

Company Registration No. 3086310 (England and Wales)

**patsystems (UK) Limited**  
**FORMERLY PAT SYSTEMS LIMITED**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 1999**



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COMPANIES HOUSE

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24/03/00

# **patsystems (UK) Limited**

## **DIRECTORS AND ADVISERS**

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|                            |                                                                                                                                                             |
|----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Directors</b>           | T R Theys<br>J J A de Cock                                                                                                                                  |
| <b>Secretary</b>           | M Downie                                                                                                                                                    |
| <b>Company number</b>      | 3086310                                                                                                                                                     |
| <b>Registered office</b>   | 22 Shand Street<br>London<br>SE1 2ES                                                                                                                        |
| <b>Registered auditors</b> | Berg Kaprow Lewis<br>35 Ballards Lane<br>London<br>N3 1XW                                                                                                   |
| <b>Business address</b>    | 22 Shand Street<br>London<br>SE1 2ES                                                                                                                        |
| <b>Bankers</b>             | Coutts & Co<br>St. Martin's Office<br>440 Strand<br>London<br>WC2R 0QS<br><br>Royal Bank of Scotland plc<br>62/63 Threadneedle Street<br>London<br>EC2R 8LA |
| <b>Solicitors</b>          | Memery Crystal<br>31 Southampton Row<br>London<br>WC1B 5HT                                                                                                  |

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**patsystems (UK) Limited**  
**FORMERLY PAT SYSTEMS LIMITED**  
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**patsystems (UK) Limited**  
**FORMERLY PAT SYSTEMS LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 1999**

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The directors present their report and financial statements for the year ended 31 December 1999.

**Directors**

The following directors have held office since 1 January 1999:

|               |                                                          |
|---------------|----------------------------------------------------------|
| T R Theys     |                                                          |
| I K Bell      | (Resigned 2 September 1999)                              |
| C A Roberts   | (Resigned 2 September 1999)                              |
| M J Stiller   | (Resigned 3 March 2000)                                  |
| P Hayward     | (Resigned 2 September 1999)                              |
| W N Starbuck  | (Appointed 4 May 1999 and resigned 2 September 1999)     |
| M Latini      | (Appointed 11 August 1999 and resigned 11 February 2000) |
| J J A de Cock | (Appointed 2 September 1999)                             |
| S D'Isidoro   | (Appointed 11 February 2000 and resigned 3 March 2000)   |

**Principal activities and review of the business**

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

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect turnover to show continued and sustained growth in the foreseeable future.

The company changed its name from PAT Systems Limited to patsystems (UK) Limited by Special Resolution in a general meeting on 3 March 2000.

**Results and dividends**

The consolidated profit and loss account for the year is set out on page 4.

It is proposed that the retained loss of £1,757,337 is transferred to the group's reserves.

**Year 2000 compliance**

The company has implemented the changes necessary to make its accounting and management information systems Year 2000 compliant and has suffered no immediate financial or operational consequences as a result of the Year 2000 date change.

**Fixed assets**

The significant changes in fixed assets during the year are shown in notes 7, 8 and 9 to the financial statements.

**Directors' interests**

The directors' beneficial interests in the shares of the company and other group companies were as stated below:

**patsystems (UK) Limited**

|               | <b>Ordinary shares of 1p each</b> |                       |
|---------------|-----------------------------------|-----------------------|
|               | <b>31 December 1999</b>           | <b>1 January 1999</b> |
| T R Theys     | 50,000                            | 50,000                |
| M J Stiller   | 10,318                            | 3,175                 |
| M Latini      | -                                 | -                     |
| J J A de Cock | -                                 | -                     |

**patsystems (UK) Limited**  
**FORMERLY PAT SYSTEMS LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 1999**

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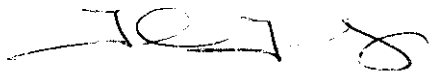
**Directors' responsibilities**

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 group and of the profit or loss of the group 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



T R Theys

Chairman

17 March 2000

**patsystems (UK) Limited**  
**FORMERLY PAT SYSTEMS LIMITED**  
**AUDITORS' REPORT**  
**TO THE SHAREHOLDERS OF PATSYSTEMS (UK) LIMITED**

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We have audited the financial statements on pages 4 to 22 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

**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.

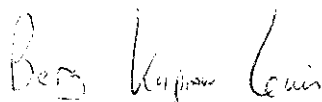
**Basis of opinion**

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 and the group'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 and the group's affairs as at 31 December 1999 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Berg Kaprow Lewis**

