

Stockcube plc

Interim Report 2007

The Stockcube group produces research and technical analysis of the relative strengths and weaknesses of price trends of stocks, stock and sector indices, currencies and bonds and financial data to assist institutional and private investors with the timing of investment transactions.

Highlights for the six months ended 30 June, 2007

- Turnover of £1,439,000 (2006: £1,371,000)
- Operating profit up 7% to £208,000 (2006: £195,000)
- Profit before tax up 13% to £339,000 (2006: £302,000)
- Earning per share up 13% to 2.6p (2006: 2.3p)

“While we are not able to report the same strong growth for the first six months of this year as we did in 2006 we have made steady progress with all of our business elements beginning to pay for themselves.

“We expect this to be the pattern for the remainder of the year and, certainly, the quality of our analysis and the value of the services we perform for our clients have never been better, in these particularly choppy times.

“At the end of June we repaid to shareholders the just over half of our cash holdings as we considered them to be surplus to our main focus of concentrating on organic growth in operating income and profits.”

Julian Burney

Chief Executive of Stockcube,
22 August, 2007

Enquiries:

Julian Burney	Chief Executive Officer	+44 (0)20 7352 4001
Shirley Yeoh	Finance Director	+44 (0)20 7352 4001
William Vandyk/David Seal	Blue Oar Securities plc	+44 (0) 20 7448 4400
Our website is:	www.stockcube.com	

Chairman's Statement

Introduction

We are pleased to report that our reputation for providing clear and timely research and analysis of the world's major financial markets continues to generate tangible reward.

Financial review

Turnover for the six months ended 30 June, 2007 was up 5% to £1,439,000 (2006: £1,371,000) and group operating profit increased by 7% to £208,000 from £195,000 in 2006.

Profit before tax amounted to £339,000 an increase of 13% over £302,000 in 2006.

Basic earnings per share of 2.6p compare to 2.3p in 2006, an increase of 13%

Interest income rose 19% from 2006.

We had cash balances of £2,263,000 at 30 June, 2007 compared with £4,185,000 at the beginning of the year, after repaying £2,233,000 of capital on 27 June, 2007 under the terms of our capital reorganisation. Shareholders with redeemable capital amounting to £170,071 elected to defer repayment until June 2008. Total net assets per share amounted to 26.7p per share (2006: 47.0p) of which 'free' cash (net of the sum required to repay outstanding redeemable capital) represented 21.8p per share (2006: 44.1p).

In accordance with the scheme rules, the Board reduced the exercise prices under the Founder's and the Executive No. 2 option schemes from 85p to 60p in recognition of the impact of the capital reorganisation and cash repayment of 27 June 2007.

Review of operations

Our **institutional investor consultancy** showed a net 3% drop in income during the first six months of the year, more a reflection of a particularly strong result in 2006 than weakness in 2007.

While the growth in the number of subscriptions for **Fullermoney**, our global investment strategy service, slowed to a more modest 3% in the first six months, due in some large measure to the weakness of the US dollar, we are showing a 12% increase year on year. Moreover, closer attention to pricing the service is reflected in a 29% increase in comparable revenues. Fullermoney's bi-annual Chart Seminars continue to be sold -out.

The benefits of re-positioning our wider market services under the **Investors Intelligence** brand from individual subscriptions to institutional customers on a business to business basis are reflected in a 15% increase in income over the same period in 2006. However, the 9% increase in **Chartcraft**'s net contribution to group profit in US dollar terms was cancelled out, almost exactly, by the adverse movement in the US\$/£ exchange rate.

Ecube continues to show promise as a software developer, website designer and host for third parties within the financial services sector with a 70% increase in third party revenues. While heavily dependent on project development income, which can be erratic, we expect to see more

stable growth in hosting and maintenance income as we extend and build increasingly complex applications for customers.

Sportcal continues to trade profitably each month and contributed £13,000 to group profits in the first six months.

Trading outlook

Whereas we foresee a decrease in interest income following repayment of over half the group's cash holdings on 27 June, 2007, we are confident that the steady progress in the group's trading activities in the first six months will continue throughout the remainder of 2007.

