

Company Registration No. 3086310 (England and Wales)

**PAT SYSTEMS LIMITED**  
**DIRECTORS' REPORT AND**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1998**



Berg Kaprow Lewis  
35 Ballards Lane  
London  
N3 1XW

# PAT SYSTEMS LIMITED

## COMPANY INFORMATION

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|                   |                                                                        |                              |
|-------------------|------------------------------------------------------------------------|------------------------------|
| Directors         | T R Theys                                                              |                              |
|                   | I K Bell                                                               |                              |
|                   | C A Roberts                                                            | (Appointed 11 February 1998) |
|                   | M J Stiller                                                            | (Appointed 11 February 1998) |
|                   | P Hayward                                                              | (Appointed 13 October 1998)  |
| Secretary         | M Downie                                                               |                              |
| Company number    | 3086310                                                                |                              |
| Registered office | 35 Ballards Lane<br>London<br>N3 1XW                                   |                              |
| Auditors          | Berg Kaprow Lewis<br>35 Ballards Lane<br>London<br>N3 1XW              |                              |
| Business address  | No. 2 Gallery Court<br>Pilgrimage Street<br>London<br>SE1 4LL          |                              |
| Bankers           | Coutts & Co<br>St. Martin's Office<br>440 Strand<br>London<br>WC2R 0QS |                              |
| Solicitors        | Memery Crystal<br>31 Southampton Row<br>London<br>WC1B 5HT             |                              |

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# PAT SYSTEMS LIMITED

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# PAT SYSTEMS LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998

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The directors present their report and financial statements for the year ended 31 December 1998.

### 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 January 1998:

|             |                              |
|-------------|------------------------------|
| T R Theys   |                              |
| I K Bell    |                              |
| C A Roberts | (Appointed 11 February 1998) |
| M J Stiller | (Appointed 11 February 1998) |
| P Hayward   | (Appointed 13 October 1998)  |

### Directors' interests

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

|             | Ordinary shares of 1p each |                |
|-------------|----------------------------|----------------|
|             | 31 December 1998           | 1 January 1998 |
| T R Theys   | 50,000                     | 50,000         |
| I K Bell    | 4,000                      | 4,000          |
| C A Roberts | 3,175                      | -              |
| M J Stiller | 3,175                      | -              |
| P Hayward   | 24,000                     | 24,000         |

### Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Berg Kaprow Lewis be reappointed as auditors of the company will be put to the Annual General Meeting.

# PAT SYSTEMS LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998

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### Directors' responsibilities

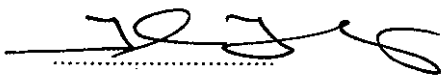
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- 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.

By order of the board



T R Theys

Director

23 MARCH 1999

# PAT SYSTEMS LIMITED

## AUDITORS' REPORT TO THE SHAREHOLDERS OF PAT SYSTEMS LIMITED

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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.

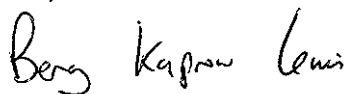
### Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the validity of the going concern basis. As described in accounting policy 1.1 on page 6, the financial statements have been prepared on a going concern basis which is dependent upon the company obtaining increased revenue from sales or raising additional finance.

The financial statements do not include any adjustments that would result should these assumptions not be appropriate. In view of the significance of this uncertainty, we consider it should be drawn to your attention but our opinion is not qualified in this respect.

### 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 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Berg Kaprow Lewis**

