



**Knowledge Technology Solutions PLC**  
**Report and Accounts for the year ended 30 June 2005**

**REGISTERED NUMBER: 4062416 (England and Wales)**

**Knowledge Technology Solutions PLC**

**Year ended 30 June 2005**

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# Chief Executive's Statement

KTS has made further progress in the year to 30 June 2005. Revenues from our international and UK-only financial news and data services have grown steadily from our install base, now more than 130 separate organisations. These range from investment banks and stockbrokers to legal practices and financial media organisations. However, market conditions for desktop market data display applications have been challenging and the Board has been pursuing additional new growth activities and business partnerships to complement income from desktop subscriptions.

During the year, sales increased month-on-month resulting in a year-end turnover of £1.25m, an increase of 62% compared with the previous year (2004: £770,185). We have continued to work to contain costs, and are pleased that group losses before tax of £966,536 were broadly in line with 2004's (2004: £940,161). The small increase in loss for the year resulted from stepping up investment in our technical and customer support headcount and meeting the cost of international data and news feeds associated with our premium service MarketTerminal. Careful cost management has allowed our cash position of £1.7m to remain strong, however.

As in previous years, we have maintained accounting best practice by writing off research and development costs as incurred.

We have continued to improve the functionality of both QuoteTerminal and MarketTerminal. New content added to our international service includes extensive foreign exchange data provided by ComStock Europe. With the standard MarketTerminal subscription, users can now access live prices and exchange rates for more than 170 currencies, including spot and forward rates as well as historical prices.

Looking ahead, we are eager to focus on the intrinsic strengths of our technology, which is very flexible and adaptable and requires little or no input from clients when rolled out to individual desktops. Over the next 12 months we will be targeting new corporate clients with a strongly tailored MarketTerminal service that meets precisely their individual needs. For example, if clients require data and live prices from a particular exchange, or wish to have additional functionality, we can provide these at an agreed fee. We expect this approach to reduce our fixed data and exchange feed costs, while providing clients with a stronger, more bespoke, service.

Another measure to boost revenues includes expanding our sales reach by using market data services resellers. We have already had success with resellers after achieving sales with third party distributors in Turkey. Following our positive experiences in Turkey we are seeking to broaden our international distribution network to include other European countries. MarketTerminal inherently lends itself very well to this approach as it is internet-delivered, browser-based and requires no download or installation.

Again, via partnerships, we are in discussions with several large private client and institutional stockbrokers to provide MarketTerminal under their own brand name. This approach offers the opportunity to reach a far wider user base, while offering little risk or cost to KTS.

The benefits from partnerships can be seen through collaboration with O2. Launched in April, the KTS MarketTerminal with O2 service provides mobile access to essential international market data and news delivered via O2's "always on" GPRS, 3G and WLAN data connections. We are pleased to report a growing number of sales enquiries for this service.

## Outlook

We are pleased to have continued to grow sales and improve our service to customers. We recognise, however, that vigorous competition among desktop data applications providers has created a tough trading environment, which we are responding to by pursuing a strategy to broaden and deepen KTS's share of the market. Whilst this difficult environment has reduced our expectations for next year, moving towards profitability remains of paramount importance, and revenues from additional growth opportunities will help accelerate progress in this regard.

Marc Pinter-Krainer  
Chief Executive  
11 October 2005

\*MarketTerminal is a registered trademark

# Directors, Secretary and Advisers

<b>Directors</b>	Marc Pinter-Krainer ( <i>Chief Executive</i> ) Michael Stewart Levy ( <i>Group Finance Director</i> )
<b>Secretary and Registered Office</b>	Michael Stewart Levy 8 <sup>th</sup> Floor Finsbury Tower 103-105 Bunhill Row London EC1Y 8LZ
<b>Nominated Adviser and Broker</b>	KBC Peel Hunt Ltd 111 Old Broad Street London EC2N 1PH
<b>Registered Number</b>	4062416
<b>Solicitors</b>	Nicholson Graham & Jones 110 Cannon Street London EC4N 6AR
<b>Auditors</b>	Solomon Hare Audit LLP Oakfield House Oakfield Grove Clifton Bristol BS8 2BN
<b>Registrars</b>	Capita IRG PLC The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Principal Bankers</b>	HSBC Bank plc 20 Eastcheap London EC4N 6AR

# Board of Directors

## Directors - Executive

### **Dr Marc Pinter-Krainer (34)**

Marc manages the business on a day-to-day basis with a particular emphasis on technology development. Previously, he worked on the PowerVR 3D graphics technology programme at Imagination Technologies 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 Stewart Levy (44)**

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.