17 March 2000

Chartered Accountants  
**Registered Auditor**

35 Ballards Lane  
London  
N3 1XW

**patsystems (UK) Limited**  
**FORMERLY PAT SYSTEMS LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 1999**

|                                                    |       | 1999                      | 1998                    |
|----------------------------------------------------|-------|---------------------------|-------------------------|
|                                                    | Notes | £                         | as restated<br>£        |
| Turnover                                           | 2     | 608,923                   | 161,159                 |
| Cost of sales                                      |       | (3,300)                   | (60,715)                |
| <b>Gross profit</b>                                |       | <u>605,623</u>            | <u>100,444</u>          |
| Administrative expenses                            |       | (2,339,061)               | (984,314)               |
| <b>Operating loss</b>                              | 3     | <u>(1,733,438)</u>        | <u>(883,870)</u>        |
| Loss on disposal of investment                     |       | (2,200)                   | -                       |
| <b>Loss on ordinary activities before interest</b> |       | <u>(1,735,638)</u>        | <u>(883,870)</u>        |
| Other interest receivable and similar income       | 4     | 14,549                    | 3,616                   |
| Interest payable and similar charges               | 5     | (36,248)                  | (248)                   |
| <b>Loss on ordinary activities before taxation</b> |       | <u>(1,757,337)</u>        | <u>(880,502)</u>        |
| Tax on loss on ordinary activities                 | 6     | -                         | -                       |
| <b>Loss on ordinary activities after taxation</b>  |       | <u><u>(1,757,337)</u></u> | <u><u>(880,502)</u></u> |

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

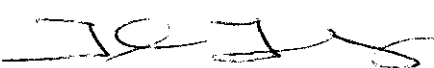
**patsystems (UK) Limited**  
**FORMERLY PAT SYSTEMS LIMITED**  
**STATEMENT OF RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 DECEMBER 1999**

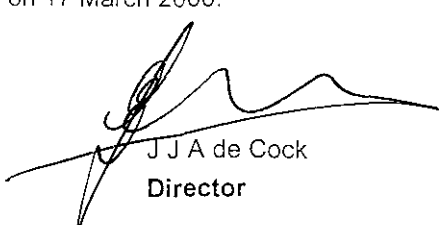
|                                                                          | 1999               | 1998             |
|--------------------------------------------------------------------------|--------------------|------------------|
|                                                                          | £                  | £                |
| Loss for the financial year                                              | (1,757,337)        | (880,502)        |
| Prior year adjustment (as explained in note 1)                           | (424,045)          | -                |
| <b>Total gains and losses recognised since last financial statements</b> | <b>(2,181,382)</b> | <b>(880,502)</b> |

**patsystems (UK) Limited**  
**FORMERLY PAT SYSTEMS LIMITED**  
**BALANCE SHEETS**  
**AS AT 31 DECEMBER 1999**

|                                                                |       | Group              |                    | Company            |                    |
|----------------------------------------------------------------|-------|--------------------|--------------------|--------------------|--------------------|
|                                                                |       | 1999               | 1998               | 1999               | 1998               |
|                                                                |       |                    | as restated        |                    | as restated        |
|                                                                | Notes | £                  | £                  | £                  | £                  |
| <b>Fixed assets</b>                                            |       |                    |                    |                    |                    |
| Intangible assets                                              | 7     | 250,000            | -                  | 250,000            | -                  |
| Tangible assets                                                | 8     | 189,266            | 97,589             | 154,950            | 97,589             |
| Investments                                                    | 9     | -                  | 8,811              | 14,400             | 8,811              |
|                                                                |       | <u>439,266</u>     | <u>106,400</u>     | <u>419,350</u>     | <u>106,400</u>     |
| <b>Current assets</b>                                          |       |                    |                    |                    |                    |
| Debtors: amounts falling due within one year                   | 10    | 266,909            | 186,276            | 574,444            | 186,276            |
| Debtors: amounts falling due after more than one year          | 10    | 66,470             | 2,214              | 66,470             | 2,214              |
| Cash at bank and in hand                                       |       | 517,089            | 16,005             | 456,602            | 16,005             |
|                                                                |       | <u>850,468</u>     | <u>204,495</u>     | <u>1,097,516</u>   | <u>204,495</u>     |
| <b>Creditors: amounts falling due within one year</b>          | 11    | <u>(631,783)</u>   | <u>(526,137)</u>   | <u>(616,663)</u>   | <u>(526,137)</u>   |
| <b>Net current liabilities</b>                                 |       | <u>218,685</u>     | <u>(321,642)</u>   | <u>480,853</u>     | <u>(321,642)</u>   |
| <b>Total assets less current liabilities</b>                   |       | <u>657,951</u>     | <u>(215,242)</u>   | <u>900,203</u>     | <u>(215,242)</u>   |
| <b>Creditors: amounts falling due after more than one year</b> | 12    | <u>(5,520)</u>     | <u>-</u>           | <u>-</u>           | <u>-</u>           |
|                                                                |       | <u>652,431</u>     | <u>(215,242)</u>   | <u>900,203</u>     | <u>(215,242)</u>   |
| <b>Capital and reserves</b>                                    |       |                    |                    |                    |                    |
| Called up share capital                                        | 13    | 1,781              | 1,282              | 1,781              | 1,282              |
| Share premium account                                          | 14    | 3,214,839          | 999,528            | 3,214,839          | 999,528            |
| Other reserves                                                 | 14    | 284,200            | -                  | 284,200            | -                  |
| Profit and loss account                                        | 14    | <u>(2,848,389)</u> | <u>(1,216,052)</u> | <u>(2,600,617)</u> | <u>(1,216,052)</u> |
| <b>Shareholders' funds - equity interests</b>                  | 15    | <u>652,431</u>     | <u>(215,242)</u>   | <u>900,203</u>     | <u>(215,242)</u>   |

The financial statements were approved by the board on 17 March 2000.

