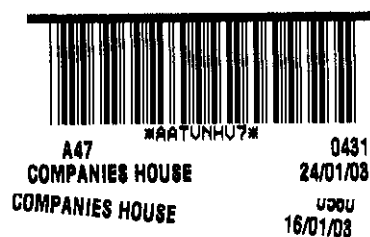


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Company Registration No. 03720378 (England and Wales)

SPREADEX LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2002



SPREADEX LIMITED

COMPANY INFORMATION

Directors

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

Secretary

J G Hufford

Company number

03720378

Registered office

Icknield House
Dunstable
Bedfordshire
LU6 1TA

Auditors

Hillier Hopkins
Charter Court
Midland Road
Hemel Hempstead
Herts.
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 2002**

The directors present their report and financial statements for the year ended 31 May 2002.

Principal activities and review of the business

The principal activity of the company continued to be that of spread betting services. The company is regulated by the Financial Services Authority.

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

Results and dividends

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

The directors do not recommend payment of an ordinary dividend.

Directors

The following directors have held office since 1 June 2001:

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 2002 | 1 June 2001 |
| 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 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 2002**

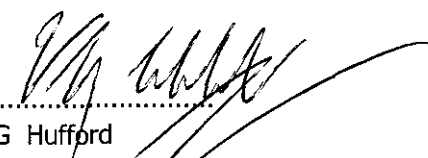
Directors' responsibilities

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
..... 10 July 02

SPREADEX LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SPREADEX LIMITED

We have audited the financial statements of Spreadex Limited on pages 4 to 13 for the year ended 31 May 2002. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Hillier Hopkins

Chartered Accountants
Registered Auditor

27 August 2002

Charter Court
Midland Road
Hemel Hempstead
Herts.
HP2 5GE

SPREADEX LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MAY 2002

| | Notes | 2002 £ | 2001 £ |
|---|-----------|--------------------|--------------------|
| Turnover | 2 | 4,739,387 | 2,446,783 |
| Cost of sales | | <u>(246,324)</u> | <u>(255,528)</u> |
| Gross profit | | 4,493,063 | 2,191,255 |
| Administrative expenses | | <u>(3,608,016)</u> | <u>(4,073,105)</u> |
| Operating profit/(loss) | 3 | 885,047 | (1,881,850) |
| Other interest receivable and similar income | | 159,910 | 166,652 |
| Interest payable and similar charges | 4 | <u>(165,384)</u> | <u>(154,547)</u> |
| Profit/(loss) on ordinary activities before taxation | | 879,573 | (1,869,745) |
| Tax on profit/(loss) on ordinary activities | 5 | <u>(31,982)</u> | <u>-</u> |
| Profit/(loss) on ordinary activities after taxation | 11 | <u>847,591</u> | <u>(1,869,745)</u> |

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 2002

| | Notes | 2002 £ | £ | 2001 £ | £ |
|--|-------|--------------------|--------------------|--------------------|--------------------|
| Fixed assets | | | | | |
| Tangible assets | 6 | | 693,101 | | 297,719 |
| Current assets | | | | | |
| Debtors | 7 | 2,936,413 | | 3,059,767 | |
| Cash at bank and in hand | | 3,371,664 | | 3,477,508 | |
| | | <u>6,308,077</u> | | <u>6,537,275</u> | |
| Creditors: amounts falling due within one year | 8 | <u>(2,550,126)</u> | | <u>(2,231,533)</u> | |
| Net current assets | | | <u>3,757,951</u> | | <u>4,305,742</u> |
| Total assets less current liabilities | | | <u>4,451,052</u> | | <u>4,603,461</u> |
| Creditors: amounts falling due after more than one year | 9 | | <u>(1,000,000)</u> | | <u>(2,000,000)</u> |
| | | | <u>3,451,052</u> | | <u>2,603,461</u> |
| Capital and reserves | | | | | |
| Called up share capital | 10 | 5,500,000 | | 5,500,000 | |
| Profit and loss account | 11 | <u>(2,048,948)</u> | | <u>(2,896,539)</u> | |
| Shareholders' funds - equity interests | 12 | | <u>3,451,052</u> | | <u>2,603,461</u> |