# Directors' Report

The Directors present their Report and Accounts for the year ended 30 June 2005.

## 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 Chief Executive's Statement on page 1.

## Results and dividends

Details of the results for the year are given on page 9. The Directors do not recommend the payment of a dividend.

## Directors and Directors' shareholdings

Details of the Directors of the Company at the date of this report are given on page 3.

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 2005		At 1 July 2004 (or date of appointment if later)	
	Number	%	Number	%
Dr Marc Pinter-Krainer *	20,390,000	13.75	20,040,000	13.75
Michael Stewart Levy	259,960	0.18	209,960	0.18

\* 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.

Smit Berry resigned from the Board on 29 July 2004.

Gavin Casey resigned from the Board on 30 June 2005.

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

Except as disclosed in note 21 to the accounts none of the Directors had an interest in any contracts with the Company or its subsidiaries during the year.

# Directors' Report (continued)

## Substantial shareholdings

The Company has been notified of the following interests at 30 June 2005 (other than the Directors) of 3% or more in the issued ordinary share capital of the Company:

	Number of Shares	%
HSBC Global Custody Nominee (UK) Limited	17,930,000	12.09
Chase Nominees Limited	15,416,667	10.40
Sinjul Nominees Limited	8,818,979	5.95
Barclayshare Nominees Limited	6,516,448	4.39
J M Finn Nominees Limited	4,915,000	3.31

## 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 the Alternative Investment Market of 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.

## 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 22 (2004: 28 days).

## Economic and monetary union

The Directors continue to review the implications of economic monetary union and of the introduction of the Euro, although at present they do not consider that it will affect the Group.

# 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.

## Auditors

During the year Solomon Hare LLP changed its name to Solomon Hare Audit LLP. A resolution to re-appoint 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

11 October 2005

# Statement of Directors' Responsibilities

Company law requires the Directors to prepare accounts for each financial year, which 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 year. 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the accounts 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 accounts of Knowledge Technology Solutions PLC for the year ended 30 June 2005 set out on pages 9 to 20. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the Company's members, 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 members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of Directors and Auditors**

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if 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 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 and the Chief Executive's Statement. 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. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

## **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards 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 Group's and Company'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.

## **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the Group and Company as at 30 June 2005 and of the Group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

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

11 October 2005

# Consolidated Profit and Loss Account

For the year ended 30 June 2005

	Note	Year ended 30 June 2005 £	Year ended 30 June 2004 £
<b>Turnover</b>	2	1,250,474	770,185
Distribution costs		(1,192,594)	(686,722)
Administrative costs		(1,119,527)	(1,062,895)
<b>Operating loss</b>	3	(1,061,647)	(979,432)
Interest receivable		95,111	39,271
<b>Loss on ordinary activities before taxation</b>		(966,536)	(940,161)
Taxation	5	-	92,071
<b>Loss on ordinary activities after taxation</b>		(966,536)	(848,090)
Dividends		-	-
<b>Retained loss for the year</b>	16	(966,536)	(848,090)
<b>Loss per share</b>	6	(0.65)p	(0.71)p
<b>Diluted loss per share</b>	6	(0.65)p	(0.71)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 12 to 20 form part of these accounts.

# Balance Sheets

As at 30 June 2005

	Note	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
<b>Fixed assets</b>					
Tangible assets	7	180,027	175,677	-	-
Investments	8	-	-	79,297	79,297
		180,027	175,677	79,297	79,297
<b>Current assets</b>					
Debtors	9	162,926	113,586	2,660,949	1,782,090
Cash at bank and in hand		1,716,053	2,702,533	1,672,858	2,618,022
		1,878,979	2,816,119	4,333,807	4,400,112
<b>Creditors: amounts falling due within one year</b>	10	(256,099)	(234,053)	(19,099)	(40,731)
<b>Net current assets</b>		1,622,880	2,528,066	4,314,708	4,359,381
<b>Net assets</b>		1,802,907	2,757,743	4,394,005	4,438,678
<b>Capital and reserves</b>					
Called up share capital	13	148,275	148,015	148,275	148,015
Share premium account	14	4,777,574	4,766,134	4,777,574	4,766,134
Profit and loss account	16	(3,122,942)	(2,156,406)	(531,844)	(475,471)
<b>Equity shareholders' funds</b>	15	1,802,907	2,757,743	4,394,005	4,438,678

Approved on behalf of the board on 11 October 2005 by:

Marc Pinter-Krainer  
Chief Executive

Michael Levy  
Group Finance Director

The notes on the pages 12 to 20 form part of these accounts.

