

Company Registration No 3086310 (England and Wales)

**Patsystems (UK) Limited**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2011**



**Patsystems (UK) Limited**

**DIRECTORS AND OTHER INFORMATION**

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|                            |                                                                                                                                                                                                  |
|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Directors</b>           | Martin Thomeycroft<br>David Webber (resigned 31 May 2012)<br>Silvio Oliviero (appointed 30 July 2012)<br>Helen Banton (appointed 16 February 2012)<br>Kieran O' Toole (resigned 31 January 2011) |
| <b>Secretary</b>           | Jenny Killip (appointed 1 August 2011)<br>Martin Thomeycroft (resigned 1 August 2011)                                                                                                            |
| <b>Registered office</b>   | Riverside House<br>2A Southwark Bridge Road<br>London SE1 9HA                                                                                                                                    |
| <b>Company number</b>      | 3086310                                                                                                                                                                                          |
| <b>Principal Bankers</b>   | Barclays Bank plc<br>1 Churchill Place<br>London E14 5HP                                                                                                                                         |
| <b>Registered Auditors</b> | Ernst & Young,<br>Chartered Accountants,<br>Ernst & Young Building,<br>Harcourt Centre,<br>Harcourt Street,<br>Dublin 2,<br>Ireland                                                              |

**Patsystems (UK) Limited**  
**CONTENTS**

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|                                   | Page Number |
|-----------------------------------|-------------|
| DIRECTORS' REPORT                 | 1 – 3       |
| INDEPENDENT AUDITORS' REPORT      | 4 – 5       |
| PROFIT AND LOSS ACCOUNT           | 6           |
| BALANCE SHEET                     | 7           |
| NOTES TO THE FINANCIAL STATEMENTS | 8 – 19      |

**Patsystems (UK) Limited**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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The directors present their report for Patsystems (UK) Limited and audited financial statements for the year ended 31 December 2011

**Principal activity**

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

In 2008 a branch of Patsystems (UK) Limited was established in Hong Kong. The results of the Hong Kong branch have been included in these financial statements until 31 March 2010 when Patsystems Hong Kong Limited was incorporated

**Results and dividends**

The loss of the Company after taxation for the year ended 31 December 2011 was (£3,606,051) compared to a profit of £1,987,226 for the year ended 31 December 2010. The loss before taxation for the year ended 31 December 2011 was (£4,455,445) compared to a profit before taxation of £3,080,425 for the year ended 31 December 2010. The directors do not recommend the payment of a dividend for the year (2010 Nil)

**Review of business**

In the final quarter of the year, the Company experienced a downturn in revenues as one of its largest customers went into administration, resulting in a significant bad debt expense and loss of revenue

As a result of the above, the Company's performance did not meet expectations

Subsequent to the year ended 31 December 2011, the entire issued share capital of the ultimate holding Company, Patsystems Plc, was acquired by Pattington Limited, a subsidiary of ION Investment Group Limited, which develops and licences software for automated trading activities

**Principal risks and uncertainties**

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Patsystems Group, which include those of the Company, are discussed in the Director's Report of the Group's annual report which does not form part of this report

**Directors**

The directors who held office during the year and since the year end up to the date of approval of the financial statements were

|                     |                              |
|---------------------|------------------------------|
| Martin Thorneycroft |                              |
| Helen Banton        | (appointed 16 February 2011) |
| Kieran O' Toole     | (resigned 31 January 2011)   |
| David Webber        | (resigned 31 May 2012)       |
| Silvio Oliviero     | (appointed 30 July 2012)     |

There were no directors' interests requiring disclosure under the Companies Act 2006

**Research and development**

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

**Patsystems (UK) Limited**  
**DIRECTORS' REPORT (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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**Charitable and political donations**

The Company made charitable contributions of £4,850 during the year (2010: £3,950). The donations in the current year were made to Juvenile Diabetes Research Foundation, Futures for Kids, McMillan Cancer Support and Harlow Boxing Club. No political donations were made in 2011 or 2010.

