

Registered number: 03720378

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**SPREADEX LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2018**

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14/07/2018  
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**SPREADEX LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	C D R Allen T W Harris J G Hufford D R Mackenzie A P Morley P E W Harris (appointed 20 July 2017)
<b>Company secretary</b>	J G Hufford
<b>Registered number</b>	03720378
<b>Registered office</b>	Churchill House 26 - 30 Upper Marlborough Road St. Albans Herts AL1 3UU
<b>Independent auditor</b>	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 2018

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#### Introduction

The principal activity of the company continued to be that of offering sports and financial spread betting services to retail and professional clients. The company also offers a sports fixed odds service and these products are available from one account. Spreadex remains the only company that offers both sports and financial spread betting services.

#### Business review

31st May 2018 marked the end of Spreadex's 18th full financial year. The company has seen strong growth in its key performance indicators of bet numbers, active clients and client money held. These in turn have led to an increase of 16% in the pre-tax profit. The profit has been achieved in cash and this has allowed for dividend payments to our shareholders. Despite the regulatory uncertainties of the future, these indicators would signal the potential for growth moving forward.

Our IT and risk management systems continue to be fundamental to the success of the business. We insist on recruiting high quality developers to work on our systems. The scalability of the systems and having everything developed "in house" has enabled us to expand our product offering and grow the revenues without a corresponding increase in staff numbers. We continue to automate as many processes as possible.

Our IT team have spent much of the past year in preparation for the European, Securities and Markets Authority (ESMA) rules that become effective on 1st August 2018. The two main changes are that retail clients must have a "no negative balance" guarantee (i.e. no debt) and enforced leverage limits determined by the regulator. Our task of implementing these changes has been increased by retail clients presently holding credit accounts for both sports and financial spread betting. Sports spread betting sits outside of MIFID and we have therefore had to separate the sports and financial products for retail clients. This was a significant and complex task but has been achieved on time for the new regulations.

The company balance sheet remains strong with net assets of £69.5m. There is no debt on the balance sheet. Our cash collateral at our brokers (hedging counterparts) has increased as the financials business has grown.

The sector remains extremely competitive but it remains to be seen how the industry will cope with the new regulatory regime. However, Spreadex continues to remain a strong brand which is associated with a good product, strong customer service and competitive terms of business.

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 also segregates all fixed odds funds to the same level as our spread betting business. The company completed the year with a regulatory surplus of £49.3m / 346 % of the resources requirement.

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## SPREADEX LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018

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#### 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.

##### (d) Regulatory uncertainty

There are major changes being introduced later this summer regarding our financial spread betting business. Some of these will make it more onerous for retail clients to place financial trades. We have now "opted up" approximately 50% of this year's financial revenues to being elective professional – and so this group of clients will not be affected. We cannot estimate how the remaining retail clients will react to the new rules. However, through holding far more client money and being subject to stricter close out rules, we expect the cost of bad debts to decrease.

##### (e) GDPR

In the course of the past year, the Company has engaged top legal advice regarding its responsibilities over GDPR. A data planning map was formed along with a deletion policy regarding data held on both clients and staff. A GDPR Committee has overseen the introduction of the new Rules into the Company and will continue to monitor progress. All Data requests are channelled to this Committee in order to achieve a consistency of response.

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## SPREADEX LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018

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#### Financial key performance indicators

The key financial metrics reviewed by management are set out below:

	2018	2017	Variance
	£	£	%
Net assets	69,451,611	64,102,413	8%
Profit for the year, before taxation	33,541,779	28,913,398	16%
Profit for the year, after taxation	27,309,318	23,186,344	18%
Dividends paid	21,960,120	3,764,592	

#### Non Financial Key Performance Indicators

The Company insists on the recruitment of high quality developers and the retention of these staff members is important to the continued success of the business. During the year the Company has introduced private health and death in service schemes, and improved and formalised a number of training programmes to allow for staff to achieve their full potential.

The IT developers also regularly have "lunch and learn" sessions that allow younger developers to listen in on the latest projects and development tools that we are working with.

