

KRONOS INC
Form 10-K
December 09, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

**ANNUAL REPORT PURSUANT TO SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended **September 30, 2005**

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission file number 0-20109

Kronos Incorporated

(Exact name of registrant as specified in its charter)

Massachusetts
(State or other jurisdiction of
incorporation or organization)

04-2640942
(I.R.S. Employer
Identification No.)

297 Billerica Road, Chelmsford, MA 01824
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (978) 250-9800

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, \$0.01 par value per share
Series A Junior Preferred Participating Stock, \$1.00 par value per share

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2)

Yes No

Edgar Filing: KRONOS INC - Form 10-K

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

State the aggregate market value of the voting common stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter.

<u>Date</u>	<u>Non-Affiliate Voting Shares Outstanding</u>	<u>Aggregate Market Value</u>
April 2, 2005	21,440,424	\$1,094,962,454

Shares of voting common stock held by each officer and director and by each person who owns 5% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. The registrant has no shares of non-voting common stock authorized or outstanding.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

<u>Date</u>	<u>Class</u>	<u>Outstanding Shares</u>
December 2, 2005	Common Stock, \$0.01 par value per share	31,858,841

DOCUMENTS INCORPORATED BY REFERENCE.

Portions of the registrant's definitive Proxy Statement for the 2006 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year end, are incorporated by reference into Items 10-14 of Part III hereof. With the exceptions of the portions of the Proxy Statement expressly incorporated by reference, such document shall not be deemed filed with this Form 10-K.

PART I

Item 1. Business

Kronos Incorporated was organized in 1977 as a Massachusetts corporation. As part of our workforce management solution, we develop, manufacture, and market human resources, payroll, scheduling, absence management, labor activity tracking, and time and labor systems. These systems include our internally developed and acquired software solutions as well as our hardware solutions (primarily data collection terminals) that we build. These solutions enable organizations to automate employee-centric processes (e.g. payroll and time and attendance), engage the workforce in a more positive, dynamic, and productive fashion (e.g. self-service), and optimize the workforce (e.g. scheduling) in order to achieve maximum business performance. The results include reduced costs and increased productivity, higher employee satisfaction, better alignment of employee performance with organizational objectives, and the placement of real-time information in the hands of decision makers.

Our solutions are designed for a wide range of businesses and organizations, from single-site companies to large, multi-site enterprises. These solutions can be purchased or financed from us. In addition, we maintain an extensive services and technical support organization that implement and maintain systems and provides professional and educational services. These services can be delivered on-site or via the Internet.

We also collaborate with many industry-leading vendors that market products and services that are synergistic with our solutions. These include major enterprise resource planning system, or ERP, providers, consulting firms, niche workforce management application vendors, and technology vendors. To date, substantially all of our revenues and profits have been derived from our time and labor applications and related products and services. We introduced our human resources and payroll products during fiscal 2002. We introduced our newest line of scheduling products in fiscal 2004. We added an absence management product in fiscal 2005, along with customized workforce management solutions for the federal government and airline industry through our acquisitions of 3i Systems and AD OPT Technologies, Inc., or AD OPT.

Kronos Products

The Kronos Workforce Management Solutions

Our workforce management solutions help enable organizations to reduce costs and increase productivity, improve employee satisfaction, align employee performance with organizational objectives, and put real-time information in the hands of decision makers.

Our workforce management solutions consist of the following components: human resources, payroll, scheduling, absence management, labor activity tracking, time and labor, data collection, self-service, and analytics. These components can be deployed together or independently to meet the unique needs of various organizations.

The Workforce Central® Suite

Using web-based technology, the Workforce Central suite is a closely integrated system of human resources, payroll, scheduling and time and labor applications. It can be deployed individually or as a comprehensive solution for workforce management. The Workforce Central suite incorporates powerful applications for analytics and employee self-service, and employs a broad range of our own sophisticated data collection devices. Each component of the Workforce Central suite provides high functionality, streamlined workflow technology, and an intuitive user interface.

