



Report and Accounts for the period ended 30 June 2001

Knowledge Technology Solutions PLC

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Knowledge Technology Solutions PLC

Chairman's Statement

The Directors are pleased to report that the Group has achieved satisfactory results in a period that included its debut on the Alternative Investment Market. We have continued our investment in product development, while continuing to keep a control of costs. MarketTerminal, a real-time financial information system for market professionals, is on schedule for launch this year. Development has continued on Sharepages.com, the company's investor information website for the retail market. New features have been added to the Sharepages site, which have increased its range of services and depth of UK equity coverage.

In line with our obligations at the time of flotation I welcome the appointment of Michael Levy FCA as our Group Financial Director during the period.

Cognita Technologies Limited - MarketTerminal

The launch of MarketTerminal is targeted for the end of the year. We are optimistic that the product will serve a high value niche among financial institutions, who will take out subscriptions in addition to or instead of existing financial vendors. One of the differentiators of MarketTerminal, being an ASP solution, is its low cost in comparison to many other premium financial information providers. We believe that the current volatility of the UK equity markets, and the lack of City merger and acquisition activity, has led decision makers in our target markets to review their information technology budgets. So there is an immediate requirement for prospective clients to cut their fixed costs. This should help sales of MarketTerminal.

We are pleased to report that a number of the leading names in financial news and data have signed agreements to provide content feeds for MarketTerminal. These include Standard & Poor's Comstock, JCF Group, Hemscott, Dow Jones Newswires, AFX Focus UK and PR Newswire. Currently, MarketTerminal is being trialed by several financial institutions.

It is worthy of note that the Group has made a substantial planned investment in developing Cognita's technologies. In line with the Board's conservative accounting policy, the costs relating to software development have been written off as incurred and therefore the value of our software is not reflected in the balance sheet.

The UK launch of MarketTerminal is intended to establish Knowledge Technology Solutions as a leading provider of financial information applications.

Sharepages.com Limited

Sharepages.com continues to be a key independent investor website providing UK market information. Sharepages provides an excellent window to display the technological capabilities of Cognita Technologies, its fellow subsidiary. Cognita's technology enables Sharepages to collect data from financial providers with a low cost base. Revenue streams from Sharepages cover its direct running costs and therefore Sharepages has long-term benefits as a self-financing technology demonstrator.

Dividend

As stated in our Offer for Subscription in December 2000, the directors intend to achieve capital growth and to reinvest any profits and, therefore, do not envisage declaring a dividend in the short to medium term.

Outlook

Encouraging interest has been shown in MarketTerminal. We are therefore optimistic that MarketTerminal will produce revenues in the coming year. We have carefully managed shareholders' funds, and have ensured that research and development monies have been wisely spent in carefully structured programmes. We go forward with a healthy cash position and look forward to a year of continued progress. Longer-term we remain confident there will be other opportunities for further applications of our core information management technologies.

Bernard R Fisher
Chairman

Knowledge Technology Solutions PLC

Directors, Secretary and Advisers

Directors	Bernard Robert Fisher (<i>Non-Executive Chairman</i>) Marc Pinter-Krainer (<i>Chief Executive Officer</i>) Paul McGroary (<i>Group Commercial Director</i>) Michael Stewart Levy (<i>Group Finance Director</i>) Smit Berry (<i>Non-executive Director</i>)
Secretary and Registered Office	Michael Stewart Levy Wembley Point 1 Harrow Road Wembley Middlesex HA9 6DE
Nominated Adviser	Beaumont Cornish Limited Georgian House 63 Coleman Street London EC2R 5BB
Nominated Broker	Hichens, Harrison & Co. plc Bell Court House 11 Bloomfield Street London EC2M 1LB
Registered Number	4062416
Solicitors	Nicholson Graham & Jones 110 Cannon Street London EC4N 6AR
Auditors	Solomon Hare Oakfield House Oakfield Grove Clifton Bristol BS8 2BN
Registrars	Moorgate Registrars Plc Dukesmead House 39 High Street Chelmsford Essex CM1 1DE
Principal Bankers	HSBC 1 High Street Chislehurst Kent BR7 5AB

Knowledge Technology Solutions PLC

Board of Directors

Directors - Executive

Dr Marc Pinter-Krainer (30)

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.

