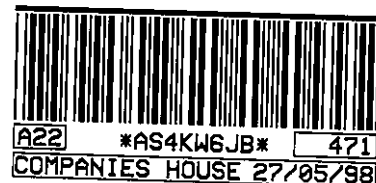


Company Registration No. 3086310 (England and Wales)

PAT SYSTEMS LIMITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 1997



Berg Kaprow Lewis
35 Ballards Lane
London
N3 1XW

PAT SYSTEMS LIMITED

COMPANY INFORMATION

Directors	T Theys I K Bell
Secretary	M Downie
Company number	3086310
Registered office	35 Ballards Lane London N3 1XW
Auditors	Berg Kaprow Lewis 35 Ballards Lane London N3 1XW
Business address	No. 2 Gallery Court Pilgrimage Street London SE1 4LL
Bankers	Coutts & Co St. Martin's Office 440 Strand London WC2R 0QS
Solicitors	Memery Crystal 31 Southampton Row London WC1B 5HT

PAT SYSTEMS LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes to the financial statements	6 - 12

PAT SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 1997

The directors present their report and financial statements for the period ended 31 December 1997.

Principal activities

The principal activity of the company is that of development, sale and support of trading systems.

Directors

The following directors have held office since 1 September 1996:

T Theys

I K Bell

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary shares of 1p each	
	31 December 1997	1 September 1996
T Theys	50,000	-
I K Bell	4,000	-

	Ordinary shares of £1 each	
	31 December 1997	1 September 1996
T Theys	-	2
I K Bell	-	-

Auditors

Berg Kaprow Lewis were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

PAT SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 1997

Directors' responsibilities

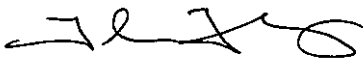
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the Board



.....
T Theys

Director

13 MAY 1998
.....

PAT SYSTEMS LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF PAT SYSTEMS LIMITED

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1997 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Berg Kaprow Lewis

15 May 1998

Chartered Accountants
Registered Auditor

35 Ballards Lane
London
N3 1XW

PAT SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 1997

		16 Month Period ended 31 December 1997 £	13 Month Period ended 31 August 1996 £
	Notes		
Turnover		103,833	-
Cost of sales		(17,375)	-
Gross profit		86,458	-
Administrative expenses		(304,972)	(11,870)
Other operating income		50,000	-
Operating loss	2	(168,514)	(11,870)
Interest receivable and similar income	3	805	229
Loss on ordinary activities before taxation		(167,709)	(11,641)
Taxation	4	-	-
Loss on ordinary activities after taxation	11	(167,709)	(11,641)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

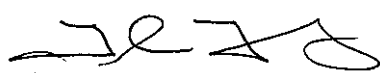
PAT SYSTEMS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1997

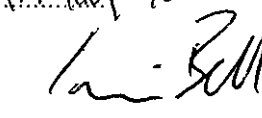
	Notes	1997 £	£	1996 £	£
Fixed assets					
Intangible assets	5	156,202		66,575	
Tangible assets	6	45,290		1,157	
		<u>201,492</u>		<u>67,732</u>	
Current assets					
Stocks		21,889		-	
Debtors	7	58,823		11,416	
Cash at bank and in hand		1,612		4,656	
		<u>82,324</u>		<u>16,072</u>	
Creditors: amounts falling due within one year	8	<u>(172,356)</u>		<u>(95,443)</u>	
Net current liabilities			(90,032)		(79,371)
Total assets less current liabilities		<u>111,460</u>		<u>(11,639)</u>	
Creditors: amounts falling due after more than one year	9	100,000		-	
Capital and reserves					
Called up share capital	10	1,000		2	
Share premium account	11	189,810		-	
Profit and loss account	11	<u>(179,350)</u>		<u>(11,641)</u>	
Shareholders' funds - equity interests	12		11,460		(11,639)
		<u>111,460</u>		<u>(11,639)</u>	

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on 13th May 98



T Theys
Director



I K Bell
Director

PAT SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1997

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 Research and development

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred, except that development expenditure incurred on an individual specific project is carried forward when its future recoverability can reasonably be regarded as being assured. Any expenditure carried forward is amortised over the period in which the related sales are expected to arise.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Leasehold improvements	Over the life of the lease
Computer equipment	25 % Straight line basis
Fixtures & fittings	20 % Straight line basis

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Stock

Stock is valued at the lower of cost and net realisable value.