The Workforce Central solutions include:

Human resources

Workforce HR manages and automates human resources processes, from recruiting to benefits administration, so that organizations have more time to focus on strategic initiatives. Because it empowers employees to manage their own personal information, Workforce HR helps reduce operational expenses while fostering employee satisfaction compared to a manual system. It allows control over critical processes, including benefits administration, performance management, and compensation planning, and enables real-time sharing of employee information, all of which contributes to better decision-making and improved organizational performance.

Payroll

Workforce Payroll manages the complex information required to administer and complete payment of wages, bonuses, and other forms of compensation. With streamlined payroll processing in house, organizations enjoy more flexibility and control, with quick and easy access to critical payroll data.

Scheduling

Workforce Scheduler is a highly capable, all-in-one solution to an organization's scheduling challenges. It allows managers to plan staff coverage by shift, by employee, or by job description and to react with speed and effectiveness when unforeseen circumstances put productivity at risk. Workforce Scheduler also features a dedicated forecasting engine that enables retailers and other service-oriented businesses to match employee labor to business volume efficiently while adhering to pre-determined labor standards.

Workforce Scheduler with Optimization is a solution designed for retailers and other service-oriented businesses. It includes all the advantages of Workforce Scheduler and, in addition, allows for the creation of optimized schedules for those industries. It features comprehensive business and labor forecasting engines, which can accurately forecast business, calculate labor needs, and create a schedule that matches labor to volume more efficiently.

Altitude® is a suite of customized crew planning, management, and optimization solutions designed exclusively for the airline industry. Altitude can handle the complex crew deployment and management functions of the airline industry, from mainline carriers to charters and low-cost carriers. It helps airlines lower costs and reduce manpower planning time.

Total Care is a staff scheduling solution designed specifically for the Canadian and Australian healthcare markets. This suite of applications allows healthcare facilities to manage their largest expenditure, the workforce, more effectively. It helps optimize staffing, control budgets, improve employee satisfaction, and make better decisions when it comes to patient care.

Time and labor

Workforce Timekeeper automates and streamlines the management, collection, and distribution of employee hours, eliminating the need for manual timesheets. Workforce Timekeeper has a robust, flexible pay rules engine that applies complex work and pay rules accurately and consistently throughout an organization.

Workforce Accruals® provides an integrated module for controlling leave liability and complying with corporate policies or contracts. It is designed to ensure accuracy across an organization with minimal supervision, enabling employees and managers to manage leave time easily and efficiently. Workforce Accruals has the flexibility to facilitate an organization's most complex leave and benefit policies.

Workforce Record Manager makes maintaining the Workforce Timekeeper database faster, easier, and more effective. It enables IT managers to easily move data from one Workforce Timekeeper database to another, and provides the functionality needed to support archiving processes.

Workforce Attendance helps organizations to automate and streamline the administration and enforcement of complex attendance policies and apply rewards or disciplinary action fairly and consistently. It helps managers to proactively manage absenteeism and reduce the costs associated with it. A variety of available reports help managers to spot absence trends and patterns early and take corrective action before they become an issue.

2

Workforce Activities enables real-time tracking of activity data for individual employees and teams. It reconciles direct and indirect labor to time paid, and enables an organization to compare productivity against standards. Workforce Activities also eliminates the process of manually entering job-costing data into ERP systems. Going beyond weekly or daily reporting, Workforce Activities provides up-to-the-minute information so that managers can adjust to the shifting demands of a production environment.

Workforce Leave helps to track and manage all types of leave, all in one place, automatically. It streamlines the entire leave management process, from eligibility to entitlement to on-leave compensation, and provides visibility into trends and patterns that can point to and help reduce the abuse of leave benefits. It helps maintain compliance with the Family and Medical Leave Act of 1993 and other federal, state, and union mandates, and provides accurate administration and tracking of paid and unpaid leave policies, even when rules overlap.

webTA is a web-based time and labor reporting solution that supports the federal government's unique time and attendance requirements. It simplifies timekeeping with functionality that allows employees to enter and validate their own time using digital signatures. It also allows managers to perform corrections and update protected fields. Electronic time and labor reports may be viewed, but not changed, by employees, managers, and supervisors, without the need to generate paper reports.

