



RNS Release

12 March 2007

KNOWLEDGE TECHNOLOGY SOLUTIONS PLC

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

Knowledge Technology Solutions PLC (AIM: KTS), providers of market information services in the finance sector, reports its unaudited results for the six months ended 31 December 2006.

Financial and business highlights:

- Turnover of £555,884 (2005: £720,278)
- Group loss before tax of £580,283 (2005: £547,447)
- Progressed new growth strategy, including developing MiFID* and MarketTerminal ON-SITE solutions
- Raised £1.8 million from share placings to fund growth
- Focused MarketTerminal on UK coverage only, reducing operating costs

* MiFID is the Markets in Financial Instruments Directive. This important EU directive is aimed at creating transparency throughout the European Union for market participants dealing in securities and is expected to become law from 1 November 2007.

Dr Marc Pinter-Krainer, Chief Executive of Knowledge Technology Solutions, said:

“We have responded to the continued challenges in the highly competitive financial information subscription services market by implementing a new growth strategy complementing our MarketTerminal data service with MarketTerminal ON-SITE for institutional clients and by addressing the opportunities arising out of the introduction of MiFID.

“Although it is early days, we have been encouraged by the response our new strategy and products have generated from prospective customers.”

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Chief Executive's review

In the six months ended 31 December 2006, KTS has built on the strength and flexibility of the Company's technology to develop solutions that address the requirements resulting from the forthcoming MiFID directive and the need for investment banks to control and view data from many sources, both internal and external. This will reduce the Company's dependency on revenues derived solely from its market data subscription service, MarketTerminal, which addresses an increasingly competitive marketplace.

MarketTerminal subscription business

As highlighted in previous statements, intense competition among vendors of UK market data display applications has exerted pressure on turnover and profit margins for our market data subscription service. As almost all revenues during the period were derived from the MarketTerminal market data subscription service, the continued competitive environment has contributed to an increase in losses of £580,283 (2005: £547,447) and a fall in turnover to £555,884 (2006: 720,278).

We are continuing to market our MarketTerminal service with new sales initiatives, but have discontinued overseas exchange coverage with effect from 1 January 2007. The associated reduction in data costs has already started to take effect in the current half of this financial year. Following negotiations with our data suppliers, data cost reductions are expected to generate an estimated net saving in excess of £220,000 per annum.

MiFID

As part of the new strategy, a recent initiative has been the creation of specific solutions which address the requirements directly arising from the planned introduction of MiFID.

UK market participants will have requirements for MiFID specific solutions which are wide-reaching, with a recent paper issued by the Financial Services Authority (FSA) citing an estimated MiFID compliance cost impact on UK firms of £1bn. Through our participation in MiFID implementation forums over the past 18 months and as a result of ongoing engagement with clients and partners, we believe we have identified tangible opportunities among both the investment and the securities' sales side of the financial marketplace.

These products, which are currently being specified and developed, are designed to assist market participants with specific MiFID compliance solutions, whilst enabling clients to secure the maximum business benefit beyond the initial introduction of MiFID in November.

MarketTerminal ON-SITE

A further, separate part of our new strategy also leverages our proven application technology to target new substantial growth opportunities. With the recent introduction of MarketTerminal ON-SITE, we have a solution that addresses the increasing need amongst global investment banks to create and deploy their own customised viewing applications.

MarketTerminal ON-SITE uses the same proprietary technology platform as MarketTerminal and integrates seamlessly with a bank's existing infrastructure. It is designed to improve the interface between a bank's internally-originated and derived information and the external data and prices sourced from a plethora of third party suppliers. It is aimed at major international investment banks operating in the City of London.

We have received encouraging feedback from a number of global investment banks in response to MarketTerminal ON-SITE. The banks have recognised its ability to allow them control of their own data viewing application. It also enables them to benefit from the flexibility, reliability and potentially significant cost reduction which can be achieved when a tailored version of our MarketTerminal data display application is deployed within their organisation.

We are currently engaged in the evaluation and sales process with several large institutions, including a global investment bank for which we have successfully completed a 'proof of concept' initial installation of MarketTerminal ON-SITE.

Board Appointments

The recently announced appointment of two additional board directors, Richard Last as Chairman and Louise Barton as a non-executive director, has resulted in a stronger board that is able to take KTS through its next growth phase.

Outlook

We have responded to the continued challenges in the highly competitive financial information subscription services market by building on the strength and flexibility of our technology to create new products and by taking appropriate cost saving measures.

Organic growth should arise primarily from the new MiFID and MarketTerminal ON-SITE initiatives and may be complemented with growth resulting from potential selective acquisitions. However, significant revenues from these new initiatives are not expected until the next financial year due to the long sales cycles when supplying large-scale solutions to global financial institutions. As a result, we do not expect a significant change in trading performance for the full year compared to the previous year.

We are pleased to have successfully raised an additional £1.8 million in new funds in the period. This is reflected in the cash balance at the end of the period of £1.94 million and leaves us with a suitably strong balance sheet to pursue the significant opportunities we have identified with prospective banks and other financial institutions.

Although it is early days, we have been encouraged by the response our new strategy and products have generated from prospective customers.

