

CMC GROUP PLC
REPORT AND GROUP FINANCIAL STATEMENTS
31 MARCH 2001
Company Registration Number : 2448409

HLB Kidsons
Chartered Accountants
Spectrum House
20-26 Cursitor Street
London EC4A 1HY

CMC GROUP PLC

DIRECTORS' REPORT

31 March 2001

The directors have pleasure in presenting their report and the audited financial statements of the group for the year ended 31 March 2001.

Principal activity

The company acts as principal and market maker to its clients in Foreign Exchange, Derivatives (including share and index CFD trading) and as a broker on exchange derivatives products. All products can be traded real time over the Internet.

Business review and future developments

The year ending 31 March 2001 was yet another record year for CMC Group Plc (CMC), following the launch of our derivative share product CFD's. Net profit before taxation increased by around 250 percent after EBT add backs coming in at £14,478,145.

CFD trading proved to be a major step for the company. In the first year of launch around 500,000 CFD trades were executed resulting in a first year trading income of just under \$20million. In addition Forex saw an increase in turnover of around 20 percent. The year end figures were particularly encouraging as they incorporated most of the development and start up costs of CFD trading and for most of 2000/2001 the share and index markets experienced a long bear run.

By introducing Share Cfd trading CMC has now entered in to a mass-market product. Client numbers increased last year by 300 percent. During one busy period before Christmas 2000 the Dealers were processing trades/orders at a rate of one every 1.5 seconds.

2000/2001 also saw the establishment of our new brand deal4free.com offering share (cfd) and spread bet trading commission free, with competitive trading spreads.

Over the last two years we have launched two new products. On-line currency options trading and Share CFD trading. However, 2001/2002 will not be a quiet year as we have already launched financial spread betting from 1st June 2001 through our wholly owned subsidiary CMC Spreadbet Plc under the deal4free.com/spreadbet trading platform.

We expect spread betting to be more popular than share CFD trading because of its tax advantages and the appeal to a broader market client base. Deal4free/spreadbet aims to undercut all of the spread bet competition by offering more competitive spreads and award winning software. The first few weeks of launch proved very busy and early indications are that this will be our number one trading product within a year.

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.

New products can be launched quickly and efficiently on the back of our Internet trading platform. We are hungry for new markets and products and with the last successful financial year behind us we have the resources for further expansion.

Results and dividends

The results for the year are shown in the profit and loss account on page 5.

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

CMC GROUP PLC

DIRECTORS' REPORT

31 March 2001

(continued)

Significant shareholdings

As at 31 March 2001, P.A. Cruddas held 99.9% (2000 - 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 2001	31 March 2000
P.A. Cruddas - Chairman	348,000	348,000
A. Pabari	-	-
J. Bradbury	-	-
R. Hynes	-	-
N. Kerr - Resigned 22 September 2000	-	-
Wife's interest:		
P.A. Cruddas	<u>151,500</u>	<u>151,500</u>

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 2001
(continued)

Charitable donations

Charitable donations of £Nil (2000 - £Nil) were made during the year.

Auditors

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

By order of the board

A. Pabari

Secretary

Registered Office:

Bayley Hall
Queens Road
Hertford
Hertfordshire, SG14 1EN

22 June 2001

CMC GROUP PLC

AUDITORS' REPORT

Auditors' report to the members of CMC GROUP PLC

We have audited the financial statements on pages 5 to 13 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 group'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 at 31 March 2001 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

HLB Kidsons

Registered Auditors

Chartered Accountants

London

22 June 2001

CMC GROUP PLC
GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2001

	Note	2001 £	2000 £
Trading income	1	21,735,709	10,267,066
Administrative expenses		<u>(14,893,313)</u>	<u>(6,463,810)</u>
Operating profit	2	6,842,396	3,803,256
Interest receivable	4	1,285,575	791,042
Interest payable	5	<u>(499,826)</u>	<u>(276,155)</u>
Profit on ordinary activities before taxation		7,628,145	4,318,143
Taxation	6	<u>(2,363,627)</u>	<u>(1,529,928)</u>
Retained profit for the year	13	<u>5,264,518</u>	<u>2,788,215</u>
Basic earnings per share	7	<u>10.53</u>	<u>5.58</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 2001

