Service you can bank on

Knowledge Technology Solutions PLC

Report and Accounts for the year ended 30 June 2003

REGISTERED NUMBER: 4062416 (England and Wales)

Knowledge Technology Solutions PLC

Year ended 30 June 2003

Contents

Chief Executive's Statement

Overview

It is pleasing to report that during the year, Knowledge Technology Solutions (the "Company") continued the systematic and confident expansion of its business. The emphasis was on strengthening of our sales and support teams, establishing valuable reference sites for QuoteTerminal (the brand name for our UK-only product) and a move towards launching our significantly broader international MarketTerminal™ product.

These have been significant strides, demonstrating the effort and commitment of our team and our unique technology platform which is delivering world class market data services to an ever larger client base. We continue to benefit from taking market share from other, higher cost, market data vendors, as well as from creating a whole new market segment as market data is made available to those on the move.

The short term sales prospect list is strong and we continue to strategically focus our products towards areas which should capitalise on the downsizing of the large market data vendors and provide outstanding opportunities for growth. It will already be obvious to shareholders and prospective investors that the data services industry has, and is continuing to experience, a fundamental restructuring of its operations, and here our thin client ASP technology gives us a genuine competitive advantage which is enabling us to gain market share.

Strategic Development

Our business model has been built on reduced costs, advanced technology, enhanced efficiency as well as high product and service quality which has created a credible alternative for financial institutions.

In line with our development strategy we have continued to invest in product enhancement and development to ensure we emerge as a leading participant in our market. This investment amounted to £260,000 this year and we remain confident that this expenditure will improve returns to shareholders over the coming years. As in previous years, the value of our software is not reflected in the Balance Sheet as the costs relating to its development are written off as incurred.

Almost all the investment was to develop further our core browser-based market data platform, MarketTerminal™, which was enhanced in terms of capacity and capability. This platform now provides a robust and scalable infrastructure upon which we base all our market data delivery ASP services.

Until now, the capability of the MarketTerminal™ platform (encompassing QuoteTerminal) was confined to delivering UK market data. Having demonstrated QuoteTerminal to several new business clients last year, the product was very well received both in terms of its presentation and the modular flexibility of pricing options.

Enterprise-wide contracts (>25 units) have been received from several clients and QuoteTerminal has fast established itself as a reliable, quality supplier to these customers. During the year we were encouraged to see several new business clients from our target market of tier one and tier two financial institutions choosing QuoteTerminal in preference to the products of other major competitors. New clients include Morley Fund Management, Royal London Asset Management, Prudential-Bache Limited, Williams de Bröe Plc, Singer & Friedlander Limited, Charles Stanley and Company Limited, City Equities Limited, Hoodless Brennan and Partners Plc and Seymour Pierce Limited and these clearly endorse both the technology and the overall strategy of our company.

QuoteTerminal now has many hundreds of live seats using the system daily and our exceptional levels of customer satisfaction continues to result in high client retention and renewal rates, and also in attracting new customers.

Such relatively fast acceptance in the marketplace was achieved due to the fact that QuoteTerminal is "thin client" and does not require a software installation nor does it conflict with customers' firewalls which enables it to be operated with a lower technical overhead when compared to rival vendors systems. In the secure world of banks and financial institutions, this is regarded as critical success criteria. Unlike rival legacy systems, QuoteTerminal also eliminates the need for expensive infrastructure and has substantially lower monthly costs for the customer.

At the interim stage, we reported on our need to invest further in our sales and marketing infrastructure. This included the appointment of a new head of sales and the opening of an office in the City of London. We have since made further appointments to our field sales team and are pleased to report that our ability to execute and support much larger enterprise-wide contracts has been progressively honed. We believe that the increased sales investment will bear fruit in the current year.

We continue to see a growing number of engagements and will continue to acquire new business in an orderly and structured way as and when customers are released from contracts with their existing data vendors.

Entry Point to International Market Data

In parallel, another primary concentration last year was to extend the MarketTerminal™ product's capability globally with the addition of international data. This process will be complete this year and will be a major step in our development. This new product will leverage a shared infrastructure and offer the international market data coverage that is required by major financial institutions, while being a much more cost-effective alternative to traditional providers.

