WORLDSPREADS GROUP LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2007

ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 March 2007

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COMPANY INFORMATION

DIRECTORS	Conor Foley Brian O'Neill Michael V. Foley David Leonard Kevin Moran Lindsay McNeile
SECRETARY	Niall O'Kelly
REGISTERED OFFICE	8 The Anchorage Business Park, Charlotte Quay, Dublin 4.
SOLICITORS	Patrick G. Flynn, 26 Pembroke Street Upper, Dublin 2. Olswang, 90 High Holborn, London, WCIV 6XX
BANKERS	Bank of Ireland, 103 Upper Leeson Street, Dublin 4. Anglo Irish Bank plc, Stephen's Court, St Stephen's Green, Dublin 2. Royal Bank of Scotland plc, 280 Bishopsgate, London, EC2M 4RB, United Kingdom.
AUDITORS	Ernst & Young, Chartered Accountants, Ernst & Young Building, Harcourt Centre, Harcourt Street, Dublin 2.

DIRECTORS REPORT
in respect of the year ended 31 March 2007

The directors present herewith their report and the audited financial statements for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Group throughout the year has been that of running a betting market on a wide range of sporting events and equity markets. The company's subsidiary, WorldSpreads Limited, is regulated by the UK Financial Services Authority ("FSA"). The group is headquartered in Ireland and will continue to offer its products to the Irish market.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Consolidated Income Statement for the year ended 31 March 2007 and the Consolidated Balance Sheet at that date are set out on pages 9 and 10.

The Group recorded a loss before tax of € 45,412 in the year to 31 March 2007. The loss is stated after recognising a charge of €126,781 in relation to betting duty which the directors have opted to absorb rather than pass on to customers.

The directors expect that the group will continue to expand in its core market and in new markets and this will result in continued improvements in the group's financial performance.

The average number of employees employed by the group in the year to 31 March 2007 was 30 (2006: 30, 2005: 26).

There were no changes in the principal activities of the Group. The Board of the Company has decided to seek a listing of the Company's shares on the AIM market in London. The Board has appointed a team of advisors and expect to list on the market in August 2007. As part of this process the Company is seeking to raise €6.5 million in new funds, net of expenses.

Information about the financial risk management objectives and policies of the Group, along with exposure of the Group to price risk, credit risk, liquidity risk and cash flow risk, are disclosed in Note 26 of the Notes to the Financial Statements.

FINANCIAL SPREAD BETTING

The Company's financial spread betting business developed in line with the board's expectations. In November 2005 the company launched its new trading platform in the UK and thus the year ended 31 March 2007 was the first full year trading on that platform for the groups UK subsidiary WorldSpreads Limited. In November 2006, the company's Irish financial spread betting business launched a new trading platform, similar to that of the UK operation. This resulted in a growth in activity. For the year to 31 March 2007 the company's financial spread betting business saw significant growth across all key performance indicators. Active client numbers grew from 296 in March 2006 to 838 in March 2007. The number of bets grew from 4,138 in March 2006 to 48,364 in March 2007 and trading profits grew from €1,896,604 for the year to 31 March 2006 to €4,297,714 for the year to 31 March 2007. The company's financial spread betting business posted an operating loss to 31 March 2007 of €267,469 compared to an operating loss of €785,298 in the preceding year. The UK operation continues to look for expansion opportunities, particularly in Europe, where the company's FSA regulatory status can be "passported" into other EU countries very easily, thus facilitating the introduction of the company's products in these markets. The directors are satisfied that the financial spread betting operations will become profitable in the next financial year.

DIRECTORS REPORT
in respect of the year ended 31 March 2007 (Continued)

SPORTS BETTING
The group's sports betting operations continued to trade strongly during the financial year producing excellent growth. During the financial year to 31 March 2007, the group's sports betting operations recorded an operating profit of €781,423, an increase of €688,079 over the operating profit recorded in the year to 31 March 2006 of €93,344. This increase was driven increased activity from new clients acquired during the year. The sports betting operations showed strong growth in key performance indicators with active client numbers growing from 279 in March 2006 to 570 in March 2007. The number of bets grew from 6,179 in March 2006 to 9,779 in March 2007.

RISK MANAGEMENT
The products offered by the group are directly impacted by movements in the world's financial markets and the outcome of sporting events. These movements create an exposure to profits and losses for the group. It is in the management of this exposure that the group generates its trading profits. The group's separate divisions monitor all exposures on a real time basis and use a variety of hedging techniques to bring all exposures to within agreed limits. These hedging techniques are used for offsetting risks and involve taking out positions with other spread betting firms or financial institutions. For the financial spread trading company's within the group, a proportion of hedging is done between the Irish and UK operations, thus limiting exposure but at a lower cost than using external parties.

INCORPORATION AND NAME CHANGE
WorldSpreads Group Limited was incorporated on 15 March 2001 and commenced trading on that date.

The company changed its name from Leisure Spread Limited to WorldSpreads Group Limited on 8 December 2005.

DIVIDENDS
The directors of the company do not propose the payment of a dividend in respect of the year ended 31 March 2007.

DIRECTORS
The directors of the company at 31 March 2007 were:

Conor Foley
Brian O'Neill
Michael V Foley
David Leonard
Kevin Moran
Lindsay McNeile

DIRECTORS REPORT
in respect of the year ended 31 March 2007 (Continued)

DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES
The directors and their interests in the shares of WorldSpreads Group Limited were as follows:

	31 March 2007 Number	*31 March 2006 Number*	*31 March 2005 Number*
Conor Foley	7,043,769	7,000,007	7,000,007
Brian O'Neill	1,075,069	1,031,305	1,031,305
Michael V Foley	153,762	110,000	110,000
David Leonard	118,529	40,000	40,000
Kevin Moran	94,494	40,000	40,000
Lindsay McNeile	221,810	–	20,000
Niall O'Kelly*	63,762	20,000	-

* *Secretary*

None of the directors or secretary held any interest in shares of group companies at 31 March 2007 or at 31 March 2006 or at 31 March 2005.

TRANSACTIONS INVOLVING DIRECTORS
There were no contracts of any significance in relation to the business of the company in which the directors had any interest, as defined in the Companies Act, 1990, at any time during the year ended 31 March 2007.

BOOKS AND ACCOUNTING RECORDS
The directors are responsible for ensuring that proper books and accounting records, as outlined in Section 202 of the Companies Act 1990, are kept by the company. To ensure compliance with these requirements the directors have appointed professionally qualified accounting personnel with appropriate expertise and have provided adequate resources to the finance function. These books and accounting records are maintained at the company's registered offices at 8 The Anchorage, Charlotte Quay, Dublin 4.

AUDITORS
A resolution to reappoint Ernst & Young, Chartered Accountants as auditors will be put to the members at the annual general meeting. The auditors have stated their willingness to continue in office in accordance with the provisions of Section 160 (2) of the Companies Act, 1963.

On behalf of the board:

CONOR FOLEY
BRIAN O'NEILL
Directors

18 July 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES
in respect of the year ended 31 March 2007

The directors are responsible for preparing the financial statements in accordance with applicable Irish law and those International Financial Reporting Standards as adopted by the European Union.

The directors are required to prepare financial statements for each financial year which present fairly the financial position of the group and the company and the financial performance and cash flows of the group and the company. In preparing those financial statements, the directors are required to**:**

- select suitable accounting policies and then apply them consistently;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact on particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper books of accounts which disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements are prepared in accordance with the Companies Acts 1963 to 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

On behalf of the Board:

CONOR FOLEY
BRIAN O'NEILL
Directors

18 July 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WORLDSPREADS GROUP LIMITED

We have audited the group and parent company's financial statements (the "financial statements") of Worldspreads Group Limited for the year ended 31 March 2007, which comprise the Consolidated Income Statement, the Consolidated and the Company Balance Sheets, the Consolidated and the Company Cash Flow Statements, the Consolidated and the Company Statement of Changes in Shareholders Equity and the related notes 1 to 28. 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 193 of the Companies Act, 1990. 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 opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant 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 and have been properly prepared in accordance with the Companies Acts, 1963 to 2006. We also report to you our opinion as to: whether proper books of account have been kept by the company; whether, at the balance sheet date there exists a financial situation which may require the convening of an extraordinary general meeting of the company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the company balance sheet is in agreement with the books of account**.**

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and other transactions is not disclosed and, where practicable, include such information in our report.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WORLDSPREADS GROUP LIMITED (continued)

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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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 IFRSs as adopted by the European Union, of the state of affairs of the group and of the company as at 31 March 2007 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2006.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The company balance sheet is in agreement with the books of account.

In our opinion the information given in the directors' report is consistent with the financial statements.

In our opinion, the balance sheet does not disclose a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

Ernst & Young
Dublin

18 July 2007

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2007

	Notes	2007 €	2006 €	2005 €
Revenue	5	6,580,891	3,182,196	2,443,333
Cost of sales	6	(308,395)	(278,769)	(85,998)
Gross profit		6,272,496	2,903,427	2,357,335
Administrative expenses	7	(5,740,357)	(3,747,449)	(4,059,078)
Operating profit/(loss)		532,139	(844,022)	(1,701,743)
Finance income	8	52,217	53,283	6,767
Finance expense	9	(642,161)	(412,419)	(298,625)
Share of results of joint venture	3	12,393	–	–
Profit/(loss) before tax		(45,412)	(1,203,158)	(1,993,601)
Income tax expense	10	(178,483)	(95,364)	(33,197)
Deferred taxation	10	1,270,202	–	–
Profit/(loss) for the year attributable to equity holders of the parent company		1,046,307	(1,298,522)	(2,026,798)
Earnings per Share				
Basic	11	0.064	(0.097)	(0.151)
Diluted	11	0.063	(0.097)	(0.151)

All of the group's activities are continuing.

