

Company Registration No. 3086310 (England and Wales)

patsystems (UK) Limited
ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2000



patsystems (UK) Limited
DIRECTORS AND ADVISERS

Directors	T R Theys J J de Cock C J Maityard
Secretary	C J Maityard
Registered office	22 Shand Street London SE1 2ES
Company number	3086310
Principal Bankers	The Royal Bank of Scotland plc 62/63 Threadneedle Street London EC2R 8LA
Solicitors	Gouldens 10 Old Bailey London EC4M 6JA Baker & McKenzie 100 New Bridge Street London EC4V 6JA
Registered auditors	PricewaterhouseCoopers 1 London Bridge London SE1 9QL

patsystems (UK) Limited

CONTENTS

	Page Number
DIRECTORS' REPORT	1 - 2
AUDITORS' REPORT	3
PROFIT AND LOSS ACCOUNT	4
STATEMENT OF RECOGNISED GAINS AND LOSSES	5
BALANCE SHEET	6
NOTES TO THE FINANCIAL STATEMENTS	7 - 15

patsystems (UK) Limited

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2000

The directors present their report and audited financial statements for the year ended 31 December 2000.

Principal activities

The principal activities of the Company were the development, distribution and support of fully scaleable software, which enables electronic trading of financial products, equities and commodities on global trading exchanges that support such trading.

Results and dividends

The loss of the Company for the year ended 31 December 2000 was £6,720,441 compared to a loss of £1,509,565 for the year ended 31 December 1999. The Directors do not recommend the payment of a dividend for the year (1999: Nil).

Review of business and future developments

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

On 16 March 2000, Patsystems Plc listed on the London Stock Exchange raising £46,700,000 net of expenses. The Group is included within the TechMark Index.

Directors and their interests

The directors who held office during the year were:

T R Theys

J J de Cock

C J Maityard (appointed 19/5/2000)

S D'Isidoro (Non Executive) (appointed 11/2/2000 resigned 3/3/2000)

M J Stiller (resigned 03/03/2000)

M Latini (resigned 11/02/2000)

The Directors' interests in shares and share options in patsystems PLC are disclosed in that company's financial statements.

The Directors' interests in shares in the company are shown below:

	Ordinary Shares 1p Each	
	31 December 2000	1 January 2000
T R Theys	-	50,000

patsystems (UK) Limited

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2000

Research and development

All expenditure relating to research and development is written off to the profit and loss account in the period incurred, and is not capitalised.

Charitable & political donations

The Company contributed £400 (1999: £Nil) to charities. No political donations were made in 2000 (1999: £Nil).

Health and Safety

It is Company policy to ensure that operations are at all times executed in a manner that, as far as reasonably practicable, protects the health, safety and welfare of its employees and all other people who may be affected by its activities. The Chief Executive Officer is the Director with overall responsibility for Safety and to whom the company Safety Officer reports. Full details of the Group's policy have been disseminated to employees. An on-going training programme is in place to ensure that the necessary training in health and safety is provided to employees and kept up to date.

Statement of 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:

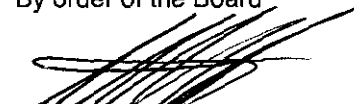
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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 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.

Auditors

The Directors will propose a resolution to the members at the Annual General Meeting to re-appoint PricewaterhouseCoopers as Auditors.

By order of the Board



C.J. Maityard
Company Secretary

30 October 2001

patsystems (UK) Limited

AUDITORS' REPORT

TO THE SHAREHOLDERS OF PATSYSTEMS (UK) LIMITED

We have audited the financial statements on pages 4 to 15.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

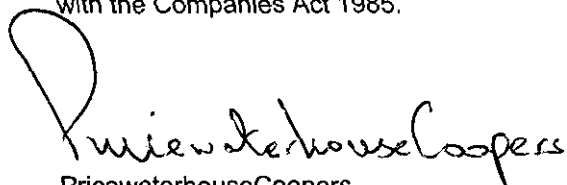
Basis of audit opinion

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 at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

30 October 2001

patsystems (UK) Limited
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2000

