stockcube

Report and Accounts **2002**

stockcube

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

Stockcube is one of the world's leading providers of independent research.

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

Edward Forbes Chairman

Julian Burney Chief Executive

Andrew Ashman

Shirley Yeoh

Dan Veru*

Tim Horlick*

* Non-Executive

SECRETARY

Shirley Yeoh

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Our web portal is:

www.stockcube.com

CHAIRMAN'S STATEMENT

INTRODUCTION

Stockcube plc continued to establish itself amongst the largest dedicated technical investment research companies in the world during the most difficult year for financial services for a decade.

Against a background of declining investor confidence and market sentiment we, along with many other businesses, reassessed the carrying value of our purchased goodwill and other intangibles. We concluded that the capacity of these assets to generate a return to support their carrying value was so uncertain that the most prudent course for us was to write them down by an exceptional charge of £1,795,000 and thereby give absolute clarity to our balance sheet moving forward.

FINANCIAL REVIEW

Turnover for the year ended 31 December 2002 was £2,045,000, a slight decrease on last year's record of £2,135,000. We accept the loss now of £218,000 before tax and exceptional items (2001: profit of £91,000) as the price of continuing our investment in the future quality and reach of our services and product offerings. Exceptional write-offs for the year amounted to £1,795,000. Post-tax losses were £(2,015,000) (2001: profit of £30,000) resulting in a loss of (2.10)p per 1p ordinary share compared to a profit of 0.03p per share in 2001.

Our balance sheet remains strong with available cash reserves of £3,768,000 at the year end (2001: £4,120,000).

OPERATIONS

The market and sector analysis consultancy, which we provide to over 100 institutional investor clients through www.efmtech.com, continues to be the mainstay of our business. Income has held up remarkably well, down just 2% on 2001 which was a record year, in the face of extremely difficult conditions experienced by the big investment houses and brokers.

Without doubt, the recent criticisms about lack of integrity in certain in-house analysis functions and general concerns about the potential conflict of interest have given us a considerable boost. Independence of thought and opinion is one of our greatest assets, as is the quality of our analysis.

We have now started our first venture with a major investment bank to benchmark their internal fundamental research as a tool for benchmarking that research and providing more precision to market timing.

Our analysts continue to appear regularly on Bloomberg TV and CNBC's *PowerLunch*, *Squawkbox* and *European Market Wrap* helping viewers to understand markets and publicising the Stockcube service and brand.

We report continuing progress by Chartcraft Inc which broke into profit on an ongoing basis for the first time in the last quarter of the year. We have made careful cost savings and have now simplified our production into four main services: *Chartcraft on-line* for stocks, charts and related data, *US Market Timing Service* for market and sector timing, *C2F2* for commodities and currencies — all under the Investors Intelligence brand accessible through **www.chartcraft.com** and hardcopy chart books.

Chartcraft has been proposed as one of three recommended providers of independent research and analysis by A G Edwards & Sons Inc, one of the USA's leading stockbrokers for private and business clients. We have re-engineered the Chartcraft web platform and introduced greatly improved services at the end of March. We are now able to use our proprietary software, developed by the former Sapphyr team, to extend Chartcraft's stock, sector and market timing methodologies to European and global stocks.

During the year we entered joint venture arrangements with IG Index for the provision of a mini-website hosting commodities and financial instrument analysis from C2F2, and with Cantor Fitzgerald and Man Financial for the provision of daily CFDs (contracts for differences) and pairs trading.

Fullermoney, our monthly global strategy newsletter, continues to thrive in hard copy as well as by electronic format at **www.fullermoney.com** David Fuller's daily website and audio presentations have been very well received and have rapidly built up an enthusiastic audience from around the globe. Our bi-annual Chart Seminars in London were well attended.

STAFF

I should like to thank our staff for their dedication during the year and I am pleased to welcome the technology and marketing expertise brought by the Sapphyr Technology team who have added considerable skills to our business.

CAPITAL RECONSTRUCTION

We are asking shareholders to approve a reduction of capital to eliminate the negative impact of the goodwill write-off of the company. This will be achieved by a reduction of part of the share premium account. As you will see from the Notice of Extraordinary General Meeting in the circular dispatched with this document, we intend to seek your approval for this reduction of £340,050 in the company's share premium account to assist the directors in declaring dividends when appropriate. At the same time we intend to approve similar arrangements for Stockcube Research in the sum of £290,646.

OUTLOOK

We have made a very encouraging start to 2003 and the group is trading profitably. We have been publishing some excellent market calls and generating very profitable trading ideas for our institutional consultancy clients, supporting further our confidence in our methodologies and our analytical skills.

