

Company	Knowledge Technology Solutions PLC
TIDM	KTS
Headline	Interim Results
Released	07:00 28 Mar 2003
Number	3026J

RNS News Release

28 March 2003

Knowledge Technology Solutions PLC Interim Results for the period ended 31 December 2002

Knowledge Technology Solutions PLC, the independent provider of real-time data solutions for financial professionals, today announces its unaudited results for the six months to 31 December 2002.

Financial and business highlights:

- Strongest ever pipeline of new business prospects for QuoteTerminal affirms importance of our product and expertise
- Conservative treatment of technology expenditure with all costs written off as incurred
- Group loss before tax of £321,585, reflecting further investment in research and development within our Cognita business
- Successful fundraising of £750,000 before expenses in March
- Development of MarketTerminal™ international product almost complete and will leverage a shared infrastructure with QuoteTerminal
- Business focus moving from technology and product development to account management and marketing
- Appointment of new Sales and Marketing Director in March
- Since January, annualised recurring revenue based on just the UK-only terminal progressively moving towards covering the bureau level (fixed cost and direct customer support) cost base

Chief Executive, Marc Pinter-Krainer said:

“We believe KTS is in a strong position to capitalise on the downsizing of the large market data vendors. Our business model has been built on lower unit costs and advanced technology, creating credible alternatives for financial institutions. As stockmarkets continue to be volatile, we expect financial institutions will continue to seek lower-cost alternatives and will migrate from the full cost providers whose products substantially still rely on legacy closed-network systems.”

“We are optimistic about the trading environment, and believe that our business model is robust and able to operate within whatever stockmarket conditions exist. The Company’s pipeline of potential prospects is healthy and this underpins our expectations going forward.”

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Professional users have the opportunity to request a free QuoteTerminal trial by calling the QuoteTerminal sales department on 020 8902 1400.

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2002

Chief Executive's statement

The focus we put on completing our thin-client technology platform over the last year is starting to deliver positive results. The Company's recurring revenue is becoming established, the administrative infrastructure is in place, the pipeline of prospective qualified opportunities is strong and the attractiveness of our customer offering has never been more compelling.

This encouraging performance has been delivered against a background of considerable stock market volatility, with the largest global market data vendors, our rivals, seeing significant declines in terminal sales as well as loss of market share.

Starting to establish renewable revenues

Recent contract wins support the Board's view that the market terminal business is beginning to deliver tangible progress against the significant market opportunity available. Results for the current period are of academic interest given that the majority of contracts went live in January and, as expected, represent the move from legacy web-advertising revenues from our retail investor site into high quality repeat income from QuoteTerminal.

KTS has already received commitments from, or is in advanced negotiations with other customers, which will become live during the next few weeks. The results for future periods will therefore demonstrate the strong defensive qualities of MarketTerminal™ income, with a broader installed base and higher level of contracted revenues.

Successful Placing to help accelerate sales

KTS' market data services are based on our core technology, MarketTerminal™, which has been considerably enhanced in terms of capacity and capability during the past year and now provides a robust infrastructure for market data delivery ASP services. Our browser-based market data platform eliminates the need for expensive infrastructure and has substantially lower monthly costs for the customer.

Since the beginning of 2003, KTS has noted the increasing demand for such services and also the market position which it has established. In order to develop the significant opportunities and to maximise shareholder value, in March, we were delighted to raise £750,000 of new equity (before expenses), despite the extremely difficult global market conditions. The ability of the Company to raise funds in such a difficult economic environment clearly demonstrates the strength of KTS' business. We were very pleased with the continued support of our existing shareholders and welcome two new institutional investors who participated in the placing.

These funds are being used to:

- Increase sales and marketing in order to maximise "first-mover" advantage;
- Strengthen our central processing facility; and
- Continue developing the services and building the operational management infrastructure to deliver the potential from these opportunities.