On behalf of the Board

CONOR FOLEY
BRIAN O'NEILL
Directors

18 July 2007

CONSOLIDATED BALANCE SHEET
as at 31 March 2007

	Notes	2007 €	2006 €	2005 €
Non-Current Assets				
Property, plant and equipment	12	472,508	467,790	560,739
Intangible assets	13	816,369	638,791	37,626
Interest in joint ventures	3	33,394	–	–
Deferred tax asset	10	1,270,202	–	–
		2,592,473	1,106,581	598,365
Current Assets				
Derivative financial instruments	15	6,126,423	3,090,635	1,613,173
Trade and other receivables	16	4,760,652	2,201,544	2,047,550
Prepayments and accrued income		124,912	130,785	246,665
Cash and cash equivalents	17	9,005,089	3,042,580	1,654,829
Total Assets		**22,609,549**	**9,572,125**	**6,160,582**
Equity				
Issued capital	18	379,258	200,509	200,509
Share premium		9,172,886	1,963,998	1,963,998
Retained earnings		(3,545,009)	(4,591,316)	(3,292,794)
Other reserves		(215,542)	(77,212)	(116,874)
Share warrants		123,821	123,821	–
Share option scheme	22	378,464	378,464	296,650
Total equity		**6,293,878**	**(2,001,736)**	**(948,511)**
Non-Current Liabilities				
Redeemable unsecured loan stock	19	–	4,491,218	3,731,390
Interest bearing loans and borrowings	20	–	2,522,295	752,430
		–	7,013,513	4,483,820
Current Liabilities				
Derivative financial instruments	15	5,722,153	632,613	461,748
Interest-bearing loans and borrowings	20	3,766,948	449,018	405,444
Trade and other payables	21	6,826,570	3,478,717	1,758,081
Total liabilities		16,315,671	11,573,861	7,109,093
Total Equity and Liabilities		**22,609,549**	**9,572,125**	**6,160,582**

On behalf of the Board

CONOR FOLEY
BRIAN O'NEILL
Directors

18 July 2007

COMPANY BALANCE SHEET
as at 31 March 2007

	Notes	2007 €	2006 €	2005 €
Non-Current Assets				
Investment in subsidiaries	14	5,471,127	3,798,301	2,089,034
Current Assets				
Trade and other receivables	16	6,760,129	4,341,935	4,288,569
Prepayments and accrued income		50,383	50,383	48,520
Cash and cash equivalents	17	2,177	8,742	15,311
Total Assets		**12,283,816**	**8,199,361**	**6,441,434**
Equity				
Issued capital	18	379,258	200,509	200,509
Share premium		9,172,886	1,963,998	1,963,998
Retained earnings		(2,048,872)	(1,500,624)	(1,070,260)
Share warrants		123,821	123,821	–
Share option scheme	22	378,464	378,464	296,650
Total equity		**8,005,557**	**1,166,168**	**1,390,897**
Non-Current Liabilities				
Redeemable unsecured loan stock	19	–	4,491,218	3,731,390
Interest bearing loans and borrowings	20	–	2,513,203	726,161
		–	7,004,421	4,457,551
Current liabilities				
Interest-bearing loans and borrowings	20	2,660,529	–	300,000
Trade and other payables	21	1,617,730	28,772	292,986
Total liabilities		4,278,259	7,033,193	5,050,537
Total Equity and Liabilities		**12,283,816**	**8,199,361**	**6,441,434**

On behalf of the Board

CONOR FOLEY
BRIAN O'NEILL
Directors

18 July 2007

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2007

				Other Reserves				
	Share capital	*Share premium*	*Retained earnings*	*Merger reserve*	*Other reserve*	*Share warrants*	*Share option scheme*	*Total*
	€	*€*	*€*	*€*	*€*	*€*	*€*	*€*
At 1 April 2004	200,509	1,963,998	(1,265,996)	(97,641)	–	–	–	800,870
Foreign currency translation of UK subsidiary	–	–	–	–	(19,233)	–	–	(19,233)
Loss for the year	–	–	(2,026,798)	–	–	–	–	(2,026,798)
Total expenses for the year	–	–	(2,026,798)	–	(19,233)	–		(2,046,031)
Share option compensation	–	–	–	–	-	–	296,650	296,650
At 31 March 2005	200,509	1,963,998	(3,292,794)	(97,641)	(19,223)	–	296,650	(948,511)
Foreign currency translation of UK subsidiary	–	–	–	–	39,662	–	–	39,662
Loss of the year	–	–	(1,298,522)	–	–	–	–	(1,298,522)
Total expense for the year	–	–	(1,298,522)	–	39,662	–	–	(1,258,860)
Issue of debt (equity component)	–	–	–	–	–	123,821	–	123,821
Share option compensation	–	–	–	–	–	–	81,814	81,814
At 31 March 2006	200,509	1,963,998	(4,591,316)	(97,641)	20,429	123,821	378,464	(2,001,736)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2007 (Continued)

				Other Reserves				
	Share capital	*Share premium*	*Retained earnings*	*Merger reserve*	*Other reserve*	*Share warrants*	*Share option scheme*	*Total*
	€	€	€	€	€	€	€	€
Foreign currency translation of UK subsidiary	–	–	–	–	(138,330)	–	–	(138,330)
Profit for the year	–	–	1,046,307	–	–	–	–	1,046,307
Total income and expense for the year	–	–	1,046,307	–	(138,330)	–	–	907,977
Issue of share capital	53,093	2,171,154	–	–	–	–	–	2,224,247
Share issue expenses		(100,748)	–	–	–	–	–	(100,748)
Conversion of loan stock	125,656	5,138,482	–	–	–	–	–	5,264,138
At 31 March 2007	379,258	9,172,886	(3,545,009)	(97,641)	(117,901)	123,821	378,464	6,293,878

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2007

	Share Capital	*Share Premium*	*Retained Earnings*	*Share Warrants*	*Share Option Scheme*	*Total*
	€	*€*	*€*	*€*	*€*	*€*
At 1 April 2004	200,509	1,963,998	(303,531)	–	–	1,860,976
Loss for the year	–	–	(766,729)	–	–	(766,729)
Share option compensation	–	–	–	–	296,650	296,650
At 31 March 2005	200,509	1,963,998	(1,070,260)	–	296,650	1,390,897
Loss for the year	–	–	(430,364)	_	_	(430,364)
Issue of debt (equity component)	–	–	–	123,821	–	123,821
Share option compensation	–	–	–	–	81,814	81,814
At 31 March 2006	200,509	1,963,998	(1,500,624)	123,821	378,464	1,166,168

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2007 (Continued)

	Share Capital	*Share Premium*	*Retained Earnings*	*Share Warrants*	*Share Option Scheme*	*Total*
	€	*€*	*€*	*€*	*€*	*€*
Loss for the year	–	–	(548,248)	–	–	(548,248)
Issue of share capital	53,093	2,171,154	–	–	–	2,224,247
Share issue expenses	–	(100,748)	–	–	–	(100,748)
Conversion of loan stock	125,656	5,138,482	–	–	–	5,264,138
At 31 March 2007	379,258	9,172,886	(2,048,872)	123,821	378,464	8,005,557

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2007

	Notes	2007 €	2006 €	2005 €
Cash flows from operating activities				
Profit/(loss) for the year		1,046,307	(1,298,522)	(2,026,798)
Income tax expense		178,483	95,364	33,197
Deferred taxation		(1,270,202)	–	–
Share of results of joint venture		(12,393)	–	–
Finance income	8	(52,217)	(53,283)	(6,767)
Finance expense	9	642,161	412,419	298,625
Depreciation and amortisation	7	288,319	194,144	178,072
Share-based payment expense	22	–	81,814	296,650
(Increase)/decrease in trade and other receivables		(2,553,235)	(171,064)	681,764
Increase in trade and other payables		3,312,670	1,890,428	82,350
Increase in derivative financial assets		(3,035,788)	(1,477,462)	(501,594)
Increase in derivative financial liabilities		5,089,540	170,865	299,265
Income tax paid		(115,245)	(95,364)	(33,197)
Net cash flows from operating activities		3,518,400	(250,661)	(698,433)
Investing activities				
Purchases of property, plant & equipment		(59,832)	(90,310)	(73,576)
Purchases of intangible assets		(400,085)	(612,660)	(43,903)
Interest received		52,217	53,283	6,767
Investment in joint venture activities		(21,001)	–	–
Net cash flows used in investing activities		(428,701)	(649,687)	(110,712)
Financing activities				
Payment of finance lease liabilities		(17,177)	(105,444)	(128,221)
Proceeds from borrowings		146,922	2,342,704	1,026,161
Repayment of borrowings		–	(300,000)	–
Interest paid		(429,004)	(412,419)	(34,486)
Issue of redeemable unsecured loan stock		559,763	722,986	585,740
Issue of shares for cash		2,224,247	–	–
Share issue expenses		(100,748)	–	–
Net cash flows from financing activities		2,384,003	2,247,827	1,449,194
Net increase in cash and cash equivalents		5,473,702	1,347,479	640,049
Net foreign exchange difference		(177,083)	40,272	(19,233)
Cash and cash equivalents at 1 April		3,042,580	1,654,829	1,034,013
Cash and cash equivalents at 31 March		8,349,199	3,042,580	1,654,829

COMPANY CASH FLOW STATEMENT
For the year ended 31 March 2007

	Notes	2007 €	2006 €	2005 €
Cash flows from operating activities				
Profit/(loss) before taxation		(548,248)	(430,364)	(766,729)
Income tax expense		–	–	22,453
Finance income		(21,451)	(36,220)	(322)
Finance expense		587,882	378,775	269,875
(Increase)/decrease in trade and other receivables		(2,418,194)	(55,229)	190,813
Increase/(decrease) in trade and other payables		1,588,958	(227,372)	291,737
Income tax paid		–	–	(22,453)
Net cash flows from operating activities		(811,053)	(370,410)	(14,626)
Investing activities				
Investment in subsidiaries		(1,672,826)	(1,627,453)	(1,618,558)
Interest received		21,451	36,220	322
Net cash flows used in investing activities		(1,651,375)	(1,591,233)	(1,618,236)
Financing activities				
Issue of redeemable unsecured loan stock		559,763	722,986	585,740
Proceeds from borrowings		147,326	1,610,863	1,026,161
Interest paid		(374,725)	(378,775)	(5,736)
Issue of shares for cash		2,224,247	–	–
Share issue expenses		(100,748)	–	–
Net cash flows used in financing activities		2,455,863	1,955,074	1,606,165
Net decrease in cash and cash equivalents		(6,565)	(6,569)	–
Net increase in cash and cash equivalents		–	–	(26,697)
Cash and cash equivalents at 1 April		8,742	15,311	42,008
Cash and cash equivalents at 31 March	17	2,177	8,742	15,311

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007

1. CORPORATE INFORMATION

WorldSpreads Group Limited's ("the Company") and its subsidiaries ("the Group") principle activity is the running of a betting market on a wide range of sporting events and equity markets. The Group provides these services principally in Ireland and the UK and has expanded its operations into other European countries and now offers products in Greece, Spain and Hungary. The Irish operation has entered into a joint venture in South Africa with the largest gaming group in that country, and in Austria with an Austrian financial services group.