The Company operates entirely from the UK and pays all taxes required by law to HMRC based on this activity.

The Company makes charitable donations to Gamble Aware to assist with their work regarding the psychology of problem gambling. The Company has also invited Gamble Aware to give a presentation on their work to our staff so we can understand the services they provide.

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



.....  
J G Hufford  
Director

Date:

11<sup>th</sup> JULY 2018

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## SPREADEX LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2018

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The Directors present their report and the financial statements for the year ended 31 May 2018.

#### 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements 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 to 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.

#### Results and dividends

The profit for the year, after taxation, amounted to £27,309,318 (2017 - £23,186,344).

Dividends paid in the year amounted to £21,960,120 (2017 - £3,764,592)

#### 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  
P E W Harris (appointed 20 July 2017)

#### Charitable contributions

Charitable contributions are made to Gamble Aware on a yearly basis for the work they provide both internally and externally to the company.

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SPREADEX LIMITED

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DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MAY 2018

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**Future developments**

The directors do not currently intend to make any significant changes to the company's operations in the future and will continue to monitor the impact of the regulatory changes throughout the 2019 financial year.

**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 the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the 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.

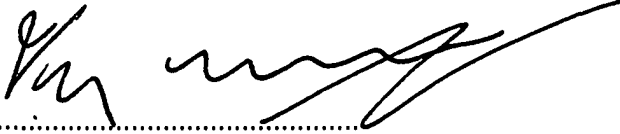
**Post balance sheet events**

There have been no significant events affecting the Company since the year end.

**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: 11<sup>th</sup> July 2018



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## SPREADEX LIMITED

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

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#### Opinion

We have audited the financial statements of Spreadex Limited (the 'Company') for the year ended 31 May 2018, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 May 2018 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.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in

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## SPREADEX LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SPREADEX LIMITED (CONTINUED)

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doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

#### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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## SPREADEX LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SPREADEX LIMITED (CONTINUED)

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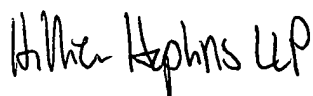
#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.

#### Use of our report

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.



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: 11 July 2018

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SPREADEX LIMITED

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STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MAY 2018

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	Note	2018 £	2017 £
Turnover	4	58,878,986	50,275,993
Cost of sales		(4,550,382)	(3,636,412)
<b>Gross profit</b>		<b>54,328,604</b>	<b>46,639,581</b>
Administrative expenses		(20,869,307)	(17,812,101)
<b>Operating profit</b>	5	<b>33,459,297</b>	<b>28,827,480</b>
Interest receivable and similar income	9	82,482	85,918
<b>Profit before tax</b>		<b>33,541,779</b>	<b>28,913,398</b>
Tax on profit	10	(6,232,461)	(5,727,054)
<b>Profit for the year</b>		<b>27,309,318</b>	<b>23,186,344</b>

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2018 (2017: £NIL).

The notes on pages 13 to 24 form part of these financial statements.

**SPREADEX LIMITED**  
REGISTERED NUMBER: 03720378

**BALANCE SHEET**  
**AS AT 31 MAY 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Tangible assets	12	322,337	715,031
		<u>322,337</u>	<u>715,031</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	13	86,954,113	73,186,293
Cash at bank and in hand	14	13,323,408	13,061,401
		<u>100,277,521</u>	<u>86,247,694</u>
Creditors: amounts falling due within one year	15	(31,148,247)	(22,860,312)
<b>Net current assets</b>		<u>69,129,274</u>	<u>63,387,382</u>
<b>Total assets less current liabilities</b>		<u>69,451,611</u>	<u>64,102,413</u>
<b>Net assets</b>		<u>69,451,611</u>	<u>64,102,413</u>
<b>Capital and reserves</b>			
Called up share capital	18	11,550,000	11,550,000
Other reserves	19	506,772	506,772
Profit and loss account	19	57,394,839	52,045,641
		<u>69,451,611</u>	<u>64,102,413</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:

11<sup>th</sup> JULY 2018.

