

206

Company Registration No. 03720378 (England and Wales)

SPREADEX LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2005



SPREADEX LIMITED

COMPANY INFORMATION

Directors

C D R Allen
T W Harris
J G Hufford
D J Trusselle
D R Whitlam

Secretary

J G Hufford

Company number

03720378

Registered office

Icknield House
Dunstable
Bedfordshire
LU6 1TA

Auditors

Hillier Hopkins LLP
Charter Court, Midland Road
Hemel Hempstead
Hertfordshire, HP2 5GE

Business address

Icknield House
Dunstable
Bedfordshire
LU6 1TA

SPREADEX LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3
Profit and loss account	4
Balance sheet	5
Cash flow statement	6
Notes to the cash flow statement	7
Notes to the financial statements	8 - 13

SPREADEX LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2005

The directors present their report and financial statements for the year ended 31 May 2005.

Principal activities and review of the business

The principal activity of the company continued to be that of spread betting services.

The company is regulated by the Financial Services Authority.

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

Results and dividends

The results for the year are set out on page 4.

The directors recommend payment of an ordinary dividend amounting to £1,732,500.

Directors

The following directors have held office since 1 June 2004:

C D R Allen
T W Harris
J G Hufford
D J Trusselle
D R Whitelam

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary Shares of £ 1 each	
	31 May 2005	1 June 2004
C D R Allen	-	-
T W Harris	-	-
J G Hufford	-	-
D J Trusselle	-	-
D R Whitelam	-	-

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Hillier Hopkins LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

SPREADEX LIMITED

DIRECTORS' REPORT (CONTINUED) **FOR THE YEAR ENDED 31 MAY 2005**

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

.....
J G Hufford

Director
29/6/05

SPREADEX LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SPREADEX LIMITED

We have audited the financial statements of Spreadex Limited on pages 4 to 13 for the year ended 31 May 2005. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

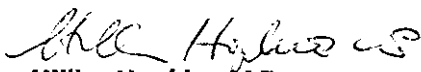
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 May 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Hillier Hopkins LLP
Chartered Accountants
Registered Auditor

28 July 2005
Charter Court, Midland Road
Hemel Hempstead
Hertfordshire, HP2 5GE

SPREADEX LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MAY 2005

	Notes	2005 £	2004 £
Turnover	2	13,826,946	7,875,480
Cost of sales		(1,235,772)	(664,076)
Gross profit		12,591,174	7,211,404
Administrative expenses		(7,268,785)	(4,883,137)
Operating profit	3	5,322,389	2,328,267
Other interest receivable and similar income	4	249,179	196,582
Interest payable and similar charges	5	(348,574)	(76,482)
Profit on ordinary activities before taxation		5,222,994	2,448,367
Tax on profit on ordinary activities	6	(1,602,914)	(478,500)
Profit on ordinary activities after taxation		3,620,080	1,969,867
Dividends	7	(1,732,500)	(275,000)
Retained profit for the year	12	1,887,580	1,694,867

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

There are no recognised gains and losses other than those passing through the profit and loss account.

SPREADEX LIMITED

BALANCE SHEET AS AT 31 MAY 2005

	Notes	2005 £	£	2004 £	£
Fixed assets					
Tangible assets	8		338,121		149,792
Current assets					
Debtors	9	20,687,024		8,114,591	
Cash at bank and in hand		1,202		94,917	
Cash at bank and in hand - client money		3,760,925		3,757,129	
		24,449,151		11,966,637	
Creditors: amounts falling due within one year	10	(16,413,876)		(5,905,613)	
Net current assets			8,035,275		6,061,024
Total assets less current liabilities			8,373,396		6,210,816
Capital and reserves					
Called up share capital	11	5,775,000		5,500,000	
Profit and loss account	12	2,598,396		710,816	
Shareholders' funds - equity interests	13		8,373,396		6,210,816