We are a great deal further forward in our development work upon the international MarketTerminal™ product with data from most of the major international markets, including Nasdaq, NYSE, Euronext and Frankfurt, integrated into the service. We expect to commence trials later this year. It may be worth reminding shareholders that there was a similar period of trial before the successful QuoteTerminal launch and we believe this will be no different provided that we take one step at a time.

The expanded breadth of our offering and our established reputation with customers means that we are uniquely positioned to capitalise on the opportunities within these markets once this product is launched.

Our Markets

We assess the market for our UK-market data service alone is some 20,000 terminals worth around £20m per annum. With the activity that we are now seeing and the opportunities which will arise from the launch of the international MarketTerminal™ product we believe that the value of our market opportunity has increased substantially.

Reference has been made in the Statement to a number of enterprise-wide contracts signed during the year. In addition to the opportunity to upsell to existing UK-only customers, there is considerable pent up demand from other new customers for the international version of the product. We therefore believe that our addressable market will rise to $2.7bn (source: Inside Market Data Reference 2002) per annum once the international product has been launched.

In order to develop the significant opportunity and to strengthen the balance sheet, on 22 September 2003 we announced that we had placed 8 million new shares to raise £1 million (before expenses). Contemporaneously to the Placing we announced the appointment of KBC Peel Hunt as stockbroker and nominated advisor to the Company. We were very pleased with the strong interest shown and welcome the new institutional investors who participated in the Placing.

The Placing has further strengthened the Company's balance sheet. The Directors are of the opinion that the additional strength will be commercially beneficial in enabling the Company to engage successfully with large customers. We believe that the placing will also enable us to increase our operating capacity as well as increasing the flexibility to pursue the opportunities for MarketTerminal™.

Financial Control and Reporting

We have a sound balance sheet with no borrowings and a product capable of excellent cash generation. Operating expenses remain tightly controlled.

The MarketTerminal™ model is based around developing a business with a high level of renewable revenues, a low breakeven hurdle point and a marginal cost to service each new customer. It is important to note that our conservative accounting policies mean that, while sales and marketing expenses are written off as incurred, cash received from customers is not recognised as revenue immediately but spread over the full term of the subscription. The Board has always adopted this approach and is fully committed to continuing to follow this prudent policy in the future.

Chief Executive's Statement

These results are of academic interest given that the QuoteTerminal product was launched towards the end of the first half of 2003 when significant orders were received. Since then we have experienced continued success in winning larger contracts and solid renewals performance, and we are experiencing considerable growth quarter on quarter. The first quarter of the current year underway shows an 84% increase in terminal sales over the fourth quarter of 2003, which in turn showed a 46% increase the previous quarter. Annualised contracted revenues now exceed £0.5m.

The financial year just ended saw continued investment in MarketTerminal™ as we extended this product's capability globally with the addition of international data to ensure our longer-term goals are achieved. The year therefore includes some overhead relating to this product which is not yet revenue generating. The Group produced a net loss after tax of £705,651, consistent with managing this major investment programme.

Outlook

In summary, our trading performance in the first quarter of this year has built upon the good performance in the final quarter of last year. We have had strong success in invoicing in the quarter, particularly with enterprise-wide contracts incorporating multiple seats. Our programme of continued technical innovation will culminate in the launch of the broader international MarketTerminal™ solution this year accessing an increased target market of first tier institutions.

We have every confidence that your company can build on the foundation now in place and expect to continue to benefit from the rapid adoption of thin-client market data services in this marketplace.

Dr Marc Pinter-Krainer
Chief Executive Officer

*MarketTerminal is a registered trademark

Directors, Secretary and Advisers

Directors	Marc Pinter-Krainer *(Chief Executive)* Paul McGroary *(Group Commercial Director)* Michael Stewart Levy *(Group Finance Director)* Smit Berry *(Non-executive Director)*
Secretary and Registered Office	Michael Stewart Levy Wembley Point 1 Harrow Road Wembley Middlesex HA9 6DE
Nominated Adviser and Broker	KBC Peel Hunt Ltd 111 Old Broad Street London EC2N 1PH
Registered Number	4062416
Solicitors	Nicholson Graham & Jones 110 Cannon Street London EC4N 6AR
Auditors	Solomon Hare LLP Oakfield House Oakfield Grove Clifton Bristol BS8 2BN
Registrars	Capita IRG PLC The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Principal Bankers	HSBC 1 High Street Chislehurst Kent BR7 5AB

Board of Directors

Directors - Executive

Dr Marc Pinter-Krainer (32)

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 (46)

Paul is responsible for the commercial aspects of the Group. He is also Chairman of Eyeconomy Holdings PLC, an advertising agency, as well as being an investor in 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 (42)

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.