Data collection

Kronos 4500 badge terminals are high speed, network-centric data collection devices that capture and manage labor data easily and effectively. The Kronos 4500 terminals provide access to key self-service functionality, and their centralized configuration makes them easy to deploy and maintain. The Kronos 4500 terminals are designed with "swipe and go" badge functionality and keypads for fast interaction.

Kronos 4500 Touch ID terminal, like the Kronos 4500 badge terminal, is a high speed, network-centric data collection device that captures and manages labor data easily and effectively. The Kronos 4500 Touch ID terminal incorporates leading finger scan verification technology, ideal for eliminating "buddy punching."

Workforce TeleTime[®] leverages the convenience and accessibility of the telephone to collect time and labor information from employees on the move. Workforce TeleTime provides a solution for these employees and managers, whether they telecommute, work in multiple facilities, travel frequently, or otherwise don't have access to a data collection terminal or the web. These employees can use this interactive touchtone application for a range of time and labor transactions, all completed through the telephone.

Self-service

Workforce Employee is a browser-based interface that employees can use to enter time and labor data and access human resources and payroll information and processes. It allows them to view hours worked, approve timecards, or even sign up for available shifts. Workforce Employee also provides convenient web access to a breadth of human resources information, including available training, job openings, and benefits enrollment.

Workforce Manager is designed to be a significant time saver in that it alerts managers to the issues that require immediate attention, such as an employee approaching an overtime threshold. Workforce Manager provides managers with broad visibility into their staff, including skills, experience, and completed training, all of which is essential to helping them optimize the workforce.

3

Analytics

Visionware[®] is a labor analytics system for organizations in industries such as healthcare, where controlling labor costs is a significant challenge. Visionware enables organizations to manage productivity, reduce labor costs, and most importantly, align labor decisions with strategic objectives.

The Kronos iSeries Central suite

The Kronos iSeries Central suite is comprised of time and labor applications designed specifically for the IBM eServer iSeries. The Kronos iSeries Central suite automates time and labor management processes on the frontline and provides access to real-time data for better decision-making. It employs a broad range of our own data collection devices.

Kronos iSeries Central solutions include:

Kronos iSeries Timekeeper automates and streamlines the management, collection, and distribution of employee hours, eliminating the need for manual timesheets.

Kronos iSeries Accruals is an integrated module designed to manage leave liability and assist in complying with corporate policies or contracts.

Kronos iSeries Attendance allows an organization to automate a no-fault attendance program by capturing lost time exceptions and absences.

Kronos iSeries Scheduler is an application that automates time-consuming scheduling processes and helps managers make better decisions about workforce deployment. It provides essential scheduling criteria, including staffing requirements, actual hours worked, employee skills and certifications, and employee availability.

Kronos iSeries Activities is an application that helps organizations understand how labor is being used. It provides visibility into how the workforce performs against productivity goals and benchmarks, and provides activity-level data in real time for better decision making.

Kronos iSeries Manager is a web-based application that allows an organization to effectively manage employees in a "one-click" environment. This HTML-based application allows an organization to edit time records, run and print reports, and effectively manage its labor resource quickly and easily from anywhere in the world.

Kronos iSeries Employee is an intuitive, web-based application that acts as an employee portal to an organization's information and processes. It allows employees to enter time and labor data and track jobs or projects after they have been completed. Employees can view hours worked, submit timecards, or review other information such as schedules and accrual balances.

Kronos iSeries Decisions is designed to provide sophisticated reporting capabilities that extend the value of employee data to decision makers throughout an organization.