The Company is incorporated and domiciled in the Republic of Ireland. The address of its registered office is set out on page 2.

First-time adoption of International Financial Reporting Standards ("IFRS").

For all periods up to and including the year ended 31 March 2006, the Group prepared its financial statements in accordance with Irish Generally Accepted Accounting Practice (Irish GAAP).These financial statements, for the year ended 31 March 2007, are the first the Group has elected to prepare in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

In preparing these financial statements, the Group has started from an opening balance sheet as at 1 April 2004 (Group's date of transition)and made those changes in accounting policies and other restatements required by IFRS 1 First -time Adoption of International Financial Reporting Standards (IFRS 1) for the first-time adoption of IFRS. This note explains the principal adjustments made by the Group in restating its Irish GAAP balance sheet as at 1 April 2004 and its previously published Irish GAAP financial statements for the year ended 31 March 2005 and 31 March 2006. The adjustments to IFRS are classified under the heading: "Effect of transition to IFRS".

Exemptions applied

IFRS 1 provides first time adopters of IFRS with certain exemptions. The Group has availed itself of certain exemptions as set out below:

- IFRS 2 Share-based Payment has not been applied to any equity instruments that were granted after 7 November 2002 that vested before the date of transition i.e.1 April 2004.
- IFRS 3 "Business Combinations" has not been applied to combinations that occurred before the date of transition i.e. 1 April 2004.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

1. CORPORATE INFORMATION (Continued)

Effects of the transition to IFRS
Group reconciliation of equity
as at 1 April 2004

	Notes	*Restated Irish GAAP (Note 24)* €	*Effect of transition to IFRS* €	*IFRS* €
Non-Current Assets				
Property, plant and equipment	a	658,958	–	658,958
Intangible assets	a	–	–	–
Current Assets				
Derivative financial instruments	b	–	1,111,579	1,111,579
Trade and other receivables	b	3,686,941	(949,096)	2,737,845
Prepayments		238,134	–	238,134
Cash and cash equivalents		1,034,013	–	1,034,013
Total Assets		**5,618,046**	**162,483**	**5,780,529**
Equity				
Issued capital		200,509	–	200,509
Share premium		1,963,998	–	1,963,998
Retained earnings		(1,265,996)	–	(1,265,996)
Other reserves		(97,641)	–	(97,641)
Total equity		800,870	–	800,870
Non-Current Liabilities				
Redeemable unsecured loan stock		2,881,511	–	2,881,511
Creditors		133,714	–	133,714
Current Liabilities				
Derivative financial instruments	b	–	162,483	162,483
Trade and other payables		1,092,018	–	1,092,018
Other creditors		709,933	–	709,933
Total liabilities		4,817,176	162,483	4,979,659
Total Equity and Liabilities		**5,618,046**	**162,483**	**5,780,529**

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

1. CORPORATE INFORMATION (Continued)

Effects of the transition to IFRS
Group reconciliation of equity
as at 31 March 2005

	Notes	*Restated Irish GAAP (Note 24)* €	*Effect of transition to IFRS* €	*IFRS* €
Non-Current Assets				
Property, plant and equipment	a	598,365	(37,626)	560,739
Intangible assets	a	–	37,626	37,626
Current Assets				
Derivative financial instruments	b	–	1,613,173	1,613,173
Trade and other receivables	b	3,198,975	(1,151,425)	2,047,550
Prepayments		246,665	–	246,665
Cash and cash equivalents		1,654,829	–	1,654,829
Total Assets		**5,698,834**	**461,748**	**6,160,582**
Equity				
Issued capital		200,509	–	200,509
Share premium		1,963,998	–	1,963,998
Retained earnings		(2,996,144)	(296,650)	(3,292,794)
Other reserves		(116,874)	–	(116,874)
Share option scheme			296,650	296,650
Total equity		(948,511)	–	(948,511)
Non-Current Liabilities				
Redeemable unsecured loan stock	c	3,467,251	264,139	3,731,390
Loans and borrowings		752,430	–	752,430
Current Liabilities				
Derivative financial instruments	b	–	461,748	461,748
Loans and borrowings		405,444	–	405,444
Trade and other payables		969,270		969,270
Other creditors	c	1,052,950	(264,139)	788,811
Total liabilities		6,647,345	461,748	7,109,093
Total Equity and Liabilities		**5,698,834**	**461,748**	**6,160,582**

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

1. CORPORATE INFORMATION (Continued)

Effects of the transition to IFRS (continued)

Group reconciliation of equity as at 31 March 2006

	Notes	*Restated Irish GAAP (Note 24)* €	*Effect of transition to IFRS* €	*IFRS* €
Non-Current Assets				
Property, plant and equipment	a	1,106,581	(638,791)	467,790
Intangible assets	a	–	638,791	638,791
Current Assets				
Derivative financial instruments	b	–	3,090,635	3,090,635
Trade and other receivables	b	4,659,566	(2,458,022)	2,201,544
Prepayments		130,785	–	130,785
Cash and cash equivalents	d	3,042,580	–	3,042,580
Total Assets		**8,939,512**	**632,613**	**9,572,125**
Equity				
Issued capital		200,509	–	200,509
Share premium		1,963,998	–	1,963,998
Retained earnings	d	(4,212,852)	(378,464)	(4,591,316)
Other reserves		(77,212)	–	(77,212)
Share warrants	e	–	123,821	123,821
Share option scheme	d	–	378,464	378,464
Total equity		(2,125,557)	123,821	(2,001,736)
Non-Current Liabilities				
Redeemable unsecured loan stock	c	4,190,237	300,981	4,491,218
Loans and borrowings		2,646,116	(123,821)	2,522,295
Current Liabilities				
Derivative financial instruments	b	–	632,613	632,613
Loans and borrowings	e	449,018	_	449,018
Trade and other payables		2,830,581	–	2,830,581
Other creditors	c	949,117	(300,981)	648,136
Total liabilities		11,065,069	508,792	11,573,861
Total Equity and Liabilities		**8,939,512**	**632,613**	**9,572,125**

1. CORPORATE INFORMATION (Continued)

Notes to the reconciliation of equity as at 1 April 2004, 31 March 2005 and 31 March 2006

(a) The Group has reviewed the requirements of IAS 38 "Intangible Assets" on implementing IFRS and has reclassified computer software and financial trading system costs from property, plant and equipment to intangible assets based on the definition of an intangible asset outlined in the standard.

(b) Derivative financial instruments represent fair value of open bets. The balance has been grossed up to disclose total positive fair value in assets and total negative fair value in liabilities. Under Irish GAAP these derivatives were classified as net open positions within trade and other receivables. There is no change in the carrying value of open bets.

(c) On transition to IFRS, redeemable loan stock was accounted for at amortised cost. The adjustment represents the reclassification of accrued interest on loan stock previously classified under other creditors.

(d) IFRS requires the fair value of share options which ultimately vest to be charged to the income statement over the vesting period. The fair value is determined at the date of the grant using an appropriate pricing model. Consequently retained earnings has been reduced by €378,464 as at 31 March 2006 and by €296,650 as at 31 March 2005 and stock option reserve increased by the same amount.

(e) On transition to IFRS, share warrants attached to the Anglo Irish Bank loan were accounted as equity being the difference between fair value of the loan and the proceeds of the loan at the date of loan inception in line with the accounting treatment for compound instruments under IAS 32; 'Financial Instruments: Presentation'. The reclassification is separating the equity element not recognised previously under Irish GAAP.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

1. CORPORATE INFORMATION (Continued)

Group Reconciliation of Profit And Loss
for the period ended 31 March 2005

	Notes	***Restated Irish GAAP (Note 24)*** *€*	***Effect of transition to IFRS*** *€*	***IFRS*** *€*
Turnover	a	290,025	(290,025)	–
Net Income from spread - betting activities	a	2,153,308	(2,153,308)	–
Revenue	a	–	2,443,333	2,443,333
Cost of sales	b	–	(85,998)	(85,998)
Gross profit		2,443,333	(85,998)	2,357,335
Administrative expenses	b	(3,848,426)	(210,652)	(4,059,078)
Operating loss		(1,405,093)	(296,650)	(1,701,743)
Finance revenue		6,767	–	6,767
Finance costs		(298,625)	–	(298,625)
Loss on ordinary activities before taxation		(1,696,951)	(296,650)	(1,993,601)
Income tax expense		(33,197)	–	(33,197)
Loss for the year		(1,730,148)	(296,650)	(2,026,798)

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

1. CORPORATE INFORMATION (Continued)

Group Reconciliation Of Profit And Loss
for the period ended 31 March 2006

	Notes	***Restated Irish GAAP (Note 24)*** *€*	***Effect of transition to IFRS*** *€*	***IFRS*** *€*
Turnover	a	264,289	(264,289)	–
Net Income from spread - betting activities	a	2,917,907	(2,917,907)	–
Revenue	a	–	3,182,196	3,182,196
Cost of sales	b	–	(278,769)	(278,769)
Gross profit		3,182,196	(278,769)	2,903,427
Administrative expenses	b, c	(3,944,404)	196,955	(3,747,449)
Operating loss		(762,208)	(81,814)	(844,022)
Finance revenue		53,283	–	53,283
Finance costs		(412,419)	–	(412,419)
Loss on ordinary activities before taxation		(1,121,344)	(81,814)	(1,203,158)
Income tax expense		(95,364)	–	(95,364)
Loss for the year		(1,216,708)	(81,814)	(1,298,522)

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

1. CORPORATE INFORMATION (Continued)

Notes to the reconciliation of profit and loss for the year ended 31 March 2005 and 31 March 2006

(a) Turnover and income from spread betting activities were reclassified as revenue on transition to IFRS.

