



Building a strong position

CMC Markets plc
Annual Report and Financial Statements 2018



Put clients first

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Lead with quality

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Set the standards

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A clear focus on supporting our clients

CMC Group was established in 1989 and is a leading global provider of online financial trading complete with a comprehensive retail, professional and institutional offering. We enable clients to trade a broad range of financial instruments through our award-winning Next Generation and stockbroking trading platforms, supported by advanced charting, competitive pricing and automated execution.

Our purpose is to make the financial markets truly accessible for investors.

Our strategic goal is to increase shareholder value by delivering sustainable and profitable revenue growth, whilst at the same time delivering best-in-class service to our clients.



Read more at cmcmarkets.com/group/



Put clients first

Our business is service driven and underpinned
by our technology and transparency.

We have built an infrastructure that responds
to our clients' needs.

Strong growth driven by high value and institutional clients

“Our strategy of attracting and retaining high value and institutional clients through our superior platform, technology and service is delivering results for the Group.”

Peter Cruddas
Chief Executive Officer

OPERATIONAL HIGHLIGHTS

- Value of client trades up 28% to £2,587 billion
- Growth in premium client numbers to 10% of active clients
- Revenue per active client up £447 (18%) to £2,964 and active clients down 917 (2%) to 59,165
- ANZ Bank white label stockbroking partnership progressing on schedule for retail migration in September 2018

FINANCIAL HIGHLIGHTS

- Net operating income up £26.3 million (16%) to £187.1 million
- Statutory profit before tax up £11.6 million (24%) to £60.1 million
- Statutory profit before tax margin up 2.0% to 32.1%
- Basic earnings per share up 26% to 17.3 pence
- Dividend per share 8.93 pence

For more information see [page 20](#)

Net operating income¹

£187.1m



Statutory profit before tax

£60.1m



Underlying profit before tax

£60.1m

Revenue per active client²

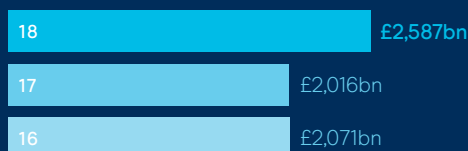
£2,964

Active clients³

59,165

Value of client trades⁴

£2,587bn



Basic earnings per share

17.3p

Ordinary dividend per share⁵

8.93p



1 Net operating income represents total revenue net of introducing partners' commissions and spread betting levies.

2 Net revenue generated from contract for difference ("CFD") and spread bet active clients.

3 Active clients represent those individual clients who have traded with or held CFD or spread bet positions with CMC Markets on at least one occasion during the financial year.

4 Value of client trades represents the notional value of trades.

5 Ordinary dividends paid/proposed relating to the financial year.

A leading global provider of online trading

OUR AWARD WINNING PLATFORM

Key features

- Available across mobile, desktop and tablet
- Automated trade execution
- Sophisticated charting
- Professional offering
- Limited risk accounts

Instruments

Around 10,000 instruments available across Indices, FX, Commodities, Shares and Treasuries.

For more information see [page 24](#)



THE PRODUCTS WE PROVIDE

Contracts for difference ("CFDs")

A financial derivative product which allows clients to speculate on price changes in an underlying financial asset, without certain costs and limitations associated with physical ownership. More information is available on www.cmcmarkets.com.

Spread betting

A product available exclusively to residents in the UK and Ireland which is similar in many aspects to our CFD product. More information is available on www.cmcmarkets.com.

Digital 100s and Countdowns

Limited risk products where the client's risk and potential profit are determined at the point of trade entry. They allow clients to speculate if an event will or will not occur within a set time frame.

Stockbroking

Australian clients are offered the opportunity to trade Australian and selected international shares. Clients can choose from a wide variety of instruments, including shares, options, managed funds, warrants and exchange traded funds ("ETFs").

AN INCREASINGLY DIVERSIFIED BUSINESS

CFD and spread bet revenue generated globally

Revenue is diversified across our three major regions, the UK, Europe and Asia Pacific and Canada ("APAC & Canada").

Stockbroking

Once the ANZ Bank white label stockbroking transaction in Australia goes live in September 2018, stockbroking revenue will become a more significant part of the Group's revenue.

Institutional

Our institutional business, which has been growing strongly, offering additional channels to distribute our CFD products.

For more information see [page 16](#)

WHY OUR CLIENTS CHOOSE US

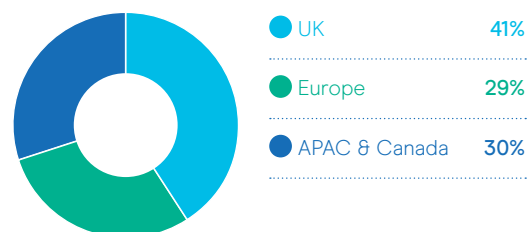
- Quality of platform
- Mobile trading
- Platform features
- Platform reliability
- 24 hour client service

For more information see [page 24](#)

OUR GEOGRAPHICAL REACH

CMC Markets has operations in 15 offices across many of the world's leading financial centres. The Group operates a hub-and-spoke model, with London being the Group's headquarters and the primary hub to European operations, and Sydney being the secondary hub to support the APAC & Canada region. This approach enables the Group to achieve the optimum balance between operational gearing and efficiency.

CFD and spread bet net revenue by region 2018



OUR HISTORY

1989

CMC Markets begins operations in the UK



1996

Launches the world's first online retail FX trading platform

2008

CMC Markets (Australia) starts offering a stockbroking service following the acquisition of local stockbroker Andrew West & Co



2010

Next Generation platform launched

2016

CMC Markets lists on the London Stock Exchange trading as CMCX



2018

Record statutory profit before tax for the Group

An important year for the Group

Despite regulatory uncertainty, the Group has delivered record statutory profits and is becoming more diversified through its stockbroking business and institutional channel.

“Regulatory change puts us in a position to emerge as a stronger business, delivering future growth and shareholder value.”



In my first report as Chairman, I am pleased to report that, against a backdrop of regulatory uncertainty in Europe, the Group has made strong progress. The Group continues to deliver on its strategic initiatives, including the rollout of our new mobile platform, the opening of our Shanghai office, strong growth in our institutional business and significant progress on the implementation of our white label stockbroking partnership with ANZ Bank in Australia.

Results and dividend

The Group has performed strongly throughout the financial year. Net operating income for the year was £187.1 million, a 16% improvement on the previous year. Revenue per active client at £2,964 was 18% higher than the previous year, reflecting the Group's strategic focus on generating higher quality earnings through higher value business.

The Group continues to be highly cash generative, with a strong balance sheet and total regulatory capital position.

The Board recommends a final dividend payment of 5.95 pence per share, which represents a total ordinary dividend per share of 8.93 pence.

Regulation

The Group believes in strong regulation and is supportive of regulatory change to ensure that all providers operate to the highest standards, ensuring fair client outcomes. The European Securities and Markets Authority ("ESMA") published temporary product intervention measures on the provision of CFDs and binary options to retail clients in March 2018, 15 months after the Financial Conduct Authority ("FCA") issued consultation paper 16/40 (Enhancing conduct of business rules for firms providing contracts for difference products to retail clients).

The Group welcomes many of the requirements, and is pleased that we now have clarity; many of the ESMA requirements have already been in place throughout the Group for some time.

Whilst these changes are likely to have some short-term adverse effect on the Group as clients adjust their trading behaviour to these new requirements, the Board believes that a stronger and better industry will emerge. In that process the Group will be a clear winner through its focus on client service and technology.

Board and governance

During this financial year we have made a number of changes to our Board. Manjit Wolstenholme and Malcolm McCaig resigned from the Board. Their valuable contribution to the Group in our early days as a listed business was very much appreciated. It is also with great sadness that we learnt of Manjit's passing away in November 2017; our thoughts are with her family.

We have welcomed Sarah Ing, Clare Salmon and Paul Wainscott to our Board; their backgrounds and breadth of experience means they are already proving to be strong additions.

Simon Waugh resigned from the Board at the end of December after ten years, with five years as Chairman. I would like to thank Simon for his significant contribution to CMC and I am delighted that Simon continues to be part of the Group, as Chairman of our APAC & Canada businesses at this exciting time as we integrate the ANZ Bank stockbroking partnership.

Given the relatively new composition of the Board, a Board evaluation has not been completed. The Board expects to complete the appropriate evaluations during the course of the next financial year.

People and values

Our people are core to everything that we do and, on behalf of the Board, I would like to thank them for their efforts for once again delivering strong financial performance against a backdrop of regulatory uncertainty.

During the year the Group refreshed its core values, "the CMC way", reflecting the Group's focus on quality, clients and integrity.

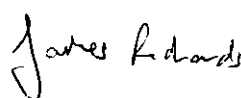
These are listed below and further detail on each is provided throughout the report.

Outlook

The Group has made a good start to the new financial year and the Group's stockbroking partnership with ANZ Bank in Australia remains on track to go live in September 2018.

We expect the new margin requirements stipulated by ESMA to have some adverse short-term impact on the financial performance once they are in place, which is expected during the summer. However, the Group's strategy of attracting and retaining high value and experienced clients will help to mitigate some of the impact. The Group has a strong professional offering, "CMC Pro", and is in the process of reviewing client requests to be treated as elective professional clients where the eligibility criteria has been satisfied. In addition, the Group's growing institutional business and stockbroking partnership with ANZ Bank further diversifies the Group and helps to mitigate the impact of regulatory change.

Costs remain well controlled, although the Board believes that this is not a time to reduce costs but take advantage of the opportunities that regulatory change will present, ensuring that the Group continues to be a leader in the industry.



James Richards

Chairman

6 June 2018

[Read about our governance on page 48](#)

OUR VALUES



Put clients first

Read more on [page 3](#)



Lead with quality

Read more on [page 47](#)



Set the standards

Read more on [page 91](#)

Strong progress in 2018

Our focus on high value clients and growing our institutional business is driving the business forward. These initiatives together with our growing stockbroking business are making CMC a more diversified Group.

Financial performance and KPIs

The Group has been delivering on its strategic initiatives and this is now clearly coming through in the financial performance, where we have delivered record statutory profit before tax of £60.1 million, up 24% on the prior year. Profit before tax margin has also increased from 30.1% to 32.1%, highlighting the strong operational leverage in the business. In addition, revenue per active client is up 18% on the prior year as we continue to focus on our high value client proposition. All of this has been against a backdrop of regulatory uncertainty in the UK and Europe. However, our strategy puts us in a strong position to mitigate the impact of the upcoming regulatory changes.

In addition, we have continued to build our presence in our established and developing offices as well as grow our institutional business. This, along with market conditions returning to more normalised levels, resulted in the value of client trades increasing by 28%, contributing to net operating income increasing by 16% to £187.1 million against the prior year. All asset classes contributed to the increase in net operating income.

Operating expenses increased by 13% to £125.9 million mainly due to higher discretionary remuneration and salary costs. In the year ahead, operating costs are expected to increase as we take on more staff and infrastructure cost to service in excess of 250,000 new active stockbroking clients as part of the ANZ Bank white label stockbroking partnership.

It is worth noting that this performance has been achieved without providing a cryptocurrency offering throughout the majority of the year. The interest in cryptocurrencies has undoubtedly added a new wave of clients to the industry. We did not offer any crypto products until February 2018, and the offering is only currently available to professional clients with a minimum margin requirement of 50%.

Cash generation, given the nature of our business, remains strong and own funds generated from operating activities was £55.5 million. During the year the Group has seen significant fluctuations in margin requirements at our prime brokers due to hedging growing client positions. Although this reduced towards the end of the year, we have increased our revolving credit facility from £40.0 million to £65.0 million; this gives us headroom to continue growing the business and hedge growing client positions. Our total regulatory capital ratio remained high at 31.1% at the year end. Active clients at 59,165 were down 2% on the previous year and new accounts were also slightly lower than

the previous year. These decreases were primarily due to the prior year including a number of new accounts being opened around the EU Referendum and US presidential election, where clients opened accounts and only traded around that event.

Whilst active and new accounts continue to be important measures for the Group, the quality and activity of those clients are more important, and this will become increasingly so once the regulatory changes are implemented. During the year premium clients, our internal measure of high quality clients, increased to 10%.

Regulation

During the year, the FCA consultation paper did not reach a conclusion due to the impending introduction of ESMA's product intervention powers from 3 January 2018. The ESMA announcement on 15 December 2017 resulted in a short consultation and the final rules were published in March 2018. These will be implemented during the summer.

The main aim of these measures around improving retail client protection can be summarised through:

- reducing the extent of potential losses for retail investors by the imposition of margin close-out levels, minimum margin requirements (leverage limitations) and negative balance protection; and
- confronting conduct issues, such as the use of aggressive marketing practices and marketing to an untargeted audience.

In the short term the imposition of higher minimum margin requirements for retail clients is likely to impact the Group's revenue, but it should be noted that the revenue impact will be partially mitigated through our focus on high value clients and a proportion of these clients that will opt to be treated as elective professional clients, thus exempting them from the retail restrictions. The Group has a robust process in place where clients are only opted up once proof of meeting the required criteria are met.

Regional review

Net revenue has increased across all regions during the year, with a globally aligned focus on acquiring and retaining high value clients.

The UK, as the largest and most mature region as well as servicing most of the Group's institutional business, has a higher concentration of high value business than other regions, and as a result saw the biggest increase in revenue per active client ("RPC") of 25% from £3,558 to £4,451. Active client numbers reduced marginally by 6%

Profit before tax

£60.1m

Revenue per active client

£2,964

Dividend

8.93p

to 16,157 from 17,142 as we focused more on the high value and institutional segments. Overall, this resulted in an increase in net revenue of 18% from £61.0 million to £71.9 million.

In Europe, regulatory change in Germany, our largest office in the region, resulted in lower growth than the UK; client numbers decreased by 1% to 22,223 from 22,503, however, net revenue increased by 12%, from £45.3 million to £50.6 million.

In the APAC & Canada region, an education office was opened in Shanghai in October 2017. Client numbers in the region increased by 2% to 20,785 from 20,437. Net revenue increased by 18% from £45.0 million to £52.9 million.

The stockbroking business has delivered another good year of growth, with net revenue increasing 9% to £8.5 million and active client numbers growing by 17%. This has been achieved whilst implementing changes to the platform functionality and building tools for the migration of ANZ Bank stockbroking retail clients in September 2018.

