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Patsystems (UK) Limited

Directors' report and financial statements for the year ended
31 December 2014

Patsystems (UK) Limited

Registered No: 3086310

Directors

S. Oliviero

C. Clinch (appointed 3 June 2014)

K. Grehan (resigned 3 June 2014)

Secretary

A. Woods

Auditor

Ernst & Young,
Chartered Accountants,
Ernst & Young Building,
Harcourt Centre,
Harcourt Street,
Dublin 2,
Ireland.

Registered office

Level 26,
30 St Mary Axe,
London,
EC3A 8EP.

Bankers

Barclays Bank plc,
1 Churchill Place,
London,
E14 5HP.

Strategic report

The directors present their strategic report on the company for the year ended 31 December 2014.

Results and dividends

The profit on ordinary activities before taxation for the year amounted to £4,395,032 (2013: £3,123,957). After a tax charge of £915,265 (2013: £1,252,989), the net profit after taxation for the year amounted to £3,479,767 (2013: £1,870,968). No dividends were declared for either year and, accordingly, these amounts were taken to reserves.

Principal activity and review of the business

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

The results for the year and the financial position at the year end were considered satisfactory by the directors.

Future developments

The company will continue to be a supplier of computer software and related development and consulting services.

Principal risks and uncertainties

The principal risks and uncertainties which the company faces are:

- The company currently derives most of its revenue from a limited number of products. As a result, a reduction in demand for, or sales of, these products would have a material adverse effect on the company's business, financial condition and operating results;
- Potential defects in the company's products or failure to provide services for the company's customers could cause the company's revenue to decrease, cause the company to lose customers and damage the company's reputation;
- The company has a limited ability to protect its intellectual property rights, and others could obtain and use the company's technology without authorisation;
- The company may be exposed to significant liability if it infringes the intellectual property or proprietary rights of others.

The company has insurances, business policies and organisational structures to limit these risks and uncertainties. The board of directors and management regularly review, reassess and proactively limit the associated risks.

On behalf of the board



C. Clinch
Director

Date: 29 September 2015

Directors' report

The directors present their report and audited financial statements for the year ended 31 December 2014.

Directors

The directors who served the company during the year, and up to the date of approval of the financial statements, were as follows:

S. Oliviero	
C. Clinch	(appointed 3 June 2014)
K. Grehan	(resigned 3 June 2014)

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

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing their report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law 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 judgments and accounting 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.

The directors are responsible for keeping adequate 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.

Going concern

The financial statements have been prepared on a going concern basis 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 settle its liabilities, for at least twelve months from the date of approval of the financial statements.

Directors' report (continued)

Events since the balance sheet date

There were no significant events since the balance sheet date.

Auditor

The auditor, Ernst & Young, Chartered Accountants, 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.

On behalf of the board



C. Clinch
Director

Date: 29 September 2015

Independent auditor's report to the members of Patsystems (UK) Limited

We have audited the financial statements of Patsystems (UK) Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 22. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 Strategic Report and Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or material inconsistent with, the knowledge acquired by us in performing the audit. 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 2014 and of its profit 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



Independent auditor's report to the members of Patsystems (UK) Limited

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.

*Tom O'Keeffe (Senior statutory auditor)
for and on behalf of Ernst & Young,
Chartered Accountants, Statutory Auditor
Dublin*

Date: 29/9/15

Profit and loss account

for the year ended 31 December 2014

	Notes	2014 £	2013 £
Turnover - continuing	2	4,839,275	5,064,429
Cost of sales		(285,542)	(438,384)
Gross profit		4,553,733	4,626,045
Administrative expenses		(4,470,756)	(5,817,663)
Other income		4,594,876	4,376,222
Operating profit - continuing	3	4,677,853	3,184,604
Interest receivable and other income	6	—	162
Interest payable and similar charges	7	(282,821)	(60,809)
Profit on ordinary activities before taxation		4,395,032	3,123,957
Tax charge on profit on ordinary activities	8	(915,265)	(1,252,989)
Profit for the financial year		3,479,767	1,870,968