Kronos iSeries Access and Gatekeeper® terminals are an integrated solution designed to manage employee admittance into controlled areas in any facility.

Complementary products

In addition to our core products, we offer a variety of solutions designed to help maximize workforce management capabilities.

Data collection devices provide powerful and convenient methods for capturing employees' time and labor information, and offer a wide range of interaction methods including: badge terminals, biometrics, telephony, and handheld devices.

Workforce Connect is an integration solution that reduces delays and modification costs. Data can be imported and exported quickly and easily from a variety of sources. It supports over 250 payroll systems and other essential integration needs.

Gatekeeper[®] provides a method to control and track access to areas of an organization that require monitoring.

Services and Support

We maintain an extensive professional service and technical support organization that provides a suite of maintenance, professional and educational services. These services are designed to support our customers throughout the product life cycle. Maintenance service options are delivered through our centralized global support operation or through local service personnel. We also provide a wide range of customer self-service options through the Internet. Our professional services include both onsite and remote implementation support, technical and business consulting, and system integration and optimization. Our educational services offer a full range of curriculae that are delivered through local training centers or via Internet-based training courses.

Marketing and Sales

We market and sell our products to the mid-market (organizations with 250 to 2,500 employees), the enterprise market (organizations with over 2,500 employees) and the global market (organizations with employees and facilities in multiple countries). We market and sell in the United States and other countries, including Canada, Mexico, the United Kingdom, Australia, and New Zealand through our direct sales and support organization, and through independent resellers. In addition, we have a joint marketing agreement with Automatic Data Processing, Inc., or ADP, under which ADP markets rebranded versions of our Workforce Central suite and data collection terminals. Our direct sales force is organized to focus on the distinct market segments (mid-market, enterprise, global) and in some cases on distinct vertical industries or product lines. Our direct sales force is organized by geographic region and our marketing department is organized into functional groups that align with our sales organization.

Marketing Organization:

The responsibilities of our marketing organization include:

- developing solution strategy, positioning and marketing;
- developing vertical market strategy and programs;
- interacting with press and industry analysts;
- managing our customer database and customer relationship programs;
- developing lead-generation programs, events, and advertising;
- developing marketing communications; and
- managing strategic alliances.

5

Direct Sales Organization

We have 46 direct sales and support offices located in the United States. In addition, we have seven sales and support offices located in Canada, three in the United Kingdom, one in Mexico, six in Australia, and one in New Zealand. Each direct sales office covers a defined geographic region, and has sales and support functions. We have sales executives assigned to mid-market, enterprise and national accounts. There are also teams dedicated to the federal government, retail, healthcare, and airline markets. To capitalize on the specialization of our Visionware product, we also have a dedicated sales and support operation focusing on this product.

For the fiscal years ended September 30, 2005, 2004, and 2003, our direct sales and support offices in the U.S. generated net revenues of \$407.3 million, \$358.8 million, and \$320.6 million, respectively. For the fiscal years ended September 30, 2005, 2004, and 2003, our international subsidiaries generated net revenues of \$65.2 million, \$46.7 million, and \$37.5 million, respectively. Total assets at our international subsidiaries for these periods were \$158.7 million, \$37.0 million, and \$29.8 million, respectively. The increase in total international assets in fiscal 2005 is primarily attributable to our acquisition of AD OPT in November 2004.

Resellers

We also market and sell our products through independent resellers within designated geographic territories generally not covered by our direct sales offices. These resellers provide sales, support and installation services for our products. There are presently 4 resellers in the United States

Edgar Filing: KRONOS INC - Form 10-K

actively selling and supporting our products. Sales to independent U.S. resellers for the years ended September 30, 2005, 2004, and 2003 were \$6.1 million, \$9.7 million, and \$10.8 million, respectively. The decrease in revenues in fiscal 2005 and 2004 was principally due to the acquisitions by us of various resellers during fiscal 2005, 2004 and 2003. We also have resellers in Argentina, Bahamas, Bahrain, Barbados, Brazil, Chile, Columbia, Guam, Guyana, India, Jamaica, Lebanon, Netherlands, Nigeria, Norway, Panama, The Philippines, Puerto Rico, Romania, Singapore, South Africa, Trinidad, and United Arab Emirates. Sales to independent international resellers were not material in any of the fiscal years 2003 through 2005. We support our resellers with training, technical assistance, and marketing assistance.

