patsystems
powers trades. builds exchanges. manages risk.

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| **DATE:** | Embargoed until 07.00 – 11 February 2008 | |
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**PATSYSTEMS PLC**

**RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2007**

**Financial Highlights**

- Revenue up 11% to £17 million (2006 - £15.3 million)
- Operating profit as a percentage of sales up to 12.3% (2006 – 10.3%)
- Adjusted Pre-Tax Profit up 43% to £3 million (2006 - £2.1 million)*
- Proposed full year dividend of 0.33p (2006 – 0.30p)

* profit before tax after adjusting for share option costs, marking to market of derivatives used to hedge cash flows and amortisation of intangibles other than internally developed software

**Operational Highlights**

- 375 Pro-Mark screens deployed (2006 – 129)
- Significant customer wins:
  - R J O'Brien & Associates - one of the largest independent futures brokerages in the US
  - The Macquarie Group - the international provider of banking, financial, advisory and investment services (first adopter of Global Trading)
- Pro-Mark version 4.0 launched with functionality specifically designed for energy traders

**Stewart Millman, Chairman, of Patsystems, commented:**

"This strong set of results is particularly pleasing given the weakness in both the US dollar and the Japanese Yen. 2007 has seen us move our trading systems product range to demonstrable market leadership, with our professional front-end Pro-Mark and a new core platform Global Trading which will be state-of-the art for many years to come.

"Risk Informer is achieving growing sales success, as the current more risk-averse external environment motivates our customers to make a more sophisticated analysis of their immediate and potential market exposures.

**"**Trading from 1 January 2008 and prospects for 2008 are in line with business plans and hence we remain comfortable with current market expectations for 2008. We believe that the long term opportunities for our business are outstanding. Despite the uncertainty of the economic climate, we view the prospects for the company with continued optimism."

## Chairman's Statement

Shareholders may recollect that the 2006 Annual Report had the theme "Soaring to new heights". Hopefully, the outcome for Patsystems in 2007 has justified the high level of confidence which we showed a year ago.

The strong financial results summarised below have been achieved while we have had to contend with an unforeseen level of trauma in some sectors of the global financial markets and adverse exchange-rate movements against sterling, the decline in the average US dollar and Yen exchange rates have together reduced pre-tax profit by an estimated £390,000.

As the Chief Executive's report describes in detail, while achieving these results 2007 has seen us move our trading systems product range to demonstrable market leadership, with our professional front-end Promark and a new core platform Global Trading which will be state-of-the art for many years to come. Risk Informer is achieving growing sales success, as the current more risk-averse external environment motivates our customers to make a more sophisticated analysis of their immediate and potential market exposures.

We have continued to add significant new customers such as global investment bank The Macquarie Group, as the first adopter of Global Trading, and R J O'Brien & Associates, one of the largest independent futures brokerages in the United States. In addition, we have continued to extend the products and services we provide to our existing customer base via the adoption of Risk Informer, and new trading installations within the Asia region.

### Financial Results

Pre-tax profit for the full year ended 31 December 2007 was £2.19 million compared to £1.63 million in 2006 and £0.36 million in 2005. Fully diluted EPS, excluding the impact of deferred tax, grew to 1.2p per share from 0.8p per share last year.

Adjusted pre-tax profit (profit before tax after adjusting for share option costs, marking to market of derivatives used to hedge cash flows and amortisation of intangibles other than internally developed software) for the full year ended 31 December 2007 was £3.0 million compared to £2.1 million in 2006. Fully diluted EPS on this basis and excluding the impact of deferred tax grew to 1.6p per share from 1.1p per share last year. Details of these calculations are set out in the Earnings Per Share section of the Finance Director's Review.

Cash flows from operating activities have remained steady at £2.65 million (2006: £2.69 million).

With 83% of revenue in 2007 of a recurrent nature the business has an excellent financial foundation for 2008, and the stability of revenues in turn assists us to plan the business with a high degree of comfort.

The initial Tamesis earn out period concluded on 31 July 2007 and 12.159 million ordinary shares were issued as consideration to the vendors of Tamesis in September 2007. Under the Sale and Purchase Agreement a further and final issue of approximately 1.092 million shares will be issued in February 2008.

### Dividend

Following the dividend of 0.3p per share, approved by shareholders at the Annual General Meeting on 19 April 2007, relating to the results for 2006, the Board declared an interim dividend of 0.12p, payable in September 2007, based on the interim results for the year.

As a continued tangible expression of our confidence that the Board is recommending the payment of a final dividend of 0.21p based on the results for 2007 as a whole, bringing the total dividend for the year to 0.33p per share, compared to a total of 0.3p for 2006.

Subject to confirmation at the Annual General Meeting the final dividend will be paid on 23 May 2008 to shareholders on the register as at 25 April 2008. The shares are expected to be quoted ex dividend on 23 April 2008.

### Management and Staff

I must start this section commending David and his team on their achievements during 2007. During the last two years, Patsystems has emerged as a company that is achieving consistent, forecastable profits and cash-flow, whilst delivering a significantly broader range of services and products to its target market place.