**Statement of Directors' Responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

**Disclosure of information to auditors**

For each of the persons who were directors at the time this report was prepared, the following applies:

- So far as the directors are aware, there is no relevant information of which the Company's auditors are unaware, and
- The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Patsystems (UK) Limited**  
**DIRECTORS' REPORT (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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**Events since balance sheet date**

There were no significant events since the balance sheet date, except as disclosed in note 21 to the financial statements

**Auditors**

PricewaterhouseCoopers LLP resigned as auditors during the year Ernst & Young, Chartered Accountants were appointed as auditors in their stead and have indicated their willingness to continue in office

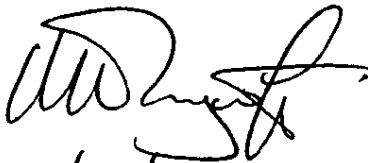
The directors dispensed with the requirement to hold an Annual General Meeting and to appoint auditors annually as the Company is a wholly owned subsidiary

**Going concern**

The financial statements have been prepared on a going concern concept because a fellow group undertaking has agreed not to call on amounts due from the Company until such time as it has adequate funds to make its liabilities for at least twelve months from the date of approval of the financial statements

On behalf of the Board

Director



Date

6/12/12

**INDEPENDENT AUDITORS' REPORT  
TO THE SHAREHOLDERS OF PATSYSTEMS (UK) LIMITED**

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We have audited the financial statements of Patsystems (UK) Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT**

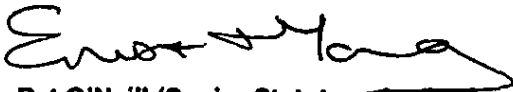
**TO THE SHAREHOLDERS OF PATSYSTEMS (UK) LIMITED (Continued)**

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**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



**Pat O'Neill (Senior Statutory Auditor)**  
**For and on behalf of Ernst & Young**  
**Chartered Accountants, Statutory Auditor,**  
**Dublin**

**Date:** 6 DECEMBER 2012

**Patsystems (UK) Limited**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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|                                                               |       | 2011        | 2011         | 2010      | 2010         |
|---------------------------------------------------------------|-------|-------------|--------------|-----------|--------------|
|                                                               | Notes | £           | £            | £         | £            |
| <b>Turnover</b>                                               |       |             |              |           |              |
| Continuing operations                                         | 2     | 5,832,051   |              | 7,519,400 |              |
| Discontinued operations                                       | 2     | -           |              | 178,054   |              |
|                                                               | 3     |             | 5,832,051    |           | 7,697,454    |
| Cost of sales                                                 |       |             | (344,960)    |           | (173,738)    |
| <b>Gross profit</b>                                           |       |             | 5,487,091    |           | 7,523,716    |
| Administrative expenses                                       |       |             | (13,468,110) |           | (10,914,909) |
| Other income                                                  |       |             | 3,450,490    |           | 6,358,103    |
| <b>Operating (loss) / profit</b>                              |       |             |              |           |              |
| Continuing operations                                         | 2     | (4,530,529) |              | 2,869,253 |              |
| Discontinued operations                                       | 2     | -           |              | 97,657    |              |
|                                                               | 6     |             | (4,530,529)  |           | 2,966,910    |
| Interest receivable and similar income                        | 7     |             | 75,084       |           | 113,515      |
| <b>(Loss) / profit on ordinary activities before taxation</b> |       |             | (4,455,445)  |           | 3,080,425    |
| Tax on (loss) / profit on ordinary activities                 | 8     |             | 849,394      |           | (1,093,199)  |
| <b>(Loss) / profit for the financial year</b>                 | 18    |             | (3,606,051)  |           | 1,987,226    |

There were no recognised gains or losses in either year other than the profit attributable to shareholders of the company