Chartered Accountants  
**Registered Auditor**

23 March 1999

35 Ballards Lane  
London  
N3 1XW

# PAT SYSTEMS LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998

|                                                    |       | 12 month<br>period<br>ended<br>31 December<br>1998<br>£ | 16 month<br>period<br>ended<br>31 December<br>1997<br>£ |
|----------------------------------------------------|-------|---------------------------------------------------------|---------------------------------------------------------|
|                                                    | Notes |                                                         |                                                         |
| Turnover                                           | 2     | 211,159                                                 | 103,833                                                 |
| Cost of sales                                      |       | (60,715)                                                | (17,375)                                                |
| <b>Gross profit</b>                                |       | <u>150,444</u>                                          | <u>86,458</u>                                           |
| Administrative expenses                            |       | (766,471)                                               | (304,972)                                               |
| Other operating income                             |       | -                                                       | 50,000                                                  |
| <b>Operating loss</b>                              | 3     | <u>(616,027)</u>                                        | <u>(168,514)</u>                                        |
| Other interest receivable and similar income       | 4     | 3,616                                                   | 805                                                     |
| Interest payable and similar charges               |       | (248)                                                   | -                                                       |
| <b>Loss on ordinary activities before taxation</b> |       | <u>(612,659)</u>                                        | <u>(167,709)</u>                                        |
| Tax on loss on ordinary activities                 | 5     | -                                                       | -                                                       |
| <b>Loss on ordinary activities after taxation</b>  | 13    | <u><u>(612,659)</u></u>                                 | <u><u>(167,709)</u></u>                                 |

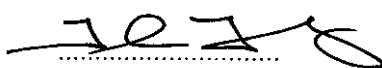
# PAT SYSTEMS LIMITED

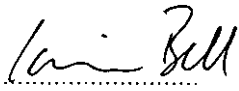
## BALANCE SHEET AS AT 31 DECEMBER 1998

|                                                                | Notes | 1998<br>£      | £              | 1997<br>£     | £              |
|----------------------------------------------------------------|-------|----------------|----------------|---------------|----------------|
| <b>Fixed assets</b>                                            |       |                |                |               |                |
| Intangible assets                                              | 6     |                | 374,045        |               | 156,202        |
| Tangible assets                                                | 7     |                | 97,589         |               | 45,290         |
| Investments                                                    | 8     |                | 8,811          |               | -              |
|                                                                |       |                | <u>480,445</u> |               | <u>201,492</u> |
| <b>Current assets</b>                                          |       |                |                |               |                |
| Stocks                                                         |       | -              |                | 21,889        |                |
| Debtors                                                        | 9     | 188,490        |                | 58,823        |                |
| Cash at bank and in hand                                       |       | 16,005         |                | 1,612         |                |
|                                                                |       | <u>204,495</u> |                | <u>82,324</u> |                |
| <b>Creditors: amounts falling due within one year</b>          | 10    | (476,137)      |                | (172,356)     |                |
| <b>Net current liabilities</b>                                 |       |                | (271,642)      |               | (90,032)       |
| <b>Total assets less current liabilities</b>                   |       |                | <u>208,803</u> |               | <u>111,460</u> |
| <b>Creditors: amounts falling due after more than one year</b> | 11    |                | -              |               | 100,000        |
| <b>Capital and reserves</b>                                    |       |                |                |               |                |
| Called up share capital                                        | 12    | 1,282          |                | 1,000         |                |
| Share premium account                                          | 13    | 999,528        |                | 189,810       |                |
| Profit and loss account                                        | 13    | (792,007)      |                | (179,350)     |                |
| <b>Shareholders' funds - equity interests</b>                  | 14    |                | <u>208,803</u> |               | <u>11,460</u>  |
|                                                                |       |                | <u>208,803</u> |               | <u>111,460</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 23/3/99.

  
T R Theys  
Director

  
I K Bell  
Director

# PAT SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention and on a going concern basis.

The directors believe that this is appropriate as since the year end, there has been a further subscription for share capital of £250,000 and a facility of £200,000 has been made available by way of loan. The directors are confident that increased revenue from sales will enable the company to continue to develop, support and sell trading systems. The directors are also actively pursuing further alternative sources of finance. Accordingly, these financial statements have been prepared on a going concern basis.

#### 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 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

#### 1.6 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.

#### 1.7 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertaking comprise a small-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.

### 2 Turnover

In the year to 31 December 1998, 22.00% (1997 : 0.00%) of the company's turnover was to markets outside the United Kingdom.

# PAT SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

|                                          |                   |                   |
|------------------------------------------|-------------------|-------------------|
| <b>3 Operating loss</b>                  | <b>1998</b>       | <b>1997</b>       |
|                                          | <b>£</b>          | <b>£</b>          |
| Operating loss is stated after charging: |                   |                   |
| Amortisation of intangible assets        | 226,074           | 78,102            |
| Depreciation of tangible assets          | 34,453            | 12,832            |
| Auditors' remuneration                   | 6,000             | 4,000             |
| Directors' emoluments                    | 154,321           | 78,350            |
|                                          | <u>          </u> | <u>          </u> |

The comparative figures for 1997 include 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.

|                                                       |                   |                   |
|-------------------------------------------------------|-------------------|-------------------|
| <b>4 Other interest receivable and similar income</b> | <b>1998</b>       | <b>1997</b>       |
|                                                       | <b>£</b>          | <b>£</b>          |
| Bank interest                                         | 3,616             | 805               |
|                                                       | <u>          </u> | <u>          </u> |

### 5 Taxation

There is no corporation tax liability for the year due to the availability of tax losses (1997 : £ Nil ).

