

Zetters Group plc - Preliminary Results

Submitted by: Lothbury Financial

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Preliminary results for year ended 31st March 2002

Zetters Group plc, the financial trading and spread betting company, today announces its preliminary results for the year ended 31st March 2002.

Highlights:

- The Group has continued to deliver growth through the provision of new investment products
- The Board of Directors has been strengthened by the appointment of two additional non-executive directors and a finance director
- The Group has acquired, on 20th May 2002, Financial Spreads, the leading financial spread betting business
- Galliano Investments Inc. has been acquired and successfully integrated into IFX Ltd
- The former head office in Clerkenwell has been sold at a substantial profit
- We have proposed to change the name of the company to IFX Group plc
Financial
- Turnover has risen to £15.7 million (2001: £10.6 million)
- Pre-tax profit has increased to £1.6 million (2001: loss £1.5 million)
- Profit before goodwill, exceptional items and taxation amounted to £1.1 million (2001: loss £1.1 million)

· Cash at the year end was £36.5 million (2001 : £26.7 million), of which free capital was £19.4 million (2001: £14.0 million)

Adam Mills, Chairman of Zettlers Group plc, said:

“Although the past twelve months has been a challenging trading period for the Group it has also been one of major change and development. The financial markets in which IFX operates, in particular the foreign exchange market, weakened greatly following the events of 11th September 2001. Market confidence has, however, returned to previous levels and the Group has achieved profitability but has not fully recovered the losses of that period.

“During the year, the Group continued to develop its range of financial products and market opportunities. The acquisitions of Galliano in the year and Financial Spreads after the year end are important steps in the development of the Group into a specialist financial services business.

“I am pleased to report that the new financial year has started encouragingly.”

Commenting on the preliminary results and the proposed change of Company name, Graham Wellesley, chief executive, said:

“We are making excellent progress in our aim to build an integrated, world-class financial services group, benefiting from revenue-enhancing synergies and significant economies of scale. The Company is committed to delivering strong performance whilst maintaining the highest standards in client service, risk management and regulatory compliance.

“Prospects for the current 12 months are good and the adoption of the name IFX Group appropriately reflects the core business of the Company and our strategy of focusing on international financial markets.”

- Ends -

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ZETTERS GROUP PLC

Chairman's Statement

In my first Year End Chairman's Statement, I am pleased to report that the Group has continued to expand its operations both in the UK and overseas, by widening its product range and customer base and developing its internet based trading platforms. This is an evolving process and there is still much work to be done, but I am confident that we are in a much stronger position now than at the start of the year.

Results

The consolidated group profit before tax was £1,615,000 (2001: £1,488,000 loss). This includes an exceptional profit on disposal of the Clerkenwell property of £1,844,000, the exceptional loss of £92,000 on closure of the Traditional Options business, an exceptional cost relating to severance payments to a former group director of £279,000 and a goodwill charge of £921,000. Profit before goodwill amortisation, exceptional items and tax was £1,063,000 (2001: £1,119,000 loss).

Turnover increased to £15,680,000 (2001: £10,562,000). This included £701,000 arising from the Galliano acquisition.

The Balance Sheet has been strengthened by the disposal of the Clerkenwell property and remains ungeared. Consolidated cash as at the year end was £36,492,000 (2001: £26,749,000), which includes the net proceeds of the property disposal. Of that cash, free capital was £19.4 million (2001: £14.0 million). The net asset value of £35,071,000 shows an increase from the £31,387,000 as at 31st March 2001.

The Company has experienced a challenging and volatile year, in common with many other Financial Services businesses. Following a positive start to the year, the financial markets in which IFX operates were severely weakened following the events of 11th September 2001. Widespread uncertainty meant that there was an industry wide retreat as customers waited for confidence to return. Whilst recovery came later in the year, it was insufficient to enable the Company to recover fully the losses made in that period.

Our football pools business once again traded profitably during the year.

Strategy

Our strategy continues to be to increase revenue and profit by expanding into existing and new financial markets, to build a global financial trading and spread betting group. To this end, we continue to explore organic growth through product development and the application of technology to enter new markets and to seek out acquisitions, as evidenced by our recent purchase of Financial Spreads.

