Company registration number 5145017

CMC Markets plc

Annual Report and Financial Statements

31 March 2011

Message from the Chairman

2011 was a significant year for CMC Markets as we delivered what we believe to be the future of retail online trading and investing By making such a significant investment in our next generation technology I believe that CMC Markets is demonstrating that it is the only company in our industry which is genuinely redefining the way that online retail trading and investing will be done in the future

Whilst delivering this significant change programme we also achieved an improvement in our underlying financial performance with a 6% increase in net operating income to £137m and a 9% improvement in EBITDA to £19m

Our employees continue to demonstrate a persistence, self-belief and passion to make decisions for the long term and avoid short term distractions At CMC Markets we call this 3D thinking – Dream, Dare and Deliver – in other words by taking extraordinary ideas and making them a reality

With our next generation technology combined with our great people, I am looking forward to what will be an exciting year for the company The next generation of CMC Markets is here!

CMC Markets plc
Annual Report 2011
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Highlights

Financial

	2011	2010	Var	Var %
Revenue	£161 7m	£152 0m	£9 7m	+6 4%
Net operating income*	£136 9m	£129 5m	£7 4m	+5 7%
EBITDA	£18 7m	£17 1m	£1 6m	+9 4%
EBITDA margin	13 7%	13 2%	+0 5%	+0 5%
Active customers**	75,922	75,737	+185	+0 2%
Number of trades	22 9m	26 2m	-3 3m	-12 6%
Value of trades***	£749bn	£770bn	-21bn	-2 7%
Customer assets****	£345 1m	£325 5m	£19 6m	+6 0%

*Net operating income represents revenue net of rebates payable to introducing partners who are not themselves trading counterparties less spread betting levies

**Active customers represent those individual customers who have traded with or held positions with CMC Markets on at least one occasion during the financial year

*** Value of customer trades represents the notional value of trades

**** Customer assets represent the total value of customer funds

Operating

- Next generation spread bet platform launched in UK in July 2010
- Over 40,000 demo account and 10,000 live account applications on next generation spread bet platform
- Next generation CFD platform launched in Germany and Austria in March 2011 and UK in April 2011
- New headquarters in London at 133 Houndsditch

What we do

CMC Markets is an online retail financial services business which enables our customers to trade contracts for difference (CFD) or financial spread betting on a range of shares, indices, foreign currencies, commodities and treasuries The Group also provides stockbroking services in Australia

CMC Markets creates prices in over 5,000 instruments on which customers can trade Revenues are generated predominantly through transactional spreads, financing and commissions which arise on our customers trading activities Our risk management strategy is based on highly automated flow management which dynamically hedges the majority of customer exposures and risk The level of revenues is influenced by the number of customers actively trading, the amount of trading each customer transacts and the amount of revenue earned from each transaction

At its core, CMC Markets' business model is built on

- Product innovation
- Advanced technology & design
- Superior customer experience

Our products

CFD

CFD provides you with economic benefits similar to an investment in an underlying asset without the costs and limitations associated with physical ownership A CFD is a cash-settled investment in products which are based on currencies, commodities, indices and companies A CFD tracks the price movement of your chosen product, including dividend on stocks, interest on positive carry currency positions, and coupon on interest bearing instruments

A CFD is a leveraged product which has the potential to magnify profits as well as losses However CMC Market's next generation CFD platform also offers a unique variable financing feature which means that you can choose to deposit as much or as little (subject to minimum margin requirements) of the overall value of the trade

Spread bet

Spread betting allows you to trade on the price movements of financial markets, including currencies, commodities, indices and companies Spread betting with CMC Markets gives you similar economic benefits to the ones you would experience when investing in an underlying asset, but without the costs and limitations associated with physical ownership Spread bets are cash-settled investments in financial products that offer a number of benefits, including dividend on stocks, interest on positive carry currency positions, and coupon on interest bearing instruments

Spread betting has many of the same benefits as a CFD with one important difference, you are betting a specific stake size per point movement of a product rather than trading a specific number of shares or units

Ordinarily, profits from spread betting are free from capital gains tax and stamp duty in the UK and Ireland, although tax laws are subject to change

Stockbroking

CMC Markets also offers Australian customers the ability to buy and sell ASX-listed equities as well as listed funds, with customers having access to live market data and research from some of Australia's most respected stock market analysts

Our geographical reach

CMC Markets has 678 employees based in 16 offices in 15 countries across 4 continents

1. Product innovation

At CMC Markets, innovation is part of our DNA We constantly change, constantly challenge and constantly innovate – and we wouldn't have it any other way CMC Markets has redefined the customer experience with industry-leading trading tools and features that utilise advanced technology

Our next generation Spread bet and CFD (Tracker) apps bring together the features of a share stockbroking account with those of a traditional CFD or spread bet trading account, providing greater flexibility, lower costs and cross market opportunities With our next generation apps, we've developed a product that is unique, including a range of industry-leading features

Industry-leading features

1 **Transaction based stop loss** automatically suggests a stop loss for our customers at the margin amount for that trade This feature helps to limit potential losses if the markets move against the position This stop loss is optional and customers can alter or remove it at any time

2. **Customisable financing** introduces a flexible approach to derivative trading Gone are the days of being forced to take on fixed leverage, customers now decide just how much to fund themselves and how much to leverage, on each and every position Customers can hold onto positions long term with no leverage, or trade short term with high leverage Holding costs only apply to the borrowed amount, not the total position size

3. **Fractional ownership** sets new standards in precision asset allocation, allowing customers to use their funds more effectively Customers can place trades to match the exact amount they are willing to risk, from as little as 1/1000th of a unit, or for a specific monetary amount With a traditional broker, the smallest trade size in units is one share, with fractional ownership customers can decide to invest in a half or even a tenth of a share

4. **Portfolio Mixer** allows investors to create custom portfolios and follow their performance Customers simply drag and drop any number of products, including companies, currencies, indices and commodities, into the mixer to combine them, choose a weighting for each product and then follow the mix's performance on a chart Customers can individually sell or buy each product within the mix, add or remove at any time, compare the past performance of individual products and track the mix over multiple timeframes to see how it reacts to different market conditions

5 **Advanced charting** developed in-house, gives our customers access to a full suite of technical analysis tools, while the user interface is accessible for investors of all experience levels Customers can trade directly through our charts, as well as amend risk management orders such as stops, trailing stops and take profits Trading is more straightforward and user friendly than ever before

6. **Cash priced commodities.** Our team of financial engineers have turned complex futures prices into a unique cash price with no expiry and no rollovers, providing a continuous and consistent price Since the introduction of cash prices on our commodities, trading levels have increased dramatically and commodity trades now account for 30% of all trading activity on the new platform

7. **Pricing policy** We believe that every customer, regardless of account or position size, should have access to competitive, transparent and consistent pricing We adhere to a one price policy where there are no distinct commissions or transaction fees associated with our accounts We have removed individual charges and built these costs of trading into the price quote, providing greater transparency so our customers always know what they are paying for

8. **Product factsheets**· Every product has a factsheet that provides an in-depth product description, charts, influencing factors, financing rates, trading hours, related news and more Our product factsheets provide customers with information to assist them to conduct pre-trade research

9. **Professionals** CMC Markets is developing an industry leading offering to professional traders and investors which gives access to advanced technology and charting features as well as wholesale pricing and execution capability

10 **Usability:** Whether at your desk or on the move, CMC Markets next generation apps for spread bet or CFD trading provide a simple, feature rich platform from which to trade

2. Advanced technology and design

Technology is the backbone of our business as it will be the enabler to delivering highly successful products and services to our customers on a global scale in the future We invest heavily in this area to provide a solid foundation for the services we offer Most importantly investment in technology will allow us to expand with ease in the future, providing scalability, dependability and speed, while keeping incremental costs down Our backend systems can handle over one million prices per second, so customers can be confident that, even during the most turbulent market sessions, our apps will continue to deliver the service our customers expect We deal in highly liquid instruments that are connected to many major execution houses electronically, offering our clients 100% automation with no re-quotes Our hardware is robust and reliable with extensive backup systems and stringent security in place

Full suite of trading and investment apps

CMC Markets' new apps give customers access to the financial markets from anywhere in the world, with no need to download and install software With Adobe® Flex technology, we are able to offer enhanced access and a rich interactive experience

Today the web app is one of the largest mission-critical adobe applications in the world, with 22 unique modules and over 700,000 lines of code It was featured in the Adobe MAX annual event in 2010 as a leading case study for the financial enterprise edition, and showcased by Hewlett Packard in their Slate tablet promotion

Have the market in your pocket

Our customers can trade on the move with the world's only fully functional iPhone® app Investors can open a demo or live trading account, transfer money, view live Dow Jones news, access their real time account status, trade and manage risk with a range of order types that are fully customisable Customers now have no need to visit our website

Within days of launching, the CMC Markets iPhone app entered the top ten free finance apps in the market and now more than 26% of all new accounts on the new platform are opened via the iPhone app, showing just how important the mobile market has become

Touch, tap and trade

CMC Markets is proud to have launched the first iPad® trading app in the UK Trading has never been so hands-on - investors can simply touch, tap and trade This is a trading app that fully utilises the large, high-resolution touch screen of the iPad

The fully featured iPad app enables portable access to real-time pricing, customisable financing, multi-touch charting with technical indicators, swipe logins and live news for thousands of global financial products Within the first few weeks of launch our iPad app was the most downloaded free finance app in Austria and in the top 3 in the UK and Germany

3. Superior customer experience

Our unique product features and cutting-edge technology are complimented by first-rate education, fully featured unlimited demo accounts and a growing community of self-directed investors Combined, these factors present a new kind of customer experience CMC Markets encourages private individuals to take charge of their own investments and become the new money managers of the future aided by our intuitive and simple applications We encourage this change in a number of ways

Lifetime demo accounts

Those new to CMC Markets or online trading and investing can use our apps without risking any of their own money It's simple to open a fully-functional demo account with only an email address and password, there's no expiry date and it won't cost anything We always strongly recommend customers practice using the demo account first, prior to opening a live account Through our demo accounts, individuals can hone and develop their investing skills

Education

Our emphasis on education is evident throughout the customer experience and our efforts have not gone unnoticed In recognition for our ongoing contribution to quality and engaging training, CMC Markets won its second Shares award for best investor education in 2010

In addition to our webinars, interactive app tour and guided tour videos, CMC Markets provides a host of education topics to our customers, covering risk management, avoiding common investment mistakes, understanding technical analysis, setting up trading plans, reading economic announcements and deciphering company fundamentals Our education material is freely available within our apps or online through our website

A new initiative by CMC Markets in the field of investor education is the commission of a series of videos and articles showcasing real CMC Markets customers from all walks of life, sharing their stories and their preferred strategies This also forms part of our drive to nurture a community of self-directed investors

Insights community - It's your thought that counts

CMC Markets is starting to develop a new online community within our apps for 2012 This trading and investing forum will enable our self-directed community to engage in ongoing dialogue with their fellow investors as they manage their investments Self-directed investors know that no one but themselves can have their absolute best interests at heart Our online community will bring these people together so they can share knowledge, ideas and opinions to enhance their trading and investment experience It takes just seconds for customers to create a profile and start sharing ideas and strategies

Customers will be able to engage with the knowledge base of our vast investor network and get real traders' opinions quickly, while they're most relevant No longer will private investors be alone in the financial markets They will have access to successful and experienced investors, working together, blogging and sharing their views and experiences with the community

Section 1 - Strategy

Vision

To be the leading global online retail financial services trading business

Strategic objectives

Our aim is to provide superior shareholder returns through

Objective	Measures	2011	2010	2009	Comment
Consistent and sustainable delivery of growth in revenues by increasing our share of global flow and liquidity both from our existing customer base and through the acquisition of new customers in current and new markets	Net operating income	£136 9m	£129 5m	£194 7m	Increased consistency of net operating income Active customers maintained and level of customer assets continues to grow, as a result of our focus on retention Trading numbers influenced by continued fall in volatility
	Active customers	75,922	75,737	76,045	
	Customer assets	£345 1m	£325 5m	£238 1m	
	Number of trades	22 9m	26 2m	30 3m	
	Value of trades	£749bn	£770bn	£924bn	
Improvement to operating margins through operational excellence	EBITDA	£18 7m	£17 1m	£26 8m	Underlying profitability improvement but deterioration in statutory loss due mainly to write-down in intangibles relating to MarketMaker platform
	EBITDA Margin	13 7%	13 2%	13 8%	
	Profit (Loss) after tax	£(19 4)m	£(9 2)m	£(15 4)m	
	EPS	(6 9)p	(3 4)p	(6 1)p	
Creating a secure capital and liquidity structure that will be appropriate for the future growth and success of the business	Surplus regulatory capital	39%	58%	37%	Significant surpluses maintained
	Surplus liquidity	£103 1m	£107 5m	£105 5m	

Strategic enablers

CMC Markets has identified six core strategic enablers that are fundamental to the achievement of our strategic objectives These enablers will be the core factors that differentiate us in the future and which will create long term sustainable competitive advantage in our chosen markets

- Customer championship
- Product innovation
- Trading risk management
- Technology and operations
- Financial strength
- People

Customer championship

Our ambition is to be the customer champion through delivering an unparalleled customer experience to online retail customers This would help maintain a loyal trading and investment community, optimal returns for our shareholders and long-term value for the business

The many features and customer experience provided by our next generation trading platforms demonstrate our commitment to our global customer championship strategy (See page 5)

CMC Markets continues to place the utmost importance on customer championship and the continuous delivery of fair outcomes to our customers through our behaviour, image, product innovation and internal culture With this customer-centric vision at the heart of our business we are confident that CMC Markets will become the undisputed brand of choice in all of our global markets

Product innovation

At CMC Markets, innovation is part of our DNA We constantly change, constantly challenge and constantly innovate – and we wouldn't have it any other way

We aim to provide customers with global access to investment opportunities anywhere, anytime to create a self directed investment community that manages markets on its own terms We constantly seek to innovate to provide better pricing, unique features, content and tools and present real time trading and investment options We will continue to redefine real-time for customers not just in terms of trading execution but also up to the second market intelligence We are constantly innovating to make our content, services and products stand out from the rest We will always seek to develop the most creative and inspiring investment products in the world

Our next generation trading platform has now been launched in two of our core markets (UK and Germany) and will be available to all of our customers over the next 12 months We believe that we have developed a product that is unique, including a range of industry- leading features We will continue to enhance the capabilities for retail trading and investment management, enabling CMC Markets to broaden our reach and deepen our relationship with customers in all of our global markets

Trading risk management

At the heart of CMC Markets is our global trading risk management capability, capable of dealing with the most sophisticated retail flow at multi asset trading turnover levels in excess of £10bn per day We aspire to be the global leader of pricing, execution and liquidity and this will be enabled through fully automated execution and dynamic risk management which is scalable far beyond our current levels of trading activity We have significant expertise in retail flow and risk management across multi asset classes and will continue to lead and innovate as we expand our products and services into the future Our risk management strategy is based on highly automated flow management which dynamically hedges the majority of customer risk in order to benefit from transactional spreads, financing and commissions Our strategic risk appetite is to retain a minority of customer portfolio risk, transferring the majority of risk through external counterparty hedges Risk appetite is controlled via strong governance and oversight and sophisticated controls at all times, within tightly defined risk parameters approved by the Board We will continue to optimise our returns using the latest risk management techniques

Technology and operations

Technology and operations have always been key to the success of CMC Markets and this has won us outstanding recognition as the leader in our industry Our aim is to provide our customers with the ability to take ownership of their personal financial investments Our platform has been built to provide complete control and flexibility We invest in technology and operational processes that will allow us to expand with ease in the future, providing scalability, combined with exceptional dependability and speed, while keeping incremental costs down Our long term vision of a much broader market opportunity with a customer proposition and experience is now a reality with the launch of our next generation trading platform We assembled the best team not just in our industry but from leading investment banks and technology providers to realise this ambition

Financial strength

We aim to maintain a very secure capital and liquidity structure that will be appropriate for the future growth and success of the business This includes a long term level of capital to withstand the demands of the financial fluctuations in the markets and access to a healthy level of surplus liquid resources commensurate with the size of our business and the growth opportunities which exist in the future

People

CMC Markets continue to employ the best people in our industry - smart, innovative, determined, visionary individuals who together are delivering our promise of 3D Thinking – Dream, Dare and Deliver to our customers Our team has the passion and determination to create some of the most inspiring trading and investment products in the world

Section 2 – CEO Review

I am very proud of what we managed to achieve this year Against a very weak market environment for retail trading, we not only achieved an improvement in our underlying financial results but we delivered on the very key milestones in our next generation change programme launching what we believe to be the future of online trading and investing We also maintained our global active customer base despite conservative marketing and sales investment in comparison to our competitors due to our focus this year on investment in our technology, product and platforms

Our vision remains to become the leading online retail financial services trading business providing the leading trading and investment platform for retail investors globally This strategy has required us to take a very hard look at our industry and innovate for the future We aim to provide our customers with global access to investment opportunities, wherever they are, at any time and create a self-directed community of investors that manage markets on their own terms We constantly seek to provide better pricing, more unique features, updated content and real-time trading and investing tools This we believe will appeal in the future to a much broader segment of retail consumers in our global markets than in the past including investors who are not necessarily attracted to leverage As a result, we have created our next generation platform and product offering to appeal to this wider community and a new global service model delivering consistency of our service promise and customer experience

During the financial year we made significant progress in making this vision a reality with the successful launches of our next generation platforms in the UK and Germany and by early 2012 we will have launched in all of our global markets

Through innovation, CMC Markets has always set the pace for the rest of the industry and I am very confident that we have created a trading and investment business which is capable of becoming a hugely successful financial services company of the future I would like to thank the Group Board and all of our employees for making this happen

When viewed against a backdrop of a weak market environment with volatility down by approximately 13% on average against last year, the financial results were very positive Revenue increased 6% to £161 7m and EBITDA (our main profitability measure) increased by 9% to £18 7m, whilst we continued our significant investment programme

It is now two years since we started the transformation of our business and it is really pleasing that our underlying business and customer base has continued to remain very strong Active customers increased to 75,922 reflecting the reprioritisation of investment from new to existing customers as we successfully invested in new services to retain loyalty in our brand

Operating costs have been tightly controlled over the year and the 5% increase over the prior year to £118 2m includes a number of charges that we would not anticipate as part of our go forward cost base In particular we were disappointed to receive an additional interim levy of £3 1m from the Financial Services Compensation Scheme which affected everyone in our industry arising from the failure of Keydata Investment Services and other businesses in January 2011

There has been significant investment in our next generation change programme including technology, trading risk management and corporate support functions We have also reviewed the balance sheet and in preparation for the launch of the next generation technology in all regions we have written down the remaining investment of £12 3m in our previous technology, MarketMaker, and other assets

In preparation for the next generation of CMC Markets we have taken action to focus the business on its core competencies resulting in the disposal of our subsidiary Digital Look (financial information provider) in January 2011 This action provided a net gain of £1 4m and enabled the business to remain focussed on the core trading and investment business

I am particularly proud of our next generation platform which we launched in July 2010 to UK spread bet customers and in March 2011 to our CFD customers in Germany and Austria These products are based on the next generation technology which enables radically new investment functionality as well as significantly enhanced trading capability As a key measure of our spread bet success, over 40,000 participants have downloaded and traded on our new demo platform since launch and live account growth has also been very impressive exceeding 10,000 applications The new CFD platform was launched in the UK in April 2011 and will follow shortly in Australia and Singapore before being rolled out to all other areas globally over the next year including our global institutional partners

There were however many other achievements including the move to our new London HQ in August to house our 450 London based employees in a project delivered to time and budget This programme also included the implementation of a brand new back up data centre in our HQ We now have two state of the art data centres providing leading resilience, capacity and scale for the future

We have also worked very hard at ensuring that we are well positioned for future regulatory change We have seen significant change over the last year including higher capital requirements, capped leverage standards, full segregation of retail customer margin requirements in certain regions and enhanced standards on money laundering controls, disclosure and customer appropriateness in all regions We welcome these changes and in many areas have been actively engaging with regulators as these will I believe give customers an even greater degree of confidence in our industry In addition, we have continued to ensure that we maintain sufficient levels of surplus regulatory capital and adequate liquidity which the Group Board monitors on a regular basis as well as planning our requirements for the business in the future

Our executive management team continues to be strengthened as well as our Group Board which will give us the capability to realise our potential in full David Bennett was appointed to the Board as a Non-executive Director in November 2010 He has extensive Board level experience in major financial services companies Asif Adatia, Chief Information Officer and Executive Director, left the Group in March 2011 after more than three years playing a leading role in the design of our next generation systems which are now complete I would like to thank him for his significant contribution to the business

None of this would have been possible without the continuing strong support of our major shareholders, Peter Cruddas and Goldman Sachs, who have worked closely in partnership with the executive management team to continue the growth strategy and plan for the substantial opportunities ahead of us