Risk management

Effective risk management is essential to the continuing success of the Group. The Group continually reviews its risk management practices to ensure that they are proportionate and robust. With the introduction of regulatory changes it is likely that this will impact the trading behaviour of some clients and, as these changes are made, the Group will continually review its trading risk management strategies to ensure that they remain efficient and optimal at all times operating within the Board-approved risk appetite and Risk Management Framework.

“The Group has been delivering on its strategic initiatives and this is now clearly coming through in the financial performance, where we have delivered record statutory profit before tax of £60.1 million.”

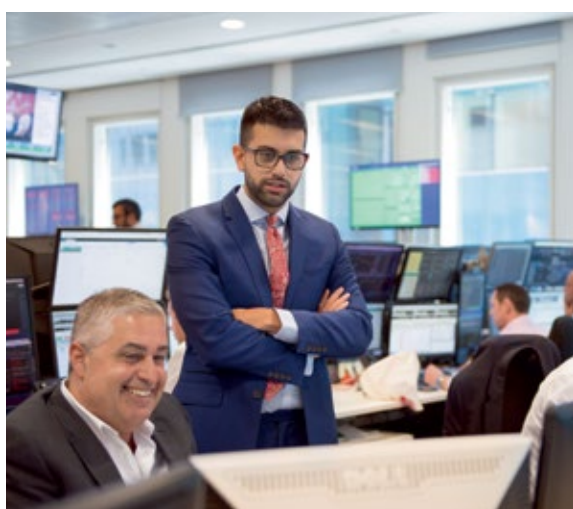
Strategic progress

Institutional offering

The ANZ Bank white label stockbroking implementation continues to progress on track for delivery. The retail stockbroking migration will take place in September 2018 and a number of intermediaries will be migrated in July 2018. This is a truly transformational deal for the Australian business and the Group, where CMC will become the second largest retail stockbroker in Australia.

In addition to the ANZ Bank stockbroking implementation providing diversification to the business, the institutional and partners channel for our CFD offering, which provides white and grey label and API electronic connectivity, also provides diversification. The net revenue generated by this business has grown by 38% from £22.7 million to £31.4 million during the year and the ongoing rollout of additional functionality to meet client demand continues to be a focus area.





Current stockbroking clients

50,000+

ANZ Bank active stockbroking clients

250,000+

Retail go live

September 2018

Strategic progress continued

Institutional offering continued

The Group continues to grow its CFD institutional business, launching its FX Prime offering and through its technology, liquidity and strong balance sheet continues to attract new institutional business.

Geographic expansion

In October 2017, the Group opened its education office in Shanghai. Although the Chinese market remains underdeveloped at the moment, we believe it represents a great future opportunity for the Group as this market matures.

The Polish office continues to perform well and the Group continues to look for new geographies in which to expand.

Product offering

We have continued to invest in and develop the Group's product offering. This has included completing the rollout of HTML5 with improved functionality, a new mobile platform and the launch of a limited risk account in the UK and Germany.

In the coming year we will launch our MT4/5 offering. This is a popular product within the trading community and will be offered in order to meet the demands of both existing and new clients and also take advantage of opportunities arising from regulatory change. In April 2018, we also launched "CMC Pro", our dedicated offering to meet the needs of professional clients.

[Read about our Strategy on page 18](#)

Established markets

When putting future regulatory change in Europe to one side, I am pleased and encouraged by the ongoing growth and revenue contribution of all three of our established markets: the UK, Germany and Australia. The continuing positive performance in independent surveys in these countries also confirms our status as a leading trading platform provider delivering strong levels of client satisfaction.

Digital initiatives

During the year we have continued to invest in our digital marketing area, where we have seen a rise in applications via the mobile channel. A more scientific approach to our marketing spend and improvements in search engine optimisation ("SEO") have contributed to an improved and more focused client acquisition process.

People and values

Our people are crucial to our success and throughout the year I have been consistently impressed by the quality and hard work of our employees. During the year we have refreshed our Group values and are committed to retaining and developing our staff.

On behalf of myself and the Board I would like to thank all of our employees for their continued dedication and hard work.

[Read about our people on page 28](#)

Clients

Clients are central to everything we do at CMC. We continually focus on employing and training high quality client services staff, onboarding, education, platform features, and a focus on fair client outcomes. During the year the Group received many awards in this area and ranked very highly in an independent survey of the sector.

[For more information see page 22](#)

Dividend

The Board recommends a final dividend payment of £17.2 million. This is 5.95 pence per share (2017: 5.95 pence), resulting in total dividend payment for the year of 8.93 pence per share (2017: 8.93 pence), slightly above the Group's policy of paying 50% of profit after tax.

Outlook

Key areas of focus for the Group during the first half of the year will be the successful integration of the ANZ Bank stockbroking partnership in Australia, and in the UK and Europe on meeting the new regulatory requirements. Alongside this we will continue to develop our platforms to ensure that we are well positioned from a product perspective in the new regulatory environment to acquire and retain experienced and valuable clients as well as build our institutional offering.

Regulatory change is likely to impact revenue in the UK and Europe in the short term; however, any revenue decrease from retail client trading will be partially mitigated by the increasing revenue from our stockbroking and institutional business. Regulatory change has always helped strengthen our industry and I believe that CMC as a strong and well-capitalised company will benefit.

We have a big year ahead, but we are well positioned to meet the challenges to grow our business, through our own technology and 15 offices globally. Through the opportunities that our proprietary technology provides we are diversifying the business.

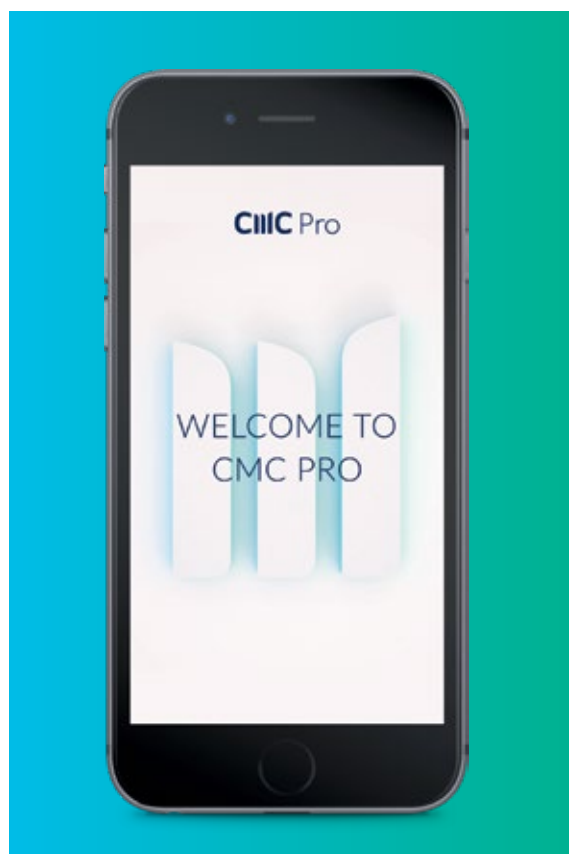


Peter Cruddas

Chief Executive Officer

6 June 2018

“Our people are crucial to our success and throughout the year I have been consistently impressed by the quality and hard work of our employees.”



In April 2018 CMC launched a new account type that allows professional clients to gain access to higher levels of leverage than retail clients and other premium features.

Delivering sustainable value

Client service is central to our business model. Clients are critical to the success of the business and we strive to deliver a high quality and efficient service to them all through a competitive product offering as well as technology and operational excellence.



OUR BUSINESS ENABLERS



1. Client service

Our ambition is to provide an unparalleled experience to all of our clients, offering competitive pricing, products and a great trading experience.

For more information see [page 22](#)



2. Competitive product offering

CMC Markets continually invests significant resources in developing both the Next Generation and the stockbroking platforms to ensure we stay at the forefront of the industry by constantly delivering the latest innovations.

For more information see [page 24](#)



3. Technology and operational excellence

Technology and operations have always been key to the success of CMC Markets and this has won the business recognition as the leader in our industry for innovation and service. Our aim is to provide our clients with the ability to take ownership of their personal financial investments. Our platform has been built to provide complete control and flexibility. Investment in our technology infrastructure is central to delivering this.

For more information see [page 26](#)

REVENUE GENERATION

Transactional spreads

Revenue earned through maintaining a transactional spread (the difference between the buy and sell price) on CFD and spread bet products.

Commissions

These are charged on CFD equity trades. Clients are either charged a minimum commission or a percentage based on the value of the trade.

Financing

Positions held by clients overnight may be subject to financing costs, which can be positive or negative depending on the direction of their holding and the applicable financing rate.

Hedging

Revenue or losses from management of client positions that the Group inherits. This consists of gains or losses which accrue to the Group through client positions and, secondly, the gains or losses which accrue to the Group through the hedge positions entered into by the Group.

Stockbroking

Predominantly earned through brokerage charged for the execution of exchange traded products which include shares, options, warrants, ETFs, managed funds, interest rate securities and bonds.

Other income

Mainly consists of interest income from client deposits.

VALUE OF TRADES

Growing value of client trades provides both higher transactional spread revenue and the potential for more natural hedging of client positions.

Value of client trades

£2,587bn

OUR CLIENTS

We aim to deliver a consistent, high quality service to all of our clients globally.

Number of active clients

59,165



4. People

CMC Markets is committed to recruiting, developing, retaining and motivating exceptional people who are talented, innovative and focused on delivering excellence. We acknowledge that this goes hand in hand with the Group's ongoing and future success. This is achieved through embedding Group values throughout the workforce as well as offering competitive rewards and benefits.

For more information see [page 28](#)



5. Financial strength

We aim to maintain our secure capital and liquidity structure, ensuring that it is appropriate for the future growth and success of the Group. This includes maintaining long-term levels of capital to withstand the demands of financial fluctuations in the markets and access to a healthy level of surplus liquid resources in line with the size of our business and the growth opportunities.

For more information see [page 32](#)



6. Risk management

The Group's business activities naturally expose it to strategic, financial and operational risks inherent in the nature of the business it undertakes and the financial, market and regulatory environments in which it operates. The Group recognises the importance of understanding and managing these risks and that it cannot place a cap or limit on all of the risks to which the Group is exposed. However, effective risk management ensures that risks are managed to an acceptable level.

For more information see [page 38](#)

Serving the demand

The Group generates the majority of its revenue from CFD and spread bet products, and this part of the business is globally diversified with revenue and clients relatively evenly split between our three regions, the UK, Europe and APAC & Canada. Our Australian stockbroking business currently generates 5% of net operating income.

Regulation

Regulation of CFD and spread bet products has been a major area of focus for regulators over the last 18 months and regulatory change will be a major external driver of revenue performance in future periods.

At CMC, we believe we differentiate ourselves within the sector through our focus on fair client outcomes and the high standards of regulatory compliance we uphold. The sector, however, has been subject to intense and increased regulatory scrutiny in a number of jurisdictions globally, particularly in Europe. CMC believes this scrutiny is well overdue given the risks posed by a large number of firms providing these products on a cross-border basis, often unauthorised and acting illegally, targeting unsophisticated or inappropriate clients through aggressive and misleading advertising.

CMC has been and continues to be engaged in an active dialogue with regulators, both individually and through industry associations, championing the consistent implementation and effective enforcement of well-considered and proportionate standards across jurisdictions to improve client outcomes. We believe that it is vital for our clients that regulators carefully balance the need to ensure robust investor protection, while allowing customers who sufficiently understand the products and are able to bear any associated losses to continue to trade these products.

In Europe, this has led to ESMA introducing the following temporary product intervention measures on the provision of CFDs and binary options to retail clients:

- a prohibition on the marketing, distribution and sale of binary options to retail clients;
- leverage limits on the opening of a CFD by a retail client between 30:1 and 2:1, whose limit will vary according to the volatility of the underlying asset;
- a standardised margin close-out rule on a per account basis;
- negative balance protection on a per account basis;
- a prohibition on firms offering monetary and non-monetary benefits to retail investors; and
- a standardised risk warning, including firm-specific figures on the percentage of clients that have lost money trading CFDs.

We have voiced our support of the measures introduced for the most part, but were disappointed by the onerous leverage restrictions. The margin changes will inevitably impact how clients trade, although at this stage it is difficult to understand the full impact given that clients will adapt to leverage changes in a number of different ways.

OUR POSITION

Increasingly diversified business with a focus on high value clients



Increasingly diversified

- CFD and spread bet revenue broadly spread across our three major regions, the UK, Europe and APAC & Canada
- Institutional business continues to grow strongly
- ANZ Bank partnership diversifies the business

Net revenue generated from institutional business

£31.4m

For more information see [page 19](#)

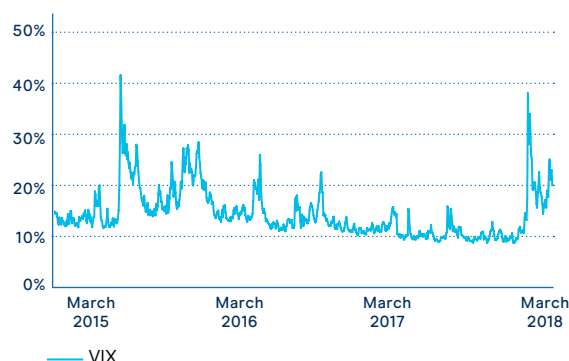
These provisions will be in place during summer 2018 and are applicable only to UK and European retail clients and, given that the Group focuses on high value, sophisticated clients, a number of them either have or will request to be treated as elective professional clients and, if successful, exempt themselves from these provisions.

On 3 January 2018, the EU's Markets in Financial Instruments Directive II ("MiFID II") came into force. This has resulted in changes to our dealings with third party distributors, repapering clients and third-party agreements, and creating additional client disclosures. Existing frameworks and processes such as product governance, conflicts of interest and best execution have also been enhanced. Key Information Documents, intended to allow investors to better understand and compare the key features, risk, rewards and costs of our products, can be accessed via the order ticket and our website, following the implementation of the Packaged Retail and Insurance-based Investment Products ("PRIIPs") Regulation, which came into force on 1 January 2018.

Brexit

The Group does not believe the UK's exit from the European Union ("EU") will affect its ability to operate in the EU going forward; however, the doubt around the future of the UK's financial services "passporting" regime means that how we operate in the region needs to be amended. As a result, plans are underway to establish a new subsidiary in the EU meaning that the existing business model will continue to function, but under a revised legal entity structure. The Group's headquarters will remain in the UK.

