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Stockcube plc

Interim Report 2001

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.

Contents

Board of **Directors**

Edward Forbes Chairman

Julian Burney Chief Executive Officer

Shirley Yeoh Finance Director

Timothy Horlick Director*

Dennison Veru Director*

* non-executive

Financial **Highlights**

for the six months ended 30 June 2001

- Turnover up 40% to £1,072,000 (2000: £765,000).
- £66,000 profit before tax, after technology and website development costs (2000: £4,000).
- Chartcraft Inc — data processing and chart production brought in-house.
- Encouraging progress against turbulent background.

"We have continued to build on our solid foundations and are encouraged by the progress we have made during the first six months of the year. In view of the uncertainty and turbulence affecting the world's stock markets and the subsequent unsettling effect on investor sentiment, our approach to the remainder of the year is one of caution. In spite of this uncertainty, we are however pleased to report that our cash position is still very strong."

Julian Burney, Chief Executive of Stockcube,

26 September 2001

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Our web portal is:

www.stockcube.com

Chairman's **Statement**

Introduction

We are continuing to extend the coverage of our research and to build a solid foundation for our services in the UK and USA.

Financial review

Turnover for the six months ended 30 June 2001 amounted to £1,072,000, an increase of 40% over the comparative period for 2000 (£765,000).

Group profit before tax at £66,000 (2000: £4,000) was ahead of expectations, due to a combination of higher income and continuing close control of costs.

In my statement accompanying the Report and Accounts for 2000 I reported that, following consolidation of our investment in productive resources towards the end of last year and levelling off in our technology spend, we should begin to see the effect of increased revenues on reported operating profits. Accordingly, our UK-based operations have improved from a loss of £61,000 in 2000 to a profit of £30,000 in the first six months of 2001. This is an encouraging result. We incurred operating losses of £77,000 in our new US business due mainly to the additional costs of bringing in-house Chartcraft's data handling and chart production capability in preparation for distribution of its research on-line in the second half of this year.

Earnings per share of 0.02p per 1p ordinary share for the period compare favourably with earnings of 0.01p reported in June 2000.

After refinancing Chartcraft to the extent of £66,000, our balance sheet remains robust with net cash at £4,206,000, which is only marginally lower than £4,257,000 at the end of last year.

Review of operations

Our professional investor clients are the mainstay of our business. The operating languages and protocols at our **www.efmtech.com** website were re-written during the period. The new site is now very fast and enables users to access high quality investment research with much greater efficiency. We research more than 3,000 global stocks each day and provide market and sector analysis to over 95 institutional investor clients.

Our first steps at selling our international equity research direct to US-based institutional investors are beginning to show promise. We have signed up 4 new clients and expect the take-up to gather pace as we increase our exposure to the US-based fund management community.

We have now consolidated under a newly branded website, **www.chartanalysts.com**, our extensive on-line chart libraries and our research and analysis of stocks, currencies and other financial instruments derived from the interpretation of point & figure and candlestick charts. Notwithstanding the immediacy of on-line distribution, the demand for hard copy chart books remains steady and we have been able to pass on the increased costs of hard copy production in increased subscription rates. ***Fullermoney***, our monthly global strategy newsletter, continues to be published in hard copy as well as in electronic format and now has its own website address, **www.fullermoney.com** for ease of on-line access.

We are pleased to report that **Chartcraft**'s revenues have held up to our expectations despite the potentially

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adverse effects of the deterioration in economic outlook on investor sentiment in the US in the first six months. We have made steady progress in our improvement programme for Chartcraft and have successfully made the fundamental moves of installing our own software and bringing data management and chart production in-house. As a result, instead of monthly chart updates, Chartcraft now analyses and updates price charts on a daily basis for over 9,000 stocks quoted on the New York Stock Exchange and NASDAQ, organising them into 42 broad industry groupings and generating from these its widely quoted '*Bullish Percentage*' chart of market sentiment. Chartcraft is developing the means to analyse and deliver its research more quickly and efficiently. While we are unable to guage the impact which the consequences of the recent terrorist attacks in the USA will have on customer sentiment, we look forward to building a highly successful range of products for the US professional and non-professional investor market.

We were also very pleased to see that two of Chartcraft's model portfolios published in its *Investors Intelligence* newsletter reached fourth and tenth positions out of 800 portfolios followed and ranked by Hulbert Financial Digest for the year ended 30 June 2001.

The extent to which the non-professional investor, particularly in the local UK market, is prepared to pay economically sensible prices for professional quality independent technical investment research is still under review. We are continuing to develop and refine our private client website and are convinced that the way forward for this element of our business is through joint arrangements with information publishers or transaction executors.

We consider that there is demand for the *Market Intelligence Report*, our stand-alone market sentiment analysis for the corporate customer market, but at a less detailed, and possibly less frequent, level than our initial research last year had indicated. We have incorporated the core elements of the *Report* into a number of variants which have been integrated as components of other third party products aimed at the senior directors of quoted companies. These are currently undergoing market testing.

Trading outlook

We remain encouraged by the sure and steady progress we are making in the acceptance of our products and in their market coverage and deliverability, particularly against the uncertainties for the world's stock markets created by the downturn in global economic activity and the attacks on the USA.

While we continue to look for attractive acquisitions and trading partnerships, we have great confidence in the quality and value of our products and in our ability to grow our customer base organically.