# Consolidated Cash Flow Statement

For the year ended 30 June 2005

	Note	Year ended 30 June 2005 £	Year ended 30 June 2004 £
<b>Net cash outflow from operating activities</b>	17	<b>(1,027,646)</b>	<b>(809,156)</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		95,111	39,271
<b>Net cash inflow from returns on investments and servicing of finance</b>		<b>95,111</b>	<b>39,271</b>
<b>Taxation</b>			
Corporation tax refund		-	92,071
<b>Net cash inflow from taxation</b>		<b>-</b>	<b>92,071</b>
Purchase of tangible fixed assets		(65,645)	(53,598)
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(65,645)</b>	<b>(53,598)</b>
<b>Net cash outflow before financing</b>		<b>(998,180)</b>	<b>(731,412)</b>
<b>Financing</b>			
Issue of share capital		11,700	3,123,019
Expenses paid in connection with share issues		-	(128,319)
<b>Net cash inflow from financing</b>		<b>11,700</b>	<b>2,994,700</b>
<b>(Decrease)/Increase in cash in the year</b>	18	<b>(986,480)</b>	<b>2,263,288</b>

All cash flows relate to continuing operations.

The notes on the pages 12 to 20 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 2005. 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 net invoiced sales of services, advertising and sponsorship revenue, 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*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

### *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 2005 £	Year ended 30 June 2004 £
<b>The operating loss is stated after charging:</b>		
Depreciation of owned assets	58,682	62,869
Loss on disposal of fixed assets	2,613	-
Rentals under operating leases - land and buildings	41,923	25,668
Auditors' remuneration - audit	8,000	8,500
- other	1,600	5,225
Research and development	751,324	461,153

Fees paid to the auditors in respect of non-audit work in the year are in respect of the company's Share Option 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 2005 £	Year ended 30 June 2004 £
<b>a) Aggregate staff costs, including Directors' remuneration</b>		
Wages and salaries	637,495	605,862
Social security costs	70,945	67,682
	708,440	673,544
<b>b) The average number of full time equivalent employees (including executive Directors) was:</b>		
Sales and administration	19	17
	£	£
<b>c) Directors' emoluments</b>		
Aggregate remuneration:		
Emoluments	104,500	125,346

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

# Notes to the Accounts

## 5. TAXATION ON LOSS ON ORDINARY ACTIVITIES

Credit for the year:	Year ended 30 June 2005	Year ended 30 June 2004
	£	£
UK corporation tax –prior years	-	92,071

### Factors affecting the tax charge for the year

The tax assessed for the year ended 30 June 2005 is lower than the standard rate of corporation tax in the UK. The reasons for this difference are explained below:

	2005	2004
	%	%
Standard rate of corporation tax in UK of 30% (2004 - 30%)	30	30
Effects of:		
Depreciation for the year in excess of capital allowances	(2)	(2)
Research and development tax credit – prior years	-	10
Tax losses available to carry forward	(28)	(28)
Current tax credit for the year	-	10

### 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 2005 of approximately £2,900,000 (2004: £2,000,000).

## 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 148,256,472 (2004: 119,973,753), 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.

# Notes to the Accounts

## 7. TANGIBLE FIXED ASSETS

	Leasehold Property	Office furniture & equipment	Computer equipment	Total
Group	£	£	£	£
At 1 July 2004	-	13,600	284,606	298,206
Additions	6,373	45,092	14,180	65,645
Disposals	-	(7,377)	-	(7,377)
At 30 June 2005	6,373	51,315	298,786	356,474
<b>Depreciation</b>				
At 1 July 2004	-	6,416	116,113	122,529
Charge for year	718	8,029	49,935	58,682
Eliminated on disposals	-	(4,764)	-	(4,764)
At 30 June 2005	718	9,681	166,048	176,447
<b>Net book value at 30 June 2005</b>	5,655	41,634	132,738	180,027
<b>Net book value at 30 June 2004</b>	-	7,184	168,493	175,677

## 8. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Company	Investments £
<b>Cost and net book value</b>	
At 30 June 2004 and 30 June 2005	79,297

The Company owned 100% of the ordinary share capital in the following subsidiary undertakings at 30 June 2005:

	<u>Country of Registration</u>	<u>Country of operation</u>	<u>Activity</u>
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 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
<b>Due within one year:</b>				
Trade debtors	15,179	24,539	-	-
Amounts owed by Group undertakings	-	-	2,647,241	1,764,558
Other debtors	5,072	8,777	4,781	8,678
Prepayments and accrued income	142,675	80,270	8,927	8,854
	162,926	113,586	2,660,949	1,782,090

The amounts owed by Group undertakings are repayable on demand. However, it is not anticipated that this will be repaid within one year.