**Patsystems (UK) Limited**  
**BALANCE SHEET**  
**AT 31 DECEMBER 2011**

|                                                                |       | 2011                | 2010                |
|----------------------------------------------------------------|-------|---------------------|---------------------|
|                                                                | Notes | £                   | £                   |
| <b>Assets employed</b>                                         |       |                     |                     |
| <b>Fixed assets</b>                                            |       |                     |                     |
| Intangible assets                                              | 9     | 116,040             | 131,936             |
| Tangible assets                                                | 10    | 497,021             | 359,759             |
|                                                                |       | <u>613,061</u>      | <u>491,695</u>      |
| <b>Current assets</b>                                          |       |                     |                     |
| Debtors                                                        | 11    | 5,607,185           | 9,305,703           |
| Deferred tax asset                                             | 12    | 5,385,673           | 4,526,307           |
| Cash at bank                                                   |       | 1,625,579           | 7,728,985           |
|                                                                |       | <u>12,618,437</u>   | <u>21,560,995</u>   |
| <b>Creditors: amounts falling due within one year</b>          | 13    | <u>(1,779,263)</u>  | <u>(1,865,283)</u>  |
| <b>Net current assets</b>                                      |       | <u>10,839,174</u>   | <u>19,695,712</u>   |
| <b>Total assets less current liabilities</b>                   |       | <u>11,452,235</u>   | <u>20,187,407</u>   |
| <b>Creditors: amounts falling due after more than one year</b> | 14    | (29,016,907)        | (34,836,828)        |
| <b>Provisions</b>                                              | 15    | (56,000)            | (32,000)            |
| <b>Provision for loss on contract</b>                          | 6(b)  | (666,800)           | -                   |
| <b>Net liabilities</b>                                         |       | <u>(18,287,472)</u> | <u>(14,681,421)</u> |
| <b>Financed by</b>                                             |       |                     |                     |
| <b>Capital and reserves</b>                                    |       |                     |                     |
| Called up share capital                                        | 16    | 1,874               | 1,874               |
| Share premium account                                          | 17    | 3,961,366           | 3,961,366           |
| Profit and loss account                                        | 17    | (22,250,712)        | (18,644,661)        |
| <b>Total shareholders' deficit</b>                             | 18    | <u>(18,287,472)</u> | <u>(14,681,421)</u> |

The financial statements on pages 6 to 19 were approved by the board of directors on 6 December 2012 and were signed on its behalf by

Martin Thomeycroft – Director



Company Registration No 3086310 (England and Wales)

**Patsystems (UK) Limited**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2011**

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**1. Accounting Policies**

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006, 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 financial statements have been prepared on a going concern concept because a fellow group undertaking has agreed not to call on amounts due from the Company until such time as it has adequate funds to make its liabilities for at least twelve months from the date of approval of the financial statements

**1.2. Turnover and revenue recognition**

Revenue comprises the fair value of the sale of goods and services, net of value added tax

Revenue is recognised as follows

Non-refundable installation income, consultancy and software development projects revenue is taken to the profit and loss account in line with the performance of the work

Monthly end user or lot charges, monthly maintenance and income on any rentals – these are credited to the profit and loss account in the period in which the service is provided

Income from perpetual licences – this is recognised in the profit and loss account when the Company has fulfilled all of its obligations in accordance with the terms for acceptance set out in the customer contracts and the Company has reasonable assurance over the collectability of the debt

Revenue relating to development projects is recognised using the percentage of completion method, based primarily on contract costs incurred to date, compared to estimated overall contract costs

**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 over their estimated useful lives (three years)

**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 equipment     | - over 3 years on a straight-line basis |
| 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. 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 2011**

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**1. Accounting Policies (Continued)**

**1.8. Taxation**

Current corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted for the financial year

Deferred tax is recognised in respect of all timing differences that have originated 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 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

**1.9. Foreign currencies**

The financial statements are expressed in Pounds Sterling (£), the functional currency of the company