We are confident that the quality and independence of our work is increasingly valued by institutional investors and our wider market audience, particularly in times when markets are perhaps driven more by changes in sentiment and confidence than underlying economic realities.

Edward Forbes
Chairman
London

7 April 2003

REPORT ON DIRECTORS' REMUNERATION

The role of the remuneration committee is to review the performance of the executive directors of the group and to set the scale and structure of their remuneration, including bonus arrangements. The remuneration committee also administers the group's employee share option schemes and recommend the allocation of share options to directors, senior management and other employees. In exercising this role, the terms of reference of the remuneration committee require compliance with the Combined Code. Approval of this report will not be sought at the Annual General Meeting.

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

The policy of the board is to provide executive remuneration packages sufficient to attract and retain the directors needed to run the company successfully, bearing in mind the company's size and available capital. The aim of the board is to maintain a policy that:

- provides remuneration levels which reflect the directors' responsibilities and contain incentives to deliver the company's objectives
- rewards directors according to both individual and company performance
- establishes an appropriate balance between fixed and variable elements of total remuneration with the intention that the performance related element will form an increasingly significant proportion of the package as the company's revenue grows
- aligns the interests of the executive directors with those of the shareholders through the use of performance related rewards and share options in the company
- ensures that directors' packages are in line with the company's remuneration policy

The remuneration committee has responsibility for making recommendations to the board on the company's general policy on remuneration and also specific packages for individual directors. It carries out the policy on behalf of the board. The committee is composed of Dan Veru and Tim Horlick, both of whom are independent non-executive directors.

SERVICE AGREEMENT

Julian Burney, Shirley Yeoh and Andrew Ashman each have a continuous employment contract which is terminable at not less than six months' notice by either party.

Edward Forbes is seconded to the company from Wilmore Investments Corporation Inc., as Chairman on the terms of a consultancy agreement. The agreement is for an initial twelve month period and is terminable at three months' notice.

DIRECTORS' REMUNERATION

Details of each director's remuneration package can be found in note 4 to the financial statements. Details of each director's interests in shares and share options are set out in the Directors' Report. There are no other elements of remuneration, other than basic salary, which are treated as being pensionable. There are four main elements of the directors' remuneration package:

- basic salary
- share option incentives
- group-wide bonus scheme (related to annual growth in earnings per share)
- benefits

Basic salary

Basic salaries are usually reviewed annually by the committee and are set to reflect market conditions, personal performance and those paid for similar jobs in comparable organisations.

Share option incentives — executive directors

The executive directors have interests in the company's Share Option Schemes, details of which are below:

	Founder option	Revenue approved	Total	Exercise period
Julian Burney		120,000	120,000	3–10 years from grant
Shirley Yeoh	1,005,000	120,000	1,125,000	3–10 years from grant
Andrew Ashman	3,030,000	120,000	3,150,000	3–10 years from grant

Founder options were granted on 18 April 2000 and the approved options were granted on 3 May 2000. All options were granted at the listing price of 25p and are due to expire ten years from the date of the grant. On 18 October 2001, founder options were rebased to an exercise price of 8.5p. In all other respects, the Plan remains the same. No options have been exercised or have lapsed in the year.

Bonus scheme

The terms of the group-wide bonus scheme have been agreed and are included in the annual budget approved by the board. The scheme will reward the directors once the company's earnings per share each year reach a hurdle of at least 15% over the previous year.

Benefits

Benefits for executive directors include health and life insurance and pension.

NON-EXECUTIVE DIRECTORS

The remuneration arrangements of the Chairman and non-executive directors are decided by the board and are set out below. Edward Forbes is not remunerated by the company. His services are provided by Wilmore Investments Corporation Inc., for up to 20 hours per week at fees of £30,000 per year pro rata with his actual hours, subject to a minimum fee of £10,000 per year. The non-executive directors are not paid a fee for services. However, they are entitled to reimbursement of travel, hotel and other expenses incurred by them in performing their duties as directors.

Share option incentives — non-executive directors

	Number of ordinary shares under options	Date of grant	Expiry date of option	Exercise price
Tim Horlick	450,000	18 April 2000	17 April 2010	8.5p
	400,000	29 April 2002	28 April 2012	8.5p
	850,000			
Dan Veru	450,000	1 May 2000	30 April 2010	8.5p
	400,000	29 April 2002	28 April 2012	8.5p
	850,000			
Wilmore Investments Corporation Inc.	900,000	18 April 2000	17 April 2010	8.5p
	400,000	29 April 2002	28 April 2012	8.5p
	1,300,000			

The company has rebased options granted at the listing price of 25p to an exercise price of 8.5p. In all other respects, the Scheme remains the same. No options have been exercised or have lapsed in the year.