Paul McGroary (44)

Paul initially assumed the responsibility for the finance function of the group prior to the appointment of the Group Financial Director. Paul is responsible for the commercial aspects of the business. He is also Chairman of Eyeconomy Holdings plc, an Internet advertising agency, as well as being an active supporter of a number of private businesses. Paul obtained a BSc (Econ) in Economics and Social Studies from the University of Wales in 1978.

Michael Stewart Levy (40)

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 - Non-Executive

Bernard Robert Fisher (Chairman) (50)

Bernard has participated in a number of flotations in the software industry in recent years. Most notably he was a main board director at Sage Software plc between 1989 and 1996. He is also director of several other companies, including Popkin Software & Systems Inc, RTS Networks Group plc and The Interactive Agency plc.

Smit Berry (31)

Smit is the founder of Equitylink Limited, a publisher of two investment newsletters, which provide detailed research on UK smaller companies. He is also a director of Legendary Investments plc, a technology investor listed on AIM. Smit obtained a BEng (Hons) in Computing Science from Imperial College, University of London in 1991.

Knowledge Technology Solutions PLC

Directors' Report

The Directors present their Report and Accounts for the period ended 30 June 2001.

Principal activities

The company was incorporated and registered as a public limited company on 24 August 2000.

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

Review of the business and prospects

During the period the company acquired Sharepages.com Limited and incorporated its other subsidiary, Cognita Technologies Limited, as disclosed in note 20. The group did not trade until the acquisition of the entire share capital of Sharepages.com Limited on 27 October 2000.

A full review of the operations, financial position and prospects of the group is given in the Chairman's Statement on page 1.

Results and dividends

Details of the results for the period 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 2.

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 2001		On appointment	
	Number	%	Number	%
Dr Marc Pinter-Krainer (appointed 24 August 2000)*	20,000,000	28.43	1	50
Paul McGroary (appointed 24 August 2000)**	10,600,000	15.07	1	50
Michael Stewart Levy (appointed 10 May 2001)	Nil	Nil	Nil	Nil
Bernard Robert Fisher (appointed 29 September 2000)	111,000	0.16	Nil	Nil
Smit Berry (appointed 29 September 2000)***	10,000,000	14.21	Nil	Nil

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

** Interest held jointly with wife.

*** In addition, Smit Berry is a director of Legendary Investments plc, which holds 222,222 Ordinary shares.

The interests of the Directors in the company's share warrants are shown in note 13.

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

Knowledge Technology Solutions PLC

Directors' Report (continued)

Substantial shareholdings

The company has been notified of the following interests at the date of approval of these accounts (other than the Directors) of 3% or more in the issued ordinary share capital of the Company:

	Number of shares
Ennis International Limited	7,500,000
Billam plc	5,000,000
HSBC Investment Bank	5,000,000
Rosedene Investments Limited	2,500,000

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 period.

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.

The Board has established an Audit Committee, the majority of whose members are non-executive Directors.

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 2.

Economic and monetary union

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

Knowledge Technology Solutions PLC

Directors' Report (continued)

Research and Development

As stated in the Chairman's Statement, the Group has made considerable progress in product development, while continuing to keep a control of costs. MarketTerminal, a real-time financial information system for market professionals, is on schedule for launch this year. Development has continued on Sharepages.com, the company's investor information website for the retail market. New features have been added to the Sharepages site, which have increased its range of services and depth of UK equity coverage. Research and development expenditure is charged to the profit and loss account in the year incurred.

Auditors

Subsequent to the end of the period, Solomon Hare were appointed auditors to the company and their re-appointment will be proposed at the Annual General Meeting in accordance with Section 385A of the Companies Act 1985. Solomon Hare have indicated their willingness to continue in office.

