

Contracts for Difference



Information Memorandum



REGISTERED OFFICE: 66 PRESCOT STREET LONDON E1 8HG
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BY ASIC IN AUSTRALIA.
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BEFORE ANY DEALING IN CMC PRODUCTS, RECIPIENTS OF THIS INFORMATION MEMORANDUM MUST COMPLETE AN APPLICATION FORM AND BE APPROVED BY CMC. CMC WILL ONLY DEAL WITH SUCH RECIPIENTS WHO CMC CONSIDERS TO BE "QUALIFIED INVESTORS". UNDER NO CIRCUMSTANCE WILL CMC DEPART FROM THIS POLICY. A "QUALIFIED INVESTOR" IS AN INDIVIDUAL WHO CAN DEMONSTRATE TO CMC THAT THEY HAVE THE REQUIRED LEVEL OF EXPERTISE AND UNDERSTANDING TO DEAL IN CMC PRODUCTS.

Notwithstanding the aforementioned, Recipients are NOT to construe the contents of this Information Memorandum (or any prior or subsequent communications from CMC, its affiliates and employees or any professional associated with this Information Memorandum) as legal or tax advice.

THE WHOLE TEXT OF THIS DOCUMENT SHOULD BE READ AS IT SETS OUT THE MARGIN RATES FOR THE DIFFERENT CMC PRODUCTS, THE OVERNIGHT FINANCING CHARGES YOU WILL INCUR IN RESPECT OF SOME CMC PRODUCTS AND THE INTEREST THAT YOU MAY PAY OR RECEIVE IN RESPECT OF YOUR ACCOUNT BALANCES. IN PARTICULAR, YOUR ATTENTION IS DRAWN TO THE SECTION ENTITLED "RISK WARNING AND LIABILITY STATEMENT" IN PART 1 OF THIS DOCUMENT. THIS DOCUMENT IS NOT A SUBSTITUTE FOR UNDERSTANDING THE CMC AGREEMENT UNDER WHICH YOU WILL DEAL IN THE CMC PRODUCTS.

ALL EXAMPLES stated in this Information Memorandum are provided ONLY for illustrative purposes. The examples use figures which attempt to demonstrate how the CMC Products and their requirements work. The figures do NOT necessarily reflect CMC or your personal circumstances and do NOT restrict in any manner the way in which CMC may exercise its powers or discretion.

CMC GROUP PLC

London 26 January 2004

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DIRECTORS, SECRETARY AND ADVISERS

Directors

Mr. Peter Cruddas	Chairman and Majority Shareholder (99.9%)
Mr. John Ersser	Commercial Director
Mr. Roger Hynes	Chief Operating Officer
Mr. Ajay Pabari	Finance Director
Mr. David Trew	Managing Director (Australia)

Company Secretary

Mr. Farzim Nazari

Registered Office

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website: www.cmcworldwide.com

Registered in England No. 02448409

Bankers



National Westminster Bank Plc
City of London Office, 1 Princes Street
London EC3P 3AR

Legal Advisors



CMS Cameron McKenna
160 Aldersgate Street, London EC1A 4DD

Accountants and Auditors



Baker Tilly Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires. The Terms of Business define many terms and expressions and you should refer to them if in any doubt about the meaning of any term or expression. Finally, CMC's websites also have a number of lists of market terminology which you should consult in the event that you do not understand any term when dealing with CMC.

"Articles" means the articles of association of CMC as adopted by resolution dated 1 December 1989 as amended from time to time.

"Account" means an account of the Customer at CMC to deal in CMC Products with CMC.

"Application Form" means an application form to open an Account with CMC.

"Authorised Person" means the Customer and/or any person authorised by the Customer to give instructions to CMC under the CMC Agreement, including a person under a limited power of attorney.

"Base Currency" means the currency you have nominated as being the denomination for the Account which, in the absence of a selection shall be US Dollars.

"Bid" means the price at which CMC offers to buy a CMC Product.

"CFD" means Contract for Difference.

"CMC", "We" or "Us" means CMC Group Plc.

"CMC Agreement" means CMC's Terms of Business (including the Schedules), the Rates Schedule and the Intermediate Customer Notice, as amended from time to time.

"CMC Listing" means in relation to a CFD on a share, index and sector, the list of securities, indices and sectors upon which CMC holds itself out from time to time as willing to quote a price, as amended by CMC under the CMC Agreement.

"CMC Product(s)" means the product(s) that CMC offers to its customers from time to time under the terms and conditions of the CMC Agreement.

"Companies Act" means the Companies Acts 1985 and 1989, the Insolvency Act 1986 and every statutory modification or re-enactment thereof.

"Contract for Difference (CFD)" means a contract with CMC whose value fluctuates by reference to fluctuations in the price of an Underlying Instrument, which may be either a Spot or Forward.

"Contract Note" means a document confirming entry into a contract in respect of a CMC Product.

"Customer(s)" mean those persons who have entered into a Customer Agreement with CMC.

"Customer Agreement" means an agreement between a Customer and CMC setting out the terms and conditions on which CMC provides the Customer with the Services.

"Directors" or "Board" means the directors of CMC whose names are set out on page 4 of this Information Memorandum.

"Financing Rate" means the rate at which you pay or receive interest on share, index, Sector, Forex and bullion CFD positions that remain open overnight.

"Forex" means a currency or cross currency.

"Forex CFD" means a Forex Spot or Forex Forward CFD.

"Forex Forward" means a Forward with respect to a currency or cross currency.

"Forex Option" means an option on a Forex Spot.

"Forex Spot" means a Spot with respect to a currency or cross currency.

"Forward" means any CFD entered into between CMC and a Customer with the purpose of securing a profit or avoiding a loss by reference to fluctuations in the price of the Underlying Instrument for delivery at a specified date in the future.

"FSA" means the Financial Services Authority of the United Kingdom or any successor regulator.

"Initial Margin" means the amount that a Customer must have in the Account to establish a position in a CMC Product.

"Interest Qualification Level" means the amount which the credit amount in the Customer's Account, after all margin obligations have been deducted, must exceed before interest may be paid by CMC on the Customer's Account as set out in the most recent Rates Schedule.

"Intermediate Customer" means a Customer who has signed the Intermediate Customer Notice and is classified by CMC as Intermediate Customer as defined by the FSA.

"Intermediate Customer Notice" means the Intermediate Customer Notice as signed by the Customer and which forms part of the CMC Agreement.

"Long Party" means in relation to a CMC Product other than an option, the party that has notionally bought the relevant underlying instrument.

"Margin Call" means a demand for additional funds to be deposited in a margin account to meet margin requirements because of adverse price movements.

"Market Order" means an order to buy or sell a CMC Product immediately at CMC's current price.

"Offer" means the price at which CMC offers to sell a CMC Product.

"Option Premium" means the purchase price paid to buy an option.

"Rates Schedule" means the schedule of CMC's margin requirements, interest and other rates applicable to the CMC Products as determined by CMC for the Customer as detailed within this Information Memorandum and as supplied to the Customer after receipt by CMC of a signed Intermediate Customer Notice.

"Sector CFDs" means a CFD whose value fluctuates by reference to the fluctuations in the value of a basket of securities of companies, all of which are operating in the same industry, such as finance, energy and telecommunications. The basket of securities is determined by CMC.

"Short Party" means in relation to a CMC Product other than an option, the party that has notionally sold the relevant underlying instrument.

"Spot" means any CFD, other than a Forward entered into between CMC and a Customer.

"Underlying Contract Price" means the price for the relevant CMC Product quoted from time to time by CMC and which is calculated under CMC's Terms of Business.

"Underlying Instrument" means the underlying asset, property or index with reference to which the value of a Spot or Forward is determined.

"Variation Margin" means the difference in margin required if the Initial Margin in the Customer's Account has fallen below the percentage requirement for the CMC Product that the Customer is trading.

PART 1

1.1 INFORMATION ON THE COMPANY

CMC Background

CMC started life in 1989 and was one of the world's first foreign exchange marketmakers to launch a real-time foreign exchange Internet trading service. In 1999 CMC launched its CFD product in the United Kingdom, in 2001 it launched its spread betting product and also introduced its CMC Partner program for banks, brokers and institutions world wide who now white label its products and services.

CMC is now one of the world's largest Internet derivatives trading companies, with clients in over one hundred countries who trade billions of dollars of CMC's products each week. CMC offers an execution only service and will, in general, not provide any advice to its customers.

CMC Products

CMC issues the following Contracts for Difference (CFD) for trading on margin to its Customers:

- CFDs in respect of shares;
- CFDs in respect of indices;
- CFDs in respect of sectors;
- CFDs in respect of gold and silver;
- CFDs in respect of foreign exchange;
- Options in respect of all major currencies and currency crosses (FX Options)
- CFDs in respect of such other financial instruments as are notified to you from time to time.

The Netherlands Authority of the Financial Markets (*de Autoriteit Financiële Markten*, "Authority-FM"), the supervisory authority in respect of the Act on the Supervision of Securities Trade 1995 (*de Wet toezicht effectenverkeer 1995*, "Wte 1995") is of the opinion that a CFD is a security within the meaning of article 1, sub a Wte 1995.

CMC as Product Issuer

As CMC issues its own CFD Products, its Customers are exposed to the financial and business risks, including credit risk, associated with dealing with CMC. CMC is a company incorporated in England and Wales (Company Registration No. 2448409) with limited liability and in the event that CMC fails to perform its obligations it may be necessary for Customers to seek to enforce their rights in England and Wales.

CMC acts as Principal

CMC's constitution authorises it to *inter alia* act as broker, agent and dealer in derivatives, foreign exchange and Bullion; to undertake and carry on any business, transaction or operation; and provide any service which is provided by financial, investment or commercial business and management consultants.

Please note that CMC will act as a market maker and as a principal, not as an agent, in respect of all transactions with you.

Regulatory and Corporate Status

CMC was incorporated in England and Wales on 1st December 1989. CMC's articles of association were last amended on 15 March 1993 and its authorised share capital currently stands at £1,000,000 made up of 1,000,000 ordinary shares of £1 each of which 500,000 shares have been issued and are fully paid up. There has been no change to the issued capital in the last 3 years. CMC's accounts, annual report and articles of association are available at its registered office in London.

Because CMC is incorporated in England and Wales, the requirements of § 16.6 of the Annex to Article 2 of the Bte 1995 are inapplicable. CMC is authorised and regulated by the Financial Services Authority under FSA No. 173730 and has permission to *inter alia* hold client money and advise on and deal in Contracts For Difference (and other investments) as principal or agent.

