

Company Registration No. 3086310 (England and Wales)

Patsystems (UK) Limited
ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2005



Patsystems (UK) Limited
DIRECTORS AND ADVISERS

Directors	David Webber Martin Thorneycroft William Todd Andrew Edwards
Secretary	Daljit Kaur-Khela
Registered office	Cottons Centre Hays Lane, London SE1 2QP
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	Jones Day 21 Tudor Street London EC4M 6JA Baker & McKenzie 100 New Bridge Street London EC4B 02Y
Registered auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

Patsystems (UK) Limited

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Patsystems (UK) Limited

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2005

The directors present their report for Patsystems (UK) Limited and audited financial statements for the year ended 31 December 2005.

Principal activity

The principal activity of the Company was the development, distribution and support of software enabling electronic trading of financial products on global trading exchanges.

Results and dividends

The loss of the Company for the year ended 31 December 2005 was £1,626,651 compared to a loss of £1,597,888 for the year ended 31 December 2004. The directors do not recommend the payment of a dividend for the year (2004: Nil).

Review of business

The Directors are pleased with the Company's improved performance during the year and its position at 31 December 2005. The Directors are confident that performance will continue to improve in 2006 and beyond.

Directors and their interests

The directors who held office during the year were:

	Date appointed	Date resigned
Kevin Ashby	-	20 December 2005
Martin Thorneycroft	-	-
Andrew Edwards	-	-
Nick Garrow	-	4 January 2006
William Todd	-	-
		-

David Webber was appointed to the Board on 3 January 2006

Patsystems (UK) Limited

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2005

The interests of directors (who were directors at 31 December 2005) in shares and share options in Patsystems Plc are disclosed in that company's financial statements, except for:

Shares

	31 December 2005	31 December 2004
William Todd	161,296	161,296
Andrew Edwards	140,000	140,000

Share Options

	<u>31 December 2005</u>		<u>31 December 2004</u>	
Options price	5.08p	15.58p	5.08p	15.58p
William Todd	312,500	473,000	312,500	473,000
Andrew Edwards	250,000	535,500	250,000	535,500

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

Research and development

All expenditure, whether incurred through internal staff costs or through third party supplies, relating to research and development is written off to the profit and loss account in the period incurred.

Charitable & political donations

The Company made charitable contributions of £1,010 in 2005. The company made charitable donations of £1,410 in 2004. No political donations were made in 2005 or 2004.

Patsystems (UK) Limited

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2005

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 dispensed with the requirement to hold an Annual General Meeting and to appoint auditors annually as the Company is a wholly owned subsidiary.

By order of the Board



Daljit Kaur-Khela

Company Secretary

20 September 2006

Patsystems (UK) Limited

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF PATSYSTEMS (UK) LIMITED

We have audited the financial statements of Patsystems (UK) Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 1985. 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

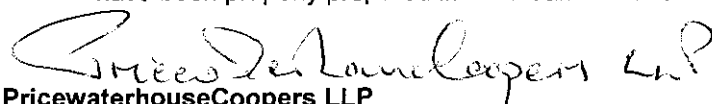
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London

25 September 2006

Patsystems (UK) Limited
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005

		2005	2004
	Notes	£	£
Turnover	2	4,860,894	5,666,065
Cost of sales		(79,868)	(49,816)
Gross profit		4,781,026	5,616,249
Administrative expenses		(8,620,918)	(9,764,743)
Other Income		2,138,429	1,572,993
Operating loss	5	(1,701,463)	(2,575,501)
Interest receivable and similar income	6	5,946	25,701
Interest payable and similar charges	7	(6,749)	(3,423)
Loss on ordinary activities before taxation		(1,702,266)	(2,553,223)
Tax on loss on ordinary activities	8	75,615	955,335
Loss for the financial year	17	(1,626,651)	(1,597,888)

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

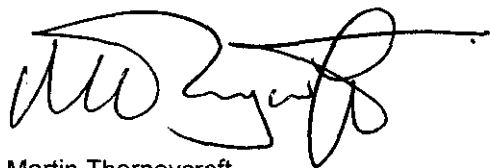
There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

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 2005**

	Notes	2005 £	2004 £
Fixed assets			
Intangible assets	9	169,239	256,233
Tangible assets	10	757,151	895,688
		<u>926,390</u>	<u>1,151,921</u>
Current assets			
Stock	11	289,913	265,052
Debtors	12	7,797,194	8,498,629
Cash at bank		251,709	8,724
		<u>8,338,816</u>	<u>8,772,405</u>
Creditors: amounts falling due within one year	13	<u>(3,640,778)</u>	<u>(1,932,681)</u>
Net current assets		<u>4,698,038</u>	<u>6,839,724</u>
Total assets add net current assets		<u>5,624,428</u>	<u>7,991,645</u>
Creditors: amounts falling due after more than one year	14	<u>(31,877,701)</u>	<u>(32,628,267)</u>
Provisions for liabilities	15	<u>(10,000)</u>	<u>-</u>
Net liabilities		<u>(26,263,273)</u>	<u>(24,636,622)</u>
Capital and reserves			
Called up share capital	16	1,874	1,874
Share premium account	17	3,961,366	3,961,366
Profit and loss account	17	<u>(30,226,513)</u>	<u>(28,599,862)</u>
Equity Shareholders' deficit	18	<u>(26,263,273)</u>	<u>(24,636,622)</u>

The financial statements on pages 5 to 15 were approved by the board of directors on 20 September 2006 and were signed on its behalf:



Martin Thorneycroft

Director

Patsystems (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and the Companies Act 1985, under the historical cost convention.