Original Equipment Manufacturers

We have a joint marketing agreement with ADP under which ADP markets rebranded versions of our Timekeeper Central system, Workforce Central suite and data collection terminals manufactured by us.

During fiscal 2003, we signed an agreement with ADP extending the business relationship for an additional term of five years, and during fiscal 2004, signed an amendment to that agreement that provides for minimum purchasing requirements and further extends the agreement for an additional six months. A reduction in the sales efforts of our major resellers or ADP, or termination or changes in their relationships with us, could have a material adverse effect on our results from operations.

Customers

End-users of our products include companies and organizations of virtually all sizes from many varied sectors such as manufacturing, healthcare, services, retail, transportation/distribution, and government and education sectors.

Product Development

Our product development efforts are focused on enhancing the capabilities and increasing the performance of our existing products as well as developing new products and standard interfaces to third-party products on a timely basis to meet the increasingly sophisticated needs of our customers. During fiscal 2005, 2004, and 2003, our engineering, research and development expenses were \$50.7 million, \$44.1 million, and \$38.5 million, respectively. We intend to continue to commit substantial resources to enhance and extend our product lines and develop interfaces to third-party products. Although we continually seek to further enhance our product offerings and to develop new products and interfaces, including products for the workforce management market, there can be no assurance that these efforts will succeed, or that, if successful, such product enhancements or new products will achieve widespread market acceptance, or that our competitors will not develop and market products that are superior to our products or achieve greater market acceptance. We also depend upon the reliability and viability of a variety of software products owned by third parties to develop our products. If these products are inadequate or not properly supported, our ability to release competitive products in a timely manner could be adversely impacted.

Competition

The workforce management market, which includes human resources, payroll, scheduling, and time and labor, is highly competitive. Increased competition could adversely affect our operating results through price reductions or loss of market share. As we expand our workforce management offering with the recent introduction of our advanced scheduling and absence management products, we will continue to meet strong competition. Many of our competitors may be able to adapt more quickly to new or emerging technologies or to devote greater resources to the promotion and sale of their human resources, payroll, and scheduling products. Some of our human resources and payroll competitors have significantly greater financial, technical and sales and marketing resources than we have, as well as more experience in delivering human resources and payroll solutions. We believe that the principal methods of competition include product features and functionality, price, customer service, professional services, resources, manner of delivery, and company stability and reputation. We believe we compete favorably in a number of these areas, including with respect to our product features, the fact that we are a single-source provider of workforce management solutions, our proven service approach, and company stability. Although we believe we have core competencies that position us strongly in the marketplace, our continued ability to compete favorably with our competitors will require continued investment by us in research and development, services, and marketing and sales programs. There can be no assurance that we will be able to compete successfully in the human resources, payroll, and scheduling marketplace, and our failure to do so could have a material adverse impact upon our business, prospects, financial condition, and operating results.

Proprietary Rights

We have developed, and through our acquisitions of businesses and technology, acquired, proprietary technology and intellectual property rights. Our success is dependent upon our ability to further develop and protect our proprietary technology and intellectual property rights. We seek to protect products, software, documentation and other written materials primarily through a combination of trade secret, patent, trademark and copyright laws, confidentiality procedures and contractual provisions. While we have attempted to safeguard and maintain our proprietary rights, we cannot be certain that we have been or will be successful in doing so.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or obtain and use information that is regarded as proprietary. Policing unauthorized use of our products is difficult. While we are unable to determine the extent to which piracy of our software products exists, software piracy can be expected to be a persistent problem, particularly in foreign countries where the laws may not protect proprietary rights as fully as in the United States. We can offer no assurance that we can adequately protect our proprietary rights or that our competitors will not reverse engineer or independently develop similar technology.

