

patsystems (UK) Limited
ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2001



patsystems (UK) Limited
DIRECTORS AND ADVISERS

Directors	David Jones
	Kevin Ashby
	Richard Cooper
	Roger Colletta
	June Bridgeman
	William Todd
Secretary	Richard Cooper
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
	HSBC PO Box 648 27-32 Poultry London EC2P 2BX
Solicitors	Gouldens 10 Old Bailey London EC4M 6JA
	Baker & McKenzie 100 New Bridge Street London EC4V 6JA
Registered auditors	PricewaterhouseCoopers 1 Embankment Place London WC2N 6RH

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patsystems (UK) Limited

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2001

The directors present their report and audited financial statements for the year ended 31 December 2001.

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 2001 was £8,611,322 compared to a loss of £6,720,441 for the year ended 31 December 2000. The directors do not recommend the payment of a dividend for the year (2000: Nil).

Review of business

During the year the Company experienced significant managerial change and a re-evaluation of the business. The Company has made significant progress in identifying and resolving many of the problems that occurred in prior years and have established a new strategy, which will offer the prospect of sustainable growth in the future.

Directors and their interests

The directors who held office during the year were:

	Date appointed	Date resigned
T R Theys		19 November 2001
J J de Cock		30 December 2001
C J Maityard		4 March 2002
D L Jones	30 December 2001	
Kevin Ashby	6 September 2002	
Richard Cooper	30 April 2002	
Roger Colletta	30 April 2002	
June Bridgeman	30 April 2002	
William Todd	30 April 2002	

The directors' interests in shares in **patsystems PLC** are disclosed in that company's financial statements.

The directors' do not have any interest in the shares of **patsystems (UK) Ltd.**

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 £6,336 (2000: £400) to charities. No political donations were made in 2001 (2000: £Nil).

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 profit or loss of the Company for that year. 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 confirm that the financial statements comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company 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.

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



We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board.

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 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.

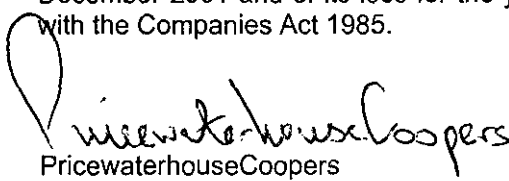
Basis of audit opinion

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 2001 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

6 November 2002

patsystems (UK) Limited

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2001

		2001	2000
	Notes	£	£
Turnover	2	2,210,313	1,903,197
Cost of sales		(85,784)	(291,557)
Gross profit		<u>2,124,529</u>	<u>1,611,640</u>
Administrative expenses		(10,838,741)	(8,341,928)
Other Income		98,509	-
Operating loss	4	<u>(8,615,703)</u>	<u>(6,730,288)</u>
Interest receivable and similar income	5	4,412	10,562
Interest payable and similar charges	6	(31)	(715)
Loss on ordinary activities before taxation		<u>(8,611,322)</u>	<u>(6,720,441)</u>
Tax on loss on ordinary activities	7	-	-
Loss for the financial year	14	<u><u>(8,611,322)</u></u>	<u><u>(6,720,441)</u></u>

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.

The Company has no recognised gains or losses other than the loss for the year above and therefore no separate statement of total recognised gains and losses has been prepared.

patsystems (UK) Limited

BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2001

	Notes	2001 £	2000 £
Fixed assets			
Intangible assets	8	253,736	192,294
Tangible assets	9	824,288	618,603
		<u>1,078,024</u>	<u>810,897</u>
Current assets			
Stock		2,776	-
Debtors	10	2,240,233	1,086,969
Cash at bank		183,811	73,889
		<u>2,426,820</u>	<u>1,160,858</u>
Creditors: amounts falling due within one year	11	<u>(17,473,984)</u>	<u>(7,329,573)</u>
Net current liabilities		<u>(15,047,164)</u>	<u>(6,168,715)</u>
Net liabilities		<u>(13,969,140)</u>	<u>(5,357,818)</u>
Capital and reserves			
Called up share capital	12	1,874	1,874
Share premium account	13	3,677,166	3,677,166
Warrant reserve	13	284,200	284,200
Profit and loss account	13	<u>(17,932,380)</u>	<u>(9,321,058)</u>
Equity Shareholders' deficit	14	<u>(13,969,140)</u>	<u>(5,357,818)</u>

The financial statements on pages 4 to 14 were approved by the board of directors on 6th November 2002 and were signed on its behalf:

Richard Cape

Director

John C. C. C. C.

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom on a going concern basis and under the historical cost accounting rules.

Financial Reporting Standard 18 – Accounting Policies, effective for accounting periods ending on or after 22 June 2001 has been adopted. The directors have reviewed the Company's accounting policies and consider that the financial statements have been prepared in accordance with FRS 18.

The following accounting policies have been applied consistently throughout the year in relation to the Company's financial statements.

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 and interface– 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 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. Stocks

Stocks are stated at the lower of cost and net realisable value.

1.7. Hire purchase obligations, finance leases and operating leases

Costs in respect of operating leases 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.