(b) The cost of sales including betting duties and taxes were reclassified from administrative expenses on transition to IFRS.

(c) The effect of implementing IFRS 2 “Share-based payments” to the Group’s share-based payment scheme is an increase in employee expenses of €81,814 for the year ended 31 March 2006 and €296,650 for the year ended 31 March 2005.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

1. CORPORATE INFORMATION (Continued)

Effects of the transition to IFRS

Company reconciliation of equity as at 1 April 2004

	Notes	***Restated* Irish GAAP *(Note 24)*** €	**Effect of transition to IFRS** €	**IFRS** €
Non-Current Assets				
Financial asset	a	173,826	(173,826)	–
Investment in subsidiaries	a	–	173,826	173,826
Current Assets				
Prepayments		–	95,944	95,944
Debtors		4,527,902	(95,944)	4,431,958
Cash and cash equivalents		42,008	–	42,008
Total Assets		**4,743,736**	**–**	**4,743,736**
Equity				
Issued capital		200,509	–	200,509
Share premium		1,963,998	–	1,963,998
Retained earnings		(303,531)	–	(303,531)
Total equity		1,860,976	–	1,860,976
Non-Current Liabilities				
Redeemable unsecured loan stock		2,881,511	–	2,881,511
Current Liabilities				
Other liabilities		1,249	–	1,249
Total liabilities		2,882,760	–	2,882,760
Total Equity and Liabilities		**4,743,736**	**–**	**4,743,736**

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

Effects of the transition to IFRS

Company reconciliation of equity as at 31 March 2005

	Notes	*Restated* Irish GAAP *(Note 24)* €	Effect of transition to IFRS €	IFRS €
Non-Current Assets				
Financial asset	a	1,792,384	(1,792,384)	–
Investment in subsidiaries	a,d	–	2,089,034	2,089,034
Current Assets				
Prepayments		–	48,520	48,520
Debtors		4,337,089	(48,520)	4,288,569
Cash and cash equivalents		15,311	–	15,311
Total Assets		**6,144,784**	**296,650**	**6,441,434**
Equity				
Issued capital		200,509	–	200,509
Share premium		1,963,998	–	1,963,998
Retained earnings		(1,070,260)	–	(1,070,260)
Share option scheme	d	–	296,650	296,650
Total equity		1,094,247	296,650	1,390,897
Non-Current Liabilities				
Redeemable unsecured loan stock	b	3,467,251	264,139	3,731,390
Interest bearing loans and borrowings		726,161	–	726,161
Current Liabilities				
Interest-bearing loans and borrowings		300,000	–	300,000
Other liabilities	b	557,125	(264,139)	292,986
Total liabilities		5,050,537	–	5,050,537
Total Equity and Liabilities		**6,144,784**	**296,650**	**6,441,434**

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

1. CORPORATE INFORMATION (Continued)

Effects of the transition to IFRS

Company reconciliation of equity as at 31 March 2006

	Notes	***Restated* Irish GAAP *(Note 24)*** €	**Effect of transition to IFRS** €	**IFRS** €
Non-Current Assets				
Financial asset	a	3,419,837	(3,419,837)	–
Investment in subsidiaries	a,d	–	3,798,301	3,798,301
Current Assets				
Prepayments		–	50,383	50,383
Debtors		4,392,318	(50,383)	4,341,935
Cash and cash equivalents		8,742	–	8,742
Total Assets		**7,820,897**	**378,464**	**8,199,361**
Equity				
Issued capital		200,509	–	200,509
Share premium		1,963,998	–	1,963,998
Retained earnings	b	(1,500,624)	–	(1,500,624)
Share warrants	c	–	123,821	123,821
Share option scheme	d	–	378,464	378,464
Total equity		663,883	502,285	1,166,168
Non-Current Liabilities				
Redeemable unsecured loan stock	b	4,190,237	300,981	4,491,218
Interest bearing loans and borrowings	c	2,637,024	(123,821)	2,513,203
Current Liabilities				
Other liabilities	b	329,753	(300,981)	28,772
Total liabilities		7,157,014	(123,821)	7,033,193
Total Equity and Liabilities		**7,820,897**	**378,464**	**8,199,361**

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

1. CORPORATE INFORMATION (Continued)

Notes to the reconciliation of equity as at 1 April 2004, 31 March 2005 and 31 March 2006

(*a*) On transition to IFRS, the company has reclassified its financial assets as investments in subsidiaries stated at cost.

(b) On transition to IFRS, redeemable loan stock was accounted for at amortised cost. The adjustment represents the reclassification of accrued interest on loan stock previously classified under other creditors.

(c) On transition to IFRS, share warrants attached to the Anglo Irish Bank loan were accounted as equity being the difference between fair value of the loan and the proceeds of the loan at the date of loan inception in line with the accounting treatment for compound instruments under IAS 32; 'Financial Instruments: Presentation'. The reclassification is separating the equity element not recognised previously under Irish GAAP.

(d) The cost of investment in subsidiaries has increased by an amount representing the fair value of share options granted to employees of subsidiary undertaking, with a corresponding credit made to the stock option reserve.

2. ACCOUNTING POLICIES

(a) *Basis of preparation*
The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments and share-based payments that have been measured at fair value. The consolidated financial statements are presented in Euro, which is denoted by the symbol '€'.

(b) *Statement of compliance*
The consolidated financial statements of Worldspreads Group Limited are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

1. CORPORATE INFORMATION (Continued)

(c) Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of Worldspreads Group Limited and it's subsidiaries for the year ended 31 March 2007. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

All intercompany balances and transactions, including unrealised profits arising from them, are eliminated.

(d) Significant accounting judgements and estimates

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The most significant judgements and estimates are as follows:

Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen (see note 22).

Fair value of derivative financial instruments

Where the fair value of derivative financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of derivative valuation techniques that include the use of mathematical methods. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

Impairment losses on trade and other receivables

The Group reviews its problem trade and other receivables at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

2. ACCOUNTING POLICIES (Continued)

(d) Significant accounting judgements and estimates (continued)

In addition to specific allowances against individually significant trade and other receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This take into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

Deferred Tax Assets
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(e) Foreign currency

The financial statements are presented in euros, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate ruling at the date of the transaction. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The functional currency of WorldSpreads Limited, the group's UK regulated financial spread betting division is pounds sterling. As at the reporting date, the assets and liabilities of this subsidiary are translated into the presentation currency of Worldspreads Group Limited at the rate of exchange ruling at the balance sheet date and the income statement is translated at the weighted average exchange rate for the year. The exchange differences arising on the translation are taken directly to a separate component of equity.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and provisions for impairment, if any. Property, plant and equipment are depreciated on a straight line basis over their estimated useful economic lives.

The Group uses the following useful lives when calculating depreciation**:**

Furniture and fittings	10 years
Office equipment	10 years
Computer equipment	3 - 4 years

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

2. ACCOUNTING POLICIES (Continued)

(g) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(h) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised over their useful economic lives as follows:

Financial trading system	3 - 4 years
Computer software	3 - 4 years

(i) Financial instruments

The group determines the classification of the financial instruments at initial recognition in accordance with the categories outlined below and re-evaluates this designation at each financial year end. When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Financial assets and financial liabilities at fair value through profit or loss
Financial assets and financial liabilities designated as such on inception are included in this category and relate to derivative financial instruments as shown in the balance sheet.

Sports and financial spread betting contracts are classified as derivatives and are measured initially at fair value on the date on which the derivative contract is entered into and subsequently remeasured at fair value with gains or losses recognised in the income statement.

Determination of fair value
Spread betting contracts and other derivative financial instruments are stated at fair value determined by reference to third party market values (bid prices for long positions and offer prices for short positions).

(j) Trade receivables and trade payables

Assets or liabilities resulting from profits or losses on open positions are reported as trade receivables or trade payables. The amounts are netted against other assets and liabilities with the same counterparty where a legally enforceable netting agreement is in place and where it is anticipated that assets and liabilities will be netted on settlement.

(k) Derecognition of financial assets and liabilities

Financial assets and liabilities are generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

2. ACCOUNTING POLICIES (Continued)

(l) Share-based payment scheme

Eligible employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity settled transactions"). The fair value of the employee services received is measured by reference to the fair value of the shares or share options granted on the date of the grant. The fair value of the shares or options granted is determined using option pricing models, which take into account the exercise price of the option, the share price at date of grant of the option, the risk free interest rate, further details of which are given in note 22.

The cost of the equity-settled transaction with employees, for awards granted after 7 November 2002 which vested after 1 April 2004, is recognised, together with a corresponding increase in equity over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the options ("the vesting date"). The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

(m) Leases

Assets under leasing arrangements that transfer substantially all the risks and rewards of ownership to the Group are classified as finance leases and are capitalised at the inception of the lease at the lower of fair value and the present value of minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement. Capitalised leased asset are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

(n) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and at hand demand deposits and other short term highly liquid investments with maturities of three months or less. For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

2. ACCOUNTING POLICIES (Continued)

(o) Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts. All interest bearing loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

(p) Redeemable convertible loan stock

The redeemable convertible loan stock was converted to ordinary shares on 31 December 2006. On conversion, the entire loan stock including accumulated accrued interest was accounted for as share capital and share premium.

(q) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired.

If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

2. ACCOUNTING POLICIES (Continued)

(r) Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. A provision for impairment of trade receivables is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible

(s) Interest in a joint venture

A jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The Group's interests in joint ventures are recognised using the equity method of accounting.

Under the equity method, the interest in the joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of its net assets, less distributions received and less any impairment in value of individual investments.

