retained for the financial year	(1,140,518)	(1,016,166)
New share capital issued less costs	1,723,553	-
Closing equity shareholders' funds	1,369,776	786,741

Company	2007 £	2006 £
Opening equity shareholders' funds	4,335,449	4,394,005
Loss retained for the financial year	(5,068,307)	(58,556)
New share capital issued less costs	1,723,553	-
Closing equity shareholders' funds	990,695	4,335,449

16. PROFIT AND LOSS ACCOUNT

Group	2007 £	2006 £
At 1 July 2006	(4,139,108)	(3,122,942)
Loss for the financial year	(1,140,518)	(1,016,166)
At 30 June 2007	(5,279,626)	(4,139,108)

Company	2007 £	2006 £
At 1 July 2006	(590,400)	(531,844)
Loss for the financial year	(5,068,307)	(58,556)
At 30 June 2007	(5,658,707)	(590,400)

The parent company has taken advantage of the exemption not to disclose a separate profit and loss account in respect of the company as an individual undertaking.

Notes to the Accounts

17. SHARE BASED PAYMENTS

The Group has adopted FRS 20 Share Based Payments during the year. FRS 20 requires share based payments to be valued at fair value at the date of grant and charged to the profit and loss account over the vesting period of the option. In accordance with the transitional provisions of FRS 20, the standard was applied retrospectively to all grants of share options after 7 November 2002 that had not vested by 1 July 2006. Having performed the necessary calculations, in the opinion of the Directors, the charge required in respect of options granted by the company is not material and thus no adjusted has been made.

18. RECONCILIATION OF OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2007 £	2006 £
Operating loss	(1,191,352)	(1,070,423)
Depreciation of fixed assets	44,722	50,979
Profit on disposal of fixed assets	(492)	-
Decrease/(Increase) in debtors	12,418	(66,133)
(Decrease)/Increase in creditors	(120,181)	306,625
Net cash outflow from operating activities	(1,254,885)	(778,952)

19. RECONCILIATION OF NET CASH FLOW TO MOVEMENT OF LIQUID FUNDS

	2007 £	2006 £
Net funds at start of year	961,878	1,716,053
Increase/(Decrease) in cash in the year	511,573	(754,175)
Net funds at the end of the year	1,473,451	961,878

Net funds at the end of the year relate to cash at bank and in hand.

20. MATERIAL NON-CASH TRANSACTIONS

There were no material non-cash transactions during the year.

21. POST BALANCE SHEET EVENTS

On 7th August 2007 the Company exchanged a conditional contract for the acquisition of the entire issued share capital of Arcontech Limited. The acquisition was completed on 4th September 2007. The initial consideration was satisfied with cash of £1,239,933 and the issue of 45 million Ordinary shares of 0.1 pence. In addition, deferred consideration capped at £300,000 is payable in cash or shares if Arcontech Limited achieves turnover over £1.2 million and up to £2.2 million in the twelve month period immediately following the completion of the acquisition.

The Company allotted Ordinary Shares of 0.1 pence each as follows:

Date	Number
3 September 2007	111,111,111 shares at 0.9 pence per share
4 September 2007	45,000,000 shares at 0.9 pence per share

22. RELATED PARTY TRANSACTIONS

The accounts include the following amounts in respect of services provided to the Group:

Michael Levy:
Fees payable to Michael Levy & Co, Chartered Accountants, in which Michael Levy is the principal, in respect of accountancy services of £48,985 (2006: £40,233). At 30 June 2007 the amount outstanding was £9,372 (2006: £5,680).

23. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash and liquid resources, and various items, such as trade debtors and trade creditors that arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate fluctuations and liquidity risk.

It is the Group's policy to finance its operations through cash, and to periodically review the projected cashflow requirements of the Group. The Group invests its cash and obtains a variable rate of interest dependent on balances held and market rates.

The Group's sales and purchases are priced and invoiced in sterling.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

There is no material difference between the book value and the fair value of the Group's assets and liabilities.

KNOWLEDGE TECHNOLOGY SOLUTIONS PLC
Company Number 4062416

NOTICE IS HEREBY GIVEN that the annual general meeting of Knowledge Technology Solutions PLC (the "Company") will be held at 8th Floor Finsbury Tower 103-105 Bunhill Row London EC1Y 8LZ on 28 December 2007 at 10.00 am to consider, and if thought fit, pass the following Ordinary Resolutions specified below:

Ordinary Business

1. THAT the audited annual accounts of the Company for the financial year ended 30 June 2007 together with the reports on these accounts of (i) the Directors of the Company (the "Directors") and (ii) the Auditors of the Company (the "Auditors") be received and adopted.