Under David Webber and Martin Thorneycroft's leadership, the business has continued to evolve to the benefit of customers, shareholders and staff while reinforcing the important attributes of the Patsystems style and approach that differentiate it from its competitors. The operational structure which they have built is aimed at being robust enough to withstand the vicissitudes that the world financial markets seem destined to throw at us.

One member of the Executive Management Committee (EMC) left during the year when Barry White was promoted to Head of Asia Region, replacing Kazuaki Takabatake. The Chief Executive's report details the EMC and their respective responsibilities. The stability of our senior management team is a benefit to our customers and contributes to the excellent collegiate spirit within the whole firm, led by the EMC, and is a vital asset in serving a global industry.

The Board regularly engages with as many of the senior management team as possibly, including travelling to our major locations outside London. On behalf of the Board I can say that we continue to be impressed by the commitment, professionalism and enthusiasm of all Patsystems' people.

They should all feel justifiably proud of the business they have built.

**Board**

Alongside my thanks to David and Martin, I must thank Richard Last, Steve Sparke and John Priestley both for their effort and the quality of their wise counsel during 2007.

Richard's long involvement with a broad range of technology businesses, Steve's 18 years of experience at UBS and John's experience as a director of Syntegra together provide a range of expertise and knowledge highly relevant to the board's formal deliberations, as well as being of direct support on various matters to the executive directors. I have personally enjoyed working with them enormously.

However, all good things must come to an end. I was appointed to the Patsystems Board as Chairman in February 2003. I hope and believe that Patsystems is demonstrably a very much better and stronger company now than then. In this positive condition I am happy to hand over the Chair to Richard Last after the forthcoming Annual General Meeting, when I will also retire from the Board. Having known Richard for many years and worked professionally with him for most of them, I can commend him highly to you.

**Future**

Trading from 1 January 2008 and prospects for 2008 in line with business plans and hence we remain comfortable with current market expectations for 2008.

In 2008 we expect to see continued success in promoting both existing products and the new products that we have developed and to identify further complementary businesses or technologies that can be acquired and developed by our existing management team.

The acquisition of Tamesis in 2005, and the subsequent business success that the Risk Informer product has enjoyed, demonstrates the value that can be created by promoting, and supporting, a new product through the Patsystems global infrastructure.

We believe the fundamental strength of our balance sheet, strong cash generation and resilient share price are to our benefit when looking for potential acquisitions during a period of market and economic turbulence.

As a result, we believe that the long term opportunities for our business are outstanding. Despite the uncertainty of the economic climate, we view the prospects for the Company with continued optimism.

**Customers and shareholders**

I would like to thank all of our customers for their support during 2007. The adoption of our new products and services by an increasingly wide group of customers is testament to the trust they are putting in us to deliver future joint business success.

The Board continues to believe that the transparency of both operational plans and financial figures afforded by having a key technology partner that is a quoted company is valued by both our existing and prospective customers and serves as a differentiator from our main competitors.

I would like to thank our shareholders for their continued support and we look forward to their involvement as Patsystems' business continues to go from strength to strength.

## Chief Executive's Report

I am delighted to be able to report on a further year of successful business development for Patsystems.

In my report for 2006, I stated our ambition to become a key technology provider to the electronic trading industry and the results for the financial year ended 31 December 2007 demonstrate the success that we have achieved in fulfilling that ambition.

Our performance for the year has continued the trend established in 2006 for profit growth, with an operating profit of £2.1 million, a 32% growth over last year's £1.6 million.

Revenue has also risen 11% to £17.0 million compared to £15.3 million.

We have continued to contain increases in our cost base, despite significant pressure on salary costs in all our key areas of operation, with operating expenses being only 9% higher at £14.5 million when compared to £13.3 million in 2006.

A fuller analysis of the changes in the cost base is included within the Finance Director's review but the main contributing factors were the planned headcount increases.

**Trading systems and market connectivity**

Trading systems revenue increased by 7.5% to £14.3 million for the year compared to £13.3 million in 2006.

During the year we achieved new customer wins with R J O'Brien & Associates, one of the largest independent futures brokerages in the United States of America, and The Macquarie Group, the Australian head-quartered international provider of banking, financial, advisory and investment services.

The addition of Macquarie as a customer was particularly pleasing given that our new Global Trading product played an important part in their decision to select Patsystems with Macquarie having identified the benefits that its global order book and continuous trading provides.

Macquarie represents the first installation of our new Global Trading core and, following an initial deployment in Europe, will roll out the systems capabilities within their operations in the United States of America, Australia and Asia.

We will deliver the Global Trading software, and all the other associated software services, to Macquarie offices and clients globally by way of a fully hosted service.

As part of our commitment to provide customers with further choice of how they receive our software services, we have announced the provision of our Application Service Provider ("ASP") solution and the first customer is now live on this service.

During the year, our existing customers have added four further installations, in Sydney, Singapore and two in Hong Kong, underlining the importance of Asia as an area of growth for the business going forward.