Edward Forbes
Chairman
London

26 September 2001

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Consolidated **Profit and Loss Account**

	Unaudited Six months 30 June 2001 £000	Unaudited Six months 30 June 2000 £000	Audited Year to 31 Dec 2000 £000
Turnover			
–UK	**880**	765	1,561
–US	**192**		29
	1,072	765	1,590
Administrative expenses			
–UK	**(790)**	(738)	(1,541)
–US	**(269)**	—	(32)
–software development and website costs	**(60)**	(88)	(198)
	(1,119)	(826)	(1,771)
Operating (loss)			
–UK	**30**	(61)	(178)
–US	**(77)**	—	(3)
	(47)	(61)	(181)
Bank Interest receivable	**113**	71	207
Interest payable and similar charges	**—**	(6)	(16)
Profit on ordinary activities before taxation	**66**	4	10
Taxation	**(43)**	—	7
Profit after taxation	**23**	4	17
Earnings per share	**0.02p**	0.01p	0.02p
Diluted earnings per share	**0.02p**	0.01p	0.02p

There were no recognised gains or losses other than the profit/loss for the period.

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Consolidated **Balance Sheet**

at 30 June 2001

	Unaudited Six months 30 June 2001 £000	Unaudited Six months 30 June 2000 £000	Audited Year to 31 Dec 2000 £000
Fixed assets			
Intangible assets	**1,201**	884	1,184
Tangible assets	**424**	365	383
Investments	**235**	235	235
	1,860	1,484	1,802
Current assets			
Debtors	**725**	657	560
Cash at bank and in hand	**4,206**	4,316	4,257
	4,931	4,973	4,817
Creditors: Amounts due within one year	**(842)**	(541)	(693)
Net current assets	**4,089**	4,432	4,124
Net assets	**5,949**	5,916	5,926
Capital and reserves			
Called up share capital	**961**	961	961
Share premium account	**4,114**	4,117	4,114
Merger reserve	**568**	568	568
Profit and loss account	**306**	270	283
	5,949	5,916	5,926

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Statement of **Cash flows**

at 30 June 2001

	Unaudited 30 June 2001 £000	Unaudited 30 June 2000 £000	Audited Year ended 31 Dec 2000 £000
Net cash (outflow) from operating activities	**(53)**	(363)	(595)
Returns on investments and service of finance			
Interest received	**113**	71	207
Interest paid	**—**	(6)	(16)
	113	65	191
Taxation	**—**	(19)	(16)
Capital expenditure			
Payments to acquire tangible fixed assets	**(61)**	(68)	(118)
Payments to acquire intangible fixed assets	**(50)**	—	—
	(111)	**(68)**	(118)
Acquisitions and disposals			
Payments to acquire Fullermarkets business	**—**	—	20
Payments to acquire investments in associated undertakings	**—**	(14)	(14)
	—	(14)	6
Net cash (outflow) before financing	**(51)**	(399)	(532)
Management of liquid resources			
(Increase)/decrease in short-term deposits	—	(1,950)	(1,950)
Financing			
Issue of shares (net of expenses)	—	3,732	3,745
Net movement in short-term borrowings	—	—	(25)
Net movement in long-term borrowings	—	(301)	(216)
(Decrease)/increase in cash	**(51)**	1,082	1,022

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Notes to the **Statement of Cash flows**

Reconciliation of net cash flow to movement in net funds	**Unaudited 30 June 2001 £000**	Unaudited 30 June 2000 £000	Audited Year ended 31 Dec 2000 £000
(Decrease)/increase in cash	**(51)**	1,082	1,022
Increase in short-term deposits	**—**	1,950	1,950
Repayment of debt and lease financing	**—**	151	241
Movement in net funds	**(51)**	3,183	3,213
Loans/finance leases acquired/disposed of with subsidiaries	**—**	—	(90)
Net funds at 1 January	**4,257**	1,134	1,134
Net funds	**4,206**	4,317	4,257

Analysis of changes in net debt	**30 June 2001 £000**	Cash flow £000	1 Jan 2000 £000
Cash at bank and in hand	**1,066**	(91)	1,157
Short-term deposits	**3,140**	40	3,100
	—	—	—
	4,206	(51)	4,257

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Notes to the **Interim Report**

1. Basis of preparation of interim financial information

The interim financial information has been prepared on the basis of the accounting policies set out in the group statutory accounts for the year ended 31 December 2000. The taxation charge is calculated by applying the directors' best estimate of the annual tax rate to the profit for the period. All other accounting polices set out in the accounts for Stockcube plc for the year ended 31 December 2000 were applied for the purposes of this statement.

Basis of consolidation

The group accounts consolidate the accounts of Stockcube plc and all its subsidiary undertakings.

2. Earnings per Share

The calculation of basic earnings per ordinary share is based on earnings of £23,000 (year to December 2000: £17,000; six months to 30 June 2000: £4,000) and on 96,106,300 (December 2000: 90,722,944; June 2000: 85,692,159) ordinary shares.

The diluted earnings per share is based on 102,240,464 (December 2000: 99,249,711; June 2000: 86,054,072) 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.

3. Reconciliation of operating profit to net cash inflow from operating activites

	Unaudited Half Year to 30 June 2001 £000	Unaudited Half Year to 30 June 2000 £000	(Audited) Full Year 2000 £000
Operating (loss)	**(47)**	(61)	(181)
Depreciation	**20**	25	56
Amortisation of goodwill	**33**	23	46
Loss on disposal			1
(Increase)/decrease in debtors	**(165)**	(167)	(215)
Increase/(decrease) in creditors	**106**	(183)	(301)
Net cash (outflow) from operating activities	**(53)**	(363)	(595)

The operating loss for the six months is stated after writing off the website development expenses of £60,000 (December 2000: £198,000; June 2000: £88,000).

4. Publication of non-statutory accounts

The financial information contained in this statement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the full year is based on the statutory accounts of Stockcube plc for the year ended 31 December 2000. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

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Independent Review **Report**

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2001, which comprises the Profit and Loss Account, Balance Sheet, Cash Flow Statement, and the related notes 1 to 4. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review, we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2001.

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London

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