		2000	1999
	Notes	£	£
Turnover	2	1,903,197	589,523
Cost of sales		(291,557)	(3,300)
Gross profit		1,611,640	586,223
Administrative expenses		(8,341,928)	(2,074,366)
Operating loss	4	(6,730,288)	(1,488,143)
Other interest receivable and similar income	5	10,562	14,549
Interest payable and similar charges	6	(715)	(35,971)
Loss on ordinary activities before taxation		(6,720,441)	(1,509,565)
Tax on loss on ordinary activities	7	-	-
Loss for the financial year	14	(6,720,441)	(1,509,565)

The Profit and loss account has been prepared on the basis that all operations are continuing operations.
There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

patsystems (UK) Limited

STATEMENT OF RECOGNISED GAINS AND LOSSES

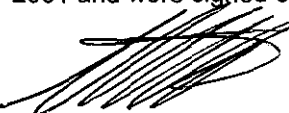
FOR THE YEAR ENDED 31 DECEMBER 2000

	2000	1999
	£	£
Loss for the financial year	(6,720,441)	(1,509,565)
Prior year adjustment	-	(424,045)
Total gains and losses recognised since last financial statements	<u>(6,720,441)</u>	<u>(1,933,610)</u>

patsystems (UK) Limited**BALANCE SHEET****FOR THE YEAR ENDED 31 DECEMBER 2000**

	Notes	2000 £	1999 £
Fixed assets			
Intangible assets	8	192,294	250,000
Tangible assets	9	618,603	154,950
Investments	10	-	14,400
		<u>810,897</u>	<u>419,350</u>
Current assets			
Debtors: amounts falling due within one year	11	1,086,969	574,444
Debtors: amounts falling due after one year		-	66,470
Cash at bank and in hand		73,889	456,602
		<u>1,160,858</u>	<u>1,097,516</u>
Creditors: amounts falling due within one year	12	<u>(7,329,573)</u>	<u>(616,663)</u>
Net current (liabilities)/assets		<u>(6,168,715)</u>	<u>480,853</u>
Net (liabilities)/assets		<u>(5,357,818)</u>	<u>900,203</u>
Capital and reserves			
Called up share capital	13	1,874	1,781
Share premium account	14	3,677,166	3,214,839
Warrant reserve	14	284,200	284,200
Profit and loss account	14	(9,321,058)	(2,600,617)
Equity Shareholders' (deficit)/funds	15	<u>(5,357,818)</u>	<u>900,203</u>

The financial statements on pages 4 to 15 were approved by the board of directors on 30th of October 2001 and were signed on its behalf:



C J Maityard
Director

patsystems (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2000

Principle accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the accounting policies, which have been applied consistently throughout the year in relation to the company's financial statements, is set out below.

1.1. Going concern

The accounts have been prepared on a going concern concept because the parent company, Patsystems Plc, has agreed to provide funds for the company to meet its liabilities as they fall due for twelve months from the date of this report.

1.2. Turnover and revenue recognition

Turnover represents amounts receivable for goods and services net of VAT and trade discounts from third party customers. The amounts included and their treatment in the financial statements are as follows:

- (i) Non-refundable installation income – this is invoiced in advance of installation work and is taken to the profit and loss account in line with the cost of performing the work.
- (ii) Monthly end-user or lot charges and annual maintenance income – these are credited to the profit and loss account in the period to which they relate.
- (iii) Income from consultancy and software development projects – this is recognised in the profit and loss account on the date of acceptance of the consultancy or software development by the customer.

1.3. Software licences

The software licences purchased are stated at cost and are being amortised on a straight-line basis over a 3 year period.

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 period of lease
Computer hardware and software	- over 3 years on a straight-line basis
Furniture, fixtures and fittings	- over 4 years on a straight-line basis

1.5. Research and development

All research and development expenditure is written off as incurred.

1.6. Hire purchase obligations, finance leases and operating leases

Costs in respect of operating leases and income in respect of assets leased as operating expenses are charged to the profit and loss account on a straight-line basis over the lease term.

Assets purchased under hire purchase contracts and finance leases are recorded as tangible fixed assets on the balance sheet. The obligation to pay future capital instalments are shown in creditors and are analysed between amounts falling due within one year and amounts after more than one year. The asset value is calculated at the inception of the contract as the purchase price of the asset, and the finance charge is allocated to accounting periods on the sum of the digits basis.

patsystems (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2000

1.7. Deferred taxation

Deferred taxation is provided at appropriate rates on all material 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 transactions

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction, except, where the transaction is settled at a contracted rate, the contracted rate is used.