On behalf of the Board

Michael Levy
Company Secretary

26 October 2001

Statement of Directors' Responsibilities

Company law requires the Directors to prepare accounts for each financial period 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 period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 period ended 30 June 2001 set out on pages 9 to 20. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

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 Chairman'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 2001 and of the group's loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

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

26 October 2001

Knowledge Technology Solutions PLC

Consolidated Profit and Loss Account

For the period ended 30 June 2001

	Note	Period ended 30 June 2001 £
Turnover	2	150,583
Cost of sales		(54,531)
Gross profit		96,052
Administrative costs		(295,242)
Operating loss	3	(199,190)
Interest receivable		5,329
Loss on ordinary activities before taxation		(193,861)
Taxation	5	-
Loss on ordinary activities after taxation		(193,861)
Dividends		-
Retained loss for the period		(193,861)
Loss per share	6	(0.38p)
Diluted loss per share	6	(0.38p)

All of the results relate to operations either acquired or commenced in the period.

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

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

Knowledge Technology Solutions PLC

Balance Sheets

	Note	At 30 June 2001 Group £	At 30 June 2001 Company £
Fixed assets			
Tangible assets	7	16,601	-
Investments	8	-	79,297
		16,601	79,297
Current assets			
Debtors	9	61,081	159,887
Cash at bank and in hand		440,946	387,591
		502,027	547,478
Creditors: amounts falling due within one year	10	(83,549)	(54,075)
Net current assets		418,478	493,403
Net assets		435,079	572,700
Capital and reserves			
Called up share capital	13	70,342	70,342
Share premium account	14	558,598	558,598
Profit and loss account	16	(193,861)	(56,240)
Equity shareholders' funds	15	435,079	572,700

Approved on behalf of the Board on 26 October 2001 by:

Bernard Fisher
Chairman

Michael Levy
Group Finance Director

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

Knowledge Technology Solutions PLC

Consolidated Cash Flow Statement

For the period ended 30 June 2001

	Note	Period ended 30 June 2001 £
Net cash outflow from operating activities	17	(169,302)
Returns on investments and servicing of finance		
Interest received		5,329
Net cash inflow from returns on investments and servicing of finance		5,329
Capital expenditure and financial investment		
Purchase of tangible fixed assets		(2,462)
Net cash outflow from capital expenditure and financial investment		(2,462)
Acquisitions and disposals		
Net cash acquired with subsidiary undertakings	20	57,737
Net cash inflow from acquisitions and disposals		57,737
Net cash outflow before financing		(108,698)
Financing		
Issue of share capital		796,906
Expenses paid in connection with share issues		(247,262)
Net cash inflow from financing		549,644
Increase in cash in the period	18	440,946

All cash flows relate to continuing operations.

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

Knowledge Technology Solutions PLC

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 2001. 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, excluding value added tax.

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:

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 profit.

Deferred taxation

Provision is made for deferred taxation on short term timing differences and all other material timing differences to the extent that it is probable that a liability or asset will crystallise in the future.

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.

2 TURNOVER

Turnover is attributable to the principal activity of the group and substantially relates to advertising and sponsorship revenue of Sharepages.com Ltd. All turnover arises wholly in the UK.

Knowledge Technology Solutions PLC Notes to the Accounts

3 OPERATING LOSS

The operating loss is stated after charging:

**Period ended
30 June 2001**

	£
Depreciation of owned assets	5,372
Rentals under operating leases:	
Land and buildings	16,596
Other	23,881
Auditors' remuneration - audit	7,000
- other	1,000

Research and development expenditure is an integral part of the business and it is not practical to identify it separately.

4 STAFF COSTS

a) Aggregate staff costs, including directors' remuneration

**Period ended
30 June 2001**

	£
Wages and salaries	264,604
Social security costs	21,145
	285,749

b) The average number of annual full time equivalent employees (including executive directors) was:

Sales and administration	9
--------------------------	---

c) Directors' emoluments

£

Aggregate remuneration:	
Emoluments	78,470

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

5 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 period ended 30 June 2001.