We have registered trademarks for Kronos, Kronos TouchID, My Genies, Timekeeper, Timekeeper Central, Jobkeeper Central, Datakeeper, Datakeeper Central, Gatekeeper, Gatekeeper Central, Imagekeeper, TeleTime, CardSaver, ShopTrac, ShopTrac Pro, Keep.Trac, Visionware, Workforce Central, Workforce Genie, Workforce Accruals, Workforce TeleTime, Workforce Express, Workforce Decisions, eForce, PeoplePlanner, PeoplePlanner design, StarComm, StarPort, StarSaver, StarTimer, Altitude, and our logo in the United States and other countries. In addition, Kronos eCentral, Timekeeper Web, Workforce Connect, FasTrack, Workforce Activities, Workforce Scheduler, Workforce Smart Scheduler, Workforce Manager, Workforce MobileTime, Workforce Timekeeper, Hyperfind, Kronos 4500, Kronos 4500 Touch ID, Labor Plus, Schedule Assistant, Winstar Elite, WIP Plus, Workforce HR, Workforce View, Workforce Employee, Smart Scheduler, StartLabor, StartQuality,

Edgar Filing: KRONOS INC - Form 10-K

StartWIP, Starter Series, Timekeeper Decisions, VisionPlus, Workforce Payroll, Workforce Record Manager, Workforce Recruiter, AltitudeDream, Altitude MPPXpress, Altitude PBS, Altitude Pairing, KronosWorks, MPPXpress, Momentum, Momentum Essentials, Momentum Online, Workforce Analytics, Workforce Attendance, Workforce Leave, SmartView, and Workforce Tax Filing are our trademarks. Certain trademarks have been obtained or have been applied for in various foreign countries.

7

IBM is a registered trademark of, and iSeries and eServer are trademarks of, International Business Machines Corporation. ADP is a registered trademark of Automatic Data Processing, Inc. Microsoft is a registered trademark of Microsoft Corporation. PeopleSoft is a registered trademark of PeopleSoft, Inc. J.D. Edwards is a registered trademark of J.D. Edwards and Company. Lawson is a registered trademark of Lawson Associates, Inc. SAP is a trademark of SAP AG.

Manufacturing and Sources of Supply

The duplication of our software and the printing of documentation are outsourced to suppliers. We currently have two suppliers who have been certified to our manufacturing specifications to perform the software duplication process. The majority of the assembly of the printed circuit boards used in our data collection terminals is completed at our facility in Chelmsford, Massachusetts. A portion of this assembly is completed by approved suppliers. All final assembly and testing of our data collection terminals is completed at our Chelmsford facility. Although most of the parts and components included within our products are available from multiple suppliers, certain parts and components are purchased from single suppliers. We have chosen to source these items from single suppliers because we believe that the supplier chosen is able to consistently provide us with the highest quality product at a competitive price on a timely basis. While we have to date been able to obtain adequate supplies of these parts and components, our inability to transition to alternate sources on a timely basis if and as required in the future could result in delays or reductions in product shipments, which could have a material adverse effect on our operating results.

Acquisitions

We completed several acquisitions during fiscal 2005. Please refer to Note I of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further information regarding these acquisitions.

Edgar Filing: KRONOS INC - Form 10-K

In November 2004, we completed the acquisition of AD OPT. The gross purchase price paid was \$57.6 million in cash, net of cash and short-term investments acquired of approximately \$16.0 million, resulting in a net purchase price of \$41.6 million. AD OPT is a provider of advanced workforce planning and scheduling solutions.

Employees

As of September 30, 2005, we had approximately 2,900 employees. None of our employees are represented by a union or other collective bargaining agreement, and we consider our relations with our employees to be good. We have historically encountered intense competition for experienced technical personnel for product development, technical support and sales and expect such competition to continue in the future. Any inability to attract and retain a sufficient number of qualified technical personnel could adversely affect our ability to produce, support and sell products in a timely manner.