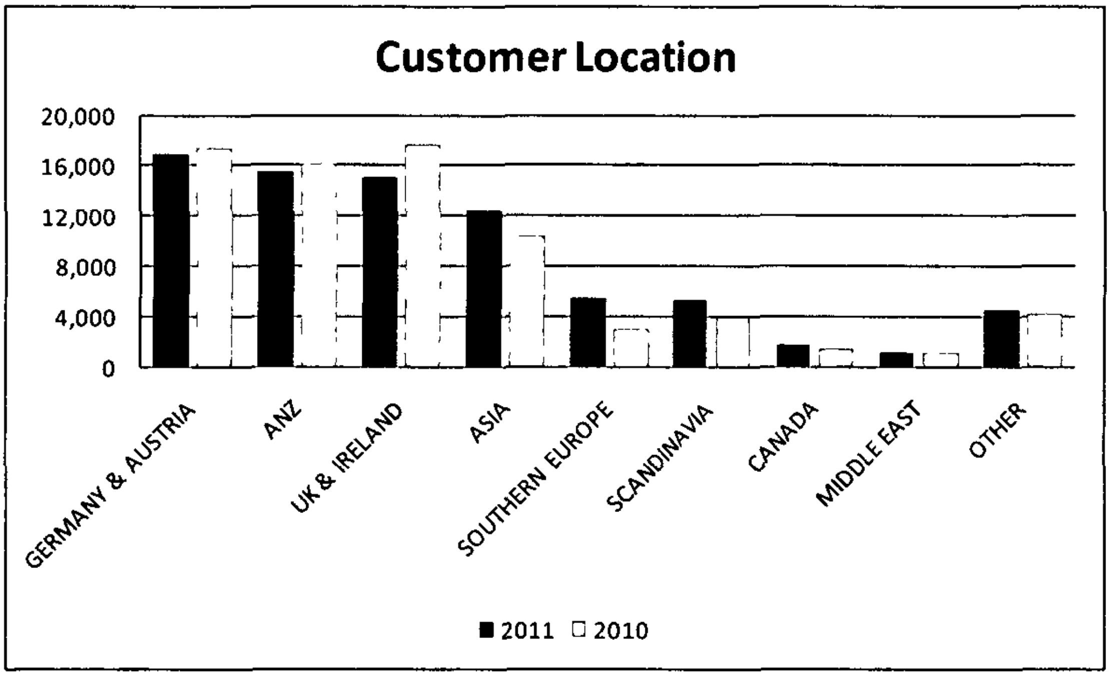
The next generation of CMC Markets is here The transformation of the business is now in its final and most important phase whereby our growth strategy will begin to deliver outstanding shareholder returns Huge thanks to all our employees who made 3D thinking (Dream, Dare, Deliver) happen this year I look forward to leading the business to even greater success in the coming year

Section 3 - Operating and financial review

Environmental factors

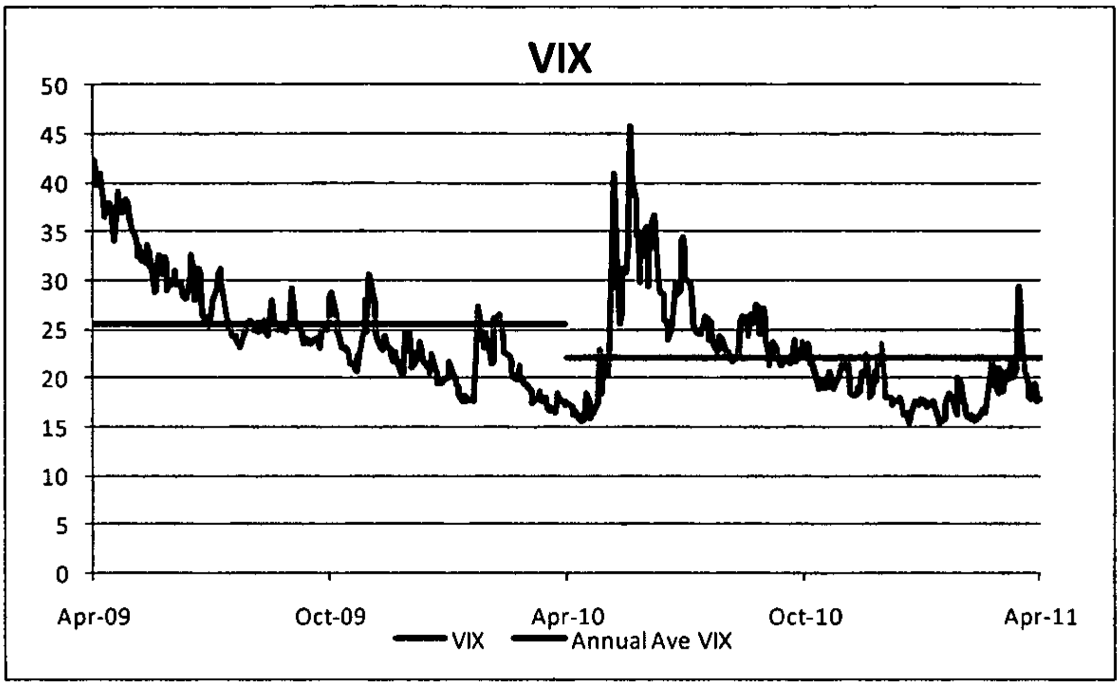
Competitive environment

The CFD industry is a global business, although there are very few truly global players CMC Markets has 16 offices in 15 countries across 4 continents and customers located in over 100 countries around the globe There are no statistics on global market size although there is evidence in a number of the major markets – UK, Australia and Singapore that the number of active traders in CFDs (including spread bet in UK) total around 220,000 across these 3 markets [Source Investment Trends – November 2010] Research in these markets suggests that active customers tend to have at least 2 trading accounts However there is no evidence as yet regarding the other European markets, Japan, Canada or the rest of the world CMC Markets total active customers for 2011 of 75,922 indicates a significant share of the overall global market and that we are positioned as one of the top 3 providers in each of the major markets globally



Macro economic environment

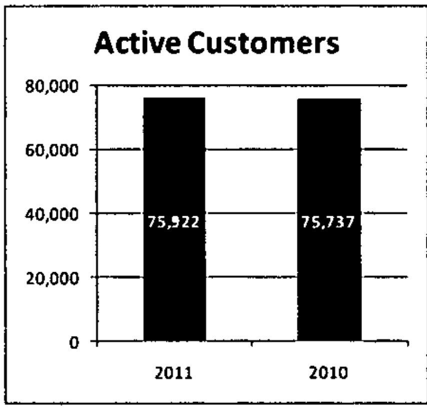
Volatility is a key influencing factor to the propensity for new and existing customers to trade The longer term level of volatility has been declining for the last 2 years following the credit crunch Average volatility levels are down 13% on the prior year and this has had a direct impact on the Group's revenues There continue to be short term shocks that influence certain asset classes but the current levels of volatility remain around the long term average and therefore we anticipate that this represents the base level of activity for the near future

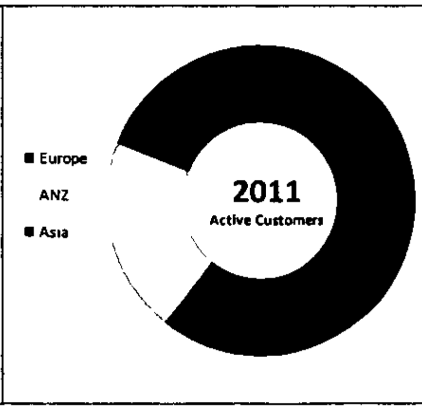


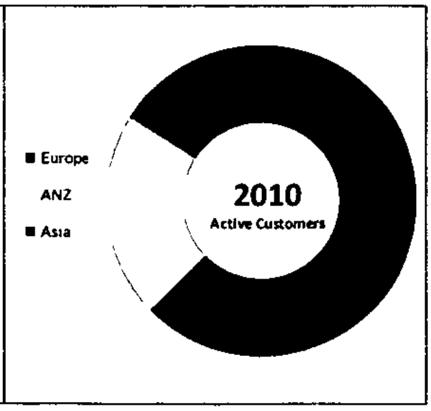
Operating review

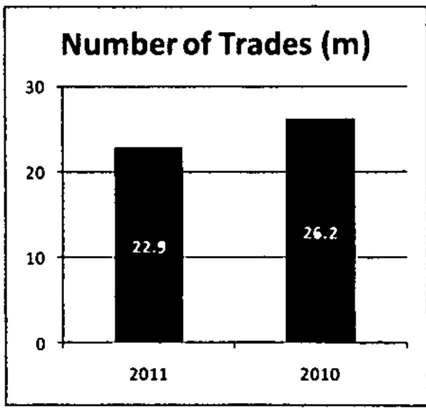
Global overview

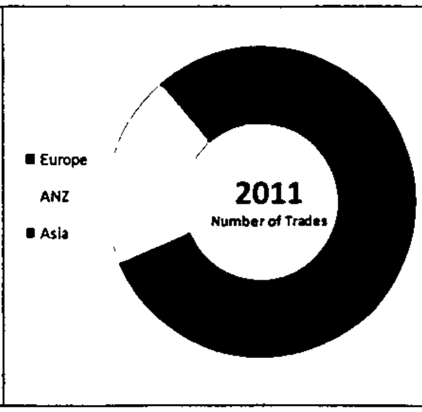
Despite the fall in volatility which had an impact on the number of trades and value of trades which fell by 11% and 3% respectively, the number of active customers remained stable at 75,922

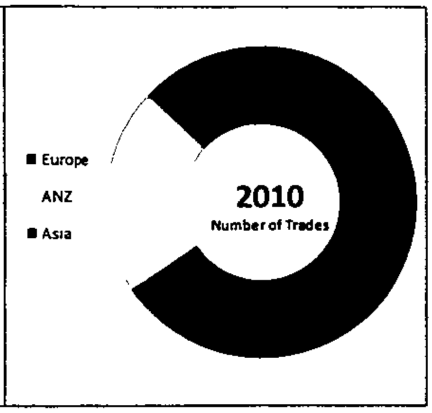


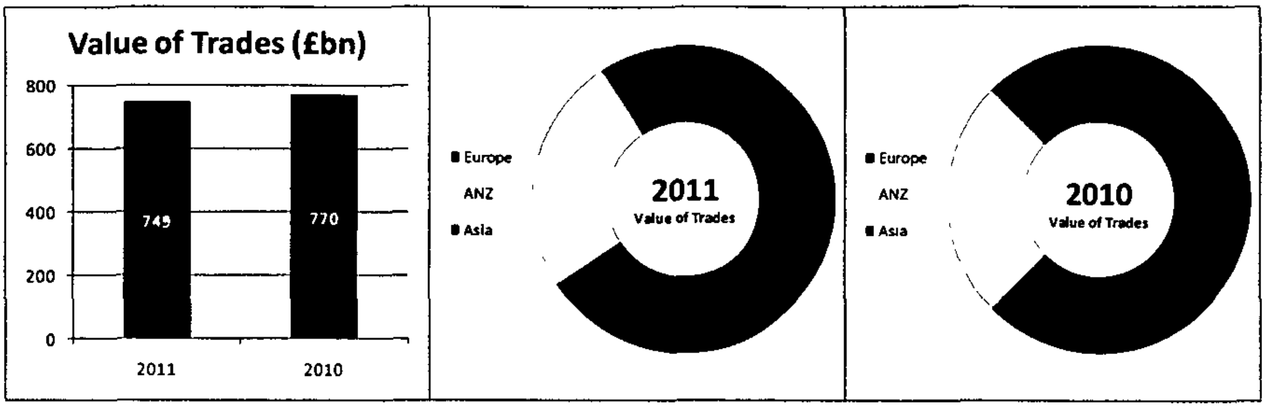






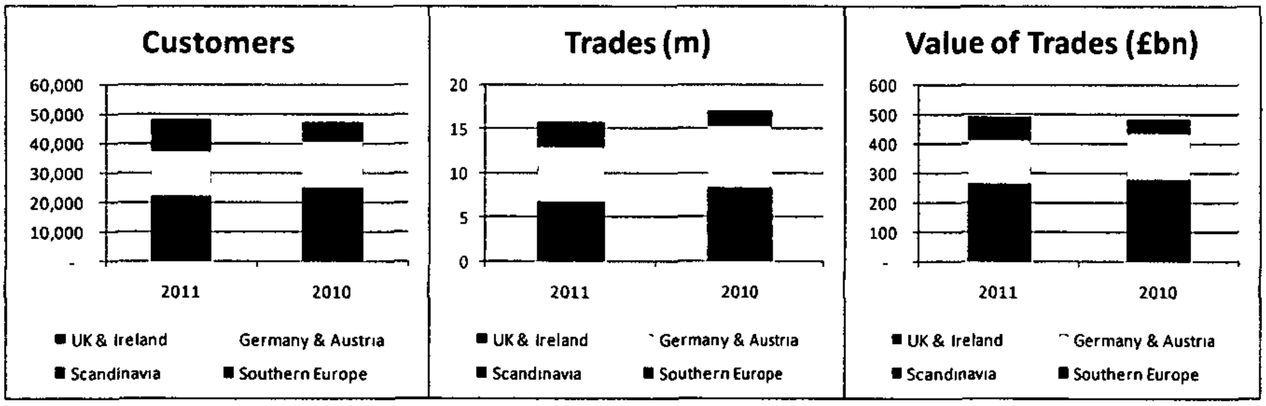






Europe

Europe represents the largest segment for CMC Markets, with significant market presence in UK, Germany and Scandinavia



The next generation trading platform was launched for the spread bet market in the UK in July 2010 and the CFD platform was launched in Germany and Austria in March 2011 The roll out of the platform in the region will continue over the coming year and will help us reaffirm our leadership in core markets and increase the opportunity in markets where we are still the challenger brand

UK and Ireland

As one of our core markets, the UK and Ireland was the first territory to receive our next generation platforms along with our new multi-channel brand engagement strategy Although launched during a period of declining volatility which did impact on the active customer base, the success of the next generation spread bet platform can be demonstrated by the significant interest in the new product with over 40,000 demo and 10,000 live accounts applications being made since launch This is a significant milestone for the business and a clear indication of the scale of opportunity for our other global markets With the next generation CFD platform which launched in April 2011 this will position CMC Markets as the premium brand of choice in the region

Germany and Austria

CMC Markets continues to be the market leader in CFDs across Germany and Austria, and the launch of the CFD platform in March 2011 reinforces this position Initial customer take up has already exceeded expectations with the focus for the coming year on building on our dominant position in this core market

Scandinavia

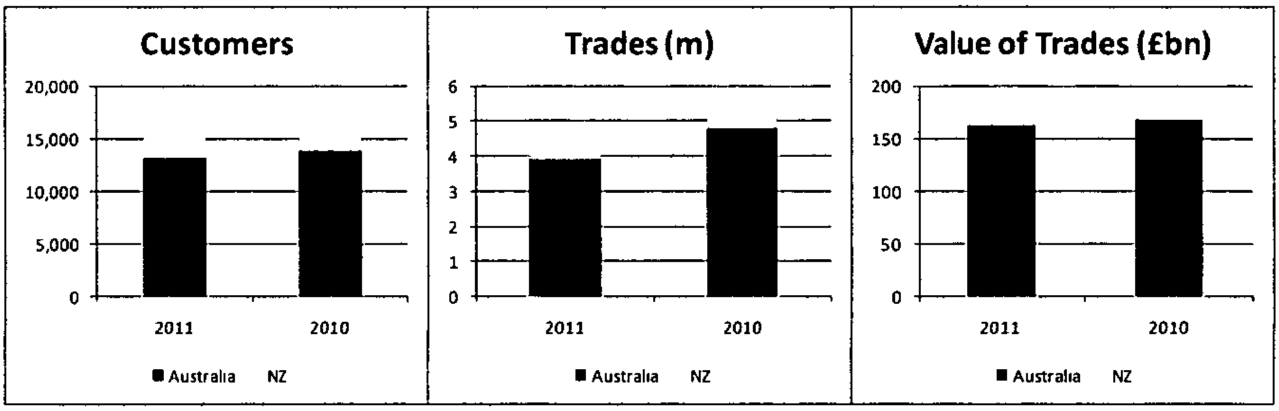
CMC Markets has strengthened its position as the market leader in Scandinavia with active customer numbers increasing by 35% and value of trades up 33% Whilst competition has been increasing in this region as the market matures, the increased understanding and acceptance of our products as a whole offers significant opportunity for our next generation platform when it is launched later this year

Southern Europe

The growth in Southern Europe (Spain, Italy, France) has been outstanding with the performance of the offices in Italy and Spain exceeding our expectations for active customer growth (up 171% and 85% respectively), highlighting the significant potential of the region We launched our French office at the end of 2010 which provides a further opportunity in a promising market showing significant growth in appetite for leveraged products

ANZ

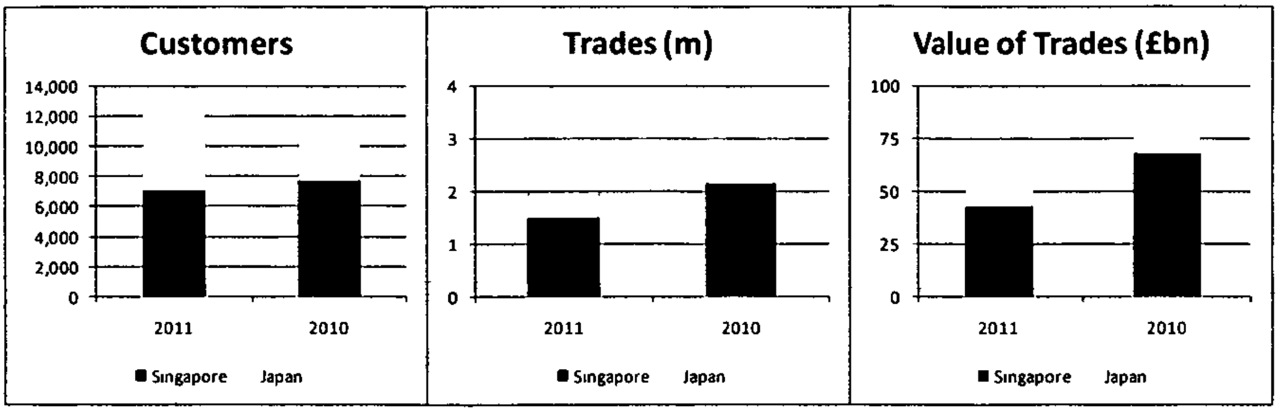
Whilst the Australian economy remained relatively robust compared with the rest of the world throughout the year, the continued uncertainty around global markets provided challenging conditions for traders CMC Markets remains one of the dominant players in the ANZ CFD market, and continues to grow its brand and market share in stockbroking



With over 15,000 customers actively trading CFDs during the year the ANZ business is in an excellent position to build on the exciting opportunities presented by the rollout of the group's next generation trading platform, whilst we continue to work with the regulators to help shape the evolving regulatory environment for CFDs

Asia

Low volatility levels experienced throughout the financial year had the most significant impact on trading appetite in this region meaning this was a year of consolidation in what has previously been a significant growth region



Singapore

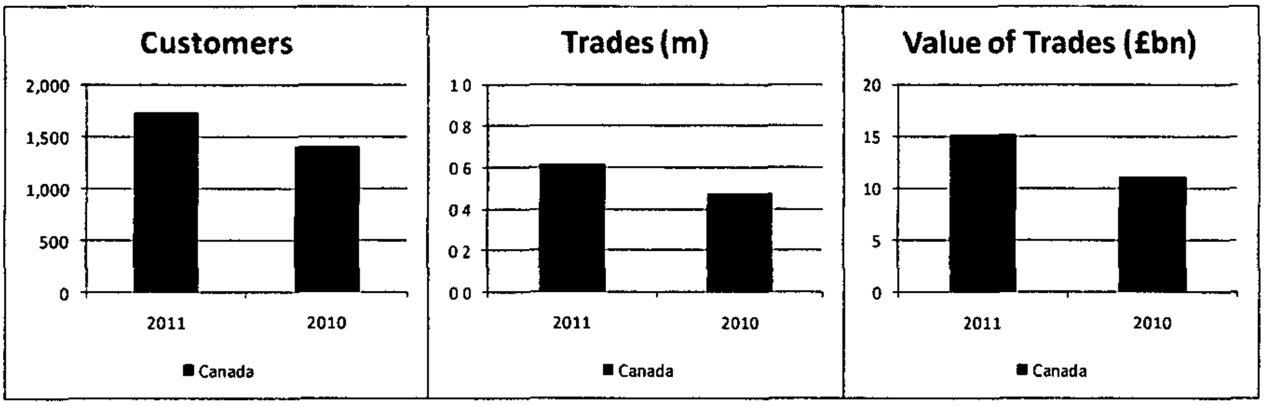
CMC Markets invested heavily in Singapore as a regional hub for the Group both in terms of the customer base and our trading risk management capabilities Volatility is a strong influencing factor on the level of trading in this region and this has impacted on active customer levels during the year However, Singapore continues to provide significant prospects in the retail market despite increaed competition in the sector and the launch of our next generation platform helped by a strong award-winning education proposition means that this continues to be an area of future potential growth for the business

Japan

The Japan office has made significant progress through its partners distribution channel to accompany its retail operation and has increased active customers significantly in the last quarter of the year Regulatory margin increases in the latter part of the year have affected trading volumes but Japan remains a key focus going into the new financial year with the launch of the next generation trading platform

Canada

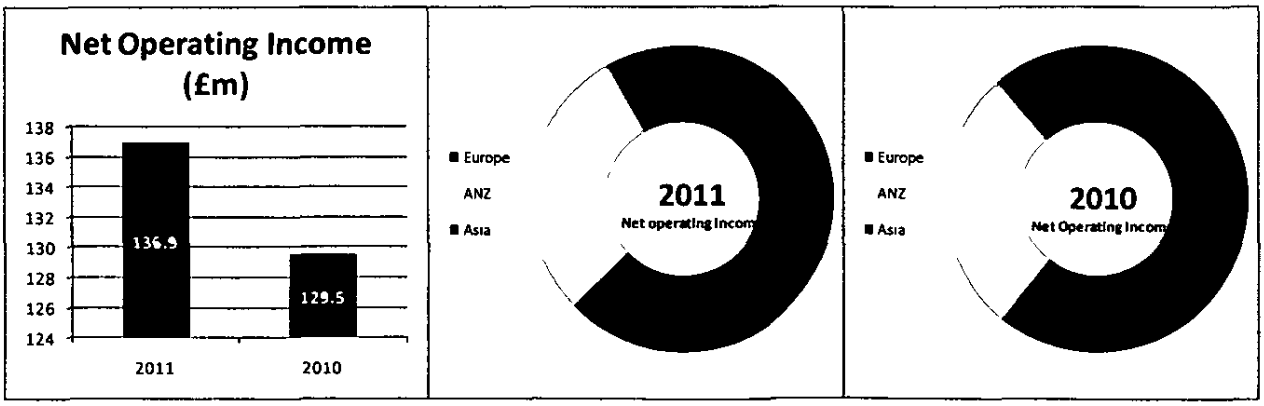
CMC Markets has continued to pioneer CFDs in the Canadian market and has seen significant growth in trade numbers, value of trades and active customers as we reinforce our position as market leader and continue to educate Canadian investors on the advantages and benefits of CFDs