Edward Forbes,

Chairman

London

22 August 2007

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Consolidated Interim Income Statement

	Unaudited Six Months to 30 June 2007 £'000	Unaudited Six Months to 30 June 2006 £'000	Audited Year to 31 Dec 2006 £'000
Continuing Operations			
Revenue	1,439	1,371	2,713
Cost of sales	(172)	(182)	(319)
Gross Profit	1,267	1,189	2,394
Administrative expenses	(1,059)	(994)	(2,104)
Group operating profit	208	195	290
Investment revenues	118	99	205
Share of operating profit of associate	13	8	11
Profit on ordinary activities before taxation	339	302	506
Income Tax Expense	(85)	(78)	(144)
Profit on ordinary activities after taxation	254	224	362
Earnings per share			
Basic	2.6p	2.3p	3.8p
Diluted	2.3p	2.3p	3.3p

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Consolidated Balance Sheet

	Unaudited As at 30 June 2007 £'000	Unaudited As at 30 June 2006 £'000	Audited As at 31 Dec 2006 £'000
Non Current Assets			
Intangible assets	17	17	17
Property, plant and equipment	346	324	336
Investment in associates	250	234	237
	<u>613</u>	<u>575</u>	<u>590</u>
Current assets			
Trade and other receivables	628	506	719
Cash and cash equivalents	2,263	4,242	4,185
	<u>2,891</u>	<u>4,748</u>	<u>4,904</u>
Total Current Assets			
	<u>3,504</u>	<u>5,323</u>	<u>5,494</u>
Total Assets			
	<u><u>3,504</u></u>	<u><u>5,323</u></u>	<u><u>5,494</u></u>
Equity			
Called up share capital – Ordinary shares of 1p each	961	961	961
Share premium account	1,350	3,774	3,774
Merger reserve	568	568	568
Translation reserve	2	(8)	5
Retained earnings	(481)	(778)	(639)
	<u>2,400</u>	<u>4,517</u>	<u>4,669</u>
Total equity attributable to equity holders of the parent			
	<u>2,400</u>	<u>4,517</u>	<u>4,669</u>
Current Liabilities			
Trade and other payables	934	806	825
Financial liabilities - 'B' shares of 5p each	170	–	–
	<u>1,104</u>	<u>806</u>	<u>825</u>
Total current liabilities			
	<u>1,104</u>	<u>806</u>	<u>825</u>
Total equity and liabilities			
	<u><u>3,504</u></u>	<u><u>5,323</u></u>	<u><u>5,494</u></u>

Approved by Order of the Board on 22 August 2007

Julian Burney
Director

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Consolidated Statement of changes in shareholders' equity

At 30 June 2007

Group	Share capital Ordinary shares £'000	Share premium account £'000	Merger reserve account £'000	Translation reserve £'000	Retained Earnings £'000	Total equity £'000
At 31 December 2005	961	3,774	568	(28)	(929)	4,346
Retained profit for the period to 30 June 2006	—	—	—	—	223	223
Exchange difference on translating foreign operations	—	—	—	20	—	20
Dividends paid	—	—	—	—	(72)	(72)
At 30 June 2006	961	3,774	568	(8)	(778)	4,517
Retained profit for the year	—	—	—	—	139	139
Exchange difference on translating foreign operations	—	—	—	13	—	13
At 31 December 2006	961	3,774	568	5	(639)	4,669
Retained profit for the period	—	—	—	—	254	254
Exchange difference on translating foreign operations	—	—	—	(3)	—	(3)
<u>Capital reorganisation</u>						
“B” Shares issued	—	(2,403)	—	—	—	(2,403)
Associated costs	—	(21)	—	—	—	(21)
Dividends paid	—	—	—	—	(96)	(96)
At 30 June 2007	961	1,350	568	2	(481)	2,400

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Consolidated Cash Flow Statement

	Unaudited Six Months to 30 June 2007 £'000	Unaudited Six Months to 30 June 2006 £'000	Audited Year to 31 Dec 2006 £000
Cash flows from operating activities			
Operating profit	208	195	290
Depreciation	8	7	18
Operating profit before changes in working capital	216	202	308
Decrease/(increase) in trade and other receivables	90	(60)	(293)
Increase in trade and other payables	11	142	280

Cash generated from operations	317	284	295
Income taxes refunded/(paid)	12	36	(116)
Net cash inflow from operating activities	<u>329</u>	<u>320</u>	<u>179</u>
Cash flows from investing activities			
Interest received	118	99	205
Purchases of property, plant and equipment	(19)	(5)	(27)
Net cash generated from investing activities	<u>99</u>	<u>94</u>	<u>178</u>
Cash flows from financing activities			
Dividends paid	(96)	(72)	(72)
Repayment of capital and associated costs	(2,254)	–	–
Net cash (used in) financing activities	<u>(2,350)</u>	<u>(72)</u>	<u>(72)</u>
Net (decrease)/increase in cash and cash equivalents	(1,922)	342	285
Cash and cash equivalents at beginning of period	<u>4,185</u>	<u>3,900</u>	<u>3,900</u>
Cash and cash equivalents at end of period	<u><u>2,263</u></u>	<u><u>4,242</u></u>	<u><u>4,185</u></u>