In 2008, we expect the main opportunities for further trading systems installations and additional screen deployment to be in the emerging market economies of South America, the Middle East and Asia, particularly Hong Kong, Malaysia and Indonesia.

In July 2007, Pro-Mark version 4.0 was launched with functionality specifically designed for energy traders which enables them to access multiple energy markets. Version 4.0 followed on from the successful release of version 3.9 earlier in the year, which provided support for option strategies, best execution and advanced charting.

At the start of 2007, the Pro-Mark billable user numbers were 129 and, as at 31 December 2007, this has risen to 375. The majority of these users are either converts from our major competitors or traders new to electronic trading.

During the year the ability to trade foreign exchange in partnership with Gain Capital was added to the J-Trader product and charting capability was added.

Patsystems' global connectivity has been extended with the Chicago Climate Futures Exchange, Dubai Mercantile Exchange, Hong Kong Exchanges and Clearing and the United States Futures Exchange all being added in 2007.

There have also been changes to our existing exchange connectivity. All trading system customers are now supported through significant upgrades for the major exchanges, as well as additional capability, such as the support of carry trades on the London Metal Exchange and an extended product set on the Chicago Board of Options Futures Exchange.

### Risk systems

Revenue from our risk systems business grew by 100% to £1.4 million from £0.7 million in 2006. There has been continued success for our post trade risk margining product Risk Informer during the year with MF Global implementing the product in their London operation across all asset classes as the initial phase of a global roll out. In addition, Calyon Financial, now Newedge after their merger with Fimat, are completing a project to extend Risk Informer to risk margin spot and forward FX and FX options trading.

As anticipated, there has been a significant level of interest in the product from investment banks and brokers of all sizes and the volatility in the markets during the summer highlighted the relevance of effective real time risk management.

We remain confident in the opportunities for Risk Informer and anticipate further customer wins in 2008.

As we announced in our interim results in the summer we launched the beta version of our pre trade risk product, Risk Monitor. Risk Monitor is a low latency tool designed to monitor proposed trades across a range of markets ahead of the exchange and, if necessary, prevent, restrict or provide alerts in respect of individual electronic trades.

With the increasing volumes of trades being executed either by black box trading systems or by systems that are trading directly into an exchange without an intervening broker, the need for real time, but very high performance, risk management is expected to grow.

### Exchange systems

On 4 January 2008, Tokyo Grain Exchange successfully launched three futures products, Arabica and Robusta bean coffee contracts and raw sugar, on the new continuous exchange system provided by Patsystems.

The Tokyo Grain Exchange continues to offer markets in a broad range of contracts on their existing session based trading system that is also provided by Patsystems but further contracts are anticipated to be launched or migrated to the new platform during 2008.

During the year, National Commodity Exchange Limited in Pakistan successfully commenced electronic trading with the launch of their gold futures contract.

We believe that our ability to provide a straight through processing solution from the trader through to matching and clearing the transaction at an exchange, with dynamic real time risk management throughout, is a differentiated offering in the market place.

We continue to identify potential opportunities in Asia, particularly in China, where we have Chinese character set versions of our trading screens, but these opportunities arise infrequently and the decision processes can be very lengthy with significant political hurdles.

### Brand and marketing

One of our non financial objectives in 2007 was to establish the Patsystems FlexAbility brand within our target market place of the investment banks, brokers and futures clearing merchants.

Independent commissioned research has confirmed that our objective for Patsystems to be acknowledged as a key technology supplier to our customers and prospects, rather than just a vendor of trading screens, has been achieved.

As well as reinforcing our key brand message, we have also changed the strap line beneath our logo so that it reflects exactly what we deliver as a business.

“powers trades. builds exchanges. manages risk.”

### Strategy and product development

The first sale of Global Trading to a new customer, the success of Risk Informer sales and the development of Risk Monitor are all successful steps in fulfilling our strategy to be the preferred supplier of technology solutions to our target market place.

During 2007, we have demonstrated our ability to sell hosted technology solutions to major customers with the signing of a contract to provide Global Trading to Macquarie. The launch of our Application Service Provider (ASP) solution has ensured that we can provide new customers with a full choice of means of technology deployment, depending on their business requirements.

In addition to continued investment in developing the Risk Monitor and Risk Informer products, along with supporting the roll out of the Global Trading solution, there are a number of key product investments planned for 2008.

These include the delivery of further capability within our algorithmic server, a new higher performance version of our trading API that allows third parties to use the Patsystems order processing engine and market connectivity, and extended charting and best execution capability for the trading screens.

Our strategy of developing all new product components in accordance with the Financial Information eXchange (FIX) Protocol, a messaging standard developed specifically for the real-time electronic exchange of securities transactions, will ensure that those organisations that have adopted a best of breed approach to technology are able to purchase just those system components they require from Patsystems.

We continue to view the support of asset classes outside of exchange traded derivatives as important to our business evolution and with Risk Informer's extension to support trading of currency pairs we have made some progress towards this objective.

We will continue to explore in 2008, either by partnership or acquisition, the solution to further extend the support by our trading systems of multiple product classes.

