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**SPREADEX LIMITED**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MAY 2015**

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**SPREADEX LIMITED**

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**COMPANY INFORMATION**

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**DIRECTORS**

C D R Allen  
T W Harris  
J G Hufford  
D R Mackenzie  
A P Morley

**COMPANY SECRETARY**

J G Hufford

**REGISTERED NUMBER**

03720378

**REGISTERED OFFICE**

Churchill House  
26 - 30 Upper Marlborough Road  
St. Albans  
Herts  
AL1 3UU

**INDEPENDENT AUDITOR**

Hillier Hopkins LLP  
Chartered Accountants & Statutory Auditor  
Radius House  
51 Clarendon Road  
Watford  
Herts  
WD17 1HP

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**SPREADEX LIMITED**

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## **SPREADEX LIMITED**

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### **STRATEGIC REPORT FOR THE YEAR ENDED 31 MAY 2015**

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#### **INTRODUCTION**

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

#### **BUSINESS REVIEW**

31st May 2015 marked the end of Spreadex's 15th full financial year. The company has continued to upgrade all IT systems and risk management procedures. This has enabled us to expand our product offering and we remain the only company to be offering sports and financial spread betting.

As well as the company continuing to maintain its profitability, the company has also experienced strong growth in its key performance activities - bet numbers, unique clients trading and new clients recruited. This would indicate sustainable growth moving forward.

The company balance sheet remains strong with no debt and strong cash reserves.

Whilst operating in an extremely competitive environment, the strength of the company's brand, the IT developments of the past year and planned enhancements in the coming months mean that Spreadex is well positioned to experience continued growth.

The company continues to take a very conservative approach to the interpretation of the client money rules and therefore believes it is not exposed to further changes in these rules. The company completed the year with a regulatory surplus of £30.4m.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The major risks faced by the company are as follows:

##### **(a) Credit risk**

Credit risk represents the loss that the company would incur if a client or counterparty failed to perform its contractual obligations. The company has a formal credit policy which determines the amount of risk the company is prepared to be exposed to for a particular client or counterparty after taking into account the potential exposure faced and the likelihood of default by the client or counterparty. Credit risk is monitored daily and reviewed by the board on a monthly basis.

##### **(b) Market risk**

The company acts as a market maker in all markets in which it operates, and is thus exposed to market risk from adverse market price movements on any unhedged positions. The company operates formal market risk limits stating the amount of market risk the company is prepared to be exposed to in both totality and by individual asset class and instruments. Market risk is monitored on a real time basis and the appropriateness of the market risk limits are reviewed by the Board on a monthly basis.

##### **(c) Operational risk**

The company maintains a comprehensive operational risk log and the board reviews the status of significant operational risks on a monthly basis. The principal operational risk is the company's reliance on existing infrastructure in terms of premises, connectivity and systems. This is mitigated via a structured business continuity plan designed to cope with failure of any or all elements of the infrastructure.

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**SPREADEX LIMITED**

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**STRATEGIC REPORT (continued)  
FOR THE YEAR ENDED 31 MAY 2015**

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**FINANCIAL KEY PERFORMANCE INDICATORS**

The profit for the year, after taxation, amounted to £17,693,329 (2014 - £14,329,234).

Total net assets stood at £47,843,403 (2014: £50,227,898) at the balance sheet date and profit before taxation amounted to £22,032,684 (2014: £18,506,950). The profit after taxation which was transferred to the reserves was £17,693,329 (2014: £14,329,234).

Dividends of £20,077,824 (2014: £5,535,456) were paid in the period.

This report was approved by the board on

*24th July 2015*

and signed on its behalf.

  
**J G Hufford**  
Director

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## **SPREADEX LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2015**

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The directors present their report and the financial statements for the year ended 31 May 2015.

#### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **DIRECTORS**

The directors who served during the year were:

C D R Allen  
T W Harris  
J G Hufford  
D R Mackenzie  
A P Morley

#### **DISCLOSURE OF INFORMATION TO AUDITOR**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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**SPREADEX LIMITED**

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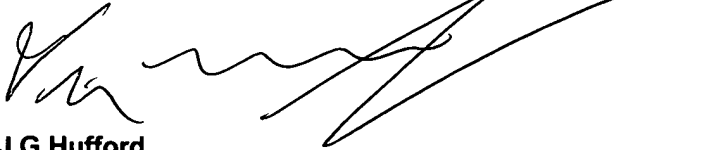
**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MAY 2015**

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**AUDITOR**

The auditor, Hillier Hopkins LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



**J G Hufford**  
Director

Date:

24<sup>th</sup> JULY 2015

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## **SPREADEX LIMITED**

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### **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SPREADEX LIMITED**

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We have audited the financial statements of Spreadex Limited for the year ended 31 May 2015, set out on pages 7 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR**

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



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**SPREADEX LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SPREADEX LIMITED**

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**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Hillier Hopkins LLP*

Simon Speller FCA (Senior statutory auditor)

for and on behalf of  
**Hillier Hopkins LLP**

Chartered Accountants  
Statutory Auditor

Radius House  
51 Clarendon Road  
Watford  
Herts  
WD17 1HP  
Date: 24/07/15

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**SPREADEX LIMITED**

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**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MAY 2015**

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	Note	2015 £	2014 £
<b>TURNOVER</b>	1,2	<b>40,410,656</b>	<b>35,441,988</b>
Cost of sales		<u>(2,685,179)</u>	<u>(2,756,849)</u>
<b>GROSS PROFIT</b>		<b>37,725,477</b>	<b>32,685,139</b>
Administrative expenses		<u>(15,872,500)</u>	<u>(14,317,201)</u>
<b>OPERATING PROFIT</b>	3	<b>21,852,977</b>	<b>18,367,938</b>
Interest receivable and similar income		<u>179,707</u>	<u>139,012</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>22,032,684</b>	<b>18,506,950</b>
Tax on profit on ordinary activities	7	<u>(4,336,316)</u>	<u>(4,177,716)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	13	<b><u>17,696,368</u></b>	<b><u>14,329,234</u></b>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2015 or 2014 other than those included in the Profit and loss account.

The notes on pages 10 to 20 form part of these financial statements.

**SPREADEX LIMITED**  
**REGISTERED NUMBER: 03720378**

**BALANCE SHEET**  
**AS AT 31 MAY 2015**

	Note	£	2015 £	£	2014 £
<b>FIXED ASSETS</b>					
Tangible assets	8		1,240,522		814,437
<b>CURRENT ASSETS</b>					
Debtors	9	52,564,467		53,537,686	
Cash at bank and in hand		15,000,402		17,766,662	
		<u>67,564,869</u>		<u>71,304,348</u>	
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(20,958,949)</u>		<u>(21,890,887)</u>	
<b>NET CURRENT ASSETS</b>			<u>46,605,920</u>		<u>49,413,461</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>47,846,442</u>		<u>50,227,898</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	12		11,550,000		11,550,000
Other reserves	13		506,772		506,772
Profit and loss account	13		<u>35,789,670</u>		<u>38,171,126</u>
<b>SHAREHOLDER'S FUNDS</b>	14		<u>47,846,442</u>		<u>50,227,898</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

  
**J G Hufford**  
 Director

Date: 24<sup>th</sup> JULY 2015

The notes on pages 10 to 20 form part of these financial statements.

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**SPREADEX LIMITED**

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**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MAY 2015**

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	<b>Note</b>	<b>2015 £</b>	<b>2014 £</b>
Net cash flow from operating activities	16	<b>23,024,643</b>	15,740,302
Returns on investments and servicing of finance	17	<b>179,707</b>	139,012
Taxation		<b>(4,868,309)</b>	(3,922,586)
Capital expenditure and financial investment	17	<b>(1,024,477)</b>	(1,221,656)
Equity dividends paid		<b>(20,077,824)</b>	(5,535,456)
<b>(DECREASE)/INCREASE IN CASH IN THE YEAR</b>		<b>(2,766,260)</b>	5,199,616

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**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT  
FOR THE YEAR ENDED 31 MAY 2015**

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	<b>2015 £</b>	<b>2014 £</b>
(Decrease)/Increase in cash in the year	<b>(2,766,260)</b>	5,199,616
<b>MOVEMENT IN NET FUNDS IN THE YEAR</b>	<b>(2,766,260)</b>	5,199,616
Net funds at 1 June 2014	<b>17,766,662</b>	12,567,046
<b>NET FUNDS AT 31 MAY 2015</b>	<b>15,000,402</b>	17,766,662

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The notes on pages 10 to 20 form part of these financial statements.