  
T R Theys  
Chairman

  
J J A de Cock  
Director

**patsystems (UK) Limited**  
**FORMERLY PAT SYSTEMS LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 1999**

|                                                                                      | 1999<br>£   | 1998<br>£ |
|--------------------------------------------------------------------------------------|-------------|-----------|
| <b>Net cash outflow from operating activities</b>                                    | (1,647,220) | (754,133) |
| <b>Returns on investments and servicing of finance</b>                               |             |           |
| Interest received                                                                    | 14,549      | 3,616     |
| Interest paid                                                                        | (36,003)    | (246)     |
| Interest element of finance lease rentals                                            | (245)       | -         |
| <b>Net cash (outflow)/inflow for returns on investments and servicing of finance</b> | (21,699)    | 3,370     |
| <b>Capital expenditure</b>                                                           |             |           |
| Payments to acquire intangible assets                                                | (155,000)   | -         |
| Payments to acquire tangible assets                                                  | (131,918)   | (86,752)  |
| <b>Net cash outflow for capital expenditure</b>                                      | (286,918)   | (86,752)  |
| <b>Acquisitions and disposals</b>                                                    |             |           |
| Purchase of subsidiary undertakings (net of cash acquired)                           | -           | (8,811)   |
| <b>Net cash outflow for acquisitions and disposals</b>                               | -           | (8,811)   |
| <b>Net cash outflow before management of liquid resources and financing</b>          | (1,955,837) | (846,326) |
| <b>Financing</b>                                                                     |             |           |
| Issue of ordinary share capital                                                      | 2,500,010   | 810,000   |
| Other new short term loans                                                           | 207,800     | 50,000    |
| Repayment of other short term loans                                                  | (250,000)   | -         |
| Capital element of finance lease contracts                                           | (220)       | -         |
| <b>Net cash inflow from financing</b>                                                | 2,457,590   | 860,000   |
| <b>Increase in cash in the year</b>                                                  | 501,753     | 13,674    |

**patsystems (UK) Limited**  
**FORMERLY PAT SYSTEMS LIMITED**  
**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 1999**

| 1 | Reconciliation of operating loss to net cash outflow from operating activities | 1999               | 1998             |
|---|--------------------------------------------------------------------------------|--------------------|------------------|
|   |                                                                                | £                  | £                |
|   | Operating loss                                                                 | (1,733,438)        | (883,870)        |
|   | Depreciation of tangible assets                                                | 47,921             | 34,453           |
|   | Amortisation of intangible assets                                              | 50,000             | -                |
|   | Decrease in stocks                                                             | -                  | 21,889           |
|   | Increase in debtors                                                            | (146,078)          | (129,667)        |
|   | Increase in creditors within one year                                          | 9,375              | 203,062          |
|   | Provision for cost of share warrants                                           | 125,000            | -                |
|   | <b>Net cash outflow from operating activities</b>                              | <b>(1,647,220)</b> | <b>(754,133)</b> |

| 2 | Analysis of net funds/(debt)      | 1 January 1999  | Cash flow      | Other non-cash changes | 31 December 1999 |
|---|-----------------------------------|-----------------|----------------|------------------------|------------------|
|   |                                   | £               | £              | £                      | £                |
|   | Net cash:                         |                 |                |                        |                  |
|   | Cash at bank and in hand          | 16,005          | 501,084        |                        | 517,089          |
|   | Bank overdrafts                   | (719)           | 669            |                        | (50)             |
|   |                                   | <u>15,286</u>   | <u>501,753</u> |                        | <u>517,039</u>   |
|   | Debt:                             |                 |                |                        |                  |
|   | Finance leases                    | -               | 220            | (7,680)                | (7,460)          |
|   | Debts falling due within one year | (50,000)        | 50,000         | -                      | -                |
|   | <b>Net (debt)/funds</b>           | <b>(34,714)</b> | <b>551,973</b> | <b>(7,680)</b>         | <b>509,579</b>   |

| 3 | Reconciliation of net cash flow to movement in net debt | 1999           | 1998            |
|---|---------------------------------------------------------|----------------|-----------------|
|   |                                                         | £              | £               |
|   | Increase in cash in the year                            | 501,753        | 13,674          |
|   | Cash outflow from decrease in debt                      | 50,220         | 50,000          |
|   | Change in net debt resulting from cash flows            | 551,973        | 63,674          |
|   | New finance lease                                       | (7,680)        | -               |
|   | <b>Movement in net funds/(debt) in the year</b>         | <b>544,293</b> | <b>63,674</b>   |
|   | Opening net debt                                        | (34,714)       | (98,388)        |
|   | <b>Closing net funds/(debt)</b>                         | <b>509,579</b> | <b>(34,714)</b> |

**patsystems (UK) Limited**  
**FORMERLY PAT SYSTEMS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1999**

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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.