**Executive management committee**

Kieron O'Toole joined Patsystems at the start of 2007 as Client Services Director with responsibility for software support, software releases and trading and risk system installations.

With Kieron's appointment Andy Edwards, product and development director, took responsibility for product strategy in addition to his existing responsibility for product development. Andy has been key in defining the product road map for 2007 and 2008 and will be instrumental in identifying technology acquisitions that the business may require to fulfil our strategy.

Patrick Kenny has continued his leadership of our North American operations with additional marketing, sales and support resources added during the year as detailed below.

Graeme Neilly, as Director of European sales and global accounts, has grown his department and continues to work closely with Jon Regan, Head of new business sales Europe.

I am delighted to announce that Lorna Blane, who joined Patsystems in April 2007 as Global Head of Human Resources, joined the Executive Management Committee in the summer.

In May 2007 Barry White replaced Kazuaki Takabatake as Head of Asia. Barry joined Patsystems in 2006 as Managing Director of Australia and brings 17 years of exchange and exchange-traded derivatives experience to the business.

To take full advantage of the opportunities for growth within the Asia region, and to be better placed to take advantage of nascent opportunities in China, Barry has relocated to Singapore and made the Singapore office of Patsystems the regional headquarters. Barry has also opened an office in Hong Kong and instigated representation on the ground in Shanghai.

**Business evolution and staff**

As I announced at the start of the year we have, during 2007, extended our capability in every region that we operate so that Patsystems staff are available to provide support to customers, wherever in the world they are trading.

We have also invested in additional resources in North America and Asia to support the sale and promotion of our extended product set. These investments have meant that our overall headcount at the start of 2008 is 150 compared to 132 at the start of 2007.

We are comfortable that these increases in headcount are necessary to both support our planned sales effort and also to improve customer service delivery to both our current and future customers.

I would like to take the opportunity to thank all of our staff for their efforts in 2007. They have built a business with a track record for delivery of complex technology solutions and have been credited in the third party research we undertook with our customers this year as "going the extra mile" when compared to our peers.

**Business objectives and outlook**

Our key objectives for 2008 are as follows:

- Grow the Pro-Mark installed base and encourage investment bank customers to convert their J-Trader professional user base to Pro-Mark.
- Build on the success of Risk Informer being selected and rolled out by MF Global by identifying opportunities within the investment banks and other major Future Clearing Merchants, as well as selling a "productised" version of the offering to smaller organisations.
- Leverage the success of the first sale of Global Trading to Macquarie by converting the opportunities within the current customer base.
- Initiate the all important breakthrough in sales for Risk Monitor, our pre trade risk product.
- To extend the capability of J-Trader to support additional assets classes so that our customers can extend their retail trading user base.

Trading subsequent to the year-end has progressed in line with our expectations and we are confident that our business is well positioned to take advantage of market conditions.

## Finance Director's Review

### REVENUE

Total Group revenue grew by £1.7 million (11%) to £16.96 million from £15.26 million last year. The underlying performance of the business was even more impressive after taking into account the impact of the strength of sterling against the US dollar and the Japanese yen. If the 2006 average exchange rate for both the US dollar and the Japanese yen had been used to translate the 2007 revenues then they would have been £0.70 million higher.

**Trading Systems**
Trading systems revenue grew from £13.3 million in 2006 to £14.3 million in 2007 – an increase of 7.5 %.

**Exchange Systems**
Exchange systems revenue was unchanged at £1.3m.

**Risk Systems**
Revenues from our Risk Systems business grew by 100% to £1.4 million from £0.7 million last year.

### OPERATING EXPENSES

Operating expenses increased by £1.2 million to £14.5 million from £13.3 million in 2006. The majority of this increase is attributable to staff costs which increased by £0.8 million as a result of salary increases, new recruits and less time being capitalised into development projects.

We ended the year with150 permanent staff (2006 – 132) and 12 contractors (2006 – 12).
All other cost categories were broadly consistent with the previous year.

The strength of sterling against the dollar and the yen has reduced our reported costs in these regions. If these costs had been translated at last years average rate then costs would have been £0.31 million higher in 2007.

### PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation increased to £2.2 million from £1.6 million in 2006.

### TAXATION

The Group has tax losses carried forward of £24.4 million and will not be in a corporation tax paying position for a number of years. Small amounts of withholding tax may or may not arise from time to time depending on the geographical locations of customers with whom the Group does business.

The tax charge shown on the face of the income statement of £0.3 million comprises of a deferred tax charge of £0.3 million mainly in respect of the usage of trading losses in the year, withholding tax of £76,000 and a foreign corporation tax credit of £40,000. Last year's large deferred tax credit was the result of the Group being able to recognise deferred tax assets in respect of accumulated unrelieved losses for the first time as subsidiary companies achieved profitability.

### PROFIT FOR THE YEAR

Profit for the year fell to £1.8 million (2006 - £7.9 million). After adjusting for the current year's deferred tax charge and the prior year's deferred tax credit, profit for the year increased to £2.2 million from £1.5 million in 2006.