As the first business to obtain a retail licence for CFDs in the main provinces we have seen early signs of growth amongst retail investors CMC Markets will also look to emerging opportunities from partners in the region where the delivery of financial services are concentrated amongst a small number of large domestic banks which also own the largest online brokers

Financial review

Net operating income

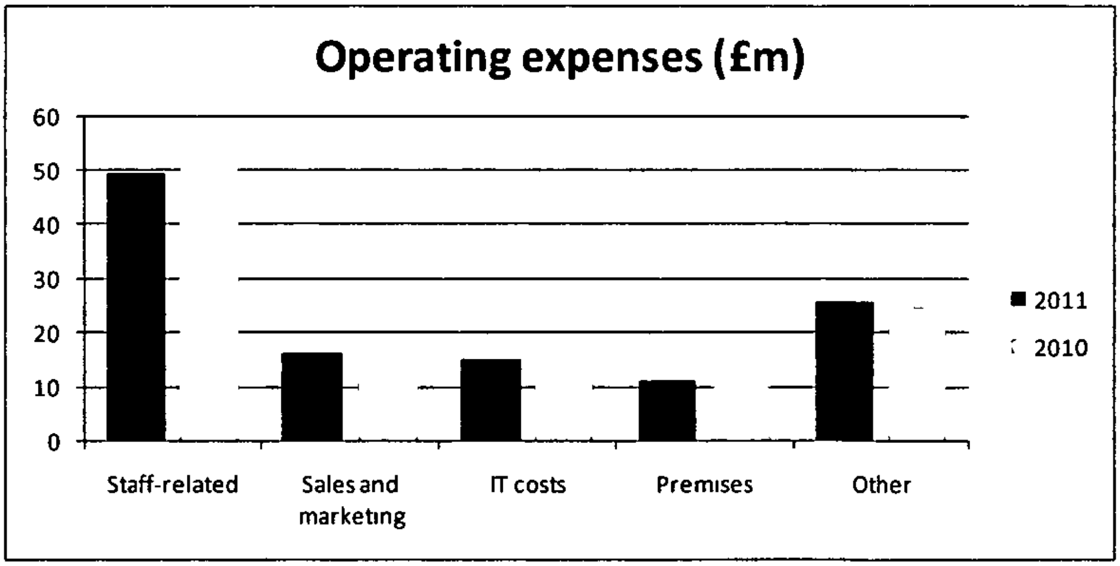


Total revenue increased by 6% to £161 7m for the year ended 31 March 2011 (2010 £152 0m) Net operating income, which we believe to be a better measure of revenue performance, is stated after deductions of rebate commissions paid to introducing partners and spread betting levies, increased by 6% to £136 9m from £129 5m in the prior year 2011 represents the first full year under the lower risk trading strategy that was introduced in June 2009 This has delivered a more consistent and sustainable level of net operating income throughout the year, although lower levels of volatility resulted in reduced trade numbers from the prior year

Operating expenses

In the last financial year, CMC Markets has remained focused on delivering a more efficient and scalable operating model while continuing to develop the next generation technology and launching the new CMC brand

Operating expenses increased by 5% to £118 2m for the year ended 31 March 2011, reflecting additional marketing costs to support the new brand and next generation platform launches plus additional technology costs as part of the continuing investment in the new platform However operating expenses were also impacted by a number of one-off items There was a significant increase in regulatory costs and more specifically an additional £3 1m interim levy from the Financial Services Compensation Scheme (FSCS) which arose in January 2011 from the failure of Keydata Investment Services and others The Group moved its London HQ to 133 Houndsditch during the year, benefiting from the improved location and working environment but incurring a £1 2m additional charge from running the two London properties for a 6 month period Without these two items, costs would have been held relatively flat despite the additional marketing and technology investments noted above



Staff-related expenses constitute the largest single expense of the Group CMC Markets is continuing with its strategy of moving to a smaller, highly skilled workforce oriented towards trading and technology Average headcount was 727 for the year compared with 784 for the prior year Overall staff-related expenses fell by 4% compared with the prior year

Technology includes the cost of maintenance of the Group systems, connectivity and market data costs An increase of 13% from £13 5m in the prior year to £15 3m this year reflects the further investment in the development and infrastructure of the next generation platform, along with full year support costs of the offices in Spain and Italy

Sales and marketing spend has increased by 31% to £16 4m this year In addition to supporting the platform launches, the Group has invested in a new brand campaign following a strategic brand review at the beginning of the year and a greater focus on digital marketing to reflect the next generation operating environment

Premises costs continue to account for approximately 10% of operating expenses and have increased by 10% to £11 2m this year from £10 1m last year This increase reflects the move of our London HQ to 133 Houndsditch and the simultaneous running of two London offices until September 2010

Overall other costs have increased by 4% primarily due to increases in regulatory fees and the £3 1m interim FSCS levy noted above Other costs in general have reduced, including a reduction in bad debt costs due to the continued monitoring of potential exposures and reduced market volatility Other costs have also benefited from the net gain on disposal of Digital Look of £1 4m

EBITDA

EBITDA for the Group was £18 7m (2010 £17 1m) and EBITDA margin was 13 7% (2010 13 2%) This is a positive result in the light of the weak market environment but also during a period of transformation for the business as it moves to a next generation of platform, processes and people

Taxation

For the year ended 31 March 2011 the Group taxation credit was £4 3m (2010 credit of £3 8m) Full details of the tax charge are set out in note 11 of the financial statements

Loss for the year

There was a retained loss for the year ended 31 March 2011 of £19 4m (2010 loss of £9 2m) This loss reflects the charges for amortisation from the significant investment that has been made in our next generation trading platform over the last 2 years and the impairment of £12 3m of the remaining value in our previous platform, MarketMaker, and other assets

Balance sheet and regulatory capital

The Group has invested significantly over the last two years in developing our next generation trading platform, pricing engine and customer service systems We believe that this investment will form the basis for the growth in the business as we roll it out to all of the markets around the world over the coming year However we have also reviewed the other intangibles in the balance sheet, particularly in respect of our previous award winning platform, MarketMaker, and have written down the carrying value of intangibles and IT assets at the end of the year by £12 3m This has been the main driver behind the reduction in net assets to £103 5m at the end of the year

The move to the new London headquarters, including a new state of the art data centre, required investment in fit out and tangible fixed assets, increasing property, plant and equipment to £23 7m at 31 March 2011 (2010 £14 2m)

In line with the Group's trading risk management objectives, the Group continues its hedging activity Margins relating to this activity are included as amounts due from brokers within current assets totalling £99 3m (2010 £99 7m)

CMC Markets is supervised on a consolidated basis by the UK's Financial Services Authority (FSA) The Group maintained a significant surplus capital over the regulatory requirement throughout the year At 31 March 2011 the capital resources represented 139% (2010 158%) of the Capital Resources Requirement and a surplus level of resources over the Internal Capital Guidance issued by the FSA during the year of £16 4m See note 4 to the financial statements for further details

Liquidity

At 31st March 2011 the Group held cash balances of £63 6m (2010 £73 4m) In addition, £283 4m (2010 £248 5m) was held in segregated client money accounts for customers The movement in Group cash is set out in the Consolidated Cash Flow Statement

Other than to fund the working capital of the Group, liquidity is required to fund external broking counterparties in support of the hedging of customer exposures in line with the Groups trading risk management strategy Broker funding requirements are met using the Group's own cash resources, funds available from certain customers, as permitted under the relevant regulatory regime, and undrawn debt facilities provided by the Groups lenders

The Group views excess liquidity as the additional liquid assets that may be used by the firm to meet additional external broker funding requirements The table below outlines the level of liquidity available to the Group Despite a significant increase in external broker margin requirements from 2009, arising from the transition to the lower risk trading strategy, the firm continues to have access to over £100m of available liquidity to support further hedging obligations

	2011 £m	2010 £m
Cash and cash equivalents	63 6	73 4
Surplus liquidity with brokers	12 5	4 1
Undrawn debt facility	27 0	30 0
Available liquidity	**103 1**	**107 5**

Section 4 – Principle risks & uncertainties

The Group's day to day business activities primarily expose it to strategic, financial and operational risks Effective risk management ensures that risks, including the risk of failure to achieve objectives, the risk to implementation of strategy and the risk of material financial misstatement or loss, are managed and reduced to an acceptable level

The Board, through its Audit and Risk Committees, is ultimately responsible for the implementation of an appropriate risk strategy, defining and communicating the Group's risk appetite, the establishment and maintenance of effective systems and controls and continued monitoring for adherence to Group policies Within this CMC Markets has adopted a standard risk process, with defined risk appetite parameters, that is widely promoted by the various standards and industry bodies (including the Institute of Risk Management) This implements a five step approach to risk management Risk Identification, Risk Assessment, Risk Management, Risk Reporting and Risk Monitoring

The executive management of CMC Markets is responsible for the execution of the Board's risk strategy, including the management of risk appetite and setting and monitoring of the business performance framework The Group Risk function reports to the CFO and co-ordinates the management and reporting of the Group's risks to ensure that risk management is fully integrated into day-to-day business activities The Risk function is staffed by specialists focused on financial risks, operational risks and internal audit, and is supervised, monitored and supported by management committees and working groups

At the operational level it is the responsibility of the business to adhere to and effectively manage all Group mandated risk management processes and standards including

- owning business risks and controls,
- identifying, assessing and managing risks,
- designing, implementing and monitoring suitable internal controls, and
- risk reporting and issue management

The business provides periodic feedback to the Group Risk functions on the adequacy of risk management processes and standards in relation to their particular business function

As part of the Group Risk Management Framework, the business is subject to independent assurance by external and internal audit The use of independent compliance monitoring and risk reviews provide additional support to the integrated assurance programme and ensures that the Group is effectively identifying, managing and reporting its risks

The methods of assurance are summarised as follows

- Self review line management will periodically be expected to review processes, systems and activities to ensure that all risk management processes continue to be effective and appropriate,
- Risk review and compliance monitoring the purpose is to confirm the continued effectiveness of the management of risk within the business This includes identification of potential control failures,
- Internal audit as part of an agreed audit programme, internal audit provides the Group with risk based and timely assurance on all the important aspects of the Group's risk management control frameworks and practices It is the responsibility of all business heads to provide responses to audit findings that focus on addressing root causes within the agreed timescales, and
- External audit external audit reviews provide the Board, the Risk Committee, the Audit Committee, business heads and the Risk function with an independent assurance over financial reporting As with internal audit reviews, any findings must be resolved by business heads within the agreed timescales

The main risks associated with the Group's financial activities and the key operational risks faced by the Group are outlined below and details of financial risks and their management are set out in note 4 to the financial statements

Further information on the structure and workings of Board and Management committees is included in the Corporate Governance Report on pages 30 to 35

Category	Risk	CMC Markets Impact	Management and Mitigation
Strategic risk	Strategic risk	The risk of adverse impact resulting from the Group's strategic decision-making as well as failure to exploit strengths or to take opportunities It is a risk which may cause damage or loss to the Group as a whole	The Board has the responsibility for setting Group strategy and maintaining oversight of strategic risks It has established a governance framework as set out in the Corporate Governance Report on pages 30 to 35, including the appointment of three independent Non-executive Directors, to ensure adherence to the strategy
Financial risks	Market risk	The risk that the value of the Group's net trading position will change over any given period in such a way that it negatively impacts trading revenue This change will generally be due to factors outside of the control of the business such as customer behaviour, economic or financial change, natural disaster or terrorist attack	CMC Markets monitors its market price risk on customer positions against internally approved limits as defined in the Group's risk appetite, and hedges these customer positions based on a number of internally agreed metrics to manage its net exposure These metrics include the size of the customer position, and the volatility and liquidity of the underlying instrument in which the Group's customers are spread betting or trading Trackers/CFDs These positions are monitored on a global basis, all open positions held by CMC Markets' customers are combined to calculate CMC Markets' total net customer exposure to ensure optimal hedging decisions are made The diversity of the product range and global distribution of the customer base significantly reduces CMC Markets' revenue sensitivity to individual asset classes and instruments Stress scenarios are applied to the portfolio, comprising a number of single and combined, company specific and market-wide events that reflect the most serious adverse market shocks to which the Group could be subject, in order to assess potential financial and capital impact and adequacy
	Credit Risk	The risk of impact resulting from a CMC Markets customer defaulting against their contractual obligations or a counterparty failing to meet their obligations in accordance with agreed terms	CMC Markets' management of customer credit risk is significantly aided by automatic liquidation functionality on CMC Markets' trading platforms In addition, the Group Customer Liquidation Policy and Procedure clarifies the Group's approach to liquidation management and has resulted in significantly improved customer liquidation times and has ultimately reduced credit risk exposure Stressed scenarios reflect CMC Markets' view of potential and extreme volatility movements and have been communicated to, challenged and approved by the Board It is CMC Markets' policy that institutional counterparties must have pre-defined minimum short-term and long-term ratings

Category	Risk	CMC Markets Impact	Management and Mitigation
	Liquidity Risk	The risk that there is insufficient available liquidity to meet ongoing obligations of the Group as they fall due	The Group's policy is to utilise a combination of liquidity forecasting and stress testing to ensure that the Group retains access to sufficient liquidity in both normal and stressed conditions Liquidity forecasting fully incorporates both the impact of liquidity regulations in force in each jurisdiction and other impediments to the free movement of liquidity around the Group, including the Group's own policies on minimum liquidity to be retained by individual trading entities Monthly stress testing is carried out on a range of scenarios - individual and combined, firm-specific and market-wide, short and long term - that represent plausible but severe stress events to ensure the Group has appropriate sources of liquidity in place to meet such events The Group has arranged a credit line to meet short term liquidity obligations to broker counterparties in the event that it does not have sufficient access to its own cash or funds from clients, and to leave a sufficient liquidity buffer to cope with stress events Global regulatory requirements for the management of client monies require that each regulated entity within the Group maintains at least the same level of liquid assets as that entity holds in customer liabilities Operating within client money regulations further ensures that sufficient liquidity is always available to meet customer liabilities
Operational risks	Business continuity risk	Business continuity risks include the unavailability of employees, premises or services due to a variety of possible events, some of which are outside the Group's control	Business continuity risk is managed through a continuing programme of review and enhancement including • Testing of business continuity and IT systems recovery plans through walkthroughs and exercising, • Training and awareness, • Regular business impact analyses and key risk assessment process, • Review of lessons learned post significant actual stress events, • Independent monitoring including internal audit, and • Placement of insurance cover for both the business and employees, including property damage and business interruption insurance, 24 hour personal accident cover, healthcare insurance, income protection and life assurance

Category	Risk	CMC Markets Impact	Management and Mitigation
	Financial crime risk	As a provider of financial services to retail markets, CMC Markets is exposed to the threat of financial crime including, but not limited to, fraud and money laundering	CMC Markets adopts a risk based approach to financial crime, undertaking formal and regular risk assessments across its global operations Oversight arrangements include the Compliance and Financial Crime Group which reports ultimately to the Group Executive Committee and Group Board, whilst a Financial Crime Change Programme has been implemented to undertake enhancements across a range of financial crime systems, controls, policies and procedures
	Information risk	Information risk is the threat to the confidentiality, integrity and availability of information held by the Group Protection of personal information provided by customers and employees is also a key concern Technical and procedural controls are implemented to minimise the occurrence of information security and data protection breaches	The Group's Information Security Framework provides policies, standards and acceptable usage guidelines to manage information risk across the Group Access to information is provided on a "need to know" basis consistent with the user's role All requests for access require appropriate authorisation Key data loss prevention initiatives implemented include restricted USB access, laptop encryption and web filtering CMC Markets also conducts regular review of system access and compliance with the Group's information security framework
	Technology risk	Technology is a critical part of the Group's business The operation, maintenance and upgrade of systems to facilitate the constantly changing requirements of its customers is an essential process To compete effectively in a market that is characterised by innovation in both products and services, the Group must be able to anticipate, respond and deliver robust and continually enhanced technology in a timely and effective manner System failures would expose the Group to significant reputation risk, potential lost revenue and complaints Additionally, the impact on competitive advantage through inadequate systems development and implementation is a continuing operational risk	The Group continues to invest in increased functionality, capacity and responsiveness of its systems infrastructure It employs rigorous software design methodologies, project management and testing regimes to minimise implementation and operational risks A new and innovative product offering to clients has been developed and is being successfully launched globally as part of a phased roll out CMC Markets operates two data centres in the UK Systems and data centres are designed for high availability and data integrity, ensuring continued service to customers in the event of individual equipment failures or major disaster recovery events The outsourced internal audit function has significant IT expertise and independently assesses IT processes and developments, whilst further assurance is gained through reliance and capacity planning and infrastructure management

Category	Risk	CMC Markets Impact	Management and Mitigation
	People risk	People risk includes the loss of key skills, the impact of business restructuring on employees, the risk of loss of key individuals and inadequate development, succession or resource planning	The Group Human Resources function takes the lead in the identification and management of these risks to ensure that a talented and motivated workforce is maintained Initiatives include retention programmes and succession planning, as well as practical training and skills transfer programmes Whilst CMC Markets realises that staff turnover will always occur within such a competitive market, performance management and associated remuneration policies aim to mitigate this risk for key and high performing individuals CMC Markets holds key person insurance for significant positions
	Regulatory and compliance risk	The Group must satisfy regulatory requirements in many jurisdictions and has implemented a programme of active monitoring to ensure that standards are met consistently This is an integral part of the Group's overall risk management approach	The Group Compliance function operates a risk based approach to manage compliance risk consistently across all regions This includes the ongoing identification, monitoring and adoption of relevant principles and standards that are consistent with CMC Markets' values and industry defined guidelines The compliance function is supported in its role by in-house legal resources and dedicated compliance resources located in key regional offices The global regulatory environment is monitored closely CMC Markets recognises the risk of changes in regulatory appetite to the products it offers and works closely with regulators in all regions to maintain the reputation of, and confidence in, both CMC Markets and its products
	Other operational risks	Other operational risks include the Group's exposure to legal and litigation risks, the failure of counterparties, manual errors and any other action or occurrence over which it has little or no control but which may have financial impact or affect its reputation with customers and the business community They also include the strategic risks related to peer group competition and business growth	The Group defends its business reputation through legal process when necessary and monitors key third party and supplier relationships The Group has implemented a number of initiatives including the Significant Business Change Framework, incident management processes, risk monitoring and control policies to ensure adherence to the Group's Risk Appetite as defined in the Group's Risk Register All key processes operate under a framework of control that incorporates proper segregation of duties, review and sign off

The Directors of CMC Markets plc present their report together with the audited financial statements of the Group for the year ended 31 March 2011

Principal activities

CMC Markets is an online retail financial services business and, through its principal subsidiaries and their branches as set out in the Corporate Governance Statement and note 15 to the financial statements (the Group), provides its customers the ability to trade contracts for difference (CFD) or financial spread betting on a range of shares, indices, foreign currencies, commodities and treasuries The Group also provides stock broking services in Australia

Business review

A detailed review of the business during the financial year and anticipated future developments is contained in the Business Review on pages 9 to 18 The Directors consider the financial key performance indicators (KPI's) to be revenue, net operating income and EBITDA These are set out in the Consolidated Income Statement on page 38 and are discussed in the Business Review Non financial KPIs are considered to be the number of active customers, number of trades and value of trades and these are set out and discussed in the Business Review Principal risks and uncertainties faced by the business together with an assessment of these risks and how they are reported on and monitored is set out on pages 19 to 24 The use of financial instruments is also included on these pages and further covered under note 21 to the consolidated financial statements on page 71

Objective and strategy

The Group's vision is to be the leading global online retail financial services trading business Its strategic objective is to provide superior shareholder returns through the consistent and sustainable delivery of growth in revenue and improvement to operating margins through operational excellence including product innovation, technology and service The strategic enablers to achieve this are set out in the Business Review on pages 6 to 8

Summary of results

The results for the financial year are shown in the Consolidated Income Statement on page 38 No dividends were paid during or are recommended in respect of the year

General

Capital structure

The Company's share capital comprises ordinary shares of 25 pence each and deferred shares of 25 pence each At 31 March 2011 there were 280,684,777 ordinary and 2,090,171 deferred shares in issue Each ordinary share carries one vote Deferred shares have no voting rights

During the year

1 under the CMC Markets Management Equity Plan 2009 (the MEP) 299,999 ordinary shares were sold by the EBT to a Director and two employees Similarly, 83,333 ordinary shares were acquired by the EBT from two employees who left the employ of the Group These transactions resulted in 585,949 ordinary shares – 0 21% of total issued ordinary shares – being retained by the EBT at the date of this report which are treated as own shares held in trust for the future benefit of employees of CMC Markets UK plc,

2 under the MEP 647,718 options over ordinary shares were granted without charge to a Director and two employees These are subject to the conditions of the awards which include the requirement that these options may only vest subject to the Company meeting certain performance targets within

defined time scales and/or continued employment in the Group following which they become exercisable at the employee's option,

3 3,680,451 options previously granted under the MEP lapsed resulting in 8,889,672 remaining outstanding at the year-end,

4 366,924 ordinary shares were converted to deferred shares, and

5 30,120 ordinary shares were bought by the EBT from a former employee

Since the year end

1 1,825,218 options have been granted without charge to a Director and 10 employees under the MEP The exercise of these is subject to performance and/or continued employment conditions, and

2 2,857,903 options granted under the MEP have lapsed

At the date of this report an aggregate of 7,856,987 options over ordinary shares in the Company remain outstanding subject to the rules of the MEP