### 6 Intangible fixed assets

|                       |                                              |
|-----------------------|----------------------------------------------|
|                       | <b>Other<br/>intangible<br/>assets<br/>£</b> |
| <b>Cost</b>           |                                              |
| At 1 January 1998     | 234,304                                      |
| Additions             | 443,917                                      |
|                       | <u>          </u>                            |
| At 31 December 1998   | 678,221                                      |
|                       | <u>          </u>                            |
| <b>Amortisation</b>   |                                              |
| At 1 January 1998     | 78,102                                       |
| Charge for year       | 226,074                                      |
|                       | <u>          </u>                            |
| At 31 December 1998   | 304,176                                      |
|                       | <u>          </u>                            |
| <b>Net book value</b> |                                              |
| At 31 December 1998   | 374,045                                      |
|                       | <u>          </u>                            |
| At 31 December 1997   | 156,202                                      |
|                       | <u>          </u>                            |

The costs capitalised above are being written off on a straight line basis over a 3 year period.

# PAT SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

### 7 Tangible assets

|                       | Leasehold<br>improvement<br>s | Computer<br>equipment | Fixtures &<br>fittings | Total   |
|-----------------------|-------------------------------|-----------------------|------------------------|---------|
|                       | £                             | £                     | £                      | £       |
| <b>Cost</b>           |                               |                       |                        |         |
| At 1 January 1998     | 22,402                        | 22,605                | 13,500                 | 58,507  |
| Additions             | -                             | 85,428                | 1,323                  | 86,751  |
| At 31 December 1998   | 22,402                        | 108,033               | 14,823                 | 145,258 |
| <b>Depreciation</b>   |                               |                       |                        |         |
| At 1 January 1998     | 4,480                         | 6,036                 | 2,700                  | 13,216  |
| Charge for the year   | 4,480                         | 27,008                | 2,965                  | 34,453  |
| At 31 December 1998   | 8,960                         | 33,044                | 5,665                  | 47,669  |
| <b>Net book value</b> |                               |                       |                        |         |
| At 31 December 1998   | 13,442                        | 74,989                | 9,158                  | 97,589  |
| At 31 December 1997   | 17,922                        | 16,568                | 10,800                 | 45,290  |

Included within computer equipment are assets that cost £ 55,233 (1997 : £ Nil) which are held for use under operating leases. The related depreciation on these assets is £ 13,808 (1997 : £ Nil).

# PAT SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

### 8 Fixed asset investments

|                     | Shares in<br>group<br>undertakings<br>and<br>participating<br>interests<br>£ |
|---------------------|------------------------------------------------------------------------------|
| <b>Cost</b>         |                                                                              |
| At 1 January 1998   | -                                                                            |
| Additions           | 8,811                                                                        |
|                     | <hr/>                                                                        |
| At 31 December 1998 | 8,811                                                                        |
|                     | <hr/>                                                                        |

The company beneficially owns the whole of the issued share capital of PAT Systems (Switzerland) GmbH which is incorporated and registered in Switzerland.

PAT Systems (Switzerland) GmbH is a dormant company which was incorporated on 28 October 1998.

In the opinion of the directors, the aggregate value of the company's investment in the subsidiary undertaking is not less than the amount included on the balance sheet.

| 9 Debtors                                                                                             | 1998<br>£ | 1997<br>£ |
|-------------------------------------------------------------------------------------------------------|-----------|-----------|
| Trade debtors                                                                                         | 8,095     | -         |
| Amounts owed by group undertakings and undertakings in which the company has a participating interest | 1,189     | -         |
| Other debtors                                                                                         | 179,206   | 58,823    |
|                                                                                                       | <hr/>     | <hr/>     |
|                                                                                                       | 188,490   | 58,823    |
|                                                                                                       | <hr/>     | <hr/>     |

Amounts falling due after more than one year and included in the debtors above are:

|               | 1998<br>£ | 1997<br>£ |
|---------------|-----------|-----------|
| Other debtors | 2,214     | 2,214     |
|               | <hr/>     | <hr/>     |

Included within other debtors at 31 December 1998 is a loan of £109,980 (1997 - £22,091) to T R Theys, and £15,674 (1997 - £40) to I K Bell.

