

Company Registration No. 03720378 (England and Wales)

**SPREADEX LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MAY 2003**



# **SPREADEX LIMITED**

## **COMPANY INFORMATION**

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**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  
Charter Court  
Midland Road  
Hemel Hempstead  
Hertfordshire  
HP2 5GE

**Business address**

Icknield House  
Dunstable  
Bedfordshire  
LU6 1TA

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# SPREADEX LIMITED

## CONTENTS

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	<b>Page</b>
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

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# SPREADEX LIMITED

## **DIRECTORS' REPORT** **FOR THE YEAR ENDED 31 MAY 2003**

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The directors present their report and financial statements for the year ended 31 May 2003.

### **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 do not recommend payment of an ordinary dividend.

### **Directors**

The following directors have held office since 1 June 2002:

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

### **Directors' interests**

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

	<b>Ordinary Shares of £ 1 each</b>	
	<b>31 May 2003</b>	<b>1 June 2002</b>
C D R Allen	-	-
T W Harris	-	-
J G Hufford	-	-
D J Trusselle	-	-
D R Whitlam	-	-

### **Auditors**

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Hillier Hopkins 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 2003**

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### **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**

.....23/7/03

# **SPREADEX LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SPREADEX LIMITED**

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We have audited the financial statements of Spreadex Limited on pages 4 to 13 for the year ended 31 May 2003. 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.

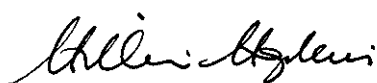
### **Basis of audit opinion**

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Hillier Hopkins**  
Chartered Accountants  
**Registered Auditor**

31 July 2003  
Charter Court  
Midland Road  
Hemel Hempstead  
Hertfordshire  
HP2 5GE

# SPREADEX LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MAY 2003

	Notes	2003 £	2002 £
<b>Turnover</b>	<b>2</b>	4,870,721	4,739,388
Cost of sales		(406,282)	(246,324)
<b>Gross profit</b>		4,464,439	4,493,064
Administrative expenses		(3,475,738)	(3,608,017)
<b>Operating profit</b>	<b>3</b>	988,701	885,047
Other interest receivable and similar income		81,920	159,910
Interest payable and similar charges	<b>4</b>	(27,070)	(165,384)
<b>Profit on ordinary activities before taxation</b>		1,043,551	879,573
Tax on profit on ordinary activities	<b>5</b>	21,346	(31,982)
<b>Profit on ordinary activities after taxation</b>	<b>11</b>	1,064,897	847,591

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 2003

	Notes	2003 £	£	2002 £	£
<b>Fixed assets</b>					
Tangible assets	6		393,591		693,101
<b>Current assets</b>					
Debtors	7	3,786,966		2,936,413	
Cash at bank and in hand		2,804,329		3,371,664	
		6,591,295		6,308,077	
<b>Creditors: amounts falling due within one year</b>	8	(2,468,937)		(2,550,126)	
<b>Net current assets</b>			4,122,358		3,757,951
<b>Total assets less current liabilities</b>			4,515,949		4,451,052
<b>Creditors: amounts falling due after more than one year</b>	9		-		(1,000,000)
			4,515,949		3,451,052
<b>Capital and reserves</b>					
Called up share capital	10	5,500,000		5,500,000	
Profit and loss account	11	(984,051)		(2,048,948)	
<b>Shareholders' funds - equity interests</b>	12		4,515,949		3,451,052

The financial statements were approved by the Board on 23/7/03

J G Hufford  
Director



# SPREADEX LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2003

	2003		2002	
	£	£	£	£
<b>Net cash inflow from operating activities</b>		868,814		2,079,637
<b>Returns on investments and servicing of finance</b>				
Interest received	81,920		159,910	
Interest paid	(27,070)		(165,384)	
<b>Net cash inflow/(outflow) for returns on investments and servicing of finance</b>		54,850		(5,474)
<b>Taxation</b>		(426)		-
<b>Capital expenditure</b>				
Payments to acquire tangible assets	(59,623)		(680,007)	
Receipts from sales of tangible assets	4,050		-	
<b>Net cash outflow for capital expenditure</b>		(55,573)		(680,007)
<b>Net cash inflow before management of liquid resources and financing</b>		867,665		1,394,156
<b>Financing</b>				
Repayment of other long term loans	(1,000,000)		(1,000,000)	
Repayment of other short term loans	(435,000)		(500,000)	
<b>Net cash outflow from financing</b>		(1,435,000)		(1,500,000)
<b>Decrease in cash in the year</b>		(567,335)		(105,844)