Director - Non-Executive

Smit Berry (33)

Smit is the founder of Equitylink Limited, a publisher of two investment newsletters which provide research on fully listed and AIM stocks across a variety of industry classifications. He is also Chief Executive of Silentpoint PLC. Smit obtained a BEng (Hons) in Computing Science from Imperial College, University of London in 1991.

Directors' Report

The Directors present their Report and Accounts for the year ended 30 June 2003.

Principal activities

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

Review of the business and prospects

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

Results and dividends

Details of the results for the year are given on page 11. 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 5.

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 2003		At 1 July 2002	
	Number	%	Number	%
Dr Marc Pinter-Krainer *	20,040,000	18.34	20,000,000	24.51
Paul McGroary **	10,850,300	9.93	10,810,300	13.25
Michael Stewart Levy	209,960	0.19	209,960	0.26
Smit Berry	10,013,600	9.17	10,013,600	12.27

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

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

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

Directors' Report (continued)

Substantial shareholdings

The Company has been notified of the following interests at 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	%
ISIS Asset Management	11,716,667	9.84
Singer & Friedlander	9,545,240	8.02
Ennis International Limited	6,662,500	5.60
Global Value Investment Portfolio Management Pte Ltd	5,080,000	4.27
Anthony William Patrick Cross	4,500,000	3.78

Employees

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

Charitable and political contributions

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

Corporate Governance

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

The Board has established an Audit Committee, amongst whose members is the non-executive Director.

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 29 (2002: 18 days).

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.

Directors' Report (continued)

Research and Development

The Group has made considerable progress in product development, while continuing to keep a control of costs. QuoteTerminal, a real-time UK financial information system for market professionals, was launched during the previous year. The Group continues to develop MarketTerminal, a real-time international financial information system. Research and development expenditure is charged to the profit and loss account in the year incurred.

Auditors

A resolution to re-appoint Solomon Hare LLP as the Group's Auditors will be proposed at the Annual General Meeting.

On behalf of the Board

Michael Levy
Company Secretary

14 October 2003

Statement of Directors' Responsibilities

Company law requires the Directors to prepare accounts for each financial year, which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that year. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

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

We have audited the accounts of Knowledge Technology Solutions PLC for the year ended 30 June 2003 set out on pages 11 to 22. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

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

Respective responsibilities of Directors and Auditors

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

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

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises only the Directors' Report and the Chief Executive's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

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

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Group and Company as at 30 June 2003 and of the Group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

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

14 October 2003

Consolidated Profit and Loss Account

For the year ended 30 June 2003

	Note	Year ended 30 June 2003	Year ended 30 June 2002
		£	£
Turnover	2	160,708	76,539
Distribution costs		(303,031)	(184,532)
Administrative costs		(572,949)	(487,532)
		(715,272)	(595,525)
Other operating income	3	-	125,000
Operating loss	3	(715,272)	(470,525)
Interest receivable		9,621	19,884
Loss on ordinary activities before taxation		(705,651)	(450,641)
Taxation	5	41,837	-
Loss on ordinary activities after taxation		(663,814)	(450,641)
Dividends		-	-
Retained loss for the year	16	(663,814)	(450,641)
Loss per share	6	(0.73)p	(0.57)p
Diluted loss per share	6	(0.73)p	(0.57)p

All of the results relate to continuing operations.