Further details of the authorised and issued capital are disclosed in note 24

Directors and their responsibilities

Details of the Directors who served throughout or for part of the year and up to the date of signing the financial statements and their executive positions are set out below

Asif Adatia	–	Chief Information Officer (resigned 14 March 2011)
David Bennett	–	Non-executive (appointed 8 November 2010)
Peter Cruddas	–	Chief Executive Officer to 1 July 2010 and then Executive Chairman
John Jackson	–	Non-executive
Kerem Ozelli	–	Group Director of Trading and Product Development (appointed 1 October 2010, resigned 30 June 2011)
Doug Richards	–	Chief Operating Officer to 1 July 2010 and then Chief Executive Officer
Simon Waugh	–	Non-executive Chairman of the Board to 1 July 2010 and then Deputy Chairman

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year The Group financial statements and the parent company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Company and Group for that period In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether IFRS as adopted by the European Union has been followed, subject to any material departures disclosed and explained in the Group and Company financial statements respectively, and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The Directors in office on 30 June 2011 have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

The Directors are responsible for the maintenance and integrity of the Company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Further information on the Board's activities, powers and responsibilities is included in the Corporate Governance Report on pages 31 to 32

Corporate governance

The Company's statement on corporate governance which forms part of this Directors' Report is covered on pages 30 to 35

Research and development

The Group has continued to invest significantly in the development of the CFD and spread bet next generation platform in addition to maintaining existing infrastructure with considerable effort applied by the technical and software development teams £20 8m of development expenditure has been capitalised during the year (2010 £19 9m)

Going concern

Having given due consideration to the nature of the Group's business, the Directors consider that the Company and the Group are going concerns and the financial statements are prepared on that basis This treatment reflects the reasonable expectation that the Group has adequate resources to continue in business for the foreseeable future and the consideration of the various risks set out on pages 21 to 24 and financial risks described in note 4 to the financial statements

Policy on payment of creditors

It is the policy of the Company, and each company within the CMC Markets Group, to agree and clearly communicate the terms of payment as part of the commercial arrangements negotiated with suppliers and then to pay according to those terms based on timely receipt of an accurate invoice The Company had no amounts due to trade creditors during the current or previous financial years Trade creditor days for the Group, based on creditors as at 31 March 2011, were 29 days (2010 32 days)

Employee information

Collaboration

CMC Markets actively encourages its employees to contribute pioneering and innovative ideas The Group strongly believe that the contribution of a talented and passionate team is vital for continued success

The Group has a policy of keeping employees informed and engaged in its business strategy, performance, key projects and initiatives via regular meetings and team briefings and the use of our Company intranet

Equal opportunities and diversity

In order to deliver the promise of 3D Thinking, CMC Markets is committed to developing and supporting a diverse workforce The Group highly values the differences and creativity that a diverse workforce brings and is committed to recruiting, developing and retaining a world class team from a broad range of ethnicities, nationalities, sexual orientation, gender identity, beliefs, religions, cultures, and physical abilities CMC Markets seeks to establish a culture that values meritocracy, openness, fairness and transparency

CMC Markets affirms that it will not tolerate any form of unlawful and unfair discrimination In searching for talent the commitment is always to recruit the best from the broadest applicant pool All candidates have the right to expect that they will be respected and valued for the richness of ideas which they will bring to the Group

Health and safety

The health and safety of the Group's employees and visitors is of primary importance The Group is committed to creating and maintaining a safe and healthy working environment Health and safety audits and risk assessments are carried out regularly

Corporate social responsibility

The Group believes that high standards of corporate social responsibility make good business sense and have the potential to enhance returns The nature of its business means that the Group's main impact on the environment is energy consumption and travel, both on third party related business and by staff visiting Group's offices other than their base Energy saving measures are included in the considerations of systems design and in office practices across the Group Greater use of email and electronic documentation rather than paper based correspondence is encouraged and efforts are made to recycle waste such as paper and IT hardware where appropriate

Acting responsibly extends to the Group's treatment of customers, suppliers, staff and third parties

Charitable and political donations

Charitable donations of £0 1m (2010 £0 1m) were made during the year No political donations were made during the year (2010 £nil)

AGM

Notice of the 2011 Annual General Meeting is set out on pages 79 and 80

In addition to the ordinary business it is proposed that a resolution will be put to the meeting to approve the conversion of 264,965 ordinary shares to deferred shares in accordance with the terms of grant to employees who have now left the Group and to authorise the purchase of those shares and others previously converted to deferred shares by the Company

Resolutions are included in the notice of meeting to give Directors the authority for the maximum statutory period of five years to allot the unissued shares of the Company and, subject to the foregoing authority being provided, to permit the Directors to issue such shares wholly for cash on a non-premptive basis These resolutions seek to renew similar authorities given to the Directors by shareholders at the 2010 Annual General Meeting A resolution is also proposed to permit political donations of up to £100,000

Independent auditors

PricewaterhouseCoopers LLP acted as auditors throughout the year In accordance with s489 and s492 of the Companies Act 2006, resolutions proposing the re-appointment of PricewaterhouseCoopers LLP as the Company's auditors and authorising the Directors to determine the auditors' remuneration will be put to the 2011 Annual General Meeting

By order of the Board

Graham Symonds
Company Secretary
CMC Markets plc
Registered number 5145017
30 June 2011

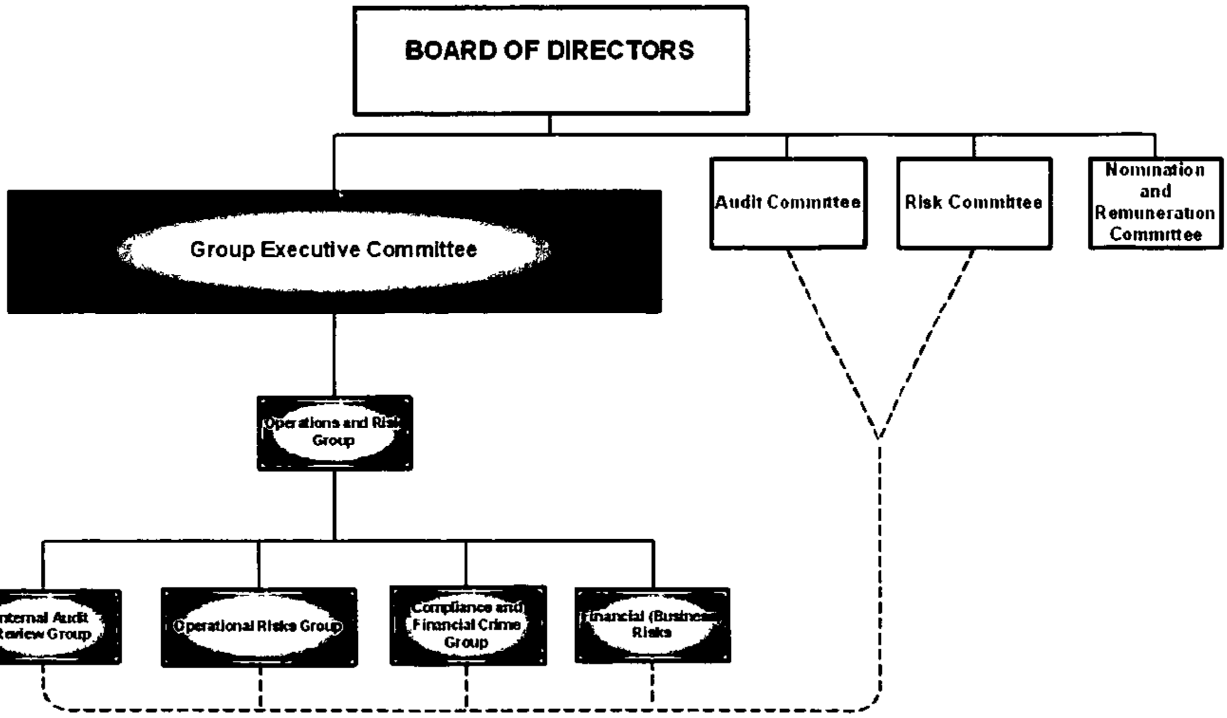
The Directors and senior management of CMC Markets are fully aware of the benefits of robust and effective Corporate Governance Apart from the advantages that clarity and accountability bring to management the value it adds to commercial activities is acknowledged

The Board has put in place a governance structure which it believes is appropriate to the operations of an online retail financial services trading group and reflects the size and the stage of development of the business CMC Markets plc is an unlisted public company and is not required to meet the provisions of the Listing Rules of the UK Listing Authority or the Financial Reporting Council's UK Corporate Governance Code However, the Board is aware of the relevance of these and the Directors support best corporate governance practice and its practical application as considered suitable with regard to the Group's operations The structure is regularly reviewed and monitored and any changes are subject to Board approval

The objectives of the governance structure are

- to satisfy the needs of the business for proper consideration and decision making,
- to provide a clear management support and monitoring framework to add value to the business and identify and control risks,
- to ensure good governance principles are followed including
    - clear remits and definitions of responsibility, authority, accountability and lines of report,
    - provision of appropriate delegated authority,
    - a framework to facilitate effective checks and balances in management and oversight processes,
- to allow and encourage effective constructive challenge of the executive, and
- to apply best practice governance principles appropriate to the business

The governance structure is regularly reviewed for effectiveness and adapted as required to fit the needs of the Group's businesses and their management



Board responsibilities

The Board has overall responsibility for the Group's affairs It comprises three executive and three independent Non-executive Directors The calibre of all the Non-executive Directors and their number is regarded as more than capable of carrying sufficient weight in the Board's decision-making and to challenge the executive The Directors believe that the Board has a balance of skills, experience and service to provide effective strategic leadership and proper governance of the Company and Group The current composition of the Board is considered appropriate for the full and proper discharge of its responsibilities The Articles of Association of the Company do not require the Directors to retire by rotation

The Board is responsible for the management of the Group, setting strategic aims and determining policy Changes to the roles of some of the Directors during the year and since the year end are set out in the Directors' Report The roles of the Executive Chairman and CEO, applicable since 1 July 2010, are defined in writing and have been approved by the Board From 1 July 2010 the Executive Chairman's responsibility has been the development of the business The effectiveness of the Board is the responsibility of the Non-executive Deputy Chairman Supported by senior executives the CEO is responsible for the implementation and execution of strategy and policy The Executive Directors manage the Group's operations on a day-to-day basis and are in frequent contact with each other in addition to attending formal Board meetings Key performance indicators are included in the performance evaluation process for Executive Directors and other senior executives and are used in determining their remuneration

A statement of the Directors' responsibilities in respect of the financial statements, the statement regarding the use of the going concern basis for preparation of the financial statements and the disclosure of information to the auditors are included in the Directors' Report on pages 26 and 27

The Board has a formal schedule of matters specifically reserved to it which includes

- setting strategic aims, values and standards to promote the Group's best interests,
- controlling and overseeing of business management,
- setting risk parameters and final overall risk management,
- ensuring adequate financial and human resources,
- meeting obligations to shareholders and stakeholders,
- providing guidance and direction to subsidiaries' managements,
- establishment, maintenance and review of effective systems and controls for
    - compliance with applicable requirements of regulatory systems
    - countering the risk of use of the Group to further financial crime
    - identifying, measuring, managing and controlling risks
    - ensuring business continuity
    - ensuring adequate records are maintained,
- delegation of authority where appropriate, receiving reports and recommendations from Board Committees and monitoring the discharge of delegated authorities, and
- the review of policies, procedures, frameworks, standards and controls required for business operations

All the Directors regularly receive full and timely information required to enable them to perform their role The Board met eight times in the year and Directors' workshops and briefings were also held on particular issues requiring their attention Directors receive appropriate training on appointment and as necessary during their service and also receive regular briefings from the executive on proposed developments or changes to the law or regulations that affect the Group Each Director has access to the advice and services of the Company Secretary The Directors may take independent professional advice at the Group's expense and Directors and Officers liability insurance is in place as permitted under the 2006 Companies Act

Board committees

The Board Audit, Risk and the Nomination and Remuneration Committees carry out duties delegated to them by the Board and set out in written terms of reference

Board Audit Committee

The Audit Committee is chaired by David Bennett who has recent and relevant financial experience The other members are John Jackson and Simon Waugh It may invite attendance by senior executive management and regular attendees include the CEO, CFO and the Group Heads of Risk and Compliance Representatives of the external auditors attend meetings when financial results are under consideration and to discuss issues relating to the audit and financial control of the Group The Audit Committee meets at least three times a year (in the year under review it met four times) The Audit Committee's authority extends to seeking information from any employee, all of whom are required to cooperate with any request from the committee

The duties of the committee are set out in written terms of reference approved by the Board which include

- the review of the annual report and financial statements including the going concern assumption,
- evaluation of the nature and scope of the external audit, the external auditor's plan for the audit of the financial statements, its management letter, fee, independence, quality controls and consideration of its major findings and management's response to those,
- consideration of the appointment, re-appointment or removal of the external auditor and its terms of engagement and remuneration including reviewing the engagement letter at the start of each audit,
- review of the internal audit programme and key material outcomes and to ensure that the function is properly resourced, directed and supported and to monitor management's response to internal audit findings and recommendations, and
- the review of policies and procedures relating to financial management and the effectiveness of systems for internal financial control and reporting

Board Risk Committee

The Board Risk Committee is chaired by Simon Waugh with David Bennett and John Jackson as members Invitations to attend may be extended to senior management and regular attendees include the CEO, CFO and the Group Heads of Risk, Legal and Compliance During the year the committee met four times Its authority extends to seeking information from employees all of whom are required to co-operate with any request of the committee

The duties of the committee are set out in written terms of reference approved by the Board which include

- the review of policies and processes for identifying, assessing and managing risk,
- the oversight of financial, operational and reputational risks and monitoring their management and control These include market, credit, capital adequacy and liquidity risks and operational risks such as information technology, business continuity, financial crime, legal and regulatory issues,
- review of the effectiveness of systems for internal controls and reporting on financial (business), operational and reputational risk management,
- the review and recommendation of statements included in the annual report in relation to the internal control and management of risk

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is chaired by John Jackson with David Bennett and Simon Waugh as members Attendance may be invited from senior executive management and regular attendees include the CEO and the Group Head of HR Meetings are held at least twice a year and written terms of reference as approved by the Board include

- the regular review of the structure of the Board, to lead the process for making Board appointments and to ensure plans are in place for orderly succession,
- participation with the Board in its periodic review of the performance of Directors and to make recommendations arising from such review,
- consideration and periodic recommendation to the Board of the remuneration policy (including incentives linked to the Company's performance measured, amongst other things, by financial results adjusted for risks) relating to the executive Directors and other senior executive managers that it is designated to consider and ensuring that such policy attracts and retains high calibre Directors and senior executive management, and
- the review of Group wide annual salary arrangements, performance related pay schemes and incentive plans and to consider and make recommendations in respect of their rationale, structure and aggregate cost

Management committees

The corporate governance structure as agreed by the Board includes management committees and working groups which together provide a framework to support and monitor the management of the Group The Group Executive Committee (GEC) is the senior decision taking forum, chaired by the CEO and comprising the functional heads of the business with delegated authority from the Board to manage the Group's businesses The GEC is responsible for the delivery of Group Strategy and is accountable for its execution within the business though three core elements

Group Markets Strategy (customers and products)

Group Financial Strength

Group Operations and Risk Strategy (IT, Operations, Compliance, Legal, HR and Risks)

To facilitate these the GEC terms of reference cover

- the regular co-ordination of executive management for the execution and implementation of business strategy approved by the Board,
- setting and monitoring the business performance framework through budgets, re-forecasts, targets and KPIs,
- executive management of the Group's financial, operational and reputational risks and managing the risk appetite as set by the Board,
- prioritising and delegating areas of specific operational importance,
- managing issues arising through escalation from the supporting working groups,
- the direct engagement in the delivery of the Markets Strategy including
    - Business development
    - Products
    - Customers including championship and TCF,
- managing HR strategy,

- managing communications, and
- the consideration and approval of policies, procedures, frameworks, standards and control systems required for business operations, including risk management

Prior consideration of operations and risk matters is provided by the Operations and Risk Group, a senior management group reporting to the GEC staffed by GEC members responsible for the functions it covers governance processes, IT, business operations, financial, operational and reputational risk management, compliance, legal, internal and external audit, and corporate administration

Four working groups report to the Operations and Risk Group These monitor and supervise the critical areas of financial (business) risks, operational risks, compliance and financial crime, and internal audit These are chaired by the functional heads and staffed by senior managers and specialists in each field they cover which include, for example, treasury and capital issues, money laundering and client money matters As part of the governance structure these three working groups also have a direct reporting line to the Board Audit and Risk Committees as appropriate in order to ensure that the oversight and challenge obligations of the latter can more directly be discharged

Each of the GEC and the working groups outlined above has terms of reference approved by the Board Meetings are formally scheduled at least once a month although should a particular matter require immediate consideration they can be convened quickly to determine any necessary action

Risks

The ongoing process of identifying, assessing and treating the significant risks facing the Group is coordinated by the risk function This process has been in place for the full year under review and to the date of the approval of the Annual Report and accounts The principal risks and uncertainties affecting the Group and the responsibilities for the management of the key risks are set out on pages 19 to 24

Regulation

CMC Markets' worldwide regulated entities and the relevant regulatory authorities are set out below In order to meet regulatory requirements, they are monitored by specialist executives in the finance, risk, legal and compliance functions globally, supported by the governance structure and processes

CMC Markets entity	Financial services regulator(s)
CMC Markets UK plc	Financial Services Authority (FSA), UK
CMC Markets UK plc – European branches	FSA, UK, and
Austria CMC Markets UK plc Zweigniederlassung Wien	Finanzmarktaufsicht (FMA), Austria
Italy CMC Markets UK plc Succursale di Milano	Commissione Nazionale per le Società e la Borsa (CONSOB), Italy
France CMC Markets UK plc, France	Autorité des Marchés Financiers (AMF), and Autorité de Controle Prudential (ACP)
Germany Niederlassung Hamburg der CMC Markets UK plc Niederlassung Munchen der CMC Markets UK plc	Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Germany
Norway CMC Markets UK plc Filial Oslo	Finanstilsynet (The Financial Supervisory Authority of Norway)
Republic of Ireland CMC Markets UK plc, Republic of Ireland	Irish Financial Services Regulatory Authority (IFSRA), Ireland
Spain CMC Markets UK plc, Sucursal en España	Comisión Nacional del Mercado de Valores (CNMV), Spain
Sweden CMC Markets UK plc Filial Stockholm	Finansinspektionen (Financial Supervisory Authority Sweden)

CMC Markets entity	Financial services regulator(s)
CMC Markets UK plc – Representative Office	
Beijing Representative Office of CMC Markets UK plc	China Banking and Regulatory Commission
CMC Spreadbet plc	FSA, UK
CMC Spreadbet plc – European Branch	
Republic of Ireland CMC Spreadbet plc Republic of Ireland	FSA, UK, and Irish Financial Services Regulatory Authority (IFSRA), Ireland
CMC Markets Asia Pacific Pty Ltd	Australian Securities and Investments Commission (ASIC)
CMC Markets Pty Ltd	ASIC
CMC Markets Stockbroking Ltd	ASIC, and Australia Stock Exchange (ASX)
CMC Markets Canada Inc (Operating as Marches CMC Canada in Quebec)	Investment Industry Regulatory Organization of Canada (IIROC), Autorité des Marchés Financiers (AMF) Ontario Securities Commission, and British Columbia Securities Commission
CMC Markets Japan Kabushiki Kaisha	Financial Services Agency (JFSA), Japan, Ministry of Economy, Trade and Industry (METI), and Ministry of Agriculture, Forestry and Fisheries (MAFF)
CMC Markets NZ Ltd	Securities Commission of New Zealand
CMC Markets Singapore Pte Ltd	Monetary Authority of Singapore (MAS)
CMC Markets UK plc (South Africa)	Financial Services Board (FSB), South Africa

Company meetings

The Executive Directors and the Chairmen of the Audit, Risk and Nomination and Remuneration Committees of the Board will be available to answer questions at the 2011 Annual General Meeting

The Notice of the Annual General Meeting and related papers are sent to shareholders at least 21 clear days before the meeting

We have audited the group and parent company financial statements (the "financial statements") of CMC Markets plc for the year ended 31 March 2011, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the Group and Parent Company balance sheets, the Group and Parent Company statements of changes in equity, the Group and Parent Company cash flow statement, and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Report set on pages 26 and 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's and Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2011 and of the Group's loss and Group's and Parent Company's cash flows for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Hemione Hudson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30June 2011

Notes

a) The maintenance and integrity of the CMC Markets plc website is the responsibility of the directors, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website

b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdiction

Consolidated income statement

For the year ended 31 March 2011

GROUP	Notes	2011 £m	2010 £m
Revenue		160 7	149 7
Net interest income	6	1 0	2 3
Total revenue	5	161 7	152 0
Rebates and levies		(24 8)	(22 5)
Net operating income	5	136 9	129 5
Operating expenses	7	(118 2)	(112 4)
EBITDA [(1)]		18 7	17 1
Depreciation and amortisation		(28 6)	(28 4)
Impairment of fixed assets		(12 3)	-
Operating loss		(22 2)	(11 3)
Finance costs	9	(1 5)	(1 7)
Loss before taxation	10	(23 7)	(13 0)
Taxation	11	4 3	3 8
Loss for the year attributable to owners of the Company		(19 4)	(9 2)
Earnings per share			
Basic (p)	12	(6 9)p	(3 4)p
Diluted (p)	12	(6 9)p	(3 4)p

(1) EBITDA represents earnings before interest, tax, depreciation and amortisation, but includes interest income classified as trading revenue

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own income statement or statement of comprehensive income The loss for the year ended 31 March 2011 dealt within the financial statements of the Company was £160 1m (2010 £61 6m loss) The Company had no other comprehensive income