As part of this endeavour, we were pleased to announce the appointment of Richard Burtsal also in March, as sales and marketing director. Richard has a proven track record in the financial market data arena and was previously Account Director for Europe at Caplin Systems Ltd. Before that, for eight years he was an Associate Director at Thomson Financial, the global supplier of data, analysis and information tools to the finance industry.

Winning enterprise-wide contracts for UK only terminal

An update on QuoteTerminal, the brand name for our UK-only version of MarketTerminal™, was issued on 23 January, detailing the enterprise-wide contract with Morley Fund Management, the UK-based global asset management arm of financial services giant Aviva plc, for a number of terminals. Since then, we have received other multiple-terminal orders from other high profile customers. Our latest customers include Prudential-Bache Limited, a subsidiary of Prudential Financial, Inc. (USA) and Royal London Asset Management, the investment adviser to the Royal London Group.

The nature of the business, with customers waiting for expiry of contracts with existing suppliers, means that there can be a lag of several months before commitments are converted to the start of service and revenues start flowing. It is also 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.

In summary, KTS now has several significant customers for its market data ASP services, and these reference sites are now an important driver to our future sales.

Launch of International MarketTerminal™

In the coming months, KTS will launch the international version of MarketTerminal™ with pilot customers, leveraging a shared infrastructure with QuoteTerminal. This will be a further major step in our development since this new product will offer the international market data coverage that is required by major financial institutions, while still being a much more cost-effective alternative to Bloomberg and Reuters.

The period under review included the costs of purchasing “live” international data as we take this product towards completion. This additional expense will not be revenue generating until the product is launched, but its launch will allow KTS access to a wider market, at typically higher revenue per unit than the UK-only product.

The Board considers that KTS is well positioned to gain a significant market share in this sector. Annualised recurring revenue based on just the UK-only terminal has been growing and is – month by month – incrementally moving towards covering the bureau level (fixed cost and direct customer support) cost base.

Outlook

We believe KTS is in a strong position to capitalise on the downsizing of the large market data vendors. Our business model has been built on lower unit costs and advanced technology, creating credible alternatives for financial institutions. As stockmarkets continue to be volatile, we expect financial institutions will continue to seek lower-cost alternatives and will migrate from the full cost providers whose products substantially still rely on legacy closed-network systems.

We are optimistic about the trading environment, and believe that our business model is robust and able to operate within whatever stockmarket conditions exist. The Company’s pipeline of potential prospects is healthy and this underpins our expectations going forward.

Dr Marc Pinter-Krainer
Chief Executive Officer

*MarketTerminal is a registered trademark of Cognita Technologies Limited

KNOWLEDGE TECHNOLOGY SOLUTIONS PLC
CONSOLIDATED PROFIT & LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2002

	Notes	Period ended 31 December 2002 (unaudited) £	Period ended 31 December 2001 (unaudited) £	Year ended 30 June 2002 (audited) £
Turnover	3	44,652	49,109	76,539
Distribution costs		(104,380)	(45,786)	(184,532)
Administrative costs		(265,260)	(239,831)	(487,532)
		(324,988)	(236,508)	(595,525)
Other operating income	4	-	125,000	125,000
Operating loss		(324,988)	(111,508)	(470,525)
Interest receivable		3,403	10,963	19,884
Loss on ordinary activities before taxation		(321,585)	(100,545)	(450,641)
Taxation on loss on ordinary activities	5	-	-	-
Loss on ordinary activities after taxation		(321,585)	(100,545)	(450,641)
Dividends	6	-	-	-
Retained loss		(321,585)	(100,545)	(450,641)
Basic earnings per ordinary share	7	(0.39)p	(0.13)p	(0.57)p
Diluted earnings per ordinary share	7	(0.39)p	(0.13)p	(0.57)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