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## SPREADEX LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2015

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#### 1. ACCOUNTING POLICIES

##### 1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention modified by the valuation of certain financial instruments and in accordance with applicable accounting standards.

##### 1.2 TURNOVER

Turnover represents the difference between the total value of bets won and the total value of bets lost (including open market positions and net brokerage costs or gains to hedge) and interest receivable on client's money by the company during the period.

##### 1.3 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 of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

S/Term Leasehold Property	-	33% straight line
Office equipment	-	33% straight line
Computer equipment	-	33% straight line

##### 1.4 TRADE RECEIVABLES AND TRADE PAYABLES

Assets or liabilities resulting from profit or losses on open positions are carried at fair value. Amounts due from/to clients are netted where it is anticipated that assets and liabilities will be netted on settlement.

Trade receivables represent balances with clients where the combination of cash held on account and the valuation of financial derivative open positions result in an amount due to the company. A provision for impairment is established where there is objective evidence of non-collectability.

Trade payables represent balances with operating suppliers and clients where the combination of cash held on account and the valuation of financial derivative open positions results in an amount payable by the company.

##### 1.5 FINANCIAL INSTRUMENTS

Derivative and physical share positions entered into in the normal course of business in order to hedge market exposure, resulting from derivative transactions placed by customers, are carried at fair value within other debtors. Profit and losses on the valuations are included in trading income.

Fair value is determined by reference to third party market values. There are no significant differences between the fair value of the recorded financial assets and liabilities and their carrying value in the balance sheet.

##### 1.6 CLIENT MONEY

The company holds client money on behalf of clients in accordance with client money rules of the Financial Conduct Authority (firm reference number: 190941). Client monies held in segregated bank accounts in accordance with regulations and the corresponding liabilities to these clients are not recognised in the balance sheet because the monies are held in trust and the Company is not beneficially entitled to them.

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## **SPREADEX LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2015**

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#### **1. ACCOUNTING POLICIES (continued)**

##### **1.7 OPERATING LEASES**

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

##### **1.8 DEFERRED TAXATION**

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

##### **1.9 FOREIGN CURRENCIES**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

##### **1.10 RESEARCH AND DEVELOPMENT**

Research and development expenditure is written off in the year in which it is incurred.

##### **1.11 PENSIONS**

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

The company contributes to personal pension plans made to a group personal pension plan under a salary sacrifice scheme available to all staff.

#### **2. TURNOVER**

The whole of the turnover is attributable to the principal activity of the company.

All turnover arose within the United Kingdom.

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**SPREADEX LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2015**

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**3. OPERATING PROFIT**

The operating profit is stated after charging:

	2015 £	2014 £
Depreciation of tangible fixed assets:		
- owned by the company	605,497	495,494
Operating lease rentals:		
- other operating leases	207,785	270,882
	<u>207,785</u>	<u>270,882</u>

**4. AUDITORS' REMUNERATION**

	2015 £	2014 £
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	23,570	21,500
Fees payable to the company's auditor and its associates in respect of:		
All other non-audit services not included above	19,630	21,760
	<u>19,630</u>	<u>21,760</u>

**5. STAFF COSTS**

Staff costs, including directors' remuneration, were as follows:

	2015 £	2014 £
Wages and salaries	8,811,113	8,540,864
Social security costs	1,095,669	1,093,598
Other pension costs	358,260	-
	<u>10,265,042</u>	<u>9,634,462</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2015	2014
	106	98
	<u>106</u>	<u>98</u>

**SPREADEX LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2015**

**6. DIRECTORS' REMUNERATION**

	2015 £	2014 £
Remuneration	1,520,191	1,955,340
Directors fees	50,000	30,000
Directors pension	220,400	-
	<u>1,790,591</u>	<u>1,985,340</u>

The highest paid director received total emoluments of £867,390 (2014: £1,026,755), made up of remuneration of £857,490 (2014: £1,026,755) and pension contributions of £9,900 (2014: £nil).