	Note	2001		2000	
		Group £	Company £	Group £	Company £
Fixed assets					
Tangible assets	8	503,069	503,069	444,293	444,293
Investments	9	-	55,205	-	55,205
		<u>503,069</u>	<u>558,274</u>	<u>444,293</u>	<u>499,498</u>
Current assets					
Debtors	10	199,312	199,312	457,181	457,181
Cash at bank and in hand		45,343,909	45,176,984	19,256,787	19,110,171
Short term deposits		<u>1,176,836</u>	<u>1,176,836</u>	<u>1,145,541</u>	<u>1,145,541</u>
		46,720,057	46,553,132	20,859,509	20,712,893
Creditors: amounts falling due within one year	11	<u>(35,119,851)</u>	<u>(35,189,750)</u>	<u>(14,465,045)</u>	<u>(14,538,652)</u>
Net current assets		<u>11,600,206</u>	<u>11,363,382</u>	<u>6,394,464</u>	<u>6,174,241</u>
		<u>12,103,275</u>	<u>11,921,656</u>	<u>6,838,757</u>	<u>6,673,739</u>
Capital and reserves					
Called up share capital	12	500,000	500,000	500,000	500,000
Profit and loss account	13	<u>11,603,275</u>	<u>11,421,656</u>	<u>6,338,757</u>	<u>6,173,739</u>
Equity shareholders' funds	14	<u>12,103,275</u>	<u>11,921,656</u>	<u>6,838,757</u>	<u>6,673,739</u>

The financial statements on pages 5 to 13 were approved by the board of directors on 22 June 2001 and signed on its behalf by:

P.A. Cruddas - Director

CMC GROUP PLC

GROUP CASH FLOW STATEMENT

for the year ended 31 March 2001

	Note	2001		2000	
		£	£	£	£
Cash inflow from operating activities	16		26,889,639		6,237,568
Returns on investments and servicing of finance					
Interest received		1,285,575		791,042	
Interest paid		<u>(499,826)</u>		<u>(266,105)</u>	
Net cash inflow from returns on investments and servicing of finance			785,749		524,937
Taxation					
Taxation paid			(1,295,036)		(1,605,502)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(266,935)		(196,524)	
Proceeds on disposal of tangible fixed assets		<u>5,000</u>		<u>13,000</u>	
			<u>(261,935)</u>		<u>(183,524)</u>
			26,118,417		4,973,479
Management of liquid resources					
Amounts (placed on)/taken off short term deposit			<u>(31,295)</u>		<u>2,288,148</u>
Increase in cash	18		<u>26,087,122</u>		<u>7,261,627</u>

CMC GROUP PLC

NOTES ON FINANCIAL STATEMENTS

31 March 2001

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, 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:

Fixtures and fittings	-	5 years
Furniture	-	5 years
Office equipment	-	5 years.
Motor vehicles	-	4 years

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.

CMC GROUP PLC

NOTES ON FINANCIAL STATEMENTS

31 March 2001

(continued)

2	Operating profit	2001	2000
		£	£
	Operating profit is stated after charging/(crediting):		
	Auditors' remuneration - audit	15,250	9,000
	- non-audit	176,250	5,160
	Operating leases - land and buildings	50,000	50,000
	Contributions to Employee Benefit Trust	6,850,000	1,400,000
	Depreciation	204,410	162,806
	Profit on disposal of fixed assets	<u>(1,251)</u>	<u>(13,000)</u>
3	Directors and employees		
	Staff costs including directors' emoluments		
	Wages and salaries	2,407,199	2,210,115
	Social security costs	294,234	220,133
	Other pension costs	<u>79,228</u>	<u>119,494</u>
		<u>2,708,661</u>	<u>2,529,742</u>
		Number	Number
	Average number employed including directors	<u>53</u>	<u>38</u>
	Directors' emoluments	£	£
	Management remuneration (including pension contributions)	<u>1,014,519</u>	<u>1,511,747</u>
	Remuneration of highest paid director (excluding pension contributions)	<u>638,469</u>	<u>674,591</u>
	Defined Contribution Pension Scheme	Number	Number
	Number of directors qualifying for benefits	<u>4</u>	<u>5</u>
		£	£
	Contributions paid on behalf of highest paid director	<u>33,800</u>	<u>33,800</u>
4	Interest receivable		
	Bank interest	1,250,130	762,767
	Other interest	<u>35,445</u>	<u>28,275</u>
		<u>1,285,575</u>	<u>791,042</u>

CMC GROUP PLC

NOTES ON FINANCIAL STATEMENTS

31 March 2001

(continued)

5	Interest payable	2001	2000
		£	£
	Bank interest	163,181	4,893
	Other interest	<u>336,645</u>	<u>271,262</u>
		<u>499,826</u>	<u>276,155</u>

6	Taxation		
	Corporation tax on profit on ordinary activities at 31%	2,455,500	1,347,714
	Prior year adjustment	<u>(91,873)</u>	<u>182,214</u>
		<u>2,363,627</u>	<u>1,529,928</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 2001 and 2000.