**1.2 Basis of consolidation**

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 1999. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group transactions and balances are eliminated fully on consolidation.

No profit and loss account is presented for patsystems (UK) Limited as permitted by Section 230 of the Companies Act 1985.

**1.3 Turnover**

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

**1.4 Development expenditure**

Development expenditure is written off to the profit and loss account in the year in which it is incurred.

**1.5 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    |

**1.6 Leasing**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

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

Rentals receivable under operating leases are credited to income on a straight line basis over the lease term.

**1.7 Investments**

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

**1.8 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.

**patsystems (UK) Limited**  
**FORMERLY PAT SYSTEMS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1999**

1 Accounting Policies

1.9 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.

1.10 Intangible fixed assets and amortisation

Intangible fixed assets are stated at cost less amortisation. Amortisation is provided at rates calculated to write off the cost less estimated residual value of each asset over their expected useful economic life.

1.11 Changes in accounting policy

Comparative figures have been restated to reflect two changes of accounting policy:

(i) Development expenditure is written off to the profit and loss account in the year in which it is incurred. Previously development expenditure was deferred and amortised over the period during which the company was expected to benefit. The accounting policy has been changed because the directors consider the new policy gives a fairer presentation of the group's results as they arise during the course of an accounting period.

(ii) Turnover is recognised on completion of the installation of an electronic trading system. Previously turnover was recognised on an invoice basis. The accounting policy has been changed because the directors consider the new policy gives a fairer presentation of the group's turnover as it arises during the course of an accounting period.

As a result, comparative figures for the year ended 31 December 1998 have been adjusted as follows:

|                                                          | Loss for the<br>year<br>1998<br>£ | Net assets<br>1998<br>£ |
|----------------------------------------------------------|-----------------------------------|-------------------------|
| As previously reported                                   | (612,659)                         | 208,803                 |
| Effect of change in treatment of development expenditure | (217,843)                         | (374,045)               |
| Effect of change in recognition of turnover              | (50,000)                          | (50,000)                |
| As restated                                              | <u>(880,502)</u>                  | <u>(215,242)</u>        |

Current year loss before tax is increased by £236,801 following the change in the treatment of development costs and reduced by £50,000 following the change in recognition of turnover.

**patsystems (UK) Limited**  
**FORMERLY PAT SYSTEMS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1999**

**2 Segmental analysis by class of business**

The total turnover of the group for the year has been derived from its principal activity and undertaken in the following geographical markets:

**Turnover**

|                          | <b>1999</b>    | <b>1998</b>    |
|--------------------------|----------------|----------------|
|                          | <b>£</b>       | <b>£</b>       |
| <b>Class of business</b> |                |                |
| United Kingdom           | 460,013        | 161,159        |
| United States of America | 48,988         | -              |
| Europe                   | 99,922         | -              |
|                          | <u>608,923</u> | <u>161,159</u> |

**3 Operating loss**

|                                                         | <b>1999</b>   | <b>1998</b>   |
|---------------------------------------------------------|---------------|---------------|
|                                                         | <b>£</b>      | <b>£</b>      |
| Operating loss is stated after charging:                |               |               |
| Amortisation of intangible assets                       | 50,000        | -             |
| Depreciation of tangible assets                         | 47,921        | 34,453        |
| Research and development                                | 534,282       | 443,917       |
| Operating lease rentals                                 | 64,326        | 6,693         |
| Auditors' remuneration (company £14,000; 1998 : £6,000) | 14,924        | 6,000         |
| Remuneration of auditors for non-audit work             | 37,434        | 15,163        |
| and after crediting:                                    |               |               |
| Operating lease rentals                                 |               |               |
| - Other assets                                          | <u>44,073</u> | <u>32,147</u> |

**4 Other interest receivable and similar income**

|                | <b>1999</b>   | <b>1998</b>  |
|----------------|---------------|--------------|
|                | <b>£</b>      | <b>£</b>     |
| Bank interest  | 14,040        | 3,616        |
| Other interest | 509           | -            |
|                | <u>14,549</u> | <u>3,616</u> |

**patsystems (UK) Limited**  
**FORMERLY PAT SYSTEMS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1999**

| 5 | Interest payable                               | 1999<br>£     | 1998<br>£  |
|---|------------------------------------------------|---------------|------------|
|   | On bank loans and overdrafts                   | -             | 248        |
|   | On other loans wholly repayable within 5 years | 36,003        | -          |
|   | Lease finance charges                          | 245           | -          |
|   |                                                | <u>36,248</u> | <u>248</u> |

**6 Taxation**

There is no corporation tax liability for the year due to the availability of tax losses (1998 : £ Nil).