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Notes to the Interim Report for the six months ended 30 June 2007

1. Statement of Compliance

The condensed consolidated interim financial information has been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as adopted for use in the EU. These are the Group’s first IFRS condensed consolidated interim financial statements for part of the period covered by the first IFRS annual financial statements and IFRS 1 *First Time Adoption of International Financial Reporting Standards* has been applied. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements

The disclosures required by IFRS 1 concerning the transition from UK GAAP (Generally Accepted Accounting Standards) to IFRS are given in note 8. It has not been necessary to restate any of the comparative financial information as a consequence of this change.

The transitional arrangements for IFRS are set out in IFRS 1 “*First-time Adoption of International Financial Reporting Standards*.” The Group’s transition date to IFRS is 1 January 2006 being the first day of the comparative period to 31 December 2006, and accordingly the interim financial report together with the comparative information have been prepared using accounting policies consistent with IFRS.

2. Accounting Policies

Basis of preparation of interim financial statements

The interim financial information has been prepared using accounting policies consistent with IFRS. The Directors expect these IFRS to be applicable as at 31 December 2007.

IFRS transition

IFRS 1 permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. The interim financial information has been prepared on the basis of the following exemption:

- Business combinations prior to 1 January 2006 have not been restated to comply with IFRS3 “Business Combinations.”

Basis of Consolidation

The financial information incorporates the results of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition, or from the date of disposal, as appropriate.

Where necessary, adjustments are made to the results of the subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

Taxation

The taxation charge is based on the Directors’ best estimate of the annual tax rate on the profit for the period and represents the sum of current tax payable and deferred tax.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred Tax is calculated at tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to equity items, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current assets and liabilities on a net basis.

Share based payment

The cost of share-based employee compensation arrangements, whereby employees receive remuneration in the form of shares or share options, is recognised as an employee benefit expense in the income statement.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Investments are classified as either held for trading or available for sale at initial recognition and this designation is re-evaluated at each balance sheet date. Investments are initially measured at cost including transaction costs. At subsequent reporting dates, investments available for sale are measured at fair value or at cost where fair value is not readily ascertainable. Gains and losses arising from changes in fair value are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss recognised previously in equity is included in the profit or loss for the period.

Trade and other receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method. A provision is established if there is objective evidence that the Group will not be able to recover all amounts due. This provision is recognised in the income statement.

Cash and cash equivalents comprise cash held by the Group and short-term deposits with an original maturity of three months or less.

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial information in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of current and contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually reviewed and are based on historical experience and other factors, and expectations of future events that are believed to be reasonable under the circumstances. The judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are:

- Property, plant and equipment

These are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided at rates calculated to write off the value of each asset over its estimated useful life. The value of the assets is reviewed for impairment if events or circumstances indicate the carrying values may not be recoverable.

- Impairment of Goodwill – Intangibles and Investment in Associate

Determining whether goodwill is impaired requires an estimation of the value in use, which is calculated by estimating the future cash flow expected to arise from the cash-generating unit and discounted by a suitable discount rate in order to calculate the present value. No provision for impairment was made in the period and the carrying value at the balance sheet date was £250,000.

- Share based payments

In determining the fair value of equity settled share based payments and the related charge to the income statement, the Group makes assumptions about future events and market conditions. The fair value is determined using a valuation model, which is dependent on future estimates including timing with which the options will be exercised and the future volatility of the Group's share price. These assumptions are based on publicly available information and reflect market expectations and the advice of qualified experts. Different assumptions about these factors could affect the reported value of share-based payments.

3. Turnover

Turnover, which is stated net of value added tax, represents the sales value of work done in the period.

Turnover is attributable mainly to the continuing activity of the provision of research and analysis of price trends in stocks, commodities, currencies and interest rates.

An analysis of turnover by geographical market is given below:

By Origin	Unaudited Six Months to 30 June 2007 £'000	Unaudited Six Months to 30 June 2006 £'000	Audited Year to 31 Dec 2006 £'000
United Kingdom	1,321	1,247	2,483
United States of America	118	124	230
	1,439	1,371	2,713
	1,439	1,371	2,713

Segment Reporting

Segment information is presented in the consolidated interim financial statements in respect of the Group's geographical segments, which are the primary basis of segment reporting.