Recent Trends

CMC allows clients to trade on the tightest spreads, using award winning software, real-time across the Internet on one trading platform. To back this up our two major products, CFDs and Spread Betting, set new records for trades during 2002/2003. In total, the number of trades for both products exceeded 4 million (2,194,290 for CFDs and 1,846,942 for Spread Betting), with the total number of trades for 2002/2003 increasing by 197 percent on last year.

The substantial increase in volume of orders and trades that we handled last year is contrasted against a backdrop of a sustained bear market in shares and a general fall off in trading volumes for the industry as a whole. However, we believe our business model is the best in the market, based on tight spreads, Internet trading with straight through processing through our own back and middle office systems. This is an efficient and powerful business model, which we believe cannot be beaten.

Over 95 percent of our business is transacted through our Internet trading platform, keeping our overheads to a minimum and delivering a first class service to our clients.

Our launch of CFDs and Spread Betting through the Marketmaker® trading platform has, we believe, brought CFDs and Financial Spread Betting into the mainstream of retail financial product trading by reducing trading costs and providing retail clients with competitive dealing spreads in line with the normal cash markets.

Additionally, our CFD product and innovative Daily Rolling Cash® Spread Bet product has continued to attract a significant number of clients.

2003/2004 promises to be another good year for CMC Group. We intend to launch new software and a new product as well as to further establish our Sydney and New York offices. At this stage, these new releases are confidential. However, we believe that once we launch our new software and product, it will put us further ahead of the competition and help us to dominate the CFD and Spread Bet markets as well as the market of our new product launch.

There are three other reasons why we feel optimistic at CMC Group for the year ahead:

1. Organic Growth
2. Technology
3. Scalability

Organic Growth

We will continue our organic growth through our innovation of software and the power of our online trading products. CMC Group continues to attract thousands of new clients. Our Rolling Cash® Spread Bet product has already established us as a leading Spread Bet company in its first full year of launch. In addition, our Price Driven Service on Foreign Exchange remains a very powerful product and continues to attract clients worldwide. In addition, the new product launch will help us to attract many more clients and will be the final piece in the jigsaw for the launch of our new trading software and cross product trading all from one central dealing platform.

Technology

Technology is the cornerstone of our business. We now own and control all our own software, which enables us to launch new products quickly, efficiently and profitably. This has allowed us to bring the tightest spreads and straight through processing to CMC Group. With this we are able to enter almost any market and undercut the competition with sheer speed and efficiency of trading.

In addition, this enables us to enter other countries cost effectively and efficiently with our CMC Partners programme by offering our partner companies around the world our technology in their own name with a complete straight through processing system. The software can be launched in almost any language, opening up other market places without the need to set up expensive offices.

Scalability

As our technology is so robust and the core system is in London, we provide our services to our overseas offices keeping overheads to a minimum. A classic example is our Sydney office which we opened last year. The office was opened with the minimum number of staff as a marketing office. Clients were introduced to CMC Group through the Sydney office. All account opening documentation and client funds are held in Sydney but the trading technology and dealers are in London. Therefore when a Sydney office client logs onto the trading system through their connection in Australia, they appear to be dealing in Australia but it is our London dealers who are quoting them the prices, and it is the trading system in London that is supplying them with all their back office information. All trading risk is centralised in London allowing our dealers to ensure they hedge and cover risk efficiently and effectively, to maximize profits. Also client positions and back office functionality are also centralised in our London office to ensure that client trading capability, margin calls and liquidation levels are monitored correctly.

1.2 Share, Index and Sector Contracts for Difference

What is a Share CFD?

A share CFD is a margin traded instrument, which allows clients to receive all of the benefits of owning a stock without physically owning the stock. Buying and selling the performance of a share or index through a CFD is almost identical to physical equity trade financed by a loan.

CFDs offer you all the benefits of trading shares without having to physically own them. Simply put, it is a contract that mirrors the performance of a share or index. It is traded on margin, and just like physical shares your profit or loss is determined by the difference between the price you buy at and the price you sell at. However, CFDs offer many benefits over and above physical share trading.

Originally used by large institutions to effectively cover their equity exposures, CFDs are now commonplace trading tools amongst European retail investors. CMC is largely responsible for making the advantages of CFDs more widely available to the retail audience, and their benefits are being used by an ever expanding number of retail investors, both as part of their trading portfolio and as an alternative to physical share trading.

As with the underlying securities, share CFDs allow you to benefit from normal market movements. Your open positions are valued every night at the close of business prices. Profits or losses are credited or debited to your Account each day, corporate actions, such as dividends, bonus issues and reconstructions in respect of the underlying security are also applied to your Account should they occur.

How to open a CFD position

A position is opened by buying or selling the CFD as follows.

BUYING: When you buy a security or index, you buy the CFD. To make a profit, you want the security or index to rise.

SELLING: When you sell a security or index, you sell the CFD. To make a profit, you want the security or index to fall.

How to close a CFD position

A position is closed by you entering into an equivalent and offsetting position in the relevant CFD. Closing your position may result in a profit or loss being realised on your Account.

You may close part of an open position by executing an equivalent and offsetting position of a lesser amount than the open position.

Financing costs

Share and index CFD positions carried overnight will incur financing costs for the total notional value of the position at the relevant Financing Rate. If you are long a CFD you will pay interest to CMC, whilst if you are short you may receive interest from CMC at the relevant Financing Rate. The Financing Rates are set out in the most recent Rates Schedule that you will have received.

You should note that CMC may change the Financing Rates from time to time and that you will receive a revised Rates Schedule electronically.

Orders you can place

You can place Limit, Stop-loss and other types of orders at any time during CMC's market hours when dealing in share, index and Sector CFDs with CMC. These are explained in more detail below.

1.3 Bullion Contracts for Difference

What are Bullion CFDs?

Bullion CFDs are contracts over the price performance of gold and silver. You do not take delivery of the gold or silver so any difference in the price between when you buy the CFD and when you sell it is settled in cash. The difference may be either a profit or loss.

You buy and sell Bullion CFDs in the same way that you buy and sell share CFDs, nominating the size in ounces that you wish to deal in.

Bullion CFDs allow you to benefit from normal market movements in the gold and silver markets. Your open positions are valued every night at the close of business prices. Profits or losses are credited / debited to your Account each day.

How to open a Bullion CFD position

A position is opened by buying or selling CFDs:

BUYING: When you buy gold or silver, you buy the CFD. To make a profit, you want the gold or silver price to rise.

SELLING: When you sell gold or silver, you sell the CFD. To make a profit, you want the gold or silver price to fall.

How to close a Bullion CFD position

A position is closed by you entering into an equivalent and offsetting position in the relevant Bullion CFD. Closing your position will result in a profit or loss being realised on your Account.

You may close part of an open position by executing an equivalent and offsetting position of a lesser amount than the open position.

Financing costs

Bullion CFD positions carried overnight may incur financing costs for the total notional value of the position at the Financing Rate. If you are long a CFD you may have to pay interest to CMC, whilst if you are short you may receive interest from CMC. The Financing Rates are set out in the most recent Rates Schedule that you will have received.

You should note that CMC may change the Financing Rates from time to time and that you will receive Rates Schedule electronically.

Orders you can place

You can place Limit, Stop-loss and other types of orders at any time during CMC's market hours when dealing in Bullion CFDs with CMC. These are explained in more detail below.

1.4 Foreign Exchange

Dealing Foreign Exchange with CMC

Foreign exchange is the simultaneous exchange of one currency for another between two parties at an agreed rate. Settlement of the deal can be immediate (that is, a Spot contract) or in the future (that is, a Forward contract).

How to deal in Foreign Exchange with CMC

A Foreign exchange quote, e.g. EUR/USD 1.0808 / 1.0811 represents the bid / offer spread in this case for EUR / USD. The rate of 1.0811 is the rate at which you can buy EUR against the US dollar. The rate of 1.0808 is the rate at which you can sell EUR against the US dollar.

Example 1: Going long and making a profit

You wish to speculate on EUR / USD believing that the Euro will strengthen against the US dollar. CMC is quoting EUR/USD 1.0808 / 1.0811.

First you need to purchase EUR by placing the following order.

Opening Buy:

You buy €100,000 at 1.0811.

The Euro appreciates against the US dollar and you wish to close the position. CMC is now quoting 1.0888 / 91.

Closing Sell:

You sell €100,000 at 1.0888

Profit / Loss Calculation:

Sell Price - Purchase Price x Size of deal = Profit / Loss

$1.0888 - 1.0811 \times 100,000 = \text{€}770 \text{ Profit}$

Example 2: Going short and making a profit

You wish to speculate on EUR / USD believing that the Euro will weaken against the US dollar. First you need to sell Euro.

CMC is quoting EUR/USD 1.0888 / 91

Opening Sell:

You sell €100,000 at 1.0888

The Euro depreciates against the US dollar and you wish to close the position. CMC is now quoting EUR/USD 1.0808 / 1.0811.

Closing Buy:

You buy €100,000 at 1.0811.

Profit / Loss Calculation:

Sell Price - Purchase Price x Size of deal = Profit / Loss

$1.0888 - 1.0811 \times 100,000 = \text{€}770 \text{ Profit}$

PLEASE NOTE:

In the examples given above, if the currency had moved in the opposite direction to the direction shown, then the initial profit on the deal would have resulted in a loss rather than a profit as shown in both the above examples.

Below are examples of deals, which result in a loss rather than a profit.

EXAMPLE 3: Going long and making a loss

You wish to speculate on the EUR / USD believing that the Euro will strengthen against the USD. CMC is quoting EUR/USD 1.0888 / 91

First you need to purchase EUR.

Opening buy:

You buy €100,000 at 1.0891

Your view is wrong and the Euro depreciates against the US dollar. You now wish to close the position. CMC is now quoting EUR/USD 1.0808 / 1.0811.

Closing Sell:

You sell €100,000 at 1.0808

Profit / Loss Calculation:

(Sell price - buy price) x size of deal = Profit / Loss

$(1.0808 - 1.0891) \times 100,000 = \text{€}830 \text{ Loss}$

EXAMPLE 4: Going short and making a loss

You wish to speculate on EUR / USD believing that Euro will depreciate against the USD. CMC is quoting 1.0808 / 1.0811

First you need to sell EUR.

