

CMC GROUP PLC
REPORT AND GROUP FINANCIAL STATEMENTS
31 MARCH 2002
Company Registration Number : 2448409

Baker Tilly
Chartered Accountants
Spectrum House
20-26 Cursitor Street
London EC4A 1HY

CMC GROUP PLC

DIRECTORS' REPORT

31 March 2002

The directors have pleasure in presenting their report and the audited financial statements of the group for the year ended 31 March 2002.

Principal activity

The company is an on line trading company and acts as principal and market maker to its clients in foreign exchange, derivatives (including share and index CFD trading, options) and financial spread betting. The company also offers an Internet white labelling trading platform through its CMC Partners program.

Business review and future developments

The year ended 31 March 2002 was another successful year for CMC Group Plc (CMC) following the launch of our financial spread betting service and the continued success of share/index Cfds. Also CMC Partners project and version five software were launched in 2001/02. Net profit before taxation (before staff E.B.T and related items) was £10,644,837 (2001 - £14,654,395).

This year we launched financial spread betting a new product for us. The response can only be described as explosive, primarily because of the quality of our Internet trading platform and the competitiveness of our dealing spreads. In some cases our dealing spreads undercut the competition by 100 percent. The substantial volume of orders and trades that we handled in our first nine months we believe may have exceeded those of the longer term established spread bet companies, with our goal to be the biggest financial spread bet company in the UK. Not a bad achievement for our first year of operation in spread betting.

CMC's aim was to bring financial spread betting into the main stream of financial product trading by reducing trading costs and providing spread bet clients with competitive dealing spreads in line with the normal cash markets. We also introduced the spread bet community to a new product, rolling cash spread bets. This was so clients could deal on the underlying cash price (which they could compare to the market price) and roll the position forward automatically each day. It is noted that we were the first company to provide this service, and following its success, the competition is now following suit.

Despite the dramatic effect that the launch of our spread bet service had during this period, our share and index cfd service again provided sound business through its continued success. Being the only commission free share trading service (through our deal4free.com brand) we continued to attract thousands of customers resulting in millions of orders and trades. Our aim of being the number one company offering share and index cfd trading is becoming a reality as the volumes of orders and trades continue to rise.

Across all products we handled approximately 2.5million orders resulting in excess of 1.5million trades an increase in excess of 120 percent. Client numbers increased by over 100 percent and total trade volumes increased by over 90 percent. Bearing in mind the whole year was dominated by a share bear market and the figures only include around nine months (from start up) of spread bet volumes, we believe 2003 will be an even bigger year. Certainly the first three months of trading for 2002/2003 are encouraging with trading up on the previous first quarter of last year.

CMC continues to grow aggressively because of its dedication to on line trading, the strength of our trading platform, commission free trading (deal4free) competitive pricing and low overheads compared to dealing volumes. With straight through processing, including client equity watch, liquidation module, on line statements and accounts we have a business model that is imminently scaleable that is capable of handling millions of orders and trades at a fraction of normal dealing costs. In effect with software we have eliminated back office requirements and we have built them into the software. This was proved this year with the establishment of our new office in Sydney, Australia, to tackle the Far Eastern markets. The office was set up utilising the dealing infrastructure we have in London and once regulation was approved we were able to launch our dealing products to our Australian clients in a matter of weeks at a fraction of normal infrastructure and staff costs.

CMC GROUP PLC

DIRECTORS' REPORT

31 March 2002

(continued)

Business review and future developments (continued)

We believe that Sydney will be a very successful office for us. Based on early indications there is a big demand for our services and we are already signing up clients and trading through Sydney. We also see Sydney office as a launch pad for the whole pacific region for our normal dealing services and our CMC Partners program.

In addition this year we launched our CMC Partners program which is a white label software module that allows institutions such as banks and brokers to launch our Internet trading software in their own name and trade with their clients with all the trades coming back to CMC. We provide our partners with complete straight through processing including back and middle office. These partners charge their clients their normal commission rates and we see the flows of business. We provide complete I.T back up as well as real-time pricing directly from CMC Dealers. This has opened the door to the corporate market for us and we are in discussions with some very large institutions to provide these partners with our products and services. This is an exciting project for us and next years director's report will reflect more of the progress. It is fair to say that we are all very excited about the CMC Partners project.