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. All differences are taken to the profit and loss account

**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 Holdings Limited and is included in the consolidated financial statements of Patsystems Limited (formerly 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 2011**

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**1 Accounting Policies (Continued)**

**1.13. Intangible fixed assets and amortisation**

Intangible fixed assets purchased are capitalised at cost and amortised through the profit and loss account over the estimated useful life of the assets at a rate determined in accordance with the nature of the asset purchased. The carrying value of intangible assets is reviewed for impairment at the end of each period if events or changes in circumstances indicate that the carrying value may not be recoverable. Indicators, such as persistent operating losses, negative cash flows, significant fall in an asset's market value and physical damage to, or obsolescence of, an asset are monitored and provision is made for any impairment.

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

License - 33% straight line

**2. Profit and loss account**

There were no acquired or discontinued operations during 2011. Below is an analysis of acquired and discontinued operations for 2010:

|                                               | 2010                  | 2010                | 2010         | 2010                    | 2010         |
|-----------------------------------------------|-----------------------|---------------------|--------------|-------------------------|--------------|
|                                               | £                     | £                   | £            | £                       | £            |
|                                               | Continuing operations | Acquired operations | Total        | Discontinued operations | Total        |
| Turnover                                      | 6,669,362             | 850,038             | 7,519,400    | 178,054                 | 7,697,454    |
| Cost of sales                                 | (168,679)             | (5,059)             | (173,738)    | -                       | (173,738)    |
| Gross Profit                                  | 6,500,683             | 844,979             | 7,345,662    | 178,054                 | 7,523,716    |
| Administrative expenses                       | (10,668,231)          | (166,281)           | (10,834,512) | (80,397)                | (10,914,909) |
| Other income                                  | 6,358,103             | -                   | 6,358,103    | -                       | 6,358,103    |
| Operating profit                              | 2,190,555             | 678,698             | 2,869,253    | 97,657                  | 2,966,910    |
| Interest receivable and similar income        | 109,092               | 4,423               | 113,515      | -                       | 113,515      |
| Profit on ordinary activities before taxation | 2,299,647             | 683,121             | 2,982,768    | 97,657                  | 3,080,425    |

In 2008 a branch of Patsystems (UK) Limited was established in Hong Kong. The results of the Hong Kong branch have been included as discontinued operations until 31 March 2010 when Patsystems Hong Kong Limited was incorporated.

**Patsystems (UK) Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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**2. Profit and loss account (Continued)**

On 29 October 2010 Patsystems Plc transferred all of the assets and liabilities of Tamesis Limited to Patsystems (UK) Limited. In the comparative figures the results of Tamesis Limited from 29 October 2010 were disclosed as acquired operations. In the current year these are now classed as continuing operations.

**3. Segmental analysis**

|                             | 2011      | 2010      |
|-----------------------------|-----------|-----------|
|                             | £         | £         |
| <b>Analysis of turnover</b> |           |           |
| <b>By origin</b>            |           |           |
| United Kingdom              | 5,832,051 | 7,697,454 |
|                             | <hr/>     | <hr/>     |
| <b>By destination</b>       |           |           |
| United Kingdom              | 5,333,054 | 7,037,456 |
| Asia Pacific                | 498,997   | 659,998   |
|                             | <hr/>     | <hr/>     |
|                             | 5,832,051 | 7,697,454 |
|                             | <hr/>     | <hr/>     |

**4. Staff Costs**

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

|                       | 2011      | 2010      |
|-----------------------|-----------|-----------|
|                       | £         | £         |
| Wages and salaries    | 6,298,244 | 5,872,708 |
| Social security costs | 785,447   | 782,759   |
| Pension costs         | 600,864   | 571,327   |
|                       | <hr/>     | <hr/>     |
|                       | 7,684,555 | 7,226,794 |
|                       | <hr/>     | <hr/>     |

