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Company Registration No. 03720378 (England and Wales)

**SPREADEX LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MAY 2006**



# **SPREADEX LIMITED**

## **COMPANY INFORMATION**

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**Directors**

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

**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

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# **SPREADEX LIMITED**

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# SPREADEX LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2006

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The directors present their report and financial statements for the year ended 31 May 2006.

### 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 company is exposed to a variety of commercial risks. These could range from the wider effects of the general economy and external competition to those more specific to the company, such as its own financial strength and size. The Board regularly review these risks and their potential impact on the company.

Total assets stood at £12,658,742 at the balance sheet date (2005 - £8,373,396).

Profit before tax amounted to £6,049,845 (2005 - £5,222,994). The profit after tax which was transferred to reserves was £4,285,346 (2005 - £3,620,080).

The Board monitors the company's performance through the use of regular financial information and management reports. The Board particularly focuses on the company's levels of profitability, compliance with FSA capital adequacy requirements and financial strength which includes debtor recoverability and open positions.

### Results and dividends

The results for the year are set out on page 5.

The directors do not recommend payment of an ordinary dividend.

### Directors

The following directors have held office since 1 June 2005:

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:

	Ordinary Shares of £ 1 each	
	31 May 2006	1 June 2005
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 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 2006**

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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.

### **Statement of disclosure to auditor**

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



J G Hufford  
**Director**  
19 July 2006

# **SPREADEX LIMITED**

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

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We have audited the financial statements of Spreadex Limited for the year ended 31 May 2006 set out on pages 5 to 14. These financial statements have been prepared under 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 auditors' 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 (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 or 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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.

# **SPREADEX LIMITED**

## **INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF SPREADEX LIMITED**

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### **Opinion**

In our opinion the financial statements:

- give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 May 2006 and of its profit for the year then ended;
- the information given in the directors' report is consistent with the financial statements; and
- have been properly prepared in accordance with the Companies Act 1985.



**Hillier Hopkins LLP**

20 July 2006

Chartered Accountants  
**Registered Auditor**

Charter Court  
Midland Road  
Hemel Hempstead  
Hertfordshire  
HP2 5GE

# SPREADEX LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MAY 2006

	Notes	2006 £	2005 £
<b>Turnover</b>	<b>2</b>	12,255,282	13,826,946
Cost of sales		(305,567)	(1,235,772)
<b>Gross profit</b>		11,949,715	12,591,174
Administrative expenses		(5,986,989)	(7,268,785)
<b>Operating profit</b>	<b>3</b>	5,962,726	5,322,389
Other interest receivable and similar income	<b>4</b>	521,768	249,179
Interest payable and similar charges	<b>5</b>	(434,649)	(348,574)
<b>Profit on ordinary activities before taxation</b>		6,049,845	5,222,994
Tax on profit on ordinary activities	<b>6</b>	(1,764,499)	(1,602,914)
<b>Profit for the year</b>	<b>12</b>	4,285,346	3,620,080

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 2006

	Notes	2006 £	£	2005 £	£
<b>Fixed assets</b>					
Tangible assets	8		253,745		338,121
<b>Current assets</b>					
Debtors	9	28,674,701		20,687,024	
Cash at bank and in hand		2,868		1,202	
Cash at bank and in hand - client money		8,100,686		3,760,925	
		36,778,255		24,449,151	
<b>Creditors: amounts falling due within one year</b>	10	(24,373,258)		(16,413,876)	
<b>Net current assets</b>			12,404,997		8,035,275
<b>Total assets less current liabilities</b>			12,658,742		8,373,396
<b>Capital and reserves</b>					
Called up share capital	11	5,775,000		5,775,000	
Profit and loss account	12	6,883,742		2,598,396	
<b>Shareholders' funds - equity interests</b>	13		12,658,742		8,373,396