Consolidated statement of comprehensive income

For the year ended 31 March 2011

GROUP	2011 £m	2010 £m
Loss for the year	(19 4)	(9 2)
Other comprehensive income		
Loss on net investment hedges net of tax	(0 9)	(3 3)
Currency translation differences	1 4	3 1
Other comprehensive income/(losses) for the year	0 5	(0 2)
Total comprehensive losses for the year attributable to owners of the Company	(18 9)	(9 4)

Balance sheets

As at 31 March 2011

	Notes	GROUP 2011 £m	GROUP 2010 £m	COMPANY 2011 £m	COMPANY 2010 £m
ASSETS					
Non-current assets					
Intangible assets and goodwill	13	31 0	43 9	-	-
Property, plant and equipment	14	23 7	14 2	-	-
Investment in subsidiary undertakings	15	-	-	163 3	324 5
Deferred tax assets	23	11 3	11 7	0 2	-
Total non-current assets		66 0	69 8	163 5	324 5
Current assets					
Trade and other receivables	16	28 3	25 1	36 6	12 6
Financial assets	17	11 6	6 0	-	-
Current tax recoverable		0 7	0.7	-	-
Amounts due from brokers		99 3	99 7	-	-
Cash and cash equivalents	18	63 6	73 4	-	-
Total current assets		203 5	204 9	36 6	12 6
Total assets		269 5	274 7	200 1	337 1
LIABILITIES					
Current liabilities					
Trade and other payables	19	115 3	116 9	39 4	16 5
Financial liabilities	20	38 7	26 8	-	-
Provisions	22	2 9	2 2	-	0 3
Total current liabilities		156 9	145 9	39 4	16 8
Non-current liabilities					
Trade and other payables	19	6 7	2 5	-	-
Deferred tax liabilities	23	0 9	4.7	-	-
Financial liabilities	20	1 5	-	-	-
Total non-current liabilities		9 1	7 2	-	-
Total liabilities		166 0	153 1	39 4	16 8
EQUITY					
Equity attributable to owners of the Company					
Share capital	24	70 7	70 7	70 7	70 7
Share premium	24	33 3	33 3	33 3	33 3
Own shares held in trust	25	(1 6)	(3 1)	-	-
Other reserves	27	(45 9)	(46 4)	-	-
Retained earnings		47 0	67 1	56 7	216 3
Total equity		103 5	121 6	160 7	320 3
Total equity and liabilities		269 5	274 7	200 1	337 1

The Financial Statements on pages 38 to 78 were approved and authorised for issue by the Board of Directors on 30 June 2011 and signed on its behalf by·

P A Cruddas

Peter Cruddas, Chairman

Doug Richards, CEO

Statement of changes in equity

For the year ended 31 March 2011

GROUP	Share capital £m	Share premium £m	Own shares held in trust £m	Other reserves £m	Retained earnings £m	Total Equity £m
Balance at 1 April 2009	64 0	-	(3 7)	(46 2)	75 6	89 7
Total comprehensive expense for the year	-	-	-	(0 2)	(9 2)	(9 4)
Share-based payments	-	-		-	0 5	0 5
Tax on share-based payments	-	-	-	-	0 2	0 2
Shares issued in the year	6 7	33 3	-	-	-	40 0
Acquisition of own shares held in trust	-	-	(0 2)	-	-	(0 2)
Disposal of own shares held in trust	-	-	0 8	-	-	0 8
Balance at 31 March 2010	70 7	33 3	(3 1)	(46 4)	67 1	121 6
Total comprehensive income/(expense) for the year	-	-	-	0 5	(19 4)	(18 9)
Share-based payments	-	-	-	-	0 5	0 5
Acquisition of own shares held in trust	-	-	(0 1)	-	-	(0 1)
Disposal of own shares held in trust	-	-	1 6	-	(1 2)	0 4
Balance at 31 March 2011	70 7	33 3	(1 6)	(45 9)	47 0	103 5

Total equity is attributable to owners of the Company

COMPANY	Share capital £m	Share premium £m	Retained earnings £m	Total Equity £m
Balance at 1 April 2009	64 0	-	277 4	341 4
Total comprehensive expense for the year	-	-	(61 6)	(61 6)
Share-based payments	-	-	0 5	0 5
Shares issued in the year	6 7	33 3	-	40 0
Balance at 31 March 2010	70 7	33 3	216 3	320.3
Total comprehensive expense for the year	-	-	(160 1)	(160 1)
Share-based payments	-	-	0 5	0 5
Balance at 31 March 2011	70 7	33 3	56 7	160 7

For the year ended 31 March 2011

		GROUP		COMPANY	
	Notes	2011 £m	2010 £m	2011 £m	2010 £m
Cash flows from operating activities					
Cash generated from /(used in) operations	29	21 6	(29 5)	(0 9)	2 4
Net interest income		1 0	2 3	-	-
Tax recovered /(paid)		1 3	5 0	-	(1 0)
Net cash generated from/(used in) operating activities		23 9	(22 2)	(0 9)	1 4
Cash flows from investing activities					
Purchase of property, plant and equipment (PPE)		(16 6)	(3 4)	-	-
Investment in intangible assets		(20 8)	(16 7)	-	-
Proceeds from disposal of subsidiary		0 2	-	0 2	-
Deferred consideration paid		(0 3)	(1 4)	(0 3)	(1 4)
Dividends received		-	-	1 0	-
Net cash (used in)/generated from investment activities		(37 5)	(21 5)	0 9	(1 4)
Cash flows from financing activities					
Repayment of borrowings		(0 8)	(40 0)	-	(40 0)
Proceeds from borrowings		5 9	20 0	-	-
Proceeds from issue of ordinary shares		-	40 0	-	40 0
Acquisition of own shares held in trust		(0 1)	(0 2)	-	-
Proceeds from sale of own shares		0 4	0 8	-	-
Finance costs		(1 5)	(0 7)	-	-
Net cash from financing activities		3 9	19 9	-	-
Net decrease in cash and cash equivalents		(9 7)	(23 8)	-	-
Cash and cash equivalents at the beginning of the year		73 4	102 5	-	-
Effect of foreign exchange rate changes		(0 1)	(5 3)	-	-
Cash and cash equivalents at the end of the year	18	63 6	73 4	-	-

Index to notes

1 General information

Corporate information

CMC Markets plc (the Company) is a company incorporated and domiciled in England and Wales under the Companies Act 2006 The nature of the operations and principal activities of the CMC Markets plc group (the Group) are set out in note 5

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency') The consolidated financial statements are presented in Sterling (GBP) which is the Company's functional and the Group's presentation currency Foreign operations are included in accordance with the policies set out in note 3

2 Basis of preparation

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, International Financial Reporting Interpretations Committee (IFRIC) interpretations and the Companies Act 2006 applicable to companies reporting under IFRS

The financial information has been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, and in accordance with the going concern basis The financial information is rounded to the nearest hundred thousand (expressed as millions to one decimal place - £m), except where otherwise indicated The principal accounting policies adopted in the preparation of these financial statements are set out in note 3 below These policies have been consistently applied to all periods presented, unless otherwise stated

Changes in accounting policy and disclosures

New accounting standards

The Group has adopted the following new and amended IFRS as of 1 April 2010

- IFRS 3 (revised) 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements' These changes apply to the Group prospectively for business combinations occurring on or after 1 April 2010 The revised standard continues to apply the acquisition method to business combinations, with some significant changes For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets All acquisition-related costs should be expensed The revised standards had no impact on the current financial year and the Group expects that the impact on future results will depend on the nature of transactions undertaken by the Group

  IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses The standard also specifies the accounting when control is lost Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss The Group currently has no non-controlling interests but will apply IAS 27 (revised) prospectively to transactions with non-controlling interests if these should arise

- IFRIC 17, 'Distribution of non-cash assets to owners' This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable There have been no non-cash distributions during the current financial year and it is not expected to have a material impact on the Group or Company's financial statements in the future

- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations' The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1 The amendment has not had a material impact on the Group or Company's financial statements

- IAS 1 (amendment), 'Presentation of financial statements' The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time The amendment has not had a material impact on the Group or Company's financial statements

- IFRS 2 (amendments), 'Group cash-settled share-based payment transaction' In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 - Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation There are currently no cash-settled share based payment arrangements but the Group will apply these amendments should such arrangements arise

At the date of authorisation of these Financial Statements, the following new Standards and Interpretations relevant to the Group were in issue but not yet effective and have not been applied to these Financial Statements

- IFRS 9, 'Financial Instruments' (effective from 1 January 2013) This standard was issued in November 2009 and addresses clarification and measurement of financial assets, as the first phase of the replacement of IAS 39, 'Financial Instruments Recognition and Measurement' The impact on the Group's financial statements of the future adoption of the standard is still under review

- IAS 24 (revised), 'Related party disclosures' (effective from 1 January 2011) The revised standard supersedes IAS 24, 'Related party disclosures', issued in 2003, and clarifies and simplifies the definition of a related party The group will apply the revised standard from 1 April 2011, subject to EU endorsement, but it is not expected to significantly change the related party disclosures currently provided

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', (effective from 1 July 2010) The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap) It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished The group will apply the interpretation from 1 April 2011, subject to endorsement by the EU It is not expected to have any impact on the Group or the Company's financial statements

Basis of consolidation

The consolidated financial information incorporates the financial information of the Company and its subsidiaries made up to 31 March each year Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally determined by the ownership of more than 50% of the voting rights of an investee enterprise, so as to obtain benefits from its activities

CMC Markets plc became the ultimate holding company of the Group under a group reorganisation in 2006 The pooling of interests method of accounting was applied to the Group reorganisation as it fell outside the scope of IFRS 3 *Business Combinations* The Directors adopted the pooling of interests as they believed it best reflected the true nature of the Group All other business combinations have been accounted for by the purchase method of accounting

Under the purchase method of accounting, the identifiable assets, liabilities and contingent liabilities of a subsidiary are measured initially at their fair values at the date of acquisition, irrespective of the extent of any minority interest The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate

Where necessary, adjustments are made to the financial information of subsidiaries to bring the accounting policies used into line with those adopted by the Group

All inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred

Use of estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates It also requires management to exercise its judgement in the process of applying the Company's accounting policies The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are set out below

Acquisitions

When acquiring a business, the Directors have to make judgements and best estimates about the fair value allocation of the purchase price and assets and liabilities acquired Where necessary, the Directors will seek appropriate competent and professional advice before making any such allocations There were no businesses acquired in the current financial year

Impairment reviews

The Group tests annually whether goodwill and other intangibles have suffered any impairment in accordance with the accounting policy for "impairment of assets" described in note 3 The recoverable amounts of cash-generating units (CGUs) are determined using value-in-use calculations These calculations are based on management assumptions and require the use of estimates Details of the impairment of intangibles calculation and assumptions made are provided in note 13

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period Details of derivative financial instruments held by the Group and their valuation is provided in note 21

Income taxes

The Group is subject to income taxes in numerous jurisdictions Significant judgement is required in determining the worldwide provision for income taxes There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due Where the final tax outcome of these matters is different from the amounts that were recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made

3 Summary of significant accounting policies

Revenue

Revenue comprises the fair value of the consideration received from the provision of on-line financial services in the ordinary course of the Group's activities Revenue is shown net of value added tax, customer rebates and discounts and after eliminating sales within the Group Revenue is recognised when it is probable that economic benefits associated with the transaction will flow to the Group and the revenue can be reliably measured

The Group generates revenue principally from flow management, commissions and financing income associated with acting as a market maker to its customers to trade contracts for difference (CFD) and financial spread betting

CFD and spread betting revenue represents profits and losses, including commissions and financing income, from customer trading activity and the transactions undertaken to hedge these revenue flows Gains and losses arising on the valuation of open positions to fair market value are recognised in revenue, as well as the gains and losses realised on positions which have closed Revenue from the provision of financial information and stockbroking services to third parties is recognised at the later of the rendering of the service or the point at which the revenue can be reliably measured

Revenue also includes interest receivable on customers' money and broker trading deposits net of interest payable to customers and brokers Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable

Rebates and levies

Revenue rebates payable to introducing partners, who are not themselves trading counterparties, and spread betting levies are charged to the income statement when the associated revenue is recognised and are disclosed as a deduction from total revenue in deriving net operating income

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the CMC Markets Board

Exceptional items

Income or expenditure in relation to a non-recurring event is credited or charged to operating profit and is classified under the appropriate heading in the income statement Such items are disclosed as "exceptional", when they are considered material in size or in nature, to facilitate the assessment of the Group's underlying operating profitability

Share-based payment

The Group issues equity-settled share-based payments to certain employees Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at date of grant The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions The impact of the revision of the original estimates, if any, is recognised in the profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations

Retirement benefit costs

Pension scheme contributions to the Group's defined contributions scheme are charged to the income statement in the period to which they relate

Leases commitments

Leases, where the lessor retains substantially all the risks and benefits of ownership of the asset, are classified as operating leases The rentals payable under operating leases are charged to the income statement on a straight-line basis over the lease term Benefits received and receivable as an incentive to enter into an operating lease are accounted for in accordance with SIC 15 as lease incentives These are included within deferred income and amortised to the income statement so as to spread the benefit on a straight-line basis over the lease term

Where a leasehold property becomes surplus to the Group's foreseeable business requirements, provision is made for the expected future net cost of the property taking account of the duration of the lease and any recovery of cost achievable through subletting

Taxation

The tax expense represents the sum of tax currently payable and movements in deferred tax

The tax currently payable is based on taxable profit for the year Taxable profit differs from profit before tax as reported in the Consolidated Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial information and the corresponding tax basis used in the computation of taxable profit In principle, deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences may be utilised

Such assets and liabilities are not recognised if the temporary difference arises from the goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction, which affects neither the tax profit nor the accounting profit

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax is calculated at the rates that are expected to apply when the asset or liability is settled Deferred tax is charged or credited in the Consolidated Income Statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis

Foreign currencies

Transactions denominated in currencies, other than the functional currency, are recorded at the rates of exchange prevailing on the date of the transaction At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies, are translated at the rates prevailing at the date when the fair value was determined Gains and losses arising on retranslation are included in profit or loss for the year, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date Income and expense items are translated at the average exchange rates applicable to the relevant period Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve

Such translation differences are recognised as income or expense in the year in which the operation is disposed of

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate

Intangible assets

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's interest in the identifiable assets, liabilities and contingent liabilities of a subsidiary, at the date of acquisition Goodwill arising on the acquisition of subsidiaries is included within 'intangible assets' at cost less accumulated impairment losses

Goodwill is tested for impairment annually Any impairment is recognised immediately in the Consolidated Income Statement and is not subsequently reversed On disposal of a subsidiary, the attributed amount of unamortised goodwill, which has not been subject to impairment, is included in the determination of the profit or loss on disposal

Goodwill is allocated to cash-generating units for purposes of impairment testing The allocation is made to those cash-generating units or groups of cash generating units that are expected to benefit from the business combination, identified according to business segment

Computer software (purchased and developed)

Purchased software is recognised as an intangible asset at cost when acquired Costs associated with maintaining computer software are recognised as an expense as incurred Costs directly attributable to internally developed software are recognised as an intangible asset only if all of the following conditions are met

- an asset is created that can be identified,
- it is probable that the asset created will generate future economic benefits,
- the development costs of the asset can be measured reliably,
- sufficient resources are available to complete the development, and
- it is the Group's intention to complete the asset and use or sell it

Where the above conditions are not met, costs are expensed as incurred Directly attributable costs that are capitalised include software development employee costs and an appropriate portion of relevant overheads Costs which have been recognised as an asset are amortised on a straight line basis over their estimated useful lives

Trademarks and trading licences

Trademarks and trading licences that are separately acquired are capitalised at cost and those acquired from a business combination are capitalised at the fair value at the date of acquisition Following initial recognition, Trademarks and trading licences are carried at cost or initial fair value less accumulated amortisation Amortisation is charged to the income statement on a straight line basis over their estimated useful lives

Customer relationships

The fair value attributable to customer relationships acquired through a business combination is included as an intangible asset and amortised over the estimated useful life on a straight line basis The fair value of customer relations is calculated at the date of acquisition on the basis of the expected future cash flows to be generated from that asset Separate values are not attributed to internally generated customer relationships

A summary of the amortisation policies applied to the Group's intangible assets is as follows

Item	Amortisation Policy
Computer software (purchased or developed)	3 or life of licence
Trademarks and trading licences	10 - 20 years
Customer relationships	14 years

Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis

Property, plant and equipment

Property, plant and equipment (PPE) is stated at cost less accumulated depreciation and any recognised impairment loss Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use Depreciation is provided on all PPE at rates calculated to write-off the cost, less estimated residual value based on prices prevailing at the balance sheet date, of each asset on a straight-line basis over its expected useful life as follows

Item	Depreciation Policy
Furniture, fixtures and equipment	5 years
Computer hardware	5 years

The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values Consideration is also given to the extent of current profits and losses on the disposal of similar assets

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Consolidated Income statement

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment Assets subject to amortisation or depreciation are reviewed for impairment if events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any)

The recoverable amount is the higher of net realisable value and value-in-use Net realisable value is the estimated amount at which an asset can be disposed of, less any direct selling costs Value-in-use is the estimated discounted future cash flows generated from the asset's continued use, including those from its ultimate disposal For the purpose of assessing value in use, assets are grouped at the lowest levels for which there are separately identifiable cash flows

To the extent that the carrying amount exceeds the recoverable amount, the asset is written down to its recoverable amount For assets other than goodwill, where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lower of its original carrying amount and the revised estimate of its recoverable amount

Financial assets

Regular purchases and sales of financial assets are recognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership

Financial assets are classified into the following specified categories

- 'fair value through profit or loss' (FVTPL),
- loans and receivables

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition

Financial assets and liabilities at FVTPL

Financial assets are classified as at FVTPL where the financial asset is held for trading A financial asset is classified as held for trading if it has been acquired principally for the purpose of disposal in the near future, and includes equities purchased or security lending enacted to hedge customer positions

Financial assets at FVTPL are initially stated at fair value, and any associated transaction costs are expensed in the income statement Gains and losses from subsequent changes in fair value are recognised in the income statement in the period in which they arise The net gain or loss recognised incorporates any dividend or interest earned on the financial asset

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They are included in current assets, except for maturities greater than 12 months after the end of the reporting period These are classified as non-current assets Loans and receivables are recognised initially at cost, being the fair value of the consideration together with any associated issue costs After initial recognition, loans and receivables are subsquently measured at amortised cost using the effective interest method, less provision for impairment

The Group's loans and receivables comprise 'trade and other receivables', 'amounts due from brokers' and 'cash and cash equivalents' in the balance sheet (notes 16 and 18)

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items

The Group designates certain derivatives as either hedges of recognised assets and liabilities that are highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations

Cash flow hedge

A cash flow hedge is a hedge of a particular risk associated with a recognised asset or liability, or a highly probably forecast transaction These contracts are initially recognised at fair value on the date the contract is entered into Movements in fair value are recognised within the income statement as they occur, unless the derivative forms part of an effective hedge relationship, in which case the effective portion of changes in fair value are recognised in other comprehensive income Previously deferred gains and losses accumulated in equity are reclassified to the income statement in the same period during which the forecasted transaction being hedged is recognised in the income statement

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity in other comprehensive income The gain or loss relating to the ineffective portion is recognised immediately in the income statement

Gains and losses deferred in the foreign currency translation reserve are recognised in the income statement on disposal of the foreign operation

Economic hedges

Economic hedges are held for the purpose of mitigating currency risk relating to transactional currency flows arising from earnings in foreign currencies but do not meet the criteria for designation as either cash flow hedges or hedges of net investments in foreign operations Economic hedges are measured at fair value with any resulting gains or losses recognised in the income statement in the period in which they arise

Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables CMC Markets does not offer credit facilities to customers undertaking foreign exchange, derivative and financial spread betting activities therefore any trade receivable arising is considered impaired For trade receivables relating to financial information and stockbroking services, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within other operating costs When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables Subsequent recoveries of amounts previously written off are credited against other operating costs' in the income statement

Amounts due from brokers

All derivatives used for hedging are margin-traded therefore amounts due from brokers represent funds placed with hedging counterparties Assets or liabilities resulting from profits or losses on open positions are recognised separately as derivative financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise current account balances, bank deposits and other short-term highly liquid investments with maturity dates of less than three months

Client money

The Group holds money on behalf of customers in accordance with the Customer Asset (CASS) rules of the Financial Services Authority and other financial markets regulators in the countries in which the Group operates Customer monies are classified as either client money or cash and cash equivalents in accordance with the relevant regulatory agency's requirements The amounts held on behalf of customers at the balance sheet date are stated in notes 18 and 19

Trade payables

Trade payables are not interest-bearing and are stated at fair value on initial recognition and subsequently at amortised cost

Borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received, net of issue costs associated with the borrowing After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement Gains and losses are recognised in profit or loss when the liabilities are derecognised or impaired, as well as through the amortisation process

Provisions

Provisions for property and employee benefit trust commitments are recognised when the Group has a present obligation (legal or constructive) as a result of a past event where it is probable that the Group will be required to settle that obligation Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material. The increase in the provision due to the unwind of the discount to present value over time is recognised as an interest expense

Share capital

Ordinary and deferred shares are classified as equity Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds

Employee benefit trusts

Assets held in employee benefit trusts are recognised as assets of the Group until these vest unconditionally to identified employees A full provision is made in respect of assets held by the trust as there is an obligation to distribute these assets to the beneficiaries of the employee benefit trust

The employee benefit trusts own equity shares in the Company These investments in the Company's own shares ('treasury shares') are held at cost and are included as a deduction from equity attributable to the Company's equity holders until such time as the shares are cancelled or transferred Where such shares are subsequently transferred, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders

4. Financial risk management

The Group's Internal Capital Adequacy Assessment Process (ICAAP), prepared under the requirements of the UK's Financial Services Authority and the Capital Requirements Directive (effective from 1 January 2009), is an on-going assessment of CMC Markets' risks and how CMC Markets manages these risks, subject to the Group's risk appetite