OPTION PLAN FOR STAFF

The directors believe it is in the interests of the company to incentivise employees through participation in the company's growth. The company has therefore established three discretionary executive share option schemes: the Stockcube Founder Employee Share Plan (closed to new members on 18 April 2000), the Stockcube PLC (Revenue Approved) Executive Share Option Scheme and the Stockcube PLC (No. 2) Executive Share Option Scheme (the 'Unapproved Scheme'). (See page 6 for further details.) Agreements granting options have also been entered into with the non-executive directors and consultants.

DIRECTORS' REPORT

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

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £2,015,000 (2001: profit £30,000). This was stated after writing off website development costs as incurred of £125,018 (2001: £190,144), impairment of purchased goodwill and other intangibles of £1,795,000 (2001: nil) and amortisation of goodwill arising on the Fullermarkets business and Chartcraft of £26,145. The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company is the holding company of a group whose principal activity during the period continued to be provision of research and analysis of price trends in stocks.

DIRECTORS AND THEIR INTERESTS

The directors at 31 December 2002 and their interests in the share capital of the company were as follows:

	31 December 2002 Ordinary shares Beneficial	31 December 2002 Ordinary shares Non-beneficial	31 December 2001 Ordinary shares Beneficial	31 December 2001 Ordinary shares Non-beneficial
Edward Forbes	—	500,100	—	500,100
Julian Burney	7,500,000	27,965,500	7,500,000	27,965,550
Shirley Yeoh	50,000	—	50,000	—
Dan Veru	150,000	—	150,000	—
Tim Horlick	75,000	—	75,000	—

Andrew Ashman was appointed to the Board on 12 February 2003.

SHARE OPTION SCHEMES AND OTHER SHARE OPTIONS

The company has adopted the following share option schemes:

(i) The Stockcube Founder Employee Share Plan ('The Plan')
Under this plan, options to subscribe for 7,110,000 ordinary shares were granted to existing group employees at the placing price of 25p. This scheme is now closed. Following renunciations by leavers, there remain outstanding 5,955,000 new options. The Company has rebased these to 8.5p.

(ii) The Stockcube PLC (Revenue Approved) Executive Share Option Scheme ('The Approved Scheme')
Application was granted by the Inland Revenue for this scheme under Schedule 9 of the Income and Corporation Taxes Act 1988 ('Taxes Act'). Options granted under this scheme (which, following Revenue approval, are 'approved options') are at the discretion of the Remuneration Committee. During the year, 843,480 new options were granted in connection with the purchase of the business of Sapphyr Technology Limited.

(iii) The Stockcube PLC (No. 2) Executive Share Option Scheme ('The Unapproved Scheme')
During the year, £600,000 new options were granted in connection with the purchase of Sapphyr Technology Limited. Application will not be made to the Inland Revenue for the approval of this scheme. Options granted under this scheme (which will, therefore, be 'unapproved') will be at the discretion of the Remuneration Committee.

Details of share options issued and directors are disclosed in the Report on Directors' Remuneration on pages 4 and 5.

CORPORATE GOVERNANCE

The board intends that, so far as is practicable and, to the extent appropriate having regard to the size of Stockcube, it will comply with the Combined Code prepared by the Committee on Corporate Governance chaired by Sir Ronald Hampel and which is appended to the Listing Rules of the Financial Services Authority.

Stockcube has established audit and remuneration committees. These committees comprise non-executive directors, Tim Horlick and Dan Veru. The audit committee is responsible for ensuring that the financial performance of the group is properly monitored and reported on. It will receive and review reports from management and the company's auditors relating to annual and interim financial statements and the internal control systems in use throughout the group. The roles and responsibilities of the remuneration committee are outlined on page 4.

At present, the main areas of compliance are as follows:

The Board — comprises four executive and two non-executive directors. The directors hold board meetings at which operating and financial reports are considered. The board is responsible for formulating, reviewing and approving the group's strategy, budgets, major items of capital expenditure and senior personnel appointments.

Going Concern — the directors are satisfied that the group has adequate resources to continue in existence for the foreseeable future and, for this reason, they continue to adopt the going concern basis of preparing the financial statements.

Internal Controls — the directors have overall responsibility for ensuring that the group maintains internal controls to provide reasonable assurance on the reliability of the financial information used within the business and for safeguarding the assets. There are limitations in any system of internal control and, accordingly, even the most effective system can only provide reasonable and not absolute assurance with respect to preparation of the financial information and the safeguarding of the assets.

The key elements of financial control are as follows:

Control Environment — presence of a clear organisational structure and well-defined lines of responsibility and delegation of appropriate level of authority.

Risk Management — business strategy and plans are reviewed by the board.