Opening sell:

You sell €100,000 at 1.0808

Your view is wrong and the Euro appreciates against the US dollar. You now wish to close the position. CMC is now quoting 1.0888 / 91.

Closing Buy:

You buy €100,000 at 1.0891.

Profit / Loss Calculation:

(Sell price - buy price) x size of deal = Profit / Loss

$(1.0808 - 1.0891) \times 100,000 = \text{€}830 \text{ Loss}$

Financing when dealing in Forex

There are two ways you can earn interest on your Account when dealing in Forex CFDs.

First, your open Forex positions may accrue interest through the rollover at the close of business each day. For example, say you have bought Euros and sold US dollars. You may be entitled to credit interest on your Euro currency account and obliged to pay debit interest on

your US dollar currency account. The open position is rolled forward in the round amount of currency you generate the deal in.

Your net currency balances including excess funds, profits and losses from your dealings and previous rollover gains and losses accrue interest in the particular currency at the daily interest rate determined by CMC, provided your credit balance is in excess of the Interest Qualification Level specified by CMC after all margins in relation to the Account have been taken into account.

At the end of each month, all interest due in respect of your currency accounts is credited to the relevant currency account. The balance in each of your currency accounts is then converted into the nominated Base Currency of your Account. When you open a position the moneys used to meet your margin obligations do not accrue any interest.

1.5 Foreign Exchange Options

Dealing in Foreign Exchange Options with CMC

CMC offers Forex Options in all major currencies and cross currencies.

CMC's customised service also allows you to create the Forex Options of your choice. All you have to do is choose the Forex Option nearest to your requirements and change any aspects you wish. When satisfied with your customised Forex Option details a price can be obtained from CMC in a matter of seconds. You can then either accept or reject the deal.

You can use CMC's customised service to deal in different expiry dates, strike prices, styles and a choice of strategies.

The Underlying Currencies

Forex Options over the following currencies are available:

- EUR v. USD, JPY, GBP, CHF
- GBP v. USD, JPY, CHF
- USD v. JPY, CHF, CAD
- AUD v. USD
- NZD v. USD
- Reciprocals of the above

A CMC Forex Option grants the buyer the right, but not the obligation to buy or sell the underlying asset at an agreed price (strike) on a set date or within a period of time in the future.

A CMC Forex Call Option grants the buyer the right to buy the asset, and a CMC Forex Put Option grants the right to sell the asset. When you buy a CMC Forex Call Option on a currency, you are automatically buying a put on the other currency in the currency pair, and vice versa.

Option Premium

The Option Premium is expressed as a percentage of the contract size in the underlying base currency.

Exercise

Upon exercise of a CMC Forex Option you may receive at your discretion a margined Forex Spot position or cash settlement into your Account. If you do not have sufficient margin to support exercising into a Forex Spot position, there will automatically be a cash settlement into your Account.

CMC provide two styles of Forex Options: American and European. American Options can be exercised on any date up to and including the expiry date. European Options can only be exercised on the expiry date.

Selling Forex Options

You may sell a Forex Option to close an existing position or if the Forex Option is covered by another long Forex Option. But you will only be allowed to sell an uncovered Forex Option at our discretion; that is, an option that is not covered by another position. This is to prevent you from getting in an untenable situation of possibly incurring unlimited losses.

1.6 Trading Information

Day trades

A day trade must be closed by 22.00 GMT. If you do not close your day trade position before 22.00 GMT then it will become an overnight position and your position will be rolled forward automatically unless CMC exercises any rights to close the position.

If you find that you have insufficient margin then we will ask you to provide more funds. CMC reserves the right to close your position if you do not have enough funds to support your positions.

Orders you can place

You can place Limit, Stop-loss and other types of orders at any time during CMC's market hours when dealing in Forex CFDs with CMC. These are explained in more detail below.

Dealing in CMC Products using the Internet

CMC's dealing platform on the Internet provides clients with the capability to execute deals in seconds simply by clicking on CMC's latest dealing price. There is also a full on-line back office and position keeping service. Typically it will be quicker for you to deal using the CMC's dealing platform on the internet as opposed to the telephone because CMC's dealing platform will automatically publish real time CMC's latest dealing prices.

To open a position using CMC's dealing platform, simply click on the latest real time price for the CMC Product you want to deal in. A deal ticket appears and you simply enter the CMC Product deal details. Click "confirm" and the deal is done. CMC's dealing platform provides you with a non-stop stream of real time dealing prices and news. Because you do not have to call our personnel to request a price quotation, you will be able to execute the CMC Product deal quicker using the Internet by simply clicking on the live price. CMC may on occasion re-quote some prices due to market conditions. A full user guide for CMC's dealing platform on the Internet is available to you when you log on.

Important note for dealing over the Internet

The Internet is normally reliable, however there are risks associated with utilizing an Internet-based deal execution trading system including, but not limited to, the failure of hardware, software, and Internet connection, and problems may result in the possibility that the execution of an order may be delayed. In such circumstances CMC will not be liable for any loss, expense, cost or liability (including consequential loss) suffered or incurred by a customer as a result of orders placed, instructions given, or other communications made, via the Internet, for example, but not limited to, where orders or instructions received by CMC are corrupted or delayed.

CMC does not control signal power, its reception or routing via Internet, configuration of your equipment or reliability of its connection, we cannot be responsible for communication failures, distortions or delays when trading which may mean that you are unable to place a trade or close out a position when you use the online-trading system via the Internet. CMC employs back up systems and contingency plans to minimize the possibility of system failure, and trading via telephone is always available.

Any transactions entered into by CMC will be governed by CMC's Terms of Business and/or any additional terms and conditions from time to time issued by CMC in connection with the services it offers.

Minimum Deal Sizes

We may vary the minimum deal size for a CMC Product. You will be notified should the minimum deal size for a CMC Product be changed.

How to calculate margin

You wish to buy three thousand share CFD's at €1.10

The share CFD has a 5% margin requirement
 $3000 \times €1.10 = €3,300$ (this is your total market exposure)
 $€3,300 \times 5\% = €165$

To open this position you will be required to deposit €165 as initial margin

Margin Obligations

Margin comes in a number of different forms. With CMC Products it applies to most of the CMC Products that we offer, and is calculated as Initial Margin and Variation Margin.

Initial Margin is the initial deposit required to open a position on a CMC Product with us once. Variation Margin is the difference in margin required if the Initial Margin in your Account has fallen below the percentage requirement for the CMC Product that you are dealing in. Variation Margin takes into account profits and losses that you are making on a position.

Equity Balances

The equity (or balance) of your Account will fluctuate according to the money you have deposited in your Account, the dealings conducted on your Account and positions held.

During the trading day your Account balance(s), including all open positions, are valued against the prevailing market rate. Therefore your equity balance is constantly calculated in line with market movements. The balance is calculated at the end of the day using the mid-closing rates (or the last dealing price).

This equity balance is used to assess your available margin against current positions, and any potential new positions you may wish to take. The balance is used to establish if there is a requirement for additional margin deposits on your Account.

Once a position is opened, the Variation Margin requirement must always be maintained for the open position(s). It is your responsibility to ensure that your Account is sufficiently margined at all times, especially during volatile trading periods.

To assist you to monitor your equity we summarise your equity together with your margin requirement in your daily confirmation and our back office provide you with your open position and equity report on-line.

You will only be allowed to deal and maintain open positions on the basis of cleared funds on your Account, not on promised funds or funds in transit.

Shortage in Equity

A shortage in equity occurs when the equity balance falls below the required Margin. Accounts with shortage in equity will only be allowed to reduce open positions, until the equity balance is in excess of the required Initial Margin.

Margin Calls

If the market moves against you and your equity balance falls below your Margin requirement you have the option to:

- close one or more of your open position(s), in order to reduce your Initial Margin to the required level; and/or
- remit further funds to your Account as deposit in order to maintain the Initial Margin.

This is the first trigger level for margin, referred to as the 'Margin Call', below which you must remit additional funds to maintain your open positions.

Once your equity falls below your Initial Margin requirement, it is advisable that you place a Stop-loss order with us to try and avoid a deficit balance on your account. Our policy is not to provide credit facilities on any Accounts.

Stop-out level

We may place a Stop-loss order for your open position or positions, at a level where the total equity balance falls below our internal levels. This is referred to as the 'stop-out level' which is the second trigger level for margin. At or below this level we may close out all of your open positions. We may also place a Stop-loss order for your open position or positions, at a level where the total equity balance falls below the above levels.

Once the stop-out level has been triggered, you will not be allowed to deal on your Account until the equity balance is restored to the required margin level. Margin Calls can be made at any time during the day and alternative payment arrangements must be made if you cannot be contacted or if you are travelling. You should refer to the CMC Agreement for the consequences arising from non-payment of Margin Calls and changes in margin requirements.

Profits / losses

Profits made from your dealing activities increase the equity balance on your Account. Any surplus equity may be withdrawn from your Account, on request. Losses made as a result of your dealing activities decrease the equity balance on your Account, and therefore the margin available for dealing in CMC Products or holding positions.

Adjustments for Dividends

The reference to cash dividend is to the cash dividend or distribution declared. Accordingly, your Account is not adjusted for any tax credits attached to a dividend or distribution, nor are you entitled to the benefit of such credits, as you do not actually own the underlying securities when dealing in share CFDs.

The adjustment for the Cash Dividend is debited to your Account when you have a short position in the share CFD, and credited to your Account when you have a long position in the share CFD. The CMC Agreement specifies the time at which CMC will adjust your Account for a Cash Dividend declared by a company.

Where a Cash Dividend is declared in respect of an underlying security, which constitutes part of a basket of securities over which CMC is offering Sector CFDs, any adjustment for the Cash Dividend declared will also be scaled back by CMC in proportion to the weighting that the relevant company's security has within the Sector CFD. However, the adjustment will not be credited or debited to your Account, but rather will be made to the Underlying Contract Price of the Sector CFD at the close of business on the day the relevant underlying security goes ex-dividend. The weighting that a company's security has within a Sector CFD is calculated in accordance with the relative market capitalisations of all companies whose securities constitute part of a basket of securities over which CMC is offering the Sector CFD.

If you are a holder of CFDs and a company announces a dividend, an amount relative to the origin of the Underlying will be credited to your account the day the stock goes "Ex-Dividend".