Assets and liabilities of subsidiaries in foreign currencies are translated into sterling at rates of exchange ruling at the end of the year, and results of foreign subsidiaries are translated on a monthly basis at the rate of exchange ruling at the month end. Differences on exchange arising from the retranslation of the opening net investment in subsidiary companies are taken to reserves and reported in the statement of total recognised gains and losses. All other exchange differences are taken to the profit and loss account as they arise.

1.9. Related party transactions

Financial Reporting Standard (FRS) 8, "Related Party Transactions", requires the disclosure of the details of material transactions between the reporting entity and related parties. The company has taken advantage of exemptions under FRS 8 not to disclose transactions between group companies.

1.10. Cash Flow statement

The company is a wholly owned subsidiary of **patsystems plc** and is included in the consolidated financial statements of **patsystems plc**, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

2. Segmental analysis

	2000	1999
	£	£
Analysis of turnover on continuing operations		
By origin		
Europe	1,903,197	589,523
Turnover by destination is not significantly different from turnover by origin in 2000 or 1999.		
Analysis of operating loss on continuing operations		
By origin		
Europe	(6,720,441)	(1,488,143)
Analysis of net (liabilities)/assets on continuing operations		
By origin		
Europe	(5,357,818)	900,203

patsystems (UK) Limited**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2000**

3. Directors' Emoluments & Staff Costs

The emoluments of T R Theys, J J de Cock, C J Maityard and S D'Isidoro are disclosed in the annual report of patsystems plc.

	2000	1999
	£	£
Aggregate Emoluments	-	241,209
Emoluments disclosed above include the following amounts paid to the highest paid director:		
Aggregate Emoluments	-	178,755

Staff costs

Wages and salaries	2,039,090	722,733
Social security costs	853,976	164,629
	2,893,066	887,362

Number of employees

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

	2000	1999
Product development and testing	15	12
Sales and marketing	11	1
Account management and client services	34	4
Finance, HR, operations and management	14	1
	74	18

patsystems (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2000

4. Operating loss

	2000	1999
	£	£
Operating loss is stated after charging:		
Amortisation of intangible assets	108,459	50,000
Depreciation of tangible assets	210,304	47,921
Research and development	2,300,230	534,282
Operating lease rentals – other	194,616	64,326
Auditors' remuneration	35,000	14,924
Remuneration of auditors for non-audit work	49,780	37,434
Foreign exchange loss	2,836	-
and after crediting:		
Operating lease rentals		
- other	176,698	44,073

5. Interest receivable and similar income

	2000	1999
	£	£
Bank interest	8,610	14,040
Other interest	1,952	509
	<u>10,562</u>	<u>14,549</u>

6. Interest payable and similar charges

	2000	1999
	£	£
On bank loans and overdrafts	715	-
On other loans wholly repayable within 5 years		35,971
	<u>715</u>	<u>35,971</u>

7. Taxation

There is no corporation tax liability for the year due to the availability of tax losses (1999: £Nil).

patsystems (UK) Limited
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2000

8. Intangible fixed assets

	Software Licences
Cost	£
At 1 January 2000	300,000
Additions	50,753
At 31 December 2000	<u>350,753</u>
Amortisation	
At 1 January 2000	50,000
Charge for year	108,459
At 31 December 2000	<u>158,459</u>
Net book value	
At 31 December 2000	<u>192,294</u>
At 31 December 1999	<u>250,000</u>

9. Tangible fixed assets

	Leasehold improvements	Computer equipment	Fixtures & fittings	Total
Cost	£	£	£	£
At 1 January 2000	46,617	166,540	35,892	249,049
Additions	59,377	402,562	212,018	673,957
At 31 December 2000	<u>105,994</u>	<u>569,102</u>	<u>247,910</u>	<u>923,006</u>
Depreciation				
At 1 January 2000	15,267	68,163	10,669	94,099
Charge for the year	21,398	144,707	44,199	210,304
At 31 December 2000	<u>36,665</u>	<u>212,870</u>	<u>54,868</u>	<u>304,403</u>
Net book value				
At 31 December 2000	<u>69,329</u>	<u>356,232</u>	<u>193,042</u>	<u>618,603</u>
At 31 December 1999	<u>31,350</u>	<u>98,377</u>	<u>25,223</u>	<u>154,950</u>