During the year retirement benefits were accruing to 3 directors (2014 - nil) in respect of defined contribution pension schemes

**7. TAXATION**

	2015 £	2014 £
<b>ANALYSIS OF TAX CHARGE IN THE YEAR</b>		
<b>CURRENT TAX</b> (see note below)		
UK corporation tax charge on profit for the year	4,338,784	4,183,122
Adjustments in respect of prior periods	(67,517)	(17,441)
<b>TOTAL CURRENT TAX</b>	<u>4,271,267</u>	<u>4,165,681</u>
<b>DEFERRED TAX</b> (see note 11)		
Origination and reversal of timing differences	65,049	12,035
<b>TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	<u>4,336,316</u>	<u>4,177,716</u>



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**SPREADEX LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2015**

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**7. TAXATION (continued)****FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is lower than (2014 - *lower than*) the standard rate of corporation tax in the UK of 20.833% (2014 - 22.666%). The differences are explained below:

	2015 £	2014 £
Profit on ordinary activities before tax	<u>22,032,684</u>	<u>18,506,950</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.833% (2014 - 22.666%)	<b>4,590,069</b>	<b>4,194,785</b>
<b>EFFECTS OF:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	24,198	19,781
Capital allowances for year in excess of depreciation	(40,011)	(4,206)
Utilisation of tax losses	(712)	-
Adjustments to tax charge in respect of prior periods	(67,517)	(17,441)
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(217,216)	(22,670)
Non taxable dividends	(14,866)	(4,568)
Double taxation relief	(2,678)	-
<b>CURRENT TAX CHARGE FOR THE YEAR</b> (see note above)	<u><b>4,271,267</b></u>	<u><b>4,165,681</b></u>

**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

There were no factors that may affect future tax charges.

**SPREADEX LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2015**

**8. TANGIBLE FIXED ASSETS**

	S/Term Leasehold Property £	Office equipment £	Computer equipment £	Total £
<b>COST</b>				
At 1 June 2014	362,291	97,813	2,940,963	3,401,067
Additions	492,921	119,621	419,040	1,031,582
Disposals	(362,291)	(97,813)	(1,164,539)	(1,624,643)
At 31 May 2015	492,921	119,621	2,195,464	2,808,006
<b>DEPRECIATION</b>				
At 1 June 2014	362,291	97,813	2,126,526	2,586,630
Charge for the year	96,262	20,536	488,699	605,497
On disposals	(362,291)	(97,813)	(1,164,539)	(1,624,643)
At 31 May 2015	96,262	20,536	1,450,686	1,567,484
<b>NET BOOK VALUE</b>				
At 31 May 2015	396,659	99,085	744,778	1,240,522
At 31 May 2014	-	-	814,437	814,437

**SPREADEX LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2015**

**9. DEBTORS**

	2015 £	2014 £
Trade debtors	4,902,216	4,329,973
Other debtors	47,005,949	48,487,911
Prepayments and accrued income	639,782	638,233
Deferred tax asset (see note 11)	16,520	81,569
	<u>52,564,467</u>	<u>53,537,686</u>

**Other debtors included above**

	2015 £	2014 £
Killik & Co.*	10,486,327	17,039,053
Citibank	-	4,122,838
Commerzbank	23,770,337	20,222,624
Bank of America Merrill Lynch	-	1,999,454
IG Markets	117,849	400,931
Barclays Capital	-	4,246,214
Morgan Stanley	11,537,971	2,834
Others	-	180,776
Broker debtors	<u>45,912,484</u>	<u>48,214,724</u>
Dividends due from Commerzbank	908,730	190,679
Interest receivable	184,735	82,508
Other non-broker debtors	<u>1,093,465</u>	<u>273,187</u>
Total	<u>47,005,949</u>	<u>48,487,911</u>

\*Killik & Co. are the broker for the shares held in the name of Spreadex Limited via a sponsored crest account.