The Group income statement reflects the share of the jointly controlled entity's results after tax. The Group statement of changes in equity reflects the Group's share of any income and expense recognised by the jointly controlled entity outside profit and loss.

The Group will discontinue the use of the equity method from the date on which it ceases to have joint control over a jointly controlled entity.

(t) Revenue recognition

Revenue is measured at the fair value of consideration received, excluding value-added tax and betting taxes. The services provided by the Group include sports spread betting, sports fixed odds betting and financial spread betting.

Revenue represents gains and losses on the running of betting markets and trading in financial markets. Open positions are carried at fair market value and gains and losses arising on this valuation are recognised in revenue as well as gains and losses on positions that have closed.

Interest income is recognised as interest accrues using the effective interest method.

(u) Taxes

Current tax assets and liabilities from the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

2. ACCOUNTING POLICIES (Continued)

(u) Taxes (continued)

Deferred income tax is recognised on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

(v) Investment in subsidiaries

Investments are stated at cost, unless, in the opinion of the directors, there has been a permanent diminution in value, in which case an appropriate adjustment is made.

(w) Future changes in accounting policies

The Group has not applied the following new standards, amendments to standards and interpretations (IFRICs) that have been issued by the International Accounting Standards Board (IASB) but are not yet effective:

IFRS 7 – Financial Instruments: Disclosures	(effective 1 January 2007)
IFRS 8 – Operating Segments	(effective 1 January 2009)
Amendment to IAS 1 – Capital Disclosures	(effective 1 January 2007)
IFRIC 8 – Scope of IFRS 2 (Share-based Payment)	(effective 1 May 2006)
IFRIC 9 – Reassessment of Embedded Derivatives	(effective 1 June 2006)
IFRIC 10 – Interim Financial Reporting and Impairment	(effective 1 November 2006)
IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions	(effective 1 March 2007)
IFRIC 12 – Service Concession Arrangements	(effective 1 January 2008)

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

2. ACCOUNTING POLICIES (Continued)

(w) *Future changes in accounting policies (continued)*
These will be adopted in future years and are not expected to have a material impact on the Group's results. IFRS 7 and the Amendment to IAS 1 will result in additional disclosures relating to capital and risk management policies and processes.

3. INTEREST IN JOINT VENTURES

	2007
	€
At beginning of year	–
Investment in joint ventures	21,001
Share of results	12,393
At end of year	33,394
Group's share of*:*	
Current assets	40,764
Current liabilities	(7,370)
Interests in joint ventures	**33,394**
Income	16,807
Expenses	(4,414)
Share of results of joint venture	**12,393**

WorldSpreads Group Limited has a 50% interest in Phumelela Gaming and Leisure Service (PTY) Limited, a jointly controlled entity which offers sports spread betting to clients in South Africa. This joint venture began in June 2006.

WorldSpreads Group Limited has a 50% interest in WorldSpreads Finanzservice GmbH, a jointly controlled entity which will offer financial spread betting to the Austria and German markets. This joint venture did not begin trading until post year end.

At 31 March 2007, the Group had neither capital commitments nor contingent liabilities, whether incurred jointly or otherwise, in relation to its joint ventures.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

4. SEGMENT INFORMATION

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically.

Business segments
The sports betting segment includes spread bets and fixed odds bets on sporting and other events. Financial spread betting includes bets on stock indicies, individual shares, currencies and interest rates. The following tables present revenue and profit and certain assets and liability information regarding the Group's business segments:

	2007		
	Sports betting	*Financial spread betting*	*Total*
	€	*€*	*€*
Revenue			
Sales to external customers	2,373,177	4,297,714	6,580,891
Total Revenue	**2,373,177**	**4,297,714**	**6,580,891**
Operating profit	781,423	(267,469)	513,954
Unallocated operating profit	–	–	18,185
Share of results of joint venture	12,393	–	12,393
Financial income/expense	673	(24,182)	(23,509)
Unallocated financial income/expense	–	–	(566,435)
Income tax expense	(30,903)	(147,580)	(178,483)
Deferred taxation	99,146	1,171,056	1,270,202
Profit after tax	862,732	731,825	1,046,307
As at 31 March 2007			
Assets and liabilities			
Segment assets	5,065,108	17,458,488	22,523,596
Investment in joint venture	33,394	–	33,394
Unallocated group assets	–	–	52,559
Total assets	**5,098,502**	**17,458,488**	**22,609,549**
Segment liabilities	1,463,977	12,067,344	13,531,321
Unallocated liabilities	–	–	2,784,350
Total liabilities	**1,463,977**	**12,067,344**	**16,315,671**
Other Segment information			
Capital expenditure:			
Property, Plant and Equipment	14,921	44,911	59,832
Intangible assets	–	400,085	400,085
Depreciation	13,814	44,260	58,074
Amortisation	–	230,245	230,245

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

4. SEGMENT INFORMATION (Continued)

	2006		
	Sports betting	*Financial spread betting*	*Total*
	€	*€*	*€*
Revenue			
Sales to external customers	1,285,592	1,896,604	3,182,196
Total Revenue	**1,285,592**	**1,896,604**	**3,182,196**
Operating profit	93,344	(785,298)	(691,954)
Unallocated operating profit			(152,068)
Financial income/expense	(11,360)	30,999	19,639
Unallocated financial income/ expense			(378,775)
Income tax expense	(8,489)	(86,875)	(95,364)
Profit after tax	73,495	(841,174)	(1,298,522)
As at 31 March 2006			
Assets and Liabilities			
Segment assets	3,358,011	6,154,989	9,513,000
Unallocated group assets	–	–	59,125
Total assets	**3,358,011**	**6,154,989**	**9,572,125**
Segment liabilities	1,271,906	3,269,481	4,541,387
Unallocated liabilities	–	–	7,032,474
Total liabilities	**1,271,906**	**3,269,481**	**11,573,861**
Other Segment information			
Capital expenditure:			
Property, Plant and Equipment	10,488	79,822	90,310
Intangible assets	12,209	600,451	612,660
Depreciation	109,689	72,960	182,649
Amortisation	8,141	3,354	11,495

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

4. SEGMENT INFORMATION (Continued)

	2005		
	Sports betting	*Financial spread betting*	*Total*
	€	*€*	*€*
Revenue			
Sales to external customers	1,532,312	911,021	2,443,333
Total Revenue	1,532,312	911,021	2,443,333
Operating profit	(465,317)	(738,829)	(1,204,146)
Unallocated operating profit	–	–	(497,597)
Financial Income/expense	(26,045)	3,740	(22,305)
Unallocated financial Income/expense	–	–	(269,553)
Income tax expense	(2,500)	(30,697)	(33,197)
Profit after tax	(493,862)	(765,786)	(2,026,798)
As at 31 March 2005			
Assets and liabilities			
Segment assets	3,151,502	2,945,179	6,096,681
Unallocated group assets	–	–	63,901
Total assets	3,151,502	2,945,179	6,160,582
Segment liabilities	1,184,927	850,754	2,035,681
Unallocated liabilities	–	–	5,073,412
Total liabilities	1,184,927	850,754	7,109,093
Other Segment information			
Capital expenditure:			
Property, Plant and Equipment	30,165	43,411	73,576
Intangible assets	32,004	11,899	43,903
Depreciation	140,051	31,744	171,795
Amortisation	4,283	1,994	6,277

Unallocated assets and liabilities comprise prepayments and other debtors, cash and cash equivalents and accruals which are not specifically attributable to business segments.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

4. SEGMENT INFORMATION (Continued)

Geographical Segments

The following tables present revenue, expenditure and external asset information regarding the Group's geographical segments:

	2007		
	Republic of Ireland	*UK*	*Total*
	€	*€*	*€*
Revenue:			
Sales to external customers	3,758,095	2,822,796	6,580,891
Total segment assets	9,754,969	12,854,580	22,609,549
Capital Expenditure:			
Property, Plant and Equipment	23,050	36,782	59,832
Intangible asset	135,650	264,435	400,085

	2006		
	Republic of Ireland	*UK*	*Total*
	€	*€*	*€*
Revenue:			
Sales to external customers	2,627,591	554,605	3,182,196
Total segment assets	6,965,443	2,606,682	9,572,125
Capital expenditure:			
Property, Plant and Equipment	25,156	65,154	90,310
Intangible asset	281,265	331,395	612,660

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

4. SEGMENT INFORMATION (Continued)

	2005		
	Republic of Ireland	*UK*	*Total*
	€	**€**	**€**
Revenue:			
Sales to external customers	2,435,054	8,279	2,443,333
Total external assets	5,229,048	931,534	6,160,582
Capital Expenditure			
Property, Plant and Equipment	33,612	39,964	73,576
Intangible assets	43,903	–	43,903
	77,515	39,964	117,479

5. REVENUE

	2007	*2006*	*2005*
	€	*€*	*€*
Income from fixed odds betting	197,268	308,733	290,025
Spread betting brokerage activities	6,383,623	2,873,463	2,153,308
	6,580,891	3,182,196	2,443,333

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

6. COST OF SALES	*2007*	*2006*	*2005*
	€	€	€
Brokerage commissions	181,614	188,071	–
Betting duty	126,781	90,698	85,998
	308,395	278,769	85,998

7. ADMINISTRATIVE EXPENSES	*2007*	*2006*	*2005*
	€	€	
Wages and salaries	1,773,973	1,718,215	1,151,562
Share-based payment scheme *(note 22)*	–	81,814	296,650
Worldspreads Limited UK set-up costs	–	–	1,105,038
Social welfare costs	391,966	187,204	123,840
Depreciation	58,074	185,921	171,795
Amortisation	230,245	8,223	6,277
Auditors' remuneration	129,971	64,433	40,065
Exchange translation	74,919	(1,040)	(1,050)
Provision for impairment of trade receivables	437,602	95,467	168,373
Severance payments	154,899	–	–
Advertising and marketing expenses	348,892	183,537	132,812
Reuters / Bloomberg fees	345,757	94,350	87,003
Introductory commission	367,776	–	–
Legal expenses	101,351	160,375	5,912
Telephone and postage	155,071	126,692	70,939
Operating lease expense	174,034	180,586	69,943
Software maintenance	507,339	460,816	218,387
Travel and accommodation	109,921	61,016	67,194
Other	378,567	139,840	344,338
	5,740,357	3,747,449	4,059,078