By Segment	UK	USA	Total	UK	USA	Total
	30 June 2007	30 June 2007	30 June 2007	30 June 2006	30 June 2006	30 June 2006
	£'000	£'000	£'000	£'000	£'000	£'000
Segment Revenue	1,321	118	1,439	1,247	124	1,371
Segment Results	268	43	311	304	43	347
Unallocated expenses			(103)			(153)
Group operating Profit			208			194
Net Financing Income			118			99
Share of associate's profits			13			8
			339			301
Income tax expense			(85)			(78)
Profit for the period			254			223

There is no material seasonality associated with the group's activities.

4. Earnings per share

The calculation of the basic earnings per ordinary share is based on profits after tax of £254,000 (December 2006: £362,000 and June 2006: £223,000) and on 9,610,630 ordinary shares.

The diluted earnings per share is based on 10,914,331 (Dec 2006: 10,952,135) ordinary shares which take into account theoretical ordinary shares that would have been issued based on the exercise prices if all outstanding options were exercised. There were no dilutive potential ordinary shares at 30 June 2006.

5. Dividends and other appropriations

	Unaudited Six Months to 30 June 2007 £'000	Unaudited Six Months to 30 June 2006 £'000	Audited Year to 31 Dec 2006 £000
Equity dividends on ordinary shares –Paid	96	72	72

6. Capital reorganisation

On 20 June 2007, the Company was granted court approval to repay part of its capital by way of capitalisation of part of the share premium account. For each one Ordinary share, five 'B' shares of 5p each were credited as fully paid at par. Each 'B' share was then cancelled and repaid to shareholders on 27 June 2007, unless subject to an election to defer cancellation until 2008. The nominal value of 'B' shares subject to this election as at 30 June 2007 was £170,071 and is shown as a financial liability in the Balance sheet.

Total 'B' shares issued	48,053,150 shares at 5p each	£2,402,657
Total 'B' shares redeemed on 27 June 2007	44,651,725 shares at 5p each	<u>£2,232,586</u>

Balance of 'B' shares to be redeemed in June 2008 3,401,425 shares at 5p each £ 170,071

7. Publication of non-statutory accounts

The results for the year ended 31 December 2006 have been audited whilst the results for the six months ended 30 June 2006 and 30 June 2007 are un-audited. The financial information contained in this interim report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The statutory accounts for the previous year, which were prepared under UK GAAP, have been delivered to the Registrar of Companies. The auditors' opinion on those accounts was unqualified and did not contain a statement made under s237 (2) or s237 (3) of the Companies Act 1985.

The financial information for the six months ended 30 June 2007 has not been reviewed in accordance with the guidance contained in Bulletin 1999/4 "Review of interim financial information" issued by the Auditing Standards Board.

8. Reconciliation to equity and statement of recognised income and expense

In preparing the opening IFRS balance sheet, comparative information for the six months ended 30 June 2006 and the financial statements for the year ended 31 December 2006, the Group has adjusted amounts previously reported in financial statements prepared in accordance to UK GAAP.

- **Explanation of transition to International Financial Reporting Standards**

<u>Reconciliation of equity</u>	UK GAAP	Effect of transition of IFRS	IFRS
	£'000	£'000	£'000
<u>Total equity</u>			
At 1 January 2006	4,346	0	4,346
At 30 June 2006	4,502	15	4,517
At 31 December 2006	4,651	18	4,669

<u>Reconciliation of Profit</u>	UK GAAP	Effect of transition of IFRS	IFRS
	£'000	£'000	£'000
<u>Net Profit after tax</u>			
For the period ended 30 June 2006	208	16	224
For the year ended 31 December 2006	344	18	362

Effect of transition of IFRS

The equity and retained earnings have been adjusted by adding back goodwill previously amortised to the Income statement under UK GAAP

A separate reserve called the Translation reserve has been set up to show the effect of exchange differences.

Cashflow statement

The Group's consolidated cash flow statement was presented in accordance with IAS7. The statements present substantially the same information as that required under UK GAAP, with the following exceptions:

- Under UK GAAP, cash flows are presented under nine standard headings, whereas under IFRS, cash flows are required to be classified under operating, investing and financing activities.
- Under UK GAAP, cash and cash equivalents, which include cash and short term deposits, were shown as cash in hand and deposits repayable on demand.