

ROC

Company Registration No. 03720378 (England and Wales)

SPREADEX LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2004



SPREADEX LIMITED

COMPANY INFORMATION

Directors

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

Secretary

J G Hufford

Company number

03720378

Registered office

Icknield House
Dunstable
Bedfordshire
LU6 1TA

Auditors

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

Business address

Icknield House
Dunstable
Bedfordshire
LU6 1TA

SPREADEX LIMITED

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SPREADEX LIMITED

DIRECTORS' REPORT **FOR THE YEAR ENDED 31 MAY 2004**

The directors present their report and financial statements for the year ended 31 May 2004.

Principal activities and review of the business

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

The company is regulated by the Financial Services Authority.

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

Results and dividends

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

An interim ordinary dividend was paid amounting to £275,000. The directors do not recommend payment of a final dividend.

Directors

The following directors have held office since 1 June 2003:

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

Directors' interests

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

	Ordinary Shares of £ 1 each	
	31 May 2004	1 June 2003
C D R Allen	-	-
T W Harris	-	-
J G Hufford	-	-
D J Trusselle	-	-
D R Whitelam	-	-

Auditors

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

SPREADEX LIMITED

DIRECTORS' REPORT (CONTINUED) **FOR THE YEAR ENDED 31 MAY 2004**

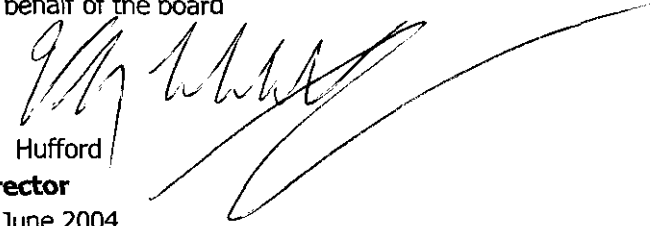
Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

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

On behalf of the board


J G Hufford
Director
30 June 2004

SPREADEX LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SPREADEX LIMITED

We have audited the financial statements of Spreadex Limited on pages 4 to 12 for the year ended 31 May 2004. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 May 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Hillier Hopkins LLP
Chartered Accountants
Registered Auditor

14 July 2004
Charter Court
Midland Road
Hemel Hempstead
Hertfordshire, HP2 5GE

SPREADEX LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MAY 2004

	Notes	2004 £	2003 £
Turnover	2	7,875,480	4,869,216
Cost of sales		(664,076)	(406,282)
Gross profit		7,211,404	4,462,934
Administrative expenses		(4,883,137)	(3,474,233)
Operating profit	3	2,328,267	988,701
Other interest receivable and similar income	4	196,582	81,920
Interest payable and similar charges	5	(76,482)	(27,070)
Profit on ordinary activities before taxation		2,448,367	1,043,551
Tax on profit on ordinary activities	6	(478,500)	21,346
Profit on ordinary activities after taxation		1,969,867	1,064,897
Dividends	7	(275,000)	-
Retained profit for the year	12	1,694,867	1,064,897

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 2004

	Notes	2004 £	£	2003 £	£
Fixed assets					
Tangible assets	8		149,792		393,591
Current assets					
Debtors	9	8,114,591		3,786,966	
Cash at bank and in hand		94,917		1,032,046	
Cash at bank and in hand - client money		3,757,129		1,772,283	
		<u>11,966,637</u>		<u>6,591,295</u>	
Creditors: amounts falling due within one year	10	<u>(5,905,613)</u>		<u>(2,468,937)</u>	
Net current assets			<u>6,061,024</u>		<u>4,122,358</u>
Total assets less current liabilities			<u><u>6,210,816</u></u>		<u><u>4,515,949</u></u>
Capital and reserves					
Called up share capital	11	5,500,000		5,500,000	
Profit and loss account	12	710,816		(984,051)	
Shareholders' funds - equity interests	13		<u><u>6,210,816</u></u>		<u><u>4,515,949</u></u>

The financial statements were approved by the Board on 30 June 2004


J G Hufford
Director

SPREADEX LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2004

	£	2004 £	£	2003 £
Net cash inflow from operating activities		1,287,052		879,011
Returns on investments and servicing of finance				
Interest received	143,338		71,723	
Interest paid	(69,321)		(27,070)	
Net cash inflow for returns on investments and servicing of finance		74,017		44,653
Taxation		(10,210)		(426)
Capital expenditure				
Payments to acquire tangible assets	(28,142)		(59,623)	
Receipts from sales of tangible assets	-		4,050	
Net cash outflow for capital expenditure		(28,142)		(55,573)
Equity dividends paid		(275,000)		-
Net cash inflow before management of liquid resources and financing		1,047,717		867,665
Financing				
Repayment of other long term loans	-		(1,000,000)	
Repayment of other short term loans	-		(435,000)	
Net cash outflow from financing		-		(1,435,000)
Increase/(decrease) in cash in the year		1,047,717		(567,335)

SPREADEX LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2004

1	Reconciliation of operating profit to net cash inflow from operating activities	2004	2003
		£	£
	Operating profit	2,328,267	988,701
	Depreciation of tangible assets	271,941	357,944
	Profit on disposal of tangible assets	-	(2,861)
	Increase in debtors	(4,274,381)	(840,356)
	Increase in creditors within one year	2,961,225	375,583
	Net cash inflow from operating activities	1,287,052	879,011