### EARNINGS PER SHARE

As a result of the large deferred tax credit last year and the likelihood of other smaller deferred tax assets being recognised over the next few years (as loss making subsidiaries become profitable) combined with a deferred tax charge as prior year losses are utilised (in profitable subsidiaries) the standard basic and fully diluted EPS calculations will show a high level of volatility.

Excluding deferred tax, basic EPS has grown by 44% to 1.3p from 0.9p and fully diluted EPS has grown 50% to 1.2p from 0.8p last year.

Including deferred tax, basic EPS is 1.1p (2006 – 4.9p) and fully diluted EPS is 1.0p (2006 - 4.1p).

The Board also monitors the Company's performance by reference to pre-tax profit adjusted for share option costs, marking to market of derivatives used to hedge cash flows and amortisation of intangibles other than internally developed software. Adjusted pre-tax profit and EPS on this basis were as follows:

| | 2007 | 2006 |
|---|---|---|
| Profit for the year attributable to equity holders of the company | **£1,844,000** | £7,906,000 |
| Taxation | **£344,000** | £(6,280,000) |
| Profit on ordinary activities before taxation | **£2,188,000** | £1,626,000 |
| Share option costs | **£210,000** | £230,000 |
| Movement in fair value of hedging instruments | **£97,000** | £(170,000) |
| Amortisation of intangibles | **£483,000** | £449,000 |
| Adjusted profit on ordinary activities | **£2,978,000** | £2,135,000 |
| Weighted average number of shares | **168,090,000** | 162,794,000 |
| Effect of dilutive share options | **16,062,000** | 15,020,000 |
| Effect of contingent share consideration | **1,092,000** | 14,267,000 |
| | **185,244,000** | 192,081,000 |
| Adjusted EPS | **1.8p** | 1.3p |
| Adjusted diluted EPS | **1.6p** | 1.1p |

## INTANGIBLE AND TANGIBLE FIXED ASSETS

### Goodwill

Goodwill has increased by £1.49 million. This increase relates solely to goodwill generated on the Tamesis acquisition. The earnout period has now finished and the final number of shares to be issued as consideration for the acquisition has been calculated and agreed. In 2006 we anticipated that 14,267,000 Patsystems plc shares would be issued at a market price of 15p each. The final earnout consisted of 12,159,000 shares at a market price of 27.5p (these shares having been issued) and a final deferred payment of 1,092,240 shares at an estimated market price of 26.5p.

The final value of the Tamesis consideration has been estimated but is dependent on the Company's share price at the time of issue of the consideration shares. The increase in goodwill is the difference between the anticipated value of final consideration provided for in the 2006 accounts and the revised estimate based on the actual number of shares to be issued.

### Intangible Assets

During the year the Group spent £1.8 million on intangible assets. This total includes £1.4 million of capitalised development costs in respect of new products that will generate revenues in future years. These costs will be amortised over three to five years from the date of completion reflecting the expected lives of the assets.

### Tangible Assets

During the year the Group purchased fixed assets totalling £0.4 million. The majority of this consisted of computer hardware.

## CURRENT ASSETS

### Trade Debtors

Trade debtors have increased slightly to £2.7 million from £2.6 million in 2006. The average number of days sales outstanding in debtors throughout the year was 43 (2006 – 38).

### Financial assets – derivative financial Instruments

Financial assets represent the “marked to market “ value of derivatives used to hedge our currency exposures. The derivatives used are forward contracts and currency options. These derivatives are marked to market monthly and the resulting “profit or loss” is taken to the income statement.

## CURRENT LIABILITIES

The only significant movement between the years is in contingent consideration which has fallen from £2.1 million in 2006 to £0.3 million in 2007. This is as a result of the final determination of the number of shares to be issued in respect of the Tamesis earnout.

## CASH AND TREASURY

The Group generated net cash inflows from operating activities of £2.65 million (2006 - £2.69 million) and £2.2 million was invested in intangible and tangible assets. Dividends of £0.7 million were paid during the year. Cash and cash equivalents remained at £3.2 million.

The Group is exposed to foreign currency risk on sales, purchases and cash balances that are denominated in a currency other than Sterling. The principal currency giving rise to this risk is the US dollar. Patsystems’ policy is to carry forward cover for 75% of US$/£ net anticipated exposure for 12 months forward. That level of cover is in place and is comprised of a mixture of forward contracts and options. The average US$/£ exchange rate used in the 2007 income statement was 2.01. The average rate of the hedges in place for 2008 is 1.99.

## Consolidated income statement
for the year ended 31 December 2007

| | Notes | 2007 £'000 | 2006 £'000 |
|---|---|---|---|
| **Revenue** | 3 | **16,962** | 15,255 |
| Cost of sales | | **(336)** | (387) |
| **Gross profit** | | **16,626** | 14,868 |
| Operating expenses | | **(14,539)** | (13,292) |
| **Operating profit** | | **2,087** | 1,576 |
| Finance income | | **101** | 54 |
| Finance costs | | **-** | (4) |
| Finance income – net | | **101** | 50 |
| **Profit on ordinary activities before taxation** | | **2,188** | 1,626 |
| Taxation | 4 | **(344)** | 6,280 |
| **Profit for the year attributable to equity holders of the Company** | | **1,844** | 7,906 |
| Earnings per share | 5 | | |
| - basic | | **1.1p** | 4.9p |
| - diluted | | **1.0p** | 4.1p |
| Adjusted Earnings per ordinary share* | 5 | | |
| - basic | | **1.3p** | 0.9p |
| - diluted | | **1.2p** | 0.8p |

* EPS has been adjusted for deferred tax – see note 5 for a detailed explanation.