	Notes	As at 31 December 2002 (unaudited) £	As at 31 December 2001 (unaudited) £	As at 30 June 2002 (audited) £
Fixed assets				
Tangible fixed assets		48,063	39,120	36,788
Current assets				
Debtors		51,127	218,614	120,808
Cash at bank and in hand		221,440	620,119	366,074
		272,567	838,733	486,882
Creditors: amounts falling due within one year		(94,713)	(126,113)	(82,168)
Net current assets		177,854	712,620	404,714
Total assets less current liabilities		225,917	751,740	441,502
Capital and reserves				
Called up share capital		84,256	80,472	81,606
Share premium account		1,107,748	965,674	1,004,398
Profit and loss account		(966,087)	(294,406)	(644,502)
Equity shareholders' funds	11	225,917	751,740	441,502

KNOWLEDGE TECHNOLOGY SOLUTIONS PLC
CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2002

	Notes	Period ended 31 December 2002 (unaudited) £	Period ended 31 December 2001 (unaudited) £	Year ended 30 June 2002 (audited) £
Net cash outflow from operating activities	8	(234,861)	(223,577)	(480,980)
Returns on investment and servicing of finance				
Interest received		3,403	10,963	19,884
Net cash inflow from returns on investments and servicing of finance		3,403	10,963	19,884
Capital expenditure				
Purchase of tangible fixed assets		(19,176)	(25,419)	(30,038)
Net cash outflow from capital expenditure		(19,176)	(25,419)	(30,038)
Net cash outflow before financing		(250,634)	(238,033)	(491,134)
Financing				
Issue of ordinary share capital		106,000	429,132	434,755
Share issue costs		-	(11,926)	(18,493)
Net cash inflow from financing		106,000	417,206	416,262
(Decrease)/Increase in cash	9	(144,634)	179,173	(74,872)

KNOWLEDGE TECHNOLOGY SOLUTIONS PLC
NOTES TO THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2002

1 Basis of preparation

The interim financial information in respect of the six months ended 31 December 2002 is unaudited and has been prepared on the basis of the accounting policies set out in the company's audited accounts for the period ended 30 June 2002.

The financial information contained in this statement does not constitute statutory accounts. Statutory accounts for the period ended 30 June 2002 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 Other operating income

	Period ended 31 December 2002 £	Period ended 31 December 2001 £	Year ended 30 June 2002 £
Contribution towards infrastructure expenditure	=	<u>125,000</u>	<u>125,000</u>

5 Taxation

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

6 Dividends

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

7 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 warrants.

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

	Period ended 31 December 2002 £	Period ended 31 December 2001 £	Year ended to 30 June 2002 £
Operating loss	(324,988)	(111,508)	(470,525)
Non-cash consideration	-	-	40,802
Depreciation of fixed assets	7,901	2,900	9,851
Decrease/(Increase) in debtors	69,681	(157,533)	(59,727)
Increase/(Decrease) in creditors	<u>12,545</u>	<u>42,564</u>	<u>(1,381)</u>
Net cash outflow from operating activities	<u>(234,861)</u>	<u>(223,577)</u>	<u>(480,980)</u>

9 Reconciliation of net cash flow to movement of liquid funds

	Period ended 31 December 2002 £	Period ended 31 December 2001 £	Year ended 30 June 2002 £
(Decrease)/Increase in cash for the period	(144,634)	179,173	(74,872)
Net funds at start of period	<u>366,074</u>	<u>440,946</u>	<u>440,946</u>
Net funds at end of period	<u>221,440</u>	<u>620,119</u>	<u>366,074</u>

10 Analysis of net funds

	As at 31 December 2002 £	As at 31 December 2001 £	As at 30 June 2002 £
Cash at bank and in hand	<u>221,440</u>	<u>620,119</u>	<u>366,074</u>

11 Reconciliation of movement in shareholders' funds

	Period ended 31 December 2002 £	Period ended 31 December 2001 £	Year ended 30 June 2002 £
Loss for the period	(321,585)	(100,545)	(450,641)
New share capital issued less costs	<u>106,000</u>	<u>417,206</u>	<u>457,064</u>
Net additions during the period	(215,585)	316,661	6,423
Opening shareholders' funds	<u>441,502</u>	<u>435,079</u>	<u>435,079</u>
Closing shareholders' funds	<u>225,917</u>	<u>751,740</u>	<u>441,502</u>