Financial Reporting — a comprehensive system of budgets and forecasts with monthly reporting of actual results against targets.

Control Procedures and Monitoring Systems — ensuring authorisation levels and procedures and other systems of internal financial controls are documented, applied and regularly reviewed.

CREDITOR PAYMENT POLICY

It is the group's policy that payments to suppliers are made in accordance with the terms and conditions agreed between the company and its suppliers. At 31 December 2002 the group had an average of 40 days' purchases outstanding in trade creditors.

AUDITORS

A resolution to reappoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

By order of the board

Shirley Yeoh
Secretary
7 April 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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 and 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, subject to any material departures disclosed and explained in the financial statements; and
- 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF STOCKCUBE plc

We have audited the group's financial statements for the year ended 31 December 2002 which comprise the Group Profit and Loss Account, Group Balance Sheet, Balance Sheet, Group Cash Flow Statement and the related notes 1 to 20. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the group'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 group'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 opinions 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 applicable United Kingdom law and 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 affairs of the company and the group as at 31 December 2002 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
London
7 April 2003

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	2002 £000	2001 £000
Turnover	2	**2,045**	2,135
Administrative expenses:			
Ongoing (excluding impairment and website development costs)		**(2,293)**	(2,072)
Website development costs		**(125)**	(190)
Impairment	8, 10	**(1,795)**	—
Administrative expenses		**(4,213)**	(2,262)
Group operating loss	3	**(2,168)**	(127)
Interest receivable and similar income		**155**	218
(Loss)/profit on ordinary activities before taxation		**(2,013)**	91
Tax on (loss)/profit on ordinary activities	6	**(2)**	(61)
(Loss)/profit retained for the financial year	16	**(2,015)**	30
(Loss)/earnings per share	7	**(2.10)p**	0.03p
(Diluted loss)/earnings per share	7	**(2.10)p**	0.03p

There were no recognised gains or losses other than the (loss)/profit for the year.

GROUP BALANCE SHEET

AT 31 DECEMBER 2002

	Notes	2002 £000	2001 £000
Fixed assets			
Intangible assets	8	—	1,368
Tangible assets	9	**346**	363
Investments	10	—	235
		346	1,966
Current assets			
Debtors	11	**394**	468
Cash at bank and in hand		**3,768**	4,120
		4,162	4,588
Creditors: amounts falling due within one year	12	**(567)**	(598)
Net current assets		**3,595**	3,990
Total assets less current liabilities		**3,941**	5,956
Capital and reserves			
Called up share capital	15	**961**	961
Share premium account	16	**4,114**	4,114
Merger reserve	16	**568**	568
Profit and loss account	16	**(1,702)**	313
Equity shareholders' funds		**3,941**	5,956

Approved by Order of the Board on 7 April 2003

Julian Burney
Director

BALANCE SHEET
AT 31 DECEMBER 2002

	Notes	2002 £000	2001 £000
Fixed assets			
Intangibles	8	—	21
Investments	10	**1,474**	1,709
		1,474	1,730
Current assets			
Debtors	11	**608**	216
Cash at bank and in hand		**2,860**	3,188
		3,468	3,404
Creditors: amounts falling due within one year	12	**(207)**	(126)
Net current assets		**3,261**	3,278
Total assets less current liabilities		**4,735**	5,008
Capital and reserves			
Called up share capital	15	**961**	961
Share premium account	16	**4,114**	4,114
Profit and loss account	16	**(340)**	(67)
Equity shareholders' funds		**4,735**	5,008

Approved by Order of the Board on 7 April 2003

Julian Burney
Director

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	2002 £000	2001 £000
Net cash outflow from operating activities	18(a)	**(205)**	(72)
Returns of investments and servicing of finance			
Interest received		**155**	185
Taxation		**(59)**	(8)
Capital expenditure			
Payments to acquire intangible fixed assets		**–**	(70)
Payments to acquire tangible fixed assets		**(25)**	(22)
		(25)	(92)
Acquisitions and disposals			
Payments to acquire investments		**(218)**	(150)
Net cash outflow before financing		**(352)**	(137)
Management of liquid resources			
Decrease/(increase) in short-term deposits		**320**	(80)
Decrease in cash		**(32)**	(217)
Reconciliation of net cash flow to movement in net funds			
Decrease in cash		**(32)**	(217)
Increase in short-term deposits		**(320)**	80
Movement in net funds		**(352)**	(137)
Net funds at 1 January		**4,120**	4,257
Net funds at 31 December	18(b)	**3,768**	4,120

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2002

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Financial reporting standard (FRS) 19 was adopted for the first time in the financial year ended 31 December 2002. The implementation of FRS 19 has not had any impact on this or the prior years' results.