Approved by the Board and authorised for issue on 19 July 2006

J G Hufford  
Director

# SPREADEX LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2006

	£	2006 £	£	2005 £
<b>Net cash inflow/(outflow) from operating activities</b>		2,537,787		(3,303,202)
<b>Returns on investments and servicing of finance</b>				
Interest received	508,348		228,385	
Interest paid	(356,655)		(285,780)	
<b>Net cash inflow/(outflow) for returns on investments and servicing of finance</b>		151,693		(57,395)
<b>Taxation</b>		(1,417,430)		(1,271,313)
<b>Capital expenditure</b>				
Payments to acquire tangible assets	(60,239)		(360,034)	
<b>Net cash outflow for capital expenditure</b>		(60,239)		(360,034)
<b>Equity dividends paid</b>		(1,732,500)		-
<b>Net cash outflow before management of liquid resources and financing</b>		(520,689)		(4,991,944)
<b>Financing</b>				
Issue of ordinary share capital	-		275,000	
Other new short term loans	9,000,000		-	
<b>Net cash inflow from financing</b>		9,000,000		275,000
<b>Increase/(decrease) in cash in the year</b>		8,479,311		(4,716,944)

# SPREADEX LIMITED

## NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2006

1	Reconciliation of operating profit to net cash inflow/(outflow) from operating activities	2006	2005
		£	£
	Operating profit	5,962,726	5,322,389
	Depreciation of tangible assets	144,615	171,705
	Increase in debtors	(7,974,257)	(12,551,639)
	Increase in creditors within one year	4,404,703	3,754,343
	<b>Net cash inflow/(outflow) from operating activities</b>	<b>2,537,787</b>	<b>(3,303,202)</b>

2	Analysis of net debt	1 June 2005	Cash flow	Other non-cash changes	31 May 2006
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	3,762,127	4,341,427	-	8,103,554
	Bank overdrafts	(4,627,025)	4,137,884	-	(489,141)
		(864,898)	8,479,311	-	7,614,413
	Bank deposits	-	-	-	-
	Debt:				
	Debts falling due within one year	-	(9,000,000)	-	(9,000,000)
	<b>Net debt</b>	<b>(864,898)</b>	<b>(520,689)</b>	<b>-</b>	<b>(1,385,587)</b>

3	Reconciliation of net cash flow to movement in net debt	2006	2005
		£	£
	Increase/(decrease) in cash in the year	8,479,311	(4,716,944)
	Cash inflow from increase in debt	(9,000,000)	-
	<b>Movement in net debt in the year</b>	<b>(520,689)</b>	<b>(4,716,944)</b>
	Opening net (debt)/funds	(864,898)	3,852,046
	<b>Closing net debt</b>	<b>(1,385,587)</b>	<b>(864,898)</b>

# SPREADEX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2006

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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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

#### 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	Over three years
Computer equipment	Over three years

#### 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

	2006 £	2005 £
Operating profit is stated after charging:		
Depreciation of tangible assets	144,615	171,705
Operating lease rentals	64,313	75,151
Auditors' remuneration	6,000	5,500
Remuneration of auditors for non-audit work	14,139	8,483

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# SPREADEX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2006

<b>4 Investment income</b>	<b>2006 £</b>	<b>2005 £</b>
Bank interest	286,105	215,976
Other interest	235,663	33,203
	<u>521,768</u>	<u>249,179</u>
<b>5 Interest payable</b>	<b>2006 £</b>	<b>2005 £</b>
On bank loans and overdrafts	392,929	218,715
On other loans wholly repayable within five years	21,452	114,891
Other interest	20,268	14,968
	<u>434,649</u>	<u>348,574</u>
<b>6 Taxation</b>	<b>2006 £</b>	<b>2005 £</b>
<b>Domestic current year tax</b>		
U.K. corporation tax	1,829,740	1,605,776
Adjustment for prior years	(65,241)	(2,862)
<b>Current tax charge</b>	<u>1,764,499</u>	<u>1,602,914</u>
<b>Factors affecting the tax charge for the year</b>		
Profit on ordinary activities before taxation	<u>6,049,845</u>	<u>5,222,994</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2005 - 30.00%)	<u>1,814,954</u>	<u>1,566,898</u>
Effects of:		
Non deductible expenses	35,415	59,711
Depreciation add back	44,454	51,512
Capital allowances	(35,342)	(54,100)
Adjustments to previous periods	(65,241)	(2,862)
Other tax adjustments	(29,741)	(18,245)
	<u>(50,455)</u>	<u>36,016</u>
<b>Current tax charge</b>	<u>1,764,499</u>	<u>1,602,914</u>