The maximum amounts outstanding during the year were the same as at the balance sheet date.

# PAT SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

| 10 Creditors: amounts falling due within one year | 1998<br>£      | 1997<br>£      |
|---------------------------------------------------|----------------|----------------|
| Bank loans and overdrafts                         | 719            | -              |
| Trade creditors                                   | 114,625        | 20,542         |
| Taxation and social security                      | 23,329         | 21,010         |
| Other creditors                                   | 337,464        | 130,804        |
|                                                   | <u>476,137</u> | <u>172,356</u> |

| 11 Creditors: amounts falling due after more than one year | 1998<br>£ | 1997<br>£      |
|------------------------------------------------------------|-----------|----------------|
| Other creditors                                            | -         | 100,000        |
|                                                            | <u>-</u>  | <u>100,000</u> |
| <b>Analysis of loans</b>                                   |           |                |
| Wholly repayable within five years                         | -         | 100,000        |
|                                                            | <u>-</u>  | <u>100,000</u> |
| <b>Loan maturity analysis</b>                              |           |                |
|                                                            | <u>-</u>  | <u>-</u>       |

The comparative figure for other creditors represented shares subscribed for but not yet issued as at 31 December 1997. During 1998, these ordinary shares were issued and fully paid up.

| 12 Share capital                          | 1998<br>£      | 1997<br>£      |
|-------------------------------------------|----------------|----------------|
| <b>Authorised</b>                         |                |                |
| 10,000,000 Ordinary shares of 1p each     | <u>100,000</u> | <u>100,000</u> |
| <b>Allotted, called up and fully paid</b> |                |                |
| 128,200 Ordinary shares of 1p each        | <u>1,282</u>   | <u>1,000</u>   |

During the year 28,200 Ordinary shares of 1p each were issued which ranked pari passu with the Ordinary shares then in issue. All of the shares were issued for cash and the company received consideration of £810,000.

# PAT SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

### 13 Statement of movements on reserves

|                                          | Share<br>premium<br>account | Profit and<br>loss account |
|------------------------------------------|-----------------------------|----------------------------|
|                                          | £                           | £                          |
| Balance at 1 January 1998                | 189,810                     | (179,348)                  |
| Retained loss for the year               | -                           | (612,659)                  |
| Premium on shares issued during the year | 809,718                     | -                          |
| Balance at 31 December 1998              | <u>999,528</u>              | <u>(792,007)</u>           |

### 14 Reconciliation of movements in shareholders' funds

|                                     | 1998           | 1997          |
|-------------------------------------|----------------|---------------|
|                                     | £              | £             |
| Loss for the financial year         | (612,659)      | (167,709)     |
| Proceeds from issue of shares       | 810,000        | 190,808       |
| Net addition to shareholders' funds | <u>197,341</u> | <u>23,099</u> |
| Opening shareholders' funds         | 11,460         | (11,639)      |
| Closing shareholders' funds         | <u>208,803</u> | <u>11,460</u> |

### 15 Financial commitments

At 31 December 1998 the company had annual commitments under non-cancellable operating leases as follows:

|                            | 1998         | 1997         |
|----------------------------|--------------|--------------|
|                            | £            | £            |
| Expiry date:               |              |              |
| Within one year            | 1,773        | 1,773        |
| Between two and five years | 7,535        | 7,535        |
|                            | <u>9,308</u> | <u>9,308</u> |

### 16 Transactions with directors

Included within other creditors is an amount of £2,593 (1997 : £ Nil ) owed to Global Direct Dealing Ltd., a company in which M J Stiller and C A Roberts are also directors and shareholders.

Included within administrative expenses is an amount of £17,750 (1997 : £ Nil ) for consultancy fees from I K Bell.

## **PAT SYSTEMS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998**

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#### **17 Related party transactions**

T R Theys has given a personal guarantee for £60,000 (1997 : £ Nil) to the company's bankers, Coutts & Co.