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

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

Balance Sheets

As at 30 June 2003

	Note	Group 2003 £	Group 2002 £	Company 2003 £	Company 2002 £
Fixed assets					
Tangible assets	7	184,949	36,788	-	-
Investments	8	-	-	79,297	79,297
		184,949	36,788	79,297	79,297
Current assets					
Debtors	9	89,004	120,808	1,179,810	586,060
Cash at bank and in hand		439,245	366,074	345,377	251,782
		528,249	486,882	1,525,187	837,842
Creditors: amounts falling due within one year	10	(102,065)	(82,168)	(12,084)	(25,319)
Net current assets		426,184	404,714	1,513,103	812,523
Net assets		611,133	441,502	1,592,400	891,820
Capital and reserves					
Called up share capital	13	109,256	81,606	109,256	81,606
Share premium account	14	1,810,193	1,004,398	1,810,193	1,004,398
Profit and loss account	16	(1,308,316)	(644,502)	(327,049)	(194,184)
Equity shareholders' funds	15	611,133	441,502	1,592,400	891,820

Approved on behalf of the board on 14 October 2003 by:

Marc Pinter-Krainer
Chief Executive

Michael Levy
Group Finance Director

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

Notes to the Accounts

For the year ended 30 June 2003

	Note	Year ended 30 June 2003	Year ended 30 June 2002
		£	£
Net cash outflow from operating activities	17	**(630,020)**	**(480,980)**
Returns on investments and servicing of finance			
Interest received		9,621	19,884
Net cash inflow from returns on investments and servicing of finance		**9,621**	**19,884**
Taxation			
Corporation tax refund		41,837	-
Net cash inflow from taxation		**41,837**	**-**
Purchase of tangible fixed assets		(181,712)	(30,038)
Net cash outflow from capital expenditure and financial investment		**(181,712)**	**(30,038)**
Net cash outflow before financing		**(760,274)**	**(491,134)**
Financing			
Issue of share capital		856,000	434,755
Expenses paid in connection with share issues		(22,555)	(18,493)
Net cash inflow from financing		**833,445**	**416,262**
Increase/(Decrease) in cash in the year	18	**73,171**	**(74,872)**

All cash flows relate to continuing operations.

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

Notes to the Accounts

1. ACCOUNTING POLICIES

Accounting convention

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

Basis of consolidation

The consolidated accounts incorporate the accounts of the Company and all of its subsidiary undertakings made up to 30 June 2003. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date control passes using the acquisition basis of accounting.

Turnover

Turnover represents net invoiced sales of services, advertising and sponsorship revenue, excluding value added tax.

Income is recognised over the contract period.

Tangible fixed assets and depreciation

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

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

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

Leasing commitments

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

Research and development

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

Notes to the Accounts

2. TURNOVER

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

3. OPERATING LOSS

		Year ended 30 June 2003 £	Year ended 30 June 2002 £
The operating loss is stated after charging/(crediting):			
Depreciation of owned assets		33,551	9,851
Rentals under operating leases:			
Land and buildings		18,000	18,000
Auditors' remuneration	- audit	8,000	7,000
	- other	3,435	9,000
Research and development		256,696	216,453
Contribution to infrastructure costs		-	(125,000)

4. STAFF COSTS

		Year ended 30 June 2003 £	Year ended 30 June 2002 £
a)	**Aggregate staff costs, including Directors' remuneration**		
	Wages and salaries	289,776	260,787
	Social security costs	29,156	24,538
		318,932	285,325
b)	**The average number of full time equivalent employees (including executive Directors) was:**		
	Sales and administration	12	10
		£	£
c)	**Directors' emoluments**		
	Aggregate remuneration:		
	Emoluments	66,083	61,083

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

Notes to the Accounts

5. TAXATION ON LOSS ON ORDINARY ACTIVITIES

Credit/(Charge) for the year:	Year ended 30 June 2003	Year ended 30 June 2002
	£	£
UK corporation tax –prior years	41,837	-

Factors affecting the tax charge for the year

The tax assessed for the year ended 30 June 2003 is lower than the standard rate of corporation tax in the UK. The reasons for this difference are explained below:

	2003	2002
	%	%
Standard rate of corporation tax in UK of 30% (2001: 30%)	30	30
Effects of:		
Capital allowances for the year in excess of depreciation	6	1
Research and development tax credit – prior years	6	-
Tax losses available to carry forward	(36)	(31)
Current tax credit for the year	6	-

Factors which may affect future tax charges

The Group expects to make sufficient profits in future years to utilise the tax losses carried forward at 30 June 2003 of approximately £1,500,000 (2002: £850,000).

6. LOSS PER SHARE

The loss per Ordinary Share has been calculated by dividing the loss on ordinary activities after tax attributable to shareholders by 91,292,074 (2002: 78,588,504), being the weighted average number of Ordinary Shares in issue during the year, which carry the right to receive a dividend. As a result of the loss for the year there is no difference between the basic and diluted loss per share.