Three year volatility index



Volatility

Volatility in the financial markets undoubtedly acts as a call to action for the Group's CFD and spread bet target market, resulting in increases in trading activity both from existing clients trading more frequently and new or previously inactive clients starting to trade. However, it should be noted that short bursts of market activity which result in high velocity movements in the products that we offer are not necessarily beneficial to our clients nor the Group.

Stockbroking

The Australian stockbroking business is preparing for a transformative change through the ANZ Bank partnership, with the retail go live in September 2018. This will provide CMC with continuing diversification as a result of becoming the second largest retail stockbroker¹ in Australia.

¹ As reported by IRESS, in terms of total value of trades executed by both CMC Markets and ANZ Share Investing.



High value clients

- RPC amongst the highest in the industry
- Growing premium client base
- Professional offering differentiates CMC from competitors

Premium client base as percentage of total

10%

For more information see [page 22](#)



Platform

- Flexible, proprietary technology easily adapted for change
- Appeals to experienced clients through feature-rich, customisable platform

Products available to trade

9,800+

For more information see [page 24](#)

Focused on value creation

The Group has five strategic objectives underpinning medium-term revenue growth for the business.

2018 summary

- Continuing to lead the industry in client satisfaction in the UK, our largest market
- New China education office launched in October 2017
- Limited risk offerings launched in the UK and Germany
- Steady increase in applications via mobile channels
- Continuing acquisition of institutional clients

All five strategic initiatives are continuing to deliver value to the Group and there are firm plans on how to continue momentum with each initiative during the next financial year.

- 1 Investment Trends May 2017 UK Leveraged Trading Report.
- 2 Investment Trends May 2018 Germany CFD and FX Report.
- 3 Investment Trends May 2017 Australia CFD Report.
- 4 Net revenue generated from CFD and spread bet active clients, after the impact of rebates and levies.
- 5 Net revenue generated from CFD and spread bet clients, including countdowns and Digital 100's, after the impact of rebates to introducing partners and retail clients, and bettering levies.
- 6 The Chinese business is onboarded and serviced through Australia.

ESTABLISHED MARKETS

Opportunity

The established markets of the UK, Australia and Germany generate a significant part of the Group's revenue and, given the size of the markets, they also offer the greatest absolute growth opportunities. This means that we continue to focus on developing brand and product awareness with the aim of becoming the choice provider to new clients in these regions and offer the premium proposition required to attract clients from competitors.

Progress

- Led the UK industry in client satisfaction¹
- Maintained market-leading position in Germany² and increased market share in Australia³
- Significant increase in value of client trades, driving up net revenue⁴ and RPC

Priorities for 2018/19

- Continue to grow premium client base
- Increase proportion of revenue generated by professional clients.

Net revenue⁵
£122.2m

GEOGRAPHIC EXPANSION

Opportunity

New regions and developing regions offer an opportunity for revenue growth with marginal additional cost given the scalability of the business. CMC is exploring expansion opportunities into both markets where it already has a small presence, as well as markets where CMC does not yet have a presence, but believes a potential client base exists.

Progress

- Continued growth in Poland office, with active clients up 52% during the year
- New China education office launched⁶ in October 2017
- France performed marginally better than prior year despite annualised impact of regulatory change introduced in January 2017

Priorities for 2018/19

- Establish Middle East office
- Continue to look for new market opportunities

Poland active clients
+52%

MAINTAIN A COMPETITIVE AND COMPLIANT PRODUCT OFFERING

Opportunity

We continue to diversify the product offering to attract existing clients to trade more with the Group and broaden the appeal to a wider potential client base.

We ensure that the product offering is at all times compliant with regulatory change.

Progress

- FX Prime functionality launched May 2017
- CFD products adapted for regulatory compliance in Germany from August 2017
- Limited risk offering launched in the UK and Germany
- CMC Pro launched

Priorities for 2018/19

- Changes to platform to ensure regulatory compliance in UK and Europe
- Equities direct market access ("DMA") for institutional clients
- Launch MT4/5

CMC Pro launched
April 2018

DIGITAL INITIATIVES

Opportunity

It is recognised that digital and mobile channels present opportunities for the Group to attract new clients and retain existing clients more efficiently by adopting a highly digital and targeted approach to the client journey.

Progress

- Rolled out our new digital framework enabling greater scale and targeting efficiencies across our paid media
- Data science investment in client onboarding channels starting to yield returns on marketing efficiency and return on investment
- Focus on identifying professional client base has gained significant traction from January 2018

Priorities for 2018/19

- Continued investment in our data science capabilities to generate improvements across the end-to-end client journey
- Enhancement of our onboarding and retention processes to improve the client experience across all touch points with CMC
- Investment in brand positioning for professional and premium clients

Value of client trades on mobile
55%

INSTITUTIONAL OFFERING

Opportunity

The Group has a strong opportunity to offer our award-winning platform to other institutions, through white label (branded) and grey label (unbranded) propositions as well as the API offering (electronic connectivity to the CMC Markets platform for institutions).

Progress

- ANZ Bank white label stockbroking partnership passed its first major milestone in March 2018 and remains on track for delivery in September 2018
- Institutional net revenue up 38% against prior year
- Strong pipeline of prospective relationships

Priorities for 2018/19

- ANZ Bank white label stockbroking implementation
- Growth of institutional business backed by FX Prime and Equities DMA offering

Institutional net revenue growth
38%

Tracking our progress

Our Group KPIs monitor the delivery of long-term shareholder value through a focus on client quality and operating effectiveness.

CLIENT VALUE GENERATION AND CLIENT QUALITY

Revenue per active client

£2,964



KPI definition: net revenue generated from CFD and spread bet active clients, divided by the number of active clients during the period.

Why we measure: high value clients are central to the strategy and the growth in this figure is indicative of the success in attracting and retaining these clients.

Active clients

59,165



KPI definition: individual clients who have traded or held CFD or spread bet positions with CMC Markets on at least one occasion during the financial year.

Why we measure: representative of the continuing success of the business in acquiring and retaining clients who trade on a regular basis.

Value of client trades

£2,587bn



KPI definition: the notional value of CFD and spread bet client trades during the period.

Why we measure: the value of client trades is indicative of the potential to monetise trading activity given its correlation to transactional spread revenue (see business model on page 14).

Number of trades

68.4m



KPI definition: CFD and spread bet client trades executed during the financial year.

Why we measure: used to understand whether the change in the value of client trades is caused by changes to the average notional value of client trades or by changes to the amount of trades executed.

REVENUE GROWTH AND OPERATING EFFECTIVENESS

Net operating income

£187.1m



KPI definition: this is a statutory measure, which represents total revenue net of introducing partner commissions and spread betting levies.

Why we measure: key operating metric.

Statutory profit before tax

£60.1m



KPI definition: this is a statutory measure, which comprises net operating income less operating expenses and interest expense.

Why we measure: key operating metric.

Underlying profit before tax

£60.1m



KPI definition: statutory profit before tax net of exceptional income and costs.

Why we measure: provides reader with more meaningful indication of underlying performance.

DELIVERY OF SHAREHOLDER VALUE AND RETURNS

Profit after tax

£49.7m



KPI definition: this is a statutory measure, which comprises statutory profit before tax less tax expense.

Why we measure: largest driver of shareholder equity and Board-approved metric for calculating dividend payable.

Basic earnings per share

17.3p



KPI definition: this is a statutory metric, which is calculated as earnings attributed to ordinary shareholders divided by weighted average number of shares.

Why we measure: key shareholder value metric.

Ordinary dividend per share relating to the financial year

8.93p



KPI definition: any dividend declared, proposed or paid relating to the financial period.

Why we measure: key shareholder value metric.

Providing the best service

Clients are central to everything we do as a business and we aim to deliver the highest quality and efficient service to them all.



Driven by our business enablers 1. CLIENT SERVICE

Our high quality client service is delivered through our staff, onboarding, education, platform features, and a focus on fair client outcomes. Our excellence in client service is illustrated through the awards we receive and the results of independent surveys.

Our staff

We offer a 24-hour support service to all clients which is made possible through the presence of our rigorously trained, multilingual and knowledgeable client service team located in 15 offices across the globe. New members of our client-facing teams undergo an intensive training scheme which includes product, platform and financial markets modules and they must pass a final examination before they start assisting clients. Certain high value clients also have access to dedicated relationship managers and sales traders, who provide a high touch service.

Onboarding

CFDs and spread bets are complex derivative products and are therefore not suitable for everyone. We follow strict guidelines when marketing our products, ensuring that our marketing material is appropriately targeted and transparent.

A new appropriateness assessment was recently launched in the UK which incorporates a multiple-choice test, enabling us to assess whether our products are appropriate for prospective clients. Under the current regulatory framework in the UK, prospective clients must be warned when the product is deemed inappropriate for them, but can proceed to trade if they accept this warning. CMC no longer onboards non-appropriate clients in the UK. We felt that this was a necessary step to take to achieve our goal to support fair client outcomes and we intend to roll out this process globally.

Clients have the opportunity to request to be treated as an elective professional, which means that should they meet the required criteria and receive approval, they gain access to lower margin requirements, cryptocurrency products and receive cash rebates subject to trading activity.

UK customer satisfaction drivers CMC ranking in key selection criteria¹

Customer service	1st	Reporting of positions and transactions	1st	Speed of fund withdrawals	2nd
Overall satisfaction	1st	Spreads	1st	Range of tradeable products	1st
Value for money	2nd	Charting	1st	Ease of account opening	2nd
Quality of trade execution	1st	Ease of platform navigation	2nd	Commissions	1st
Risk management	2nd	Training ideas and strategies	1st	Mobile phone/tablet platform	1st
Platform features	1st	Research tools	1st	Education materials/programmes	1st
Platform reliability	1st	1 Ranked in order of importance from contribution and effectiveness modelling ("CEM") analysis. Source: Investment Trends UK Leveraged Derivative Trading Report 2017.			

Education

We offer our clients a range of education opportunities through weekly and monthly webinars and seminars, as well as our Trader Development programme, which offers a wide range of in-platform, on-demand education and tailored market commentary.

Platform features

We offer our clients access to our products through a feature-rich, user-friendly platform which is accessible on a variety of devices, more of which is described in our competitive product offering section of the report on page 24.

From a client protection perspective, our platform offers a number of risk management tools. These include account level close out when positions reach 50% of margin requirement, guaranteed stop-loss orders and in some countries we offer accounts with negative balance protection.

Fair client outcomes

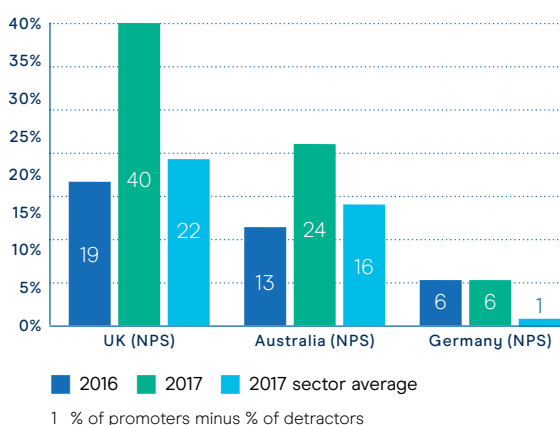
CMC continues to place the utmost importance on the continuous delivery of fair outcomes to our clients through our behaviour, image, product innovation and internal culture. A dedicated Treating Customers Fairly and Conduct ("TCF") Committee holds monthly meetings to ensure the Group is doing everything possible to treat clients fairly.

The Group fully segregates all retail and professional client funds globally (with the exception of professional clients that have signed a title transfer collateral agreement) whether required by regulation or not.

Our awards and client satisfaction ratings

The Investment Trends UK Leveraged Derivative Trading Report 2017 shows how our efforts have resulted in CMC Markets being number one in overall client satisfaction, platform features and value for money and the reports across our three largest offices demonstrate that our net promoter score, a measure of client satisfaction, is higher than the industry average in all three of our established markets. The long tenure of our clients, by industry standards, is also a positive reflection of client satisfaction.

Net promoter score¹ in established markets



Revenue generated from clients of tenure greater than two years

58%

Number of awards for service, platform and technology (2017)

47

UK net promoter score

40%



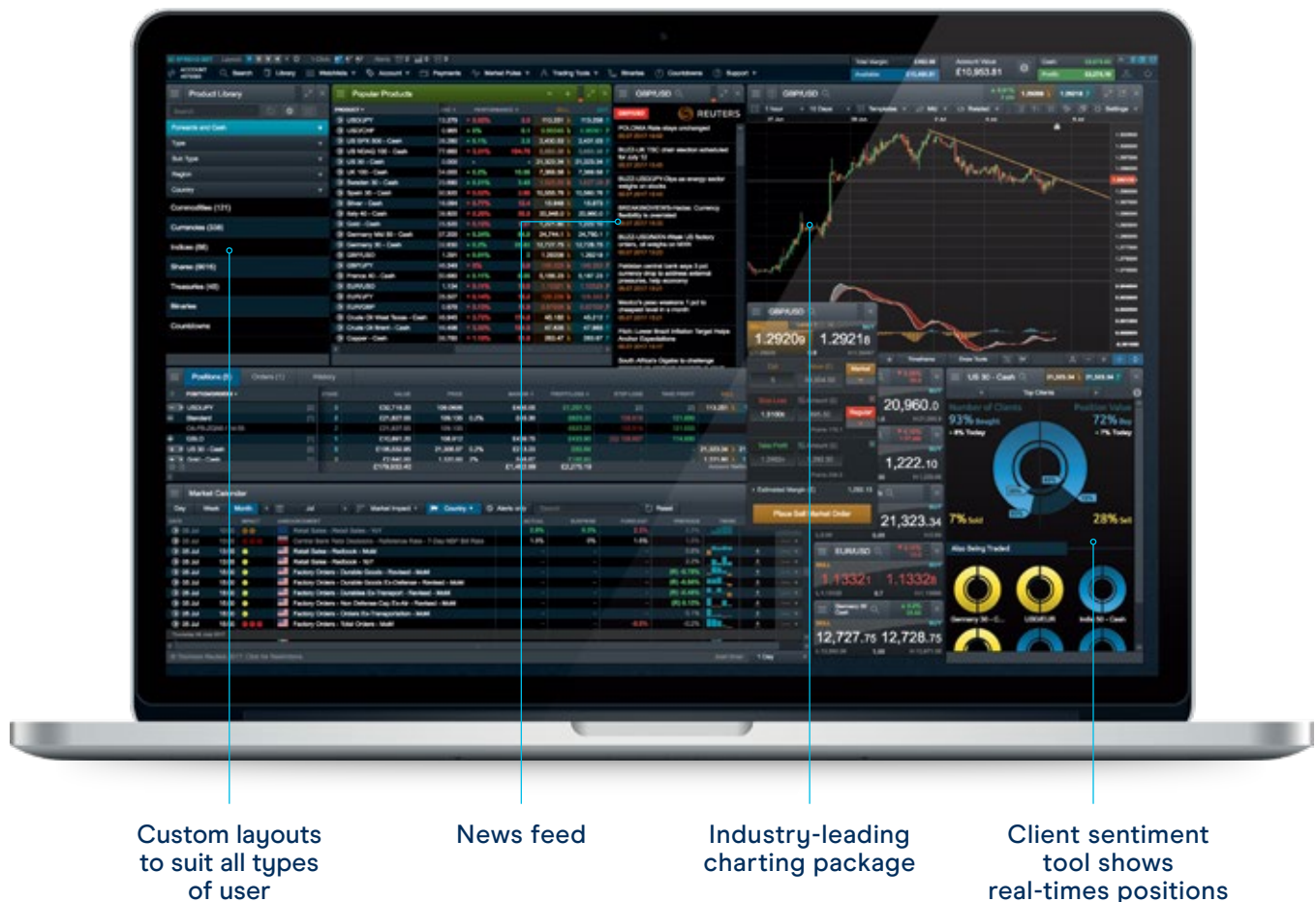
Leading the field

CMC Markets continually invests significant resources in developing both the Next Generation CFD and spread bet trading platform and stockbroking Pro and standard platform to ensure we stay at the forefront of the industry by delivering the latest innovations.