The Board sets the strategy and policies for managing these risks and delegates the monitoring and management of these risks to various committees including the Board Risk Committee, the Board Audit Committee, Operations and Risk Group and the Financial (Business) Risk Group

Financial risks arising from financial instruments are categorised into market, credit and liquidity risks which, together with how CMC Markets categorises and manages these risks, are described below

Management considers the carrying value of all financial assets and liabilities to be the approximate equivalent of the fair value

Market risk

CMC Markets does not enter into proprietary trading positions based on expectations of future market movements Market risk is analysed as market price risk, interest rate risk and currency risk

Market price risk

This is the risk that the fair value of a financial instrument will fluctuate due to changes in market prices other than due to currency or interest rate risk

Market risk arises from CMC Markets' customers spread betting and trading Trackers (contracts for difference (CFDs)), which are based on underlying equities and indices on world stock markets, foreign currencies, commodities and government bonds and the derivative (OTC and exchange-traded) or physical positions CMC Markets takes to hedge these customer positions Customer positions are monitored at a Group level so all open positions held by CMC Markets' customers are combined to calculate CMC Markets' total net customer exposure to ensure optimal hedging decisions are made All derivatives used to hedge customer positions are margin-traded so the profit or loss arising on the position is settled on a daily basis The use of derivative financial instruments is governed by Group policies approved by the Board which provide written principles on their use consistent with the Group's risk management strategy

Mitigation of market risk

CMC Markets benefits from a number of factors which also reduce the volatility of its revenue and protect it from market shocks as follows

- *Diversification and liquidity of its product range*

CMC Markets acts as a market maker in over 5,000 cross asset products – specifically, equities, equity 'sectors', indices, commodities, treasuries (solely government bonds) and foreign exchange This high level of diversification tends to result in minimal concentration risk within the market risk portfolio

Additionally, CMC Markets predominantly acts as a market maker in highly liquid financial instruments it can actively hedge

- *Diversification of customer base*

In the year ending 31 March 2011, CMC Markets traded with over 75,000 customers (in line with the prior year) from over 100 countries This large international customer base has a range of diverse trading strategies resulting in CMC Markets enjoying a high degree of natural hedging between customers This 'portfolio effect' leads to a significant reduction in CMC Markets' net market exposure

- *Residual risk - flow driven revenue model*

The flow driven revenue strategy describes the management of market risk resulting from customer trading activity through active hedging in the markets Any residual risk remaining after the natural market risk mitigants noted above is managed as per internally approved limits and guidelines

Market risk limits

Market risk positions are managed in accordance with CMC Markets' Risk Appetite Statement and Group Market Risk Management Framework so the Group has sufficient capital resources to support the calculated Market Risk Capital Requirement as well as staying within the Risk Appetite The Group manages this crucial component of capital adequacy with 'risk zones' from green through amber, red and black, which are internally set limits in order to mitigate the risk of breaching Capital Adequacy requirements The Market Risk policy requires that the Group's market risk exposure, calculated under the FSA's 'position risk requirement' (PRR) methodology, should not hit the red zone, which is set at the Group's Individual Capital Guidance (ICG) level including a Capital Planning Buffer that is required by the FSA To reduce the chances of the Group entering into the red zone, immediate remedial action must be taken to hedge customer exposure and reduce the Group's overall market risk exposure if the Group is in the amber zone

Overall customer exposures can vary significantly over a short period of time and are highly dependent on underlying market conditions Under the residual risk flow model the Group's PRR has remained well within the Board approved risk appetite limit and is broadly in line with the prior year

	2011			2010		
	Net PRR exposure £m	Gross exposure £m	PRR £m	Net PRR exposure £m	Gross exposure £m	PRR £m
Asset class						
Consolidated equities	3 6	213 2	7 3	(15 6)	198 1	7 1
Commodities	0 3	6 9	1 2	(2 1)	5 3	1 0
Treasuries	15 9	18 1	0 5	8 1	12 6	0 3
Foreign exchange	43 4	43 4	3 5	22 5	22 5	1 8
	63 2	281 6	12 5	12 9	238 5	10 2

Revenue Analysis

The diversity of the product range and global distribution, as well as the diverse customer base, significantly reduces CMC Markets' revenue sensitivity to individual asset classes and instruments This can be quantified by analysing the five-day moving daily average of daily net trading income

For the year ended 31 March 2011, there have been eight occurrences (2010 10) of the five-day daily moving average of trading profit exceeding £1 0m, compared to zero occurrences (2010 21) of a five-day trading loss occurring The largest five-day daily average trading profit over this period was £1 4m (2010 £1 3m) and the smallest five-day average trading profit was £0 04m (2010 loss £0 9m)

Market risk - stress testing

Group Financial Risk conducts market risk stress testing on a daily basis The approach to this stress testing is taking volatility stress factors and applying them to net market risk exposures in order to assess the market risk impact Volatility stresses are derived from actual market price histories for 12 months up to 31 March 2011 (31 March 2010 for the previous financial year) In order to make the model more reliable, stress factors are defined for each asset class (consolidated equities, commodities, treasuries and foreign exchange) Furthermore, volatility stress factors for consolidated equities are defined per region and for commodities they are split between bullion, oil and other Volatility stress factors for foreign exchange are split between major currency pairs and all other currency pairs Applying regional as well as asset class based stress factors to exposures ensures that the results are a fair representation of the potential market risk the Group faces These stress factors and scenarios are updated quarterly by Group Financial Risk The Group also runs extreme case stress scenarios on a daily basis, where the stress factors are broken down as mentioned above

The table below shows example results from 31 March 2011 and 2010 The stress factors were applied to each asset class or asset sub-class market risk exposure (customer exposure net of CMC Markets' hedging) at the reporting date

In 2011, CMC Markets was net long against unhedged customer positions - therefore the positive volatility stress resulted in a positive trading revenue impact, and the negative volatility stress resulted in a negative trading revenue impact In 2010, the position was net short, resulting in revenue impacts moving in opposition to the volatility stresses The post-tax trading revenue impact was +/- £0 3m (2010 +/- £0 7m) The Group's annual average post-tax revenue impact was +/- £0 5m (2010 +/- £1 3m)

			Increase		Decrease	
2011	Stress factor range %	Net exposure £m	Net exposure £m	Change in revenue £m	Net exposure £m	Change in revenue £m
Asset class						
Consolidated equities	2 69% - 4 93%	3 6	3 6	-	3 5	-
Commodities	3 67% - 4 94%	0 3	0 4	-	0 3	-
Treasuries	0 56%	15 9	16 0	0 1	15 9	(0 1)
Foreign exchange	1 88% - 1 89%	17 9	18 1	0 2	17 7	(0 2)
		37 7	38 1	0 3	37 4	(0 3)

2010	Stress factor range %	Net exposure £m	Increase Net exposure £m	Increase Change in revenue £m	Decrease Net exposure £m	Decrease Change in revenue £m
Asset class						
Consolidated equities	3 36% - 4 88%	(15 6)	(16 1)	(0 4)	(15 0)	0 4
Commodities	4 31% - 11 30%	(2 1)	(2 2)	(0 1)	(2 0)	0 1
Treasuries	0 68%	8 1	8 1	-	8 0	-
Foreign exchange	2 30% - 2 50%	(2 5)	(2 7)	(0 2)	(2 3)	0 2
		(12 1)	(12 9)	(0 7)	(11 3)	0 7

Interest-rate risk

Interest rate risk arises from the re-pricing of Group assets and liabilities

CMC Markets pays interest on customer liabilities, represented by trade payables, once certain threshold balance levels are met The Group receives interest from financial institutions on customer funds held based on short term interest rates in the relevant currency The Group is therefore a net recipient of interest income and is negatively exposed to falling interest rates across the currencies in which it transacts Total customer liabilities and the cash received from customers represent on-demand liabilities and assets Given the on-demand nature of these items, it is not considered appropriate to hedge net interest income resulting from these balances

Borrowings are used to finance broker trade receivables and are priced at short term floating rates pus a credit margin The broker trade receivable asset earns interest at floating rates Net interest cost is therefore fixed and does not represent an interest rate risk

Net corporate cash is invested in short term assets with financial institutions and is priced from short term rates Falling interest rates will reduce the interest income earned on these balances The need to maintain access to these funds to meet short term liabilities means that it is not appropriate to hedge the medium term income earned on these balances

The table below shows the impact of changes in interest rates on profit after tax and equity on a net basis including the impact on both interest income and finance costs

	2011 Absolute increase £m	2011 Absolute decrease £m	2010 Absolute increase £m	2010 Absolute decrease £m
Impact of 1% absolute change				
Profit after tax	2 7	(1 4)	3 5	(0 9)
Equity	2 7	(1 4)	3 5	(0 9)
Impact of 3% absolute change				
Profit after tax	6 2	(2 6)	8 8	(2 3)
Equity	6 2	(2 6)	8 8	(2 3)
Impact of 5% absolute change				
Profit after tax	9 2	(3 8)	13 2	(3 8)
Equity	9 2	(3 8)	13 2	(3 8)

Foreign exchange risk

Foreign exchange risk is the risk that the Group's results are impacted by movements in foreign exchange rates

Balance sheet foreign exchange risk arises from the revaluation of net, non-functional currency assets and liabilities of individual trading entities of the Group Group policy is to ensure that net currency exposures of individual entities within the Group are hedged to minimise the impact of foreign exchange movements on the income statement

Cashflow foreign exchange risk arises from Group operating profit arising in currencies other than the functional or presentational currency Group revenue is earned in the currency of the underlying contract and the principal currency of revenue is the USD as a result of being the underlying currency for significant equity, index, currency, commodity and oil trading The Group has minimal USD costs and therefore USD revenue contributes significantly to operating profit The Group earns revenue in a number of other currencies but also incurs significant operating costs arising from offices in those jurisdictions and therefore foreign exchange rate risk is not material

Currency risk is managed through a hedging program designed to minimise volatility in the income statement.

The effect on profit and equity of fluctuations in short-term foreign exchange rates is shown in the table below A positive value in these tables represents an increase in profit or equity where the relevant currency strengthens against Sterling A negative value represents a decrease in profit or equity where the relevant currency weakens against Sterling

	2011		2010	
	Depreciation against GBP £m	Appreciation against GBP £m	Depreciation against GBP £m	Appreciation against GBP £m
Impact of 10% movement against sterling				
Profit after tax	(6 2)	7 6	(10 9)	13 3
Equity	(6 2)	7 6	(10 9)	13 3

Credit risk

The Group's principal financial assets are deposits and other cash balances held with banks and other financial institutions, trade and other receivables, amounts due from brokers and investments The maximum credit risk is considered to be the carrying value of these financial assets at the balance sheet date

Credit risk is actively managed and controlled at CMC Markets by Group Financial Risk and Group Treasury Group Financial Risk is responsible for monitoring and controlling customer credit risk which results from customer trading activity Customer credit risk is managed in accordance with the Group Customer Credit and Liquidity Risk Management Framework Group Treasury is responsible for managing and controlling corporate credit risk

Financial institution credit risk

Credit risk arises from the banks and other financial institutions with whom the Group deposits funds and from trade receivables with brokers arising from underlying hedging activity

Credit risk is managed on a Group basis with overall group-wide limits allocated to individual entities Credit exposures to these counterparties are monitored on a monthly basis against approved credit and concentration limits

Credit limits are approved by the Board on the basis of an assessment of credit quality utilising credit ratings, credit default swaps and other appropriate measures The Group's credit risk appetite is to hold 95% of all funds with institutions with a minimum long-term rating of A (Standard and Poor's) recognising that in some jurisdictions, sovereign ratings place a cap on the maximum rating attainable by a financial institution

Management does not expect any losses from non-performance by these counterparties

The tables below present CMC Markets' exposure to financial institutions based on their long-term credit rating

	2011 £m	2010 £m
Long-term rating		
AA to AA-	57 3	53 9
A+ to A-	104 1	122 2
BBB+ to BBB-	1 5	0 1
	162 9	176 2

No cash balances or deposits with institutions were considered past due but not impaired or impaired (2010 £nil)

Customer and other credit risk

CMC Markets operates a real-time mark-to-market trading platform with customer profits and losses being credited and debited automatically to their account

Customer credit risk arises where customer funds deposited with CMC Markets (margin and free equity) are insufficient to cover losses incurred upon liquidation In particular, customer credit risk can arise where there are significant, sudden movements in the market i e due to high general market volatility or specific volatility relating to an individual underlying financial instrument

CMC Markets management of customer credit risk is significantly aided by automatic liquidation on its trading platform In addition, the Group Customer Liquidation Policy and Procedure clarifies the Group's approach to liquidation management, and has resulted in significantly improved customer liquidation times and ultimately reduced credit risk exposure

If a customer's free equity (total equity less total margin requirement) becomes negative, the customer is requested to deposit additional funds and is restricted from increasing their position If the customer's intra-day losses increase such that their total equity then falls below their liquidation level amount, as specified by CMC Markets, a liquidation order is automatically generated

Credit risk is reported to CMC Markets' senior management on a daily basis, as well as intraday reporting in exceptional circumstances

Group Financial Risk measures and reports the Potential Credit Risk Exposure (PCRE) for end of day positions through asset liquidity, negative free equity and instrument concentration reporting As at 31 March 2011, maximum Group PCRE was £0 12m (2010 £0 08m) Average daily PCRE for the year ending 31 March 2011 was £0 42m (2010 £1 04m)

Credit Risk Stress Testing

CMC Markets stress tests its potential credit risk exposures at least on a monthly basis The key variables in the model (volatilities and probability of default) are stressed within four different stress scenarios The results of these stress tests are used to reach the Customer Credit Risk element of the Group's Counterparty Credit Risk Requirement (CRCR) The Group stresses the exposures using the same volatility methodology as market risk In addition, the probability of default is stressed for the most material customer positions These stress factors and scenarios are reviewed monthly by Group Financial Risk

Customer debt history

For the financial year to 31 March 2011, new debt arising was £3 8m (2010 £3 4m) This constituted 2 8% of total trading revenue (2010 2 8%) The Group establishes specific provisions against debts due from customers where the Group determines that it is probable that it will be unable to collect all amounts owed in accordance with contractual terms of the customers agreement Doubtful debt provisions for the financial year to 31 March 2011 amounted to £1 5m (2010 £2 4m) - this represented 1 1% of total trading revenue (2010 1 8%) Bad debt written off in the financial year to 31 March 2011 was £1 5m (1 0% of revenue) (2010 £1 1m, 0 9% of revenue)

The table below details the movement on the Group provision for impairment of trade receivables

	2011 £m	2010 £m
Opening provision	2 4	3 3
New debt provided for	0 6	1 1
Debt written off	(1 5)	(2 0)
Closing provision	1 5	2 4

Debt ageing analysis

Group Credit Control works efficiently to minimise the effects of customer debts on the Company's profit and loss Customer debts are managed very early in their life cycle in order to minimise them becoming doubtful debts and eventually being written off The following table provides the aging of debts that are past due and the doubtful provisions charged against them

	2011		2010	
	Debt £m	Provision £m	Debt £m	Provision £m
Less than one month	0 5	0 1	0 7	0 1
One to three months	0 1	0 1	0 1	0 1
Three to 12 months	0 5	0 3	1 1	0 6
Over 12 months	1 4	1 0	1 6	1 6
	2 5	1 5	3 5	2 4

Liquidity Risk

Liquidity risk is the risk that CMC Markets has insufficient liquid assets to meet financial liabilities as they become due Group trading companies typically fall within regulatory liquidity regimes in each domicile

The Group's policy is to utilise a combination of liquidity forecasting and stress testing to ensure that the Group retains access to sufficient liquidity in both normal and stressed conditions Liquidity forecasting fully incorporates the impact of liquidity regulations in force in each jurisdiction and other impediments to the free movement of liquidity around the Group, including its own policies on minimum liquidity to be retained by trading entities Monthly stress testing is carried out on a range of individual and combined, firm-specific and market-wide, short and long term scenarios that represent plausible but severe stress events to ensure the Group has appropriate sources of liquidity in place to meet such events

The Group does not engage in maturity transformation as part of its underlying business and therefore maturity mismatch of assets and liabilities does not represent a liquidity risk to the Group

The key liquidity risk to the Group arises from working capital, represented by the interaction of trade receivables from brokers, cash and trade payables to customers Business growth typically requires a temporary outflow of liquidity to brokers as margin which needs to be met from the firm's own cash resources from access to customer funds under the various regulatory regimes or from committed debt facilities available to the Group

Trade receivables can be realised on-demand by closing of hedge positions with brokers Similarly, trade payables to customers can become due immediately if customers close open trading positions

The Group has arranged a credit line to meet short term liquidity obligations to broker counterparties in the event that it does not have sufficient access to own cash or funds from customers and to leave a sufficient liquidity buffer to cope with stress events

FX derivatives are settled gross therefore the gross receivable and payable balances are shown in the liquidity analysis below

Maturity analysis – as at 31 March 2011

	On demand £m	Less than three months £m	Three months to one year £m	After one year £m	Total £m
Financial assets					
Cash	58 5	5 1	-	-	63 6
Gross derivatives	-	84 7	-	-	84 7
Amounts due from brokers	99 3	-	-	-	99 3
Trade and other receivables	28 3	-	-	-	28 3
	186 1	89 8	-	-	275 9
Financial liabilities					
Trade and other payables	122 0	-	-	-	122 0
Gross derivatives	-	87 4	-	-	87 4
Borrowings	23 0	0 3	1 1	1 5	25 9
	145 0	87 7	1 1	1 5	235 3
Net liquidity gap	41 1	2 1	(1 1)	(1 5)	40 6

Maturity analysis – as at 31 March 2010

	On demand £m	Less than three months £m	Three months to one year £m	After one year £m	Total £m
Financial assets					
Cash	69 7	3 7	-	-	73 4
Gross derivatives	-	124 2	-	-	124 2
Amounts due from brokers	99 7	-	-	-	99 7
Trade and other receivables	12 9	12 2	-	-	25 1
	182 3	140 1	-	-	322 4
Financial liabilities					
Trade and other payables	113 3	6 1	-	-	119 4
Gross derivatives	-	124 2	-	-	124 2
Borrowings	20 0	-	-	0 8	20 8
	133 3	130 3	-	0 8	264 4
Net liquidity gap	49 0	9 8	-	(0 8)	58 0

Analysis of financial instruments by category

Financial assets and liabilities as determined by IAS 39, 'Financial Instruments Recognition and Measurement', are categorised as follows

As at 31 March 2011

	Derivatives held for trading £m	Derivatives held for hedging £m	Loans and receivables £m	Total £m
Financial assets				
Cash and cash equivalents	-	-	63 6	63 6
Derivatives	11 3	0 3	-	11 6
Amounts due from brokers	-	-	99 3	99 3
Trade and other receivables	-	-	28 3	28 3
	11 3	0 3	191 2	202 8

	Derivatives held for trading £m	Derivatives held for hedging £m	Financial liabilities at amortised cost £m	Total £m
Financial liabilities				
Trade and other payables	-	-	122 0	122 0
Derivatives	12 8	1 5	-	14 3
Borrowings	-	-	25 9	25 9
	12 8	1 5	147 9	162 2

As at 31 March 2010

	Derivatives held for trading £m	Derivatives held for hedging £m	Loans and receivables £m	Total £m
Financial assets				
Cash and cash equivalents	-	-	73 4	73 4
Derivatives	4 7	1 3	-	6 0
Amounts due from brokers	-	-	99 7	99 7
Trade and other receivables	-	-	25 1	25 1
	4 7	1 3	198 2	204 2

	Derivatives held for trading £m	Derivatives held for hedging £m	Financial liabilities at amortised cost £m	Total £m
Financial liabilities				
Trade and other payables	-	-	119 4	119 4
Derivatives	5 8	0 2	-	6 0
Borrowings	-	-	20 8	20 8
	5 8	0 2	140 2	146 2

Fair value estimation

The Group's assets and liabilities that are measured at fair value are financial assets at FVTPL and derivative financial instruments The table below categorises those financial instruments measured at fair value based on the following fair value measurement hierarchy

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), or
- Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

	2011				2010			
GROUP	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial instruments								
Financial assets	-	11 6	-	11 6	-	6 0	-	6 0
Financial liabilities	-	(14 3)	-	(14 3)	-	(6 0)	-	(6 0)
	-	(2 7)	-	(2 7)	-	-	-	-

Capital management

The Group's objectives for managing capital are as follows

- to comply with the capital requirements set by the financial market regulators to which the Group is subject,
- to ensure that all Group entities are able to operate as going concerns and satisfy any minimum externally imposed capital requirements, and
- to ensure that the Group maintains a strong capital base to support the development of its business

CMC Markets is supervised on a consolidated basis by the UK's Financial Services Authority (FSA)

The Group's Internal Capital Adequacy Assessment Process (ICAAP), prepared under the requirements of the FSA and the Capital Requirements Directive, is an on-going assessment of CMC Markets' risks and risk mitigation strategies, to ensure that adequate capital is maintained against risks that the Group wishes to take to achieve its business objectives

The outcome of the ICAAP is presented as an Internal Capital Assessment (ICA) document covering CMC Markets The ICA covers all material risks to determine the capital requirement over a three year horizon and includes stressed scenarios to satisfy regulatory requirements The ICA is reviewed and approved by the Board on an annual basis

The Group had significant surplus regulatory capital over the regulatory capital requirements throughout the year Under FSA rules, consolidated capital resources exceeded the consolidated capital resources requirement by 39% (2010 58%) In addition at 31 March 2011, the Group exceeded its ICG capital requirement as set by the FSA by £11 1m (2010 £18 7m) There has been no breach of the regulatory capital requirements during the financial year