Basis of consolidation

The group financial statements consolidate the financial statements of Stockcube plc and all of its subsidiary undertakings for the year to 31 December 2002. No profit and loss account is presented for Stockcube plc as permitted by Section 230 of the Companies Act 1985.

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life, up to a maximum of twenty years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. All goodwill in these financial statements is amortised over twenty years.

Licence fees and trademarks

Licence fees and trademarks are valued at cost. They were amortised over the directors' estimate of their useful lives up to a maximum of 10 years. From 1 May 2002, new licence fees and trademarks are written off to the profit and loss account as, under current market conditions, their ongoing value is uncertain. They are reviewed for impairment if events or changes indicate that the carrying value may not be recoverable.

Depreciation

Depreciation is provided on the following bases on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life:

Leasehold	—	over the period of lease
Computer equipment	—	33% per annum
Fixtures, fittings and equipment	—	15 to 20% per annum
Motor vehicles	—	20% per annum

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Website development

Website development expenditure is written off as incurred. During the year the company incurred £125,018 (2001: £190,144) in respect of database and website development expenditure which was written off directly to the profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Company

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward currency contract.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate.

All differences are taken to the profit and loss account.

Group

The financial statements of overseas subsidiary undertakings are translated at the rate ruling at the balance sheet date. The exchange differences on the retranslation of opening net assets are taken directly to reserves. All other translation differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pensions

The company contributes to various defined contribution pension schemes for the benefit of the directors and staff. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

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2. Turnover

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

Turnover is attributable 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:

	Origin		Destination	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
United Kingdom	**1,748**	1,762	**1,185**	1,082
United States of America	**297**	373	**398**	564
Rest of Europe	—	—	**200**	241
Rest of the World	—	—	**262**	248
	2,045	2,135	**2,045**	2,135

An analysis of assets by geographical segment is as follows:

	2002	2001
	£000	£000
United Kingdom	**4,019**	6,042
United States of America	**(79)**	(86)
	3,940	5,956

The directors believe that full compliance with the requirements of SSAP25 "Segmental Reporting" would be seriously prejudicial to the interests of the group as it would require disclosure of commercially sensitive information.

3. Operating loss

This is stated after charging:

		2002	2001
		£000	£000
Impairment loss		**1,795**	—
Loss on disposal of fixed assets		**4**	—
Depreciation of owned fixed assets		**38**	42
Amortisation of goodwill		**24**	65
Amortisation of other intangibles		**2**	6
Auditors' remuneration	— audit services	**23**	23
	— non-audit services	**8**	11
Operating lease rentals	— land and buildings	**64**	65
Foreign currency exchange		**(10)**	2
Website development expenditure		**125**	190
Rental income		**(3)**	(5)

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2002

4. Directors' emoluments

	2002 £000	2001 £000
Emoluments	**193**	150
Company contributions paid to defined contribution pension schemes	**8**	4
	201	154

Directors	Salary/fees £000	Benefits in kind £000	Pension £000	2002 Total £000	2001 Total £000
Chairman					
Edward Forbes	—	—	—	—	—
Executives					
Julian Burney	105	5	5	**115**	81
Shirley Yeoh	80	3	3	86	71
Non-Executives					
Dan Veru				—	—
Tim Horlick				—	—

	2002 No.	2001 No.
Members of pension schemes	**2**	2

Further information on directors' emoluments is given on pages 4 and 5.

5. Staff costs

	2002 £000	2001 £000
Wages and salaries	**1,228**	991
Social security costs	**125**	75
Other pension costs (note 19)	**34**	16
	1,387	1,082

The average monthly number of employees during the year was made up as follows:

	2002 No.	2001 No.
Management and administration	**28**	27

6. Tax on (loss)/profit on ordinary activities

a) The taxation charge is made up as follows:

	2002 £000	2001 £000
UK corporation tax	—	59
Corporation tax under/(over) provided in previous years	**2**	—
	2	61

No tax provision has been made in view of current year losses. The effective tax rate for the previous year was higher than standard, principally because of losses in the US subsidiary that cannot be offset against profits in the UK companies. The US subsidiary, Chartcraft Inc, have approximately £400,000 (2001: £277,000) of trading losses carried forward. The ability to use these losses against future profits expires 20 years from the end of the accounting period.