The financial statements were approved by the Board on 29/6/05

J G Hufford
Director

SPREADEX LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2005

	£	2005 £	£	2004 £
Net cash (outflow)/inflow from operating activities		(3,303,202)		1,287,052
Returns on investments and servicing of finance				
Interest received	228,385		143,338	
Interest paid	(285,780)		(69,321)	
Net cash (outflow)/inflow for returns on investments and servicing of finance		(57,395)		74,017
Taxation		(1,271,312)		(10,210)
Capital expenditure				
Payments to acquire tangible assets	(360,035)		(28,142)	
Net cash outflow for capital expenditure		(360,035)		(28,142)
Equity dividends paid		-		(275,000)
Net cash (outflow)/inflow before management of liquid resources and financing		(4,991,944)		1,047,717
Financing				
Issue of ordinary share capital	275,000		-	
Net cash inflow/(outflow) from financing		275,000		-
(Decrease)/increase in cash in the year		(4,716,944)		1,047,717

SPREADEX LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2005

1 Reconciliation of operating profit to net cash (outflow)/inflow from operating activities		2005	2004
		£	£
Operating profit		5,322,389	2,328,267
Depreciation of tangible assets		171,705	271,941
Increase in debtors		(12,551,639)	(4,274,381)
Increase in creditors within one year		3,754,343	2,961,225
Net cash (outflow)/inflow from operating activities		(3,303,202)	1,287,052

2 Analysis of net (debt)/funds	1 June 2004	Cash flow	Other non-cash changes	31 May 2005
	£	£	£	£
Net cash:				
Cash at bank and in hand	3,852,046	(89,919)	-	3,762,127
Bank overdrafts	-	(4,627,025)	-	(4,627,025)
	<u>3,852,046</u>	<u>(4,716,944)</u>	<u>-</u>	<u>(864,898)</u>
Bank deposits	-	-	-	-
Net funds/(debt)	<u>3,852,046</u>	<u>(4,716,944)</u>	<u>-</u>	<u>(864,898)</u>

3 Reconciliation of net cash flow to movement in net (debt)/funds		2005	2004
		£	£
(Decrease)/increase in cash in the year		(4,716,944)	1,047,717
Movement in net (debt)/funds in the year		(4,716,944)	1,047,717
Opening net funds		3,852,046	2,804,329
Closing net (debt)/funds		(864,898)	3,852,046

SPREADEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2005

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents the difference between the total value of bets won and the total value of bets lost (including open market positions) by the company during the period.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Leasehold	Over three years
Office equipment and furniture	33% straight line
Computer equipment	33% straight line

1.5 Leasing

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

1.6 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit

	2005 £	2004 £
Operating profit is stated after charging:		
Depreciation of tangible assets	171,705	271,941
Operating lease rentals	75,151	47,000
Auditors' remuneration	5,500	5,500
Remuneration of auditors for non-audit work	8,483	8,936
	<u> </u>	<u> </u>

SPREADEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2005

4 Investment income	2005	2004
	£	£
Bank interest	215,976	129,662
Other interest	33,203	66,920
	<u>249,179</u>	<u>196,582</u>
5 Interest payable	2005	2004
	£	£
On bank loans and overdrafts	218,715	65,536
On other loans wholly repayable within five years	114,891	-
Other interest	14,968	10,946
	<u>348,574</u>	<u>76,482</u>
6 Taxation	2005	2004
	£	£
Domestic current year tax		
U.K. corporation tax	1,605,776	478,500
Adjustment for prior years	(2,862)	-
Current tax charge	<u>1,602,914</u>	<u>478,500</u>
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	<u>5,222,994</u>	<u>2,448,367</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2004: 30.00%)	<u>1,566,898</u>	<u>734,510</u>
Effects of:		
Non deductible expenses	59,711	24,895
Depreciation add back	51,512	81,845
Capital allowances	(54,100)	(15,997)
Tax losses utilised	-	(345,967)
Adjustments to previous periods	(2,862)	-
Other tax adjustments	(18,245)	(786)
	<u>36,016</u>	<u>(256,010)</u>
Current tax charge	<u>1,602,914</u>	<u>478,500</u>

SPREADEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2005

7 Dividends	2005	2004
	£	£
Ordinary interim paid	-	275,000
Ordinary final proposed	1,732,500	-
	<u>1,732,500</u>	<u>275,000</u>