The income statement has been prepared on the basis that all operations are continuing operations.

## Consolidated statement of recognised income and expense
For the year ended 31 December 2007

| | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Profit for the year | **1,844** | 7,906 |
| Foreign exchange adjustment on foreign currency net investments | **144** | (144) |
| Total recognised income for the year | **1,988** | 7,762 |

## Consolidated balance sheet
at 31 December 2007

| | Notes | 2007 | 2006 |
|---|---|---|---|
| | | **£'000** | £'000 |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | | **3,237** | 1,745 |
| Intangible assets | | **3,674** | 2,536 |
| Property, plant and equipment | | **752** | 754 |
| Deferred tax assets | | **6,673** | 6,979 |
| Trade and other receivables | 6 | **371** | - |
| | | **14,707** | 12,014 |
| **Current assets** | | | |
| Inventories | | **12** | 188 |
| Trade and other receivables | 6 | **4,366** | 4,021 |
| Financial assets – derivative financial instruments | | **30** | 127 |
| Income tax | | **40** | - |
| Cash and cash equivalents | | **3,191** | 3,251 |
| | | **7,639** | 7,587 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 7 | **(3,240)** | (3,594) |
| Current income tax liabilities | | **(20)** | (101) |
| Contingent consideration | 8 | **(290)** | (2,140) |
| | | **(3,550)** | (5,835) |
| **Net current assets** | | **4,089** | 1,752 |
| **Non-current liabilities** | | | |
| Trade and other payables | 7 | **(44)** | - |
| Provisions | | **(58)** | (34) |
| | | **(102)** | (34) |
| **Net assets** | | **18,694** | 13,732 |
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | 9 | **1,775** | 1,641 |
| Share premium account | 9 | **7,014** | 3,691 |
| Other reserves | 9 | **17,348** | 17,348 |
| Retained earnings | 9 | **(7,443)** | (8,948) |
| **Total equity** | | **18,694** | 13,732 |

## Consolidated cash flow statement
for the year ended 31 December 2007

| | **2007** | 2006 |
|---|---|---|
| | **£'000** | £'000 |
| **Cash flows from operating activities** | | |
| Cash flows from operations | **2,647** | 2,694 |
| Interest received | **101** | 54 |
| Interest paid | **-** | (4) |
| Tax paid | **(157)** | (51) |
| Net cash flows from operating activities | **2,591** | 2,693 |
| **Cash from investing activities** | | |
| Purchase of intangible assets | **(1,792)** | (1,689) |
| Purchase of property, plant and equipment | **(423)** | (344) |
| Acquisition of subsidiaries (net of bank overdraft acquired) | **-** | (10) |
| Net cash flows used in investing activities | **(2,215)** | (2,043) |
| **Cash flows from financing activities** | | |
| Net proceeds from issue of ordinary share capital | **112** | 164 |
| Finance lease principal payments | **-** | (40) |
| Dividends paid to company's shareholders | **(693)** | - |
| Net cash flows from financing activities | **(581)** | 124 |
| **Net (decrease)/increase in cash and cash equivalents** | **(205)** | 774 |
| Cash and cash equivalents at beginning of the year | **3,251** | 2,604 |
| Effect of exchange rates | **145** | (127) |
| **Cash and cash equivalents at end of the year** | **3,191** | 3,251 |

## Reconciliation of net profit to net cash flows from operating activities

| | **2007** | 2006 |
|---|---|---|
| | **£'000** | £'000 |
| Net profit | **1,844** | 7,906 |
| Tax | **344** | (6,280) |
| Depreciation of property, plant and equipment | **425** | 475 |
| Amortisation of intangible assets | **668** | 632 |
| Share compensation expense | **210** | 230 |
| Shares issued in lieu of payment | **-** | 53 |
| Interest income | **(101)** | (54) |
| Interest expense | **-** | 4 |
| Decrease in inventories | **176** | 106 |
| Increase in trade and other receivables | **(716)** | (808) |
| Decrease/(increase) in financial assets and liabilities | **97** | (170) |
| (Decrease)/increase in trade and other payables | **(324)** | 836 |
| Increase/(decrease) in provisions | **24** | (236) |
| **Cash flows from operating activities** | **2,647** | 2,694 |

## Material non cash transactions

During the year the estimated contingent consideration for the acquisition of Tamesis Limited increased to £3,633,000 (2006: £2,140,000) and the Company issued 12,159,000 ordinary shares of 1p each in part settlement of this liability. These transactions do not have an effect on the cash flows of the Group.

## Notes to the Financial Statements

### 1. Approval of results

The financial statements for the twelve months ended 31 December 2007 were approved by the Board of Directors on 8 February 2008.