CMC is now a successful on line trading service. The platform for our success has been our dedication to Internet trading. By being one of the first companies worldwide to offer on line trading we have built up a good reputation and quality service. The Sunday Times magazine described deal4free.com as Britain's leading on line broker, nobody in the company would disagree with that. During this financial year, we received from Euromoney magazine "The World's Best (non-bank) Forex Trading Platform". A worldwide honour, which we were very pleased to acknowledge and receive.

We have continued to develop our trading platform. This year we launched version 5 of marketmaker software creating more robustness and scalability for the business. New products can be launched quickly and efficiently on the back of our Internet trading platform. Later this year we expect to launch at least one new product and new software. We are hungry for new markets and products and we are now looking further afield with overseas offices. By the end of 2003 we expect to be trading over 10,000 products on line from one trading platform.

We have survived and thrived over the last six years since we launched Internet trading whilst we have seen the .com boom come and go and a two year bear market in the worldwide share markets. We have no doubts that we can survive any type of trading environment because we are a lean operation with straight through processing that is the envy of the financial markets. Also clients find our services extremely attractive, commission free trading is a hard act to follow if you are the competition. We recently moved to new offices back in the City of London and with offices also in Sydney and our CMC Partners projects bringing us overseas business we see ourselves as a global player in the financial markets. We have clients and partners in over 90 countries worldwide and execute over 90 percent of our business on the Internet.

We are extremely optimistic for the future we have new products coming on line and with our CMC partners program we have diversified the business. We now have a software division to the business that provides an additional means to attract business. Not only do we provide dealing capability but we can offer our clients Internet software as well. We certainly have the infrastructure to continue to grow in any market environment and with the strength of our trading platform and our scaleable business model we look forward with great optimism to another successful year.

Results and dividends

The results for the year are shown in the profit and loss account on page 6.

The directors do not recommend the payment of a dividend for the year.

CMC GROUP PLC

DIRECTORS' REPORT

31 March 2002

(continued)

Significant shareholdings

As at 31 March 2002, P.A. Cruddas held 99.9% (2001 - 99.9%) of the company's shares (including his wife's interest).

Directors

The directors of the company and their interests in the shares of the company were as follows:

	Ordinary shares of £1 each	
	31 March 2002	31 March 2001
P.A. Cruddas - Chairman	348,000	348,000
A. Pabari	-	-
J. Bradbury	-	-
R. Hynes	-	-
J.F. Ersser	-	-
A.J. Giles	-	-
D.L.M. Trew	-	-
Wife's interest:		
P.A. Cruddas	<u>151,500</u>	<u>151,500</u>

J.F. Ersser, A.J. Giles and D.L.M. Trew were appointed directors on 2 April 2001.

Directors' responsibilities

The directors are required under company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group, and of the profit or loss of the group for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and apply these consistently
- make reasonable and prudent judgements and estimates
- state whether applicable accounting standards have been followed, and give details of any departures
- prepare the financial statements on a going concern basis unless in the directors' view the group will be unable to continue in business.

The directors are also responsible for:

- keeping proper accounting records
- safeguarding the group's assets
- taking reasonable steps for the prevention and detection of fraud.

CMC GROUP PLC

DIRECTORS' REPORT

31 March 2002
(continued)

Charitable donations

Charitable donations of £Nil (2001 - £Nil) were made during the year.

Auditors

A resolution to re-appoint Baker Tilly (formerly HLB Kidsons) as auditors of the company will be proposed at the forthcoming annual general meeting.

By order of the board

A Pabari

Director

Registered Office:
66 Prescott Street
London E1 8HG

28 June 2002

CMC GROUP PLC

AUDITORS' REPORT

Independent auditors' report to the shareholders of CMC Group Plc

We have audited the financial statements of CMC Group Plc for the year ended 31 March 2002 which comprise the group profit and loss account, the group and company balance sheets, the group cash flow statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly

Registered Auditors

Chartered Accountants

London

28 June 2002

CMC GROUP PLC
GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2002

	Note	2002 £	2001 (as restated) £
Trading income	1	18,402,952	21,735,709
Administrative expenses		<u>(16,386,863)</u>	<u>(14,855,302)</u>
Operating profit	2	2,016,089	6,880,407
Interest receivable	4	1,865,603	1,285,575
Interest payable	5	<u>(383,010)</u>	<u>(499,826)</u>
Profit on ordinary activities before taxation		3,498,682	7,666,156
Taxation	6	<u>(945,921)</u>	<u>(2,363,627)</u>
Retained profit for the year	15	<u>2,552,761</u>	<u>5,302,529</u>
Basic earnings per share	7	<u>5.11</u>	<u>10.61</u>

The group has no recognised gains or losses in the year or prior year other than those included in the profit and loss account and, therefore, no separate statement of total recognised gains and losses has been prepared.