Driven by our business enablers 2. COMPETITIVE PRODUCT OFFERING

We monitor industry trends and engage extensively with our clients through numerous feedback mechanisms to ensure we regularly add new trading tools, additional products and new ways to trade.





International equities: tightly integrated international equities trading across 11 markets

Online options: Innovative online exchange traded options solution with in-built risk management and strategy analytics

Stockbroking

Investment in the development of the stockbroking platform has increased during the financial year as the business prepares to migrate clients from ANZ Bank. This has resulted in increased functionality to our clients including the recent release of international shares trading across 11 different markets and an online platform exchange-traded options offering. ANZ Bank clients will gain access to additional functionality already available on the CMC platform, such as mFunds, Australian government bonds, on-market bookbuilds and warrants.

The continuing platform innovation and pricing has led CMC Stockbroking to be awarded Canstar's Value Award for the previous eight years and also the Broker of the Year – Online Share Trading in 2018.

ANZ partnership



250k+ active clients

50k+ active accounts



Mobile offering

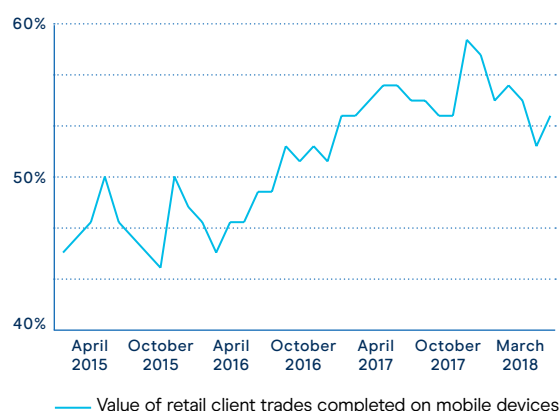
CMC continues to receive awards and high customer satisfaction ratings for the mobile offering. A major release during the year included:

- a new, customisable dashboard with an account overview which allows faster access to popular tools;
- a charting upgrade which enabled chart extensions and new technical indicators; and
- market pulse and support improvements, providing clients with direct access to the full range of CMC Markets education content directly within the mobile app.

Volume of client trades on mobile

55%

Mobile device usage



Investment in infrastructure

Our technology and operations are built to meet current demands and are scalable for future growth.



Driven by our business enablers 3. TECHNOLOGY AND OPERATIONAL EXCELLENCE

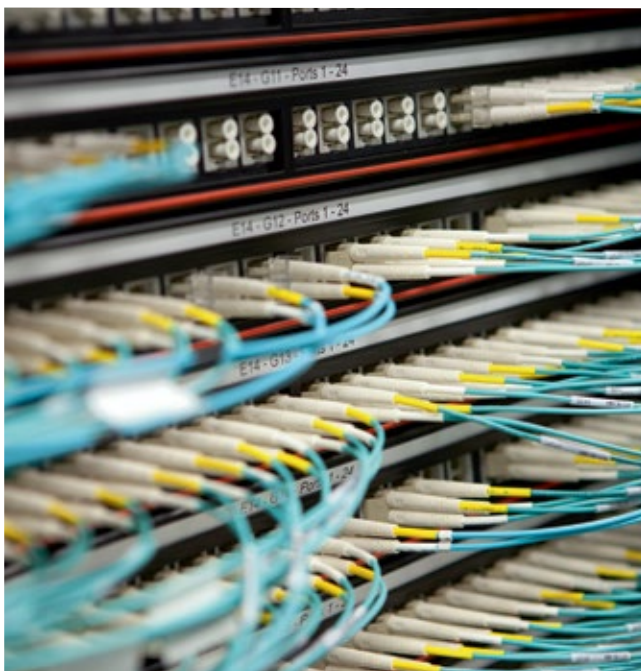
Technology and operations have always been key to the success of CMC Markets. This has won the business recognition as the leader in our industry for innovation and service. Our aim is to provide our clients with the best technology we can. The Next Generation platform has been built to provide the tools and flexibility required by clients to manage their personal financial investments. Continual investment in our platform and underlying technology infrastructure is central to delivering this and the benefits are evident through a scalable, high performance and reliable platform.

Scalable platform

CMC Markets' infrastructure and Next Generation Trading Platform is built in a manner that is highly scalable and therefore able to cope with increases in the product offering and a growing volume of orders and trades. The current product offering consists of around 10,000 instruments, resulting in an average of over 150 million prices being processed per day. Client orders averaged over 375,000 per day during the year with peaks in excess of one million orders per day.

Platform reliability

The platform is built to be resilient and highly available. Two active data centres are used to balance client load with each one more than capable of sustaining the full business requirements. Regular testing of this ensures that with any new features or increases the infrastructure is ready to support the business.



STOCKBROKING FOCUS

As part of delivering the ANZ Bank partnership, we have made significant investments in our Stockbroking IT platform and infrastructure during the financial year. This has involved replacing the existing infrastructure and bringing in house the previously outsourced managed service as we build out two new co-location data centre facilities in state-of-the-art sites around Sydney. We are building and deploying the new infrastructure in the same scalable, resilient and high performance architecture as we have built in London. This will ensure we are able to meet the increased performance and capacity requirements, as well as achieve higher standards for security and reliability.

Invested in Australian IT infrastructure

AUD\$3.0m

Read about our stockbroking platform on [page 25](#)

Next Generation trading uptime

99.99%

Median trade execution time

8.5 milliseconds

Record daily trades

896,000*

* February 2018.

We have invested in full-scale non-production test systems so that performance and capacity can be tested well in excess of current levels and well before new systems are made available for clients. The modular scalable architecture of the platform means we can scale or replace individual parts of the system rather than being forced into wholesale replacements or redesigns. This helps with a structured investment programme allowing consistent regular investment and avoiding unexpected outlays. The strong focus on resilience and the continued investment in infrastructure has resulted in platform uptime being 99.99% during trading hours over the financial year.

Speed of execution

Speed is essential when trading in the financial markets, so at the same time as ensuring the platform can scale with an increasing volume of trades we also focus on minimising the execution time of each and every single trade. The automated execution on the Next Generation platform led to a median trade execution time of 8.5 milliseconds during the financial year, with 99% of trades executed in under 75 milliseconds.

Cyber security

Cyber security is a key focus globally, and CMC Markets has been investing over time in this area to ensure our people, systems and processes meet the security needs of today's world. As part of this CMC's in house specialist security team has increased in size and expanded to provide a global support model with teams based in Sydney and London. In addition we continue to work with trusted partners to provide best-of-breed security solutions for each area of CMC's business. Investment continues to focus on enabling the business to meet its core objectives in a secure manner.

For more information see [page 43](#)



Our greatest asset

We need a talented global workforce in order to provide the products and service that our clients demand.



Driven by our business enablers 4. PEOPLE

CMC Markets is committed to recruiting, developing, retaining and motivating exceptional people who are talented, innovative and focused on delivering excellence. We acknowledge that this goes hand in hand with the Group's ongoing and future success. This is achieved through embedding values throughout the workforce as well as offering competitive rewards and benefits.

Our values

CMC's focus on people is demonstrated through the recent refresh of our Company values, which communicate to the whole organisation what really matters in our culture to bring staff, strategy and clients together and drive the Group forward. These centre on quality, clients and integrity:



Put clients first

Our business is service driven and underpinned by our technology and transparency.

We have built an infrastructure that responds to our clients' needs.



Lead with quality

Our commitment is to provide a high quality platform and service combined with best-in-class pricing and execution.

Excellence through technology, product and service is the key to retaining our clients.



Set the standards

We believe that we must always be at the forefront of client service, technology and regulatory standards.

We will never take a backwards step in these areas.

Reward and benefits

We offer competitive employment packages, including a flexible benefit scheme to enable the Group to attract and retain the best available talent. Senior management and critical talent also have equity incentives and, since listing, all UK employees have been offered the ongoing opportunity to contribute to an HMRC eligible Share Incentive Plan. Similar equity or cash-equivalent schemes have been rolled out globally.

The flexible benefit scheme allows employees to personalise their benefits according to their specific circumstances including the level of pension contribution, life insurance cover, critical illness cover and holiday trading.

Engagement and development

The Group operates and encourages a collaborative environment through knowledge sharing and ideas generation with a focus on quality and delivery.

There is regular communication to staff at all levels through multiple channels including town halls, results presentations, global emails and publications on the intranet. These communications raise awareness of the latest developments and factors affecting the Group. In addition, senior management encourage dialogue with employees through an open-door policy.

The Group provides a number of apprenticeship and graduate positions that offer individuals the opportunity to obtain new skills, as well as develop existing skillsets. The Group also provides learning and development opportunities for all employees, through both on-the-job and more formal training methods, including the senior management team, in order to build critical capabilities across the Group by specifically developing our high-potential talent to drive business performance.

Diversity

As a Group, we are committed to having a diverse workforce, and believe that diversity brings valuable experience and skills to the business. We acknowledge that the diversity of the Group can be improved, particularly with respect to female representation at leadership level, and the Board monitors and seeks to address this on an ongoing basis. During the year a Diversity and Inclusion Committee was set up to agree actions and monitor implementation of these actions to improve the Group's diversity.



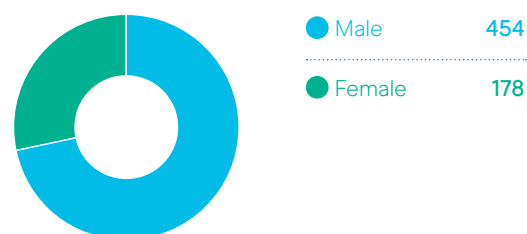
Another example of CMC Markets championing diversity is our partnership with Leonard Cheshire Disability (“LCD”) and its Change 100 programme. A graduate student with a disability was matched with opportunities within the business and they were given a London living wage for three months’ work experience.

This commitment clearly demonstrates the value CMC Markets places in young talent and especially those young people who have to overcome difficulties each and every day. The LCD Change 100 team provided support to CMC Markets and the candidate throughout the three months.

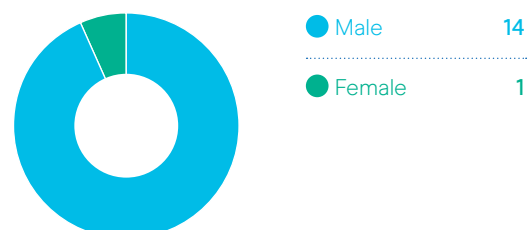
“After six years with CMC in London I now work in our Sydney office. CMC is a great place to work, with a strong entrepreneurial spirit that empowers employees to have the freedom to create, improvise and innovate. This brings new and exciting challenges.”

Dione Marshall,
Head of Customer Analytics and Research, Sydney

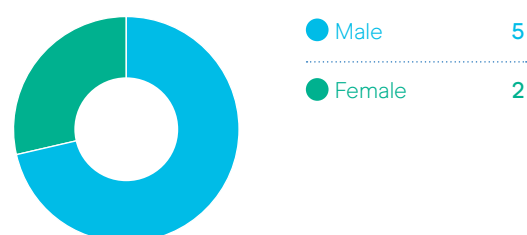
All staff¹



Senior management team²



Board of Directors



¹ Employees of the Group including contractors as at 31 March 2018.

² Direct reports to CEO and subsidiary Directors excluding Board Directors as at 31 March 2018.



EQUALITY AND DIVERSITY

The Group is committed to promoting equality and diversity throughout the organisation. Whilst the Board recognises that there are still a number of improvements to be made in this area, a number of positive steps forward have been taken during the year. These have included CMC joining the Employers Network for Equality and Inclusion, the Everywoman Network, completing unconscious bias training and forming an Diversity and Inclusion Committee.

Equal opportunities

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 irrespective 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 contribution that they bring to the Group.

We are committed to giving full consideration to applications for employment from disabled persons as well as providing continuing employment to existing employees who become disabled during their employment where practicable. Where existing employees become disabled, whether temporarily or permanently, we adapt the working environment and where possible offer flexible working, training and graduated back-to-work plans in conjunction with occupational health to ensure the retention of employees.

Corporate social responsibility

During the year ended 31 March 2018 the CMC Markets CSR Committee directly engaged with charities and the community in both London and Australia. Highlights include:

- Nomination of Centrepont as the CMC Markets London Charity of the Year where they have been pledged a minimum of £75,000 in addition to various staff fundraising initiatives.
- CMC Markets London continued its annual “Dragons’ Den”, where 30 charities were nominated by staff to be considered for a donation. The donation to the prior year’s winner, Headway, contributed to Headway’s Justice Project, which is progressing the Brain Injury Identity Card scheme.