Notes to the Accounts

7. TANGIBLE FIXED ASSETS

	Office furniture & equipment	Computer equipment	Total
Group	£	£	£
At 1 July 2002	6,731	56,165	62,896
Additions	6,208	175,504	181,712
At 30 June 2003	12,939	231,669	244,608
Depreciation			
At 1 July 2002	3,485	22,623	26,108
Charge for year	941	32,610	33,551
At 30 June 2003	4,426	55,233	59,659
Net book value at 30 June 2003	8,513	176,436	184,949
Net book value at 30 June 2002	3,246	33,542	36,788

8. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	Investments
Company	£
Cost and net book value	
At 30 June 2002 and 30 June 2003	79,297

The Company owned 100% of the ordinary share capital in the following subsidiary undertakings at 30 June 2003:

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

9. DEBTORS

	Group 2003 £	Group 2002 £	Company 2003 £	Company 2002 £
Due within one year:				
Trade debtors	11,338	14,544	-	-
Amounts owed by Group undertakings	-	-	1,169,447	566,968
Other debtors	30,622	17,652	3,414	6,633
Prepayments and accrued income	47,044	88,612	6,949	12,459
	89,004	120,808	1,179,810	586,060

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

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2003 £	Group 2002 £	Company 2003 £	Company 2002 £
Trade creditors	54,313	44,910	1,213	15,682
Taxation and social security	12,596	8,082	2,121	2,078
Other creditors and accruals	35,156	29,176	8,750	7,559
	102,065	82,168	12,084	25,319

11. ANNUAL COMMITMENTS UNDER OPERATING LEASES

	Group 2003 £	Group 2002 £	Company 2003 £	Company 2002 £
Expiring between two and five years:				
Land and buildings	18,000	18,000	-	-

12. DEFERRED TAXATION

There is no actual or potential liability for deferred taxation due to the availability of losses, which at 30 June 2003 amounted to approximately £1,500,000 (2002: £850,000). The unprovided deferred tax asset at 30 June 2003 was £280,000 (2002: £164,000).

Currently the criteria for the recognition of a deferred tax asset have not been met and accordingly a deferred tax asset has not been included in the balance sheet as at 30 June 2003 and as at 30 June 2002.

Notes to the Accounts

13. SHARE CAPITAL

	2003 £	2002 £
Company		
Authorised:		
200,000,000 Ordinary Shares of 0.1p each	200,000	200,000
Allotted, called up and fully paid:		
109,256,321 (2002: 81,606,321) Ordinary Shares of 0.1p each	109,256	81,606

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

Date	Number
11 December 2002	2,650,000 shares at 4.0 pence per share
3 March 2003	25,000,000 shares at 3.0 pence per share

Share options and warrants

Under the Company's approved 2002 Share Option Scheme, certain Directors and employees held options at 30 June 2003 for 2,775,000 unissued Ordinary Shares of 0.1 pence each as follows:

Share options	At 1 July 2002	Granted	Exercised	Lapsed	At 30 June 2003	Exercise price	Normal exercise period
Employees	2,275,000	-	-	-	2,275,000	4.5 pence	2 May 04 – 1 May 08
Directors:							
Marc Pinter-Krainer	500,000	-	-	-	500,000	4.5 pence	2 May 04 – 1 May 08
Adviser warrants	2,186,981	-	-	-	2,186,981	5.625 pence	7 Nov 01 – 7 Nov 03
Founder warrants (to Directors):							
Marc Pinter-Krainer*	20,000,000	-	-	-	20,000,000	0.1 pence	7 Nov 01 – 7 Nov 03
Paul McGroary**	10,000,000	-	-	-	10,000,000	0.1 pence	7 Nov 01 – 7 Nov 03
Smit Berry	10,000,000	-	-	-	10,000,000	0.1 pence	7 Nov 01 – 7 Nov 03
Founder Warrants (to others):	10,000,000	-	-	-	10,000,000	0.1 pence	7 Nov 01 – 7 Nov 03

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

** Interest held jointly with wife.

The Founder Warrants are exercisable 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. These were all subsequently cancelled on 4 September 2003.