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

|                                            | 2011  | 2010  |
|--------------------------------------------|-------|-------|
| Sales and Account Management               | 5     | 6     |
| Customer Operations, Testing and Technical | 41    | 46    |
| Development                                | 40    | 36    |
| Finance, Administration and Board          | 12    | 14    |
|                                            | <hr/> | <hr/> |
|                                            | 98    | 102   |
|                                            | <hr/> | <hr/> |

**Patsystems (UK) Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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**5. Directors' emoluments**

|                       | 2011<br>£ | 2010<br>£ |
|-----------------------|-----------|-----------|
| Aggregate emoluments  | 856,628   | 665,610   |
| Pension contributions | 81,391    | 49,565    |

Retirement benefits are accruing to four (2010 three) directors under defined contribution schemes

**Highest paid director**

Total emoluments for the highest paid Director for the year ended 31 December 2011 are £326,599 (2010 £390,608) and pension contributions for the year are £45,303 (2010 £26,479)

**6. Operating (loss) / profit**

|                                                                        | 2011<br>£ | 2010<br>£ |
|------------------------------------------------------------------------|-----------|-----------|
| Operating (loss) / profit is stated after charging/(crediting)         |           |           |
| Amortisation of intangible assets                                      | 65,871    | 106,855   |
| Depreciation of tangible assets                                        | 182,750   | 244,742   |
| Operating lease rentals – plant and machinery                          | 29,378    | 30,870    |
| – other                                                                | 264,903   | 268,367   |
| Research and development costs                                         | 510,205   | 617,556   |
| Auditors' remuneration – see below a)                                  | 35,000    | 39,000    |
| Remuneration of predecessor auditors for non-audit work – see below a) | 32,530    | 61,110    |
| Foreign exchange loss / (gain)                                         | 8,457     | (22,784)  |
| Other income – royalties                                               | 3,450,440 | 6,358,103 |
| Loss on contract – see below b)                                        | 1,293,000 | -         |
| Exceptional items – internal restructuring costs, see below c)         | 416,614   | -         |

**Patsystems (UK) Limited**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2011**

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**6. Operating (loss) / profit (continued)**

- a) Fees payable in 2011 relate to amounts payable to the newly appointed auditors Ernst & Young, Chartered Accountants and previous auditors PricewaterhouseCoopers LLP (2010 amounts payable to previous auditors PricewaterhouseCoopers LLP) The fees paid to predecessor auditors for non-audit purposes in 2011 were primarily for tax compliance advice and human resource services (2010 tax compliance advice, human resource services and advice on the transfer of Tamesis Limited)
- b) Costs expected to complete a development project for a customer are now expected to exceed initial expectations. As a result of this revision in costs a loss is now expected to be made on the project. A provision for loss on contract was created for £1,293,000 and accrued income recognised in previous years of £626,200 has been offset against this leaving a provision at 31 December 2011 of £666,800

Revenue recognised on the project has been measured on a percentage complete basis, comparing the costs incurred at 31 December 2011 to the total expected project costs. Total costs incurred to date amount to £1,552,000 and the profit recognised on the project in prior years amounts to £6,000. No revenue has been recognised on the project in 2011.

There are no debtor balances due from the customer at 31 December 2011.

- c) Exceptional items are largely made up of redundancy costs incurred during 2011.

Operating expenses are all of an administrative nature.

**7. Interest receivable and similar income**

|                                                            | <b>2011</b>   | <b>2010</b> |
|------------------------------------------------------------|---------------|-------------|
|                                                            | <b>£</b>      | <b>£</b>    |
| Bank interest                                              | <b>56,332</b> | 109,092     |
| Interest receivable on the fair value of long term debtors | <b>18,752</b> | 4,423       |
|                                                            | <b>75,084</b> | 113,515     |