The notes on pages 13 to 24 form part of these financial statements.

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**SPREADEX LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MAY 2018**

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	Called up share capital £	Other reserves £	Profit and loss account £	Total equity £
<b>At 1 June 2016</b>	<b>11,550,000</b>	<b>506,772</b>	<b>32,623,889</b>	<b>44,680,661</b>
Profit for the year	-	-	23,186,344	23,186,344
Dividends: Equity capital	-	-	(3,764,592)	(3,764,592)
<b>At 1 June 2017</b>	<b>11,550,000</b>	<b>506,772</b>	<b>52,045,641</b>	<b>64,102,413</b>
Profit for the year	-	-	27,309,318	27,309,318
Dividends: Equity capital	-	-	(21,960,120)	(21,960,120)
<b>At 31 May 2018</b>	<b>11,550,000</b>	<b>506,772</b>	<b>57,394,839</b>	<b>69,451,611</b>

The notes on pages 13 to 24 form part of these financial statements.

**SPREADEX LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MAY 2018**

	2018 £	2017 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	27,309,318	23,186,344
<b>Adjustments for:</b>		
Depreciation of tangible assets	419,710	553,168
Loss on disposal of tangible assets	-	(275)
Interest received	(82,482)	(85,918)
Taxation	6,232,461	5,727,054
Increase in debtors	(13,734,592)	(28,122,573)
Increase/ (decrease) in creditors	8,139,580	(11,740,766)
Corporation tax	(6,117,334)	(5,571,655)
<b>Net cash generated from operating activities</b>	<b>22,166,661</b>	<b>(16,054,621)</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(27,016)	(652,883)
Sale of tangible fixed assets	-	275
Interest received	82,482	85,918
<b>Net cash from investing activities</b>	<b>55,466</b>	<b>(566,690)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(21,960,120)	(3,764,592)
<b>Net cash used in financing activities</b>	<b>(21,960,120)</b>	<b>(3,764,592)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>262,007</b>	<b>(20,385,903)</b>
Cash and cash equivalents at beginning of year	13,061,401	33,447,304
<b>Cash and cash equivalents at the end of year</b>	<b>13,323,408</b>	<b>13,061,401</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	13,323,408	13,061,401
	<b>13,323,408</b>	<b>13,061,401</b>

The notes on pages 13 to 24 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 2018

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#### 1. General information

Spreadex Limited is a company limited by share capital, incorporated in England and Wales. The registered office is the same as the company's principal place of business and is displayed on the company information page.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

##### 2.2 Revenue

Revenue 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.

##### 2.3 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

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

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.



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## SPREADEX LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018

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## 2. Accounting policies (continued)

### 2.4 Debtors

Trade debtors represent the amounts receivable from customers on closed positions, and the current market value of open positions as at the balance sheet date.

Other debtors principally represent the amounts receivable from third party broker firms at the balance sheet date.

### 2.5 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### 2.6 Financial instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 2.7 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

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## SPREADEX LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018

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#### 2. Accounting policies (continued)

##### 2.8 Foreign currency translation

###### Functional and presentation currency

The Company's functional and presentational currency is GBP.

###### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

##### 2.9 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

##### 2.10 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

##### 2.11 Pensions

###### Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

##### 2.12 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

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## SPREADEX LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018

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#### 2. Accounting policies (continued)

##### 2.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

##### 2.14 Research and development

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

##### 2.15 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.

#### 3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on the amounts recognised in the financial statements:

- The recoverability of trade debtors has been assessed as at the year end and up until the date of signing these financial statements. Management have made the decision to provide for any amounts, based on their judgement of all the available information and their experience of the specific nature of the trade debtor in question.

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**SPREADEX LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2018**

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**4. Turnover**

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

All turnover arose within the United Kingdom.