# SPREADEX LIMITED

## NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2003

<b>1 Reconciliation of operating profit to net cash inflow from operating activities</b>		<b>2003</b>	<b>2002</b>
		<b>£</b>	<b>£</b>
Operating profit		988,701	885,047
Depreciation of tangible assets		357,944	284,625
Profit on disposal of tangible assets		(2,861)	-
(Increase)/decrease in debtors		(850,553)	123,354
Increase in creditors within one year		375,583	786,611
<b>Net cash inflow from operating activities</b>		<b>868,814</b>	<b>2,079,637</b>

<b>2 Analysis of net funds</b>	<b>1 June 2002</b>	<b>Cash flow</b>	<b>Other non-cash changes</b>	<b>31 May 2003</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Net cash:				
Cash at bank and in hand	3,371,664	(567,335)	-	2,804,329
Debt:				
Debts falling due within one year	(435,000)	435,000	-	-
Debts falling due after one year	(1,000,000)	1,000,000	-	-
Net funds	1,936,664	867,665	-	2,804,329

<b>3 Reconciliation of net cash flow to movement in net funds</b>		<b>2003</b>	<b>2002</b>
		<b>£</b>	<b>£</b>
Decrease in cash in the year		(567,335)	(105,844)
Cash outflow from decrease in debt		1,435,000	1,500,000
<b>Movement in net funds in the year</b>		<b>867,665</b>	<b>1,394,156</b>
Opening net funds		1,936,664	542,508
<b>Closing net funds</b>		<b>2,804,329</b>	<b>1,936,664</b>

# **SPREADEX LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2003**

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### **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:

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**

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 - Deferred tax. 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.

The above amounts to a change in accounting policy. The previous policy was to provide deferred tax only to the extent that it was probable that liabilities would crystallise in the foreseeable future.

The adoption of the standard has not required a prior period adjustment. If the new policy had been in place in the previous period no asset/liability would have been recognised as the conditions for recognition would not have been satisfied.

#### **1.7 Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

### **2 Turnover**

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

# SPREADEX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2003

<b>3 Operating profit</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Operating profit is stated after charging:		
Depreciation of tangible assets	357,944	284,625
(Profit)/loss on foreign exchange transactions	1,505	(3,302)
Operating lease rentals	47,000	47,000
Auditors' remuneration	5,000	5,000
Remuneration of auditors for non-audit work	20,348	16,966
Profit on disposal of tangible assets	(2,861)	-
	<u>          </u>	<u>          </u>
<b>4 Interest payable</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
On bank loans and overdrafts	1,509	587
On other loans wholly repayable within 5 years	21,033	154,496
Other interest	4,528	10,301
	<u>          </u>	<u>          </u>
	27,070	165,384
	<u>          </u>	<u>          </u>
<b>5 Taxation</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
<b>Domestic current year tax</b>		
U.K. corporation tax	10,210	31,982
Adjustment for prior years	(31,556)	-
	<u>          </u>	<u>          </u>
<b>Current tax charge</b>	<u>(21,346)</u>	<u>31,982</u>
<b>Factors affecting the tax charge for the year</b>		
Profit on ordinary activities before taxation	<u>1,043,551</u>	<u>879,573</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00 % (2002 : 20.00 %)	<u>198,275</u>	<u>175,915</u>
Effects of:		
Non deductible expenses	4,806	4,321
Depreciation add back	68,009	56,925
Capital allowances	(13,792)	(162,101)
Tax losses utilised	(246,545)	(43,078)
Adjustments to previous periods	(31,556)	-
Other tax adjustments	(543)	-
	<u>          </u>	<u>          </u>
	(219,621)	(143,933)
	<u>          </u>	<u>          </u>
<b>Current tax charge</b>	<u>(21,346)</u>	<u>31,982</u>