## 10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Trade creditors	89,158	127,217	5,210	16,347
Taxation and social security	35,150	40,065	3,943	14,539
Other creditors and accruals	131,791	66,771	9,946	9,845
	256,099	234,053	19,099	40,731

## 11. ANNUAL COMMITMENTS UNDER OPERATING LEASES

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Land and buildings:				
Expiring within one year	-	25,668	-	-
Expiring between two and five years	55,300	-	-	-
	55,300	25,668	-	-

## 12. DEFERRED TAXATION

There is no actual or potential liability for deferred taxation due to the availability of losses, which at 30 June 2005 amounted to approximately £2,900,000 (2004: £2,000,000). The unprovided deferred tax asset at 30 June 2005 was £550,000 (2004: £380,000).

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 2005 and as at 30 June 2004.

# Notes to the Accounts

## 13. SHARE CAPITAL

	2005 £	2004 £
Company		
<b>Authorised:</b>		
200,000,000 Ordinary Shares of 0.1p each	200,000	200,000
<hr/>		
<b>Allotted, called up and fully paid:</b>		
148,274,732 (2004: 148,014,732)		
Ordinary Shares of 0.1p each	148,275	148,015

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

Date	Number
14 July 2004	260,000 shares at 4.50 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 2005 for 6,996,443 unissued Ordinary Shares of 0.1 pence each as follows:

Share options	At 1 July 2004	Granted	Exercised	Lapsed/ cancelled	At 30 June 2005	Exercise price	Normal exercise period
Employees:	2,275,000	-	260,000	-	2,015,000	4.5 pence	2 May 04 – 1 May 08
	2,425,000	-	-	1,300,000	1,125,000	12.5 pence	17 Nov 06 – 17 Nov 10
	-	2,300,000	-	300,000	2,000,000	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 03 – 17 Nov 06
	-	356,443	-	-	356,443	6.13 pence	7 Jan 07 – 6 Jan 11

# Notes to the Accounts

## 13 SHARE CAPITAL (CONTINUED) Share options and warrants (continued)

	At 1 July 2004	Granted	Exercised	Lapsed/ cancelled	At 30 June 2005	Exercise price	Normal exercise period
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
Gavin Casey	1,000,000	-	-	1,000,000	-	15.0 pence	17 Nov 05 – 17 Nov 09
	1,000,000	-	-	1,000,000	-	25.0 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 8.0p, the lowest price was 3.75p and the price at the year-end was 3.75p.

## 14. SHARE PREMIUM

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
At 1 July 2004	4,766,134	1,810,193	4,766,134	1,810,193
Issues of shares	11,440	3,084,260	11,440	3,084,260
Cost of share issues	-	(128,319)	-	(128,319)
At 30 June 2005	4,777,574	4,766,134	4,777,574	4,766,134

## 15. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

<b>Group</b>	2005 £	2004 £
Opening equity shareholders' funds	2,757,743	611,133
Loss retained for the financial year	(966,536)	(848,090)
New share capital issued less costs	11,700	2,994,700
Closing equity shareholders' funds	1,802,907	2,757,743
<b>Company</b>	2005 £	2004 £
Opening equity shareholders' funds	4,438,678	1,592,400
Loss retained for the financial year	(56,373)	(148,422)
New share capital issued less costs	11,700	2,994,700
Closing equity shareholders' funds	4,394,005	4,438,678

# Notes to the Accounts

## 16. PROFIT AND LOSS ACCOUNT

	2005 £	2004 £
<b>Group</b>		
At 1 July 2004	(2,156,406)	(1,308,316)
Loss for the financial year	(966,536)	(848,090)
At 30 June 2005	(3,122,942)	(2,156,406)
<b>Company</b>	2005 £	2004 £
At 1 July 2004	( 475,471 )	(327,049)
Loss for the financial year	(56,373)	(148,422)
At 30 June 2005	(531,844)	(475,471)

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.

## 17. RECONCILIATION OF OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2005 £	2004 £
Operating loss	(1,061,647)	(979,432)
Depreciation of fixed assets	58,682	62,869
Loss on disposal of fixed assets	2,613	-
Increase in debtors	(49,340)	(24,582)
Increase in creditors	22,046	131,989
Net cash outflow from operating activities	(1,027,646)	(809,156)

## 18. RECONCILIATION OF NET CASH FLOW TO MOVEMENT OF LIQUID FUNDS

	2005 £	2004 £
Net funds at start of year	2,702,533	439,245
(Decrease)/Increase in cash in the year	(986,480)	2,263,288
Net funds at the end of the year	1,716,053	2,702,533

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

## 19. MATERIAL NON-CASH TRANSACTIONS

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

## 20. POST BALANCE SHEET EVENTS

There were no events since the balance sheet date, which materially affect the position of the Group.