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

Balance sheet

at 31 December 2014

	Notes	2014 £	2013 £
Assets employed			
Fixed assets			
Intangible assets	9	31,965	17,446
Tangible assets	10	364,728	465,142
		<u>396,693</u>	<u>482,588</u>
Current assets			
Debtors	11	21,400,992	16,855,532
Cash at bank and in hand		804,015	439,109
		<u>22,205,007</u>	<u>17,294,641</u>
Creditors: amounts falling due within one year	12	<u>(2,600,485)</u>	<u>(1,920,595)</u>
Net current assets		<u>19,604,522</u>	<u>15,374,046</u>
Total assets less current liabilities		20,001,215	15,856,634
Creditors: amounts falling due after more than one year	13	(33,396,275)	(32,636,184)
Provisions: amounts falling due after more than one year	14, 3a)	<u>(814,466)</u>	<u>(909,743)</u>
Total net liabilities		<u>(14,209,526)</u>	<u>(17,689,293)</u>
Financed by			
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>(18,172,766)</u>	<u>(21,652,533)</u>
Total shareholders' funds (deficit)	17	<u>(14,209,526)</u>	<u>(17,689,293)</u>



C. Clinch
Director:

Date: 29 September 2015

Company registration number: 3086310

Notes to the financial statements

31 December 2014

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with Generally Accepted Accounting Practice in the United Kingdom (UK GAAP).

The financial statements have been prepared on a going concern basis 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 settle its liabilities, for at least twelve months from the date of approval of the financial statements.

Statement of cash flows

Financial Reporting Standard No. 1 (revised 1996) 'Cash Flow Statements' exempts subsidiary undertakings from the requirement to prepare a cash flow statement where 90% or more of the voting rights are controlled by a group that prepares publicly available consolidated financial statements in which the subsidiary undertaking's results are included. The company has availed of this exemption.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is recognised over the period of the related sales agreement. Revenues pursuant to professional service contracts are recognised in accordance with performance.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost or valuation less accumulated depreciation. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Leasehold improvements	- Period of lease
Computer equipment	- 33% per annum
Fixtures and fittings	- 25% per annum

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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 transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax in the future, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Timing differences are differences between profit/(loss) as computed for taxation purposes and taxation as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different periods for taxation purposes.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Operating lease agreements

Rentals payable under operating leases are charged in the profit and loss account as they are incurred.

Notes to the financial statements

31 December 2014 (Continued)

1. Accounting policies (Continued)

Foreign currencies

The financial statements are expressed in pounds sterling (£), the functional currency of the company. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at fixed contractual rates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or, as appropriate, at fixed contractual rates. All differences are taken to the profit and loss account.

Pension costs

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

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:

Software/licenses	- 33% straight line
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Research and development

Research and development expenditure is written off as incurred.

2. Turnover

The total turnover of the company for the year is stated net of VAT and has been derived from its continuing principal activity wholly undertaken in the United Kingdom.

A split of turnover earned on a geographic basis would be considered seriously prejudicial to the company and hence has not been disclosed in accordance with Schedule 1 Part 3 Section 68(5) of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Notes to the financial statements

31 December 2014 (Continued)

3. Operating profit

Operating profit is stated after charging/(crediting):	2014 £	2013 £
Services provided by the company's auditor		
Fees payable for the audit	22,000	31,500
Fees payable for other services – tax compliance	6,300	9,100
Depreciation of tangible fixed assets	228,474	197,069
Amortisation of intangible fixed assets	22,116	35,323
Operating lease rentals – land and buildings	78,125	78,233
Foreign exchange (gain) /loss	(281,288)	14,601
Other income – royalties	(4,594,876)	(4,376,221)
Customer provision – see below a)	(95,277)	–

- a) During 2011, costs expected to complete a development project for a customer were expected to exceed initial expectations. As a result of this revision in costs a loss was expected to be made on the project. At 31 December 2011, a provision for loss on contract was recorded for £1,293,000 and accrued income recognised in previous years of £626,200 was offset against this leaving a provision at 31 December 2011 of £666,800.

Revenue recognised on the project was measured on a percentage of completion basis; comparing the costs incurred at 31 December 2011 to the total expected project costs. Total costs incurred to that date amounted to £1,552,000 and the profit recognised on the project pre 2011 amounted to £6,000. During 2012 to 2014, no revenue has been recognised on the project despite additional work undertaken. The customer raised a claim for which a cumulative provision of £814,466 (2013: £909,743) has been recorded.