**5. Operating profit**

The operating profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	419,710	553,168
Fees payable to the Company's auditor and its associates for the audit of the company's annual financial statements	26,000	26,000
Other operating lease rentals	276,521	277,010
Defined contribution pension cost	503,193	450,171
	<u>          </u>	<u>          </u>

**6. Auditor's remuneration**

	2018 £	2017 £
<b>Fees payable to the Company's auditor and its associates in respect of:</b>		
The auditing of accounts of associates of the Company pursuant to legislation	26,000	26,000
All other services	21,195	22,000
	<u>47,195</u>	<u>48,000</u>

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**SPREADEX LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2018**

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**7. Employees**

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

	2018 £	2017 £
Wages and salaries	12,019,551	10,362,106
Social security costs	1,438,180	1,270,186
Cost of defined contribution scheme	503,193	450,171
	<u>13,960,924</u>	<u>12,082,463</u>

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

	2018 No.	2017 No.
	<u>117</u>	<u>115</u>

**8. Directors' remuneration**

	2018 £	2017 £
Directors' emoluments	2,624,322	2,192,947
Company contributions to defined contribution pension schemes	51,883	67,152
	<u>2,676,205</u>	<u>2,260,099</u>

During the year retirement benefits were accruing to 2 Directors (2017 - 2) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £1,178,841 (2017 - £969,917).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £41,083 (2017 - £56,352).

**9. Interest receivable**

	2018 £	2017 £
Other interest receivable	<u>82,482</u>	<u>85,918</u>

**SPREADEX LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2018**

**10. Taxation**

	2018 £	2017 £
<b>Corporation tax</b>		
Current tax on profits for the year	6,318,999	5,670,644
Adjustments in respect of previous periods	(53,310)	(3,739)
<b>Total current tax</b>	<u>6,265,689</u>	<u>5,666,905</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(33,228)	60,149
<b>Total deferred tax</b>	<u>(33,228)</u>	<u>60,149</u>
<b>Taxation on profit on ordinary activities</b>	<u>6,232,461</u>	<u>5,727,054</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is the same as (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 20%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>33,541,779</u>	<u>28,913,398</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	6,372,938	5,734,357
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	21,484	21,390
Capital allowances for year in excess of depreciation	(1,661)	15,223
Adjustments to tax charge in respect of prior periods	(53,310)	(3,739)
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(100,035)	(99,614)
Changes in provisions leading to an increase (decrease) in the tax charge	(6,955)	-
Double taxation relief	-	(712)
Deferred tax	-	60,149
<b>Total tax charge for the year</b>	<u>6,232,461</u>	<u>5,727,054</u>

**SPREADEX LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2018**

**10. Taxation (continued)**

**Factors that may affect future tax charges**

There were no factors that may affect future tax charges.

On 8 July 2015 the Chancellor of the Exchequer announced a reduction in the main rate of UK corporation tax to 19 per cent with effect from 1 April 2017 and 18 per cent with effect from 1 April 2020. These changes were substantively enacted 26 October 2015.

**11. Dividends**

	2018 £	2017 £
Dividends: Equity capital	<u>21,960,120</u>	<u>3,764,592</u>

**12. Tangible fixed assets**

	S/Term Leasehold Property £	Office equipment £	Computer equipment £	Total £
<b>Cost or valuation</b>				
At 1 June 2017	492,921	124,805	2,455,137	3,072,863
Additions	-	20,936	6,080	27,016
At 31 May 2018	<u>492,921</u>	<u>145,741</u>	<u>2,461,217</u>	<u>3,099,879</u>
<b>Depreciation</b>				
At 1 June 2017	424,876	102,299	1,830,657	2,357,832
Charge for the year on owned assets	68,045	21,647	330,018	419,710
At 31 May 2018	<u>492,921</u>	<u>123,946</u>	<u>2,160,675</u>	<u>2,777,542</u>
<b>Net book value</b>				
At 31 May 2018	<u>-</u>	<u>21,795</u>	<u>300,542</u>	<u>322,337</u>
At 31 May 2017	<u>68,045</u>	<u>22,506</u>	<u>624,480</u>	<u>715,031</u>

**SPREADEX LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2018**

**13. Debtors**

	2018 £	2017 £
Trade debtors	3,756,984	4,465,491
Other debtors	81,852,555	67,125,229
Prepayments and accrued income	1,202,629	1,486,856
Deferred taxation	141,945	108,717
	<u>86,954,113</u>	<u>73,186,293</u>