**8. Taxation**

|                        | <b>2011</b>      | <b>2010</b> |
|------------------------|------------------|-------------|
|                        | <b>£</b>         | <b>£</b>    |
| Corporation tax        |                  |             |
| Current tax            | <b>9,972</b>     | 9,324       |
| Deferred tax (note 12) | <b>(859,366)</b> | 1,083,875   |
|                        | <b>(849,394)</b> | 1,093,199   |

**Patsystems (UK) Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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**8 Taxation (continued)**

The tax for the year is different from that which would result from applying the standard rate of Corporation Tax in the UK (26.5%) The differences are explained below

|                                                                                                                     | 2011               | 2010             |
|---------------------------------------------------------------------------------------------------------------------|--------------------|------------------|
|                                                                                                                     | £                  | £                |
| <b>(Loss) / profit on ordinary activities before tax</b>                                                            | <b>(4,455,445)</b> | <b>3,080,425</b> |
| (Loss) / profit on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 26.5% (2010 28%) | <b>(1,180,693)</b> | <b>862,519</b>   |
| Effects of                                                                                                          |                    |                  |
| Expenses not deductible for tax purposes                                                                            | <b>54,785</b>      | <b>80,804</b>    |
| Relief for parent company share options exercised                                                                   | <b>(2,440)</b>     | <b>(36,718)</b>  |
| Losses surrendered by group companies                                                                               | <b>-</b>           | <b>(30,678)</b>  |
| Withholding tax                                                                                                     | <b>9,972</b>       | <b>9,324</b>     |
| Relief claimed on withholding tax                                                                                   | <b>(2,643)</b>     | <b>(2,611)</b>   |
| Tax losses brought forward / (utilised)                                                                             | <b>1,130,991</b>   | <b>(873,316)</b> |
| Current tax charge                                                                                                  | <b>9,972</b>       | <b>9,324</b>     |

A number of changes to the UK corporation tax system were announced in the June 2010 Budget Statement and in the Budget of 23 March 2011. A reduction in the UK tax rate from 28% to 26% was substantively enacted in March 2011 and is effective from 1 April 2011. A further reduction from 26% to 25% was substantively enacted in July 2011 and will be effective from 1 April 2012. Accordingly, these rates have been applied in the measurement of the company's deferred tax assets and liabilities as at 31 December 2011.

In addition, the Government announced its intention to further reduce the UK corporation tax rate to 24% from 1 April 2013 and to 23% from 1 April 2014.

**Patsystems (UK) Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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**9. Intangible fixed assets**

|                       | <b>Software Licences</b> |
|-----------------------|--------------------------|
| <b>Cost</b>           | <b>£</b>                 |
| At 1 January 2011     | 262,254                  |
| Additions             | 49,975                   |
| At 31 December 2011   | <u>312,229</u>           |
| <b>Amortisation</b>   |                          |
| At 1 January 2011     | 130,318                  |
| Charge for year       | 65,871                   |
| At 31 December 2011   | <u>196,189</u>           |
| <b>Net book value</b> |                          |
| At 31 December 2011   | <u>116,040</u>           |
| At 31 December 2010   | <u>131,936</u>           |

**10. Tangible fixed assets**

|                       | <b>Leasehold<br/>improvements</b> | <b>Computer<br/>equipment</b> | <b>Fixtures &amp;<br/>fittings</b> | <b>Total</b>     |
|-----------------------|-----------------------------------|-------------------------------|------------------------------------|------------------|
|                       | <b>£</b>                          | <b>£</b>                      | <b>£</b>                           | <b>£</b>         |
| <b>Cost</b>           |                                   |                               |                                    |                  |
| At 1 January 2011     | 105,614                           | 589,660                       | 118,798                            | 814,072          |
| Additions             | -                                 | 318,339                       | 1,673                              | 320,012          |
| At 31 December 2011   | <u>105,614</u>                    | <u>907,999</u>                | <u>120,471</u>                     | <u>1,134,084</u> |
| <b>Depreciation</b>   |                                   |                               |                                    |                  |
| At 1 January 2011     | 27,629                            | 341,439                       | 85,245                             | 454,313          |
| Charge for the year   | 21,216                            | 143,505                       | 18,029                             | 182,750          |
| At 31 December 2011   | <u>48,845</u>                     | <u>484,944</u>                | <u>103,274</u>                     | <u>637,063</u>   |
| <b>Net book value</b> |                                   |                               |                                    |                  |
| At 31 December 2011   | <u>56,769</u>                     | <u>423,055</u>                | <u>17,197</u>                      | <u>497,021</u>   |
| At 31 December 2010   | <u>77,985</u>                     | <u>248,221</u>                | <u>33,553</u>                      | <u>359,759</u>   |