4. Staff costs

	2014 £	2013 £
Wages and salaries	3,292,529	3,902,499
Social security costs	409,893	495,394
Other pension costs	104,896	212,841
	<u>3,807,318</u>	<u>4,610,734</u>

The monthly average number of employees during the year was as follows:	2014 No.	2013 No.
Staff and account management	1	1
Customer Operations, Testing and Technical	10	12
Development	38	49
Finance, Administration and Board	1	2
	<u>50</u>	<u>64</u>

Staff costs include directors' emoluments, these are set out in note 5.

Notes to the financial statements

31 December 2014 (Continued)

5. Directors' emoluments

	2014 £	2013 £
Emoluments	—	235,818
Value of company pension contributions to money purchase schemes	—	2,369

	2014 No.	2013 No.
Members of money purchase pension schemes	—	2

The amounts in respect of the highest paid director are as follows:

	2014 £	2013 £
Emoluments	—	219,430
Value of company pension contributions to money purchase schemes	—	1,594

6. Interest receivable and other income

	2014 £	2013 £
Bank interest receivable	—	162

7. Interest payable and similar charges

	2014 £	2013 £
Interest on amounts owed to group undertakings	16,414	60,809
Other	266,407	—
	<u>282,821</u>	<u>60,809</u>

8. Taxation

(a) Tax on profit on ordinary activities
The tax charge is made up as follows:

	2014 £	2013 £
<i>Current tax:</i>		
UK corporation tax	25	25
Prior year (under) / over provision	(2,695)	305
Total current tax (note 8 (b))	<u>(2,670)</u>	<u>330</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	883,937	596,493
Effect of changes in tax rate on opening asset	33,998	656,166
Tax on profit on ordinary activities	<u>915,265</u>	<u>1,252,989</u>

Notes to the financial statements

31 December 2014 (Continued)

8. Taxation (Continued)

(b) Factors affecting current tax charge

The actual tax charge differs from that computed using the standard rate of tax in the United Kingdom.

The differences are reconciled as follows:

	2014 £	2013 £
Profit on ordinary activities before taxation	4,395,032	3,123,957
Profit on ordinary activities multiplied by standard rate of tax 21.49% (2013: 23.25%)	944,492	726,320
Effects of:		
Depreciation in excess of capital allowances	22,093	45,868
Other timing differences	99,563	(86,050)
Expenses not deductible	—	279
Utilisation of brought forward tax losses	(1,093,144)	(686,392)
Fixed asset differences	27,021	—
Prior year under provision	(2,695)	305
Total current tax (note 8 (a))	(2,670)	330
(c) Deferred tax asset included in the balance sheet is as follows:	2014 £	2013 £
Depreciation less than capital allowances	797,679	781,731
Other timing differences	(21,838)	23,769
Tax losses carried forward and other deductions	2,084,181	2,972,451
At 31 December (note 11)	2,860,022	3,777,951

(d) Factors affecting future tax charge

The Summer Budget, announced on 8 July 2015 included a drop in the rate of corporation tax to 19% and 18%, effective from 1 April 2017 and 1 April 2020 respectively as part of the Summer Finance Bill 2015. These are expected to be substantively enacted in October 2015. As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements. It is estimated that the drop to 19% and 18% would reduce the deferred tax assets balance by £143,001 and £286,001 respectively.

Notes to the financial statements

31 December 2014 (Continued)

9. Intangible fixed assets

	<i>Software / licences £</i>
Cost:	
At 1 January 2014	312,234
Additions	36,635
At 31 December 2014	<u>348,869</u>
Amortisation:	
At 1 January 2014	294,788
Amortised during the year	22,116
At 31 December 2014	<u>316,904</u>
Net book value:	
At 31 December 2014	<u>31,965</u>
At 1 January 2014	<u>17,446</u>

10. Tangible fixed assets

	<i>Leasehold improvements £</i>	<i>Computer equipment £</i>	<i>Fixtures and fittings £</i>	<i>Total £</i>
Cost:				
At 1 January 2014	315,699	1,025,554	128,079	1,469,332
Additions in the year	–	128,060	–	128,060
At 31 December 2014	<u>315,699</u>	<u>1,153,614</u>	<u>128,079</u>	<u>1,597,392</u>
Depreciation:				
At 1 January 2014	104,053	779,989	120,148	1,004,190
Depreciation during the year	56,172	169,523	2,779	228,474
At 31 December 2014	<u>160,225</u>	<u>949,512</u>	<u>122,927</u>	<u>1,232,664</u>
Net book value:				
At 31 December 2014	<u>155,474</u>	<u>204,102</u>	<u>5,152</u>	<u>364,728</u>
At 1 January 2014	<u>211,646</u>	<u>245,565</u>	<u>7,931</u>	<u>465,142</u>