These financial statements do not constitute statutory accounts within the meaning of the Companies Act 1985 and are neither reviewed nor audited.

### 2. Summary of significant accounting policies

(a) Basis of preparation
The financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2007 but is taken from those financial statements, which have received an unqualified report by the auditors and will be delivered to the Registrar of Companies.

The financial statements for the year ended 31 December 2007 have been prepared in accordance with accounting policies based on International Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention, with the exception of financial instruments which are stated in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

(b) Consolidation
The results and net assets of subsidiary undertakings acquired are included in the consolidated income statement and consolidated balance sheet using the acquisition method of accounting from the effective date of acquisition.

### 3. Segmental analysis

The Group operates in one business segment; that of the supply of software to financial institutions. The operations are monitored by the geographical regions of Europe, North America and Asia Pacific.

<u>2007</u>

| | **Europe £'000** | **North America £'000** | **Asia Pacific £'000** | **Total £'000** |
|---|---|---|---|---|
| Revenue by origin | **7,524** | **6,219** | **3,219** | **16,962** |
| Revenue by destination | **6,822** | **6,219** | **3,921** | **16,962** |
| Depreciation and amortisation | **1,011** | **33** | **49** | **1,093** |
| Operating profit | **1,980** | **16** | **91** | **2,087** |
| Finance income - net | **25** | **69** | **7** | **101** |
| Profit before tax | **2,006** | **84** | **98** | **2,188** |
| Capital expenditure on Property, Plant and equipment | **361** | **12** | **50** | **423** |
| Capital expenditure on Intangible assets | **1,801** | **5** | **-** | **1,806** |
| Total assets | **16,942** | **3,460** | **1,944** | **22,346** |
| Total liabilities | **(2,601)** | **(840)** | **(211)** | **(3,652)** |

<u>2006</u>

| | Europe £'000 | North America £'000 | Asia Pacific £'000 | Total £'000 |
|---|---|---|---|---|
| Revenue by origin | 6,722 | 5,555 | 2,978 | 15,255 |
| Revenue by destination | 5,543 | 5,555 | 4,157 | 15,255 |
| Depreciation and amortisation | 1,007 | 31 | 69 | 1,107 |
| Operating profit | 1,249 | 675 | (348) | 1,576 |
| Finance income - net | 27 | 22 | 1 | 50 |
| Profit before tax | 1,276 | 697 | (347) | 1,626 |
| Capital expenditure on Property, Plant and equipment | 234 | 64 | 46 | 344 |
| Capital expenditure on Intangible assets | 1,679 | 2 | 8 | 1,689 |
| Total assets | 15,216 | 2,481 | 1,904 | 19,601 |
| Total liabilities | (4,944) | (691) | (234) | (5,869) |

**4. Tax on profit on ordinary activities**

| | 2007 | 2006 |
|---|---|---|
| | **£'000** | £'000 |
| ***United Kingdom*** | | |
| Withholding tax | **76** | 111 |
| ***Foreign tax*** | | |
| Corporation tax | **(40)** | 41 |
| ***Total current tax*** | **36** | 152 |
| ***Deferred tax*** | | |
| Movement in deferred tax | **308** | (6,432) |
| ***Taxation charge / (credit)*** | **344** | (6,280) |

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:

| | 2007 | 2006 |
|---|---|---|
| | **£'000** | £'000 |
| Profit on ordinary activities before tax | **2,188** | 1,626 |
| Profit on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 30% | **656** | 488 |
| ***Effects of:*** | | |
| Expenses not deductible for tax purposes | **14** | 101 |
| Depreciation (less than) / in excess of capital allowances | **-** | 142 |
| Amortisation of intangibles not deductible | **90** | 147 |
| Effect of differing tax rates on overseas earnings | **168** | 16 |
| Withholding tax | **76** | 111 |
| Relief claimed on withholding tax | **(23)** | (33) |
| US taxes overpaid in earlier years | **(40)** | - |
| Recognition of deferred tax assets in respect of losses, capital allowances and share options | **(1,048)** | (6,432) |
| Tax losses for which no deferred tax asset has been recognised | **48** | - |
| Remeasurement of deferred tax on change of UK rate | **403** | - |
| Tax losses utilised | **-** | (820) |
| Taxation charge / (credit) | **344** | (6,280) |

During the year, as a result of the change in UK Corporation Tax rates which will be effective from 1 April 2008, deferred tax balances have been remeasured. UK Deferred tax relating to temporary differences which are expected to reverse prior to 1 April 2008 is measured at 30% and UK deferred tax relating to temporary differences expected to reverse after 1 April 2008 is measured at the tax rate of 28% as these are the tax rates that will apply on reversal.

***Factors that may affect future tax charges***

The Group has unrelieved tax losses of £24,397,000 (2006: £23,378,000) that are available for offset against future taxable profits in their respective territories. A deferred tax asset amounting to £288,000 (2006: £240,000) has not been recognised in respect of these losses as their future recovery is uncertain.