The average number of persons employed by the Group during the year was as follows:

	2007	*2006*	*2005*
	Number	*Number*	*Number*
Administration	10	10	7
Sports trading	8	8	8
Financial trading	12	12	11
	30	30	26

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

8.	FINANCE INCOME	*2007*	*2006*	*2005*
		€	€	€
	Interest income	52,217	53,283	6,767

9.	FINANCE EXPENSE	*2007*	*2006*	*2005*
		€	€	€
	Interest on finance lease	1,395	7,295	20,391
	Bank loan and overdraft interest	412,525	228,255	14,095
	Interest on loan stock	228,241	176,869	264,139
		642,161	412,419	298,625

10.	TAX	*2007*	*2006*	*2005*
		€	€	€
	Current income tax:			
	Current income tax charge	182,773	114,545	33,197
	Adjustments in respect of current income tax in prior years	(4,290)	(19,181)	–
		178,483	95,364	33,197
	Deferred Taxation			
	Relating to origination and reversal of temporary differences	(43,246)	–	–
	Relating to previously unrecognised tax losses	(1,226,956)	–	–
	Tax (credit)/charge in the income statement	(1,091,719)	95,364	33,197

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

10. TAX (Continued)

A reconciliation between taxation on profits at the Irish Corporation Tax rate and the Group's actual tax (credit)/charge is as follows:

	2007	*2006*	*2005*
	€	*€*	*€*
Profit /(loss) before tax at 12.5%	20,968	(150,395)	(212,119)
Effects of:			
Expenses not deductible	169,849	285,240	–
Income taxed at higher rate	893	4,545	–
Capital allowances and non taxable income	(4,951)	(24,808)	–
Group relief	(3,986)	(37)	–
Prior year adjustments	(4,290)	(19,181)	–
Unrecognised tax losses	(1,226,956)	–	–
Accelerated capital allowances	(43,246)	–	–
Losses not available for surrender	–	–	245,316
Taxation (credit)/charge for year	(1,091,719)	95,364	33,197

Deferred Income Tax

Deferred income tax at 31 March relates to the following:

	Consolidated Balance sheet			*Consolidated Income statement*		
	2007	*2006*	*2005*	*2007*	*2006*	*2005*
	€	*€*	*€*	*€*	*€*	*€*
Deferred income tax assets:						
Accelerated capital allowances	43,246	–	–	43,246	–	–
Losses available for offset against future taxable income	1,226,956	–	–	1,226,956	–	–
Profit after tax	1,270,202	–	–	1,270,202	–	–

The group has tax losses in the Republic of Ireland of €793,164 (2006: €793,164, 2005: 792,876) and in United Kingdom of €3,768,793 (2006: €3,056,858, 2005: €1,295,019) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. Deferred tax assets have been recognised in respect of these losses as it is probable that future taxable profit would be available against which the tax losses can be utilised.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

11. EARNINGS PER SHARE	*2007*	*2006*	*2005*
	€	€	€
Basic			
Profit/(loss) attributable to ordinary shareholders	1,046,307	(1,298,522)	(2,026,798)
Weighted average number of shares in issue during the year for basic earnings per share	16,346,409	13,367,262	13,367,262
Basic earnings/(loss) per share	0.064	(0.097)	(0.151)
Diluted			
Profit/(loss) attributable to ordinary shareholders	1,046,307	(1,298,522)	(2,026,798)
Weighted average number of shares in issue during the year for basic earnings per share	16,346,409	13,367,262	13,367,262
Effect of dilution:			
Number of shares under option	3,992,500	–	–
Number of shares that would have been issued at average market price	(3,992,500)	–	–
Share warrant	175,000	–	–
Redeemable unsecured loan stock	–	–	–
Weighted average number of ordinary shares adjusted for the effect of dilution	16,521,409	13,367,262	13,367,262
Diluted earnings/(loss) per share	0.063	(0.097)	(0.151)

After the balance sheet date the company issued 932,719 shares at €0.6284 for a total consideration of €586,121 at full market value. Share options, share warrants and redeemable unsecured loan stock could potentially dilute basic earnings per share but were not included in the calculation of diluted earnings per share for the years ended 31 March 2005 and 31 March 2006 because they are anti-dilutive for the years then ended.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

12. PROPERTY, PLANT AND EQUIPMENT

2007	*Office equipment* €	*Computer equipment* €	*Furniture & fittings* €	*Total* €
GROUP				
Cost				
Opening balance	103,843	918,449	110,367	1,132,659
Additions during year	5,239	40,156	14,437	59,832
Translation	2,587	2,173	1,049	5,809
At 31 March 2007	111,669	960,778	125,853	1,198,300
Depreciation				
Opening balance	30,559	596,171	38,139	664,869
Charged in year	16,121	30,346	11,607	58,074
Translation	1,851	998	–	2,849
At 31 March 2007	48,531	627,515	49,746	725,792
Net book value				
At 31 March 2007	63,138	333,263	76,107	472,508

2006	*Office equipment* €	*Computer equipment* €	*Furniture & fittings* €	*Total* €
GROUP				
Cost				
Opening balance	88,255	849,692	108,346	1,046,293
Additions during year	18,631	69,658	2,021	90,310
Translation	(3,043)	(901)	–	(3,944)
At 31 March 2006	103,843	918,449	110,367	1,132,659
Depreciation				
Opening balance	21,195	439,262	25,097	485,554
Charged in year	12,625	156,982	13,042	182,649
Translation	(3,261)	(73)	–	(3,334)
At 31 March 2006	30,559	596,171	38,139	664,869
Net book value				
At 31 March 2006	73,284	322,278	72,228	467,790

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

2005	*Office equipment* €	*Computer equipment* €	*Furniture & fittings* €	*Total* €
Cost				
Opening balance	58,396	809,018	105,303	972,717
Additions during year	29,859	40,674	3,043	73,576
At 31 March 2005	88,255	849,692	108,346	1,046,293
Depreciation				
Opening balance	11,743	287,593	14,423	313,759
Charged in year	9,452	151,669	10,674	171,795
At 31 March 2005	21,195	439,262	25,097	485,554
Net book value				
At 31 March 2005	67,060	410,430	83,249	560,739
At 31 March 2004	46,653	521,425	90,880	658,958

The carrying value of computer equipment held under finance leases was €nil (2006: €10,622, 2005: €191,191).

13. INTANGIBLE ASSETS

2007	*Computer Software* €	*Financial trading systems* €	*Total* €
Cost			
Opening balance	67,786	588,777	656,563
Additions during year	1,206	398,879	400,085
Translation	–	7,367	7,367
At 31 March 2007	68,992	995,023	1,064,015

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

13. INTANGIBLE ASSETS (Continued)

2007	*Computer Software*	*Financial trading systems*	*Total*
Amortisation			
Opening balance	17,772	–	17,772
Charged in year	14,416	215,829	230,245
Translation	–	(371)	(371)
At 31 March 2007	32,188	215,458	247,646
Net book value			
At 31 March 2007	36,804	779,565	816,369

2006	*Computer Software*	*Financial trading systems*	*Total*
Cost			
Opening balance	43,903	–	43,903
Additions during year	23,883	588,777	612,660
Translation	–	–	–
At 31 March 2006	67,786	588,777	656,563
Amortisation			
Opening balance	6,277	–	6,277
Charged in year	11,495	–	11,495
Translation	–	–	–
At 31 March 2006	17,772	–	17,772
Net book value			
At 31 March 2006	50,014	588,777	638,791

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

13. INTANGIBLE ASSETS (Continued)

2005	*Computer Software*	*Total*
Cost		
Opening balance	–	–
Additions during year	43,903	43,903
At 31 March 2005	43,903	43,903
Amortisation		
Opening balance	–	–
Charged in year	6,277	6,277
At 31 March 2005	6,277	6,277
Net book value		
At 31 March 2005	37,626	37,626
At 31 March 2004	–	–

14. INVESTMENT IN SUBSIDIARIES

	The Company *€*
Investments in subsidiary undertakings at cost	
Movement during the year:	
As at 1 April 2004	173,826
Funds invested in WorldSpreads Limited	1,618,558
Share option scheme in subsidiary	296,650
As at 31 March 2005	2,089,034
Funds invested in WorldSpreads Limited	1,627,453
Share option scheme in subsidiary	81,814
As at 31 March 2006	3,798,301
Funds invested in WorldSpreads Limited	1,672,826
As at 31 March 2007	5,471,127

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

14. INVESTMENT IN SUBSIDIARIES (Continued)

	Percentage of ordinary share capital held by the company	*Activity*
Sports Spread Betting (Ireland) Limited	100%	Provision of a betting market
Supreme Odds Limited	100%	Provision of a betting market
WorldSpreads (Ireland) Limited (formerly known as Share Spread Limited)	100%	Provision of a betting market
WorldSpreads Limited	100%	Provision of a betting market
Leisure Spread (NI) Limited	100%	Non-Trading

WorldSpreads (Ireland) Limited, Sports Spread Betting (Ireland) Limited and Supreme Odds Limited are incorporated in the Republic of Ireland, and have their registered offices at 8 The Anchorage Business Park, Charlotte Quay, Dublin 4. WorldSpreads Limited is incorporated in the United Kingdom and has its registered office at Walmar House, 296 Regent Street, London. Leisure Spread (Northern Ireland) Limited has its registered office at 86 Hill Street, Newry.

In the opinion of the directors, the carrying value of the investment in subsidiary companies does not differ significantly from the recoverable value.

15. DERIVATIVE FINANCIAL INSTRUMENTS

The tables below show the fair value of derivative financial instruments, recorded as assets or liabilities, together with total number of open bets.