Example:

ABN Amro announces a €0.15 dividend

You currently hold 3,000 ABN Amro CFD shares
 $€0.15 \times 3,000 = €450.00$

€450.00 will be credited to your CFD account

What is the Financing Charge / Credit?

If you are the Long Party to a Spot position overnight you may have to pay a finance charge, which mirrors the cost of borrowing cash to purchase the Underlying Instrument. If you are the Short Party to a Spot position overnight you may receive interest from CMC.

Financing charges are calculated on a daily basis using the following interest rates:

- For share, index and Sector CFDs, it is the relevant interest rate plus or minus the interest percentage depending on whether you are the long or short party.
- The relevant interest rate for share, index and Sector CFD positions is the annual interest rate of the overnight rate specified by CMC for that share, index or Sector CFD. CMC may vary the relevant interest rate and interest percentage for any share, index or Sector CFD at any time. Please note that where the relevant interest rate for a short share, index or Sector CFD position is less than the interest percentage deducted from the Overnight Rate, no interest will be credited to your Account;
- For Forex CFDs, it is a varying rate dependent on the currency pair, the applicable rate in the Interbank markets according to the period of rollover and the CMC spread that is applied;
- For Bullion CFDs, it is a varying rate dependent on the applicable rate in the Interbank markets according to the period of rollover and the CMC spread that is applied.

Spot Forex positions that are rolled over will incur financing based upon the interest rate differential between the two applicable currencies. The interest rate applied is 'TomNext' which is an abbreviation for 'Tomorrow' or the 'Next' business day because the first value date is tomorrow or the next business day. The TomNext price reflects the applicable interest rate between Tomorrow/Next and the 'Spot value' date.

At 10pm GMT (Standard FX market Value-Date change time) each day CMC will settle all Spot positions by closing the trade at the current market rate and re-opening it for the following day's Spot date at a rate that will reflect the interest rate differential.

Short selling

CMC Products allow you to obtain the benefits of short selling assets such as shares, indices, foreign currency, foreign exchange options, gold and silver, without being subject to the restrictions imposed on short selling the actual asset or the need to borrow the actual asset in order to sell it.

Using CMC Products to speculate & hedge

CMC Products allow you to both speculate on equity, currency and bullion markets and hedge open positions in those underlying markets.

You should contact your financial advisor for advice on how CMC Products can be used to speculate or hedge, as there are many strategies available to you.

Risk Management

As the markets are constantly moving 24 hours a day, during the trading week it is good practice to place a 'stop-loss' on your open position. This allows you to control any potential losses should the market move against you.

There are also a number of other types of orders that you can place that facilitate risk management when dealing in CMC Products with CMC. By using these additional types of orders you have the ability to control potential profits as well as potential losses on your open positions. However, market conditions may sometimes make it impossible to execute such orders.

Important Note Regarding Orders

If you close a position, you must cancel any related orders you have placed against that position. Failure to do so will mean that the order remains in the market and at risk of execution.

1.7 General Information

Electronic Application Forms

A person who signs an electronic Application Form acknowledges that he or she either downloaded and read the electronic versions of this Information Memorandum and the documents comprising the CMC Agreement or received personally and read the paper copies of those documents.

If you are an existing customer dealing in CMC Products you will have received this Information Memorandum by electronic mail and post.

By continuing to deal in CMC Products after receiving this Information Memorandum, you acknowledge that you have received and read the electronic versions of this Information Memorandum.

Examples in this Information Memorandum

This Information Memorandum contains a number of examples about dealing in CMC Products. Those examples do not constitute general or personal financial product advice to any person reading this Information Memorandum.

Applying to Deal With CMC

Before you begin dealing in CMC Products you must complete an Application Form and be approved by CMC. CMC will only deal with you if it considers that you are an experienced or sophisticated investor.

Underlying Companies

References in this Information Memorandum or in any CMC Listing to any company traded on any exchange on which a CMC Product is based are included solely for the purposes of identification of the underlying instruments to which those CMC Products relate. Such references are not to be construed as an express or implied endorsement by such company or other entity of the CMC Products. Nor does any such company or other entity accept any responsibility for any statement in this Information Memorandum or undertake any liability in respect of the CMC Products.

The companies and other entities are not involved in the issue of the CMC Products and have not been party to the preparation of this Information Memorandum or furnished any information specifically to CMC for the purpose of its preparation.

Furthermore, CMC has no affiliation with such companies and other entities and has no access to information concerning those companies and other entities, other than that which is in the public domain. CMC does not, therefore, accept any liability or responsibility for, and makes no representation or warranty, express or implied, as to, the accuracy or completeness of such information. You should make your own enquiries.

Consult your adviser

You should obtain independent legal and financial advice concerning this Information Memorandum and the documents comprising the CMC Agreement.

CMC does not give advice

CMC will not give you general or personal financial product advice. This Information Memorandum does not constitute a recommendation or opinion that CMC Products are appropriate for you.

Before applying to deal in CMC Products, you must in conjunction with your advisers, give consideration to your objectives, financial situation and needs and the significant risks of loss which accompany the prospects of profit associated with dealing in CMC Products and form the opinion that dealing in CMC Products is suitable for your purposes.

You should keep this Information Memorandum the documents comprising the CMC Agreement and any supplementary and replacement documents and updating information that is provided to you for future reference.

Financial amounts

The financial amounts in this Information Memorandum are expressed in Euros unless otherwise stated or the context implies to the contrary.

Intermediate Customers

CMC will categorise you as an Intermediate Customer, as defined by the FSA, by reason of your experience and understanding in relation to dealing in CMC Products, meaning that:

By accepting this categorisation you will lose the protection of the FSA rules that afford protection to private customers, as defined by the FSA, covering matters such as risk warnings, disclosures of charges, remuneration and commissions, margin requirements and non-exchange traded securities.

Additionally, there are other rules, dealing with financial promotions, confirmation of transactions and periodic statements, best execution, custody and client money that will be modified so that they offer you less protection than you would be afforded as a private customer, as defined by the FSA.

Minimum initial account balance

There is usually a minimum account opening deposit of €5,000 or currency equivalent. This may be varied at CMC's absolute discretion from time to time. It is also possible to deal with us using as margin a bank guarantee from an issuing financial institution acceptable to us. The wording of our standard guarantee will be sent to you upon request.

Account administration

Every day, provided you have dealt or have an open position, we will send you electronically a daily confirmation of your dealings in CMC Products and open positions. At the end of each month, we will send you electronically a monthly statement, which will include:

- a summary of your financial position in the currency your account is denominated;
- ledger activity for the month, being details of all transactions on your account;
- forward positions report, which will list all your forward open positions and value these open positions with the mid-closing rate or last price for that date, in the currency of the underlying instrument.

It is very important that you check all the contents of the daily confirmations and monthly statements in detail and contact us immediately if you disagree with any of its contents. It is very important that you are aware of your daily equity balance, your margin requirement for your open position(s), and any free equity available. The summary of your financial position will provide you with your margin position, and indicate to you whether you are approaching your maximum facility (Initial Margin) level, or your margin call level. It will also indicate the excess funds available, if any, that you may either utilise to increase your open positions or withdraw.

Currency balances

Your Account is maintained in the currency you have nominated, that is, the Base Currency. All your profits, losses and financing credits or debits in relation to a CFD are initially calculated in the currency of the relevant underlying instrument with the totals then being converted to the Base Currency of your Account. The conversion to the Base Currency occurs on a daily basis.

CMC will send you all communications, including contract confirmations, daily and monthly statements and margin call advice in electronic form.

Real-time access

When using CMC's dealing software you may view all your positions at any point in real-time, as well as all deals, orders, pending orders and statements using the online back office facility. You should use the electronic facility to confirm all dealings undertaken with CMC and to monitor your obligations to CMC.

CMC administration charges

CMC will charge you for the following administration services:

- duplicate statements;
- transcripts of taped conversations;
- returned cheque fee;
- audit certificates.

The charges for such services are available from CMC on request. No charge is levied for duplicate statements requested and forwarded electronically.

Depositing funds

Customers may deposit funds through credit card payment, telegraphic transfer or by cheque. All funds must be cleared funds on your account before they are made available for your Account and dealing in CMC Products. Please note that CMC does not accept cash.

You must ensure that any cheque drawn by you in favour of or transfer of moneys to, CMC is from an account in your name and not from that of a third party.

CMC may in its absolute discretion, without creating an obligation to do so, return any cheque drawn on, or transfer of moneys from, a third party account, unless CMC has previously agreed in writing to accept such cheque or transfer.

CMC will not accept or bear any liability or responsibility whatsoever for any loss incurred by as a result of, or arising out of, or in connection with, CMC returning any cheque drawn on, or transfer of moneys from, a third party account, including any loss incurred by you because you are subsequently in default of your obligations under the Terms of Business.

Fund withdrawals

Funds may be withdrawn by sending to us a signed withdrawal request specifying your personal details, the Account, the amount you wish to withdraw and how you would like the funds to be paid. Withdrawals are obviously subject to you leaving enough funds in the Account to meet your current margin obligations. Please note that CMC will only make payments to the named account holder and not to that of a third party.

Interest on Account balances

Interest will be paid on credit balances in your Account, after all your margin obligations have been deducted, provided that the credit balances in your Account after taking into account all your margin obligations exceed the Interest Qualification Level.

The Interest Qualification Level and the applicable interest rates will be as determined and advised to you by CMC from time to time.

The Interest Qualification Level and the applicable interest rates are also available from CMC on request.

Free software and market information

When you open an account with CMC you will receive a free copy of the CMC dealing software. The software, once installed, not only gives you access to prices and trading opportunities, but also a range of free additional information sources. CMC's dealing software allows you to place orders, watch and chart the markets movement tick-by-tick, gain access to your real-time back office Account statements and monitor a real-time news service for any market moving stories.

Consider your financial objectives

CMC will not give you any general or personal financial product advice. Accordingly, you should consider carefully dealing with CMC in the context of your objectives and financial situation and obtain financial and legal advice before becoming involved in it.

Acknowledgments

By signing the Application Form you acknowledge to CMC that you:

- have given consideration to your objectives, financial situation and needs and the significant risks of loss which accompany the prospects of profit associated with dealing in CMC Products and have formed the opinion that dealing in CMC Products is suitable for your purposes;
- were advised by CMC to obtain independent legal and financial advice concerning this Information Memorandum and the CMC Agreement;
- have obtained appropriate and sufficient advice concerning the terms of this Information Memorandum and the CMC Agreement;
- have received this Information Memorandum and the documents comprising the CMC Agreement.