Included within computer equipment are assets that cost £55,233 (1999: £55,233), which are held for rental under operating leases. The net book value of these assets is £13,808 (1999: £27,617) and depreciation for the year was £13,808 (1999: £13,808).

patsystems (UK) Limited**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2000**

10. Fixed asset investments

Company	Shares in subsidiary undertaking
Cost	£
At 1 January 2000	14,400
Transfer to Group Company	(14,400)
At 31 December 2000	-
At 31 December 1999	14,400

The investment in subsidiary undertakings as at 1 January 2000 comprised the Company's interest in the whole of the share capital of **patsystems (N.A.) LLC**, a company incorporated in the United States. The investment was transferred to a Group company during the year.

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.

11. Debtors

	2000	1999
Amounts falling due within one year	£	£
Trade debtors	547,955	93,454
Amounts owed by group undertakings	-	318,509
Other debtors	397,570	167,854
Prepayments and accrued income	141,444	61,097
	<u>1,086,969</u>	<u>640,914</u>
Amounts falling due in more than one year		
Other debtors	-	66,470

patsystems (UK) Limited
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2000

12. Creditors: amounts falling due within one year

	2000	1999
	£	£
Bank loans and overdrafts	-	50
Amounts due to Group undertakings	5,405,588	-
Trade creditors	462,915	137,292
Other tax and social security	311,328	53,916
Other creditors	7,011	46,433
Accruals and deferred income	1,142,731	378,972
	<u>7,329,573</u>	<u>616,663</u>

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

13. Share capital

	2000	1999
	£	£
Authorised		
10,000,000 Ordinary shares of 1p each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
187,432 (1999: 178,100) Ordinary shares of 1p each	<u>1,874</u>	<u>1,781</u>

During the year 9,332 Ordinary shares of 1p each were issued which ranked pari passu with the Ordinary shares then in issue.

14. Statement of movements on reserves

	Share premium account	Warrant reserve	Profit and loss account
	£	£	£
Balance at 1 January 2000	3,214,839	284,200	(2,600,617)
Retained loss for the year	-	-	(6,720,441)
Premium on shares issued during the year	462,327	-	-
Balance at 31 December 2000	<u>3,677,166</u>	<u>284,200</u>	<u>(9,321,058)</u>

patsystems (UK) Limited**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2000****15. Reconciliation of movements in shareholders' (deficit)/funds**

	2000	1999
	£	£
Loss for the financial year	(6,720,441)	(1,509,565)
Proceeds from issue of shares	462,420	2,500,010
Cost of issuing shares	-	125,000
Net (reduction in)/addition to shareholders' (deficit)/funds	(6,258,021)	1,115,445
Opening shareholders' funds/(deficit)	900,203	(215,242)
Closing shareholders' (deficit)/funds	(5,357,818)	900,203

16. Financial commitments

At 31 December 2000 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2000	1999	2000	1999
	£	£	£	£
Expiry date:				
Within one year	-	-	-	-
Between two and five years	10,549	10,549		3,374
In over five years	211,004	132,940	-	-
	<u>221,553</u>	<u>143,489</u>	<u>-</u>	<u>3,374</u>

17. Capital commitments

	2000	1999
	£	£
Contracted for but not provided in the financial statements	122,000	26,000
Authorised but not contracted for	-	30,000
	<u>122,000</u>	<u>56,000</u>

patsystems (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2000

18. Related party transactions

Turnover includes £118,800 (1999: £67,400) 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 £15,300 (1999: £12,220).

Exemption has been taken from FRS 8 not to disclose any transactions or balances between Group entities that have been eliminated on consolidation.

19. Ultimate parent undertaking

The immediate and ultimate parent undertaking and controlling party is **patsystems plc**, a company incorporated in England and Wales. Copies of **patsystems plc** financial statements can be obtained from the Company Secretary at the Company's registered office at 22 Shand Street, London SE1 2ES or from the Investor Relations section of the company website at www.patsystems.com.