



2 March 2004

**Knowledge Technology Solutions PLC
Interim results for the six months to 31 December 2003**

Knowledge Technology Solutions PLC, the provider of market data services for financial professionals, reports its unaudited results for the six months to 31 December 2003.

Financial and business highlights:

- Gavin Casey, former CEO of the London Stock Exchange, appointed Chairman
- Turnover increased to £298,232 (31 December 2002: £44,652)
- Losses before tax on ordinary activities of £432,656 (31 December 2002: £321,585)
- Annualised contracted managed service revenue now exceeds £850,000 up 70% since publication of annual results in October 2003
- UK-only QuoteTerminal service now making a positive contribution, with strong uptake from existing service clients for additional seats
- MarketTerminal™ now being trialled by a number of customers
- Cash position of £1,107,486 (31 December 2002: £221,440)

Commenting on the results, Gavin Casey, Chairman, said:

“Our contracted annualised revenue has grown to £0.85 million which is 70% higher than the level reported in October. The Group’s advanced technology and dedication to good customer service will continue to differentiate our market data services from those of other suppliers and should lead to increasing revenues in our target markets.”

For more information, please contact:

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Professional users have the opportunity to review QuoteTerminal or MarketTerminal™ by telephoning 020 7623 3399 and requesting a free trial.

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

Chairman's statement

It is very pleasing in this my first interim statement to shareholders as Chairman to be able to report that Knowledge Technology Solutions (“KTS”) has made significant progress in the half year to 31 December 2003. We are progressing towards our goal of building a strong service business with healthy gross profit margins supported by substantial long-term recurring revenue streams.

Results in brief

Sales of the QuoteTerminal service, which provides financial data on the UK market, have grown strongly and have now reached more than 80 individual client organisations to which KTS has established itself as a reliable, quality supplier. We estimate that from a standing start we now have in excess of three per cent of the market data terminal market (in terms of number of subscriber seats) in the UK.

Total revenue during the first half rose to £0.3 million from £45,000 reflecting the Group's conservative revenue recognition policy. It is important to note that our policies mean that while sales and marketing expenses are written off as incurred, cash received from customers is spread over the full term of the subscription.

Contracted annualised revenue currently stands at £0.85 million which is 70% higher than that announced at the time of the preliminary announcement last October. The pre-tax loss was £0.43 million during the period.

Strategy

Development of MarketTerminal™, our international market data application service, is complete, covering major US and European exchanges. The completion of MarketTerminal™ achieves the first of a number of strategic aims for KTS. It is a solution based on the same unique proprietary technology platform that delivers QuoteTerminal and is therefore robust and scalable. It will be leveraging a shared infrastructure and enables us to provide a cost-effective alternative to traditional providers.

The platform is widely recognised as being advanced and will provide market data solutions for the whole of the equity market data services industry and should support our longer term strategy of broadening the customer base by extending into-adjacent market sectors, on a considered basis.

In the short term, KTS will:

- Further increase the cash flow generation from QuoteTerminal; and
- Start to build UK market share for MarketTerminal™ addressing a significantly larger market segment that requires international data coverage.

Gavin Casey
Chairman

Chief Executive's review

Products

We are pleased that our QuoteTerminal service on a standalone basis started to make a positive contribution in the second quarter, some months ahead of the target expected by analysts last year. QuoteTerminal is now maturing, and therefore requires less central overhead to manage it although we continue to refine and add to the product's rich functionality. As a result of our current sales position, the marginal profit on incremental accounts is good and the cost of servicing an individual customer is relatively low. Notwithstanding that, within our overall costs we continue to carry the costs for further developing the international MarketTerminal™ service as we move this product towards completion. These costs comprise mainly software development, IT and market data expenses. MarketTerminal™ did not generate revenues during the first half when it entered Beta trials but is positioned for broader customer deployment during the second half of this year.

The introduction of MarketTerminal™ is expected to extend the addressable market for KTS to \$2.7bn per annum (source: Inside Market Data Reference 2002).

Board changes

We are delighted to have appointed Gavin Casey, former CEO of the London Stock Exchange, to be Chairman of the Board. Gavin has considerable experience in the introduction of mission critical software systems in the financial data markets, having overseen the introduction of similar systems while at the London Stock Exchange. Moreover, he has many business contacts among our target market of first-tier financial institutions which will benefit KTS when MarketTerminal™ is due for launch.

Paul McGroary will step down as a director with immediate effect. Paul has significant business commitments elsewhere which now require that he place his attention there. I would like to take this opportunity to thank Paul for his very valuable contribution.

Outlook

QuoteTerminal is expected to continue to trade well and we remain focussed on introducing MarketTerminal™ as soon as we can. Looking beyond the current year, our proprietary technology offers exciting prospects. Our positive outlook could not have been delivered without the dedication of our staff and the Board thanks them for their contribution during the first half of this year.

Marc Pinter-Krainer
Chief Executive
2 March 2004

MarketTerminal™ is a registered trademark of Cognita Technologies Limited, wholly-owned subsidiary.