All the group's activities during the year and preceding year are classed as continuing.

CMC GROUP PLC

BALANCE SHEETS

31 March 2002

	Note	2002		2001 (as restated)	
		Group £	Company £	Group £	Company £
Fixed assets					
Tangible assets	8	2,063,505	2,063,505	1,189,046	1,189,046
Investments	9	-	355,107	-	55,205
		<u>2,063,505</u>	<u>2,418,612</u>	<u>1,189,046</u>	<u>1,244,251</u>
Current assets					
Debtors	10	7,995,321	8,264,756	5,947,119	5,947,119
Cash at bank and in hand		55,866,676	42,493,660	48,156,530	47,989,605
Short term deposits		<u>1,212,359</u>	<u>1,212,359</u>	<u>1,176,836</u>	<u>1,176,836</u>
		65,074,356	51,970,775	55,280,485	55,113,560
Creditors: amounts falling due within one year	11	<u>(43,031,007)</u>	<u>(32,539,776)</u>	<u>(35,084,692)</u>	<u>(35,194,309)</u>
Net current assets		<u>22,043,349</u>	<u>19,430,999</u>	<u>20,195,793</u>	<u>19,919,251</u>
Total assets less current liabilities		24,106,854	21,849,611	21,384,839	21,163,502
Provisions for liabilities and charges	12	<u>(9,412,807)</u>	<u>(9,412,807)</u>	<u>(9,243,553)</u>	<u>(9,243,553)</u>
		<u>14,694,047</u>	<u>12,436,804</u>	<u>12,141,286</u>	<u>11,919,949</u>
Capital and reserves					
Called up share capital	14	500,000	500,000	500,000	500,000
Profit and loss account	15	<u>14,194,047</u>	<u>11,936,804</u>	<u>11,641,286</u>	<u>11,419,949</u>
Equity shareholders' funds	16	<u>14,694,047</u>	<u>12,436,804</u>	<u>12,141,286</u>	<u>11,919,949</u>

The financial statements on pages 6 to 16 were approved by the board of directors on 28 June 2002 and signed on its behalf by:

P.A. Cruddas - Director

CMC GROUP PLC
GROUP CASH FLOW STATEMENT
for the year ended 31 March 2002

	Note	2002		2001 (as restated)	
		£	£	£	£
Cash inflow from operating activities	17		9,715,308		30,388,237
Returns on investments and servicing of finance					
Interest received		1,865,603		1,285,575	
Interest paid		<u>(383,010)</u>		<u>(499,826)</u>	
Net cash inflow from returns on investments and servicing of finance			1,482,593		785,749
Taxation					
Taxation paid			(2,110,057)		(1,295,036)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(1,367,176)		(952,912)	
Proceeds on disposal of tangible fixed assets		<u>25,001</u>		<u>5,000</u>	
			<u>(1,342,175)</u>		<u>(947,912)</u>
			7,745,669		28,931,038
Management of liquid resources					
Amounts placed on short term deposit			<u>(35,523)</u>		<u>(31,295)</u>
Increase in cash	19		<u>7,710,146</u>		<u>28,899,743</u>

CMC GROUP PLC

NOTES ON FINANCIAL STATEMENTS

31 March 2002

1 Principal accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. No separate profit and loss account is presented for the company, as provided by section 230 of the Companies Act 1985.

Basis of consolidation

The group financial statements consolidate the accounts for the company and its subsidiary undertakings. Intra-group profits are eliminated on consolidation. Profits and losses of companies entering or leaving the group are included from the date of acquisition or up to the date of the disposal. The net assets of the subsidiaries acquired are included on the basis of their fair value.

Trading income

Trading income represents profits and losses on foreign currency trading and running a spread betting market in financial instruments, management fees and performance fees from discretionary management activities and commissions receivable from broking activities; all foreign exchange and OTC option contracts are marked to market and the resulting unrealised profit or loss is recognised.

Depreciation

Depreciation of tangible fixed assets is charged by equal annual instalments commencing with the year of acquisition at rates estimated to write off their cost over their expected useful lives, which are as follows:

Furniture, fixtures and fittings	-	5 years
Office equipment	-	5 years
Motor vehicles	-	4 years

The freehold investment property is not depreciated.