8	Tangible fixed assets	Fixtures and fittings	Furniture	Office equipment	Motor vehicles	Total
	Group and company	£	£	£	£	£
	Cost					
	1 April 2000	182,103	171,261	593,020	61,995	1,008,379
	Additions	-	2,689	212,674	51,572	266,935
	Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,995)</u>	<u>(14,995)</u>
	31 March 2001	<u>182,103</u>	<u>173,950</u>	<u>805,694</u>	<u>98,572</u>	<u>1,260,319</u>
	Depreciation					
	1 April 2000	102,654	111,907	301,277	48,248	564,086
	Charge for the year	26,715	19,287	140,517	17,891	204,410
	Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,246)</u>	<u>(11,246)</u>
	31 March 2001	<u>129,369</u>	<u>131,194</u>	<u>441,794</u>	<u>54,893</u>	<u>757,250</u>
	Net book value					
	31 March 2001	<u>52,734</u>	<u>42,756</u>	<u>363,900</u>	<u>43,679</u>	<u>503,069</u>
	31 March 2000	<u>79,449</u>	<u>59,354</u>	<u>291,743</u>	<u>13,747</u>	<u>444,293</u>

At the year end the group and the company had capital commitments of £435,000 (2000 - £Nil).

9	Fixed asset investments	Company	
		2001	2000
		£	£
	Cost of issued ordinary shares in subsidiary undertakings	<u>55,205</u>	<u>55,205</u>

All of the subsidiary undertakings are wholly owned and registered in England. None of the companies traded during the year.

CMC GROUP PLC

NOTES ON FINANCIAL STATEMENTS

31 March 2001

(continued)

10	Debtors	Group		Company	
		2001	2000	2001	2000
		£	£	£	£
	Amounts falling due within one year				
	Trade debtors	44,209	250,848	44,209	250,248
	Other debtors	99,578	142,085	99,578	142,085
	Prepayments and accrued income	<u>55,525</u>	<u>64,248</u>	<u>55,525</u>	<u>64,248</u>
		<u>199,312</u>	<u>457,181</u>	<u>199,312</u>	<u>457,181</u>
	Trade debtors of £44,209 (2000 - £244,231) are secured by bank guarantees.				
11	Creditors: amounts falling due within one year	Group		Company	
		2001	2000	2001	2000
		£	£	£	£
	Trade creditors	32,280,333	12,034,299	32,280,333	12,034,299
	Corporation tax	1,891,305	822,714	1,886,018	822,000
	Amount due to subsidiary undertakings	-	-	75,186	74,324
	Other taxes and social security	164,406	153,702	164,406	153,702
	Other creditors	13,840	250,601	13,840	250,601
	Accruals and deferred income	<u>769,967</u>	<u>1,203,729</u>	<u>769,967</u>	<u>1,203,726</u>
		<u>35,119,851</u>	<u>14,465,045</u>	<u>35,189,750</u>	<u>14,538,652</u>
12	Called up equity share capital			2001	2000
				£	£
	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>
13	Profit and loss account			Group	Company
				£	£
	1 April 2000			6,338,757	6,173,739
	Retained profit for the year			<u>5,264,518</u>	<u>5,247,917</u>
	31 March 2001			<u>11,603,275</u>	<u>11,421,656</u>

CMC GROUP PLC

NOTES ON FINANCIAL STATEMENTS

31 March 2001

(continued)