Available Information

We maintain an Internet website at www.kronos.com. We make available, free of charge through our website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and each amendment to these reports. Each such report is posted on our website as soon as reasonably practicable after such report is filed with the SEC via the EDGAR system.

The information on our website is not incorporated by reference into this Annual Report on Form 10-K and should not be considered a part of this Annual Report. Our website address is included in this Annual Report as an inactive textual reference only.

8

Item 2. Properties

We own our 129,000 square foot corporate headquarters facility and lease approximately 292,000 square feet in four additional facilities, all located in Chelmsford, Massachusetts. Our manufacturing operations, global support center and various engineering, sales, service, and administrative operations are located in these facilities. Expiration dates of leases on these offices range from 2005 to 2013. Additionally, we

Edgar Filing: KRONOS INC - Form 10-K

lease 64 sales and support offices located throughout North America, Europe, Australia and New Zealand. Expiration dates of leases on these offices range from 2005 to 2018. Our aggregate rental expense for all of our facilities in fiscal 2005 was approximately \$13.9 million. We consider our facilities to be adequate for our current requirements and believe that additional space will be available as needed in the future.

Item 3. Legal Proceedings

From time to time, we are involved in legal proceedings arising in the normal course of business. We do not consider any of the legal proceedings in which we are currently involved to be material.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 4A. Executive Officers of the Registrant

Executive Officers of the Registrant

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mark S. Ain	62	Executive Chairman of the Board
Aron J. Ain	48	Chief Executive Officer
Paul A. Lacy	58	President, Chief Financial Officer
Lloyd B. Bussell	60	Vice President, Manufacturing
James J. Kizielewicz	46	Senior Vice President, Corporate Strategy
Peter C. George	46	Senior Vice President, Engineering and Chief Technology Officer
Joseph R. DeMartino	56	Senior Vice President, Worldwide Service
Laura L. Vaughan	57	Vice President, Worldwide Sales

Mark S. Ain, one of our founders, served as Chief Executive Officer and Chairman since our organization in 1977 until October 31, 2005, at which time he retired in those capacities and became our Executive Chairman of the Board. He also served as President from 1977 through

Edgar Filing: KRONOS INC - Form 10-K

September 1996. Mr. Ain sits on the Board of Directors for the following public companies: KVH Industries, Inc. and LTX Corporation. Mr. Ain is the brother of Aron J. Ain, Chief Executive Officer.

Aron J. Ain has served as Chief Executive Officer since October 31, 2005. Previously, Mr. Ain served as Executive Vice President, Chief Operating Officer from April 2002 until October 2005, as Vice President, Worldwide Sales and Service from November 1998 until April 2002, as Vice President, Marketing and Worldwide Field Operations from September 1996 until November 1998, and as Vice President, Sales and Service from 1988 through September 1996. Mr. Ain sits on the Board of Directors for the following public company: Unica Corporation. Mr. Ain is the brother of Mark S. Ain, Chief Executive Officer and Chairman.

9

Paul A. Lacy has served as President, Chief Financial Officer since October 31, 2005. Previously, Mr. Lacy served as Executive Vice President, Chief Financial and Administrative Officer from April 2002 until October 2005, and as Vice President, Finance and Administration, Treasurer and Clerk from 1988 until April 2002.

Lloyd B. Bussell has served as Vice President, Manufacturing since 1987.

James J. Kizielewicz has served as Senior Vice President Corporate Strategy since October 2005. Previously, Mr. Kizielewicz served as Vice President Corporate Strategy from March 2004 until October 2005, as Vice President, Marketing and Corporate Strategy from January 1997 until March 2004. Mr. Kizielewicz served in a variety of capacities for us from 1981 until his appointment as Vice President, Marketing and Corporate Strategy in January 1997.