	Assets 2007 €	*Liabilities 2007 €*	*Number of open bets*
Sports spread betting contracts	2,470,065	857,987	494
Financial spread betting contracts	3,656,358	4,864,166	1,883
	6,126,423	5,722,153	2,377

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

15. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

	Assets 2006 €	*Liabilities 2006* €	*Number of open bets*
Sports spread betting contracts	1,309,450	524,311	517
Financial spread betting contracts	1,781,185	108,302	585
	3,090,635	632,613	1,102

	Assets 2005 €	*Liabilities 2005* €	*Number of open bets*
Sports spread betting contracts	1,009,074	381,401	577
Financial spread betting contracts	604,099	80,347	292
	1,613,173	461,748	869

The number of open bets indicate the volume of transactions outstanding at the year end and are indicative of neither the market nor the credit risk.

16. TRADE AND OTHER RECEIVABLES

	2007 €	*2006* €	*2005* €
Group			
Trade receivables	5,109,033	2,389,188	2,250,786
Other debtors	76,474	96,916	–
Impairment provision	(424,855)	(284,560)	(203,236)
	4,760,652	2,201,544	2,047,550

	2007 €	*2006* €	*2005* €
Movement in the provisions for impairment:			
As at 1 April	284,560	203,236	34,863
Charge for the year	437,602	95,467	168,373
Amount written off during the year	(297,307)	(14,143)	–
As at 31 March	424,855	284,560	203,236

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

16. TRADE AND OTHER RECEIVABLES (Continued)

A minority of the Group's clients are permitted to deal without funds on their account or in circumstances where they may be exposed to losses greater than the cash balance on their account. These credit facilities are granted under the terms of the Group's formal credit policies. As a result of this the Group is exposed to credit risk from time to time if a debtor is unable to pay the sums due to the Group. The Group makes impairment provisions against these actual or potentially unrecoverable debts.

Company			
Amounts due from group companies	6,760,129	4,341,935	4,288,569
	6,760,129	4,341,935	4,288,569

17. CASH AND CASH EQUIVALENTS

	2007	*2006*	*2005*
	€	€	€
Group			
Cash at bank and in hand	9,005,089	3,042,580	1,654,829
Company			
Cash at bank and in hand	2,177	8,742	15,311

Cash at bank earns interest at floating rates based on Euribor and Libor plus a margin. The fair value of cash and marketable securities is €9,005,089 (2006: €3,042,580, 2005: €1,654,829).

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following at 31 March:

	2007	*2006*	*2005*
	€	€	€
Cash at bank and in hand	9,005,089	3,042,580	1,654,829
Bank overdrafts *(note 20)*	(655,890)	–	–
	8,349,199	3,042,580	1,654,829

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

18. ISSUED SHARE CAPITAL

	2007	*2006*	*2005*
	€	*€*	*€*
Authorised			
50,000,000 Ordinary shares of €0.015 each	750,000	750,000	750,000

	2007	*2006*	*2005*
	€	*€*	*€*
Ordinary shares issued and fully paid			
25,283,852 Ordinary shares of €0.015 each	379,258	200,509	200,509

Movement in allotted, called up and fully paid share capital.

	2007	*2006*	*2005*	*2007*	*2006*	*2005*
	Number	*Number*	*Number*	*€*	*€*	*€*
Balance at 1 April	13,367,262	13,367,262	13,367,262	200,509	200,509	200,509
New issue of shares for cash	3,539,540	–	–	53,093	–	–
Conversion of loan stock	8,377,050	–	–	125,656	–	–
At 31 March	25,283,852	13,367,262	13,367,262	379,258	200,509	200,509

During the year ended 31 March 2007 the allotted, called up and fully paid share capital was increased from €200,509 to €379,258 as in December 2006, 8,377,050 shares were issued as a result of the conversion of the loan stock and accrued interest. In addition 3,539,540 shares were issued for cash at a rate of 0.6284 to fund continued expansion of the group's financial trading product in Ireland and the UK. The proceeds amounting to €2,224,247 was split between share capital of €53,093 and share premium of €2,171,154.

Merger reserve

During the year ended 31 March 2002 the Group underwent a reconstruction programme. The share capital of Sports Spread Betting (Ireland) Limited and SSP Limited was acquired by the Group. The shareholders of Sports Spread Betting (Ireland) Limited and SSP Limited were issued shares in WorldSpreads Group Limited (previously know as Leisure Spread Limited) in proportion to their holding in Sports Spread Betting (Ireland) Limited and SSP Limited. The group's reconstruction met the conditions as set out under Irish GAAP and in accordance with that standard, the merger reserve was created. On transition to IFRS, no adjustment was carried out due to availment of exemption under IFRS 1 in respect of applicability of IFRS 3 "Business Combinations".

18. ISSUED SHARE CAPITAL (Continued)

Other reserves
Reserves arising on foreign currency movements on the translation of the UK subsidiary.

Share warrants
In June 2005 the Company entered into a loan facility agreement with Anglo Irish Bank. Under the terms of this agreement, Anglo Irish Bank ("warrant holder") received a warrant over 175,000 shares at par value in the company. The warrant holder has a right to subscribe in cash at the par value i.e. €0.015 within the subscription period which is the period commencing on the final payment date as per the agreement or, if earlier, the date on which the loan becomes due or is otherwise repaid and expiring on 31 May 2008.

A loss of €335,091 (2006: €430,364, 2005: €766,729) of the Group loss attributable to ordinary shareholders is dealt with in the accounts of the parent undertaking. The company is availing of the exemption set out in section 148(8) of the Companies Act, 1963 and section 7(IA) of the Companies (Amendment) Act, 1986 from presenting its individual profit and loss account to the annual general meeting and from filing it with the Register of Companies.

19. 5% REDEEMABLE CONVERTIBLE LOAN STOCK

On a number of occasions between 30 May 2003 and 30 June 2006 the group issued 5% redeemable convertible loan stock. Under the terms of the loan stock instrument the maximum monetary value of loan stock that could be issued was €5,500,000. The full amount of the loan stock was issued between the dates referred to above. On 12 December 2006, the company redeemed loan stock to the value of €750,000.

Under the terms of the instrument, the stock could be repaid at par value plus accrued interest on 31 March 2008 if it had not previously been converted to ordinary shares; or converted into ordinary shares at a conversion rate of 0.6284. On 13 December 2006, the loan stock holders voted to convert their loan stock in the amount of €4,750,000, plus accrued interest in the amount of €514,138 into ordinary shares in the company resulting in the issuance of 8,377,050 ordinary shares of €0.015 each in the company. Loan stock issues expenses in the amount of €305,567 were expensed to the income statement.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

20. INTEREST BEARING LOANS AND BORROWINGS

GROUP

	Effective Interest rate %	*Maturity*	*2007 €*	*2006 €*	*2005 €*
Current					
Bank overdrafts	7%	June 2008	655,890	–	–
Royal Bank of Scotland loan	7%	June 2008	441,437	431,841	–
Anglo Irish Bank loan	13.68%	May 2008	2,660,529	_	_
GEM Management Limited loan	–	June 2006	–	–	300,000
Obligations under finance lease *(note 23)*	8.27%	February 2008	9,092	17,177	105,444
			3,766,948	449,018	405,444
Non current					
Anglo Irish Bank loan	13.68%	May 2008		2,513,203	726,161
Obligations under finance lease *(note 23)*	8.27%	February 2008	–	9,092	26,269
			–	2,522,295	752,430

COMPANY

	Effective Interest rate %	*Maturity*	*2007 €*	*2006 €*	*2005 €*
Current					
Anglo Irish Bank loan	13.68%	May 2008	2,660,529	–	–
GEM Management Limited loan	–	June 2006	–	–	300,000
			2,660,529	_	300,000
Non Current					
Anglo Irish Bank Loan	13.68%	May 2008	–	2,513,203	726,161
			–	2,513,203	726,161

Bank overdrafts

The bank overdrafts are secured by a guarantee pledged by the Group and an unscheduled mortgage debenture by the Group incorporating a fixed and floating charge over all the current and future assets of the Group.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

20. INTEREST BEARING LOANS AND BORROWINGS (Continued)

Bank Loans
The Group has banking facilities with Anglo Irish Bank plc and Royal Bank of Scotland plc. The facility from Anglo Irish Bank plc amounted to €2,660,529 at 31 March 2007 and is repayable in full on 31 May 2008. It is secured by a second unscheduled mortgage debenture by the Group incorporating a fixed and floating charge over all the current and future assets of the Group. The facility from Royal Bank of Scotland plc amounted to €441,437 and is renewable on an annual basis. It is secured by a first unscheduled mortgage debenture by the Group incorporating a fixed and floating charge over all the current and future assets of the Group.

21. TRADE AND OTHER PAYABLES

	2007	*2006*	*2005*
	€	€	€
Group			
Trade payables	6,053,219	2,830,581	969,270
Accrued expenses	773,351	648,136	788,811
	6,826,570	3,478,717	1,758,081

	2007	*2006*	*2005*
	€	€	€
Company			
Accrued expenses	–	28,772	292,986
Other payables	1,617,730	–	–
	1,617,730	28,772	292,986

22. SHARE-BASED PAYMENT PLAN

The expense recognised for employee service received during the year is as follows:

	2007	*2006*	*2005*
	€	€	€
Expense arising from equity-settled share-based payment transactions *(note 7)*	–	81,814	296,650
	–	81,814	296,650

The Group's share option scheme is available for eligible employees who are nominated by the Remuneration Committee at its absolute discretion. There are no conditions to the vesting of the options and they vest immediately on the grant date.

22. SHARE-BASED PAYMENT PLAN (Continued)

The fair value of the options granted is estimated at the date of the grant using the Black Scholes model taking into account the terms and conditions upon which the options were granted.

The contractual life of the options is seven years and there is no cash settlement alternative.

Movements in the year
The following table illustrates the number (No.) and weighted average exercise price (WAEP) of, and movements in, share options during the year.

	2007		*2006*		*2005*	
	No.	*WAEP €*	*No.*	*WAEP €*	*No.*	*WAEP €*
Outstanding at 1 April	3,992,500	0.6284	3,595,000	0.6284	1,850,000	0.6284
Granted during the year	–	–	397,500	0.6284	1,745,000	0.6284
Outstanding at 31 March	3,992,500	0.6284	3,992,500	0.6284	3,595,000	0.6284
Exercisable at 31 March	3,992,500	0.6284	3,992,500	0.6284	3,595,000	0.6284

No options were granted during the year ended 31 March 2007. The weighted average fair value of options granted during 2006 was €0.21 (2005: €0.17).

