

**OFEX PLC**

**Report and Financial Statements**

**31 December 2005**



**REPORT AND FINANCIAL STATEMENTS 2005**

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# OFEX PLC

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

### PRINCIPAL ACTIVITIES AND FUTURE PROSPECTS

The Company, which is regulated by the Financial Services Authority, is engaged in the operation of the OFEX market and the PLUS trading service, the latter being a new initiative that went live in December 2005. To fund the development of this new service, an amount of £2,500,000, gross of expenses, was raised by way of a placing of 50,000,000 New Ordinary Shares in the parent company PLUS Markets Group plc in September 2005. No change in the principal activity of the Company is expected and the level of activity during the coming year is expected to be greater than in 2005.

### RESULTS AND DIVIDENDS

The loss after taxation for the year was £1,187,713 (2004 - £1,269,465 loss) and this balance has been transferred from reserves.

The directors do not recommend the payment of a dividend.

### DIRECTORS AND THEIR INTERESTS

The directors who served throughout the year, unless otherwise stated, were as follows:

S M Brickles	
D S Francis	
P J Sheridan	Appointed 20 January 2006. Resigned 2 March 2006.
J C Whitehorn	
S J Hazell-Smith (non executive Chairman)	Appointed 20 January 2005
J A T Wedgwood (non executive)	
H Bagan (non executive)	Appointed 10 June 2005
S J Allcock (non executive)	Appointed 1 January 2006
N M N Smith (non executive)	Appointed 1 January 2006

None of the directors held shares in the Company during the year. The shareholdings of the directors in the ultimate parent company, PLUS Markets Group plc are disclosed in the accounts of that Company. There were no other disclosable shareholdings in group companies.

### AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



Stephen Hazell-Smith  
Chairman

7 March 2006

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom company law requires the directors to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the company and of the group as at the end of the financial period and of the profit or loss of the group 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OFEX PLC

We have audited the financial statements of OFEX PLC for the year ended 31 December 2005, which comprise the profit and loss account, the reconciliation of movement in shareholders' deficit, the balance sheet, and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

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

### Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with United Kingdom law and United Kingdom Generally Accepted Accounting Practice. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant framework and are properly prepared in accordance with the Companies Act 1985. We also report 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### Basis of audit opinion

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

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

### Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and  
Registered Auditors  
London

7 March 2006

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 2005**

	<b>Note</b>	<b>2005</b> <b>£</b>	<b>2004</b> <b>£</b>
<b>TURNOVER</b>	<b>1</b>	<b>1,446,458</b>	<b>1,140,734</b>
Administrative expenses		<u>(2,635,911)</u>	<u>(2,394,012)</u>
<b>OPERATING LOSS</b>	<b>3</b>	<b>(1,189,453)</b>	<b>(1,253,278)</b>
Interest receivable		1,740	3,943
Interest payable		<u>-</u>	<u>(20,130)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(1,187,713)</b>	<b>(1,269,465)</b>
Tax on loss on ordinary activities	<b>4</b>	<u>-</u>	<u>-</u>
<b>LOSS FOR THE YEAR</b>	<b>11</b>	<b><u>(1,187,713)</u></b>	<b><u>(1,269,465)</u></b>

All results are in respect of continuing operations.

There are no gains or losses other than those disclosed in the profit and loss account. Accordingly, no statement of total recognised gains and losses has been prepared.

**RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT**  
**Year ended 31 December 2005**

		<b>2005</b> <b>£</b>	<b>2004</b> <b>£</b>
Loss for the year		(1,187,713)	(1,269,465)
Capital contribution	<b>9</b>	1,187,675	2,766,271
Opening shareholders' deficit		<u>(2,392)</u>	<u>(1,499,198)</u>
Closing shareholders' deficit		<u><u>(2,430)</u></u>	<u><u>(2,392)</u></u>