Contract Notes

When we give you a Contract Note you must review it and advise us of any mistakes or inaccuracies within 3 Business Days (as defined in the CMC Agreement).

Customer's obligations

Your responsibilities under the CMC Agreement include, but are not limited to, monitoring your positions and maintaining the required margin at all times 24 hours a day.

Equity shortage

You will not be allowed to deal in CMC Products except to reduce your open positions when there is a shortfall in your Account equity until such time as the equity balance meets or is in excess of the required deposit.

Security

If you are aware or suspect that your username, account number, user ID or password is no longer confidential then you should contact us as soon as practicable so that they may be changed.

Key dates & events

It is your responsibility to be aware of key dates and events in relation to the CMC Products when we may require instructions.

Confirmation of orders

You are responsible for making enquiries of us if a confirmation is expected in relation to a transaction but has not been received by you.

Check all documents from CMC

All documents sent to you by us will, in the absence of manifest error, be conclusive unless you notify us in writing to the contrary within 3 Business Days, as defined in the CMC Agreement, of receiving such document.

No interest in underlying instrument

Neither you nor we acquire any interest in or right to acquire, and neither party is obliged to sell, purchase, hold or deliver or receive, the underlying instrument of any CMC Product that you and we deal in.

Public holidays

We are not obliged to quote prices or accept orders or instructions in respect of any CMC Product on a public holiday in any jurisdiction which, in our reasonable opinion, affects the relevant underlying markets.

Limited Hours Trading

We are not obliged to quote prices or accept orders or instructions in respect of any CMC Product to which limited hours trading applies during any time when the relevant exchange is closed for business. We will designate from time to time the CMC Product to which limited hours trading applies on our website and within CMC's dealing platform.

Pricing errors

If errors occur in the prices of CMC Products quoted by CMC, neither party without prejudice to any rights it may have under statute or common law will be bound by any dealing which purports to have been made (whether or not confirmed by us) at a price which was, or ought reasonably to have been, known to either party to be materially incorrect at the time of the dealing.

Joint customers

Where there are joint Account holders:

- the liabilities of each of you will be joint and several;
- CMC may act upon instructions received from any person who appears to be an Account holder; and
- any notice or other communication given by CMC to one joint Account holder will be deemed to have been given to all joint Account holders.

Additional Circumstances Regarding Closure of your Open Positions

You should be aware that CMC also has the right, whether with or without prior demand, call or notice, and in addition to any other rights it may have under the CMC Agreement to close out all or part as CMC reasonably considers appropriate of your open positions if:

- CMC considers that you may be in possession of inside information within the meaning of the United Kingdom Criminal Justice Act 1993;
- CMC considers that you may be in breach of the rules of the FSA on market abuse;
- CMC or you are requested to do so by any regulatory agency or authority such as the FSA;
- you die or become of unsound mind;

- an application is made in relation to you for an interim order pursuant to section 253 of the United Kingdom Insolvency Act 1986 or a bankruptcy petition is presented in relation to you or, if you are a partnership, in respect of one or more of the partners, or if a company, a receiver, trustee, administrative receiver or similar officer is appointed;
- if you are a company, a petition is presented for the winding-up or administration of the company;
- if you are a company, an order is made or a resolution is passed for the winding-up or administration of the company (other than for the purposes of amalgamation or reconstruction with the prior written approval of CMC);
- you seek a moratorium under the United Kingdom Insolvency Act 2000 or proposes any arrangement or compromise with their creditors under Parts 1 or 8 of the United Kingdom Insolvency Act 1986, section 425 of the United Kingdom Companies Act 1985 or otherwise;
- any event happens to you pursuant to the Australian Corporations Act 2001, the Australian Bankruptcy Act 1966 or any other Australian law that is similar in character and effect to any of the events listed in the previous 4 bullet points;
- if you are a company, the appointment to the company of a “controller” as that term is defined in section 9 of the Australian Corporations Act 2001;
- if you are a company, a resolution is passed to appoint an administrator to the company or the company enters into a deed of company arrangement;
- If you cease or threaten to cease to carry on business;
- in the absence of you making alternative arrangements, you are at any time not contactable by CMC immediately in order for CMC to obtain instructions or call for Initial or Variation Margins.

CMC’s Right to Limit Open Positions

CMC has the right under the CMC Agreement to limit the size of your open positions, whether on a net or gross basis, if:

- any of the circumstances referred to in the previous section apply;
- CMC reasonably considers that there are abnormal trading conditions as described below;
- CMC, in its reasonable opinion, considers it necessary for the protection of its rights under CMC’s Terms of Business.

The reference to “abnormal trading conditions” refers to trading conditions in the underlying market being unusual, such as lower than usual liquidity. CMC will generally exercise this right when it is unable to cover the deals with its customers in the underlying market because of such trading conditions.

CMC’s Right to Refuse Orders

CMC has the right under the CMC Agreement to refuse your order to establish new positions if:

- any of the additional circumstances referred to in the preceding sections apply;
- CMC is unable to make prices in the relevant CMC Product due to the unavailability of information in the relevant underlying market for reasons beyond CMC’s control; or
- CMC decides in its absolute discretion and, in this case only, gives written notice of such decision to you.

1.8 RISK WARNING AND LIABILITY STATEMENT

CMC as the product issuer

As we issue the CMC Products, you are exposed to the financial and business risks, including credit risk, associated with dealing with CMC.

You should also bear in mind that CMC is a company incorporated in England and Wales with limited liability. In the event that we fail to perform our obligations it may be necessary for you to seek to enforce your rights in England and Wales.

Trading On Margin

As you will deal in all CMC's Products on margin, other than some FX products. This has two consequences:

- by participating in leveraged dealings in CMC Products you will be required to pay margins to CMC; and
- the relatively low margin requirements permit an extremely high degree of leverage. Accordingly, a relatively small price movement in a CMC Product may result in an immediate and substantial loss to you and a loss in excess of the amount invested.

CMC will only accept Intermediate Customers

CMC will only accept you as a Customer if you can be classified as Intermediate Customer by demonstrating the required level of expertise and understanding in the CMC Products you wish to deal in and signing the Intermediate Customer Notice.

The implications and consequences of you accepting to be classified as Intermediate Customer are further set out under 3.4 of this Information Memorandum.

Important Information

This notice is provided to you in compliance with the rules of the Financial Services Authority, and covers the products and services that CMC Group Plc ("CMC"), may make available to you to trade in the Over-the-Counter ("OTC") margined products that CMC offers.

On-Exchange and Over-the-Counter ("OTC") Contracts for Difference on shares, share derivatives, indices, foreign currencies or precious metals as well as Futures or Options transactions (for example: forwards, swaps, etc.) carry a high risk of loss. Do not invest in such speculative transactions with money you cannot afford to lose.

An investment in foreign exchange, precious metals or share derivatives carries a high degree of risk and, due to fluctuations in value; you may not recover the money invested. With certain transactions you may not only lose your original investment but may also incur a liability to pay further unspecified amounts at a later date.

Trading Suitability

The inherent concept of derivatives means that they are not suitable for an investor seeking income from his investments because the income, if any, derived from an investment in derivatives may fluctuate in value in money terms. An investment in an OTC product may not be readily realisable and/or it may be difficult to obtain reliable information about its value or the extent of the inherent or underlying risks to which such an investment may be exposed. The value of investments denominated in foreign currencies may diminish or increase due to fluctuations in the rates of exchange.

CMC revalues its customer positions continuously during each business day. Any profit or loss is immediately reflected in the customer's account and a loss may result in a margin call, which will require the customer to immediately provide additional funds to CMC. Open positions are marked-to-market at the close of each business day and daily profits and losses reflected in the customer's ledger balance.

General Risks

The general risks inherent in an investment in futures, options and CFDs, include but are not limited to:

- Entering into a Contract for Difference ("CFD") can result in the loss of your entire capital. You cannot predict what your loss may be. It may be far higher than your security deposit.
- You may not be able to enter into a transaction that compensates for or eliminates your risk (so called "hedging"). Whether this possibility exists will depend upon the market conditions and upon the structure of the option contract or CFD you have entered into. Under certain circumstances, you may only be able to enter into such a transaction subject to possibly unacceptable conditions or on the basis of a market price that will result in a loss to you.

- Your risks increase when you enter into options or futures or CFD contracts on the basis of margin. The market price must increase sufficiently for you to pay the interest cost. In addition, transactions entered into in a foreign currency carry the risk that a loss may be incurred by virtue of a fluctuation in the rate of exchange.

Specific Risks in Contracts For Difference

Unlike futures and options, these contracts can only be settled in cash; essentially this is the difference between the price at which the CFD is purchased (a long position) or sold (a short position) and its value at the close of each business day. For instance, the value of a share CFD is the difference between the opening price and the closing price, multiplied by the number of reference shares specified within the contract.

In the event your investment expectations are not met, you must pay the difference between the value of the quoted price at which you entered into the contract and the quoted price at which you close the contract. The maximal amount of your loss can not be determined beforehand and can be far in excess of your margin deposit with CMC.

Risks Relevant to Options

You should note that when you buy Forex Options you may lose the entire premium paid as they may expire without being exercised by you in which case the Forex Options are worthless.

When you sell Forex Options, although you receive the premium amount up-front, you are exposed to potential losses in the future in the event that the price of the underlying instrument moves against your position. Accordingly, you may only sell a Forex Option at our discretion and by paying sufficient margin to us to ensure that you have the necessary level of cover appropriate to the risk of your position, unless you are selling the Forex Option to close an existing position or the short Forex Option is covered by another long Forex Option.

Derivatives

Derivatives are therefore only suitable for investors who fully understand the market risk and have previous trading experience. It is advisable to seek independent advice if necessary.

Your Counter-party

CMC will be your counter-party with regard to all trading activity relating to OTC contracts for Difference and/or foreign exchange or precious metal transactions. CMC is not a member of a deposit guarantee scheme. The repayment of client funds and margin are not guaranteed.

Particular Risks of Day Trading

The practice of day trading carries its own particular risks. You should be aware that:

- day trading can lead to immediate losses;
- your entire capital may be at risk;
- in the event your day trading losses exceed the margin monies provided, you may be required to immediately provide additional margin monies;
- in circumstances where your day trading activities are financed through a loan, you will have to repay the loan irrespective of whether or not your day trading has been profitable;
- in attempting to derive a profit through day trading, you compete with professional and financially strong market participants;
- day trading requires a sound knowledge of the securities markets, trading techniques, trading strategies and derivative instruments; and
- sharing a trading centre with other investors may exert undue influence on your trading behaviour.