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. 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 performance of the work.
- (ii) Monthly end-user or lot charges and annual maintenance income on any rentals – these are credited to the profit and loss account in the period in which the service is provided.
- (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. Cost of sales

Cost of sales represents cost of goods resold directly to customers.

1.4. Software licences

The software licences purchased are being amortised on a straight-line basis over a three-year period.

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 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

1.6. Research and development

All research and development expenditure is written off as incurred.

1.7. Stocks

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

1.8. 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.

Patsystems (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

1.9. Deferred taxation

Deferred tax is recognised in respect of all timing differences that have orientated but not reversed at the balance sheet date, where the transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits to utilise carried forward tax losses and against which the reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

1.10. 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.

1.11. 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.

1.12. 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.

1.13. Cash Flow statement

The Company is a wholly owned subsidiary of Patsystems Holdings Limited 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 2005

2. Segmental analysis

	2005	2004
	£	£
Analysis of turnover on continuing operations		
By origin		
United Kingdom	4,860,894	5,666,065
By destination		
United Kingdom	4,724,600	5,037,180
Asia Pacific	136,294	628,885
	4,860,894	5,666,065

3. Staff Costs

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

	2005	2004
	£	£
Wages and salaries	4,719,347	4,448,000
Social security costs	546,587	530,654
Pension costs	211,005	167,343
	5,476,939	5,145,997

There is no pension prepayment or accrual.

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

	2005	2004
Sales & Account Management	5	10
Customer Operations, Testing and Technical	60	44
Development	4	9
Finance, Administration and Board	15	12
	84	75

Patsystems (UK) Limited
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

4. Directors' emoluments

	2005 £	2004 £
Aggregate emoluments	996,753	784,723
Pension contributions	63,502	27,125

Included in Aggregate emoluments is £344,193 paid to Kevin Ashby for compensation for loss of office.

Retirement benefits are accruing to three (2004: three) directors under a defined contribution scheme.

Highest paid director

Kevin Ashby is the highest paid director. Full details of his emoluments are in the annual report of Patsystems Plc.

5. Operating loss

	2005 £	2004 £
Operating loss is stated after charging/(crediting):		
Amortisation of intangible assets	126,434	140,304
Depreciation of tangible assets	379,174	278,671
Operating lease rentals – plant and machinery	15,776	16,072
– other	215,691	151,196
Auditors' remuneration	30,000	30,000
Remuneration of auditors for non-audit work	32,300	68,916
Foreign exchange (gain)/loss	(14,423)	60,383
Other Income - royalties	2,138,429	1,572,993

*The fees paid to auditors for non-audit purposes in 2004 and 2005 were for tax and accounting advice.

Operating expenses are all of an administrative nature.

Research & Development

Total investment in Research & Development in the year was £535,000 consisting of £250,000 on external costs of trademark and £193,000 on internal staff working on trademark.

In 2004 the investment was £2,851,000 consisting of £1,853,000 on external costs of trademark and £998,000 on internal staff working on trademark

Patsystems (UK) Limited
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

6. Interest receivable and similar income

	2005 £	2004 £
Bank interest	5,946	11,020
Other interest	-	14,681
	<u>5,946</u>	<u>25,701</u>

7. Interest payable and similar charges

	2005 £	2004 £
On bank loans and overdrafts	<u>6,749</u>	<u>3,423</u>

8. Taxation

The Company has no current tax charge due to losses arising in the year. The tax for the year is different from that which would result from applying the standard rate of Corporation Tax in the UK (30%). The differences are explained below:

	2005 £	2004 £
Loss on ordinary activities before tax	<u>(1,702,266)</u>	<u>(2,553,223)</u>
Loss on ordinary activities multiplied by standard rate of UK Corporation Tax in the UK of 30% (2004:30%)	(510,680)	(765,967)
Effects of:		
R & D tax credit in respect of current period	-	(350,000)
R & D tax credit in respect of prior periods	(84,806)	(632,017)
Expenses not deductible for tax purposes	13,527	34,290
Short term timing differences	-	(146,400)
Depreciation in excess of capital allowances	113,436	83,868
Amortisation of software licences	37,930	42,091
Withholding tax	9,191	26,682
Tax losses not utilised	345,787	752,118
Tax on loss on ordinary activities	<u>(75,615)</u>	<u>(955,335)</u>

A deferred tax asset of £6,163,068 (2004: £5,817,281) primarily on tax losses is available to carry forward. The deferred tax asset has not been recognised in respect of these losses as their future recovery is uncertain.