1.7 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.8 Foreign currency translation

Monetary 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 recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

PAT SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1997

2	Operating loss	1997 £	1996 £
	Operating loss is stated after charging:		
	Amortisation of intangible assets	78,102	-
	Depreciation of tangible assets	12,832	385
	Operating lease rentals	3,455	-
	Auditors' remuneration	4,000	2,500
	Directors' emoluments	78,350	-

Included within the operating loss is exceptional income of £50,000 which represents a deposit received from a potential investor in the company who breached the conditions under the share subscription agreement and forfeited the deposit.

3	Other interest receivable and similar income	1997 £	1996 £
	Bank interest	805	229

4 Taxation

There is no corporation tax liability for the period due to the availability of tax losses (1996 : £ Nil).

PAT SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1997

5 Intangible fixed assets

	Development costs
	£
Cost	
At 1 September 1996	66,575
Additions	167,729
At 31 December 1997	234,304
Amortisation	
At 1 September 1996	-
Charge for period	78,102
At 31 December 1997	78,102
Net book value	
At 31 December 1997	156,202
At 31 August 1996	66,575

The costs capitalised above are being written off over a 3 year period commencing in the year in which the first sales arise.

In the previous years financial statements, the development costs of £66,575 shown above were disclosed within debtors. The directors are of the opinion that now that related sales have commenced, it is more accurate to disclose this expenditure as an intangible fixed asset and amortise it over the period in which the related sales are expected to arise. The comparative figures have been adjusted accordingly.

PAT SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1997

6 Tangible assets

	Leasehold improvements £	Computer equipment £	Fixtures & fittings £	Total £
Cost				
At 1 September 1996	-	1,542	-	1,542
Additions	22,402	21,063	13,500	56,965
At 31 December 1997	22,402	22,605	13,500	58,507
Depreciation				
At 1 September 1996	-	385	-	385
Charge for the period	4,480	5,652	2,700	12,832
At 31 December 1997	4,480	6,037	2,700	13,217
Net book value				
At 31 December 1997	17,922	16,568	10,800	45,290
At 31 August 1996	-	1,157	-	1,157

7 Debtors

	1997 £	1996 £
Other debtors	58,823	11,416
Amounts falling due after more than one year and included in the debtors above are:		
	1997 £	1996 £
Other debtors	2,214	-

Included within other debtors at 31 December 1997 is a loan of £22,091 (1996 - £Nil) to T Theys, and £40 (1996 - £Nil) to I K Bell. The maximum amounts outstanding during the period were the same as at the balance sheet date.

PAT SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1997

8	Creditors: amounts falling due within one year	1997 £	1996 £
	Trade creditors	20,542	36,757
	Taxation and social security	21,010	-
	Other creditors	130,804	58,686
		<u>172,356</u>	<u>95,443</u>
9	Creditors: amounts falling due after more than one year	1997 £	1996 £
	Loan account	<u>100,000</u>	<u>-</u>

The loan account represents shares subscribed for not yet received. Following the year end the entire amount was converted into Ordinary share capital as further explained in note 16 to the financial statements.

10	Share capital	1997 £	1996 £
	Authorised		
	10,000,000 Ordinary shares of 1p each	100,000	-
	100,000 Ordinary shares of £1 each	-	100,000
		<u>100,000</u>	<u>100,000</u>
	Allotted, called up and fully paid		
	100,000 Ordinary shares of 1p each	1,000	-
	2 Ordinary shares of £1 each	-	2
		<u>1,000</u>	<u>2</u>

During the period 998 Ordinary shares of £1 each were issued which ranked pari passu with the Ordinary shares then in issue. All of the shares were issued for cash apart from 30 shares which were issued in exchange for services rendered. The shares were issued to enable the company to have sufficient funds to be able to continue to develop software.

On 22 September 1997, each Ordinary £1 share was subdivided into 100 Ordinary shares of 1p each.

PAT SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1997

11 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Balance at 1 September 1996	-	(11,641)
Retained loss for the period	-	(167,709)
Premium on shares issued during the period	189,810	-
Balance at 31 December 1997	189,810	(179,350)

12 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Loss for the financial period	(167,709)	(11,641)
Proceeds from issue of shares	190,808	-
Net addition to/(depletion in) shareholders' funds	23,099	(11,641)
Opening shareholders' funds	(11,639)	2
Closing shareholders' funds	11,460	(11,639)

13 Financial commitments

At 31 December 1997 the company had annual commitments under non-cancellable operating leases as follows:

	1997 £	1996 £
Expiry date:		
Within one year	1,773	-
Between two and five years	7,535	-
	9,308	-

14 Control

The company is controlled by T Theys and I K Bell who own 54 % of the company .

PAT SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1997

15 Post balance sheet events

Following the year end, the company increased the share capital by £32 by issuing 3,175 Ordinary shares of 1p each which ranked pari passu with the Ordinary shares then in issue . These shares were allotted in consideration for the value of the loan account of £100,000 .