Is it appropriate for you?

You must carefully consider whether dealing in CMC Products is appropriate for you in the light of your financial circumstances. In deciding whether or not you wish to become involved in

dealing in CMC Products with CMC, you should be aware you could both gain and lose large amounts of money. You risk losing money because:

- You could lose all the margin funds you deposit with CMC to establish or maintain a Spot, Forward or option position and lose further amounts as described below.
- If the market moves against your position, you may be required, at short notice, to deposit with CMC further moneys as margin in order to maintain your Spot, Forward or option position. Those additional funds may be substantial. If you fail to provide those additional funds within the required time your Spot, Forward or option position may be liquidated. You will be liable for any shortfall in your Account resulting from that liquidation.
- You could lose all moneys deposited with CMC, and in addition be required to pay CMC further funds representing losses and other fees on your open and closed Spot, Forward or option positions.
- Under certain conditions, it could become difficult or impossible for you to liquidate or close a Spot, Forward or option position (this can, for example, happen when there is significant change in prices over a short period). The placing of Stop-loss Orders may not always limit your losses to the amounts that you may want. Market conditions may make it impossible to execute such orders.
- The high degree of leverage that is obtainable in dealing in CMC Products with CMC because of small margin requirements can work against you as well as for you. The use of leverage can lead to large losses as well as large gains.

Derivative markets are speculative & volatile

Derivative markets can be highly volatile. The prices of CMC Products and the underlying securities, currencies, commodities, financial instruments or indices may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by you.

CMC Products' prices will be influenced by, amongst other things, changing supply and demand relationships, governmental, agricultural, commercial and trade programs and policies, national and international political and economic events and the prevailing psychological characteristics of the relevant marketplace.

Dealing may be affected by factors in the underlying market

The prices of the CMC Products are derived from the prices in the underlying markets. Sometimes markets move so quickly that "gapping" occurs. Gapping is the exposure to loss from failure of market prices or rates to follow a "smooth" or continuous path due to external factors such as world, political, economic and specific corporate events. If "gapping" occurs in the underlying market, it will also occur in the price of the relevant CMC Product and may mean that you are unable to close out your position or open a new position at the price at which you have placed your order or may have liked to place your order.

At other times the underlying market may lack liquidity because of insufficient trading activity. This may affect the ability of CMC to offer the relevant CMC Product in sufficient volume to allow you to close out your position or open a new position.

Finally, trading in the underlying market may be suspended or halted. This may also affect the ability of CMC to offer the relevant CMC Product to allow you to place an order to close out your position or open a new position.

As a result, a potentially profitable deal may not be executed or it may not be possible to close out a position in a timely fashion leading to reduced profits and higher losses.

Foreign exchange exposure

Your Account is maintained in the currency you have nominated, that is, the Base Currency.

Where you deal in a CMC Product that is denominated in a currency other than the Base Currency of your Account, all Initial and Variation Margins, Option Premiums, profits, losses and financing credits and debits in relation to that CMC Product are initially calculated using the currency in which the CMC Product is denominated. The totals are then converted to the Base Currency of your Account on a daily basis.

Accordingly, your profits or losses may be affected by fluctuations in the relevant foreign exchange rate between the time the order is placed for the CMC Product and the time it is liquidated, offset or exercised.

Interest rate fluctuations

The interest that you receive or pay in relation to your Account balance will be affected by fluctuations in the interest rate specified by CMC for the currency in which your Account is denominated.

Should you deal in a CMC Product denominated in a currency other than the Base Currency, the fluctuations in the relevant Financing Rate will also affect your profits and losses.

PART 2

2.1 DIRECTORS' DECLARATION

The Directors, on behalf of CMC Group Plc, confirm that, in so far as they can reasonably be expected to know, the information in this Information Memorandum is in accordance with the facts, and no information has been omitted which, if included, would have altered the purport of this Information Memorandum.

The names and positions of CMC's Directors are set out on page 4 of this Information Memorandum.

The Directors further confirm that there are no current cases or arbitration which could have or in the recent past have had a significant effect on the financial and fiscal position of CMC Group Plc.

2.2 ACCOUNTANTS' REPORT



Baker Tilly Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

We have audited the financial statements of CMC Group Plc for each of the three financial years ended 31 March 2001, 2002 and 2003 which include the information extracted at section 2.3 below.

We gave unqualified audit opinions for each of the three years. Our audit opinion (which was dated 27 June 2003) on the latest financial statements for the year ended 31 March 2003 is as follows:

"Independent Auditors' Report

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditor's 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are 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 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any

apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 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 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985."

Mr David Lewis (Partner)
Baker Tilly Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

26 January 2004

2.3 FINANCIAL INFORMATION

CMC GROUP PLC BALANCE SHEETS as at 31 March

	2003		2002		2001	
	Group £	Company £	Group £	Company £	Group £	Company £
FIXED ASSETS						
Tangible assets	2,714,880	2,714,880	2,063,505	2,063,505	1,189,046	1,189,046
Investments	-	355,109	-	355,107	-	55,205
	<u>2,714,880</u>	<u>3,069,989</u>	<u>2,063,505</u>	<u>2,418,612</u>	<u>1,189,046</u>	<u>1,244,251</u>
CURRENT ASSETS						
Debtors	8,371,810	8,518,733	7,995,321	8,264,756	5,947,119	5,947,119
Cash at bank and in hand including short term deposits						
- own funds	54,815,478	41,528,854	36,892,915	33,219,899	49,333,366	49,166,441
- client funds	25,293,394	9,627,645	20,186,120	10,486,120	-	-
	<u>88,480,682</u>	<u>59,675,232</u>	<u>65,074,356</u>	<u>51,970,775</u>	<u>55,280,485</u>	<u>55,113,560</u>
TOTAL CURRENT ASSETS						
TOTAL ASSETS	<u>91,195,562</u>	<u>62,745,221</u>	<u>67,137,861</u>	<u>54,389,387</u>	<u>56,469,531</u>	<u>56,357,811</u>

CURRENT LIABILITIES	Group £	2003 Company £	Group £	2002 Company £	Group £	2001 Company £
CREDITORS: amounts falling due within one year	62,425,242	40,629,561	43,031,007	32,539,776	35,084,692	35,194,309
PROVISIONS FOR LIABILITIES AND CHARGES	8,999,404	8,999,404	9,412,807	9,412,807	9,243,553	9,243,553
TOTAL LIABILITIES	71,424,646	49,628,965	52,443,814	41,952,583	44,328,245	44,437,862
CAPITAL AND RESERVES						
Called up share capital	500,000	500,000	500,000	500,000	500,000	500,000
Profit and loss account	18,797,100	12,142,440	14,194,047	11,936,804	11,641,286	11,419,949
Revaluation reserve	473,816	473,816	-	-	-	-
EQUITY SHAREHOLDERS' FUNDS	19,770,916	13,116,256	14,694,047	12,436,804	12,141,286	11,919,949
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	91,195,562	62,745,221	67,137,861	54,389,387	56,469,531	56,357,811

**CMC GROUP PLC
PROFIT AND LOSS ACCOUNT
for the years ended 31 March**

	2003 £	2002 £	2001 £
TRADING INCOME	25,704,599	18,402,952	21,735,709
Administrative expenses	(19,894,682)	(16,386,863)	(14,855,302)
OPERATING PROFIT	5,809,917	2,016,089	6,880,407
Interest receivable	1,785,433	1,865,603	1,285,575
Interest payable	(655,224)	(383,010)	(499,826)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6,940,126	3,498,682	7,666,156
Taxation	(2,337,073)	(945,921)	(2,363,627)
RETAINED PROFIT FOR THE YEAR	4,603,053	2,552,761	5,302,529
BASIC EARNINGS PER SHARE	9.21	5.11	10.61

No dividends have been proposed or paid in respect of the above three year period

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2003 £	2002 £	2001 £
Profit for the financial year	4,603,053	2,552,761	5,302,529
Unrealised surplus on revaluation of investment property	473,816	-	-
	5,076,869	2,552,761	5,302,529
Total recognised gains relating to the year	5,076,869	2,552,761	5,302,529

CMC Group Plc GROUP CASH FLOW STATEMENT For the year ended 31 March

	2003 £	2002 £	2001 £
CASH INFLOW FROM OPERATING ACTIVITIES	23,798,439	9,715,308	30,388,237
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received	1,785,433	1,865,603	1,285,575
Interest paid	(655,224)	(383,010)	(499,826)
	1,130,209	1,482,593	785,749
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
TAXATION			
Taxation paid	(1,140,046)	(2,110,057)	(1,295,036)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets	(771,513)	(1,367,176)	(952,912)
Proceeds on disposal of tangible fixed assets	12,750	25,001	5,000
	(758,763)	(1,342,175)	(947,912)
ACQUISITIONS			
Investment in subsidiary undertaking	(2)	-	-
	23,029,837	7,745,669	28,931,038

MANAGEMENT OF LIQUID RESOURCES

Amounts placed on short term deposit	(9,111,095)	(35,523)	(31,295)
	<hr/>	<hr/>	<hr/>
INCREASE IN CASH	13,918,742	7,710,146	28,899,743
	<hr/>	<hr/>	<hr/>

2.4 TAX INFORMATION

UK taxation of CMC Group Plc

The following information is based upon the law and practice currently in force in the United Kingdom.

CMC is chargeable to corporation tax on the whole of its profits (both income and chargeable gains). CMC shall be charged to corporation tax at 30%, the payment of which is due nine months and one day after the end of the accounting period.

No specific tax regime applies to CMC.

Tax Considerations for Dutch residents

The following information is based upon the law and practice currently in force in the Netherlands. The comments are not intended as a full description of all relevant tax considerations and may not therefore apply to all persons. Any person who is in any doubt as to his tax position should consult a professional adviser concerning his tax position in respect of the acquisition, holding or disposal of Contracts For Difference.