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 50,455,544, being the weighted average number of ordinary shares in issue during the period, which carry the right to receive a dividend. The diluted loss per share calculation is the same as the basic loss per share calculation. No dilution arises as a result of the share warrants in issue, as the exercise value at which they were granted has been in excess of the average market price throughout the period and therefore no warrants would be exercised.

Knowledge Technology Solutions PLC

Notes to the Accounts

7 TANGIBLE FIXED ASSETS

Group

	Office furniture & equipment £	Computer equipment £	Total £
Cost			
On acquisition of subsidiary	5,919	24,477	30,396
Additions	237	2,225	2,462
At 30 June 2001	6,156	26,702	32,858
Depreciation			
On acquisition of subsidiary	1,973	8,912	10,885
Charge for period	588	4,784	5,372
At 30 June 2001	2,561	13,696	16,257
Net book value at 30 June 2001	3,595	13,006	16,601

The company does not have any intangible fixed assets.

8 INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Company	Investments £
Cost and net book value	
Acquisitions	79,297
At 30 June 2001	79,297

The company owned 100% of the ordinary share capital in the following subsidiary undertakings at 30 June 2001:

	<u>Country of Registration</u>	<u>Country of operation</u>	<u>Activity</u>
Sharepages.com Limited	England & Wales	United Kingdom	Provision of financial information over the internet
Cognita Technologies Limited	England & Wales	United Kingdom	Software development

9 DEBTORS

	At 30 June 2001 Group £	At 30 June 2001 Company £
Due within one year:		
Trade debtors	23,898	-
Amounts owed by group undertakings	-	135,783
Other debtors	13,104	12,854
Prepayments and accrued income	24,079	11,250
	61,081	159,887

Knowledge Technology Solutions PLC

Notes to the Accounts

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	At 30 June 2001 Group £	At 30 June 2001 Company £
Trade creditors	532	532
Amounts owed to group undertakings	-	1
Taxation and social security	14,447	-
Accruals	68,570	53,542
	83,549	54,075

11 ANNUAL COMMITMENTS UNDER OPERATING LEASES

	At 30 June 2001 Group £	At 30 June 2001 Company £
Expiring between two and five years: Land and buildings	16,596	-
Expiring within one year: Other	23,881	-

12 DEFERRED TAXATION

There is no actual or potential liability for deferred taxation due to the availability of losses, which at 30 June 2001 amounted to approximately £372,000. The unprovided deferred tax asset at 30 June 2001 was £74,000.

13 SHARE CAPITAL

	At 30 June 2001 £
Authorised	
200,000,000 Ordinary Shares of 0.1p each	200,000
Allotted, called up and fully paid	
70,342,326 Ordinary Shares of 0.1p each	70,342

The company was incorporated on 24 August 2000 with an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each of which 2 shares were issued.

On 24 August 2000 the subscriber shares in the company were transferred to Smartshares Inc. and to Paul McGroary and his wife in consideration of their undertakings to pay up such shares in full.

On 27 October 2000 the company passed Ordinary Resolutions to increase the authorised share capital to £200,000, consisting of 200,000 ordinary shares of £1 each and to sub-divide each of the issued and to be issued ordinary shares of £1 each into 1,000 ordinary shares of 0.1 pence each.

On 27 October 2000 the company allotted 49,998,000 ordinary shares of 0.1 pence each pursuant to a share purchase agreement between the company and Smartshares Inc. and others by which the company acquired the entire share capital (100 ordinary shares of £1 each) of Sharepages.com Limited, disclosed in note 20.

Notes to the Accounts

13 SHARE CAPITAL (CONTINUED)

On 4 December 2000 the company allotted 15,342,326 ordinary shares of 0.1 pence at 4.5 pence per share each following admission to the Alternative Investment Market of the London Stock Exchange, which included 411,111 ordinary shares in consideration of services provided to the company in respect of its admission.

On 4 June 2001 the company allotted 5,000,000 ordinary shares of 0.1 pence at 2.5 pence per share each.