Notes to the Accounts

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

	At 1 July 2002	Granted	Exercised	Lapsed	At 30 June 2003	Exercise price	Normal exercise period
Other Warrants:							
Michael Levy	500,000	-	-	-	500,000	2.5 pence	10 May 04 – 10 May 11

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

The highest price of the company's shares during the year was 6.25p, the lowest price was 2.38p and the price at the year-end was 5.13p.

14. SHARE PREMIUM

	Group 2003 £	Group 2002 £	Company 2003 £	Company 2002 £
At 1 July 2002	1,004,398	558,598	1,004,398	558,598
Issues of shares	828,350	464,293	828,350	464,293
Cost of share issues	(22,555)	(18,493)	(22,555)	(18,493)
At 30 June 2003	1,810,193	1,004,398	1,810,193	1,004,398

15. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

Group	2003 £	2002 £
Opening equity shareholders' funds	441,502	435,079
Loss retained for the financial year	(663,814)	(450,641)
New share capital issued less costs	833,445	457,064
Closing equity shareholders' funds	611,133	441,502

Company	2003 £	2002 £
Opening equity shareholders' funds	891,820	572,700
Loss retained for the financial year	(132,865)	(137,944)
New share capital issued less costs	833,445	457,064
Closing equity shareholders' funds	1,592,400	891,820

Notes to the Accounts

16. PROFIT AND LOSS ACCOUNT

Group	2003 £	2002 £
At 1 July 2002	(644,502)	(193,861)
Loss for the financial year	(663,814)	(450,641)
At 30 June 2003	(1,308,316)	(644,502)

Company	2003 £	2002 £
At 1 July 2002	(194,184)	(56,240)
Loss for the financial year	(132,865)	(137,944)
At 30 June 2003	(327,049)	(194,184)

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

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

	2003 £	2002 £
Operating loss	(715,272)	(470,525)
Non-cash consideration (note 19)	-	40,802
Depreciation of fixed assets	33,551	9,851
Decrease/(Increase) in debtors	31,804	(59,727)
Increase /(Decrease) in creditors	19,897	(1,381)
Net cash outflow from operating activities	(630,020)	(480,980)

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

	2003 £	2002 £
Net funds at start of year	366,074	440,946
Increase/(Decrease) in cash in the year	73,171	(74,872)
Net funds at the end of the year	439,245	366,074

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

19. MATERIAL NON-CASH TRANSACTIONS

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

During the previous year, on 25 January 2002, the Company issued 1,033,860 Ordinary Shares of 0.1 pence per share to Paul McGroary, Michael Levy and Smit Berry in lieu of their Directors' emoluments and consultancy fees in the sum of £40,802.

Notes to the Accounts

20. POST BALANCE SHEET EVENTS

Subsequent to the year-end all of the Founder Warrants were cancelled. In addition, 9,786,981 Ordinary Shares of 0.1 pence per share have been issued raising £1,050,517 after expenses.

21. RELATED PARTY TRANSACTIONS

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

Smit Berry:
Fees payable to Berrymist Limited, in which Smit Berry is a Director, in respect of services as a non-executive Director of £Nil (2002: £1,500) and consultancy fees of £5,250 (2002: £4,000). At 30 June 2003 the amount outstanding was £78 (2002: £78).

Paul McGroary:
Fees payable to Paul McGroary and Scorpion Asset Management Limited, in which Paul McGroary is a Director, in respect of services as a Director of £Nil (2002 - £1,500) and consultancy fees of £17,000 (2002: £17,000). At 30 June 2003 the amount outstanding was £Nil (2002: £4,250).

Michael Levy:
Fees payable to Michael Levy & Co, Chartered Accountants, in which Michael Levy is the principal, in respect of services as a Director of £Nil (2002: £1,500) and accountancy services of £20,015 (2002: £18,065). At 30 June 2003 the amount outstanding was £4,470 (2002: £3,280).

22. FINANCIAL INSTRUMENTS

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

The main risks arising from the Group's financial instruments are interest rate fluctuations and liquidity risk. It is the Group's policy to finance its operations through cash, and to periodically review the projected cashflow requirements of the Group. The Group invests its cash and obtains a variable rate of interest dependent on balances held and market rates.