From 1 January 2001 there are three types of taxable income in the Netherlands. These types of income include taxable income from savings and investments

Taxation on income from savings and investments is based on the assumption that people will have a taxable return of 4% on their net capital. The actual level of return (for example capital gains or losses, interest or dividend) is not relevant. Net capital (the value of the asset minus any liability) is determined as the average net capital during the calendar year and will therefore be measured twice a year, on January 1 and December 31. Only capital available for saving and investment is taken into account. Consequently, the owner-occupied dwelling as well as the endowment insurance linked to it and capital invested in someone's own company or a substantial interest is not taxed in box 3.

The individual will be taxed at a flat rate of 30% on deemed income from "savings and investments". This deemed income amounts to 4% of the average of the individual's "yield basis" at the beginning of the calendar year and the individual "yield basis" at the end of the calendar year, provided the average exceeds a certain threshold. Contracts for Difference form part of the individual "yield basis". For the year 2002, the general threshold amounts to €18,146.

It is the responsibility of each investor to consult his own tax advisor before trading in CFDs.

2.5 DUTCH AUDITORS' STATEMENT

Introduction

We have taken cognisance of this Information Memorandum dated 26 January 2004 of CMC Group plc., London, United Kingdom, with the aim of establishing whether this Information Memorandum at least contains the information which, to the extent applicable, is required to be included therein pursuant to Section 2 (2) and (5) of the Netherlands Decree on the Supervision of the Securities Trade 1995 and the Netherlands Further Regulation on the Supervision of conduct on the Securities Trade 2002 (Nadere Regeling gedragtoezicht effectenverkeer 2002). This Information Memorandum is the responsibility of the company's

management. Our responsibility is to express an opinion pursuant to Section 15 (2) of the Annex A to the Netherlands Decree on the Supervision of the Securities Trade 1995.

Scope

Based on auditing standards generally accepted in the Netherlands, we are required to plan and perform our procedures to obtain assurance that this Information Memorandum at least contains the information which, to the extent applicable, is required pursuant to Section 2 (2) and (5) of the Netherlands Decree on the Supervision of the Securities Trade 1995 and the Netherlands Further Regulation on the Supervision of conduct on the Securities Trade 2002. Unless expressly stated otherwise in this Information Memorandum, the information included in this Information Memorandum has not been audited. We believe that our procedures provide a reasonable basis for our opinion.

Opinion

In our opinion, this Information Memorandum at least contains the information which, to the extent applicable, is required pursuant to section 2 (2) and (5) of the Netherlands Decree on the Supervision of the Securities Trade 1995 and the Netherlands Further Regulation on the Supervision of conduct on the Securities Trade 2002.

26 January 2004, Amsterdam

Deloitte & Touche Accountants

PART 3

3.1 ADDITIONAL INFORMATION

3.2 CMC AGREEMENT

Your dealings in CMC Products with CMC on and from the date of this Information Memorandum will be undertaken in accordance with the following documents that you will have received from a CMC representative or downloaded from our website:

- CMC Terms of Business (including the Schedules) (as amended from time to time);
- Part 4 of this Information Memorandum, being the Rates Schedule;
- Intermediate Customer Notice.

These documents individually and together, as the case requires are referred to as the “CMC Agreement” in this Information Memorandum. These documents are all available at www.cmcpic.com.

You should note:

- Any dates and times referred to in the CMC Agreement are to dates and times in London, including references to “Business Days”. Accordingly, you must be aware of the time differences when determining CMC’s trading hours (see clause 3.6 of the Terms of Business).
- The CMC Agreement may be amended by CMC from time to time by giving you notice.
- English law governs the CMC Agreement and all contracts and transactions with CMC.
- Subject to your right to refer any matter to the Financial Ombudsman Service in the United Kingdom for further investigation or the right of any party to commence proceedings in the English courts, and to the maximum extent permitted by law, any dispute or difference whatsoever in connection with the CMC Agreement must be dealt by you in the Netherlands in accordance with the procedure set out in the dispute resolution procedure as described below.

3.3 PRIVACY STATEMENT

When submitting your Application to open an Account with CMC, you will be providing entities within CMC with your personal information. CMC will also maintain records of all transactions and activities on your Account, including details of your dealings in CMC Products and margin calls made. During the course of your relationship with CMC, we will also gather information about products and services provided to you.

CMC is committed to protecting the privacy of all personal information, which CMC obtains from you. CMC will only use your personal information in accordance with its Privacy and Security Policy (available on request) and otherwise in accordance with United Kingdom data protection legislation.

3.4 REGULATIONS

CMC is authorised and regulated by the Financial Services Authority (“FSA”) in the United Kingdom and is required to comply, inter alia, with the following Provisions.

What is an Intermediate Customer?

In the United Kingdom the rules and regulations of the FSA allow a firm to classify a customer who would otherwise be a private customer as an Intermediate Customer. A person may accept the categorisation as an intermediate customer by signing an Intermediate Customer Notice.

If a person accepts the categorisation as an Intermediate Customer he or she loses the protection of some FSA rules that afford protection to private customer whilst other FSA rules will be modified so that they offer him or her more limited protection than he or she would be afforded as a private customer.

Accepting the categorization as an Intermediate Customer?

If you accept this categorisation you will lose the protection of the FSA rules that afford protection to private clients covering the understanding of risk, disclosure of charges, remuneration and commissions, margin requirements and non-exchange traded securities. Additionally there are other rules, dealing with financial promotions, confirmation of transactions and periodic statements, best execution, custody and client money that will be modified so that they offer you more limited protection than you would be afforded as a private customer.

Accordingly, you should read and understand the Intermediate Customer Notice before signing and returning it to CMC, in particular section 2.1 of the Intermediate Customer Notice which describes the FSA rules, the protection of which a customer loses, or which are varied, by reason of the customer being classified as an Intermediate Customer.

By signing the Application Form, you:

- declare to CMC that you have read and understood the Intermediate Customer Notice;
- consent to being treated as an Intermediate Customer;
- consent to your money being treated outside the FSA Client Money Rules.

How does CMC classify you as an Intermediate Customer?

The rules and regulations of the FSA allow a firm to classify a customer who would otherwise be a private customer as an Intermediate Customer if:

- the firm has taken reasonable care to determine that the customer has sufficient experience and understanding to be classified as an Intermediate Customer; and
- the firm has given a written warning to the customer of the protections under the FSA regulatory system that he or she will lose;
- the firm has given the customer sufficient time to consider the implications of being classified as an Intermediate Customer; and
- the firm has obtained the customer's written consent, or is otherwise able to demonstrate that informed consent has been given.

A customer's consent to being classified as an Intermediate Customer may be limited to one or more types of investments or investment businesses.

In order to meet the above requirements CMC assesses each application on a case by case basis using information supplied by you during the application process, and will generally be based on the following criteria and assessment process:

- To be satisfied that you have sufficient experience and understanding to be classified as an Intermediate Customer, CMC will generally expect you to have at least 6 months trading experience in related asset classes or markets and be able to demonstrate that approximately 25-30 trades have been carried out by you without advice, on an execution only basis during that period.
- You are asked to detail the usual size of transactions. CMC generally expects consideration to be at least €2,500 or its currency equivalent per transaction. Information regarding the current size of your share portfolio will also be taken into consideration by CMC.
- You must provide information regarding your income and current financial standing. CMC generally expects customers to have a 5:1 ratio of net worth (excluding the value of the customer's residence) against available risk capital.
- You may also be contacted by telephone by a CMC representative in order for CMC to assess your knowledge and understanding of the relevant markets and the risks involved. You must demonstrate a full understanding of the relevant markets and the risks involved when posed specific questions by the CMC representative.

However, despite the processes of CMC described above, it is your responsibility solely to ensure that you understand the nature of, and the risks of dealing in, CMC Products. If you do not understand the nature of, and the risks of dealing in, CMC Products you should not open an account with CMC.

What happens if you are not an Intermediate Customer?

If CMC assesses your application and does not consider that you can be classified as an Intermediate Customer it will not deal with you.

In the event that CMC does classify you as an Intermediate Customer, but the United Kingdom FSA believes that CMC's classification is incorrect, CMC will be required to close your account. Should you be re-classified by the FSA as a private customer, you may wish to seek advice about any additional rights that you may have as a result of the re-classification by the FSA.

3.5 Complaints Procedure

Should a client have reason to complain, then it is important that at first you advise your usual contact at CMC. Our Dealers or Backoffice staff will be pleased to help, so please ask to speak to any of our representatives if you feel you have cause for complaint. Complaints will usually be resolved at this early stage.

In the unlikely event that your concerns cannot be resolved at the first point of contact we will advise you that the matter is under investigation and that we will look into the concerns you have raised. We will contact you promptly with the results of our findings.

If your complaint is not resolved to your satisfaction you will be advised to refer the matter to our Compliance Officer at compliance@cmcplc.com in writing, in order for him to conduct his own investigation. We will respond to you with our final response at this stage.

3.6 Financial Services Compensation Scheme:

As a client of CMC Group PLC, you may benefit from the protection offered by the Financial Services Compensation Scheme ("FSCS"), in the event that CMC Group PLC become insolvent or cease trading.

The FSCS was created on 1 December 2001, when the Financial Services and Markets Act 2000 came into force, and acts as a 'safety net' for clients of authorised firms (i.e. FSA regulated financial services firms such as CMC Group PLC).

The FSCS is available when an authorised firm goes into default, and is unable or is likely to be unable to pay claims made against it by clients. The FSCS pays the first £30,000 of a valid claim in full and 90% of the next £20,000 - up to £48,000 for each client in total.

Using the scheme does not cost you anything, but to qualify for compensation you need to be eligible within the FSCS rules. Generally, the FSCS covers private individuals, as well as some small businesses.

Further information on the FSCS can be obtained from the FSCS website, www.fscs.org.uk or by calling the FSCS Helpline on +44 (0) 20 7892 7300.

PART 4

4.1 Rates Schedule

The following sets out the applicable rates for the purposes of your Agreement with CMC.

Interest on Account Balances

Interest Qualification Level:	Interest Percentage:
Account balances of US\$3,000 (or currency equivalent) and above.	Applicable Base Rate +/- 1%

Financing on Open Positions

Open positions carried overnight may be debited or credited with overnight financing for the full consideration of the position.

The rate(s) used in calculating such financing are displayed on the daily statement and are also available on request.

Margin

The 'Minimum Margin Amount' you must maintain on your account is US\$200, or currency equivalent. The following tables set out the Margin Percentages used in calculating the margin rates applicable to your Account.