- CMC Markets is committed to supporting local talent and, together with the Peter Cruddas Foundation, sponsored Making The Leap for the second time to deliver its highly successful Social Mobility Careers Fair. 15 employers attended and offered positions, while over 200 students attended on the day from across 24 London boroughs.
- The Sydney office CSR Committee worked closely with Learning Links, its charity of the year, and also encouraged staff to volunteer to support and tutor children with learning disabilities and difficulties, aiming to improve their mathematics skills and confidence.

Human rights

CMC Markets conducts business in an ethical manner and adheres to policies which support recognised human rights principles. The Group anti-slavery and human trafficking statement can be found on the Group website (www.cmcmarkets.com/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.

Environmental matters

The Group is committed to managing its environmental impact and is fully aware that by considering the environment in its decision making, particularly around technology adoption and office selection, it can have a beneficial impact on its performance. More information on environmental impact can be found on **page 87**.

Anti-bribery and anti-corruption

The Group does not tolerate any form of bribery or inducements and it has an anti-bribery and corruption policy which is applicable to all global staff. The policy is owned by the Chief Operating and Financial Officer and is implemented by the financial crime team and compliance officers in offices across the Group. In conjunction with this policy, the Group also provides clear guidance to staff in other policies related to politically-exposed persons ("PEPs") gifts, entertainment and expenses. Should any member of staff believe they would like to anonymously raise bribery or corruption concerns they are also able to do this in accordance with the Group whistleblowing policy. No occurrences of bribery or corruption were reported during the financial year.



CENTREPOINT SLEEP OUT

On Thursday 16 November 2017, 14 CMC Markets employees took part in Centrepoint's London Sleep Out on the banks of the Thames at Greenwich. With temperatures dipping to freezing point they experienced something similar to the conditions homeless people can suffer during the winter but they had the knowledge that they had a warm shower and bed to go to the following day. The event aims to raise awareness of society's most vulnerable young homeless people and the support they need to rebuild their lives. Our colleagues raised over £10,000 for this event.

Strengthening our position

Our continuous focus on capital and liquidity enables us to support client trading activity, invest in opportunities as they arise and maintain the Group's financial stability.



Driven by our business enablers 5. FINANCIAL STRENGTH

We aim to maintain our secure capital and liquidity structure, ensuring that it is appropriate for the future growth and success of the Group. This includes maintaining long-term levels of capital to withstand the demands of fluctuations in the financial markets and access to a healthy level of surplus liquid resources in line with the size of our business and growth opportunities.

The continuing profitability of the business has resulted in further growth in total capital resources to £194.9 million (2017: £171.9 million). Our total available liquidity also increased to £306.9 million (2017: £227.2 million) due to both cash generated from operations and an increase in our committed facility, which increased from £40.0 million to £65.0 million in March 2018.

From a profitability perspective, the Group recorded a record statutory profit before tax of £60.1 million (2017: £48.5 million) driven by growing net operating income from CFD and spread bet products, continuing cost control and balanced investment across the business.

Summary

Net operating income for the year increased by £26.3 million (16%) to £187.1 million, primarily driven by trading conditions returning to more normalised levels and our focus on high value clients, which resulted in the average trade size increasing during the year. Second half net operating income was moderately higher than first half performance at £97.5 million (H1 2018: £89.6 million).

“We aim to maintain our secure capital and liquidity structure, ensuring that it is appropriate for the future growth and success of the Group.”



Summary income statement

	2018 £m	2017 £m	Variance £m	Variance %
Net operating income	187.1	160.8	26.3	16%
Operating expenses	(125.9)	(111.6)	(14.3)	(13%)
Operating profit	61.2	49.2	12.0	24%
Finance costs	(1.1)	(0.7)	(0.4)	(60%)
Profit before tax	60.1	48.5	11.6	24%
Profit before tax margin¹	32.1%	30.1%	2.0%	—
Profit after tax	49.7	39.2	10.5	27%
	2018 Pence	2017 Pence	Variance Pence	Variance %
Basic EPS	17.3	13.7	3.6	26%

Active client numbers have fallen marginally by 917 (2%) to 59,165, due to fewer event-driven trading opportunities which encourage certain clients to open or reactivate their accounts to trade only around these events. In the prior year the US election and EU Referendum drove the active client figure higher. However, revenue per active client rose by £447 (18%) to £2,964 due to an increase in the value of client trades by £571 billion (28%) to £2,587 billion despite having fewer active clients. Encouragingly this growth was seen across both of our largest asset classes, Indices and FX. Indices was the biggest driver of this increase with the value of client trades up £393 billion (35%) to £1,518 billion, which equated to 59% of the value of client trades, which is more representative of the historical share of activity that this asset class generates for the Group.

Total costs² increased by £14.7 million (13%) to £127.0 million. The increase was predominantly caused by a £8.5 million (17%) increase in net staff costs due to higher average headcount as we continue to invest in the business and higher performance-related pay.

Profit before tax increased by £11.6 million (24%) to £60.1 million, as a result of the £26.3 million increase in net operating income and partly offset by a £14.7 million increase in total costs explained above. As a result our profit before tax margin increased by 2.0% to 32.1% highlighting the operational gearing present in the business.

1 Statutory profit before tax as a percentage of net operating income.

2 Total costs are the sum of operating expenses and finance costs.

Net operating income overview

	2018 £m	2017 £m
CFD and spread bet (including binaries) net revenue	175.4	151.3
Stockbroking	8.5	7.8
Interest income	2.1	1.7
Other operating income	1.1	—
Net operating income	187.1	160.8

Regional performance overview: CFD and spread bet

	2018				2017				% change			
	Net revenue £m	Value of trades £bn	Active clients	RPC £	Net revenue £m	Value of trades £bn	Active clients	RPC £	Net revenue £m	Value of trades £bn	Active clients	RPC £
UK	71.9	1,036	16,157	4,451	61.0	793	17,142	3,558	18%	31%	(6%)	25%
Europe	50.6	777	22,223	2,276	45.3	632	22,503	2,012	12%	23%	(1%)	13%
APAC & Canada	52.9	774	20,785	2,544	45.0	591	20,437	2,201	18%	31%	2%	16%
Total	175.4	2,587	59,165	2,964	151.3	2,016	60,082	2,517	16%	28%	(2%)	18%

UK

The value of client trades in the UK grew 31% against the prior year to £1,036 billion (2017: £793 billion), driven by retail growth of 29% to £733 billion (2017: £569 billion) as market conditions presented clients with more trading opportunities, whilst the institutional business also continues to grow. Although the number of active clients fell 6% to 16,157 (2017: 17,142), much of this churn was in low value, short-term clients trading around known political events in the prior year such as the UK's EU Referendum in June 2016, which in turn contributed to revenue per active client increasing 25% to £4,451 (2017: £3,558). Our focus on clients was clearly reflected in an independent industry survey carried out during the year¹, with our net promoter score further increasing and the Group continuing to lead in client satisfaction with first place rankings in 14 out of 19 key service areas.

Europe

Europe comprises offices in Austria, France, Germany, Italy, Norway, Poland, Spain and Sweden. The value of client trades in Europe was 23% higher than the prior year at £777 billion (2017: £632 billion). Whilst active clients were marginally lower than the prior year, the focus on high value clients has yielded strong returns with net revenue up 12% in the region to £50.6 million (2017: £45.3 million), and an increase in net revenue across all offices. Our Scandinavian offices performed particularly well, with the value of client trades in the region 67% higher than the prior year. The largest office in the region, Germany, maintained its market-leading position with an 8% share of primary relationships with active CFD/FX clients², and the Polish office continues to grow well with active clients up 52%.

APAC & Canada

Our APAC & Canada business services clients from our Sydney, Auckland, Singapore, Toronto and Shanghai offices along with other regions where we have no physical presence. The value of client trades was 31% higher at £774 billion (2017: £591 billion). As with other regions, net revenue growth was driven by high value clients trading more compared to prior year, reflected in an RPC increase of 16% to £2,544 (2017: 2,201), whilst active clients were marginally higher at 20,785 (2017: 20,437).

External research highlights the Group's success in appealing to high value traders, with the Group maintaining the position of number one provider for high value CFD clients in Australia³. This report also highlighted that the Group had the highest prompted brand awareness in the Australian CFD and FX markets, as the brand continues to strengthen in this area.

Client satisfaction remains a key focus for the Group, and CMC was recognised as top for overall satisfaction for Australia CFD³ and Singapore CFD and FX³ clients by Investment Trends.

Stockbroking

The Australian stockbroking business has continued to grow, with revenue up 9% at £8.5 million (2017: £7.8 million), and up 7% in local currency terms. Strong client acquisition has also been maintained during the year (47% increase in new clients⁴), supported by a sustained reduction in client cost per acquisition delivered through ongoing enhancements in digital marketing and overall strong volumes seen across the local market.

The significant stockbroking partnership with ANZ Bank remains on track for delivery. Our existing retail and intermediary client base are also expected to be significant beneficiaries of major platform enhancements required as part of the implementation, encompassing mobile trading, international equities, online options and advisor functionality.

Interest income

The low interest rate environment remained largely the same as the prior year and interest income increased marginally to £2.1 million (2017: £1.7 million). The majority of the Group's interest income is earned through our segregated client deposits in our Australia, New Zealand and stockbroking subsidiaries. However, the Group's interest income is beginning to rise due to the FCA granting the UK business permission to deposit a proportion of UK client funds in term deposit accounts.

¹ Investment Trends May 2017 UK Leveraged Trading Report.

² Investment Trends May 2018 Germany CFD and FX Report.

³ Investment Trends May 2017 Australia CFD Report; Investment Trends October 2017 Singapore CFD and FX Report.

⁴ Increase in new opened accounts over the period.

Expenses

Total operating expenses increased £14.3 million (13%) to £125.9 million, driven by higher salary costs and performance-related pay.

	2018 £m	2017 £m
Net staff costs	57.9	49.4
IT costs	16.9	15.4
Marketing costs	18.3	20.3
Sales-related costs	2.3	1.5
Premises costs	6.2	5.2
Legal and professional fees	4.0	3.5
Regulatory fees	3.0	2.6
Other	10.5	7.9
Depreciation and amortisation	6.8	5.8
Total operating expenses	125.9	111.6
Interest	1.1	0.7
Total costs	127.0	112.3

Staff costs

Net staff costs increased £8.5 million (17%) to £57.9 million, largely caused by a rise in wages and salaries of £3.5 million (9%) due to the annualised impact of investment in personnel in the prior year and higher performance-related pay, which increased by £7.3 million. These increases were offset by net capitalisation, mainly relating to development costs as part of the ANZ Bank implementation and a decrease of £1.4 million (32%) in share-based payments.

	2018 £m	2017 £m
Wages and salaries	43.4	39.9
Performance-related pay	10.7	3.4
Share-based payments (note 29)	3.0	4.4
Total employee costs	57.1	47.7
Contract staff costs	3.5	1.7
Net capitalisation	(2.7)	—
Net staff costs	57.9	49.4

Marketing costs

Marketing costs decreased by £2.0 million (10%) to £18.3 million during the year due to a reduction in brand and sponsorship activity. However, digital marketing spend increased year on year and also from the first half to the second half of the year. The Group continues to sponsor the New South Wales Waratahs rugby team in Australia.

Other expenses

IT costs increased by £1.5 million (10%) to £16.9 million. We continue to see above-inflation increases in this area, compounded by some IT contracts showing a trend of moving from intangible software licences to software maintenance charges, and increasing charges from market data providers.

Premises costs have increased mainly due to higher rent charges in Australia and the opening of a new office in China.

Other costs

The increase in other costs was driven by numerous factors, but mainly irrecoverable sales tax, a lower level of recoverable bank charges as a result of new EU regulation and higher recruitment costs.

Taxation

The effective tax rate for the year was 17% (2017: 19%). The majority of the Group's profits are taxed in the UK, which had a corporation tax rate of 19% (2017: 20%). The Group also benefited from higher utilisation of Australian corporation tax credits in the year due to higher forecast profitability in the Australian entities.

Profit after tax for the year

The increase in profit after tax for the year of £10.5 million (27%) to £49.7 million (2017: £39.2 million) was due to both higher statutory profit before tax and a lower effective tax rate.

Dividend

Dividends of £25.7 million were paid during the year (2017: £23.9 million), with £17.1 million relating to a final dividend for the prior year paid in August 2017, and a £8.6 million interim dividend paid in December 2017 in relation to the current year performance. The Group has proposed a final ordinary dividend of 5.95 pence per share (2017: 5.95 pence per share).

FINANCIAL STRENGTH CONTINUED

Group statement of financial position

	2018 £m	2017 £m
Intangible assets	4.4	2.1
Property, plant and equipment	20.7	18.2
Deferred tax assets	8.8	8.1
Financial investments	10.8	—
Trade and other receivables	2.2	—
Total non-current assets	46.9	28.4
Trade and other receivables	48.0	31.6
Derivative financial instruments	7.3	1.9
Financial investments	10.3	20.3
Amount due from brokers	156.9	119.4
Cash and cash equivalents	60.5	53.2
Total current assets	283.0	226.4
Total assets	329.9	254.8
Trade and other payables	91.8	36.3
Derivative financial instruments	3.9	3.3
Borrowings	1.3	5.8
Current tax payable	2.3	5.5
Short-term provisions	0.1	0.4
Total current liabilities	99.4	51.3
Trade and other payables	5.5	3.1
Borrowings	2.3	3.0
Deferred tax liabilities	0.7	—
Long-term provisions	2.0	1.6
Total non-current liabilities	10.5	7.7
Total liabilities	109.9	59.0
Total equity	220.0	195.8
Total equity and liabilities	329.9	254.8

Non-current assets

The Group is committed to maintaining its Next Generation trading platform and these costs are expensed as incurred. However, £2.6 million of internal development costs relating to the ANZ Bank implementation have been capitalised as **intangible assets** during the year and this will continue to be the case until the implementation is complete. The majority of the remaining intangible assets relate to the net book value of software licences.

There has also been significant investment in the fit-out of a new property in Australia to accommodate more staff to support the imminent increase in size of the stockbroking business and this has been the main driver of the increase in **property, plant and equipment** over the period along with ongoing investment in IT infrastructure.