# Notes to the Accounts

## 21. RELATED PARTY TRANSACTIONS

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

**Smit Berry:**

Fees payable to Berrymist Limited, in which Smit Berry is a Director, in respect of consultancy fees of £750 (2004: £9,000). At 30 June 2005 the amount outstanding was £Nil (2004: £Nil).

**Michael Levy:**

Fees payable to Michael Levy & Co, Chartered Accountants, in which Michael Levy is the principal, in respect of accountancy services of £41,257 (2004: £34,224). At 30 June 2005 the amount outstanding was £6,956 (2004: £6,500).

## 22. 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.

# Notice of the Annual General Meeting

## 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 KBC Peel Hunt Ltd, 111 Old Broad Street, London EC2N 1PH on 28 November 2005 at 9 am for the following purposes:

To consider and if thought fit, pass the following resolutions, as ordinary resolutions in the case of resolutions 1 to 6 and as a special resolution in the case of resolution 7.

### Ordinary Business

1. THAT the report of the Directors of the Company (the “Directors”) and the audited accounts of the Company for the year ended 30 June 2005 be received and adopted.
2. THAT Solomon Hare Audit LLP be reappointed as Auditors to the Company until the conclusion of the next Annual General Meeting, and that the Directors be authorised to fix their remuneration.
3. THAT Marc Pinter-Krainer who retires by rotation be reappointed as a Director.
4. THAT Michael Levy who retires by rotation be reappointed as a Director.
5. THAT the Directors be generally and unconditionally authorised to exercise all the powers of the Company, pursuant to section 80 of the Companies Act 1985 (the “Act”), to allot relevant securities (as defined in the Act) up to a maximum nominal amount of £44,103.83 at such times and generally on such terms as they think proper, provided that this authority shall expire on the date of the next Annual General Meeting of the Company or, if earlier, the date falling 15 months from the date of this resolution, provided that within that period the Company may make any offer or agreement which would or might require such securities to be allotted after the expiry of this authority.
7. THAT, subject to the passing of resolution 6 above, the Directors be and are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority conferred by resolution number 6 above as if section 89(1) of the Act did not apply to any such allotments, provided that this power shall be limited to the allotment of equity securities:
  - (a) in connection with a rights issue, open offer or otherwise in favour of ordinary shareholders in proportion (as nearly as possible) to the respective number of shares held by them, subject only to such exclusions or other arrangements as the Directors may consider appropriate to deal with fractional entitlements or problems arising in any territory or with the requirements of any recognised regulatory body or stock exchange in any territory; and
  - (b) (otherwise than pursuant to sub-paragraph (a) above) up to an aggregate nominal amount of £24,257.10 or such lesser amount as represent 55 percent (fifty five per cent) of the issued share capital of the Company from time to time;

and such power to expire, unless sooner revoked, at the conclusion of the Company's next Annual General Meeting after the passing of this resolution or, if earlier, the date falling 15 months from the date of this resolution, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and, notwithstanding such expiry, the Directors may allot equity securities pursuant to any such offer or agreement as if the power conferred by this resolution had not so expired.

# Notice of the Annual General Meeting

By Order of the Board

Michael Levy

Secretary

Date:

Registered Office:

8<sup>th</sup> Floor

Finsbury Tower

103-105 Bunhill Row

London EC1Y 8LZ

## Notes

1. A member who is entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead. 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 shareholders registered in the register of members of the Company as at 9 am on **26 November 2005**, or in the event that the meeting is adjourned, in such register 48 hours before the time of any adjourned meeting, shall be entitled to attend 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 after 9 am on **26 November 2005** or, in the event that the meeting is adjourned, in such register less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.

A form of proxy is provided with this notice. To be effective 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 sent to the Company Secretary, Knowledge Technology Solutions PLC, c/o Capita IRG Plc, The Registry, 34 Beckenham Road, 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 and vote at the meeting.

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

## 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 at 9 am on 28 November 2005 and at any adjournment thereof.

Dated ..... 2005 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 2005.		
2. Ordinary resolution - To reappoint Solomon Hare Audit LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.		
3. Ordinary resolution - To reappoint Marc Pinter-Krainer as a Director		
4. Ordinary resolution - To reappoint Michael Levy as a Director.		
5. Ordinary resolution - To renew the power of the Directors to allot equity securities pursuant to Section 80 of the Companies Act 1985.		
6. Special resolution – To renew the power of the Directors to allot equity securities on a non-pre-emptive basis subject to certain limitations.		

### 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.



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