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**SPREADEX LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2015**

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**10. CREDITORS:  
AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2015 £	2014 £
Trade creditors	14,297,652	13,167,964
Amounts owed to group undertakings	516,000	516,000
Corporation tax	1,836,080	2,433,122
Other taxation and social security	669,134	645,750
Other creditors	135,288	1,340,353
Accruals and deferred income	3,504,795	3,787,698
	<u>20,958,949</u>	<u>21,890,887</u>

**11. DEFERRED TAX ASSET**

	2015 £	2014 £
At beginning of year	81,569	93,604
Movement	(65,049)	(12,035)
At end of year	<u>16,520</u>	<u>81,569</u>

The deferred tax asset is made up as follows:

	2015 £	2014 £
Accelerated capital allowances	<u>16,520</u>	<u>81,569</u>

**12. SHARE CAPITAL**

	2015 £	2014 £
<b>ALLOTTED, CALLED UP AND FULLY PAID</b>		
11,550,000 Ordinary shares of £1 each	<u>11,550,000</u>	<u>11,550,000</u>

**SPREADEX LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2015**

**13. RESERVES**

	Other reserves £	Profit and loss account £
At 1 June 2014	506,772	38,171,126
Profit for the financial year		17,696,368
Dividends: Equity capital		(20,077,824)
At 31 May 2015	<u>506,772</u>	<u>35,789,670</u>

Other reserves relate to capital contributions from the company's parent.

**14. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS**

	2015 £	2014 £
Opening shareholder's funds	50,227,898	41,434,120
Profit for the financial year	17,696,368	14,329,234
Dividends (Note 15)	(20,077,824)	(5,535,456)
Closing shareholder's funds	<u>47,846,442</u>	<u>50,227,898</u>

**15. DIVIDENDS**

	2015 £	2014 £
Dividends paid on equity capital	<u>20,077,824</u>	<u>5,535,456</u>

**16. NET CASH FLOW FROM OPERATING ACTIVITIES**

	2015 £	2014 £
Operating profit	21,852,977	18,367,938
Depreciation of tangible fixed assets	605,497	495,494
Profit on disposal of tangible fixed assets	(7,105)	-
Decrease in debtors	908,169	3,008,138
Decrease in creditors	(334,895)	(6,647,268)
Increase in amounts owed to group undertakings	-	516,000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<u><b>23,024,643</b></u>	<u><b>15,740,302</b></u>

**SPREADEX LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2015**

**17. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT**

	2015 £	2014 £
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
Interest received	<u>179,707</u>	<u>139,012</u>
	2015 £	2014 £
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>		
Purchase of tangible fixed assets	(1,031,582)	(1,221,656)
Sale of tangible fixed assets	7,105	-
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE</b>	<u>(1,024,477)</u>	<u>(1,221,656)</u>

**18. ANALYSIS OF CHANGES IN NET FUNDS**

	1 June 2014 £	Cash flow £	Other non-cash changes £	31 May 2015 £
Cash at bank and in hand	<u>17,766,662</u>	<u>(2,766,260)</u>	-	<u>15,000,402</u>
<b>NET FUNDS</b>	<u>17,766,662</u>	<u>(2,766,260)</u>	-	<u>15,000,402</u>

**19. PENSION COMMITMENTS**

The company operates a defined contribution pensions scheme and contributes to a group personal pension plan under a salary sacrifice scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds. Amounts payable by the company for the year amounted to £358,260 (2014: £nil). Contributions totalling £44,440 (2014: £nil) were payable to the funds at the balance sheet date and are included in creditors.