6. Tax on (loss)/profit on ordinary activities continued

b) Factors affecting current tax charge

	2002 £000	2001 £000
(Loss)/profit on ordinary activities before tax	**(2,013)**	91

	2002 £000	2001 £000
(Loss)/profit on ordinary activities multiplied by standard rate of Corporation Tax in UK of 30% (2001: 30%)	**(604)**	27
Expenses not deductible for tax purposes (primarily goodwill amortisation)	**496**	27
Depreciation in advance of capital allowances	**(1)**	(14)
Losses carried forward	**109**	24
Adjustment to tax charge in respect of prior periods	**2**	2
Marginal rate relief	—	(5)
Total current tax (note 6a)	**2**	61

c) Deferred tax (asset)/liability

The deferred tax asset in respect of trading losses, capital losses and deferred capital allowances has not been recognised as there is insufficient evidence that the asset will be recoverable against future taxable profits. The unrecognised asset can be analysed as follows:

	Unrecognised 2002 £000	Unrecognised 2001 £000
Trading losses	**195**	86
Accelerated capital allowances	**8**	9
Capital losses	**4**	4
Short-term timing differences	—	—
	207	99

7. Earnings per share

The calculation of basic earnings per ordinary share is based on earnings as follows:

	2002 000	2001 000
(Loss)/profit for the year	**£(2,015)**	£30
Weighted average number of ordinary shares outstanding (000)	**96,106**	96,106
(Loss)/profit per ordinary share (pence): Basic and diluted	**(2.10)**	0.03

The diluted (loss)/earnings per share calculation is based on 108,706,750 (2001: 107,801,500) ordinary shares which takes into account theoretical ordinary shares that would have been issued based on average market value if all outstanding options were exercised.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2002

8. Intangible fixed assets

a) Group

	Licence fees £000	Trademarks £000	Goodwill £000	Total £000
Cost:				
At 1 January 2002 and at 31 December 2002	45	25	1,430	1,500
Additions	—	—	218	218
At 31 December 2002	45	25	1,648	1,718
Amortisation:				
At 1 January 2002	5	1	126	132
Provided during the year	1	1	24	26
Impairment	39	23	1,498	1,560
At 31 December 2002	45	25	1,648	1,718
Net book value:				
At 31 December 2002	—	—	—	—
At 31 December 2001	40	24	1,304	1,368

Company	Trademarks £000
Cost:	
At 1 January 2002 and at 31 December 2002	21
Amortisation:	
At 1 January 2002	—
Provided during the year	1
Impairment	20
At 31 December 2002	21
Net book value:	
At 31 December 2002	—
At 31 December 2001	21

Given the turmoil in the world's equity markets and the negative impact on investor confidence, the carrying values of purchased goodwill and other intangible have been reassessed.

This has been carried out in accordance with FRS 11, Impairment of fixed assets and goodwill. The carrying value of the company's subsidiary undertakings at 31 December 2002 have been compared by their value in use to the company.

Given the level of uncertainty, it is not possible to predict that any of the investments will generate a contribution going forward and as a result they have all been fully written down. Accordingly, £1,795,000 has been written off and is included as an exceptional item within operating profit.

b) Acquisition of Sapphyr

On 28 June 2002 Ecube Limited acquired the trade of Sapphyr Technology Limited for £200,000 plus legal expenses of £18,000. As no assets were acquired all of this is recorded as goodwill. No fair value adjustments were required.

9. Tangible fixed assets

Group	Land and buildings Long leasehold £000	Computer equipment £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
Cost:					
At 1 January 2002	309	225	111	6	651
Additions	—	24	1	—	25
Disposals	—	—	—	(6)	(6)
At 31 December 2002	309	249	112	—	670
Depreciation:					
At 1 January 2002	11	196	79	2	288
Provided during the year	3	28	7	—	38
Disposals	—	—	—	(2)	(2)
At 31 December 2002	14	224	86	—	324
Net book value:					
At 31 December 2002	**295**	**25**	**26**	—	**346**
At 31 December 2001	298	29	32	4	363

10. Investments

Group	Investment £000
Cost:	
At 1 January 2002 and at 31 December 2002	235
Amounts provided:	
At 1 January 2002	—
Provided during the year	235
At 31 December 2002	235
Net book value:	
At 31 December 2002	—
At 1 January 2002	235

Company	Subsidiary undertakings £000	Investment £000	Total £000
At 1 January 2002 and 31 December 2002	1,474	235	1,709
Amounts provided			
At 1 January 2002	—	—	—
Provided during the year	—	235	235
At 31 December 2002	—	235	235
Net book value:			
At 31 December 2002	**1,474**	—	**1,474**
At 1 January 2002	1,474	235	1,709

10. Investments continued

The investment in the company and group relates to an investment in the ordinary share capital of Sapphyr Technology Limited. Sapphyr Technology Limited is not a listed company.

The investment in Sapphyr Technology Limited has been written down in accordance with FRS 11 to reflect the value in use for the rationale as described in note 8.