## 5. Earnings per ordinary share

In accordance with IAS 33, the calculation of profit per ordinary share is based upon:

**(a) Basic and adjusted basic EPS**
Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year:

| | **2007** | 2006 |
|---|---|---|
| Profit for the year attributable to equity holders of the Company | **£1,844,000** | £7,906,000 |
| Deferred tax movement | **£308,000** | (£6,432,000) |
| Adjusted profit on ordinary activities* | **£2,152,000** | £1,474,000 |
| Weighted average number of shares | **168,090,260** | 162,794,000 |
| Basic EPS | **1.1p** | 4.9p |
| Adjusted basic EPS | **1.3p** | 0.9p |

**(b) Diluted and adjusted diluted EPS**
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversions of all dilutive potential ordinary shares.

The Group has two categories of dilutive potential ordinary shares: share options and contingent shares .

For share options a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Group's shares) based on the monetary value of the subscription rights attached to the outstanding options.

The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options.

| | **2007** | 2006 |
|---|---|---|
| Profit for the year attributable to equity holders of the company | **£1,844,000** | £7,906,000 |
| Deferred tax movement | **£308,000** | £(6,432,000) |
| Adjusted profit on ordinary activities* | **£2,152,000** | £1,474,000 |
| Weighted average number of shares | **168,090,000** | 162,794,000 |
| Effect of dilutive share options | **16,062,000** | 15,020,000 |
| Effect of contingent share consideration | **1,092,000** | 14,267,000 |
| | **185,244,000** | 192,081,000 |
| Diluted EPS | **1.0p** | 4.1p |
| Adjusted diluted EPS | **1.2p** | 0.8p |

* due to the material size of the deferred tax movement in 2006 and the significant effect it has on the reported EPS figure, the directors consider that it is more appropriate to give an adjusted EPS calculations that exclude the effect of deferred tax.

## 6. Trade and other receivables

| | **2007** **£'000** | 2006 £'000 |
|---|---|---|
| Trade receivables | **2,798** | 2,622 |
| Less: provision for impairment of receivables | **(83)** | (50) |
| Trade receivables – net | **2,715** | 2,572 |
| Other receivables | **327** | 329 |
| Prepayments and accrued income | **1,695** | 1,120 |
| | **4,737** | 4,021 |
| Less non-current portion – accrued income | **(371)** | - |
| **Current Portion** | **4,366** | 4,021 |

Non-current receivables are due as follows:

| | **2007** **£'000** | 2006 £'000 |
|---|---|---|
| Within between one and two years | **71** | - |
| Within between two and five years | **190** | - |
| After more than five but less than ten years | **110** | - |
| **Non – current receivables** | **371** | - |

## 7. Trade and other payables

| | **2007** **£'000** | 2006 £'000 |
|---|---|---|
| **Current liabilities** | | |
| Trade payables | **316** | 635 |
| Other tax and social security | **350** | 423 |
| Accruals | **1,187** | 1,119 |
| Deferred income | **1,387** | 1,417 |
| | **3,240** | 3,594 |
| **Non-current liabilities** | | |
| Deferred income | **44** | - |
| | **3,284** | 3,594 |

## 8. Contingent consideration

The contingent share consideration is in relation to the acquisition of Tamesis Limited which is payable entirely in Patsystems Plc ordinary shares. During the year the Company issued 12,159,000 ordinary shares of 1p each at a price of 27.5p per share in part settlement of this liability. The balance of the consideration is due to be settled by the issue of a further 1,092,240 ordinary shares of 1p each in February 2008.

**9. Share capital and reserves**

| | **At 1 January 2007** | **Shares issued in the year** | **Earnings for the year** | **Dividends paid** | **Foreign exchange movement** | **Share compensation expense** | **At 31 December 2007** |
|---|---|---|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Paid up share capital | 1,641 | **134** | **-** | **-** | **-** | **-** | **1,775** |
| Share premium | 3,691 | **3,323** | **-** | **-** | **-** | **-** | **7,014** |
| Other reserves | 17,348 | **-** | **-** | **-** | **-** | **-** | **17,348** |
| Retained earnings | (8,948) | **-** | **1,844** | **(693)** | **144** | **210** | **(7,443)** |
| | 13,732 | **3,457** | **1,844** | **(693)** | **144** | **210** | **18,694** |

| | At 1 January 2006 | Shares issued in the year | Earnings for the year | Dividends paid | Foreign exchange movement | Share compensation expense | At 31 December 2006 |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Paid up share capital | 1,605 | 36 | - | - | - | - | 1,641 |
| Share premium | 3,510 | 181 | - | - | - | - | 3,691 |
| Other reserves | 17,348 | - | - | - | - | - | 17,348 |
| Retained earnings | (16,940) | - | 7,906 | - | (144) | 230 | (8,948) |
| | 5,523 | 217 | 7,906 | - | (144) | 230 | 13,732 |

**10. Copies of this statement**

Copies of this statement are available from the Company Secretary at the Company's registered office at Cottons Centre, Hay's Lane, London SE1 2QP, or from the investor relations section of the Company's website at www.patsystems.com