Deferred tax assets increased during the year due to the recognition of a higher amount of tax losses on the balance sheet relating to Australian tax credits. This has been driven by increasing profitability in the stockbroking business as a result of the ANZ Bank partnership.

Financial investments both in non-current and current assets relate to the FCA requirement to hold eligible assets against potential liquidity stress.

Current assets

Trade and other receivables relate mainly to client receivables from stockbroking positions yet to settle, an escrow deposit relating to the ANZ Bank transaction, prepayments, amounts due from our segregated client accounts on the next working day and other client debtors. The year-on-year rise is a result of the escrow deposit. **Amount due from brokers** relates to cash held at brokers either for initial margin or to reduce interest payable on the Group's overall hedge position. **Cash and cash equivalents** have increased during the course of the year with a proportion being deposited with brokers to fund growing margin requirements.

Current liabilities

Trade and other payables consist mainly of accruals and deferred income, amounts due on stockbroking trades yet to settle, and amounts due to clients in relation to title transfer funds.

Non-current liabilities

Trade and other payables relate mainly to the deferred unwinding of lease incentives on our London property and the increase in **borrowings** is due to a new lease agreement associated with IT equipment purchases.

Regulatory capital resources

For the year under review, the Group was supervised on a consolidated basis by the FCA. The Group maintained a significant capital surplus over the regulatory requirement at all times.

The Group's total capital resources increased due to the rise in retained earnings relating to audited 2018 profits, partly offset by higher intangible assets and deferred tax assets on the balance sheet.

At 31 March 2018 the Group had a total capital ratio of 31.1% (31 March 2017: 30.2%). The following table summarises the Group's capital adequacy position at the year end. The Group's approach to capital management is described in note 28 to the Financial Statements.

£m	2018	2017
Core Equity Tier 1 capital ¹	202.8	178.6
Less: intangibles and deferred tax assets	(7.9)	(6.7)
Total capital resources	194.9	171.9
Pillar 1 requirement ²	50.2	45.6
Total risk exposure ³	627.0	569.4
Total capital ratio (%)	31.1%	30.2%

1 Total audited capital resources as at the end of the financial period, less proposed dividends.

2 The minimum capital requirement required to adhere to CRD IV.

3 Calculated in accordance with article 92(3) of the CRR.

Liquidity

The Group has access to the following sources of liquidity that make up total available liquidity:

- **Own funds** The primary source of liquidity for the Group. It represents the funds that the business has generated historically, including any unrealised gains/losses on open hedging positions. All cash held on behalf of segregated clients is excluded. Own funds consists mainly of cash and cash equivalents and also includes investments in UK government securities which are held to meet the Group's liquid asset buffer ("LAB") – as set by the FCA. These UK government securities are BIPRU 12.7 eligible securities and are available to meet liabilities which fall due in periods of stress.
- **Title transfer funds ("TTFs")** This represents funds received from professional clients and eligible counterparties (as defined in the FCA Handbook) that are held under a title transfer collateral agreement ("TTCA"); a means by which a professional client or eligible counterparty may agree that full ownership of such funds is unconditionally transferred to the Group. The Group does not require clients to sign a TTCA in order to be treated a professional client and as a result their funds remain segregated. The Group considers these funds as an ancillary source of liquidity and places no reliance on its stability. The increase during the year was reflective of the increase in the institutional client base and certain other professional clients, where we require the funds of these clients to be held under a TTCA.
- **Available committed facility (off-balance sheet liquidity)** The Group has access to a facility of up to £65.0 million (2017: £40.0 million) in order to fund any potential fluctuations in margins required to be posted at brokers to support the risk management strategy. The £25.0 million increase during the year was due to the syndication of the existing facility in March 2018. The maximum amount of the facility available at any one time is dependent upon the initial margin requirements at brokers and margin received from clients. The facility consists of a one-year term facility of £32.5 million and a three-year term facility of £32.5 million, both of which were increased in March 2018 from £20.0 million for each term. There was no drawdown on the facility at 31 March 2018 (2017: £nil).

The Group's use of total available liquidity resources consist of:

- **Blocked cash** Amounts held to meet the requirements of local market regulators and amounts held at overseas subsidiaries in excess of local segregated client requirements to meet potential future client requirements.
- **Initial margin requirement at broker** The total GBP equivalent initial margin required by prime brokers to cover the Group's hedge derivative positions.

At 31 March 2018, the Group held cash balances of £60.5 million (2017: £49.0 million). In addition, £304.8 million (2017: £310.0 million) was held in segregated client money accounts for clients. The movement in Group cash and cash equivalents is set out in the Consolidated Statement of Cash Flows.

Own funds have increased to £193.9 million (2017: £183.4 million). Own funds include short-term financial investments, amounts due from brokers and amounts receivable/payable on the Group's derivative financial instruments. For more details refer to note 28 of the Financial Statements.

	2018 £m	2017 £m
Own funds	193.9	183.4
Title transfer funds	48.0	3.8
Available committed facility	65.0	40.0
Total available liquidity	306.9	227.2
Less: blocked cash	(16.6)	(19.8)
Less: initial margin requirement at broker	(103.7)	(93.0)
Net available liquidity	186.6	114.4
Of which: held as LAB	21.2	20.0

Client money

Total segregated client money held by the Group was £304.8 million at 31 March 2018 (2017: £310.0 million).

Client money represents the capacity for our clients to trade and offer an underlying indication to the health of our client base.

Client money governance

The Group segregates all money held by it on behalf of clients excluding a small number of large clients who have entered a TTCA with the firm. This is in accordance with or exceeding applicable client money regulations in countries in which it operates. The majority of client money requirements fall under the Client Assets sourcebook ("CASS") rules of the FCA. All segregated client funds are held in dedicated client money bank accounts with major banks that meet strict internal criteria and are held separately from the Group's own money.

The Group has comprehensive client money processes and procedures in place to ensure client money is identified and protected at the earliest possible point after receipt as well as governance structures which ensure such activities are effective in protecting client money. The Group's governance structure is explained further on pages 52 to 54.

Effective risk culture

Strong risk management is central to the Group's success and is embedded across the organisation, ensuring key risks are identified and effectively managed.



Driven by our business enablers 6. RISK MANAGEMENT

The Group's business activities naturally expose it to strategic, financial and operational risks inherent in the nature of the business it undertakes and the financial, market and regulatory environments in which it operates. The Group recognises the importance of understanding and managing these risks and that it cannot place a cap or limit on all of the risks to which the Group is exposed. However, effective risk management ensures that risks are managed to an acceptable level.

The Board, through its Group Risk Committee, is ultimately responsible for the implementation of an appropriate risk strategy, which has been achieved using an integrated Risk Management Framework. The main areas covered by the Risk Management Framework are:

- identifying, evaluating and monitoring of the principal risks to which the Group is exposed;
- setting the risk appetite of the Board in order to achieve its strategic objectives; and
- establishing and maintaining governance, policies, systems and controls to ensure the Group is operating within the stated risk appetite.

The Board has put in place a governance structure which is appropriate for the operations of an online retail financial services group and is aligned to the delivery of the Group's strategic objectives. The structure is regularly reviewed and monitored and any changes are subject to Board approval. Furthermore, management regularly considers updates to the processes and procedures to embed good corporate governance throughout CMC Markets.

As part of the Group Risk Management Framework, the business is subject to independent assurance by internal audit (third line of defence). The use of independent compliance monitoring, risk reviews (second line of defence) and risk and control self-assessments (first line of defence) provides additional support to the integrated assurance programme and ensures that the Group is effectively identifying, managing and reporting its risks.

The Group continues to make enhancements to its Risk Management Framework and governance to provide a more structured approach to identifying and managing the risks to which it is exposed.

The Board has undertaken a robust assessment of the principal risks facing the Group. Top and emerging risks are considered those that would threaten its business model, future performance, solvency or liquidity and how these risks are managed or mitigated (Code C.2.1). These are outlined below and details of financial risks and their management are set out in note 28 to the Financial Statements.

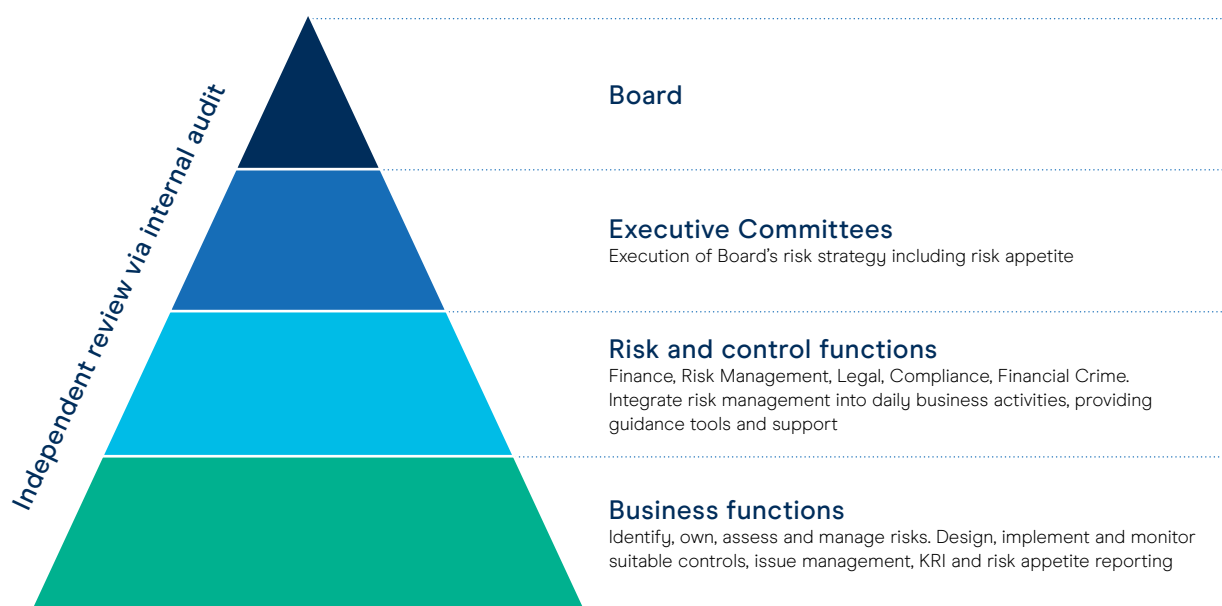
Top and emerging risks during the year, which form either a subset of one or multiple principal risks and continue to be at the forefront of the Group discussions, are:

- **Regulatory change:** further to announcements and consultations from national competent authorities (“NCAs”) and ESMA, changes will be required to be made to the marketing and distribution of CFDs to retail clients throughout Europe in summer 2018. These changes have been regularly discussed at Board, Board Committee and Executive Committee meetings throughout the period, including the Group’s readiness and potential impact on the Group’s business model. Many of the new requirements are already in place throughout the Group; however, some of the measures will have an impact on client trading behaviour that is not possible to accurately understand until implemented. Once implemented, management will constantly monitor any impact. The Group’s strategic focus

has been on high value and experienced clients, many of whom may be eligible to request to become elective professionals, which will help to mitigate the impact of regulatory change. In addition, the Group believes that in the medium to long term these changes present opportunities for the Group and the Group’s strong balance sheet and increasing diversification put it in a strong position to deal with, and take advantage of, these changes.

- **UK’s exit from the European Union (“Brexit”):** the impact that Brexit has on the Group is closely monitored. Plans are underway to establish a new subsidiary in the European Union. Once implemented this new structure should mitigate any impact that could arise from regulatory change resulting from Brexit.

Further information on the structure and workings of Board and Management Committees is included in the Corporate governance report on page 48.



Business and strategic risks

Risk	Description	Management and mitigation
Regulatory change	<p>The risk that changes to the regulatory framework the Group operates in impacts the Group performance.</p> <p>Such changes could result in the Group's product offering becoming less profitable, more difficult to offer to clients, or an outright ban on the product offering in one or more of the countries where the Group operates.</p>	<ul style="list-style-type: none"> • Active dialogue with regulators and industry bodies. • Monitoring of market and regulator sentiment towards the product offering. • Monitoring by and advice from compliance department on impact of actual and possible regulatory change. • A business model and proprietary technology that is responsive to changes in regulatory requirements.
Acquisitions and disposals	<p>The risk that mergers, acquisitions, disposals or other partnership arrangements made by the Group do not achieve the stated strategic objectives or that they give rise to ongoing or previously unidentified liabilities.</p>	<ul style="list-style-type: none"> • Robust corporate governance structure including strong challenge from independent Non-Executive Directors. • Vigorous and independent due diligence process. • Align and manage the businesses to Group strategy as soon as possible after acquisition.
Strategic/business model risk	<p>The risk of an adverse impact resulting from the Group's strategic decision making as well as failure to exploit strengths or take opportunities. It is a risk which may cause damage or loss, financial or otherwise, to the Group as a whole.</p>	<ul style="list-style-type: none"> • Strong governance framework established including three independent Non-Executive Directors and the Chairman sitting on the Board. • Robust governance, challenge and oversight from independent Non-Executive Directors. • Managing the Group in line with the agreed strategy, policies and risk appetite. • Group risk is involved in the annual budgeting process.
Reputational risk	<p>The risk of damage to the Group's brand or standing with shareholders, regulators, existing and potential clients, the industry and the public at large.</p>	<ul style="list-style-type: none"> • The Group is conservative in its approach to reputational risk and operates robust controls to ensure significant risks to its brand and standing are appropriately mitigated. • Examples include: <ul style="list-style-type: none"> - proactive engagement with the Group's regulators and active participation with trade and industry bodies; and - positive development of media relations with strictly controlled media contact.