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**SPREADEX LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2015**

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**20. OPERATING LEASE COMMITMENTS**

At 31 May 2015 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2015	2014	2015	2014
	£	£	£	£
<b>EXPIRY DATE:</b>				
Between 2 and 5 years	-	263,036	-	-
After more than 5 years	<b>248,547</b>	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**21. RELATED PARTY TRANSACTIONS**

The company has taken the exemption provided by FRS 8 to disclose related party transactions with its group headed by its ultimate parent company, Spreadex.com Limited, on the basis that consolidated accounts are prepared. These accounts are available to the public and may be obtained from: Churchill House, 26-30 Upper Marlborough Road, St. Albans, Herts, AL1 3UU.

**22. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The ultimate parent company is Spreadex.com Limited, a company registered in England and Wales. There is no ultimate controlling party.

# Spreadex Limited

## Pillar 3 Disclosure (Unaudited)

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### Introduction

This document sets out the Pillar 3 market disclosures of Spreadex Limited. The Pillar 3 rules in BIPRU 11 set out the need for firms to have a formal disclosure policy, based on the risks identified in the ICAAP.

The purpose of Pillar 3 is to encourage market discipline by developing disclosure requirements which allow market participants to assess a firm's risk assessment procedures, as well as the firm's capital and risk exposures.

Spreadex Limited will omit any information it deems as immaterial - in that the omission or misstatement of the information would not change or influence the assessment or decision of the user of the information.

In accordance with the rules of the Financial Conduct Authority ("FCA"), Spreadex Limited will disclose the information set out in BIPRU 11 on at least an annual basis. Publication will be on the Spreadex Limited annual audited accounts.

### Risk Management

**Governance:** Spreadex limited is controlled by the Board of Directors who formally meet on a monthly basis to discuss the company's performance and to review that it has kept within its risk parameters.

**Objectives:** Spreadex's risk appetite is set by the Board and reviewed on an annual basis. However, the actual risk being carried by Spreadex is reported to and discussed by the Board monthly, ensuring that the firm is operating within agreed risk limits and that these limits are appropriate to the firms overall risk appetite. The major risk categories are:

**Market Risk:** The Spreadex Board reviews the following on a monthly basis, to ensure that the company has stayed within agreed limits and risk appetites: Current market risk compared to risk limits; Maximum market risk in the month compared to risk limits; and limit breaches. On a daily basis, the Financial Trading Manager and Trading Director continually monitor the risk levels as trading develops throughout the day.

**Credit risk:** Credit risk is the risk the Spreadex's clients or counterparties may fail to pay amounts due to Spreadex. The Board reviews extensive information on current and potential credit exposures, and on a monthly basis, reviews: current levels of debt in the company; current levels of credit limits granted; and current level of potential close out risk.



## Spreadex Limited

### Pillar 3 Disclosure (Unaudited)

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*Operational risk:* Operational risk is defined as the risk of loss caused by the failure of internal processes, people, systems or external events. On a monthly basis the board reviews the status of all material operational risk, along with progress on programmes to reduce these risks.

### Capital Resources

During the course of the year, Spreadex Limited has continually complied with the capital requirements stipulated by the FCA.

The regulatory capital requirement for Spreadex Limited at 31 May 2015 was £17,405k, while capital resources of the company were £47,846k (consisting of £11,550k called up share capital and £35,789k retained earnings and £507k other reserves). This creates a capital resources surplus of £30,441k at a surplus ratio of 275%.

### Capital Adequacy

Spreadex continually carries out an Internal Capital Adequacy Assessment Process (ICAAP), which is an assessment of capital requirements and is formally approved by the Board of Directors at least on an annual basis.

The capital resource requirement is calculated daily, by calculating the PRR on the following risks:

*Market Risk:*

Spreadex does not use a VaR model to calculate the capital resource requirement but instead uses the standard method when calculating interest rate PRR, equity PRR, commodity PRR and foreign currency PRR.

*Credit Risk:*

Spreadex calculates credit risk by taking 8% of the risk weighted exposure amounts on all assets which make the company susceptible to credit risk.

*Operational Risk:*

Spreadex maintains a comprehensive operational risk log which is updated on an annual basis, and considers the impact of adverse operational events on Spreadex's financial position. Spreadex uses a basic indicator approach to calculate the Pillar 1 capital requirements, based on taking a charge equivalent to 15% of the three-year average of the company's gross income.