5 Segmental analysis

Division structure

The Group's principal business is online retail financial services and provides its customers with the ability to trade contracts for difference (CFD) and financial spread betting on a range of underlying shares, indices, foreign currencies, commodities and treasuries CMC Markets also makes these services available to institutional partners through white label and introducing broker arrangements The Group also provides stock broking services in Australia The Group's core business is generally managed on a geographical basis and for management purposes, the Group is organised into four divisions

- Europe,
- Australia and New Zealand,
- Asia, and
- Canada

The Group's institutional partners business was previously classified as a separate division however the operation, management and control of this business has been brought in line with the remainder of the business The comparative divisional results have been restated accordingly

Revenues and costs are allocated to the divisions that originated the transaction Costs generated centrally are allocated to divisions on an equitable basis, based on revenue or headcount

Divisional assets and liabilities consist of operating assets and liabilities

Division results analysis

	2011			2010		
GROUP	**Total revenue £m**	**Net operating income £m**	**EBITDA £m**	**Total revenue £m**	**Net operating income £m**	**EBITDA £m**
Europe	108 1	86 2	20 8	98 0	78 4	10 7
Australia and New Zealand	42 3	39 4	4 3	39 5	36 6	11 2
Asia	8 4	8 4	(4 9)	12 2	12 2	(1 9)
Canada	2 9	2 9	(1 5)	2 3	2 3	(2 9)
	161 7	136 9	18 7	152 0	129 5	17 1

A reconciliation of EBITDA to loss before tax is provided as follows

GROUP	2011 £m	2010 £m
EBITDA	18 7	17 1
Depreciation and amortisation	(28 6)	(28 4)
Impairment of intangible assets	(12 3)	-
Finance costs	(1 5)	(1 7)
Loss before tax	(23 7)	(13 0)

The measurement of net operating income for divisional analysis is consistent with that in the income statement

The Group uses 'EBITDA' to assess the financial performance of each division EBITDA comprises operating profit for the year before interest expense, taxation, depreciation of property, plant and equipment and amortisation of intangibles Interest expense is not allocated to divisions as liquidity and capital resources are managed by the Group's central treasury function

Interest income, which is included within total revenue, and depreciation and amortisation are allocated to the divisions as follows

	2011		2010	
GROUP	Interest income £m	Depreciation and amortisation £m	Interest income £m	Depreciation and amortisation £m
Europe	(0 2)	15 5	1 8	19 9
Australia and New Zealand	0 9	11 0	0 4	8 0
Asia	0 2	1 6	0 1	0 3
Canada	0 1	0 5	-	0 2
	1 0	28 6	2 3	28 4

Division assets analysis

GROUP	2011 £m	2010 £m
Europe	165 0	193 7
Australia and New Zealand	59 0	48 7
Asia	13 7	4 0
Canada	19 8	15 9
	257 5	262 3

A reconciliation of Divisional total assets is provided as follows

GROUP	2011 £m	2010 £m
Divisional total assets	257 5	262 3
Unallocated assets		
Deferred tax assets	11 3	11 7
Current tax recoverable	0 7	0 7
Total assets	269 5	274 7

The measurement of total assets for division analysis is consistent with that in the Group balance sheet Assets are allocated based on the operations of the Division

Geographical analysis

The Company is domiciled in the UK Revenue and non-current assets attributed to the UK and other locations is given below Revenue is allocated based on customer location Non-current assets attributable to each location excludes deferred tax and are allocated on the basis of their location

	2011		2010	
GROUP	**Revenue £m**	**Non-current assets £m**	**Revenue £m**	**Non-current assets £m**
UK	34 8	49 3	38 0	45 7
Europe	49 8	1 4	43 7	1 8
Australia and New Zealand	40 7	3 4	35 6	9 8
Asia	9 5	0 5	11 7	0 6
Other	25 9	0 1	20 7	0 2
	160 7	54 7	149 7	58 1

6. Net interest income

GROUP	2011 £m	2010 £m
Bank interest	4 5	4 1
Interest paid to brokers	(3 3)	(1 9)
Interest (to)/from customers	(0 2)	0 1
	1 0	2 3

The Group earns interest income from its own corporate funds and from segregated customer funds

7 Operating expenses

GROUP	2011 £m	2010 £m
Net staff costs (note 8)	49 5	51 6
IT costs	15 3	13 5
Sales and marketing	16 4	12 5
Premises	11 2	10 1
Other	25 8	24 7
	118 2	112 4

8 Employee information

The aggregate employment costs of staff and Directors were

GROUP	2011 £m	2010 £m
Wages, salanes, bonuses and incentive payments	49 2	51 6
Social secunty costs	5 4	5 1
Post employment benefits	2 5	2 3
Share-based payments (note 26)	0 5	0 5
	57 6	59 5
Capitalised internal software development costs	(8 1)	(7 9)
Net staff costs	49 5	51 6

Compensation of key management personnel is disclosed in note 31

The average number of Directors and employees of the Group during the year is set out below

GROUP	2011 number	2010 number
By activity		
Key management	6	9
Customer acquisition and maintenance	281	312
IT development and support	123	170
Global support functions	309	293
	719	784

9. Finance costs

GROUP	2011 £m	2010 £m
Interest on loan notes	-	1 2
Interest on bank borrowings	1 5	0 3
Unwind of discount on provisions	-	0 2
	1 5	1 7

10 Loss before taxation

GROUP	2011 £m	2010 £m
Loss before tax is stated after charging		
Depreciation	6 8	6 1
Amortisation of intangible assets	21 8	22 3
Gain on disposal of subsidiary	(1 4)	-
Net (gain)/loss on financial assets at FVTPL	-	(9 9)
Net foreign exchange loss	1 0	2 0
Operating lease rentals	7 8	6 4
Auditor's remuneration for audit and other services (see below)	1 1	1 1

Fees payable to the Company's auditors, PricewaterhouseCoopers LLP were as follows

GROUP	2011 £m	2010 £m
Audit services		
Statutory audit of Parent and consolidation	0 2	0 2
Statutory audit of subsidiaries	0 3	0 2
	0 5	0 4
Other services		
Tax services	0 6	0 7
Other services	-	-
	0 6	0 7
Total	1 1	1 1

11 Taxation

GROUP	2011 £m	2010 £m
Analysis of charge for the year		
Current tax		
Current tax on loss for the year	1 5	4 5
Adjustment in respect of previous periods	(1 6)	(1 9)
Total current tax	(0 1)	2 6
Deferred tax		
Origination and reversal of temporary differences	(6 7)	(7 8)
Adjustment in respect of previous periods	2 0	1 4
Impact of change in tax rate	0 5	-
Total deferred tax	(4 2)	(6 4)
Tax credit	(4 3)	(3 8)

The tax for the year differs from the standard rate of UK Corporation Tax of 28% (2010 28%) The differences are explained below

GROUP	2011 £m	2010 £m
Loss before taxation	(23 7)	(13 0)
Loss multiplied by the standard rate of corporation tax in the UK of 28%	(6 6)	(3 6)
Irrecoverable foreign tax	0 7	0 9
Expenses that are not recognised for tax purposes	1 4	0 9
Income not subject to tax	(1 8)	-
Losses not utilised/(utilised)	1 3	(0 1)
Adjustment in respect of share awards	-	(0 2)
Adjustment in respect of foreign tax rates	-	(0 7)
Effect of research and development tax concession	(0 2)	(0 5)
Adjustments in respect of previous periods	0 4	(0 5)
Change in tax rate	0 5	-
Tax credit	(4 3)	(3 8)

The tax (charged)/credited directly to equity during the year is as follows

GROUP	2011 £m	2010 £m
Deferred tax on share based payments	-	0 2
Deferred tax on loss on net investment hedges	0 4	1 3
	0 4	1 5

12 Earnings per share (EPS)

Basic EPS is calculated by dividing the earnings attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding those held in employee share trusts which are treated as cancelled

For diluted earnings per share, the weighted average number of ordinary shares in issue, excluding those held in employee share trusts, is adjusted to assume conversion of all dilutive potential ordinary shares, which consists of share options granted to employees during the year ended 31 March 2011

	2011			2010		
GROUP	Earnings £m	Shares millions	Earnings per share pence	Earnings £m	Shares millions	Earnings per share pence
Basic and diluted EPS						
Earnings attributable to ordinary shareholders	(19 4)	282 0	(6 9)	(9 2)	273 3	(3 4)

8 1m (2010 11 9m) potentially dilutive ordinary shares in respect of share options in issue during the year have not been included in the calculation of EPS in the current financial year because their inclusion would be anti-dilutive

13 Intangible assets

GROUP	Goodwill £m	Computer software £m	Trademarks and trading licences £m	Customer relationships £m	Assets under development £m	Total £m
Cost						
At 1 April 2009	18 8	57 6	3 7	10 2	11 4	101 7
Additions	-	10 1	-	-	9 8	19 9
Reclassification	-	3 6	-	-	(3 6)	-
Foreign currency translation	-	4 5	(0 4)	(0 4)	-	3 7
At 1 April 2010	18 8	75 8	3 3	9 8	17 6	125 3
Additions	-	5 6	-	-	15 2	20 8
Disposals	(7 3)	(1 0)	(0 4)	(5 6)	-	(14 3)
Reclassification	-	31 7	0 2	-	(31 9)	-
Foreign currency translation	-	1 5	-	0 2	-	1 7
At 31 March 2011	11 5	113 6	3 1	4 4	0 9	133 5
Accumulated amortisation						
At 1 April 2009	(18 8)	(28 8)	(1 5)	(8 1)	-	(57 2)
Charge for the year	-	(20 6)	(1 3)	(0 4)	-	(22 3)
Impairments	-	-	(0 5)	-	-	(0 5)
Foreign currency translation	-	(2 8)	0 6	0 8	-	(1 4)
At 1 April 2010	(18 8)	(52 2)	(2 7)	(7 7)	-	(81 4)
Charge for the year	-	(21 5)	(0 1)	(0 2)	-	(21 8)
Impairment	-	(11 9)	-	-	-	(11 9)
Disposals	7 3	1 0	0 4	5 6	-	14 3
Foreign currency translation	-	(1 5)	(0 1)	(0 1)	-	(1 7)
At 31 March 2011	(11 5)	(86 1)	(2 5)	(2 4)	-	(102 5)
Carrying amount						
At 31 March 2011	-	27 5	0 6	2 0	0 9	31 0
At 31 March 2010	-	23 6	0 6	2 1	17 6	43 9
At 1 April 2009	-	28 8	2 2	2 1	11 4	44 5

Additions to software development were made predominantly in relation to the Group's next generation trading platform, pricing engine and customer service systems The amount of additions arising from internal development amounted to £8 1m (2010 £7 9m) Disposals during the year to 31 March 2011 relate to the sale of the Group's subsidiary Digital Look Limited Further details of this transaction are given in note 15 below

Impairment

Goodwill

During the year ended 31 March 2009, impairment tests carried out resulted in the carrying value of goodwill being fully written down to £nil There have been no subsequent acquisitions therefore no additional goodwill has been recognised

Other intangibles

Other intangibles are tested for impairment if events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable During the year, the Group launched its next generation trading platform and associated systems to replace 'Marketmaker' The capitalised software development costs associated with the MarketMaker trading platform have therefore been wntten down resultmg in an impairment charge of £11 9m Dunng the year to 31 March 2010, an impairment charge of £0 5m arose in respect of a trading licence no longer utilised by the business

14 Property, plant and equipment

GROUP	Furniture, fixtures and equipment £m	Computer hardware £m	Total £m
Cost			
At 1 April 2009	15 7	19 1	34 8
Additions	0 7	2 7	3 4
Disposals	(3 6)	(0 7)	(4 3)
Foreign currency translation	0 5	0 4	0 9
At 1 April 2010	13 3	21 5	34 8
Additions	14 1	2 5	16 6
Disposals	(3 7)	(6 6)	(10 3)
Foreign currency translation	0 2	0 2	0 4
At 31 March 2011	23 9	17 6	41 5
Accumulated depreciation			
At 1 April 2009	(5 4)	(9 7)	(15 1)
Charge for the year	(2 5)	(3 6)	(6 1)
Disposals	0 2	0 8	1 0
Foreign currency translation	(0 2)	(0 2)	(0 4)
At 1 April 2010	(7 9)	(12 7)	(20 6)
Charge for the year	(3 0)	(3 8)	(6 8)
Disposals	3 4	6 5	9 9
Foreign currency translation	(0 1)	(0 2)	(0 3)
At 31 March 2011	(7 6)	(10 2)	(17 8)
Carrying amount			
At 31 March 2011	16 3	7 4	23 7
At 31 March 2010	5 4	8 8	14 2
At 1 April 2009	10 3	9 4	19 7

At 31 March 2011, the Group had no material capital commitments in respect of property, plant and equipment (2010 £nil)

15 Investment in subsidiary undertakings

COMPANY	2011 £m	2010 £m
At 1 April	324 5	385 8
Capital contribution relating to share based payments	0 4	0 5
Disposal	(0 5)	-
Impairment	(161 1)	(61 8)
At 31 March	163 3	324 5

The capital contribution relating to share based payments relates to share options granted by the Company to employees of subsidiary undertakings in the Group, reduced by distributions received from those subsidiaries in respect of those share options

On 24 January 2011, the Company sold its wholly owned subsidiary, Digital Look Limited for a total cash consideration of £1 4m resulting in a gain of £1 0m for the Company The net assets of Digital Look Limited on disposal was zero resulting in a gain of £1 4m for the Group Of the total consideration, £0 2m has been received at 31 March 2011 with the remainder deferred until June 2011

During 2010 and 2011 the Company impaired its investment in CMC Markets UK Holdings Limited as a consequence of the impairment by that company of its own investments in subsidiaries No impairment has been made in relation to the Company's other direct holdings

Principal subsidiary undertakings

At 31 March 2011, the following companies were CMC Markets plc's principal trading subsidiary undertakings and principal intermediate holding companies

	Country of incorporation	Principal activities	Held
CMC Markets UK Holdings Limited	England	Holding company	Directly
CMC Markets UK plc	England	Online trading	Indirectly
Information Internet Limited	England	IT development	Indirectly
CMC Spreadbet plc	England	Financial spread betting	Indirectly
CMC Markets Overseas Holdings Limited	England	Holding company	Directly
CMC Markets Asia Pacific Pty Limited	Australia	Online trading	Indirectly
CMC Markets Pty Limited	Australia	Trading and education	Indirectly
CMC Markets Group Australia Pty Limited	Australia	Holding company	Indirectly
CMC Markets Stockbroking Limited	Australia	Stockbroking	Indirectly
CMC Markets Canada Inc	Canada	Customer introducing office	Indirectly
CMC International Financial Consulting (Beijing) Co Limited	China	Trading and education	Indirectly
CMC Markets Japan KK	Japan	Online trading	Indirectly
CMC Markets NZ Limited	New Zealand	Online trading	Indirectly
CMC Markets Singapore Pte Limited	Singapore	Online trading	Indirectly

All shareholdings are of ordinary shares The issued share capital of all subsidiary undertakings is 100% owned, which also represents the proportion of the voting rights in the subsidiary undertakings

16 Trade and other receivables

	GROUP		COMPANY	
	2011 £m	2010 £m	2011 £m	2010 £m
Trade receivables	2 9	4 1	-	-
Less provision for impairment of trade receivables	(1 5)	(2 4)	-	-
Trade receivables - net	1 4	1 7	-	-
Amounts due from Group companies	-	-	35 3	12 6
Prepayments and accrued income	4 3	5 8	-	-
Stock broking debtors	20 1	12 9	-	-
Other debtors	2 5	4 7	1 3	-
	28 3	25 1	36 6	12 6

Stock brokıng debtors represent the amount receıvable ın respect of equıty securıty transactıons executed on behalf of customers wıth a correspondıng balance ıncluded wıthın trade and other payables (note 20)

17 Financial assets

GROUP	2011 £m	2010 £m
Derivative financial instruments (note 21)	11 6	6 0

18 Cash and cash equivalents

GROUP	2011 £m	2010 £m
Gross cash and cash equivalents	347 0	321 9
Less client money	(283 4)	(248 5)
	63 6	73 4

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments, with typical maturities of three months or less Cash at bank earns interest at floating rates, based on daily bank deposit rates

19 Trade and other payables

	GROUP		COMPANY	
	2011 £m	2010 £m	2011 £m	2010 £m
Current				
Trade payables	356 1	330 0	-	-
Less funds held on behalf of customers in segregated bank accounts	(283 4)	(248 5)	-	-
Trade payables - net	72 7	81 5	-	-
Amount owing to Group companies	-	-	39 4	16 5
Tax and social security	1 6	2 7	-	-
Stock broking creditors	20 4	13 4	-	-
Accruals and deferred income	20 6	19 3	-	-
	115 3	116 9	39 4	16 5
Non-current				
Accruals and deferred income	6 7	2 5	-	-
	122 0	119 4	39 4	16 5

20 Financial liabilities

GROUP	2011 £m	2010 £m
Current		
Derivative financial instruments (note 21)	14 3	6 0
Bank loans	23 0	20 8
Chattel mortgage	1 4	-
	38 7	26 8
Non-current		
Chattel mortgage	1 5	-
	40 2	26 8
Exposure to interest rate changes and contractual re-pricing dates		
6 months or less	23 0	20 8
1 to 5 years	2 9	-
	25 9	20 8

The weighted average interest rates paid were as follows

	GROUP	
	2011 %	2010 %
Bank loans	3 93%	3 90%
Chattel mortgage	6 82%	-

The fair value of financial liabilities is approximate to the book value shown above The carrying amounts of the bank loan and loan notes are both wholly denominated in sterling

Bank loans

During the year, the 364 day £50 0m revolving credit facility was renewed with a new maturity date of 13 December 2011 This facility has a six month extension option with the agreement of the lending bank and can be used to meet broker margin requirements of the Group The rate of interest payable on any loans is the aggregate of the applicable margin, LIBOR, and mandatory cost At 31 March 2010, the Group also had a €0 9m term loan which was repaid in full on 12 May 2010

Chattel mortgage

In October 2010, the Group arranged a new fixed rate three year amortising chattel mortgage of £3 4m secured over certain IT assets of CMC Markets UK plc At 31 March 2011, £2 9m was outstanding on this facility Interest is payable at a fixed rate of 6 82%

The fair value of bank loans and chattel mortgage reflects the loan principals drawn at 31 March 2011 (£23 0m and £2 9m) and 31st March 2010 (£20 0m and €0 9m) adjusted for any accrued interest and unamortised arrangement fees

Undrawn borrowing facilities

The Group has an undrawn multi-currency overdraft facility with NatWest Bank plc of £10 0m, which is repayable on demand The facility is available in Sterling, Canadian Dollars, Euros, Japanese Yen, Swedish Kronor, Swiss Francs, US Dollars, Australian Dollars and Hong Kong Dollars The interest rate for the Sterling overdraft is NatWest Bank's Base Rate plus 2% per annum and, for all other currencies, the relevant NatWest Bank currency lending rate

21 Derivative financial instruments

GROUP	2011 Assets £m	2011 Liabilities £m	2011 Total £m	2010 Assets £m	2010 Liabilities £m	2010 Total £m
Held for trading						
Equity CFDs	5 5	(6 8)	(1 3)	3 5	(4 5)	(1 0)
ICT futures	5 8	(6 0)	(0 2)	1 2	(1 3)	(0 1)
Held for hedging						
Forward foreign exchange contracts – economic hedges	0 3	(1 3)	(1 0)	0 9	(0 2)	0 7
Forward foreign exchange contracts – net investment hedges	-	(0 2)	(0 2)	0 4	-	0 4
	11 6	(14 3)	(2 7)	6 0	(6 0)	-

The fair value of derivative contracts is based on the market price of comparable instruments at the balance sheet date All derivative financial instruments have a maturity date of less than one year

Held for trading

As described in note 4, the Group enters derivative contracts in order to hedge its market price risk exposure arising from customers trading and spread betting

Held for hedging

The Group's forward foreign exchange contracts are designated as either economic or net investment hedges Economic hedges are held for the purpose of mitigating currency risk relating to transactional currency flows arising from earnings in foreign currencies but do not meet the criteria for designation as cash flow hedges in accordance with the Group's accounting policies (note 3) The Group has designated a number of foreign exchange derivative contracts as hedges of the net investment in the Group's non-UK subsidiaries At 31 March 2011, £12 2m of fair value losses were recorded in other reserves within equity (2010 £10 9m)

The notional principal amounts of all outstanding forward foreign exchange contracts at 31 March 2011 were £74 4m (2010 £118 1m) During the year £1 9m of losses (2010 £5 5m loss) relating to economic hedges were recognised in the income statement

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets at the balance sheet date

22 Provisions

GROUP	Deferred consideration £m	EBT commitments £m	Property related £m	Total £m
At 1 April 2010	0 3	0 2	1 7	2 2
Additional provision	-	-	2 0	2 0
Utilisation of provision	(0 3)	-	(0 9)	(1 2)
Foreign exchange	-	-	(0 1)	(0 1)
At 31 March 2011	-	0 2	2 7	2 9

COMPANY	Deferred consideration £m
At 1 April 2010	0 3
Utilisation of provision	(0 3)
At 31 March 2011	-

The provision relating to employee benefit trusts (EBT) represents the obligation to distribute assets held in employee benefit trusts to beneficiaries

The property related provision represents discounted obligations under onerous lease contracts less any amounts considered recoverable by management

23 Deferred tax

	GROUP		COMPANY	
	2011 £m	2010 £m	2011 £m	2010 £m
Deferred tax assets to be recovered within 12 months	1 1	11 0	0 2	-
Deferred tax assets to be recovered after 12 months	10 2	0 7	-	-
	11 3	11 7	0 2	-
Deferred tax liabilities to be recovered within 12 months	(0 1)	(1 7)	-	-
Deferred tax liabilities to be recovered after 12 months	(0 8)	(3 0)	-	-
	(0 9)	(4 7)	-	-
Net deferred tax asset/(liability)	10 4	7 0	0 2	-

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 26% (2010 28%) The gross movement on deferred tax is as follows