CFD Margin Percentages

Origin of Underlying	Share CFD's	Index CFD's	Sector CFD's
United Kingdom	5 %	3%	3%
United States of America	5 %	3%	3%
Europe	5 %	3%	3%
Switzerland	5%	3%	3%
Australia	10%	3%	3%
New Zealand	10%	3%	3%
Japan	10%	3%	3%
Hong Kong	10%	3%	3%
Singapore	10%	3%	3%

FOREX Margin Percentages

Instrument	Spot	Forwards
All Forex Products (including Bullion)	2%	2%

PART 5

5.1 Notes to CMC Group Plc Report and Group Financial Statements 31 March 2003

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 modified by the valuation of derivative transactions and investment property. 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:

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 tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been

enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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.

Website Costs

Website costs are written off as incurred.

Employee Benefit Trusts

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

2	OPERATING PROFIT	2003	2002
		£	£
	OPERATING PROFIT IS STATED AFTER CHARGING/(CREDITING):		
	Auditors' remuneration - audit	41,552	20,000
	- non-audit	342,934	254,500
	Operating leases - land and buildings	747,080	50,000
	Depreciation	574,683	469,033
	Loss/(profit) on disposal of fixed assets	6,521	(1,317)
		<u> </u>	<u> </u>
3	DIRECTORS AND EMPLOYEES		
	STAFF COSTS INCLUDING DIRECTORS' EMOLUMENTS		
	Wages and salaries	3,497,049	2,419,125
	Incentive awards	7,702,337	6,907,097
	Social security costs	269,338	218,672
	Other pension costs	136,273	95,268
		<u> </u>	<u> </u>
		11,604,997	9,640,162
		<u> </u>	<u> </u>
		Number	Number
	Average number employed including directors	107	60
		<u> </u>	<u> </u>
	DIRECTORS' EMOLUMENTS	£	£
	For qualifying services	8,209,956	7,295,072
		<u> </u>	<u> </u>
	Compensation for loss of office	-	88,000
		<u> </u>	<u> </u>
	Pension contributions paid on behalf of directors	42,700	21,975
		<u> </u>	<u> </u>

7 EARNINGS PER SHARE

Basic earnings per share is based on attributable profit after taxation and is calculated on the weighted average number of ordinary shares of the company in issue, being 500,000 for the years ended 31 March 2003 and 2002.

8 TANGIBLE FIXED ASSETS

Group and company	Freehold investment property £	Furniture, fixtures and fittings £	Office equipment £	Motor vehicles £	Total £
COST OR VALUATION					
1 April 2002	685,977	597,163	1,908,765	78,572	3,270,477
Revaluation	473,816	-	-	-	473,816
Additions	-	40,840	705,673	25,000	771,513
Disposals	-	-	-	(25,000)	(25,000)
31 March 2003	<u>1,159,793</u>	<u>638,003</u>	<u>2,614,438</u>	<u>78,572</u>	<u>4,490,806</u>
DEPRECIATION					
1 April 2002	-	354,858	799,327	52,787	1,206,972
Charge for the year	-	98,592	457,470	18,621	574,683
Disposals	-	-	-	(5,729)	(5,729)
31 March 2003	<u>-</u>	<u>453,450</u>	<u>1,256,797</u>	<u>65,679</u>	<u>1,775,926</u>
NET BOOK VALUE					
31 March 2003	<u>1,159,793</u>	<u>184,553</u>	<u>1,357,641</u>	<u>12,893</u>	<u>2,714,880</u>
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>

At the year end the group and the company had capital commitments of £Nil (2002 - £Nil).

The freehold investment property has been revalued by the directors to the net sale proceeds subsequent to the year end.

9 FIXED ASSET INVESTMENT

Shares in subsidiary undertakings at cost:

1 April 2002	360,006
Addition in year	2
	<u>360,008</u>
Less: provision against cost of investment at 31 March 2002 and 2003	<u>(4,899)</u>
31 March 2003	<u>355,109</u>

On 26 March 2003, CMC Group PLC acquired the entire issued equity capital of CMC Incentives for a consideration of £2.

9 FIXED ASSET INVESTMENT (continued)

The investments in subsidiary undertakings are as follows:

Company	Nature of activities	Class of share	Percentage of shares held
CMC Spreadbet PLC	Spreadbetting	Ordinary	100%
CMC Incentives	Employee awards	Ordinary	100%
Client 2 Client.com Limited	Dormant	Ordinary	100%
Deal4free.com Limited	Dormant	Ordinary	100%
Marketmaker Limited	Dormant	Ordinary	100%
Click here 2 deal.com Limited	Dormant	Ordinary	100%
Equibet Limited	Dormant	Ordinary	100%

10 DEBTORS	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
AMOUNTS FALLING DUE WITHIN ONE YEAR				
Trade debtors	149,998	147,957	149,998	147,957
Corporation tax recoverable	155,000	-	155,000	154,989
Amounts due from subsidiary undertakings	-	-	181,410	114,446
Other debtors	7,873,330	7,797,902	7,839,595	7,797,902
Prepayments and accrued income	193,482	49,462	192,730	49,462
	<u>8,371,810</u>	<u>7,995,321</u>	<u>8,518,733</u>	<u>8,264,756</u>

11 CREDITORS: amounts falling due within one year	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Trade creditors	54,387,459	41,149,863	38,880,173	31,540,181
Corporation tax	1,890,702	717,169	-	-
Amount due to subsidiary undertakings	-	-	507,320	7,897
Other taxes and social security	107,065	81,503	107,065	81,503
Other creditors	634,750	134,758	383,319	13,794
Accruals and deferred income	5,405,266	947,714	751,684	896,401
	<u>62,425,242</u>	<u>43,031,007</u>	<u>40,629,561</u>	<u>32,539,776</u>

Trade creditors include segregated client balances as follows:

	2003	2002
	£	£
Group	<u>24,562,286</u>	<u>16,975,003</u>
Company	<u>9,055,000</u>	<u>7,372,000</u>

12	PROVISIONS FOR LIABILITIES AND CHARGES	Deferred taxation £	Provision £	Total £
	1 April 2002	10,000	9,402,807	9,412,807
	Transfer from/(to) profit and loss account	178,000	(591,403)	(413,403)
	31 March 2003	<u>188,000</u>	<u>8,811,404</u>	<u>8,999,404</u>
	The provision relates to future payments to be made from the employee benefit trusts.			
13	DEFERRED TAXATION		Group £	Company £
	1 April 2002		10,000	10,000
	Profit and loss account - current year		178,000	178,000
	31 March 2003		<u>188,000</u>	<u>188,000</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 2003.			
14	CALLED UP EQUITY SHARE CAPITAL		2003 £	2002 £
	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 2002		14,194,047	11,936,804
	Retained profit for the year		4,603,053	205,636
	31 March 2003		<u>18,797,100</u>	<u>12,142,440</u>
16	RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS		Group £	Company £
	Opening equity shareholders' funds		14,694,047	12,436,804
	Retained profit for the year		4,603,053	205,636
	Other recognised gains and losses relating to the year:			
	Unrealised surplus on revaluation of investment property		473,816	473,816
	Closing equity shareholders' funds		<u>19,770,916</u>	<u>13,116,256</u>
17	REVALUATION RESERVE		Group £	Company £
	1 April 2002		-	-
	Revaluation during the year		473,816	473,816
	31 March 2003		<u>473,816</u>	<u>473,816</u>

18 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 2004:

	2003 Land and buildings £	2002 Land and buildings £
Expiring:		
In less than one year	-	50,000
Within two to five years	116,983	-
Over five years	477,685	477,685
	<u>594,668</u>	<u>527,685</u>

19 RECONCILIATION OF OPERATING PROFIT TO CASH INFLOW FROM OPERATING ACTIVITIES

Operating profit	5,809,917	2,016,089
Depreciation	574,683	469,033
Loss/(profit) on disposal of fixed assets	6,521	(1,317)
(Increase) in debtors	(221,489)	(2,048,202)
Increase in creditors	18,220,210	9,120,451
(Decrease)/increase in provisions	(591,403)	159,254
Cash inflow from operating activities	<u>23,798,439</u>	<u>9,715,308</u>

20 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

Increase in cash for the period	13,918,742	7,710,146
Cash used to increase liquid resources	9,111,095	35,523
Movement in net funds for the period	<u>23,029,837</u>	<u>7,745,669</u>
Net funds at 1 April	57,079,035	49,333,366
Net funds at 31 March	<u>80,108,872</u>	<u>57,079,035</u>

Liquid resources comprise cash on short term deposit.

21 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2002 £	Cash flows £	At 31 March 2003 £
Cash in hand and at bank	55,866,676	13,918,742	69,785,418
Short term deposits	1,212,359	9,111,095	10,323,454
	<u>57,079,035</u>	<u>23,029,837</u>	<u>80,108,872</u>

Net funds are analysed as follows:

	2003 £	2002 £
Own funds	54,815,478	36,892,915
Client segregated funds	25,293,394	20,186,120
	<u>80,108,872</u>	<u>57,079,035</u>

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 £767,944 (2002 - £1,482,417) by Information Internet Limited for computer software and services, of which, £54,801 (2002 - £70,000) was owed by the company at the year end. In the year, CMC Group Plc, made a loan of £150,000 to Information Internet Limited which was repaid in full by 31 March 2003.

b) At the year end, two directors had loans from the employee benefit trusts - P.A. Cruddas £7,625,000 (2002 - £7,625,000) and A. Pabari £20,898 (2002 - £15,854).

23 EMPLOYEE BENEFIT TRUSTS

The net assets of the group of £19,770,916 (2002 - £14,694,047) include net assets of the employee benefit trusts as set out below. The profit for the year after taxation of £4,603,053 (2002 - £2,552,761) includes the net profit of the employee benefit trusts of £152,337 (2002 - £106,337).

	2003 £	2002 £
FIXED ASSETS		
Tangible assets - investment property at valuation	1,159,793	685,977
CURRENT ASSETS		
Other debtors	7,796,930	7,701,748
Cash in hand and at bank	334,591	1,021,294
	8,131,521	8,723,042
CREDITORS: amounts falling due within one year	(6,094)	(6,212)
NET CURRENT ASSETS	8,125,427	8,716,830
	9,285,220	9,402,807
Less surplus arising on revaluation of investment property	(473,816)	-
	8,811,404	9,402,807
PROVISION FOR LIABILITIES AND CHARGES	(8,811,404)	(9,402,807)
NET ASSETS	-	-

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

24 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.