2. THAT Smith & Williamson Solomon Hare Audit LLP be reappointed as auditors to the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company, and that the Directors be authorised to determine their remuneration.

3. THAT Michael Levy who retires by rotation and who offers himself for re-election be re-elected as a Director.

4. THAT Richard Last, who has been appointed a director since the last AGM, be re-appointed as a Director.

5. THAT Louise Barton, who has been appointed a director since the last AGM, be re-appointed as a Director.

6. THAT Andrew Miller, who has been appointed a director since the last AGM, be re-appointed as a Director.

7. THAT any other ordinary business of the Company be transacted.

By Order of the Board

Michael Levy
Secretary

Dated: 4 December 2007

Registered Office: 8th Floor
Finsbury Tower
103-105 Bunhill Row
London EC1Y 8LZ

Notes:

1. Any member who is entitled to attend and vote at this meeting is entitled to appoint one or more persons as proxies to attend, speak and vote on their behalf. A proxy need not be a member of the Company.

2. The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members registered in the register of members of the Company 48 hours before the time appointed for the meeting or any adjournment thereof, shall be entitled to attend, speak or vote at the meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries in the relevant register of securities less than 48 hours before the time appointed for the proposed meeting or, any adjournment thereof, shall be disregarded in determining the rights of any person to attend, speak or vote at the meeting. A form of proxy is provided with this notice. To be valid, a form of proxy together with any power of attorney or other authority under which it is executed or a copy thereof certified notarially or in accordance with the Power of Attorney Act 1971 or as the Directors shall accept must be lodged with the Capita Registrars, Proxies Department, The Registry, 34 Beckenham, Kent, BR3 4TU, so as to arrive not later than 48 hours before the start of the meeting. Completion of the form of proxy will not affect the right of a member to attend, speak and vote at the meeting.

Notice of the Annual General Meeting (continued

3. The register of Directors’ share interests will be available for inspection at the meeting convened by this notice, as will the Directors' service contracts.

4. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and seniority shall be determined by the order in which their names stand on the register of members of the Company.

KNOWLEDGE TECHNOLOGY SOLUTIONS PLC

I/We of
being (a) member(s) of the above-named Company hereby appoint the Chairman of the meeting (Note 3)
as my/our proxy to vote for me/us on my/our behalf at the annual general meeting to be held on 28 December 2007 at 10 am and at any adjournment thereof.

Dated .... 2007 Signature(s) ....

	For	Against
1. Ordinary resolution - To receive and adopt the Report of the Directors and the Audited Accounts of the Company for the year ended 30 June 2007		
2. Ordinary resolution - To reappoint Smith & Williamson Solomon Hare Audit LLP as Auditors of the Company and to authorise the Directors to fix their remuneration		
3. Ordinary resolution - To re-elect Michael Levy as a Director		
4. Ordinary resolution - To re-elect Richard Last as a Director		
5. Ordinary resolution - To re-elect Louise Barton as a Director		
7. Ordinary resolution - To re-elect Andrew Miller as a Director		

Notes

1. Please indicate with an "X" in the appropriate boxes how you wish your proxy to vote. Unless otherwise directed the proxy will vote or abstain as he or she thinks fit.

2. If you do not indicate how you wish your proxy to vote, your proxy will exercise his/her discretion as to whether, and if so how, he/she votes. Your proxy may also vote or abstain from voting as he/she thinks fit on any other business which may properly come before the meeting including on any permissible amendment to the resolutions set out in the notice of meeting.

3. A proxy need not be a member of the Company. A member may appoint a proxy of his/her own choice. If you wish to appoint someone else other than the Chairman as proxy please delete the words "the Chairman of the meeting" and insert the name of the person whom you wish to appoint in the space provided. The Chairman of the meeting will act as your proxy, whether or not such deletion is made, if no other name is inserted.

4. In the case of joint registered holders the signature of one holder on the form of proxy will be accepted by the vote of the senior who tenders a vote whether in person or by proxy to the exclusion of the votes of any joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of such joint holdings.

5. In the case of a corporation the form of proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or a duly authorised officer of the corporation.

6. Any alteration made to the form of proxy should be initialled.

7. This form of proxy should be signed and dated.

8. Completion and return of the form of proxy will not affect the right of a member to attend and vote at the meeting.

9. To be effective, this form of proxy, together with any power of attorney or any other authority (if any) under which it is executed, or a copy of such power of attorney or other authority, certified notarially, must be lodged at the Company's registrars – Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 48 hours before the time appointed for the holding of the meeting or adjourned meeting at which it is to be used.