Financial risks

Risk	Description	Management and mitigation
Credit and counterparty risk	<p>The risk of a client, custodian or counterparty failing to fulfil contractual obligations, including settlement, resulting in financial loss for the Group, specifically:</p> <p>Client credit risk Financial losses may be incurred in cases where an adverse price move exceeds the margin that a client holds to maintain their position, followed by the client defaulting against their contractual obligations to pay the deficit.</p> <p>Counterparty credit risk A financial institution failing to meet or defaulting on their obligations in accordance with agreed terms.</p>	<p>Client credit risk</p> <p>The Group's management of client credit risk is significantly aided by automatic liquidation functionality where margin levels are continuously reviewed. If they fall below pre-agreed levels, the positions held on the account will automatically be closed out.</p> <p>Other platform functionality mitigates risk further:</p> <ul style="list-style-type: none"> • tiered margin requires clients to hold more collateral against bigger or higher risk positions; • mobile phone access allowing clients to manage their portfolios on the move; and • guaranteed stop-loss orders allow clients to remove their chance of debt from their position(s). <p>However, after mitigations, there is a residual risk that the Group could incur losses relating to clients moving into debit balances if there is a market gap.</p> <p>Counterparty credit risk</p> <p>Risk management is carried out by a central liquidity risk management ("LRM") team under the Counterparty Concentration Risk Policy, approved by the Board of Directors.</p> <p>Mitigation is achieved by:</p> <ul style="list-style-type: none"> • monitoring concentration levels to counterparties and reporting these internally/externally on a monthly/quarterly basis; and • monitoring the credit ratings and credit default swap ("CDS") spreads of counterparties and reporting internally on a weekly basis. <p>Further information is available in note 28 to the Financial Statements.</p>
Financial reporting risk	The risk that financial, statutory or regulatory reports are submitted late or incomplete or are inaccurate.	<ul style="list-style-type: none"> • Robust process of checking and oversight in place to ensure accuracy. • Knowledgeable and experienced staff undertake and overview the relevant processes.
Insurance risk	The risk that an insurance claim by the Group is declined (in full or in part) or there is insufficient insurance coverage.	<ul style="list-style-type: none"> • Use of a reputable insurance broker who ensures cover is placed with financially secure insurers. • Comprehensive levels of cover maintained. • Rigorous claim management procedures are in place with the broker. • The Board's appetite for uninsured risk is low and as a result the Group has put in place established comprehensive levels of insurance cover.

Financial risks continued

Risk	Description	Management and mitigation
Liquidity risk	The risk that there is insufficient available liquidity to meet the liabilities of the Group as they fall due.	<p>Risk management is carried out by a central LRM team under policies approved by the Board and in line with the FCA's individual liquidity adequacy standards ("ILAS") regime. The Group utilises a combination of liquidity forecasting and stress testing to identify any potential liquidity risk both during normal and stressed conditions. The forecasting and stress testing fully incorporates the impact of all liquidity regulations in force in each jurisdiction and other impediments to the free movement of liquidity around the Group.</p> <p>Risk is mitigated by:</p> <ul style="list-style-type: none"> the provision of timely daily, weekly and monthly liquidity reporting and real-time broker margin requirements to enable strong management and control of liquidity resources; a committed bank facility of up to £65.0 million (page 37) to meet short-term liquidity obligations to broker counterparties in the event that the Group does not have sufficient access to its own cash; and a formal Contingency Funding Plan ("CFP") is in place that is designed to aid senior management to assess and prioritise actions in a liquidity stress scenario. <p>For more information see note 28 to the Financial Statements.</p>
Market risk	Market risk is defined as the risk that the value of our residual portfolio will decrease due to changes in market risk factors. The three standard market risk factors are price moves, interest rates and foreign exchange rates.	<p>Trading risk management monitors and manages the exposures it inherits from clients on a real-time basis and in accordance with Board-approved appetite.</p> <p>CMC Markets predominantly acts as a market maker in linear, highly liquid financial instruments in which it can easily reduce market risk exposure through its prime broker ("PB") arrangements. This significantly reduces the Group's revenue sensitivity to individual asset classes and instruments.</p> <p>Financial risk management runs stress scenarios on the residual portfolio, comprising a number of single and combined company-specific and market-wide events in order to assess potential financial and capital adequacy impacts to ensure the Group can withstand severe moves in the risk drivers it is exposed to.</p> <p>For further information see note 28 to the Financial Statements.</p>

Operational risks

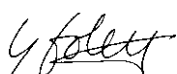
Risk	Description	Management and mitigation
Business change risk	The risk that business change projects are ineffective, fail to deliver stated objectives, or result in resources being stretched to the detriment of business-as-usual activities. Notable business change risks for the Group are platform upgrades and the implementation of the ANZ Bank stockbroking partnership.	<ul style="list-style-type: none"> • Governance process in place for all business change programmes with Executive and Board oversight and scrutiny. • Key users engaged in development and testing of all key change programmes. • Significant post-implementation support, monitoring and review procedures in place for all change programmes. • Strategic benefits and delivery of change agenda communicated to employees.
Business continuity and disaster recovery risk	The risk that a physical business continuity event or system failure results in a reduced ability or inability to perform core business activities or processes.	<ul style="list-style-type: none"> • Business continuity oversight provided by operational risk function. • Use of external specialist premises to enhance resilience in the event of a disaster recovery or business continuity requirement. • Periodic testing of business continuity processes and disaster recovery. • Prompt response to significant systems failures or interruptions.
Financial crime risk	Financial crime covers a number of unlawful activities including fraud (first and third party), theft, scams, confidence tricks, tax evasion, bribery, embezzlement, identity theft, money laundering, forgery, counterfeiting and acts of terrorism.	<ul style="list-style-type: none"> • Adoption of the risk-based approach to financial crime, including undertaking formal and regular risk assessments across global operations. • Global reporting procedures and surveillance processes in place using local compliance and legal expertise. • Regular and ongoing training and awareness programme in place for staff at all levels and in all jurisdictions. • Group Whistleblowing Policy provides a clear framework for escalation of issues.
Information and data security risk	The risk of unauthorised access to or external disclosure of client or Company information, including those caused by "cyber attacks".	<ul style="list-style-type: none"> • Dedicated information security and data protection resource/expertise within the Group. • Technical and procedural controls implemented to minimise the occurrence of information security and data protection breaches. • Access to information only provided on a "need-to-know" and "least privilege" basis consistent with the user's role and also requires the appropriate authorisation. • Key data loss prevention initiatives and regular system access reviews implemented across the business.

Operational risks continued

Risk	Description	Management and mitigation
Information technology and infrastructure risk	The risk of loss of technology services due to loss of data, system or data centre or failure of a third party to restore services in a timely manner.	<ul style="list-style-type: none"> • Continuous investment in increased functionality, capacity and responsiveness of systems and infrastructure, including investment in software that monitors and assists in the detection and prevention of cyber attacks. • Rigorous software design methodologies, project management and testing regimes to minimise implementation and operational risks. • Constant monitoring of systems performance and, in the event of any operational issues, changes to processes are implemented to mitigate future concerns. • Operation of two data centres in the UK. • Systems and data centres designed for high availability and data integrity. • Continuous service available to clients in the event of individual equipment failures or major disaster recovery events.
Legal (commercial/ litigation) risks	The risk that disputes deteriorate into litigation.	<ul style="list-style-type: none"> • Compliance with legal and regulatory requirements including relevant codes of practice. • Early engagement with legal advisers and other risk managers. • Appropriately managed complaints which have a legal/litigious aspect. • An early assessment of the impact and implementation of changes in the law.
Operations (processing) risks	The risk that the design or execution of business processes is inadequate or fails to deliver an expected level of service and protection to client or Company assets.	<ul style="list-style-type: none"> • Investment in system development and upgrades to improve process automation. • Enhanced staff training and oversight in key business processing areas. • Monitoring and robust analysis of errors and losses and underlying causes.
Outsourcing and procurement risks	This is the risk of third-party organisations inadequately providing or performing or failing to provide or perform the outsourced activities or contractual obligations to the standards required by the Group.	<ul style="list-style-type: none"> • Outsourcing only employed where there is a tactical gain in resource or experience. • Due diligence performed on service supplier ahead of outsourcing being agreed. • Service level agreements in place and regular monitoring of performance undertaken.

Operational risks continued

Risk	Description	Management and mitigation
People risk	The risk of loss of key staff or having insufficient skilled resources available.	<ul style="list-style-type: none"> • The Board has directed that the Group maintains an active Succession and Resource Plan for all key individuals and groups/teams, which will mitigate some of the risk of loss of key persons. It will adopt policies and strategies commensurate with its objectives of: • attracting and nurturing the best staff; • retaining key individuals; • developing personnel capabilities; • optimising continuous professional development; and • achieving a reputation as a good employer with an equitable remuneration policy.
Regulatory and compliance risk	The risk of regulatory sanction or legal proceedings as a result of failure to comply with regulatory, statutory or fiduciary requirements or as a result of a defective transaction.	<ul style="list-style-type: none"> • Effective compliance function. • Internal audit outsourced to an independent third-party professional services firm. • Effective compliance oversight, planning and implementation. • Comprehensive monitoring programmes by compliance and internal audit. • Controls for appointment and approval of staff holding a controlled function and annual declarations to establish ongoing fitness and propriety. • Governance and reporting of regulatory risks through the Risk Management Committee, Group Audit Committee and Group Risk Committee. • Anti-money laundering controls for client due diligence and sanctions checking.



Grant Foley
Chief Operating and Financial Officer
6 June 2018



Lead with quality

Our commitment is to provide a high quality platform and service combined with best-in-class pricing and execution.

Excellence through technology, product and service is the key to retaining our clients.

Corporate governance introduction

Corporate governance is important in underpinning our long-term success.



Dear shareholders

On behalf of the Board, I am pleased to present the Group Corporate governance report for the year ended 31 March 2018. The Board continues to recognise that an effective governance framework is fundamental in ensuring the Group's ability to deliver long-term shareholder value. The Group continues to apply the principles and is compliant with the provisions of the UK Corporate Governance Code (the "Code"), except in the limited circumstances detailed on page 49. However, I hope that the Corporate governance report will provide assurance that this is only a temporary issue and full compliance will resume in the next financial reporting cycle.

This Corporate governance report aims to assist our shareholders in understanding the Group's approach to corporate governance. As a Company listed on the main market of the London Stock Exchange, CMC Markets plc is required by the Listing Rules and Disclosure and Transparency Rules of the UK Listing Authority to review its practices against, and report to its shareholders on its compliance with, each of the provisions of the Code throughout the year.

Board composition

It is critical that the Board has the right composition, so it can provide the best possible leadership for the Group and discharge its duties to shareholders. This includes the right balance of skills and experience, ensuring that all of the Directors have a good working knowledge of the Group's business, and that the Board retains its independence and objectivity. During the year the Board composition of independent Non-Executive Directors changed with the departure of Manjit Wolstenholme and Malcolm McCaig at the 2017 Annual General Meeting ("AGM") and the subsequent appointments of Paul Wainscott (Senior Independent Director), Sarah Ing and Clare Salmon.

Board effectiveness

The Board is unanimous in its view that the appointments have enhanced its range of experience, skills and strength of leadership. In accordance with the Company's procedure for new Directors, all three new appointments have undergone a full induction process and will continue with ongoing training, tailored to their knowledge and previous experience. A short biography of all Directors can be found on pages 50 to 51. Due to the recent appointment of three new Non-Executive Directors the Board has deferred the evaluation of the Board, its Committees and individual Directors until no later than 31 March 2019. This has resulted in non-compliance with provision B.61 of the Code.

Shareholder engagement

As Chairman, I am responsible for the effective communication between shareholders and the Company and for ensuring the Board understands the views of major shareholders.

I look forward to listening to the views of our shareholders at the Company's 2018 AGM. Directors regularly meet with a cross section of the Company's shareholders to ensure an ongoing dialogue is maintained and report to the Board on the feedback received from shareholders. I will also always make myself available to meet any of our shareholders who wish to discuss matters regarding the Company. A monthly investor relations report is distributed to the Board and considered at each Board meeting.

A handwritten signature in black ink that reads "James Richards".

James Richards
Chairman
6 June 2018

During the year to 31 March 2018, the Company complied with all the provisions of the UK Corporate Governance Code (the “Code”) but for the exceptions noted below.

Code provision A.4.2

The Code recommends that the chairman should hold meetings with the non-executive directors without the executive directors present and that, led by the senior independent director, the non-executive directors should meet at least annually to appraise the chairman’s performance and on other occasions as deemed appropriate.

The Non-Executive Directors met without Executive Directors present. The Non-Executive Directors have not met to appraise the Chairman’s performance since his appointment at the beginning of January 2018 but plan to do so during the year to 31 March 2019.

Code provision B.1.2

Except for smaller companies, at least half of the board, excluding the chairman, should comprise non-executive directors determined by the board to be independent. A smaller company should have at least two independent non-executive directors.

There were three Executive Directors throughout the financial year. Excluding the Chairman, there was only one independent Non-Executive Director between 27 July 2017 (when Malcolm McCaig and Manjit Wolstenholme retired from the Board) and 14 September 2017, when Sarah Ing was appointed to the Board (appointment proposed on 14 July 2017 pending FCA approval). With the appointment of Clare Salmon on 2 October 2017 (appointment proposed on 27 July 2017 pending FCA approval), at least half of the Board, excluding the Chairman, comprised of Non-Executive Directors.

Code provision B.6.1

The Code recommends that the board should state in the annual report how performance evaluation of the board, its committees and its individual directors has been conducted.

The Board did not conduct a formal effectiveness review during the year to 31 March 2018. Three independent Non-Executive Directors were appointed to the Board in the reporting period, replacing the three resignations. Due to the limited number of meetings of the new Board members at Board and Committee meetings, the Board felt that it would not be particularly meaningful to carry out an evaluation. However, the Board intends to carry out an evaluation of itself, its Committees and individual Directors before 31 March 2019 and will report to shareholders on the findings in the next Annual Report.

Code provision B.6.3

The Code recommends that the non-executive directors, led by the senior independent director, should be responsible for performance evaluation of the chairman, taking into account the views of the executive directors.

As set out in the explanations for Code provisions A.4.2 and B.6.1 a formal performance evaluation for the year to 31 March 2018 has not been carried out. However, the Senior Independent Director and Non-Executive Directors intend to carry out a performance evaluation of the Chairman before 31 March 2019 and will report to shareholders on the findings in the next Annual Report.

Code provision B.7.2

The chairman should confirm to shareholders when proposing re-election that, following formal performance evaluation, the individual’s performance continues to be effective and to demonstrate commitment to the role.

As noted above, a formal Board performance evaluation was not completed during the year to 31 March 2018. Notwithstanding that the Chairman is of the opinion that all Directors standing for re-election at the 2018 Annual General Meeting are effective and demonstrate commitment to their roles. The newly appointed Remuneration Committee has reviewed the Executive Directors’ performance to objectives during the year.