11. Debtors: amounts falling due within one year

	<i>2014 £</i>	<i>2013 £</i>
Trade debtors	2,098,014	2,095,805
Amounts owed from group undertakings	15,938,535	10,638,963
Deferred tax (note 8)	2,860,022	3,777,951
Other debtors	25,234	–
Prepayments and accrued income	402,861	342,813
VAT receivable	76,326	–
	<u>21,400,992</u>	<u>16,855,532</u>

Notes to the financial statements

31 December 2014 (Continued)

12. Creditors: amounts falling due within one year

	2014 £	2013 £
Trade creditors	62,263	183,384
Other taxation and social security	85,342	110,001
Accruals and deferred income	2,452,880	1,627,210
	<u>2,600,485</u>	<u>1,920,595</u>

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

	2014 £	2013 £
Amounts owed to group undertakings	<u>33,396,275</u>	<u>32,636,184</u>

Amounts owed to group undertakings are unsecured and interest free.

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

	At 1 January 2014 £	Movement in year £	At 31 December 2014 £
Customer provision	909,743	(95,277)	814,466
	<u>909,743</u>	<u>(95,277)</u>	<u>814,466</u>

See note 3(a) for description of customer provision.

15. Pensions

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £104,896 (2013: £212,841). Contributions totalling £27,734 (2013: £43,845) were payable to the fund at the year end.

16. Share capital

Authorised	2014		2013	
	No.	£	No.	£
Ordinary shares of 1p each	10,000,000	<u>100,000</u>	10,000,000	<u>100,000</u>
Allotted and called up	2014		2013	
	No.	£	No.	£
Ordinary shares of 1p each	187,432	<u>1,874</u>	187,432	<u>1,874</u>

Notes to the financial statements

31 December 2014 (Continued)

17. Reconciliation of shareholders' funds (deficit) and movement on reserves

	<i>Share capital</i>	<i>Share premium account</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds (deficit)</i>
	£	£	£	£
At 1 January 2013	1,874	3,961,366	(23,523,501)	(19,560,261)
Profit for the year	–	–	1,870,968	1,870,968
At 31 December 2013	1,874	3,961,366	(21,652,533)	(17,689,293)
Profit for the year	–	–	3,479,767	3,479,767
At 31 December 2014	1,874	3,961,366	(18,172,766)	(14,209,526)

18. Related party transactions

The company has availed of the exemption provided in Financial Reporting Standard Number 8 "Related Party Disclosures" for wholly owned subsidiary undertakings from the requirements to give details of transactions with entities that are part of the group or investees of the group qualifying as related parties.

19. Controlling parties and parent company

At 31 December 2014, the immediate parent undertaking and controlling party is Patsystems Holdings Limited, a company incorporated in England. On 28 July 2015, the company's immediate parent undertaking and controlling party became Patsystems Limited, a company incorporated in England.

The parent undertaking of the smallest and largest group of undertakings for which consolidated financial statements are prepared and of which the company is a member is ION Investment Group Limited, a company incorporated in the Republic of Ireland. Copies of consolidated financial statements are available from the Companies Registration Office, Parnell Square, Dublin 1, Ireland.

The company's ultimate parent undertaking is ITT S.à.r.l., a company incorporated in Luxembourg. At the year end, Mr A. Pignataro owned indirectly 98.08% (2013: 97.26%) of ITT S.à.r.l.

20. Commitments

As part of a restructuring in June 2014, a fellow subsidiary undertaking refinanced the debt it had drawn down in May 2013 with an amendment and restatement of existing facility accorded by UBS Securities LLC, resulting in a charge over the assets of the company being released by Credit Suisse and replaced by a charge in favour of UBS Securities LLC.

21. Events since the balance sheet date

There were no significant events since the balance sheet date.

22. Board approval

The Board of Directors approved and authorised for issue the financial statements in respect of the year ended 31 December 2014 on 29 September 2015.