2	Analysis of net funds	1 June 2003	Cash flow	Other non-cash changes	31 May 2004
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	2,804,329	1,047,717	-	3,852,046
		<u>2,804,329</u>	<u>1,047,717</u>	<u>-</u>	<u>3,852,046</u>
	Net funds	<u>2,804,329</u>	<u>1,047,717</u>	<u>-</u>	<u>3,852,046</u>

3	Reconciliation of net cash flow to movement in net funds	2004	2003
		£	£
	Increase/(decrease) in cash in the year	1,047,717	(567,335)
	Cash (inflow)/outflow from (increase)/decrease in debt	-	1,435,000
	Movement in net funds in the year	1,047,717	867,665
	Opening net funds	2,804,329	1,936,664
	Closing net funds	3,852,046	2,804,329

SPREADEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2004

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

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

1.3 Turnover

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

1.4 Tangible fixed assets and depreciation

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

Office equipment and furniture	33% straight line
Computer equipment	33% straight line

1.5 Leasing

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

1.6 Deferred taxation

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

	2004 £	2003 £
Operating profit is stated after charging:		
Depreciation of tangible assets	271,941	357,944
Operating lease rentals	47,000	47,000
Auditors' remuneration	5,500	5,000
Remuneration of auditors for non-audit work	8,936	20,348
Profit on disposal of tangible assets	-	(2,861)

SPREADEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2004

4 Investment income	2004	2003
	£	£
Bank interest	129,662	75,044
Other interest	66,920	6,876
	<u>196,582</u>	<u>81,920</u>
5 Interest payable	2004	2003
	£	£
On bank loans and overdrafts	65,536	1,509
On other loans wholly repayable within 5 years	-	21,033
Other interest	10,946	4,528
	<u>76,482</u>	<u>27,070</u>
6 Taxation	2004	2003
	£	£
Domestic current year tax		
U.K. corporation tax	478,500	10,210
Adjustment for prior years	-	(31,556)
Current tax charge	<u>478,500</u>	<u>(21,346)</u>
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	<u>2,448,367</u>	<u>1,043,551</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2003: 19.00%)	<u>734,510</u>	<u>198,275</u>
Effects of:		
Non deductible expenses	24,895	4,806
Depreciation add back	81,845	68,009
Capital allowances	(15,997)	(13,792)
Tax losses utilised	(345,967)	(246,545)
Adjustments to previous periods	-	(31,556)
Other tax adjustments	(786)	(543)
	<u>(256,010)</u>	<u>(219,621)</u>
Current tax charge	<u>478,500</u>	<u>(21,346)</u>

SPREADEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2004

7 Dividends	2004	2003
	£	£
Ordinary interim paid	275,000	-

8 Tangible fixed assets

	Office equipment and furniture	Computer equipment	Total
	£	£	£
Cost			
At 1 June 2003	183,816	970,991	1,154,807
Additions	-	28,141	28,141
At 31 May 2004	183,816	999,132	1,182,948
Depreciation			
At 1 June 2003	173,962	587,253	761,215
Charge for the year	5,953	265,988	271,941
At 31 May 2004	179,915	853,241	1,033,156
Net book value			
At 31 May 2004	3,901	145,891	149,792
At 31 May 2003	9,853	383,738	393,591

9 Debtors	2004	2003
	£	£
Trade debtors	1,614,448	1,063,201
Other debtors	6,380,476	2,542,132
Prepayments and accrued income	119,667	181,633
	8,114,591	3,786,966

Other debtors include amounts due from brokers of £6,288,536 (2003 - £2,513,733).

SPREADEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2004

10 Creditors: amounts falling due within one year	2004	2003
	£	£
Trade creditors	4,050,058	1,850,279
Corporation tax	478,500	10,210
Other taxes and social security costs	98,612	138,741
Other creditors	-	5,000
Accruals and deferred income	1,278,443	464,707
	<u>5,905,613</u>	<u>2,468,937</u>

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

11 Share capital	2004	2003
	£	£
Authorised		
5,500,000 Ordinary Shares of £1 each	<u>5,500,000</u>	<u>5,500,000</u>
Allotted, called up and fully paid		
5,500,000 Ordinary Shares of £1 each	<u>5,500,000</u>	<u>5,500,000</u>

12 Statement of movements on profit and loss account	Profit and loss account
	£
Balance at 1 June 2003	(984,051)
Retained profit for the year	<u>1,694,867</u>
Balance at 31 May 2004	<u>710,816</u>

13 Reconciliation of movements in shareholders' funds	2004	2003
	£	£
Profit for the financial year	1,969,867	1,064,897
Dividends	<u>(275,000)</u>	<u>-</u>
Net addition to shareholders' funds	1,694,867	1,064,897
Opening shareholders' funds	<u>4,515,949</u>	<u>3,451,052</u>
Closing shareholders' funds	<u>6,210,816</u>	<u>4,515,949</u>

SPREADEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2004

14 Financial commitments

At 31 May 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2004	2003
	£	£
Expiry date:		
In over five years	<u>47,000</u>	<u>47,000</u>

15 Directors' emoluments

	2004	2003
	£	£
Emoluments for qualifying services	<u>588,464</u>	<u>332,621</u>

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	<u>324,834</u>	<u>184,355</u>
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16 Employees

Number of employees

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

	2004	2003
	Number	Number
Management and administration	<u>44</u>	<u>44</u>

Employment costs

	£	£
Wages and salaries	2,119,123	1,584,899
Social security costs	<u>228,733</u>	<u>164,090</u>
	<u>2,347,856</u>	<u>1,748,989</u>

17 Control

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