Included in the number of options outstanding at the beginning of the year is 1,850,000 shares that have not been recognised in accordance with IFRS 2 Share-based Payment as the options were granted after 7 November 2002 but were vested before 1 April 2004. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

The weighted average remaining contractual life for the share options outstanding as at 31 March 2007 is 5.77 years (2006: 6.77 years, 2005: 7.60 years).

The exercise price for options outstanding at the end of the year was €0.6284 (2006: €0.6284, 2005: €0.6284).

The following table lists the inputs to the model used for the year end 31 March 2006 and 31 March 2005.

	2006	*2005*
Expected volatility	20.5%	19.9%
Risk-free rate	4.44 %	4.44%
Life of option (years)	6.55 years	5 years
Weighted average share price	€0.6284	€0.6284
Exercise price	€0.6284	€0.6284
Dividend yield	Nil	Nil

22. SHARE-BASED PAYMENT PLAN (Continued)

The expected life of the options is based on historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends which may not necessarily be the actual outcome.

23. COMMITMENTS

Finance lease commitments
The Group has a finance lease for computer equipment. The original value of the lease was €42,500 and it was for a term of 60 months. At 31 March 2007, 11 months of the lease term was outstanding. There is an option to purchase the goods covered by the lease for a nominal value at the end of the lease term or to enter into a secondary lease period.

Future minimum lease payments under finance lease together with the present value of net minimum lease payments are as follows:

	2007		*2006*		*2005*	
	Minimum payment	*Present value of payments*	*Minimum payment*	*Present value of payments*	*Minimum payment*	*Present value of payments*
	€	*€*	*€*	*€*	*€*	*€*
Within 1 year	9,472	9,092	18,572	17,177	114,197	105,444
After 1 year but not more than 5 years	–	–	9,472	9,092	28,044	26,269
After 5 years	–	–	–	–	–	–
Total minimum lease payments	9,472	9,092	28,044	26,269	142,241	131,713
Less amounts representing finance charges	(380)	–	(1,775)	–	(10,528)	–
Present value of minimum lease payments	9,092	9,092	26,269	26,269	131,713	131,713

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

23. COMMITMENTS (Continued)

Operating lease commitments

At 31 March 2007 the group was committed to making the following payments under non-cancellable operating leases in the year to 31 March 2008.

	Land and buildings			*Other*		
	2007	*2006*	*2005*	*2007*	*2006*	*2005*
	€	*€*	*€*	*€*	*€*	*€*
Operating lease which expire						
Within one year	–	–	–	3,022	19,453	–
Between two and five years	155,848	161,227	–	–	–	–
After five years	–	–	–	–	–	–
	155,848	161,227	–	3,022	19,453	–

24. PRIOR YEAR ADJUSTMENT

Under Irish GAAP, certain indirect expenses amounting to €305,567 (2005: 275,317, 2004: €251,117) were included, in error, under prepayments. These expenses should have been expensed to the profit and loss when incurred.

A prior year adjustment has been made in the financial statements to write off the expenses and increase the loss by this amount. This prior year adjustment corrects this error by adjusting the prepayments and the retained earnings as at 31 March 2006 by €305,567, as at 31 March 2005 by €275,317 and as at 1 April 2004 by €251,117 and by increasing the loss for the year ended 31 March 2005 by €24,200 and 31 March 2006 by €30,250. The effect of this adjustment has reduced the basic and diluted earnings per share for the year ended 31 March 2006 by €0.002 per share (2005: €0.002).

25. RELATED PARTY TRANSACTIONS

The financial statements include the financial statements of Worldspreads Group Limited and the subsidiaries listed in note 14.

Remuneration of key management personnel

	2007	*2006*	*2005*
	€	*€*	*€*
Directors' compensation			
Directors' fees	52,927	41,227	52,363
Salaries and other emoluments	267,687	219,113	160,581
	320,614	260,340	212,944
Other key management compensation			
Salaries and other emoluments	76,000	72,000	50,000
	76,000	72,000	50,000

Key management personnel comprise those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any directors (whether executive or otherwise) of the entity.

Directors' interests in an employee share option scheme

Share options held by executive members of the Board of Directors' to purchase ordinary shares have the following expiry dates and exercise prices:

	Expiry date	*Exercise price*	*Number*
2007	14/12/2011	0.6284	1,350,000
	30/03/2013	0.6284	980,000
2006	14/12/2011	0.6284	1,350,000
	30/03/2013	0.6284	980,000
2005	14/12/2011	0.6284	1,350,000
	30/03/2013	0.6284	980,000

There were no related party transactions in the parent company during the year except for directors' interests in share option scheme detailed above.

26. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group's principal financial instruments comprise derivatives, bank loans and overdrafts, convertible loan stock, finance leases and trade payables.

Derivative financial instruments represent open sports spread betting and financial spread betting positions. The main purpose of the other financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and short-term deposits which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, market risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks which are summarised below.

Credit Risk
The Group monitors credit risk closely and it is Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant.

The Group has no significant concentrations of credit risk. Amounts in the balance sheet best represent the maximum credit risk exposure in the event other parties fail to perform their obligations under financial instruments.

Liquidity Risk
The Group's policy is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance leases. It is Group policy to ensure that resources are available at all times to enable the company meet its liquidity risk obligations.

Market risk
Market risk includes interest rate risk and currency risk.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect the future cashflows or fair values of financial instruments.

The Group's exposure to risk of changes in market interest rates relates primarily to its bank borrowings. In addition, the group has an interest rate exposure arising from its trading activities which is hedged in accordance with the group's management of its overall market risk. The group has exposure to overnight interest rates arising from its cash and broker balances.

The Group monitors all exposures on a real time basis and uses a variety of hedging techniques to bring all exposures to within agreed limits.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

27. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Continued)

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risks:

Year ended 31 March 2007

	Within 1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*More than 5 years*
Fixed rate						
Obligations under finance leases	9,092	–	–	–	–	–
	9,092	–	–	–	–	–
Floating rate						
Cash and cash equivalents	834,533	-	-	-	-	-
Bank overdrafts	655,890	–	–	–	–	–
Bank loan	3,101,966	_	–	–	–	–
	4,592,389	_	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

26. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Continued)

Year ended 31 March 2006

	Within 1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*More than 5 years*
Fixed rate						
Loan stock	–	–	4,491,218	–	–	–
Obligations under finance leases	17,177	9,092	–	–	–	–
	17,177	9,092	4,491,218	–	–	–
Floating rate						
Cash and cash equivalents	1,782,677	–	–	–	–	–
Bank Loan	431,841	–	2,513,203	–	–	–
	2,214,518	–	2,513,203	–	–	–

Year ended 31 March 2005

	Within 1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*More than 5 years*
Fixed rate						
Loan stock	–	–	–	3,731,390	–	–
Obligations under finance leases	105,444	17,177	9,092	–	–	–
Floating rate						
Bank loan	_	–	–	726,161	–	–
GEM Management Limited loan	300,000	–	–	–	–	–
	405,444	17,177	9,092	4,457,551	–	–

The other financial instruments that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

26. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Continued)

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on position by currency. Positions are monitored daily and hedging strategies are used to ensure positions are maintained within established limits.

The table below indicates the currencies to which the Group had exposures that give rise to net currency gains and losses in the income statement.

Year ended 31 March 2007

	Change in currency rate %	*Effect on profit before tax* *€*	*Effect on equity* *€*	*Total* *€*
USD	10.0%	(1,500)	–	(1,500)
GBP	2.4%	(73,419)	(138,330)	(211,749)

Year ended 31 March 2006

	Change in currency rate %	*Effect on profit before tax* *€*	*Effect on equity* *€*	*Total* *€*
USD	6.0%	(3,750)	–	(3,750)
GBP	1.3%	4,790	39,662	44,452

Year ended 31 March 2005

	Change in currency rate %	*Effect on profit before tax* *€*	*Effect on equity* *€*	*Total* *€*
USD	5.4%	–	–	–
GBP	3.1%	1,050	(19,233)	(18,183)

NOTES TO THE FINANCIAL STATEMENTS
31 March 2007 (Continued)

27. FINANCIAL INSTRUMENT

Fair Values

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements.

	Carrying Amount			*Fair Value*		
	2007	*2006*	*2005*	*2007*	*2006*	*2005*
	€	*€*	*€*	*€*	*€*	*€*
Financial assets						
Derivative financial instruments	6,126,423	3,090,635	1,613,173	6,126,423	3,090,635	1,613,173
Cash	9,005,089	3,042,580	1,654,829	9,005,089	3,042,580	1,654,829
Trade and other receivables	4,760,652	2,201,544	2,047,550	4,760,652	2,201,544	2,047,550
Financial liabilities						
Redeemable unsecured loan stock	–	4,491,218	3,731,390	–	4,491,218	3,731,390
Derivative financial instruments	5,722,153	632,613	461,748	5,722,153	632,613	461,748
Interest bearing loans and borrowings:						
Obligations under finance leases	9,092	26,269	131,713	9,092	26,269	131,713
Bank loans	3,101,966	2,945,044	726,161	2,784,906	2,867,590	726,161
Bank overdraft	655,890	–	–	655,890	–	–
Trade and other payables	6,826,570	3,478,717	1,758,081	6,826,570	3,478,717	1,758,081
Loan from GEM Management Limited	–	–	300,000	–	–	300,000

There are no significant differences between the fair value of the group's financial assets and liabilities and their carrying values in the financial statements. The fair value of derivatives and has been calculated using third party and quoted market prices**.** Floating rate financial liabilities comprise other borrowings that bear interest at rates of between 7% and 13.68%. These borrowings are provided by lenders at margins ranging from 1.5% to 10% over inter-bank rates.

28. AUTHORISED FOR ISSUE

The consolidated financial statements of Worldspreads Group Limited for the year ended 31 March 2007 were authorised for issue by the Board of Directors on 18 July 2007.