Businesses

IFX Ltd is now firmly established as the core business of the Group. It is a dealer and market maker in spot and forward foreign exchange, Over The Counter (“OTC”) currency options, equity derivatives, including Contracts For Difference (“CFDs”), financial spread betting and base and precious metals. Additionally IFX Ltd provides execution and clearing on most global futures and options exchanges.

Zetters International Pools Limited continues to operate the Group's football pools business. It is acknowledged that since the introduction of the National Lottery in 1994, the business is declining, in common with others in the industry. Whilst it is non-core to the Group, the Board is confident that it will continue to trade profitably in the near future.

Operational Progress

IFX has continued to develop its infrastructure throughout the year, giving it the capacity to deal with future increased revenues as they are achieved. In particular, the compliance function and the financial sales team have been expanded during the year.

Attention has also been given to strengthening the trading team in all areas. Allied with this has been the launch during the year of the spread betting trading platform and the release of upgrades for the Foreign Exchange and CFD trading platforms as announced last year. Further upgrades will continue to be released during the current year.

The business has also relocated to purpose built office space in One America Square, to provide a modern trading environment of a high standard.

The development of business overseas is a major element of IFX's planned expansion. The company now has Investment Services Directive ("ISD") passports for all the major EU countries. This coupled with its trading platforms should allow IFX to take advantage of its established overseas sales network.

Dividend

The directors believe that the ongoing expansion of the business will continue to require further investment. The Group will not therefore be declaring a final dividend.

Acquisitions

In December 2001, the Group acquired Galliano Investments Inc. which complements our existing foreign exchange products and widened the customer base into Canada. The business has been successfully integrated into that of IFX, and has fully met our expectations at the time of the acquisition.

On 20th May 2002, we completed the purchase of Financial Spreads, the financial spread betting business. This acquisition complements IFX's significant business in foreign exchange, contracts for difference and other products. Financial Spreads is a rapidly expanding business, with over 7,000 active accounts and, which on average, opens 330 new customer accounts each month. The acquisition also brings with it an excellent team, an innovative business and robust trading technologies. It is an important step in our development as a specialist financial services group, widening our offering to the merged client base and underlining the strategic commitment to provide all customers with the best possible trading technology.

The Board believes that IFX's international contacts should enable us to distribute Financial Spreads' products in continental Europe and the Far East subject to legal and regulatory approvals. We also believe that the risk management policies of IFX integrated into Financial Spreads' own structure will enable the business to increase profitability.

Change of name

As the pools business is no longer core to the overall Group, the Board proposes that the name of the Company should be changed to IFX Group plc, reflecting the core business of the Company and our strategy of focusing on international financial markets. An appropriate resolution will be put to shareholders at the time of the Annual General Meeting.

Directors and employees

The management team has been significantly restructured during the year. Following the resignation of Tony Wollenberg, the previous Chairman, Neil Chisman and I were asked to join the Board as non-executive directors in December 2001. The Board was further strengthened by the appointment of Steve Reeves as Finance Director in January 2002. Steve brings significant financial control and reporting experience in Financial Services.

I would like to take this opportunity to thank the rest of the Board, Graham Wellesley, Lorenzo Naldini, Charles Romilly, Howard Israel, John Brocklebank, our third non-executive director, and the Company Secretary, Divya Amin together with all employees for their hard work in what has not been the easiest of years.

In conclusion

Although the past twelve months has been a challenging trading period for the Group it has also been one of major change and development. The financial markets in which IFX operates, in particular the foreign exchange market, weakened greatly following the events of 11th September 2001. Market confidence has, however, returned to previous levels and the Group has achieved profitability but has not fully recovered the losses of that period.

During the year, the Group continued to develop its range of financial products and market opportunities. The acquisitions of Galliano in the year and Financial Spreads after the year end are important steps in the development of the Group into a specialist financial services business. I am pleased to report that the new financial year has started encouragingly.

Adam Mills
Chairman

30th May 2002

ZETTERS GROUP PLC

Unaudited Consolidated Profit and Loss Account for the year ended 31st March 2002 is available in full at <http://www.zetters.com>