At 31 December 2002 the company held more than 20% of the nominal value of the share capital of the following:

Name of company	Country of incorporation	Holding	Proportion held	Nature of business
Subsidiary undertaking				
Stockcube Research Limited	England	Ordinary shares	100%	Research, analysis and forecasting trends in stocks and commodities
Ecube Limited	England	Ordinary shares	100%	Website and technology research and development
Chartcraft Inc	USA	Ordinary shares	100%	Analysis of price trends of equities and other financial instruments

11. Debtors

	Group 2002 £000	Group 2001 £000	**Company 2002 £000**	Company 2001 £000
Trade debtors	**244**	339	**18**	—
Amounts owed by group undertakings	—	—	**585**	170
Other debtors	**96**	67	—	45
Prepayments and accrued income	**54**	62	**5**	1
	394	468	**608**	216

12. Creditors: amounts falling due within one year

	Group 2002 £000	Group 2001 £000	**Company 2002 £000**	Company 2001 £000
Trade creditors	**102**	90	**10**	17
Amounts due to group undertakings	—	—	**168**	78
Corporation tax	**4**	61	—	—
Other taxes and social security costs	**93**	38	—	—
Other creditors	—	2	—	—
Accruals and deferred income	**368**	407	**29**	31
	567	598	**207**	126

13. Other financial commitments

At 31 December 2002 the group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	2002	2001
	£000	£000
Operating leases which expire:		
In two to five years	**20**	20
In over five years	**20**	20

14. Derivatives and other financial instruments

The company's principal financial instruments are investments and cash. The company has other financial instruments such as trade debtors and trade creditors that arise directly from its operations. As permitted by FRS 13, short-term debtors and creditors have been excluded from the disclosure of financial liabilities and financial assets. The group's policy is not to enter into any derivative transactions such as interest rate swaps or foreign currency contracts. In view of the low level of foreign currency transactions, the board does not consider that there are significant risks in this respect. Substantially all of the financial assets and liabilities are denominated in £ sterling.

Financial liabilities

There were no financial liabilities that require disclosure under FRS 13.

Financial assets

The company has no financial assets that require disclosure under FRS 13 other than £3,767,726 (2001: £4,119,302) of short-term deposits and cash at floating interest rates, all of which is denominated in Sterling, with the exception of £12,806 (2001: £8,270) denoted in US dollars. The cash is available to make selected complementary acquisitions and strategic alliances as opportunities arise.

The investment is in shares in an incorporated business, where the shares are not actively traded. This is held at cost less impairment during the year; a full impairment write-down has been recognised. The fair value of the group's liabilities and assets is not considered to be materially different from the book value.

15. Share capital

Ordinary 1p shares	Issued No.	Issued £	Authorised No.	Authorised £
At 1 January 2002 and at 31 December 2002	**96,106,300**	**961,063**	**145,000,000**	**1,450,000**

At 31 December 2002, the following share options were outstanding:

Date of grant	Option plan	Option price	Outstanding 31 December 2001	Granted during year	Exercised or lapsed during year	Outstanding
18 April 2000	Executive	8.5p	1,350,000			1,350,000
19 April 2000	Founders	8.5p	6,135,000		(180,000)	5,955,000
1 May 2000	Executive	8.5p	450,000			450,000
4 May 2000	Approved	25.0p	1,560,000		(120,000)	1,440,000
18 April 2001	Executive	8.5p	600,000			600,000
29 April 2002	Executive	8.5p		1,200,000		1,200,000
1 May 2002	Approved	8.5p		843,480		843,480
1 May 2002	Executive	8.5p		600,000		600,000
	Totals		**10,095,000**	**2,643,480**	**(300,000)**	**12,438,480**

16. Reconciliation of shareholders´ funds and movement on reserves

Group	Share capital £000	Share premium account £000	Merger reserve £000	Profit and loss account £000	Total shareholders' funds £000
At 31 December 2000	961	4,114	568	283	5,926
Profit for the year	—	—	—	30	30
At 31 December 2001	961	4,114	568	313	5,956
Loss for the year	—	—	—	(2,015)	(2,015)
At 31 December 2002	**961**	**4,114**	**568**	**(1,702)**	**3,941**

Company	Share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' funds £000
At 31 December 2000	961	4,114	(57)	5,018
Loss for the year	—	—	(10)	(10)
At 31 December 2001	961	4,114	(67)	5,008
Loss for the year	—	—	(273)	(273)
At 31 December 2002	**961**	**4,114**	**(340)**	**4,735**

17. Profit and loss account

Loss after taxation amounting to £273,000 (2001: Loss £9,574) has been dealt with in the financial statements of the company.