14	Reconciliation of movement in equity shareholders' funds	Group	Company
		£	£
	Opening equity shareholders' funds	6,838,757	6,673,739
	Retained profit for the year	<u>5,264,518</u>	<u>5,247,917</u>
	Closing equity shareholders' funds	<u>12,103,275</u>	<u>11,921,656</u>
15	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 2002:		
		2001	2000
		Land and buildings	Land and buildings
	Expiring:	£	£
	In less than one year	-	-
	Within two to five years	<u>50,000</u>	<u>50,000</u>
		<u>50,000</u>	<u>50,000</u>
16	Reconciliation of operating profit to cash inflow from operating activities	£	£
	Operating profit	6,842,396	3,803,256
	Depreciation	204,410	162,806
	Profit on disposal of fixed assets	(1,251)	(13,000)
	Decrease/(increase) in prepayments and accrued income	249,146	(696)
	Decrease/(increase) in other debtors	8,723	(87,750)
	(Decrease)/increase in accruals and deferred income	(433,762)	678,409
	Increase in other creditors	<u>20,019,977</u>	<u>1,694,543</u>
	Cash inflow from operating activities	<u>26,889,639</u>	<u>6,237,568</u>
17	Reconciliation of net cash flow to movement in net funds	2001	2000
		£	£
	Increase in cash for the period	26,087,122	7,261,627
	Cash used to increase liquid resources	<u>31,295</u>	<u>(2,288,148)</u>
	Movement in net funds for the period	26,118,417	4,973,479
	Net funds at 1 April 2000	<u>20,402,328</u>	<u>15,428,849</u>
	Net funds at 31 March 2001	<u>46,520,745</u>	<u>20,402,328</u>

Liquid resources comprise cash on short term deposit.

CMC GROUP PLC

NOTES ON FINANCIAL STATEMENTS

31 March 2001

(continued)

18	Analysis of changes in net funds	At 1 April 2000	Cash flows	At 31 March 2001
		£	£	£
	Cash in hand and at bank	19,256,787	26,087,122	45,343,909
	Short term deposits	<u>1,145,541</u>	<u>31,295</u>	<u>1,176,836</u>
		<u>20,402,328</u>	<u>26,118,417</u>	<u>46,520,745</u>

19 **Transactions with directors**

During the year, the company made interest free loans to P.A. Cruddas totalling £2,200,000 (2000 - £1,148,858). The loan was fully repaid before the year end. The maximum amount outstanding during the year was £2,193,859 (2000 - £1,130,000.)

20 **Related party transactions**

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

During the year ,the company was charged £1,396,896 (2000 - £504,237) by Information Internet Limited for computer software and services, of which, £140,613 (2000 - £112,749) was owed by the company at 31 March 2001.

Administration expenses include £6,850,000 (2000 - £1,400,000) paid to the Employee Benefit Trust.

21 **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.

CMC GROUP PLC

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2001

	2001	2000
	£	£
Trading income	21,722,293	10,267,066
Administrative expenses	<u>(14,893,268)</u>	<u>(6,459,755)</u>
Operating profit	6,829,025	3,807,311
Interest receivable	1,276,871	784,573
Interest payable	<u>(499,826)</u>	<u>(276,155)</u>
Profit on ordinary activities before taxation	7,606,070	4,315,729
Taxation	<u>(2,358,153)</u>	<u>(1,529,468)</u>
Retained profit for the year	<u><u>5,247,917</u></u>	<u><u>2,786,261</u></u>

CMC GROUP PLC

DETAILED COMPANY PROFIT AND LOSS ACCOUNT

31 March 2001

	2001		2000	
	£	£	£	£
Trading income		21,722,293		10,267,066
Administrative expenses				
Software licences	974,673		241,971	
Internet expenses	422,223		472,385	
Salaries	2,780,661		2,549,742	
Employee Benefit Trust	6,850,000		1,400,000	
Staff welfare	17,617		13,033	
Staff training	16,744		6,301	
Staff recruitment	77,620		26,411	
Bad debts	348,204		34,379	
Rent and rates	77,658		87,003	
Repairs and renewals	41,086		67,574	
Telephone, telex, Reuters and Telerate	355,622		173,357	
Printing, postage and stationery	166,540		127,280	
Advertising	1,267,444		643,416	
Legal and professional fees	999,232		486,141	
Computer expenses	238,136		92,503	
General expenses	111,210		54,850	
Travel and entertaining	48,887		41,328	
Depreciation	204,410		162,806	
Insurance	9,759		14,065	
Motor expenses	12,116		9,791	
Profit on disposal of fixed assets	(1,251)		(21,112)	
Recoverable VAT	(225,175)		(235,167)	
CFD Client facilitation	79,995		-	
Bank charges	19,857		11,698	
		<u>(14,893,268)</u>		<u>(6,459,755)</u>
Operating profit		6,829,025		3,807,311
Interest receivable		1,276,871		784,573
Interest payable		<u>(499,826)</u>		<u>(276,155)</u>
Profit on ordinary activities before taxation		<u>7,606,070</u>		<u>4,315,729</u>