	GROUP		COMPANY	
	2011 £m	2010 £m	2011 £m	2010 £m
At 1 April	7 0	(2 1)	-	-
Credit to income for the year	4 2	6 4	0 2	-
Credit to equity for the year	0 4	1 5	-	-
Reclassified from current tax recoverable	(1 4)	-	-	-
Foreign currency translation	0 2	1 2	-	-
At 31 March	10 4	7 0	0 2	-

The following table details the deferred tax assets and liabilities recognised by the Group and movements thereon during the year

GROUP	Tax losses £m	Interest on loan notes £m	Accelerated capital allowances £m	Other timing differences £m	Total £m
At 1 April 2009	1 8	1 0	(6 6)	1 7	(2 1)
Credit to income for the year	7 6	(1 0)	3 2	(3 4)	6 4
Credit to equity for the year	-	-	-	1 5	1 5
Foreign currency translation	-	-	-	1 2	1 2
At 31 March 2010	9 4	-	(3 4)	1 0	7 0
Credit to income for the year	(3 0)	-	6 3	0 9	4 2
Credit to equity for the year	-	-	-	0 4	0 4
Reclassified from current tax recoverable	-	-	-	(1 4)	(1 4)
Foreign currency translation	0 3	-	(0 2)	0 1	0 2
At 31 March 2011	6 7	-	2 7	1 0	10 4

COMPANY	Tax losses £m
At 1 April 2009 and 31 March 2010	-
Credit to income for the year	0 2
At 31 March 2011	0 2

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable

A reduction in the rate of UK Corporation tax from 28% to 26% from April 2011 with three further annual 1% cuts to 23% by April 2014 was announced in March 2011 The effect of this reduction in the rate of UK Corporation tax was to decrease the Groups deferred tax asset as at 31 March 2011 by £0 5m

24 Share capital and premium

GROUP AND COMPANY	2011 Number	2010 Number	2011 £m	2010 £m
Authorised				
Ordinary shares of 25p	400,000,000	400,000,000	100 0	100 0
Allotted, issued and fully paid				
Ordinary shares of 25p	280,684,777	281,051,701	70 3	70 3
Deferred shares of 25p	2,090,171	1,723,247	0 4	0 4
	282,774,948	282,774,948	70 7	70 7

Share class rights

The Company has two classes of shares, Ordinary and Deferred, neither of which carries a right to fixed income Deferred shares have no voting rights In the event of a winding-up, ordinary shares shall be repaid at nominal value plus £0 5m each in priority to deferred shares

GROUP AND COMPANY	Ordinary shares Number	Deferred shares Number	Total Number
At 31 March 2009	255,525,502	559,574	256,085,076
Conversion of ordinary shares to deferred shares	(1,163,673)	1,163,673	-
Shares issued	26,689,872	-	26,689,872
At 31 March 2010	281,051,701	1,723,247	282,774,948
Conversion of ordinary shares to deferred shares	(366,924)	366,924	-
At 31 March 2011	280,684,777	2,090,171	282,774,948

GROUP AND COMPANY	Ordinary shares £m	Deferred shares £m	Share premium £m	Total £m
At 31 March 2009	63 9	0 1	-	64 0
Conversion of ordinary shares to deferred shares	(0 3)	0 3	-	-
Proceeds from shares issued	6 7	-	33 3	40 0
At 31 March 2010	70 3	0 4	33 3	104 0
Conversion of ordinary shares to deferred shares	(0 1)	0 1	-	-
At 31 March 2011	70 2	0 5	33 3	104 0

Movements in share capital and premium

On 22 July 2009, 22,987,534 and 3,702,338 shares were issued to Peter Cruddas and Fiona Cruddas respectively, at a price of £1 50 per share During the year 366,924 (2010 1,163,673) ordinary shares were converted to deferred shares in accordance with the terms of grant to employees who have now left the Group

25 Own shares held in trust

GROUP	2011 Number	2010 Number	2011 £m	2010 £m
Ordinary shares of 25p				
At 1 April	772,495	1,272,502	3 1	3 7
Additions	113,453	49,993	0 1	0 2
Shares transferred to employees	(299,999)	(550,000)	(1 6)	(0 8)
At 31 March	585,949	772,495	1 6	3 1

The shares are held by the CMC Markets 2007 Employee Benefit Trust for the purpose of encouraging or facilitating the holding of shares in the Company for the benefit of employees and the trustees will apply the whole or part of the trust's funds to facilitate dealing in shares by such beneficiaries

26. Share-based payment

The total charge for the year relating to employee share-based payment plans was £0 5m (2010 £0 5m)

During the year, the Company made share option and matched share awards under the CMC Markets plc Management Equity Plan 2009 ('2009 MEP') The 2009 MEP was the only share scheme available to the Company's employees during the current year and no shares were gifted to employees during the period

Share options

Share options granted under the 2009 MEP are exercisable at nil cost subject to the Group achieving certain market valuation targets within defined time scales There are no individually based performance criteria attached to these awards, other than continued employment within the Group The fair value has been calculated using a Monte Carlo option pricing model The significant inputs into the model were the share price of £1 50 at the grant date, volatility of 30%, dividend yield of 3%, and the annual risk-free interest rate of 2%, which resulted in a weighted average fair value per award granted of £0 12 (2010 £0 21) Volatility was calculated by reference to a number of comparable quoted companies The target market valuation condition is incorporated into the fair value calculations by factoring in the varying level of options vesting at each projected share price to calculate total return (share price multiplied by the number of options vesting)

The number of share options outstanding is as follows

GROUP	2011 Number	2010 Number
At 1 April	10,942,569	-
Granted	197,718	11,265,773
Lapsed	(3,025,615)	(323,204)
At 31 March	8,114,672	10,942,569

The vesting date of all outstanding options is 1 October 2012 and these can be exercised at anytime up until the 10th anniversary of the date of grant To the extent that any option does not vest on 1 October 2012, it will lapse immediately

Matched options

Under the terms of the 2009 MEP, certain employees were able to invest up to a specified amount to purchase ordinary shares in the Company (the 'bought' shares) in order to receive a further 1 ½ free 'matched' options on the 'matching' date, being 1 October 2012 There are no performance conditions attached to the matched options other than continued employment within the Group and ownership of the bought shares The fair value of the matched options was calculated by reference to a share price of £1 50 and an expected dividend yield of 3%, which resulted in a weighted average fair value per award granted of £1 40 (2010 £1 38)

During the year, 299,999 (2010 550,000) ordinary shares of 25p each were bought and the respective matched options are as follows

GROUP	2011 Number	2010 Number
At 1 April	825,000	-
Granted	450,000	825,000
Lapsed	(500,000)	-
At 31 March	775,000	825,000

The share price used to calculate the fair value of both share options and matched options issued during the year was determined by reference to the own share transaction disclosed in note 25 above

27 Other reserves

GROUP	Translation reserve £m	Net investment hedging reserve £m	Merger reserve £m	Total £m
Balance at 1 April 2009	7 9	(6 3)	(47 8)	(46 2)
Currency translation differences	3 1	-	-	3 1
Loss on net investment hedges	-	(4 6)	-	(4 6)
Tax on loss on net investment hedges	-	1 3	-	1 3
Balance at 31 March 2010	11 0	(9 6)	(47 8)	(46 4)
Currency translation differences	1 4	-	-	1 4
Loss on net investment hedges	-	(1 3)	-	(1 3)
Tax on loss on net investment hedges	-	0 4	-	0 4
Balance at 31 March 2011	12 4	(10 5)	(47 8)	(45 9)

Translation reserve

The translation reserve is comprised of translation differences on foreign currency net investments held by CMC Markets Group

Net investment hedging reserve

Overseas net investments are hedged using forward foreign exchange contracts Gains and losses on instruments used to hedge these overseas net investments are shown in the net investment hedging reserve These instruments hedge balance sheet translation risk, which is the risk of changes in reserves due to fluctuations in currency exchange rates All changes in the fair value were treated as being effective under IAS 39 - *Financial Instruments Recognition and Measurement and Eligible Hedged Items*

Merger reserve

The merger reserve arose following a corporate restructure in 2005 when a new holding company, CMC Markets plc, was created to bring all CMC companies into the same corporate structure The merger reserve represents the difference between the nominal value of the holding company's share capital and that of the acquired companies

28 Operating lease commitments

GROUP	2011 £m	2010 £m
Minimum lease payments under operating leases recognised in income for the year	7 8	6 6

Operating lease payments represent rentals payable by the Group for office space Leases are negotiated for an average term of 4 0 years and rentals are fixed for an average of 2 0 years

The Group had outstanding commitments under non-cancellable operating leases as follows

GROUP	2011 £m	2010 £m
Within one year	8 4	9 0
Within two to five years	16 0	17 2
After five years	21 4	10 0
	45 8	36 2

29 Cash generated from operations

	GROUP		COMPANY	
	2011 £m	2010 £m	2011 £m	2010 £m
Cash flows from operating activities				
Loss before taxation	(23 7)	(13 0)	(160 3)	(60 6)
Adjustments for				
Net interest income	(1 0)	(2 3)	-	-
Dividends received	-	-	(1 0)	-
Finance costs	1 5	1 7	-	1 2
Impairment of investment in subsidiaries	-	-	161 1	61 8
Depreciation	6 8	6 1	-	-
Amortisation of intangible assets	21 8	22 3	-	-
Impairment of intangible assets	11 9	-	-	-
Loss on disposal of PPE	0 4	0 5	-	-
Gain on disposal of investment in subsidiaries	(1 4)		(0 9)	-
Share-based payment	0 5	0 5	-	-
Changes in working capital				
(Increase)/decrease in trade and other receivables	(2 0)	0 3	(22 7)	0 8
(Increase)/decrease in amounts due from brokers	3 1	(79 4)	-	-
Increase/(decrease) in trade and other payables	2 6	36 5	22 9	(0 8)
Increase/(decrease) in provisions	1 1	(2 7)	-	-
Cash generated from/(used in) operations	21 6	(29 5)	(0 9)	2 4

30 Retirement benefit plans

The Group operates defined contribution retirement benefit plans for all qualifying employees The assets of the schemes are held separately from those of the Group, in funds under the control of trustees Where employees leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of the forfeited contributions The pension charge for these plans for the year was £2 5m (2010 £2 3m)

31 Related party transactions

Group transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this section of the note

Transactions between the Group and its other related parties are disclosed below

Compensation of key management personnel

GROUP	2011 £m	2010 £m
Key management compensation		
Short-term employee benefits	2 3	2 4
Social security costs	0 3	0 3
Post-employment benefits	-	0 1
Termination benefits	0 3	0 5
Share based payments	0 3	0 3
	3 2	3 6
Remuneration of highest paid director		
Wages, salaries, bonuses and incentive payments	1 4	1 2

Key management comprise the Board of CMC Markets plc only

Directors' transactions

During the financial year, £73,711 (2010 £73,740) was paid to Astre Associates Limited in respect of non-executive director fees payable to John Jackson

Company transactions

The Company had the following amounts outstanding with subsidiaries at year end

COMPANY	2011 £m	2010 £m
Amounts due from subsidiaries	35 3	12 6
Amounts due to subsidiaries	39 4	16 5

Amounts due to Group undertakings are unsecured, interest free and repayable on demand

32 Contingent liabilities

Guarantee

The Company is a joint and several guarantor to the bank loan facility described in note 20. Under the terms of the loan agreement, CMC Markets UK plc can draw down on this facility

Letters of support

The Company has issued a letters of support to several of its subsidiary undertakings confirming its intention to provide such financial support as is necessary to settle creditors as they fall due and to be able to continue operations on a going concern basis

33. Ultimate controlling party

The Group's ultimate controlling party is Peter Cruddas by virtue of his majority shareholding in CMC Markets plc

Notice of Annual General Meeting

Notice is hereby given that the 2011 Annual General Meeting of CMC Markets plc (the "Company") will be held at 133 Houndsditch, London EC3A 7BX at 12 00 noon on Thursday 29 September 2011 (the "2011 AGM") to consider and if thought fit to pass the following resolutions Resolutions 1, 3, 5 and 7 will be proposed as ordinary resolutions and resolutions 4 and 6 will be proposed as special resolutions

1 To receive the Annual Report and Accounts of the Company, including the reports of the Directors and Auditors, for the year ended 31 March 2011

2 To re-appoint PricewaterhouseCoopers LLP as Auditors to the Company to hold office until the conclusion of the next general meeting at which accounts are laid before members

3 To authorise the Directors to determine the remuneration of the Auditors

4 THAT

a) 264,965 ordinary shares of 25 pence each in the capital of the Company held by the Isle of Man Financial Trust Limited and Farzim Nazari (as nominee holders) and others be converted with immediate effect to deferred shares of 25 pence each such that they shall on a return of capital on winding-up or otherwise entitle the holder only to repayment of the amounts paid up on such shares after repayment of the capital paid up on the ordinary shares still in issue and the payment of £500,000 on each such ordinary share and shall not entitle the holder to the payment of any dividend nor to receive notice of or attend or vote at any general meeting of the Company, and any Director of the Company is hereby irrevocably authorised to appoint any person to execute on behalf of the holder or holders of such deferred shares or any other deferred shares now in issue a transfer thereof (and/or an agreement to transfer the same), to such persons as the Directors may determine as custodian thereof and/or to the Company to purchase the same in any such case at 0 001p per share or such greater amount per share as the Board shall determine in respect of any share or shares, after notice in writing to the holder or holders thereof but without obtaining the sanction of the holder or holders thereof, and

b) the Company be and is hereby authorised at any time during the period expiring 18 months after the date of this resolution to make purchases of deferred shares arising on such conversion or any other deferred shares now in issue, at 0 001p per share or such greater amount per share as the Board shall determine in respect of any such share or shares and otherwise in accordance with the memorandum of contract terms previously made available for inspection by members of the Company in accordance with the Companies Act 2006 (the "Act")

5 THAT the Directors be and they are hereby generally and unconditionally authorised pursuant to section 551 of the Act to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares of the Company ('rights') up to an aggregate nominal amount of £29 0 million provided that this authority is for a period expiring five years from the date of this resolution but the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to be granted after such expiry and the Directors shall be entitled to allot shares and grant rights in pursuance of any such offer or agreement notwithstanding that the authority conferred by this resolution has expired This authority is in substitution for all subsisting similar authorities, to the extent unused

6 THAT subject to and conditional upon the passing of Resolution 5 the Directors be and they are hereby empowered pursuant to sections 570 and 573 of the Act to allot equity securities, including wholly for cash pursuant to the authority conferred by Resolution 5 above as if section 561 of the Act did not apply to any such allotment and provided that this power is for a period expiring five years from the date of this resolution but the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired This power is in substitution for all subsisting similar powers, to the extent unused References in this Resolution to "equity securities" and "allotment of equity securities" shall have the meanings given in section 560 of the Act

7 THAT in accordance with sections 366 and 367 of the Act the Company and all companies which are subsidiaries of the Company at the date on which this Resolution 7 is passed or during the period when this Resolution 7 has effect are authorised to

a) make political donations to political parties and/or independent election candidates, as defined in the Act, not exceeding £100,000 in total,

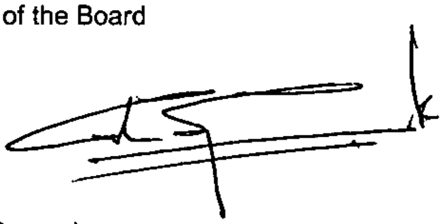
b) make political donations to political organisations other than political parties, as defined in the Act, not exceeding £100,000 in total, and

c) incur political expenditure, as defined in the 2006 Act, not exceeding £100,000 in total

Such authority shall expire on the earlier of the date which is 18 months after the date of this Resolution or at the conclusion of the next annual general meeting of the Company

For the purposes of this resolution the terms "political donation", "political parties", "independent election candidates", "political organisation" and "political expenditure" have the meanings given by sections 363 to 365 of the Act

By order of the Board



Graham Symonds
Company Secretary
30 June 2011

CMC Markets plc

Registered in England and Wales
Registered office 133 Houndsditch, London EC3A 7BX
Registered number 5145017

Notes to notice of meeting

1 All members holding ordinary shares in the Company are entitled to attend and vote at the 2011 AGM A member of the Company entitled to attend and vote at the 2011 AGM may appoint a proxy or proxies to attend and to vote and speak instead of him A member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the member A proxy need not be a member of the Company

2 Forms of Proxy must be returned to the Company Secretary at the registered office (which by the time returns are required to be made will be 133 Houndsditch, London, EC3A 7BX) so as to arrive not later than 12 00 noon on Tuesday 27 September 2011 or 48 hours before any adjourned meeting or, in the case of a poll taken more than 48 hours after it is demanded, not less than 24 hours before the time appointed for the poll or, in the case of a poll not taken forthwith but taken not more than 48 hours after it is demanded, the Form of Proxy must be delivered at the meeting at which the poll was demanded to the chairman or to the secretary or to any director in any such case together with any power of attorney or other authority, if any, under which it is signed or a copy of such power or authority certified notarially Completion and return of a Form of Proxy will not preclude a member from attending and voting at the meeting should he wish to do so

3 To have the right to attend and vote at the 2011 AGM a person must have their name entered on the register of members of the Company by no later than 48 hours prior to the date of the meeting or any adjourned meeting As at the date of this Annual Report the Company has in issue 280,419,812 ordinary shares carrying one vote each and 2,355,136 deferred shares which have no voting rights Therefore the total voting rights in the Company are 280,419,812

4 Copies of the memorandum of proposed contract terms for the purchase of deferred shares including the names of members holding shares to which the purchase contract relates are available for inspection at the registered office of the Company during normal business hours until the date of the 2011 AGM and will be available at the meeting itself

Global offices

UK - Head Office
CMC Markets plc, CMC Markets UK plc, CMC Spreadbet plc
133 Houndsditch
London EC3A 7BX
T +44 (0)20 7170 8200
E **info@cmcmarkets.co uk**
www cmcmarkets co uk

Australia
CMC Markets Asia Pacific Pty Ltd
Level 44, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
T 1300 303 888
T +61 (0)2 8221 2100
E **info@cmcmarkets com au**
www cmcmarkets com au

Austria
CMC Markets UK plc
Zweigniederlassung Wien
Argentinierstrasse 21/7
Wien 1040
T +43 (0)1 532 1349 1820
E **neukunden@cmcmarkets at**
www cmcmarkets at

Canada
CMC Markets Canada Inc
Suite 1800
130 Adelaide Street West
Toronto
Ontario M5H 3P5
T +1 416 682 5000
E **info@cmcmarkets.ca**
www cmcmarkets ca

China
CMC Markets UK plc
Beijing Representative Office
1206 C1 Tower
Oriental Plaza
1 Dong Chang An Street
Dong Cheng District
Beijing 100738
T +86 (0)10 5816 3122
E **info@cmcmarkets com cn**
www cmcmarkets com cn

France
CMC Markets UK plc
4th Floor
37 Avenue des Champs-Elysées
75008 Paris
T +33 1 53 83 14 17
E **info@cmcmarkets fr**
www cmcmarkets fr

Germany
Niederlassung Hamburg der CMC Markets UK plc
Neumuhlen 9
22763 Hamburg
T +49 (0)40 55 55 10 0
E **info@cmcmarkets de**
www cmcmarkets de

Niederlassung Munchen der CMC Markets UK plc
Schwanthalerstasse 10
80336 Munchen
T +49(0)89 179 59 570
E **info@cmcmarkets.de**
www cmcmarkets de

Italy
CMC Markets UK plc Succursale di Milano
5th Floor, Corso Venezia, 5
28014 Milano
T +39 02 3600 9600
E **info@cmcmarkets it**
www cmcmarkets it

Japan
CMC Markets Japan Kabushiki Kaisha
4F Akasaka Garden City
4-15-1 Akasaka
Minato-ku
Tokyo 107-0052
T +81 (0)3 5544 5300
E **sales@cmcmarkets co.jp**
www cmcmarkets co jp

New Zealand
CMC Markets NZ Ltd
Level 25
151 Queen Street
Auckland
T +64 (0)9 359 1200
E **info@cmcmarkets.co.nz**
www cmcmarkets co nz

Norway
CMC Markets UK plc Filial Oslo
Stranden 3 B
Oslo 0250
T +47 (0)2201 9700
E **info@cmcmarkets.no**
www cmcmarkets no

Republic of Ireland
CMC Markets Ireland
1 Upper Hatch Street
Dublin 2
T +353(0)1 256 3000
E **info@cmcmarkets ie**
www cmcmarkets ie

Singapore
CMC Markets Singapore Pte Ltd
50 Raffles Place #14-06
Singapore Land Tower
Singapore 048623
T 1800 559 6000 (Local)
T +65 6559 6000
E **sales@cmcmarkets.com sg**
www cmcmarkets com sg

Spain
CMC Markets UK plc, Sucursal en España
Calle Alcalá 52, planta 1ª
28014 Madrid
T +34 (0)911 140 700
E **info@cmcmarkets.es**
www cmcmarkets es

Sweden
CMC Markets UK plc Filial Stockholm
Jakobsbergsgatan 22
11144 Stockholm
T +46 (0)8 5069 3200
E **info@cmcmarkets se**
www cmcmarkets se

Corporate information

Directors

David Bennett	Non-executive Director
Peter Cruddas	Executive Chairman
John Jackson	Non-executive Director
Doug Richards	Chief Executive Officer
Simon Waugh	Non-executive Deputy Chairman

Company Secretary

Graham Symonds

Registered Office

133 Houndsditch

London EC3A 7BX

Telephone +44 (0)20 7170 8200

Fax +44 (0)20 7170 8499

Email info@cmcmarkets co uk

Web www cmcmarketsplc com

Registered Number

CMC Markets plc 5145017

Registered in England and Wales

Independent Auditors

PricewaterhouseCoopers LLP

7 More London Riverside

London SE1 2RT

Bankers

The Royal Bank of Scotland plc

280 Bishopsgate

London EC2M 4RB