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.

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

Consolidated Profit and Loss Account

For the year ended 30 June 2007

	Note	Year ended 30 June 2007 £	Year ended 30 June 2006 £
Turnover	1	981,745	1,417,063
Distribution costs		(1,043,738)	(1,316,988)
Administrative costs		(1,129,359)	(1,170,498)
Operating loss		(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	2	-	-
Loss on ordinary activities after taxation		(1,140,518)	(1,016,166)
Dividends	3	-	-
Retained loss for the year		(1,140,518)	(1,016,166)
Loss per share	4	(0.45)p	(0.69)p
Diluted loss per share	4	(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.

Consolidated Balance Sheet

As at 30 June 2007

	2007 £	2006 £
Fixed assets		
Tangible assets	122,226	158,527
Investments	-	-
	122,226	158,527
Current assets		
Debtors	216,641	229,059
Cash at bank and in hand	1,473,451	961,878
	1,690,092	1,190,937
Creditors: amounts falling due within one year	(442,542)	(562,723)
Net current assets	1,247,550	628,214
Net assets	1,369,776	786,741
Capital and reserves		
Called up share capital	332,532	148,275
Share premium account	6,316,870	4,777,574
Profit and loss account	(5,279,626)	(4,139,108)
Equity shareholders' funds	1,369,776	786,741

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

Marc Pinter-Krainer
Chief Executive Officer

Michael Levy
Group Finance Director

Consolidated Cash Flow Statement

For the year ended 30 June 2007

	Year ended 30 June 2007 £	Year ended 30 June 2006 £
Net cash outflow from operating activities	(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	511,573	(754,175)

All cash flows relate to continuing operations.

Notes to the Preliminary Statement

1 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.

Income is recognised over the contract period.

2 Taxation on loss on ordinary activities

As a result of the losses available, no liability to UK corporation tax arose on the ordinary activities for the year ended 30 June 2007.

3 Dividends

The Directors do not recommend the payment of a dividend.

4 Loss per ordinary 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.

5 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

6 Annual report and accounts

The foregoing financial information does not amount to full accounts within the meaning of Section 240 of the Companies Act 1985 and has not been reported on but has been agreed with the Company's auditors. The Annual Report and Accounts will be filed at Companies House following the Annual General Meeting and will be posted to shareholders shortly. Copies will be available from the Company Secretary at 8th Floor, Finsbury Tower, 103-105 Bunhill Row, London, EC1Y 8LZ.

7 Annual General Meeting

The AGM will be held at 8th Floor, Finsbury Tower, 103-105 Bunhill Row, London, EC1Y 8LZ, on 28 December 2007 at 10 am.