Share warrants

The company has issued warrants under a first share warrant instrument ("the Adviser Warrant"). Under the Adviser Warrant the Board may issue warrants to such persons as it determines giving any such person the right to subscribe for ordinary shares at a subscription price of 5.625 pence per share. The right granted to any person to subscribe for ordinary shares under the Adviser Warrant is exercisable until 7 November 2003

On 7 November 2000 the company executed:

A second share warrant instrument ("the Employee Warrant"). Under the Employee Warrant the Board may issue warrants to such persons as it determines giving any such person the right to subscribe for ordinary shares at a subscription price of 4.5 pence per share. The right granted to any person to subscribe for ordinary shares under the Employee Warrant is exercisable for a period beginning on 1 January 2004 and ending on 31 December 2007 provided that at the time of exercise such person is an employee of the company or the group. The company has granted Warrants over 2,275,000 ordinary shares under the Employee Warrant.

A third share warrant instrument ("the Founder Warrant"). Under the Founder Warrant the Board may issue warrants to such persons as it determines giving any such person the right to subscribe for ordinary shares at a subscription price of 0.1 pence per share. The right granted under the Founder Warrant is exercisable at any time until 7 November 2003 provided that the share price of the company's ordinary shares shall have been maintained at an average price of 13.5 pence per share for a period of 30 days. The company has granted Warrants over 50,000,000 ordinary shares under the Founder Warrants.

The company has agreed to issue share warrants under a fourth share warrant instrument to Bernard Fisher. Under such warrant the Board may issue warrants giving him the right to subscribe for ordinary shares at a subscription price of 4.5 pence per share. The rights granted under such warrant to subscribe for ordinary shares are exercisable for a period from 1 January 2004 to 31 December 2009 provided that the market capitalisation of the company shall have exceeded £200 million prior to the exercise of such warrants in respect of one tranche of such warrants and between 1 January 2004 and 31 December 2007 in respect of the second tranche of such warrants. The company has agreed to grant warrants under such warrant instrument over such number of ordinary shares as shall equal 3 per cent of the enlarged share capital of the company following the offer.

The company has agreed to issue warrants under a fifth share warrant instrument to Michael Levy. Under such warrant the Board may issue warrants giving him the right to subscribe for ordinary shares at a subscription price of 2.5 pence per share. The rights granted under such warrant to subscribe for ordinary shares are exercisable for a period from 10 May 2004 to 10 May 2011.

In the case of each of the share 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.

Knowledge Technology Solutions PLC

Notes to the Accounts

14 SHARE PREMIUM

	At 30 June 2001 £
Issues of shares	824,360
Costs of share issues	(265,762)
	558,598

15 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	At 30 June 2001 Group £	At 30 June 2001 Company £
Loss retained for the financial period	(193,861)	(56,240)
New share capital issued less costs	628,940	628,940
	435,079	572,700

16 PROFIT AND LOSS ACCOUNT

	At 30 June 2001 Group £	At 30 June 2001 Company £
Loss retained for the financial period	(193,861)	(56,240)

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

	At 30 June 2001 £
Operating loss	(199,190)
Depreciation of fixed assets	5,372
Increase in debtors	(42,103)
Increase in creditors	66,619
Net cash outflow from operating activities	(169,302)

Knowledge Technology Solutions PLC

Notes to the Accounts

18 RECONCILIATION OF NET CASH FLOW TO MOVEMENT OF LIQUID FUNDS

	At 30 June 2001 £
Increase in cash in the period	440,946
Net funds at the end of the period	440,946

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

19 MATERIAL NON-CASH TRANSACTIONS

As detailed in note 13, on 27 October 2000, the company issued 49,998,000 ordinary shares 0.1 pence per share in exchange for the entire ordinary share capital of Sharepages.com limited and 411,111 ordinary shares of 0.1 pence per share in consideration of services provided to the company in respect of its admission to the Alternative Investment Market of the London Stock Exchange.