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

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

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

Notice of the Annual General Meeting

KNOWLEDGE TECHNOLOGY SOLUTIONS PLC
Company Number 4062416

NOTICE IS HEREBY GIVEN that the annual general meeting of Knowledge Technology Solutions PLC (the "Company") will be held at KBC Peel Hunt Ltd, 111 Old Broad Street, London EC2N 1PH on Tuesday 25 November 2003 at 1 pm for the following purposes:

To consider and if thought fit, pass the following resolutions, as ordinary resolutions in the case of resolutions 1 to 7 and as special resolutions in the case of resolution 8.

Ordinary Business

1. THAT the report of the Directors of the Company (the "Directors") and the audited accounts of the Company for the year ended 30 June 2003 be received and adopted.

2. THAT Solomon Hare LLP be reappointed as Auditors to the Company until the conclusion of the next Annual General Meeting, and that the Directors be authorised to fix their remuneration.

3. THAT Marc Pinter-Krainer who retires by rotation be reappointed as a Director.

4. THAT Paul McGroary who retires by rotation be reappointed as a Director.

5. THAT Michael Levy who retires by rotation be reappointed as a Director.

6. THAT Smit Berry who retires by rotation be reappointed as a non-executive Director.

Special Business

7. THAT the Directors be generally and unconditionally authorised to exercise all powers of the Company, pursuant to section 80 of the Companies Act 1985 (the "Act"), to allot relevant securities (as defined in the Act) up to a maximum nominal amount of £118,398.68 at such times and generally on such terms as they think proper, in accordance with Article 5 of the Articles of Association of the Company, provided that this authority shall expire on the date of the next Annual General Meeting of the Company.

8. THAT, subject to the passing of resolution 7 above, the Directors be and are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority conferred by the Article as Section 89(1) of the Act did not apply to any such allotments, provided that this power shall be limited to the allotment of equity securities:

   (a) in connection with a rights issue, open offer or otherwise in favour of ordinary shareholders in proportion (as nearly as possible) to the respective number of shares held by them, subject only to such exclusions or other arrangements as the Directors may consider appropriate to deal with fractional entitlements or problems arising in any territory or with the requirements of any recognised regulatory body or stock exchange in any territory; and

   (b) (otherwise than pursuant to sub-paragraph (a) above) up to an aggregate nominal amount of £45,000.00 or such lesser amount as represent 55 percent (fifty five per cent) of the issued share capital of the Company from time to time;

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

Notice of the Annual General Meeting

By Order of the Board

Michael Levy
Secretary

14 October 2003

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

Notes

1. A member who is entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.

2. The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 2 pm on November 2003, 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 2 pm on November 2003 or, in the event that the meeting is adjourned, in such register less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.

   A form of proxy is provided with this notice. To be effective a form of proxy together with any power of attorney or other authority under which it is executed or a copy thereof certified notarially or in accordance with the Power of Attorney Act 1971 or as the Directors shall accept must be sent to the Company Secretary, Knowledge Technology Solutions PLC, c/o Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive not later than 48 hours before the start of the meeting. Completion of the form of proxy will not affect the right of a member to attend and vote at the meeting.

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

KNOWLEDGE TECHNOLOGY SOLUTIONS PLC

I/We of

being (a) member(s) of the above-named Company hereby appoint the Chairman of the meeting (Note 3)

as my/our proxy to vote for me/us on my/our behalf at the annual general meeting to be held at 1 pm on Tuesday 25 November 2003 and at any adjournment thereof.

Dated .... 2003 Signature(s)..

	For	Against
1. Ordinary resolution - To receive and adopt the Report of the Directors and the Audited Accounts of the Company for the year ended 30 June 2003.		
2. Ordinary resolution - To reappoint Solomon Hare LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.		
3. Ordinary resolution - To reappoint Marc Pinter-Krainer as a Director		
4. Ordinary resolution - To reappoint Paul McGroary as a Director.		
5. Ordinary resolution - To reappoint Michael Levy as a Director.		
6. Ordinary resolution - To reappoint Smit Berry as a non-executive Director.		
7. Ordinary resolution - To renew the power of the Directors to allot equity securities pursuant to Section 80 of the Companies Act 1985.		
8. Special resolution – To renew the power of the Directors to allot equity securities on a non-pre-emptive basis subject to certain limitations.		

Notes

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

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

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

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

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

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

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

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

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