**7 Intangible fixed assets**

**Group and company**

|                       | Software<br>rights<br>£ |
|-----------------------|-------------------------|
| <b>Cost</b>           |                         |
| At 1 January 1999     | -                       |
| Additions             | 300,000                 |
|                       | <u>300,000</u>          |
| At 31 December 1999   | <u>300,000</u>          |
| <b>Amortisation</b>   |                         |
| At 1 January 1999     | -                       |
| Charge for year       | 50,000                  |
|                       | <u>50,000</u>           |
| At 31 December 1999   | <u>50,000</u>           |
| <b>Net book value</b> |                         |
| At 31 December 1999   | <u>250,000</u>          |

**patsystems (UK) Limited**  
**FORMERLY PAT SYSTEMS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1999**

**8 Tangible fixed assets**

**Group**

|                       | Leasehold<br>improvements<br>£ | Computer<br>equipment<br>£ | Fixtures &<br>fittings<br>£ | Total<br>£     |
|-----------------------|--------------------------------|----------------------------|-----------------------------|----------------|
| <b>Cost</b>           |                                |                            |                             |                |
| At 1 January 1999     | 22,402                         | 108,033                    | 14,823                      | 145,258        |
| Additions             | 24,215                         | 86,152                     | 29,231                      | 139,598        |
|                       | <u>46,617</u>                  | <u>194,185</u>             | <u>44,054</u>               | <u>284,856</u> |
| <b>Depreciation</b>   |                                |                            |                             |                |
| At 1 January 1999     | 8,960                          | 33,044                     | 5,665                       | 47,669         |
| Charge for the year   | 6,307                          | 36,271                     | 5,343                       | 47,921         |
|                       | <u>15,267</u>                  | <u>69,315</u>              | <u>11,008</u>               | <u>95,590</u>  |
| <b>Net book value</b> |                                |                            |                             |                |
| At 31 December 1999   | <u>31,350</u>                  | <u>124,870</u>             | <u>33,046</u>               | <u>189,266</u> |
| At 31 December 1998   | <u>13,442</u>                  | <u>74,989</u>              | <u>9,158</u>                | <u>97,589</u>  |

Included above are assets held under finance leases or hire purchase contracts as follows:

|                                         | Computer<br>equipment<br>£ | Total<br>£   |
|-----------------------------------------|----------------------------|--------------|
| <b>Net book values</b>                  |                            |              |
| At 31 December 1999                     | <u>7,360</u>               | <u>7,360</u> |
| <b>Depreciation charge for the year</b> |                            |              |
| 31 December 1999                        | <u>320</u>                 | <u>320</u>   |

Included within computer equipment are assets that cost £55,233 (1998 : £55,233) which are held for rental under operating leases. The net book value of these assets is £27,617 (1998 : £41,425) and depreciation for the year was £13,808 (1998 : £13,808).

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**8 Tangible fixed assets (continued)**  
**Company**

|                            | Leasehold<br>improvements<br>£ | Computer<br>equipment<br>£ | Fixtures &<br>fittings<br>£ | Total<br>£     |
|----------------------------|--------------------------------|----------------------------|-----------------------------|----------------|
| <b>Cost</b>                |                                |                            |                             |                |
| At 1 January 1999          | 22,402                         | 108,033                    | 14,823                      | 145,258        |
| Additions                  | 24,215                         | 58,507                     | 21,069                      | 103,791        |
|                            | <u>46,617</u>                  | <u>166,540</u>             | <u>35,892</u>               | <u>249,049</u> |
| <b>At 31 December 1999</b> |                                |                            |                             |                |
| <b>Depreciation</b>        |                                |                            |                             |                |
| At 1 January 1999          | 8,960                          | 33,044                     | 5,665                       | 47,669         |
| Charge for the year        | 6,307                          | 35,119                     | 5,004                       | 46,430         |
|                            | <u>15,267</u>                  | <u>68,163</u>              | <u>10,669</u>               | <u>94,099</u>  |
| <b>At 31 December 1999</b> |                                |                            |                             |                |
| <b>Net book value</b>      |                                |                            |                             |                |
| At 31 December 1999        | <u>31,350</u>                  | <u>98,377</u>              | <u>25,223</u>               | <u>154,950</u> |
| At 31 December 1998        | <u>13,442</u>                  | <u>74,989</u>              | <u>9,158</u>                | <u>97,589</u>  |

Included within computer equipment are assets that cost £55,233 (1998 : £55,233) which are held for rental under operating leases. The net book value of these assets is £27,617 (1998 : £41,425) and depreciation for the year was £13,808 (1998 : £13,808).