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

Foreign currencies

Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities are translated at rates ruling at the balance sheet date. Exchange differences arising from trading operations and from translation of short term currency balances are included in operating profit.

Defined contribution pension scheme

Contributions are charged to the profit and loss account as these become payable in accordance with the rules of the scheme.

Employee benefit trusts

Assets held in the employee benefit trusts are recognised as assets of the company until these vest unconditionally in identified employees.

CMC GROUP PLC

NOTES ON FINANCIAL STATEMENTS

31 March 2002

(continued)

2	Operating profit	2002	2001
		£	(as restated) £
	Operating profit is stated after charging/(crediting):		
	Auditors' remuneration - audit	20,000	15,250
	- non-audit	254,500	176,250
	Operating leases - land and buildings	50,000	50,000
	Depreciation	469,033	204,410
	Profit on disposal of fixed assets	<u>(1,317)</u>	<u>(1,251)</u>
3	Directors and employees		
	Staff costs including directors' emoluments		
	Wages and salaries	2,525,462	9,258,906
	Payments from employee benefit trusts	6,800,760	-
	Social security costs	218,672	294,234
	Other pension costs	<u>95,268</u>	<u>79,228</u>
		<u>9,640,162</u>	<u>9,632,368</u>
		Number	Number
	Average number employed including directors	<u>60</u>	<u>53</u>
	Directors' emoluments	£	£
	Management remuneration (including pension contributions)	<u>387,975</u>	<u>1,014,519</u>
	Compensation for loss of office	<u>88,000</u>	<u>-</u>
	Remuneration of highest paid director (excluding pension contributions)	<u>97,308</u>	<u>638,469</u>
	Defined contribution pension scheme	Number	Number
	Number of directors qualifying for benefits	<u>5</u>	<u>4</u>
		£	£
	Contributions paid on behalf of highest paid director	<u>4,500</u>	<u>33,800</u>
4	Interest receivable		
	Bank interest	1,243,060	1,250,130
	Other interest	<u>622,543</u>	<u>35,445</u>
		<u>1,865,603</u>	<u>1,285,575</u>
5	Interest payable		
	Bank interest	102	163,181
	Other interest	<u>382,908</u>	<u>336,645</u>
		<u>383,010</u>	<u>499,826</u>

CMC GROUP PLC

NOTES ON FINANCIAL STATEMENTS

31 March 2002

(continued)

6	Taxation	2002 £	2001 £
	(a) Tax charge for the year		
	Based on the profit for the year		
	Corporation tax at 30%	1,111,157	2,455,500
	Overprovision in respect of prior year	(175,236)	(91,873)
	Deferred tax charge for the year	<u>10,000</u>	<u>-</u>
		<u>945,921</u>	<u>2,363,627</u>
	(b) Factors affecting tax charge for the year		
	The tax assessed for the period is different from the standard rate of corporation tax in the UK (30%). The differences are explained below:		
	Profit before tax	<u>3,498,682</u>	<u>7,628,145</u>
	Corporation tax thereon at 30%	1,049,605	2,288,443
	Expenses not deductible for tax purposes	57,752	163,215
	Depreciation for the period in excess of capital allowances	3,800	3,841
	Adjustment to tax charge in respect of previous periods	<u>(175,236)</u>	<u>(91,873)</u>
	Tax charge	<u>935,921</u>	<u>2,363,627</u>

7 **Earnings per share**

Basic earnings per share are based on attributable retained profit and are calculated on the weighted average number of ordinary shares of the company in issue, being 500,000 for the years ended 31 March 2002 and 2001.

8	Tangible fixed assets	Freehold investment property	Furniture, fixtures and fittings	Office equipment	Motor vehicles	Total
	Group and company	£	£	£	£	£
	Cost					
	1 April 2001	685,977	356,053	805,694	98,572	1,946,296
	Additions	-	241,110	1,103,071	22,995	1,367,176
	Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,995)</u>	<u>(42,995)</u>
	31 March 2002	<u>685,977</u>	<u>597,163</u>	<u>1,908,765</u>	<u>78,572</u>	<u>3,270,477</u>
		-				
	Depreciation					
	1 April 2001		260,563	441,794	54,893	757,250
	Charge for the year	-	94,295	357,533	17,205	469,033
	Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,311)</u>	<u>(19,311)</u>
	31 March 2002	<u>-</u>	<u>354,858</u>	<u>799,327</u>	<u>52,787</u>	<u>1,206,972</u>
	Net book value					
	31 March 2002	<u>685,977</u>	<u>242,305</u>	<u>1,109,438</u>	<u>25,785</u>	<u>2,063,505</u>
	31 March 2001	<u>685,977</u>	<u>95,490</u>	<u>363,900</u>	<u>43,679</u>	<u>1,189,046</u>

At the year end the group and the company had capital commitments of £Nil (2001 - £435,000).