**Patsystems (UK) Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

**11. Debtors**

|                                    | 2011             | 2010             |
|------------------------------------|------------------|------------------|
|                                    | £                | £                |
| Trade debtors                      | 619,431          | 1,482,753        |
| Amounts owed by group undertakings | 3,404,106        | 5,574,915        |
| Other debtors                      | 240,197          | 249,937          |
| Prepayments and accrued income     | 1,343,451        | 1,998,098        |
|                                    | <b>5,607,185</b> | <b>9,305,703</b> |

**12. Deferred tax asset**

|                                                 | <u>Trading losses</u> | <u>Capital allowances</u> | <u>Other timing differences and share options</u> | <u>Total</u>     |
|-------------------------------------------------|-----------------------|---------------------------|---------------------------------------------------|------------------|
|                                                 | £                     | £                         | £                                                 | £                |
| At 1 January 2011                               | 3,581,650             | 876,943                   | 67,714                                            | 4,526,307        |
| Prior year credit recorded in current year      | 96,532                | -                         | -                                                 | 96,532           |
|                                                 | <b>3,678,182</b>      | <b>876,943</b>            | <b>67,714</b>                                     | <b>4,622,839</b> |
| Current year losses available for carry forward | 1,130,991             | -                         | -                                                 | 1,130,991        |
| Impact of change in corporation tax rate        | (335,593)             | (70,411)                  | (2,556)                                           | (408,560)        |
| Other credits / (charges) arising in the year   | -                     | 73,606                    | (33,203)                                          | 40,403           |
| Deferred tax (charge) / credit for the year     | <b>891,930</b>        | <b>3,195</b>              | <b>(35,759)</b>                                   | <b>859,366</b>   |
| At 31 December 2011                             | <b>4,473,580</b>      | <b>880,138</b>            | <b>31,955</b>                                     | <b>5,385,673</b> |

As outlined in Note 8, the Government announced its intention to further reduce the UK corporation tax rate to 24% from 1 April 2013 and to 23% from 1 April 2014. The aggregate impact of the proposed reductions from 25% to 23% would reduce the deferred tax assets by approximately £430,856.

**Patsystems (UK) Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

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**13. Creditors: amounts falling due within one year**

|                                       | 2011             | 2010             |
|---------------------------------------|------------------|------------------|
|                                       | £                | £                |
| Trade creditors                       | 448,910          | 564,238          |
| Other creditors                       | -                | 1,987            |
| Other taxes and social security costs | 231,776          | 438,649          |
| Accruals and deferred income          | 1,098,577        | 860,409          |
|                                       | <u>1,779,263</u> | <u>1,865,283</u> |

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

|                                   | 2011              | 2010              |
|-----------------------------------|-------------------|-------------------|
|                                   | £                 | £                 |
| Amounts due to group undertakings | <u>29,016,907</u> | <u>34,836,828</u> |

Amounts due to group undertakings are unsecured and interest free

**15. Provisions**

|                                                              | At 1 January<br>2011 | Utilised in<br>year | Movement in<br>year | At 31<br>December<br>2011 |
|--------------------------------------------------------------|----------------------|---------------------|---------------------|---------------------------|
| <i>Later than one year and not later<br/>than five years</i> |                      |                     |                     |                           |
| Dilapidations provision                                      | 32,000               | -                   | 24,000              | 56,000                    |
|                                                              | <u>32,000</u>        | <u>-</u>            | <u>24,000</u>       | <u>56,000</u>             |

The dilapidations provision is in respect of work to be carried out at the end of the lease on property at Riverside House. This is due to expire in 2014.