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**9 Fixed asset investments**  
**Company**

|                     | Shares in<br>subsidiary<br>undertakings<br>£ |
|---------------------|----------------------------------------------|
| <b>Cost</b>         |                                              |
| At 1 January 1999   | 8,811                                        |
| Additions           | 14,400                                       |
| Disposals           | (8,811)                                      |
|                     | <hr/>                                        |
| At 31 December 1999 | 14,400                                       |
|                     | <hr/>                                        |
| At 31 December 1998 | 8,811                                        |
|                     | <hr/> <hr/>                                  |

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

**Holdings of more than 20%**

The company holds more than 20% of the share capital of the following company:

| Company                        | Country of registration or<br>incorporation | Shares held |     |
|--------------------------------|---------------------------------------------|-------------|-----|
|                                |                                             | Class       | %   |
| <b>Subsidiary undertakings</b> |                                             |             |     |
| PATSystems N.A. L.L.C.         | USA                                         | Equity      | 100 |

The principal activity of this undertaking for the last relevant financial year was as follows:

**Principal activity**

PATSystems N.A. L.L.C.                      Sale and support of electronic trading systems

The investment in subsidiary undertakings as at 1 January 1999 comprised the Company's interest in the whole of the issued share capital of PAT Systems (Switzerland) GmbH, a company incorporated in Switzerland. This subsidiary has been excluded from the consolidation as its results are not considered to be material. The investment was disposed of by the Company during the year.

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**10 Debtors**

|                                    | <b>Group</b>   |                | <b>Company</b> |                |
|------------------------------------|----------------|----------------|----------------|----------------|
|                                    | <b>1999</b>    | <b>1998</b>    | <b>1999</b>    | <b>1998</b>    |
|                                    | <b>£</b>       | <b>£</b>       | <b>£</b>       | <b>£</b>       |
| Trade debtors                      | 93,454         | 8,095          | 93,454         | 8,095          |
| Amounts owed by group undertakings | -              | 1,189          | 318,509        | 1,189          |
| Other debtors                      | 167,854        | 165,433        | 167,854        | 165,433        |
| Prepayments and accrued income     | 72,071         | 13,773         | 61,097         | 13,773         |
|                                    | <u>333,379</u> | <u>188,490</u> | <u>640,914</u> | <u>188,490</u> |

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

|               | <b>1999</b>   | <b>1998</b>  | <b>1999</b>   | <b>1998</b>  |
|---------------|---------------|--------------|---------------|--------------|
|               | <b>£</b>      | <b>£</b>     | <b>£</b>      | <b>£</b>     |
| Other debtors | <u>66,470</u> | <u>2,214</u> | <u>66,470</u> | <u>2,214</u> |

Two directors, T R Theys and I K Bell, had loans during the year. The amounts outstanding at the year end were £ Nil (1998 : £109,980) and £ Nil (1998 : £15,674) respectively. The maximum liability on these loans during the year were £181,980 and £19,840 respectively.

**11 Creditors : amounts falling due within one year**

|                                                                 | <b>Group</b>   |                | <b>Company</b> |                |
|-----------------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                                 | <b>1999</b>    | <b>1998</b>    | <b>1999</b>    | <b>1998</b>    |
|                                                                 | <b>£</b>       | <b>£</b>       | <b>£</b>       | <b>£</b>       |
| Bank loans and overdrafts                                       | 50             | 719            | 50             | 719            |
| Net obligations under finance lease and hire purchase contracts | 1,940          | -              | -              | -              |
| Trade creditors                                                 | 142,395        | 114,625        | 137,292        | 114,625        |
| Taxes and social security costs                                 | 54,969         | 23,329         | 53,916         | 23,329         |
| Other creditors                                                 | 53,457         | 64,856         | 46,433         | 64,856         |
| Accruals and deferred income                                    | 378,972        | 322,608        | 378,972        | 322,608        |
|                                                                 | <u>631,783</u> | <u>526,137</u> | <u>616,663</u> | <u>526,137</u> |

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**12 Creditors : amounts falling due after more than one year**

|                                                                         | <b>Group</b>      |                   | <b>Company</b>    |                   |
|-------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                                         | <b>1999</b>       | <b>1998</b>       | <b>1999</b>       | <b>1998</b>       |
|                                                                         | <b>£</b>          | <b>£</b>          | <b>£</b>          | <b>£</b>          |
| Net obligations under finance leases and hire purchase agreements       | 5,520             | -                 | -                 | -                 |
|                                                                         | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| <b>Net obligations under finance leases and hire purchase contracts</b> |                   |                   |                   |                   |
| Repayable within one year                                               | 2,778             | -                 | -                 | -                 |
| Repayable between one and five years                                    | 7,853             | -                 | -                 | -                 |
|                                                                         | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
|                                                                         | 10,631            | -                 | -                 | -                 |
| Finance charges and interest allocated to future accounting periods     | (3,171)           | -                 | -                 | -                 |
|                                                                         | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
|                                                                         | 7,460             | -                 | -                 | -                 |
| Included in liabilities falling due within one year                     | (1,940)           | -                 | -                 | -                 |
|                                                                         | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
|                                                                         | 5,520             | -                 | -                 | -                 |
|                                                                         | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |

**13 Share capital**

|                                                     | <b>1999</b>       | <b>1998</b>       |
|-----------------------------------------------------|-------------------|-------------------|
|                                                     | <b>£</b>          | <b>£</b>          |
| <b>Authorised</b>                                   |                   |                   |
| 10,000,000 Ordinary shares of 1p each               | 100,000           | 100,000           |
|                                                     | <u>          </u> | <u>          </u> |
| <b>Allotted, called up and fully paid</b>           |                   |                   |
| 178,100 (1998 : 128,198) Ordinary shares of 1p each | 1,781             | 1,282             |
|                                                     | <u>          </u> | <u>          </u> |

During the year 49,902 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 £2,500,010.

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**14 Statement of movements on reserves**  
**Group**

|                                                  | Share<br>premium<br>account<br>£ | Warrant<br>reserve<br>£ | Profit and<br>loss account<br>£ |
|--------------------------------------------------|----------------------------------|-------------------------|---------------------------------|
| Balance at 1 January 1999 as previously reported | 999,528                          | -                       | (792,007)                       |
| Prior year adjustment                            | -                                | -                       | (424,045)                       |
| Balance at 1 January 1999                        | 999,528                          | -                       | (1,216,052)                     |
| Retained loss for the year                       | -                                | -                       | (1,757,337)                     |
| Premium on shares issued during the year         | 2,499,511                        | -                       | -                               |
| Costs of issuing shares                          | -                                | -                       | 125,000                         |
| Movement during the year                         | (284,200)                        | 284,200                 | -                               |
| Balance at 31 December 1999                      | 3,214,839                        | 284,200                 | (2,848,389)                     |

**Company**

|                                                  | Share<br>premium<br>account<br>£ | Warrant<br>reserve<br>£ | Profit and<br>loss account<br>£ |
|--------------------------------------------------|----------------------------------|-------------------------|---------------------------------|
| Balance at 1 January 1999 as previously reported | 999,528                          | -                       | (792,007)                       |
| Prior year adjustment                            | -                                | -                       | (424,045)                       |
| Balance at 1 January 1999                        | 999,528                          | -                       | (1,216,052)                     |
| Retained loss for the year                       | -                                | -                       | (1,509,565)                     |
| Premium on shares issued during the year         | 2,499,511                        | -                       | -                               |
| Cost of issuing shares                           | -                                | -                       | 125,000                         |
| Movement during the year                         | (284,200)                        | 284,200                 | -                               |
| Balance at 31 December 1999                      | 3,214,839                        | 284,200                 | (2,600,617)                     |

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| 15 Reconciliation of movements in shareholders' funds | 1999        | 1998             |
|-------------------------------------------------------|-------------|------------------|
|                                                       | £           | £<br>as restated |
| <b>Group</b>                                          |             |                  |
| Loss for the financial year                           | (1,757,337) | (880,502)        |
| Proceeds from issue of shares                         | 2,500,010   | 810,000          |
| Cost of issuing shares                                | 125,000     | -                |
|                                                       | <hr/>       | <hr/>            |
| Net addition to/(depletion in) shareholders' funds    | 867,673     | (70,502)         |
| Opening shareholders' funds                           | (215,242)   | (144,740)        |
|                                                       | <hr/>       | <hr/>            |
| Closing shareholders' funds                           | 652,431     | (215,242)        |
|                                                       | <hr/>       | <hr/>            |
|                                                       | 1999        | 1998             |
| <b>Company</b>                                        | £           | £<br>as restated |
| Loss for the financial year                           | (1,509,565) | (880,502)        |
| Proceeds from issue of shares                         | 2,500,010   | 810,000          |
| Cost of issuing shares                                | 125,000     | -                |
|                                                       | <hr/>       | <hr/>            |
| Net addition to/(depletion in) shareholders' funds    | 1,115,445   | (70,502)         |
| Opening shareholders' funds                           | (215,242)   | (144,740)        |
|                                                       | <hr/>       | <hr/>            |
| Closing shareholders' funds                           | 900,203     | (215,242)        |
|                                                       | <hr/>       | <hr/>            |

**16 Contingent liabilities**

**Group and company**

The company has a threatened legal action against it in respect of a dispute with a former corporate finance adviser. The directors estimate the maximum cash liability to be approximately £70,000. The directors, on the basis of legal advice, are confident that any claim against it would not succeed and accordingly no provision has been made in the financial statements.