CMC GROUP PLC

NOTES ON FINANCIAL STATEMENTS

31 March 2002

(continued)

9	Fixed asset investments	Company	
		2002	2001
		£	£
	Shares in subsidiary undertakings at cost:		
	1 April 2001	60,104	60,104
	Addition in year	300,000	-
	Adjustment	<u>(98)</u>	<u>-</u>
		360,006	60,104
	Less: provision	<u>(4,899)</u>	<u>(4,899)</u>
	31 March 2002	<u><u>355,107</u></u>	<u><u>55,205</u></u>

All of the subsidiary undertakings, which are wholly owned and registered in England, are dormant with the exception of CMC Spreadbet plc. The investments comprise ordinary shares of £1 each. The addition in the year of £300,000 represents the subscription of additional share capital in CMC Spreadbet plc.

10	Debtors	Group		Company	
		2002	2001	2002	2001
			(as restated)		(as restated)
		£	£	£	£
	Amounts falling due within one year				
	Trade debtors	147,957	44,209	147,957	44,209
	Corporation tax recoverable	-	-	154,989	-
	Amounts due from subsidiary undertakings	-	-	114,446	-
	Other debtors	7,797,902	5,847,385	7,797,902	5,847,385
	Prepayments and accrued income	<u>49,462</u>	<u>55,525</u>	<u>49,462</u>	<u>55,525</u>
		<u><u>7,995,321</u></u>	<u><u>5,947,119</u></u>	<u><u>8,264,756</u></u>	<u><u>5,947,119</u></u>

11	Creditors: amounts falling due within one year	Group		Company	
		2002	2001	2002	2001
			(as restated)		(as restated)
		£	£	£	£
	Trade creditors	41,270,827	32,280,333	31,540,181	32,280,333
	Corporation tax	717,169	1,891,305	-	1,886,018
	Amount due to subsidiary undertakings	-	-	7,897	75,186
	Other taxes and social security	81,503	164,406	81,503	164,406
	Other creditors	13,794	13,840	13,794	13,840
	Accruals and deferred income	<u>947,714</u>	<u>734,808</u>	<u>896,401</u>	<u>774,526</u>
		<u><u>43,031,007</u></u>	<u><u>35,084,692</u></u>	<u><u>32,539,776</u></u>	<u><u>35,194,309</u></u>

CMC GROUP PLC

NOTES ON FINANCIAL STATEMENTS

31 March 2002

(continued)

12	Provisions for liabilities and charges	Deferred taxation	Provision	Total
		£	£	£
	1 April 2001 - as restated	-	9,243,553	9,243,553
	Transfer from profit and loss account	<u>10,000</u>	<u>159,254</u>	<u>169,254</u>
	31 March 2002	<u><u>10,000</u></u>	<u><u>9,402,807</u></u>	<u><u>9,412,807</u></u>
	The provision relates to future payments to be made from the employee benefit trusts.			
13	Deferred taxation		Group	Company
			£	£
	1 April 2001		-	-
	Profit and loss account - current year		<u>10,000</u>	<u>10,000</u>
	31 March 2002		<u><u>10,000</u></u>	<u><u>10,000</u></u>
	The provision, which is made at a corporation tax rate of 30%, relates to accelerated capital allowances. There is no unprovided deferred taxation at 31 March 2002.			
14	Called up equity share capital		2002	2001
			£	£
	Authorised			
	1,000,000 ordinary shares of £1 each		<u>1,000,000</u>	<u>1,000,000</u>
	Allotted and fully paid up			
	500,000 ordinary shares of £1 each		<u>500,000</u>	<u>500,000</u>
15	Profit and loss account		Group	Company
			£	£
	1 April 2001 as previously reported		11,641,286	11,419,949
	Prior year adjustment (notes 23 and 24)		<u>-</u>	<u>-</u>
	At beginning of year as restated		11,641,286	11,419,949
	Retained profit for the year		<u>2,552,761</u>	<u>516,855</u>
	31 March 2002		<u><u>14,194,047</u></u>	<u><u>11,936,804</u></u>
16	Reconciliation of movement in equity shareholders' funds		Group	Company
			£	£
	Opening equity shareholders' funds - as restated		12,141,286	11,919,949
	Retained profit for the year		<u>2,552,761</u>	<u>516,855</u>
	Closing equity shareholders' funds		<u><u>14,694,047</u></u>	<u><u>12,436,804</u></u>