18. Notes to the statement of cash flows

a) Reconciliation of operating loss to net cash outflow from operating activities

	2002	2001
	£000	£000
Operating loss	**(2,168)**	(127)
Impairment	**1,795**	_
Depreciation	**38**	42
Amortisation of goodwill	**24**	65
Amortisation of trademarks and licence fees	**2**	6
Loss on disposal	**4**	_
Decrease in debtors	**74**	125
Increase/(decrease) in creditors	**26**	(183)
Net cash outflow from operating activities	**(205)**	(72)

At 31 December 2002, the operating loss is stated after writing off the website development expenses of £107,395 (2001: £190,144).

b) Analysis of changes in net funds

	At 1 January 2002	Cash flow	At 31 December 2002
	£000	£000	£000
Cash at bank and in hand	940	(32)	908
Short-term deposits*	3,180	(320)	2,860
	4,120	(352)	3,768

* short-term deposits are included within cash at bank and in hand in the balance sheet

19. Pension commitments

The group makes contributions to various defined contribution pension schemes on behalf of the directors and staff. These are based on either 3% or 5% of gross salary. Contributions are charged to the profit and loss account as they are paid. The charge for the year was £33,639 (2001: £16,562).

20. Related parties

£750 (2001: £3,000) was receivable from Luanshya Services Limited, a company in which Julian Burney's father was a director, for the rental of office space. At the balance sheet date, nothing (2001: £250) was owing from Luanshya Services Limited. This arrangement has now ceased.

£15,456 (2001: £20,625) was payable to Priority Chauffer Services, a company associated with Julian Burney. At the year end £1,420 (2001: Nil) was due to Priority.

£40,978 (2001: £52,994) was receivable for professional services from Bank of Bermuda, who are trustees to The Burney Family Trust. At the year end, £1,000 (2001: Nil) was receivable from Bank of Bermuda. This has now been received.

£98,752 (2001: £197,824) was paid to Sapphyr during the year, a company in which Julian Burney's brother was a director, for the provision of web development and maintenance services. At the balance sheet date, nothing (2001: Nil) was owing. This arrangement has now ceased.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that THE ANNUAL GENERAL MEETING OF STOCKCUBE plc will be held at the Plaza 535, Unit 1.23 Kings Road, London, SW10 0SZ, on 12 May 2003 at 3.00 pm.

As ordinary business

1. To receive and adopt the Directors' Report and the Audited Financial Statements for the year ended 31 December 2002.
2. To re-elect as a director of the company, Mr Tim Horlick, pursuant to article 31.1 of the company's Articles of Association and who, being eligible, offers himself for re-election.
3. To reappoint Ernst & Young as auditors and authorise the directors to fix their remuneration.
4. To grant the board the authority to grant further options during the year as the board sees fit, up to the limit approved prior to flotation.

As special business

5. To grant authorisation to the company to purchase its own shares.
   This special resolution will authorise the company to purchase up to 20% of the issued share capital as at 28 February 2002. The board considers it desirable to have this authority to provide additional flexibility in the management of the company's capital resources. The authority will only be exercised if the directors believe that to do so would result in the increase in earnings per share and would be in the best interests of the shareholders generally.

   This authority given by this resolution will expire at the conclusion of the Annual General Meeting in 2004 unless renewed, varied or revoked at any earlier general meeting of shareholders.

By order of the board

Company Secretary
Dated 7 April 2003

Registered office: Unit 1.23, Plaza 535, King's Road, London, SW10 0SZ, UK

Note:

1. A member who is entitled to attend and vote at the above meeting may appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the company. A proxy is not entitled to vote except on a poll.
2. To be valid, a duly executed Form of Proxy for use at the meeting together, if appropriate, with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority or such other evidence as the directors may require must be deposited at the offices of the Company's registrars: Northern Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0LA, United Kingdom, not less than 48 hours before the time fixed for the meeting.
3. In the case of a corporation the Form of Proxy should be executed under its common seal or signed by a duly authorised officer or attorney of the corporation.
4. Completion and return of the Form of Proxy will not preclude a member from attending the meeting and voting in person if he/she wishes to do so.
5. Copies of each director's contract of service with the company or its subsidiaries, are available for inspection at the registered office of the company during normal business hours (Saturdays excepted) except on the day of the meeting, when they will be available at the meeting venue from 2.45 pm until the conclusion of the meeting.
6. A register of interests and dealings of each director in shares of the company is available at the registered office of the company during normal business hours (Saturdays excepted) except on the day of the meeting, when it will be available at the meeting venue from 2.45 pm until the conclusion of the meeting.

stockcube

Unit 1.23, Plaza 535,

535 King's Road,

London, SW10 0SZ.