8 Tangible fixed assets	Land and buildings Leasehold	Office equipment and furniture	Computer equipment	Total
	£	£	£	£
Cost				
At 1 June 2004	-	183,815	999,132	1,182,947
Additions	166,038	73,222	120,775	360,035
	<u>166,038</u>	<u>257,037</u>	<u>1,119,907</u>	<u>1,542,982</u>
At 31 May 2005	166,038	257,037	1,119,907	1,542,982
Depreciation				
At 1 June 2004	-	179,914	853,242	1,033,156
Charge for the year	21,577	12,158	137,970	171,705
	<u>21,577</u>	<u>192,072</u>	<u>991,212</u>	<u>1,204,861</u>
At 31 May 2005	21,577	192,072	991,212	1,204,861
Net book value				
At 31 May 2005	<u>144,461</u>	<u>64,965</u>	<u>128,695</u>	<u>338,121</u>
At 31 May 2004	<u>-</u>	<u>3,901</u>	<u>145,891</u>	<u>149,792</u>

9 Debtors	2005	2004
	£	£
Trade debtors	3,369,907	1,614,448
Other debtors	17,194,356	6,380,476
Prepayments and accrued income	122,761	119,667
	<u>20,687,024</u>	<u>8,114,591</u>

Other debtors include amounts due from brokers of £17,173,562 (2004 - £6,288,536).

SPREADEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2005

10 Creditors: amounts falling due within one year	2005	2004
	£	£
Bank loans and overdrafts	4,627,025	-
Trade creditors	6,302,692	4,050,058
Corporation tax	810,101	478,500
Other taxes and social security costs	187,606	98,612
Other creditors	345,868	-
Accruals and deferred income	2,408,084	1,278,443
Proposed dividend	1,732,500	-
	<u>16,413,876</u>	<u>5,905,613</u>

The bank overdraft is secured by a standard form bank debenture.

Trade creditors include monies owed to clients represented by margin calls, open winning positions and any closed winning positions.

11 Share capital	2005	2004
	£	£
Authorised		
10,000,000 Ordinary Shares of £1 each	<u>10,000,000</u>	<u>5,500,000</u>
Allotted, called up and fully paid		
5,775,000 Ordinary Shares of £1 each	<u>5,775,000</u>	<u>5,500,000</u>

During the year the company increased its authorised share capital from 5,500,000 ordinary £1 shares to £10,000,000 ordinary £1 shares. At the same time the company issued 275,000 £1 ordinary shares at par.

12 Statement of movements on profit and loss account	Profit and loss account
	£
Balance at 1 June 2004	710,816
Retained profit for the year	<u>1,887,580</u>
Balance at 31 May 2005	<u>2,598,396</u>

SPREADEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2005

13 Reconciliation of movements in shareholders' funds	2005	2004
	£	£
Profit for the financial year	3,620,080	1,969,867
Dividends	(1,732,500)	(275,000)
	<u>1,887,580</u>	<u>1,694,867</u>
Proceeds from issue of shares	275,000	-
	<u>2,162,580</u>	<u>1,694,867</u>
Net addition to shareholders' funds	2,162,580	1,694,867
Opening shareholders' funds	6,210,816	4,515,949
	<u>8,373,396</u>	<u>6,210,816</u>
Closing shareholders' funds	<u>8,373,396</u>	<u>6,210,816</u>

14 Financial commitments

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

	Land and buildings	
	2005	2004
	£	£
Expiry date:		
Between two and five years	99,875	-
In over five years	-	47,000
	<u>99,875</u>	<u>47,000</u>

15 Directors' emoluments	2005	2004
	£	£
Emoluments for qualifying services	<u>1,124,023</u>	<u>588,464</u>
Emoluments disclosed above include the following amounts paid to the highest paid director:		
Emoluments for qualifying services	<u>627,299</u>	<u>324,834</u>

SPREADEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2005

16 Employees

Number of employees

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

	2005 Number	2004 Number
Management and administration	58	44

Employment costs

	£	£
Wages and salaries	3,674,138	2,119,123
Social security costs	412,184	228,733
	4,086,322	2,347,856

17 Control

The ultimate parent company is Spreadex.com Limited, a company registered in England and Wales.

18 Related party transactions

During the year P W Harris, a shareholder in the group, personally guaranteed the company's overdraft facility in the sum of £4 million and made short term loans to the company of up to £4.6 million. There were no balances outstanding at the balance sheet date. Interest was paid on these loans of £113,904.