# SPREADEX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2006

<b>7 Dividends</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Ordinary final	-	1,732,500

<b>8 Tangible fixed assets</b>	<b>Land and buildings Leasehold</b>	<b>Office equipment and furniture</b>	<b>Computer equipment</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>				
At 1 June 2005	166,038	257,037	1,119,907	1,542,982
Additions	73,481	-	(13,242)	60,239
At 31 May 2006	239,519	257,037	1,106,665	1,603,221
<b>Depreciation</b>				
At 1 June 2005	21,577	192,072	991,212	1,204,861
Charge for the year	62,581	25,867	56,167	144,615
At 31 May 2006	84,158	217,939	1,047,379	1,349,476
<b>Net book value</b>				
At 31 May 2006	155,361	39,098	59,286	253,745
At 31 May 2005	144,461	64,965	128,695	338,121

<b>9 Debtors</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Trade debtors	6,049,793	3,369,907
Other debtors	22,496,344	17,194,356
Prepayments and accrued income	128,564	122,761
	28,674,701	20,687,024

Other debtors include amounts due from brokers of £22,463,645 (2005 - £17,173,562).

# SPREADEX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2006

<b>10 Creditors: amounts falling due within one year</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts	9,489,141	4,627,025
Trade creditors	11,795,045	6,302,692
Corporation tax	1,157,170	810,101
Other taxes and social security costs	120,217	187,606
Other creditors	242,766	345,868
Accruals and deferred income	1,568,919	2,408,084
Final dividend	-	1,732,500
	<u>24,373,258</u>	<u>16,413,876</u>

The bank loan and 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.

<b>11 Share capital</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
10,000,000 Ordinary Shares of £1 each	<u>10,000,000</u>	<u>10,000,000</u>
<b>Allotted, called up and fully paid</b>		
5,775,000 Ordinary Shares of £1 each	<u>5,775,000</u>	<u>5,775,000</u>

<b>12 Statement of movements on profit and loss account</b>	<b>Profit and loss account</b>
	<b>£</b>
Balance at 1 June 2005	2,598,396
Profit for the year	<u>4,285,346</u>
Balance at 31 May 2006	<u>6,883,742</u>

# SPREADEX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2006

<b>13 Reconciliation of movements in shareholders' funds</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	4,285,346	3,620,080
Dividends	-	(1,732,500)
	<u>4,285,346</u>	<u>1,887,580</u>
Proceeds from issue of shares	-	275,000
	<u>4,285,346</u>	<u>2,162,580</u>
Net addition to shareholders' funds	4,285,346	2,162,580
Opening shareholders' funds	8,373,396	6,210,816
	<u>12,658,742</u>	<u>8,373,396</u>
Closing shareholders' funds	<u>12,658,742</u>	<u>8,373,396</u>

### 14 Financial commitments

At 31 May 2006 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 May 2007:

	<b>Land and buildings</b>	
	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Operating leases which expire:		
Between two and five years	<u>96,938</u>	<u>99,875</u>

<b>15 Directors' emoluments</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Emoluments for qualifying services	<u>936,230</u>	<u>1,124,023</u>
Emoluments disclosed above include the following amounts paid to the highest paid director:		
Emoluments for qualifying services	<u>523,738</u>	<u>627,299</u>



# SPREADEX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2006

### 16 Employees

#### Number of employees

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

	2006 Number	2005 Number
Management and administration	64	58

#### Employment costs

	2006 £	2005 £
Wages and salaries	3,739,415	3,674,138
Social security costs	414,197	412,184
	4,153,612	4,086,322

### 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 and loan facilities in the sum of £4 million and made short term loans to the company of up to £3 million (2005 - £4.6m). There were no balances outstanding at the balance sheet date. Interest was paid on these loans of £17,161 (2005 - £113,904). At the balance sheet date £17,161 was owing to P W Harris.