CMC GROUP PLC

NOTES ON FINANCIAL STATEMENTS

31 March 2002

(continued)

17 Guarantees and other financial commitments

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 31 March 2003:

	2002	2001
	Land and buildings	Land and buildings
	£	£
Expiring:		
In less than one year	50,000	-
Within two to five years	-	50,000
Over five years	<u>477,685</u>	<u>50,000</u>
	<u>527,685</u>	<u>50,000</u>

18 Reconciliation of operating profit to cash inflow from operating activities

	2002	2001
	£	(as restated) £
Operating profit	2,016,089	6,880,407
Depreciation	469,033	204,410
Profit on disposal of fixed assets	(1,317)	(1,251)
Increase in debtors	(2,048,202)	(5,489,938)
Increase in creditors	9,120,451	19,551,056
Increase in provisions	<u>159,254</u>	<u>9,243,553</u>
Cash inflow from operating activities	<u>9,715,308</u>	<u>30,388,237</u>

19 Reconciliation of net cash flow to movement in net funds

	2002	2001
	£	(as restated) £
Increase in cash for the period	7,710,146	28,899,743
Cash used to increase liquid resources	<u>35,523</u>	<u>31,295</u>
Movement in net funds for the period	7,745,669	28,931,038
Net funds at 1 April 2001	<u>49,333,366</u>	<u>20,402,328</u>
Net funds at 31 March 2002	<u>57,079,035</u>	<u>49,333,366</u>

Liquid resources comprise cash on short term deposit.

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(continued)

20	Analysis of changes in net funds	At 1 April 2001	Cash Flows	At 31 March 2002
		£	£	£
	Cash in hand and at bank	48,156,530	7,710,146	55,866,676
	Short term deposits	<u>1,176,836</u>	<u>35,523</u>	<u>1,212,359</u>
		<u>49,333,366</u>	<u>7,745,669</u>	<u>57,079,035</u>

21 Transactions with directors

During the year, the company made interest free loans to P.A. Cruddas totalling £Nil (2001 - £2,200,000 which was fully repaid before 31 March 2001). The maximum amount outstanding during the year was £Nil (2001 - £2,193,859).

22 Related party transactions

a) P A Cruddas is also a director and shareholder of Information Internet Limited.

During the year ,the company was charged £1,482,417 (2001 - £1,396,896) by Information Internet Limited for computer software and services, of which, £70,000 (2001 - £40,613) was owed by the company at the year end.

b) At the year end, two directors had loans from the employee benefit trusts - P.A. Cruddas £7,625,000 (2001 - £5,725,000) and A. Pabari £15,854 (2001 - £22,807).

23 Prior year adjustment

As a result of the adoption of UITF32 a prior year adjustment has been made to reflect the net assets of the employee benefit trusts not previously included and provision for future payments to be made from the employee benefit trusts. The effect on the reserves of the company at 1 April 2001, as shown in note 15, is as follows:

	£
Net assets (note 24)	9,243,553
Less: provision for future payments	<u>(9,243,553)</u>
	<u> -</u>

CMC GROUP PLC

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(continued)

24 Employee benefit trusts

The net assets of the group of £14,694,047 (2001: £12,141,286 as restated) include net assets of the employee benefit trusts of £9,402,807 (2001: £9,243,553 as restated) as set out below. The profit for the year after taxation of £2,552,761 (2001: £5,302,529 as restated) includes the net profit of the employee benefit trusts of £106,337 (2001: £39,718 as restated).

	2002 £	2001 £
Fixed assets		
Tangible assets	<u>685,977</u>	<u>685,977</u>
Current assets		
Other debtors	7,701,748	5,747,807
Cash in hand and at bank	<u>1,021,294</u>	<u>2,812,621</u>
	8,723,042	8,560,428
Creditors: amounts falling due within one year	<u>(6,212)</u>	<u>(2,852)</u>
Net current assets	<u>8,716,830</u>	<u>8,557,576</u>
Net assets	<u>9,402,807</u>	<u>9,243,553</u>

The net assets of the employee benefit trusts are for the benefit of qualifying employees only.

25 Ultimate controlling party

The company's ultimate controlling party is P A Cruddas by virtue of his (and his wife's) 99.9% shareholding in the company.