KNOWLEDGE TECHNOLOGY SOLUTIONS PLC
CONSOLIDATED PROFIT & LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

	Notes	Period ended 31 December 2003 (unaudited) £	Period ended 31 December 2002 (unaudited) £	Year ended 30 June 2003 (audited) £
Turnover	3	298,323	44,652	160,708
Distribution costs		(289,443)	(104,380)	(303,031)
Administrative costs		(455,606)	(265,260)	(572,949)
Operating loss		(446,726)	(324,988)	(715,272)
Interest receivable		14,070	3,403	9,621
Loss on ordinary activities before taxation		(432,656)	(321,585)	(705,651)
Taxation on loss on ordinary activities	4	-	-	41,837
Loss on ordinary activities after taxation		(432,656)	(321,585)	(663,814)
Dividends	5	-	-	-
Retained loss		(432,656)	(321,585)	(663,814)
Basic earnings per ordinary share	6	(0.38)p	(0.39)p	(0.73)p
Diluted earnings per ordinary share	6	(0.38)p	(0.39)p	(0.73)p

All of the results relate to continuing operations.

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

KNOWLEDGE TECHNOLOGY SOLUTIONS PLC
CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2003

	Notes	As at 31 December 2003 (unaudited) £	As at 31 December 2002 (unaudited) £	As at 30 June 2003 (audited) £
Fixed assets				
Tangible fixed assets		181,923	48,063	184,949
Current assets				
Debtors		142,727	51,127	89,004
Cash at bank and in hand		1,107,486	221,440	439,245
		1,250,213	272,567	528,249
Creditors: amounts falling due within one year		(178,417)	(94,713)	(102,065)
Net current assets		1,071,796	177,854	426,184
Total assets less current liabilities		1,253,719	225,917	611,133
Capital and reserves				
Called up share capital		119,443	84,256	109,256
Share premium account		2,875,248	1,107,748	1,810,193
Profit and loss account		(1,740,972)	(966,087)	(1,308,316)
Equity shareholders' funds	9	1,253,719	225,917	611,133

KNOWLEDGE TECHNOLOGY SOLUTIONS PLC
CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

	Period ended 31 December 2003 (unaudited) Notes	Period ended 31 December 2002 (unaudited) £	Year ended 30 June 2003 (audited) £	
Net cash outflow from operating activities	7	(392,503)	(234,861)	(630,020)
Returns on investment and servicing of finance				
Interest received		14,070	3,403	9,621
Net cash inflow from returns on investments and servicing of finance		14,070	3,403	9,621
Taxation				
Corporation tax refund		-	-	41,837
Net cash inflow from taxation		-	-	41,837
Capital expenditure				
Purchase of tangible fixed assets		(28,568)	(19,176)	(181,712)
Net cash outflow from capital expenditure and financial investment		(28,568)	(19,176)	(181,712)
Net cash outflow before financing		(407,001)	(250,634)	(760,274)
Financing				
Issue of share capital		1,123,018	106,000	856,000
Expenses paid in connection with share issues		(47,776)	-	(22,555)
Net cash inflow from financing		1,075,242	106,000	833,445
Increase/(Decrease) in cash	8	668,241	(144,634)	73,171

All cash flows relate to continuing operations.

KNOWLEDGE TECHNOLOGY SOLUTIONS PLC
NOTES TO THE INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

1 Basis of preparation

The interim financial information in respect of the six months ended 31 December 2003 is unaudited and has been prepared on the basis of the accounting policies set out in the company's audited accounts for the year ended 30 June 2003.

The financial information contained in this statement does not constitute statutory accounts. Statutory accounts for the year ended 30 June 2003 received an unqualified audit report and have been filed with the Registrar of Companies.

2 Continuing activities

All of the activities are continuing.

3 Turnover

All of the turnover arises in the United Kingdom.

4 Taxation

As a result of losses available no liability to corporation tax is expected to arise.

5 Dividends

The Directors do not recommend the payment of an interim dividend.

6 Earnings per ordinary share

The basic earnings per ordinary share has been calculated by dividing the loss on ordinary activities after tax attributable to shareholders by the weighted average number of ordinary shares in issue during the period which carry the right to receive a dividend.

The diluted earnings per ordinary share has been calculated as above on the basis of full exercise of options and warrants.

7 Reconciliation of operating loss to net cash outflow from operating activities

	Period ended 31 December 2003 £	Period ended 31 December 2002 £	Year ended 30 June 2003 £
Operating loss	(446,726)	(324,988)	(715,272)
Depreciation of fixed assets	31,594	7,901	33,551
(Increase)/Decrease in debtors	(53,723)	69,681	31,804
Increase in creditors	76,352	12,545	19,897
Net cash outflow from operating activities	<u>(392,503)</u>	<u>(234,861)</u>	<u>(630,020)</u>

8 Reconciliation of net cash flow to movement of liquid funds

	Period ended 31 December 2003 £	Period ended 31 December 2002 £	Year ended 30 June 2003 £
Net funds at start of period	439,245	366,074	366,074
Increase/(Decrease) in cash for the period	668,241	(144,634)	73,171
Net funds at end of period	<u>1,107,486</u>	<u>221,440</u>	<u>439,245</u>

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

9 Reconciliation of movement in shareholders' funds

	Period ended 31 December 2003 £	Period ended 31 December 2002 £	Year ended 30 June 2003 £
Loss for the period	(432,656)	(321,585)	(663,814)
New share capital issued less costs	1,075,242	106,000	833,445
Net additions during the period	<u>642,586</u>	<u>(215,585)</u>	<u>169,631</u>
Opening shareholders' funds	<u>611,133</u>	<u>441,502</u>	<u>441,502</u>
Closing shareholders' funds	<u>1,253,719</u>	<u>225,917</u>	<u>611,133</u>