**Patsystems (UK) Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

**16. Share capital**

|                                                   | 2011    | 2010    |
|---------------------------------------------------|---------|---------|
|                                                   | £       | £       |
| <b>Authorised</b>                                 |         |         |
| 10,000,000 Ordinary shares of 1p each             | 100,000 | 100,000 |
| <b>Allotted, called up and fully paid</b>         |         |         |
| 187,432 (2010 187,432) Ordinary shares of 1p each | 1,874   | 1,874   |

**17. Statement of movements on reserves**

|                                    | Share<br>premium<br>account | Profit and<br>loss account |
|------------------------------------|-----------------------------|----------------------------|
|                                    | £                           | £                          |
| Balance at 1 January 2011          | 3,961,366                   | (18,644,661)               |
| Loss for the year                  | -                           | (3,606,051)                |
| <b>Balance at 31 December 2011</b> | <b>3,961,366</b>            | <b>(22,250,712)</b>        |

**18 Reconciliation of movements in shareholders' deficit**

|                                        | 2011                | 2010                |
|----------------------------------------|---------------------|---------------------|
|                                        | £                   | £                   |
| (Loss) / profit for the financial year | (3,606,051)         | 1,987,226           |
| Opening shareholders' deficit          | (14,681,421)        | (16,668,647)        |
| <b>Closing shareholders' deficit</b>   | <b>(18,287,472)</b> | <b>(14,681,421)</b> |

**Patsystems (UK) Limited****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2011**

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**19. Financial commitments**

At 31 December 2011 the company had annual commitments under non-cancellable operating leases which will expire between 2-5 years Annual lease rentals are as follows

|                    | 2011           | 2010           |
|--------------------|----------------|----------------|
|                    | £              | £              |
| Land and Buildings | 374,465        | 261,219        |
| Equipment          | 29,302         | 28,539         |
| <b>Total</b>       | <b>403,767</b> | <b>289,758</b> |

**20. Related party transactions**

Turnover includes £388,000 (2010 £393,000) in respect of Banca Caboto Spa (London Branch), a member of a group of companies which include CAI (Suisse), a shareholder of the ultimate parent company At 31 December 2011 the amount owing by Banca Caboto Spa (London Branch) was £Nil (2010 £Nil)

The company has availed of the exemption provided in Financial Reporting Standards no 8, "Related Party Transactions" for wholly owned subsidiary undertakings from the requirements to give details of transactions which entities that are part of the group or investee's of the group, qualifying as related parties

**21. Ultimate parent undertaking**

The immediate parent undertaking party and controlling party of the company is Patsystems Holdings Limited Subsequent to the year ended 31 December 2011 the entire share capital of Patsystems Plc, the ultimate parent undertaking and controlling party at the balance sheet date, was acquired by Pattington Limited, a subsidiary of ION Investment Group Limited ION Investment Group Limited is subsequently the ultimate parent undertaking and controlling party

The parent undertaking of the smallest and largest group undertakings for which consolidated financial statements are prepared and of which the company is a member is Patsystems Limited (formerly Patsystems Plc) and ION Investment Group Limited respectively, companies incorporated in England and Wales and the Republic of Ireland respectively Copies of these consolidated financial statements are available from Riverside House, 2A Southwark Bridge Road, London, SE1 9HA and Parnell Square, Dublin 1, Ireland respectively

The company's ultimate parent undertaking and controlling party is ITT S.à.r.l (formerly ITT SA), a company incorporated in Luxembourg At the year end, Mr A Pignataro owned indirectly 96.42% of ITT S.à.r.l