# SPREADEX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2003

### 6 Tangible fixed assets

	Office Equipment and Furniture	Computer Equipment	Total
	£	£	£
<b>Cost</b>			
At 1 June 2002	178,559	965,808	1,144,367
Additions	5,256	54,367	59,623
Disposals	-	(49,184)	(49,184)
At 31 May 2003	183,815	970,991	1,154,806
<b>Depreciation</b>			
At 1 June 2002	134,102	317,164	451,266
On disposals	-	(47,995)	(47,995)
Charge for the year	39,860	318,084	357,944
At 31 May 2003	173,962	587,253	761,215
<b>Net book value</b>			
At 31 May 2003	9,853	383,738	393,591
At 31 May 2002	44,458	648,643	693,101

### 7 Debtors

	2003 £	2002 £
Trade debtors	1,063,201	1,107,724
Other debtors	2,542,132	1,735,436
Prepayments and accrued income	181,633	93,253
	3,786,966	2,936,413

# SPREADEX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2003

<b>8 Creditors: amounts falling due within one year</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Trade creditors	1,850,279	1,495,744
Corporation tax	10,210	31,982
Other taxes and social security costs	138,741	121,624
Other creditors	5,000	495,000
Accruals and deferred income	464,707	405,776
	<u>2,468,937</u>	<u>2,550,126</u>

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

<b>9 Creditors: amounts falling due after more than one year</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Other loans	-	1,000,000
	<u>-</u>	<u>1,000,000</u>
<b>Analysis of loans</b>		
Wholly repayable within five years	-	1,435,000
	<u>-</u>	<u>1,435,000</u>
Included in current liabilities	-	(435,000)
	<u>-</u>	<u>(435,000)</u>
	-	1,000,000
	<u>-</u>	<u>1,000,000</u>
<b>Loan maturity analysis</b>		
In more than two years but not more than five years	-	1,000,000
	<u>-</u>	<u>1,000,000</u>

<b>10 Share capital</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
5,500,000 Ordinary Shares of £ 1 each	5,500,000	5,500,000
	<u>5,500,000</u>	<u>5,500,000</u>
<b>Allotted, called up and fully paid</b>		
5,500,000 Ordinary Shares of £ 1 each	5,500,000	5,500,000
	<u>5,500,000</u>	<u>5,500,000</u>

# SPREADEX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2003

### 11 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 June 2002	(2,048,948)
Retained profit for the year	1,064,897
	<hr/>
Balance at 31 May 2003	(984,051)
	<hr/>

### 12 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Profit for the financial year	1,064,897	847,591
Opening shareholders' funds	3,451,052	2,603,461
	<hr/>	<hr/>
Closing shareholders' funds	4,515,949	3,451,052
	<hr/>	<hr/>

### 13 Financial commitments

At 31 May 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2003 £	2002 £
Expiry date:		
In over five years	47,000	47,000
	<hr/>	<hr/>

### 14 Directors' emoluments

	2003 £	2002 £
Emoluments for qualifying services	332,621	303,925
	<hr/>	<hr/>
Emoluments disclosed above include the following amounts paid to the highest paid director:		
Emoluments for qualifying services	184,355	167,957
	<hr/>	<hr/>

# SPREADEX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2003

### 15 Employees

#### Number of employees

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

	2003 Number	2002 Number
Management and administration	44	41

#### Employment costs

	£	£
Wages and salaries	1,584,899	1,504,534
Social security costs	164,090	147,353
	1,748,989	1,651,887

### 16 Control

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

### 17 Related party transactions

Mr P W Harris a major shareholder in the group made a loan to the company during a previous period amounting to £2million. £1 million was repaid in the year (2002 - £1 million) and interest of £10,685 (2002 - £94,860) was paid on the loan.

Mrs C Harris the wife of Mr P W Harris, made a loan to the company during a previous period amounting to £435,000. This was repaid during the year and interest of £8,867 (2002 - £15,388) was paid on the loan.