**Other debtors included above**

	2018 £	2017 £
Killik & Co*	21,898,305	14,733,522
IG Markets	27,019,147	31,250,637
Morgan Stanley	17,854,473	15,250,876
CMC Markets	-	40,762
Maybank	-	50,000
ING	14,612,334	5,433,569
Alpha Pro	176,438	-
Broker debtors	<u>81,560,697</u>	<u>66,759,366</u>
Dividends due from ING	60,576	45,990
Interest receivable	143,934	137,221
Other	87,348	182,652
Other non-broker debtors	<u>291,858</u>	<u>365,863</u>
Total	<u>81,852,555</u>	<u>67,125,229</u>

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

IG Markets Limited hold a first fixed charge dated 14 March 2017 over the current and future rights, title and interests of the investments held within the Company's IG account.

**14. Cash and cash equivalents**

	2018 £	2017 £
Cash at bank and in hand	<u>13,323,408</u>	<u>13,061,401</u>



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SPREADEX LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2018

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15. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	14,584,197	10,718,305
Amounts owed to group undertakings	516,000	516,000
Corporation tax	3,068,999	2,920,644
Taxation and social security	1,472,302	986,619
Other creditors	2,121	43,304
Accruals and deferred income	11,504,628	7,675,440
	<u>31,148,247</u>	<u>22,860,312</u>

16. Financial instruments

	2018 £	2017 £
<b>Financial assets</b>		
Financial assets measured at fair value through profit or loss	94,884,105	79,979,091
	-	-
Financial assets that are debt instruments measured at amortised cost	4,048,842	4,965,224
	<u>98,932,947</u>	<u>84,944,315</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(23,770,799)</u>	<u>(18,418,049)</u>

Financial assets measured at fair value through profit or loss comprise of cash at bank and in hand and broker debtors.

Financial assets measured at amortised cost comprise of trade, other non-broker debtors and accrued income.

Financial Liabilities measured at amortised cost comprise of trade creditors, amounts owed to group undertakings, other creditors and accruals.

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**SPREADEX LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2018**

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**17. Deferred taxation**

	2018 £
At beginning of year	108,717
Charged to profit or loss	33,228
<b>At end of year</b>	<b>141,945</b>

The deferred tax asset is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	141,945	108,717

**18. Share capital**

	2018 £	2017 £
<b>Allotted, called up and fully paid</b>		
11,550,000 Ordinary shares of £1 each	11,550,000	11,550,000

**19. Reserves**

**Other reserves**

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

**Profit & loss account**

The profit and loss account includes all current and prior period retained profits and losses.

**20. Pension commitments**

The company operates a defined contribution pensions scheme and contributes to a group personal pension plan (Royal London) under a salary sacrifice scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The pension charge represents contributions payable by the company to the funds. Amounts payable by the company for the year amounted to £503,103 (2017: £450,171). Contributions totalling £nil (2017: £36,605) 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 2018**

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**21. Commitments under operating leases**

At 31 May 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	322,440	322,440
Later than 1 year and not later than 5 years	1,478,867	1,518,867
Later than 5 years	23,537	305,977
<b>Total</b>	<b>1,824,844</b>	<b>2,147,284</b>

**22. Related party transactions**

The company has taken the exemptions allowable under FRS102, to not 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, AL1 3UU.

**23. 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 Requirement Regulations.

As at 31 May 2018, the Common Equity Tier 1 capital resources of the company were £69,452k (consisting of £11,550k called up share capital and £57,395k retained earnings and £507k other reserves). This creates a capital ratio of 362% and a capital surplus of £50,278k over the minimum total capital ratio of 8.00%.

### 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 risk exposure amount 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 MRCR, equity MRCR, commodity MRCR and foreign currency MRCR.

*Credit Risk:*

Spreadex calculates risk weighted exposure amounts on all assets in accordance with Section Three Title Two of the Capital Requirement Regulation.

*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.