1.8. 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.

1.9. 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.

1.10. 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.

1.11. Pension Costs

The Company operates a defined contribution scheme which is open to all Company employees and was set up in 2001. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged against profits represents the contributions payable in respect of the financial year.

1.12. 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).

patsystems (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

2. Segmental analysis

	2001	2000
	£	£
Analysis of turnover on continuing operations		
By origin		
Europe	<u>2,210,313</u>	<u>1,903,197</u>

Turnover by destination is not significantly different from turnover by origin in 2001 or 2000.

3. Staff Costs

Staff costs (including directors' emoluments) during the year amounted to:

Wages and salaries	4,317,181	2,039,090
Social security costs	592,385	853,976
Pension costs	86,438	-
	<u>4,996,004</u>	<u>2,893,066</u>

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

	2001	2000
Product development and testing	34	15
Sales and marketing	7	11
Account management and client services	33	34
Finance, HR, operations and management	17	14
	<u>91</u>	<u>74</u>

Details of the emoluments of the directors are set out in the Report of the Board to Shareholders on Directors' Remuneration in the annual report of **patsystems plc**.

FOR THE YEAR ENDED 31 DECEMBER 2001

patsystems (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

8. Intangible fixed assets

	Software Licences
Cost	£
At 1 January 2001	350,753
Additions	183,875
At 31 December 2001	<u>534,628</u>
Amortisation	
At 1 January 2001	158,459
Charge for year	122,433
At 31 December 2001	<u>280,892</u>
Net book value	
At 31 December 2001	<u>253,736</u>
At 31 December 2000	<u>192,294</u>

patsystems (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

9. Tangible fixed assets

	Leasehold improvements	Computer equipment	Fixtures & fittings	Total
	£	£	£	£
Cost				
At 1 January 2001	105,994	569,102	247,910	923,006
Additions	12,830	412,852	152,948	578,630
Reclassifications	-	(45,336)	45,336	0
Disposals		(77,310)		(77,310)
At 31 December 2001	118,824	859,308	446,194	1,424,326
Depreciation				
At 1 January 2001	36,665	212,870	54,868	304,403
Charge for the year	28,509	248,376	96,060	372,945
Reclassifications	-	(32,841)	32,841	0
Disposals		(77,310)		(77,310)
At 31 December 2001	65,174	351,095	183,769	600,038
Net book value				
At 31 December 2001	53,650	508,213	262,425	824,288
At 31 December 2000	69,329	356,232	193,042	618,603

Included within computer equipment are assets that cost £55,233 (2000: £55,233), which are held for rental under operating leases. The net book value of these assets is £nil (2000: £13,808) and depreciation for the year was £13,808 (2000: £13,808).

patsystems (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

10. Debtors

	2001	2000
	£	£
Trade debtors	802,564	547,955
Amounts owed by group undertakings	1,162,624	-
Other debtors	145,647	397,570
Prepayments and accrued income	129,398	141,444
	<u>2,240,233</u>	<u>1,086,969</u>

11. Creditors: amounts falling due within one year

	2001	2000
	£	£
Trade creditors	710,254	462,915
Amounts due to Group undertakings	15,412,608	5,405,588
Other taxes and social security costs	171,216	311,328
Other creditors	1,227	7,011
Accruals and deferred income	1,178,679	1,142,731
	<u>17,473,984</u>	<u>7,329,573</u>

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

12. Share capital

	2001	2000
	£	£
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 (2000: 187,432) Ordinary shares of 1p each	<u>1,874</u>	<u>1,874</u>

patsystems (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

13. Statement of movements on reserves

	Share premium account	Warrant reserve	Profit and loss account
	£	£	£
Balance at 1 January 2001	3,677,166	284,200	(9,321,058)
Loss for the year	-	-	(8,611,322)
Balance at 31 December 2001	<u>3,677,166</u>	<u>284,200</u>	<u>(17,932,380)</u>

14. Reconciliation of movements in shareholders' deficit

	2001	2000
	£	£
Loss for the financial year	(8,611,322)	(6,720,441)
Proceeds from issue of shares	-	462,420
Net reduction in shareholders' deficit	<u>(8,611,322)</u>	<u>(6,258,021)</u>
Opening shareholders' (deficit)/funds	(5,357,818)	900,203
Closing shareholders' deficit	<u>(13,969,140)</u>	<u>(5,357,818)</u>

15. Financial commitments

At 31 December 2001 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2001	2000
	£	£
Expiry date:		
Within one year	7,912	-
Between two and five years	-	10,549
In over five years	261,834	211,004
	<u>269,746</u>	<u>221,553</u>

patsystems (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

16. Capital commitments

	2001	2000
	£	£
Contracted for but not provided in the financial statements	-	122,000

17. Related party transactions

Turnover includes £189,550 (2000: £118,800) 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 £32,300 (2000: £15,300).

18. Ultimate parent undertaking

The immediate parent undertaking & controlling party is **patsystems plc**. 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's website at www.patsystems.com.

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