# OFEX PLC

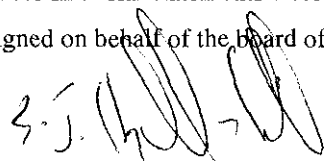
## BALANCE SHEET

Year ended 31 December 2005

	Note	2005 £	2004 £
<b>FIXED ASSETS</b>			
Intangible assets	5	500,000	500,000
Tangible assets	6	442,197	245,705
		<u>942,197</u>	<u>745,705</u>
<b>CURRENT ASSETS</b>			
Debtors	7	582,206	508,771
Cash at bank and in hand		90,855	79,624
		<u>673,061</u>	<u>588,395</u>
<b>CREDITORS: amounts falling due within one year</b>	8	<u>(1,255,842)</u>	<u>(1,126,970)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(582,781)</u>	<u>(538,575)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>359,416</u>	<u>207,130</u>
<b>CREDITORS: amounts falling due after more than one year</b>	9	<u>(361,846)</u>	<u>(209,522)</u>
<b>NET LIABILITIES</b>		<u>(2,430)</u>	<u>(2,392)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	1,365,410	1,365,410
Profit and loss account		<u>(1,367,840)</u>	<u>(1,367,802)</u>
<b>EQUITY SHAREHOLDERS' DEFICIT</b>	11	<u>(2,430)</u>	<u>(2,392)</u>

These financial statements were approved by the Board of Directors on 7 March 2006.

Signed on behalf of the board of directors



Stephen Hazell-Smith  
Chairman

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 December 2005

#### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are described below.

##### **Accounting convention**

The financial statements are prepared under the historical cost convention.

##### **Cash flow Statement**

The company is exempt from the requirement to prepare a cash flow statement under Financial Reporting Standard No. 1 (Revised) – Cash Flow Statements, as a consolidated cash flow statement is included in the financial statements of its parent company, PLUS Markets Group plc.

##### **Turnover**

Turnover represents amounts derived from the provision of services which fall within the company's ordinary activities after deduction of value added tax. The turnover and pre-tax profit are attributable to the operation of the OFEX market and the PLUS trading service. Deferred income arises on annual issuer and membership fees of the market and the trading service.

##### **Operating leases**

Rentals paid under operating leases are charged to the profit and loss account on a straight-line basis.

##### **Intangible fixed assets**

The right to operate the OFEX market is valued at cost of acquisition less provision for any impairment.

##### **Tangible fixed assets**

Depreciation is provided on cost in equal monthly instalments over the estimated useful lives of the assets. For all classes of asset, namely, furniture and fittings; office equipment and computer equipment this is at the rate of 33 1/3% per annum.

##### **Deferred taxation**

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that they are regarded as more likely than not to be recovered. Deferred tax balances are not discounted.

##### **Pensions**

The Company does not contribute to pension arrangements for its employees but makes available a stakeholder pension provider.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2005**

**2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	<b>2005</b>	<b>2004</b>
	<b>No.</b>	<b>No.</b>
The average number of persons employed by the Company (including directors) during the year was:	17	21
	<u>£</u>	<u>£</u>
<b>Aggregate staff costs during the year were:</b>		
Wages and salaries	823,645	970,217
Social security costs	98,519	113,330
Compensation for loss of office	-	193,392
Other benefits	18,217	33,139
	<u>940,381</u>	<u>1,310,078</u>
	<u>£</u>	<u>£</u>
<b>Emoluments of the directors of the company (which are included in the above figures) were as follows:</b>		
Emoluments	283,036	242,061
Compensation for loss of office	-	160,000
	<u>283,036</u>	<u>402,061</u>
	<u>£</u>	<u>£</u>
<b>Highest paid director's remuneration:</b>		
Aggregate of emoluments	104,395	60,263
Compensation for loss of office	-	57,500
	<u>104,395</u>	<u>117,763</u>
	<u>£</u>	<u>£</u>

There were no pension scheme contributions during the year.

**3. OPERATING LOSS**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
<b>The operating loss was arrived at after charging:</b>		
Depreciation	169,530	106,259
Auditors' remuneration:		
- audit fees	10,087	9,485
- non audit fees	7,000	13,000
	<u>176,617</u>	<u>128,744</u>
	<u>£</u>	<u>£</u>

# NOTES TO THE FINANCIAL STATEMENTS

## Year ended 31 December 2005

### 4. TAX ON LOSS ON ORDINARY ACTIVITIES

	2005 £	2004 £
UK Corporation tax at 30%	-	-

The actual tax charge for the current and preceding period differs from that resulting from applying the standard rate of corporation tax in the UK of 30% (2004 - 30%), for the reasons set out in the following reconciliation:

	2005 £	2004 £
Loss on ordinary activities before tax	(1,187,713)	(1,269,465)
Tax on loss on ordinary activities at standard rate	356,314	380,839
Add/(deduct) tax effect of:		
Expenses not deductible for tax purposes	(3,085)	(14,760)
Capital allowances in excess of depreciation	(48,132)	(31,878)
Increase in tax losses carried forward	(305,097)	(334,201)
Total actual amount of current tax	-	-

### 5. INTANGIBLE FIXED ASSETS

	2005 £
Intellectual property rights	
<b>Cost</b>	
At 1 January and 31 December 2005	500,000

# NOTES TO THE FINANCIAL STATEMENTS

## Year ended 31 December 2005

### 6. TANGIBLE FIXED ASSETS

	Furniture and fittings £	Office equipment £	Computer equipment £	Total £
<b>Cost</b>				
At 1 January 2005	232,384	145,264	248,643	626,291
Additions	2,448	3,301	360,273	366,022
Disposals	-	-	-	-
At 31 December 2005	234,832	148,565	608,916	992,313
<b>Accumulated depreciation</b>				
At 1 January 2005	93,321	103,565	183,700	380,586
Charge for the period	61,980	18,937	88,613	169,530
At 31 December 2005	155,301	122,502	272,313	550,116
<b>Net book value</b>				
At 31 December 2005	79,531	26,063	336,603	442,197
At 31 December 2004	139,063	41,699	64,943	245,705

### 7. DEBTORS

	2005 £	2004 £
Trade debtors	406,010	248,354
Prepayments	139,106	52,565
Cash cover relating to bank loan	-	169,000
Other debtors	37,090	37,056
Amounts owed by group undertakings	-	1,796
	582,206	508,771

Other debtors includes a rental deposit of £35,250 paid in relation to the granting of the lease on the Company's existing offices, which is due for repayment after more than one year and over which the Company has granted a charge to the landlord.

### 8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Trade creditors	20,054	62,744
Bank loan relating to office fit-out	-	166,667
VAT payable	10,009	33,012
Other creditors	39,108	28,632
Accruals	325,346	229,185
Deferred income	861,325	606,730
	1,255,842	1,126,970

# NOTES TO THE FINANCIAL STATEMENTS

## Year ended 31 December 2005

### 9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2005 £	2004 £
Amounts owed to parent company	<u>361,846</u>	<u>209,522</u>

The amount owed to the parent company was written down at 31 December 2005 by £1,187,675 to ensure that the asset position of the parent company on a stand alone basis is substantially the same as the position on a consolidated group basis.

### 10. CALLED UP SHARE CAPITAL

	2005 £	2004 £
<b>Authorised:</b>		
500,000,000 ordinary shares of 10p each	<u>50,000,000</u>	<u>50,000,000</u>
<b>Allotted and fully paid:</b>		
13,654,102 ordinary shares of 10p each	<u>1,365,410</u>	<u>1,365,410</u>

### 11. EQUITY SHAREHOLDERS' DEFICIT

	Share capital £	Profit and loss account £	2005 Total £	2004 Total £
At 1 January	1,365,410	(1,367,802)	(2,392)	(1,499,198)
Retained loss	-	(1,187,713)	(1,187,713)	(1,269,465)
Capital contribution	-	1,187,675	1,187,675	2,766,271
At 31 December	<u>1,365,410</u>	<u>(1,367,840)</u>	<u>(2,340)</u>	<u>(2,392)</u>

### 12. DEFERRED TAX

A deferred tax asset has not been recognised in respect of timing differences relating to excess management expenses carried forward as there is insufficient evidence that the asset would be recoverable. The amount of this asset that is not recognised is approximately £1,393,000 (2004 - £1,088,000). The asset would be recoverable if sufficient taxable profits are made in the future.

# NOTES TO THE FINANCIAL STATEMENTS

## Year ended 31 December 2005

### 13. COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	2005		2004	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Expiry date				
- between two and five years	99,028	-	99,028	-

### 14. RELATED PARTY TRANSACTIONS

In accordance with Financial Reporting Standard No.8, "Related Party Disclosures", transactions with other group undertakings 90% owned by the ultimate parent company have not been disclosed in these financial statements. There were no other related party transactions requiring disclosure.

### 15. ULTIMATE PARENT COMPANY

The immediate and ultimate parent company and the parent of the only group into which the results of the Company are consolidated is PLUS Markets Group plc, a company incorporated in Great Britain. Group accounts are available from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.