Peter C. George has served as Senior Vice President, Engineering, Chief Technology Officer since October 2005. Previously, Mr. George served as Vice President, Engineering, Chief Technology Officer from February 2002 until October 2005, and as Vice President, Software Development since 1997, and as such was responsible for the management of the development of our software products.

Joseph R. DeMartino has served as Senior Vice President, Worldwide Service since October 2005. Previously, Mr. DeMartino served as Vice President, Worldwide Service from June 2002 until October 2005, and as Vice President, North America Field Service from August 1998 until June 2002, and as such was responsible for the management of the customer service delivery functions, including consulting, education and technical support, for our North America operations.

Laura L. Vaughan has served as Vice President, Worldwide Sales since October 2003. In this role, Ms. Vaughan is responsible for worldwide sales and international operations. Ms. Vaughan was appointed to her current position as an executive officer in June 2002. Previously, Ms. Vaughan served in a variety of capacities for us since 1992.

Our officers hold office until the first meeting of directors following the next annual meeting of stockholders, at which time officers are appointed for the following fiscal year.

10

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Stock Market Information

Our common stock is traded on the NASDAQ National Market under the symbol KRON. The following table sets forth the high and low sales prices for fiscal 2005 and 2004. These over-the-counter market quotations reflect interdealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

	2005	
Fiscal	High	Low
First quarter	\$52.140	\$43.990
Second quarter	56.120	45.740
Third quarter	52.700	37.840
Fourth quarter	49.490	40.450
	2004	
Fiscal	High	Low

Edgar Filing: KRONOS INC - Form 10-K

First quarter	\$41.940	\$34.747
Second quarter	43.650	31.250
Third quarter	42.540	31.810
Fourth quarter	46.290	33.250

Holders

There were approximately 300 stockholders of record of our common stock as of December 2, 2005.

Dividends

We have not paid cash dividends on our common stock, and our present policy is to retain earnings for use in our business.

11

Issuer Purchases of Equity Securities

In the following table, we provide information about our purchases during the quarter ended September 30, 2005 of equity securities that are registered by the company pursuant to Section 12 of the Exchange Act.

(a)

(b)

(d)

(c)

Maximum Number of Shares
that May Yet Be Purchased
Under the Programs

Edgar Filing: KRONOS INC - Form 10-K

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs (2)	
07/03/05-08/03/05	108,500	\$43.25	108,500	473,476
08/04/05-09/04/05	92,500	44.00	92,500	380,976
09/05/05-09/30/05	77,500	42.94	77,500	303,476
Total:	278,500	\$43.41	278,500	303,476

(1) We repurchased an aggregate of 278,500 shares of our common stock pursuant to the repurchase program that was publicly announced on May 15, 2005, which we refer to as the repurchase program.

(2) Our board of directors approved the repurchase by us of up to an aggregate of 750,000 shares of our common stock pursuant to the repurchase program. Unless terminated earlier by resolution of our board of directors, the repurchase program will expire when we have repurchased all shares authorized for repurchase thereunder.

12

Item 6. Selected Consolidated Financial Data

The following selected consolidated financial data should be read in conjunction with the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations included elsewhere in this Annual Report on Form 10-K. The balance sheet data as of September 30, 2005 and 2004 and the statements of operations data for the years ended September 30, 2005, 2004, and 2003 have been derived from the audited consolidated financial statements for such years, included elsewhere in this Annual Report on Form 10-K. The balance sheet data as of September 30, 2003, 2002, and 2001 and the statements of operations data for the years

Edgar Filing: KRONOS INC - Form 10-K

ended September 30, 2002 and 2001 have been derived from the audited consolidated financial statements for such years, not included in this Annual Report on Form 10-K.

Financial Highlights

In thousands, except per share data

	Year Ended September 30,				
	2005	2004	2003	2002	2001
Operating Data:					
Net revenues	\$518,658	\$450,694	\$397,355	\$342,377	