Marc Pinter-Krainer
Chief Executive
12 March 2007

KNOWLEDGE TECHNOLOGY SOLUTIONS PLC
CONSOLIDATED PROFIT & LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

		Period ended 31 December 2006 (unaudited) £	Period ended 31 December 2005 (unaudited) £	Year ended 30 June 2006 (audited) £
	Notes			
Turnover	3	555,884	720,278	1,417,063
Distribution costs		(595,667)	(718,626)	(1,316,988)
Administrative costs		(553,873)	(583,210)	(1,170,498)
Operating loss		(596,356)	(581,558)	(1,070,423)
Interest receivable		16,073	34,111	54,257
Loss on ordinary activities before taxation		(580,283)	(547,447)	(1,016,166)
Taxation on loss on ordinary activities	4	-	-	-
Loss on ordinary activities after taxation		(580,283)	(547,447)	(1,016,166)
Dividends	5	-	-	-
Retained loss		(580,283)	(547,447)	(1,016,166)
Basic earnings per ordinary share	6	(0.33)p	(0.37)p	(0.69)p
Diluted earnings per ordinary share	6	(0.33)p	(0.37)p	(0.69)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 2006

	Notes	As at 31 December 2006 (unaudited) £	As at 31 December 2005 (unaudited) £	As at 30 June 2006 (audited) £
Fixed assets				
Tangible fixed assets		140,523	154,519	158,527
Current assets				
Debtors		253,929	173,633	229,059
Cash at bank and in hand		1,937,108	1,353,363	961,878
		2,191,037	1,526,996	1,190,937
Creditors: amounts falling due within one year		(401,549)	(426,055)	(562,723)
Net current assets		1,789,488	1,100,941	628,214
Total assets less current liabilities		1,930,011	1,255,460	786,741
Capital and reserves				
Called up share capital		332,532	148,275	148,275
Share premium account		6,316,870	4,777,574	4,777,574
Profit and loss account		(4,719,391)	(3,670,389)	(4,139,108)
Equity shareholders' funds	9	1,930,011	1,255,460	786,741

KNOWLEDGE TECHNOLOGY SOLUTIONS PLC
CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

		Period ended 31 December 2006 (unaudited) £	Period ended 31 December 2005 (unaudited) £	Year ended 30 June 2006 (audited) £
Net cash outflow from operating activities	7	(759,096)	(396,136)	(778,952)
Returns on investment and servicing of finance				
Interest received		16,073	34,111	54,257
Net cash inflow from returns on investments and servicing of finance		16,073	34,111	54,257
Taxation				
Corporation tax refund		-	-	-
Net cash inflow from taxation		-	-	-
Capital expenditure				
Disposal of fixed assets		1,044	-	-
Purchase of tangible fixed assets		(6,344)	(665)	(29,480)
Net cash outflow from capital expenditure and financial investment		(5,300)	(665)	(29,480)
Net cash outflow before financing		(748,323)	(362,690)	(754,175)
Financing				
Issue of share capital		1,842,571	-	-
Expenses paid in connection with share issues		(119,018)	-	-
Net cash inflow from financing		1,723,553	-	-
Increase/(decrease) in cash	8	975,230	(362,690)	(754,175)

All cash flows relate to continuing operations.

KNOWLEDGE TECHNOLOGY SOLUTIONS PLC
NOTES TO THE INTERIM RESULTS FOR THE SIX MONTHS
ENDED 31 DECEMBER 2006

1 Basis of preparation

The interim financial information in respect of the six months ended 31 December 2006 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 2006.

The financial information contained in this statement does not constitute statutory accounts. Statutory accounts for the year ended 30 June 2006 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 2006 £	Period ended 31 December 2005 £	Year ended 30 June 2006 £
Operating loss	(596,356)	(581,558)	(1,070,423)
Depreciation of fixed assets	23,796	26,173	50,979
Profit on disposal of fixed assets	(492)	-	-
Increase in debtors	(24,870)	(10,707)	(66,133)
(Decrease)/increase in creditors	(161,174)	169,956	306,625
Net cash outflow from operating activities	<u>(759,096)</u>	<u>(396,136)</u>	<u>(778,952)</u>

8 Reconciliation of net cash flow to movement of liquid funds

	Period ended 31 December 2006 £	Period ended 31 December 2005 £	Year ended 30 June 2006 £
Net funds at start of period	961,878	1,716,053	1,716,053
Increase/(decrease) in cash for the period	975,230	(362,690)	(754,175)
Net funds at end of period	<u>1,937,108</u>	<u>1,353,363</u>	<u>961,878</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 2006 £	Period ended 31 December 2005 £	Year ended 30 June 2006 £
Loss for the period	(580,283)	(547,447)	(1,016,166)
New share capital issued less costs	1,723,553	-	-
Net increase/(reduction) during the period	<u>1,143,270</u>	<u>(547,447)</u>	<u>(1,016,166)</u>
Opening shareholders' funds	786,741	1,802,907	1,802,907
Closing shareholders' funds	<u>1,930,011</u>	<u>1,255,460</u>	<u>786,741</u>