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**17 Financial commitments**

At 31 December 1999 the group had annual commitments under non-cancellable operating leases as follows:

|                            | Land and buildings |              | Other        |              |
|----------------------------|--------------------|--------------|--------------|--------------|
|                            | 1999               | 1998         | 1999         | 1998         |
|                            | £                  | £            | £            | £            |
| Expiry date:               |                    |              |              |              |
| Within one year            | -                  | -            | -            | 1,773        |
| Between two and five years | 35,813             | 7,535        | 5,062        | -            |
| In over five years         | 132,940            | -            | -            | -            |
|                            | <u>168,753</u>     | <u>7,535</u> | <u>5,062</u> | <u>1,773</u> |

At 31 December 1999 the company had annual commitments under non-cancellable operating leases as follows:

|                            | Land and buildings |              | Other        |              |
|----------------------------|--------------------|--------------|--------------|--------------|
|                            | 1999               | 1998         | 1999         | 1998         |
|                            | £                  | £            | £            | £            |
| Expiry date:               |                    |              |              |              |
| Within one year            | -                  | -            | -            | 1,773        |
| Between two and five years | 10,549             | 7,535        | 3,374        | -            |
| In over five years         | 132,940            | -            | -            | -            |
|                            | <u>143,489</u>     | <u>7,535</u> | <u>3,374</u> | <u>1,773</u> |

**18 Capital commitments**

|                                                             | Group         |          | Company       |          |
|-------------------------------------------------------------|---------------|----------|---------------|----------|
|                                                             | 1999          | 1998     | 1999          | 1998     |
|                                                             | £             | £        | £             | £        |
| Contracted for but not provided in the financial statements | 26,000        | -        | 26,000        | -        |
| Authorised but not contracted for                           | 30,000        | -        | 30,000        | -        |
|                                                             | <u>56,000</u> | <u>-</u> | <u>56,000</u> | <u>-</u> |

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| 19 Directors' emoluments                                                                    | 1999    | 1998    |
|---------------------------------------------------------------------------------------------|---------|---------|
|                                                                                             | £       | £       |
| Emoluments for qualifying services                                                          | 241,209 | 170,023 |
| Emoluments disclosed above include the following amounts paid to the highest paid director: |         |         |
| Emoluments for qualifying services                                                          | 178,755 | 151,817 |

**20 Transactions with directors**

M J Stiller and C A Roberts are directors and shareholders of Global Direct Dealing Limited. Turnover includes £3,761 (1998 : £ Nil) from this company. Other creditors include £ Nil (1998 : £2,593) owed to this company.

Shortly before the year end Global Direct Dealing Limited acquired PAT Systems (Switzerland) GmbH, a subsidiary undertaking, for £7,800.

M J Stiller and C A Roberts are also directors and shareholders of GFI Investments Limited. Administration expenses includes £5,546 (1998 : £Nil) paid to this company.

Included within administrative expenses is an amount of £15,872 (1998 : £17,750) for consultancy fees paid to I K Bell.

Included within administrative expenses is £93,000 (1998 : £ Nil) of development expenditure and within computer equipment £19,673 (1998 : £ Nil) of additions from W N Systems Limited, a company in which W N Starbuck is a director. Trade creditors includes £857 (1998 : £ Nil) owed to this company.

Included within development costs is £300,000 (1998 : £ Nil) of software acquired from W N Starbuck. Accruals includes £145,000 (1998 : £ Nil) owed to W N Starbuck.

Included within administrative expenses is an amount of £7,500 (1998 : £ Nil) for consultancy fees paid to Enter Five Corporate Advisory Limited, a company in which M Latini is a director.

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**21 Employees**

**Number of employees**

The average weekly number of employees (including directors) during the year was:

|                   | 1999<br>Number | 1998<br>Number |
|-------------------|----------------|----------------|
| Administration    | 12             | 7              |
| Development       | 1              | 1              |
| Sales             | 4              | -              |
| Technical support | 1              | -              |
|                   | <u>18</u>      | <u>8</u>       |

**Employment costs**

|                       | £              | £              |
|-----------------------|----------------|----------------|
| Wages and salaries    | 722,733        | 299,591        |
| Social security costs | 164,629        | 29,609         |
|                       | <u>887,362</u> | <u>329,200</u> |

**22 Future liabilities**

On exercise of share options the Group will be required to pay National Insurance on the difference between the exercise price and the market value of the shares issued. The Group will become unconditionally liable to pay the National Insurance upon exercise of the options, which are exercisable at various dates from flotation onwards. The amount of the National Insurance payable will depend upon the number of employees who remain with the group and exercise their options, the market price of ordinary shares at the time of exercise and the prevailing National Insurance rate at that time. For the year ended 31 December 1999 a provision of £100,000 has been made in the accounts.

**23 Related party transactions**

**Group and company**

Turnover includes £67,400 (1998 : £ Nil) derived from Banca Commerciale Italianna (London), a member of a group of companies which include Banca Commerciale Italianna (Suisse), a shareholder of the company. Trade debtors include amounts due from this company of £12,220 (1998 : £ Nil).

**24 Post balance sheet events**

**Group and company**

On 3 March 2000 and following a share for share exchange, the company has become a wholly owned subsidiary of patsystems plc.

patsystems plc is seeking to have its shares admitted to the official list on the London Stock Exchange on 23 March 2000.