The financial statements were approved by the Board on 10th July 2002

.....
J G Hufford
Director

SPREADEX LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2002

| | 2002 | | 2001 | |
|--|-------------|-------------|-----------|-------------|
| | £ | £ | £ | £ |
| Net cash inflow/(outflow) from operating activities | | 2,079,637 | | (1,971,091) |
| Returns on investments and servicing of finance | | | | |
| Interest received | 159,910 | | 166,652 | |
| Interest paid | (165,384) | | (154,547) | |
| Net cash (outflow)/inflow for returns on investments and servicing of finance | | (5,474) | | 12,105 |
| Capital expenditure | | | | |
| Payments to acquire tangible assets | (680,007) | | (216,445) | |
| Net cash outflow for capital expenditure | | (680,007) | | (216,445) |
| Net cash inflow/(outflow) before management of liquid resources and financing | | 1,394,156 | | (2,175,431) |
| Financing | | | | |
| Other new long term loans | - | | 2,000,000 | |
| Other new short term loans | - | | 935,000 | |
| Repayment of other long term loans | (1,000,000) | | - | |
| Repayment of other short term loans | (500,000) | | - | |
| Net cash (outflow)/inflow from financing | | (1,500,000) | | 2,935,000 |
| (Decrease)/increase in cash in the year | | (105,844) | | 759,569 |

SPREADEX LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2002

| 1 | Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities | 2002 | | 2001 | |
|---|--|------------------|------------------|--------------------|------------------|
| | | £ | | £ | |
| | Operating profit/(loss) | 885,047 | | (1,881,850) | |
| | Depreciation of tangible assets | 284,625 | | 135,999 | |
| | Decrease in debtors | 123,354 | | 88,153 | |
| | Increase/(decrease) in creditors within one year | 786,611 | | (313,393) | |
| | Net cash inflow/(outflow) from operating activities | 2,079,637 | | (1,971,091) | |
| 2 | Analysis of net funds | 1 June 2001 | | 31 May 2002 | |
| | | £ | | £ | |
| | Net cash: | | | | |
| | Cash at bank and in hand | 3,477,508 | (105,844) | - | 3,371,664 |
| | Debt: | | | | |
| | Debts falling due within one year | (935,000) | 500,000 | - | (435,000) |
| | Debts falling due after one year | (2,000,000) | 1,000,000 | - | (1,000,000) |
| | | (2,935,000) | 1,500,000 | - | (1,435,000) |
| | Net funds | 542,508 | 1,394,156 | - | 1,936,664 |
| 3 | Reconciliation of net cash flow to movement in net funds | 2002 | | 2001 | |
| | | £ | | £ | |
| | (Decrease)/increase in cash in the year | (105,844) | | 759,569 | |
| | Cash outflow/(inflow) from decrease/(increase) in debt | 1,500,000 | | (2,935,000) | |
| | Movement in net funds in the year | 1,394,156 | | (2,175,431) | |
| | Opening net funds | 542,508 | | 2,717,939 | |
| | Closing net funds | 1,936,664 | | 542,508 | |

SPREADEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2002

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 taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.7 Foreign currency translation

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

2 Turnover

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

3 Operating profit/(loss)

| | 2002 £ | 2001 £ |
|---|-----------|-----------|
| Operating profit/(loss) is stated after charging: | | |
| Depreciation of tangible assets | 284,625 | 135,999 |
| (Profit)/loss on foreign exchange transactions | (3,302) | 13,590 |
| Operating lease rentals | 47,000 | 47,000 |
| Auditors' remuneration | 5,000 | 5,000 |
| Remuneration of auditors for non-audit work | 16,966 | 14,158 |

SPREADEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2002

| 4 Interest payable | 2002 £ | 2001 £ |
|---|-------------------|--------------------|
| On bank loans and overdrafts | 587 | - |
| On other loans wholly repayable within 5 years | 154,496 | 134,846 |
| Other interest | 10,301 | 19,701 |
| | <u>165,384</u> | <u>154,547</u> |
| 5 Taxation | 2002 £ | 2001 £ |
| Domestic current year tax | | |
| U.K. corporation tax | 31,982 | - |
| Current tax charge | <u>31,982</u> | <u>-</u> |
| Factors affecting the tax charge for the year | | |
| Profit/(loss) on ordinary activities before taxation | <u>879,573</u> | <u>(1,869,745)</u> |
| Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2001 : 0.00%) | <u>175,915</u> | <u>-</u> |
| Effects of: | | |
| Non deductible expenses | 4,321 | - |
| Depreciation | 56,925 | - |
| Capital allowances | (162,101) | - |
| Tax losses utilised | (43,078) | - |
| | <u>(143,933)</u> | <u>-</u> |
| Current tax charge | <u>31,982</u> | <u>-</u> |

SPREADEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2002

6 Tangible fixed assets

| | Office Equipment and Furniture | Computer Equipment | Total |
|-----------------------|---|-----------------------|-----------|
| | £ | £ | £ |
| Cost | | | |
| At 1 June 2001 | 169,976 | 294,384 | 464,360 |
| Additions | 8,584 | 671,424 | 680,008 |
| At 31 May 2002 | 178,560 | 965,808 | 1,144,368 |
| Depreciation | | | |
| At 1 June 2001 | 75,271 | 91,371 | 166,642 |
| Charge for the year | 58,831 | 225,794 | 284,625 |
| At 31 May 2002 | 134,102 | 317,165 | 451,267 |
| Net book value | | | |
| At 31 May 2002 | 44,458 | 648,643 | 693,101 |
| At 31 May 2001 | 94,705 | 203,014 | 297,719 |

7 Debtors

| | 2002 £ | 2001 £ |
|--------------------------------|-----------|-----------|
| Trade debtors | 1,107,724 | 1,090,346 |
| Other debtors | 1,735,436 | 1,861,795 |
| Prepayments and accrued income | 93,253 | 107,626 |
| | 2,936,413 | 3,059,767 |

SPREADEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2002

| 8 Creditors: amounts falling due within one year | 2002 | 2001 |
|---|------------------|------------------|
| | £ | £ |
| Trade creditors | 1,495,744 | 1,143,711 |
| Corporation tax | 31,982 | - |
| Other taxes and social security costs | 121,624 | 55,078 |
| Other creditors | 495,000 | 935,000 |
| Accruals and deferred income | 405,776 | 97,744 |
| | <u>2,550,126</u> | <u>2,231,533</u> |

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

| 9 Creditors: amounts falling due after more than one year | 2002 | 2001 |
|--|------------------|------------------|
| | £ | £ |
| Other loans | <u>1,000,000</u> | <u>2,000,000</u> |
| Analysis of loans | | |
| Wholly repayable within five years | <u>1,435,000</u> | <u>2,935,000</u> |
| | 1,435,000 | 2,935,000 |
| Included in current liabilities | <u>(435,000)</u> | <u>(935,000)</u> |
| | <u>1,000,000</u> | <u>2,000,000</u> |
| Loan maturity analysis | | |
| In more than two years but not more than five years | <u>1,000,000</u> | <u>2,000,000</u> |

| 10 Share capital | 2002 | 2001 |
|---|------------------|------------------|
| | £ | £ |
| 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> |

SPREADEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2002

11 Statement of movements on profit and loss account

| | Profit and loss account £ |
|------------------------------|------------------------------------|
| Balance at 1 June 2001 | (2,896,539) |
| Retained profit for the year | 847,591 |
| Balance at 31 May 2002 | <u>(2,048,948)</u> |

12 Reconciliation of movements in shareholders' funds

| | 2002 £ | 2001 £ |
|--------------------------------------|------------------|------------------|
| Profit/(Loss) for the financial year | 847,591 | (1,869,745) |
| Opening shareholders' funds | <u>2,603,461</u> | <u>4,473,206</u> |
| Closing shareholders' funds | <u>3,451,052</u> | <u>2,603,461</u> |

13 Financial commitments

At 31 May 2002 the company had annual commitments under non-cancellable operating leases as follows:

| | Land and buildings 2002 £ | 2001 £ |
|------------------------------------|---------------------------------|---------------|
| Expiry date: In over five years | <u>47,000</u> | <u>47,000</u> |

14 Directors' emoluments

| | 2002 £ | 2001 £ |
|------------------------------------|----------------|----------------|
| Emoluments for qualifying services | <u>303,925</u> | <u>119,265</u> |

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

| | | |
|------------------------------------|----------------|---------------|
| Emoluments for qualifying services | <u>167,957</u> | <u>80,000</u> |
|------------------------------------|----------------|---------------|

15 Transactions with directors

Mr T W Harris, a director, made a loan to the company in the previous period. At the year end there was no balance outstanding (2001-£500,000). Interest of £13,348 (2001- £17,645) was paid on this loan.

SPREADEX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2002

16 Employees

Number of employees

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

| | 2002 Number | 2001 Number |
|-------------------------------|----------------|----------------|
| Management and administration | 41 | 41 |

Employment costs

| | £ | £ |
|-----------------------|-----------|-----------|
| Wages and salaries | 1,504,534 | 1,150,652 |
| Social security costs | 147,353 | 114,568 |
| | 1,651,887 | 1,265,220 |

17 Control

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

18 Related party transactions

Mr P W Harris a major shareholder in the group made a loan to the company during the previous period amounting to £2million. £1 million was repaid in the period and interest of £94,860 (2001-£101,604) was also paid on the loan.

Mrs C Harris the wife Mr P W Harris, made a loan to the company during the previous period amounting to £435,000. The balance outstanding at the year end was £435,000 (2001-£435,000). Interest of £15,388 (2001-£15,597) was paid on the loan.