Patsystems (UK) Limited**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2005****9. Intangible fixed assets**

	Software Licences
Cost	£
At 1 January 2005	893,934
Additions	39,440
At 31 December 2005	<u>933,374</u>
Amortisation	
At 1 January 2005	637,701
Charge for year	126,434
At 31 December 2005	<u>764,135</u>
Net book value	
At 31 December 2005	<u>169,239</u>
At 31 December 2004	<u>256,233</u>

10. Tangible fixed assets

	Leasehold improvements	Computer equipment	Fixtures & fittings	Total
	£	£	£	£
Cost				
At 1 January 2005	604,612	1,377,910	490,866	2,473,388
Additions	-	233,578	7,059	240,637
Disposals	-	(19,100)	-	(19,100)
At 31 December 2005	<u>604,612</u>	<u>1,592,388</u>	<u>497,925</u>	<u>2,694,925</u>
Depreciation				
At 1 January 2005	122,345	1,028,097	427,258	1,577,700
Charge for the year	121,364	230,659	27,151	379,174
Disposals	-	(19,100)	-	(19,100)
At 31 December 2005	<u>243,709</u>	<u>1,239,656</u>	<u>454,409</u>	<u>1,937,774</u>
Net book value				
At 31 December 2005	<u>360,903</u>	<u>352,732</u>	<u>43,516</u>	<u>757,151</u>
At 31 December 2004	<u>482,267</u>	<u>349,813</u>	<u>63,608</u>	<u>895,688</u>

Patsystems (UK) Limited
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

11. Stock

	2005 £	2004 £
Goods for resale	289,913	265,052

12. Debtors

	2005 £	2004 £
Trade debtors	354,011	810,292
Amounts owed by group undertakings	6,541,152	6,420,424
Other debtors	223,719	719,234
Prepayments and accrued income	678,312	548,679
	<u>7,797,194</u>	<u>8,498,629</u>

13. Creditors: amounts falling due within one year

	2005 £	2004 £
Trade creditors	409,972	669,988
Amounts due to group undertakings	2,000,000	-
Other taxes and social security costs	224,326	153,278
Accruals and deferred income	1,006,480	1,109,415
	<u>3,640,778</u>	<u>1,932,681</u>

Amounts due to group undertakings are unsecured, interest free and repayable within one year.

14. Creditors: amounts falling due after more than one year

	2005 £	2004 £
Amounts due to group undertakings	31,877,701	32,628,267

Amounts due to group undertakings are unsecured, interest free and repayable in greater than one year.

Patsystems (UK) Limited
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

15. Provision for liabilities

	At 1 January 2005	New provisions made in year	Utilised /released in the year	At 31 December 2005
	£	£	£	£
Dilapidations provision	-	10,000	-	10,000
	-	10,000	-	10,000

The dilapidation provision is in respect of works to be carried out at the end of the leases on property.
The provision is due to expire in the second half of 2009.

16. Share capital

	2005	2004
	£	£
Authorised		
10,000,000 Ordinary shares of 1p each	100,000	100,000
Allotted, called up and fully paid		
187,432 (2004: 187,432) Ordinary shares of 1p each	1,874	1,874

17. Statement of movements on reserves

	Share premium account	Profit and loss account
	£	£
Balance at 1 January 2005	3,961,366	(28,599,862)
Loss for the year	-	(1,626,651)
Balance at 31 December 2005	3,961,366	(30,226,513)

18. Reconciliation of movements in shareholders' deficit

	2005	2004
	£	£
Loss for the financial year	(1,626,651)	(1,597,888)
Opening shareholders' deficit	(24,636,622)	(23,038,734)
Closing shareholders' deficit	(26,263,273)	(24,636,622)

Patsystems (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

19. Financial commitments

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2005	2004
	£	£
Expiry date:		
In 2 – 5 five years	208,042	208,042

20. Related party transactions

Turnover includes £349,268 (2004: £326,000) in respect of Caboto IntesaBCI (London Branch), a member of a group of companies which include CAI (Suisse), a shareholder of the Company. Trade debtors include a debit balance due to this company of £294 (2004: debit balance £7,000).

21. Ultimate parent undertaking

The immediate parent undertaking is Patsystems Holdings Limited. The ultimate controlling party is Patsystems Plc, a company incorporated in Great Britain. Copies of the financial statements of Patsystems Plc can be obtained from the Company Secretary at the Company's registered office at Cottons Centre, Hays Lane, London SE1 2QP or from the Investor Relations section of the Company's internet site at www.patsystems.com.