20 ANALYSIS OF BUSINESSES ACQUIRED

On 27 October 2000 the company acquired the entire ordinary share capital of Sharepages.com Limited, as follows:

	Book value and fair value £
Fixed assets	
Tangible assets	19,511
Current assets	
Debtors	18,978
Cash at bank and in hand	57,737
	76,715
Creditors: amounts falling due within one year	(16,930)
Net current assets	59,785
Net assets	79,296
Consideration – shares (note 19)	79,296
Goodwill arising on acquisition	-

In the opinion of the directors there was no material difference between the book value and fair value of the assets and liabilities acquired. Consideration paid in respect of the acquisition was equal to the fair value of the net assets acquired and accordingly, no goodwill arose on the transaction.

The subsidiary undertaking acquired during the period contributed £77,487 to the group's net operating cash flows, received £3,944 in respect of net returns on investments and servicing of finance and paid £2,462 in respect of capital expenditure.

Knowledge Technology Solutions PLC

Notes to the Accounts

20 ANALYSIS OF BUSINESSES ACQUIRED (CONTINUED)

The results for Sharepages.com Limited are shown below:

	Period from 1 July 2000 to date of acquisition £	Period ended 30 June 2000 £
Turnover	7,749	128,580
Cost of sales	2,163	22,470
Gross profit	5,586	106,110
Administrative costs	(82,816)	(223,234)
Operating loss	(77,230)	(117,124)
Interest receivable	238	842
Loss on ordinary activities before taxation	(76,992)	(116,282)
Taxation	-	-
Loss on ordinary activities after taxation	(76,992)	(116,282)
Dividends	-	-
Retained loss for the period	(76,992)	(116,282)

There are no recognised gains or losses other than the loss in both periods.

21 POST BALANCE SHEET EVENTS

Subsequent to the end of the period, a further 5,000,000 ordinary shares of 0.1 pence per share were issued at 2.5 pence per share.

22 RELATED PARTY TRANSACTIONS

The costs of the services of Bernard Fisher are payable to Musashi Partners. The accounts include the following amounts in respect of services provided during the period:

-As non-executive director and chairman	£12,500
-Consultancy fees	£22,000

At 30 June 2001 the amounts outstanding were £8,750 and £15,250 respectively.

The services of Smit Berry are payable to Berryism Limited. The accounts include the following amounts in respect of services provided during the period:

-As non-executive director	£4,667
-At 30 June 2001 the amount outstanding was	£4,667

The accounts include fees of £2,845 in respect of accountancy services provided by Michael Levy & Co, Chartered Accountants, in which Michael Levy is the principal.

23 FINANCIAL INSTRUMENTS

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

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

It is the Group's policy to finance its operations through cash, and to periodically review the projected cashflow requirements of the Group.

The Group'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 financial statements.

Knowledge Technology Solutions PLC

Notice of Annual General Meeting

KNOWLEDGE TECHNOLOGY SOLUTIONS PLC

Company Number 4062416

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at Wembley Point, 1 Harrow Road, Wembley, Middlesex, HA9 6DE on 30 November 2001 at 1pm for the following purposes:

Ordinary Resolutions

1. To receive the directors' report and accounts for the period ended 30 June 2001 and the auditors' report on the accounts.
2. To reappoint the auditors and authorise the directors to fix their remuneration.
3. To reappoint as a director Marc Pinter-Krainer who was appointed by Board resolution on 24 August 2000.
4. To reappoint as a director Paul McGroary who was appointed by Board resolution on 24 August 2000.
5. To reappoint as a director Michael Levy who was appointed by Board resolution on 10 May 2001.
6. To reappoint as a non-executive director Robert Bernard Fisher who was appointed by Board resolution on 29 September 2000.
7. To reappoint as a non-executive director Smit Berry who was appointed by Board resolution on 29 September 2000.

Special Resolutions

8. That the directors be and are hereby empowered pursuant to section 95(1) of the Companies Act 1985 (the "**Act**") (in addition to any authority to allot relevant securities previously conferred on the Directors) to allot equity securities for cash pursuant to the authority conferred by the previous resolutions 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 an offer of equity securities by way of rights (or any other offer on a pre-emptive basis) where the equity securities are offered to the holders of ordinary shares in proportion to their respective holdings of ordinary shares on a fixed record date (whether applicable) to other holders of equity securities in accordance with the rights attaching to such equity securities, but subject, in each case, to such exclusions or other arrangements as the directors may deem to be necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and
 - (b) otherwise than pursuant to paragraphs (a) above, up to an aggregate nominal amount of £45,000;

and shall expire at the conclusion of the Company's next annual general meeting or, if earlier, the date which is 15 months after 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

Knowledge Technology Solutions PLC

Notice of Annual General Meeting

expiry and the directors may allot equity securities in pursuance of such offer or agreement as if this power had not so expired. In this resolution the expression "equity securities" and references to allotment of equity securities shall have the same respective meanings as in section 94 of the Act.

9. The directors, together with the Remuneration Committee, be and are hereby generally and unconditionally authorised to establish either a share incentive scheme or other share incentive arrangement, on such terms as the directors, together with the Remuneration Committee see fit. The benefit of the scheme will be to recruit, retain and motivate key employees.

By Order of the Board

Michael Levy
Secretary

Date: 26 October 2001

Registered Office: Wembley Point
1 Harrow Road
Wembley
Middlesex HA9 6DE

A member 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.

The Company, pursuant to regulation 34 of the Uncertificated Securities Regulations 1995, specifies that only those Ordinary shareholders registered in the register of members of the Company as at 1pm on 28 November 2001, 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 1pm on 28 November 2001 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.

The register of interests of directors kept in accordance with section 325 of the Companies Act 1985 will be available for inspection at the meeting.

Copies of all the directors' service contracts are available for inspection at the Companies registered office during normal business hours on business days from the date of this notice until the close of the meeting and will be available for inspection for 15 minutes before the meeting and during the meeting.

Restrictions on the Directors' authority to allot share capital:

This resolution governs the way the Directors may allot shares authorised to be allotted: Directors may disregard the statutory pre-emption rights which exist in favour of current shareholders in allotting 45,000,000 shares generally and any shares in respect of a rights issue, but otherwise any allotment of shares authorised to be issued by the resolution must be on a pre-emptive basis.

Knowledge Technology Solutions PLC

Proxy Notice

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 1pm on 30
November 2001 and at any adjournment thereof.

Dated _____ 2001 Signature(s).....

	For	Against
1. Ordinary resolution - To receive, the Company's annual accounts for the financial year ended 30 June 2001, together with the directors and auditors' report on those accounts.		
2. Ordinary resolution - To reappoint the auditors and authorise the directors to fix their remuneration		
3. Ordinary resolution - To reappoint as a director Marc Pinter-Krainer		
4. Ordinary resolution - To reappoint as a director Paul McGroary		
5. Ordinary resolution - To reappoint as a director Michael Levy		
6. Ordinary resolution - To reappoint as a non-executive director Robert Bernard Fisher		
7. Ordinary resolution - To reappoint as a non-executive director Smit Berry		
8. Special resolution - To dissapply statutory pre-emption provisions.		
9. Special resolution - To establish either a share incentive scheme or other share arrangement.		

Notes

- Please indicate with an "X" in the appropriate boxes how you wish your vote to be cast.
- 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.
- 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, 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.
- In the case of joint registered holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated. The vote of the senior (according to the order in which the names stand in the register of members in respect of the holding) who tenders a vote in person or by proxy will be accepted to the exclusion of the vote(s) of the other joint holder(s).
- Completion and return of the proxy will not preclude you from attending and voting at the meeting should you decide to do so.
- If the appointor is a corporation this proxy should be under seal or under the hand of an officer or attorney duly authorised.
- To be effective, this 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 notariially, must be lodged at the Company's registrars - Moorgate Registrars plc, Dukesmead House, 39 High Street, Chelmsford, Essex CM1 1DE, 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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