Code provision C.3.1

The board should establish an audit committee of at least three, or in the case of smaller companies two, independent non-executive directors. In smaller companies, the company chairman may be a member of, but not chair, the committee in addition to the independent non-executive directors, provided he or she was considered independent on appointment as chairman. The board should satisfy itself that at least one member of the audit committee has recent and relevant financial experience.

Code provision D.2.1

The board should establish a remuneration committee of at least three, or in the case of smaller companies two, independent non-executive directors. In smaller companies, the company chairman may be a member of, but not chair, the committee if he or she was considered independent on appointment as chairman. The remuneration committee should make available its terms of references, explaining its role and the authority delegated to it by the board. Where remuneration consultants are appointed, they should be identified in the annual report and a statement made as to whether they have any other connection with the company.

Excluding the Chairman, in respect of the provisions of both C.3.1 and D.2.1 as described under B.1.2 above, there was only one independent Non-Executive Director on the Audit and Remuneration Committees between 27 July 2017 (when Malcolm McCaig and Manjit Wolstenholme retired from the Board) and 14 September 2017, when Sarah Ing was appointed to the Board (appointment proposed on 14 July 2017 pending FCA approval). With the appointment of Clare Salmon on 2 October 2017 (appointment proposed on 27 July 2017 pending FCA approval), the Audit and the Remuneration Committees comprised of three Non-Executive Directors.

THE BOARD



James Richards
Chairman



Peter Cruddas
Chief Executive Officer



Paul Wainscott
Senior Independent
Director

The role of the Board

In promoting the long-term success of the Company, the Board provides entrepreneurial leadership and oversight within the governance structure, detailed later in this section. The Board is responsible for the development of the Group strategy and for monitoring performance against a set of clear objectives, ensuring that the necessary financial and human resources are in place to achieve this strategy.

The Board has ultimate responsibility to prepare the Annual Report and Financial Statements and to ensure that appropriate internal controls and risk management systems are in place in order to manage and mitigate risk. The Board delegates the in-depth review and monitoring of internal controls and risk management to the Group Audit Committee and Group Risk Committee respectively.

The terms of reference of these Board Committees are available on the CMC Markets plc Group website (www.cmcmarkets.com/group/committees).

Appointment

1 April 2015

Committee membership

G R N

Skills and experience

James joined the Group as a Non-Executive Director in April 2015 and was appointed as Chairman with effect from 1 January 2018. He has previously held positions as Chairman of the Remuneration Committee and been a member of the Nomination Committee, Group Risk Committee and Group Audit Committee. With effect from 31 January 2018, James was appointed as Chairman of the Nomination Committee. James was admitted to the roll of solicitors in England and Wales in 1984 and in the Republic of Ireland in 2012. James was a partner at Dillon Eustace, a law firm specialising in financial services in Ireland, where he was a partner from 2012 to 2016. Prior to this he was a banking and finance partner at Travers Smith LLP for 14 years. Having occupied various senior positions within leading law firms James has extensive experience in derivatives, debt capital markets and structured finance working with major corporates, central banks and governmental organisations.

No external appointments

Appointment

3 June 2004

Committee membership

E

Skills and experience

Peter founded the Group and became its Chief Executive Officer in 1989. Peter held this role until October 2007, and again between July 2009 and June 2010. Between 2003 and March 2013, he also served as the Group's Executive Chairman. In March 2013, he once again became the Group's CEO and is responsible for running the Group on a day-to-day basis. Prior to founding the Group, Peter was chief dealer and global group treasury adviser at S.C.F. Equity Services, where he was responsible for all the activities of a dealing room whose principal activities were trading in futures and options in currencies, precious metals, commodities and spot forwards on foreign exchange and bullion.

Current external appointments

The Peter Cruddas Foundation

Finada Limited

Crudd Investments Limited

Appointment

19 October 2017

Committee membership

A G R N

Skills and experience

Paul joined the Group as an independent Non-Executive Director in October 2017 and acts as the Group's Senior Independent Director. After over 27 years' experience as finance director, Paul recently stood down from his position at the Peel Group. During his time at the Peel Group, Paul gained wide experience at both Board level and in several different business sectors. These have included real estate, transport, media and utilities.

Current external appointments

Peel Developments Espana ES



Sarah Ing
Independent
Non-Executive Director

Appointment
14 September 2017

Committee membership
A G R N

Skills and experience
Sarah joined the Group as a Non-Executive Director in September 2017. She has 30 years' experience in accountancy, investment banking and fund management, including time with HSBC and UBS. She is a Chartered Accountant and was a top-rated equity research analyst covering the general financials sector. Sarah also founded and ran a hedge fund investment management business.

Current external appointments
The Horse Rangers Association (Hampton Court) Limited



Clare Salmon
Independent
Non-Executive Director

Appointment
2 October 2017

Committee membership
A G R N

Skills and experience
Clare joined the Group as a Non-Executive Director in October 2017. She has held a broad variety of international leadership roles with Board-level experience across a range of service businesses. These have included the AA, RSA, Vodafone, ITV, Prudential and Royal London. Clare is also an experienced non-executive director having spent six years on the Board of Alliance Trust Plc, and most recently was CEO of the British Equestrian Federation.

Current external appointments
GS Yacht Charters LLP
Swinton Group Limited



David Fineberg
Group Commercial
Director

Appointment
1 January 2014

Committee membership
E M

Skills and experience
David joined the Group in November 1997 working on the trading desk and developed the Group's multi-asset CFD and spread bet dealing desk. As a senior dealer he was responsible for managing the UK and US equity books. Between April 2007 and September 2012 he was the Group's Western Head of Trading, covering all asset classes for the western region. In September 2012 David was appointed to the role of Group Head of Trading and in January 2014 was appointed as the Group Director of Trading with overall responsibility for the trading and pricing strategies and activities across the Group. In June 2017 his role further expanded when he became Group Commercial Director.

No external appointments



Grant Foley
Chief Operating and
Financial Officer

Appointment
1 August 2013

Committee membership
E M

Skills and experience
Grant joined the Group in April 2013 as Group Head of Finance and in June 2017 he was appointed Chief Operating and Financial Officer. Grant is a Fellow of the Institute of Chartered Accountants in England and Wales ("FCA") and has almost 20 years of financial services experience, having held senior finance, operational and board positions in a number of businesses. These have included Coutts & Co, Prudential Bache, Nomura and Arbuthnot Securities.

No external appointments

Key

- | | |
|-----------------------------|------------------------|
| A Group Audit Committee | N Nomination Committee |
| R Remuneration Committee | E Executive Committee |
| G Group Risk Committee | Chairman |
| M Risk Management Committee | |

Leadership

Matters reserved for the Board

It is recognised that certain matters cannot, or should not, be delegated and the Board has adopted a schedule of matters reserved for Board consideration and approval. The matters reserved for the Board fall into the following areas:

- strategy and management;
- structure and capital;
- financial reporting and controls;
- internal controls and risk management;
- contracts;
- communications;
- Board membership and other appointments;
- remuneration;
- delegation of authority;
- corporate governance matters;
- policies;
- political charitable donations;
- appointment of principal professional advisers;
- material litigation; and
- insurance.

The schedule of matters reserved for the Board is available on the CMC Markets plc Group website.

Board composition

Corporate governance: meeting attendance

Name	Position	Board meetings	Group Audit Committee	Group Risk Committee	Nomination Committee	Remuneration Committee
James Richards ¹	Chairman	8 (10)	3 (3)	4 (4)	5 (5)	7 (7)
Paul Wainscott ²	Senior Independent Director	4 (5)	2 (2)	1 (1)	2 (2)	3 (4)
Sarah Ing ³	Independent Non-Executive Director	5 (5)	2 (2)	2 (2)	2 (2)	4 (4)
Clare Salmon ⁴	Independent Non-Executive Director	5 (5)	2 (2)	2 (2)	2 (2)	4 (4)
Peter Cruddas	Chief Executive Officer	9 (10)	—	—	—	—
David Fineberg	Group Commercial Director	9 (10)	—	—	—	—
Grant Foley	Chief Operating and Financial Officer	10 (10)	—	—	—	—
Malcolm McCaig	Retired as a Director on 27 July 2017	2 (3)	2 (2)	2 (2)	2 (3)	2 (2)
Simon Waugh	Retired as a Director on 31 December 2017	6 (7)	—	4 (4)	4 (4)	4 (4)
Manjit Wolstenholme	Retired as a Director on 27 July 2017	2 (3)	2 (2)	2 (2)	2 (3)	2 (2)

1 Appointed as Chairman on 1 January 2018 – previously independent Non-Executive Director.

2 Appointed as a Director on 19 October 2017.

3 Appointed as a Director on 14 September 2017.

4 Appointed as a Director on 2 October 2017.

Excluding the Chairman, the Board consists of three Executive Directors and three Non-Executive Directors and therefore complies with provision B1.2 of the Code. All Non-Executive Directors are considered to be independent.

DIVISION OF RESPONSIBILITIES

The roles of the Chairman and Chief Executive Officer ("CEO") are separate, clearly defined in writing and agreed by the Board.

Chairman

Responsibilities of the Chairman include:

- leadership of the Board and ensuring open and effective communication between the Executive and Non-Executive Directors;
- ensuring Board meetings are effective by setting appropriate and relevant agenda items, creating an atmosphere whereby all Directors are engaged and free to enter healthy and constructive debate;
- ensuring effective communication between major shareholders and the Board;
- overseeing each Director's induction and ongoing training; and
- leadership of the Board effectiveness process through his role as Chairman of the Nomination Committee.

CEO

Responsibilities of the CEO include:

- day-to-day management of the Group's business and implementation of the Board-approved strategy;
- acting as Chairman of the Executive Committee and leading the senior management team in devising and reviewing Group development for consideration by the Board;
- responsibility for the operations and results of the Group; and
- promoting the Group's culture and standards.

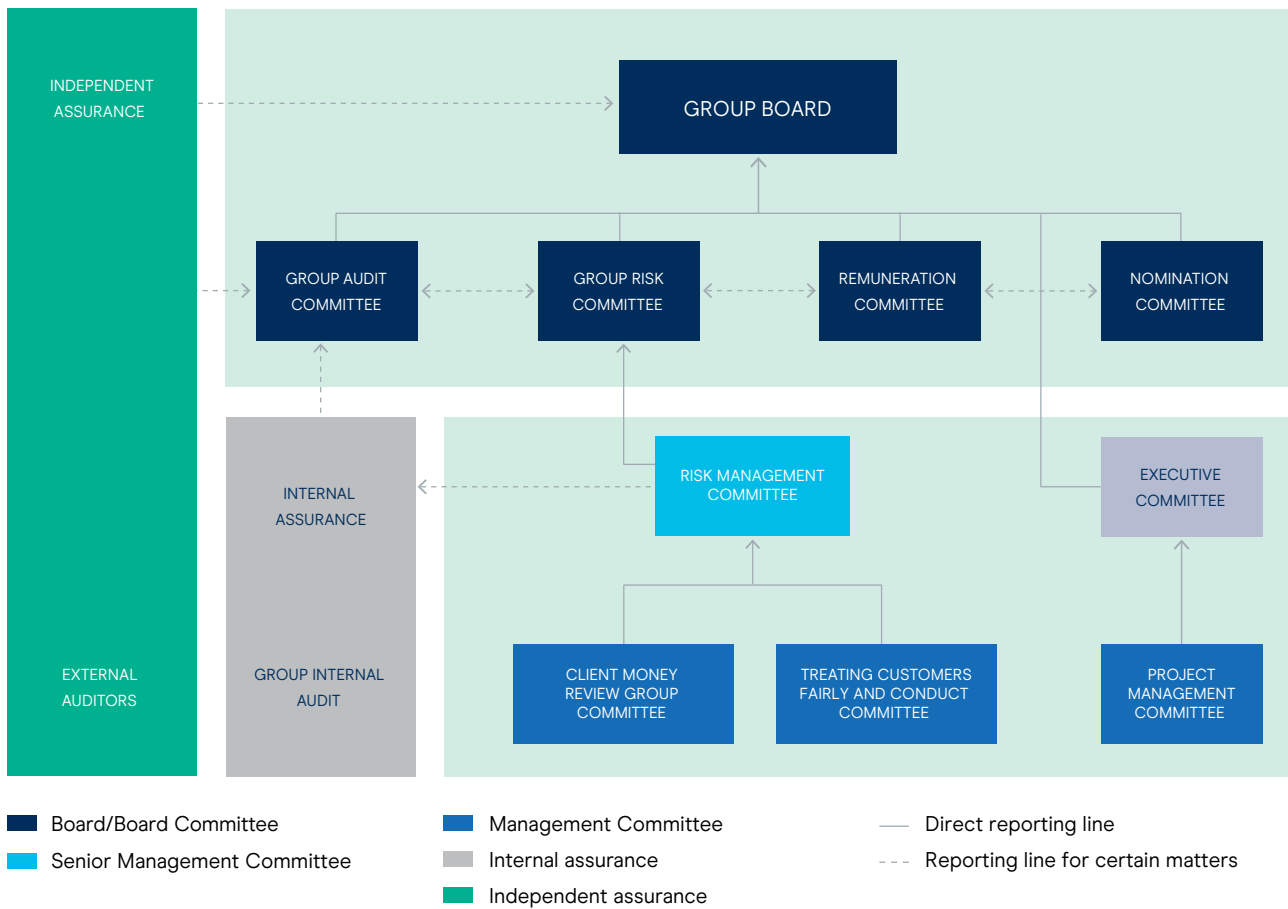
Responsibilities of the Senior Independent Director ("SID") include:

- acting as a sounding board for the Chairman and serving as an intermediary for the other Directors as necessary;
- acting as lead independent Non-Executive Director;
- leading the Non-Executive Directors in the performance evaluation of the Chairman, with input from the Executive Directors; and
- being available to shareholders in the event that the Chairman, Chief Executive Officer or other Executive Directors are unavailable.

Responsibilities of the Non-Executive Directors include:

- constructively challenging management proposals and providing advice in line with their respective skills and experience;
- helping develop proposals on strategy;
- having a prime role in appointing and, where necessary, removing Executive Directors; and
- having an integral role in succession planning.

Governance structure as at 31 March 2018



Activities of the Board

The Board has a comprehensive meeting planner for the next 12 months that ensures all matters for Board consideration are presented and considered in a timely manner. Key areas of focus during this financial period were:

- proposed regulatory change and potential business impact;
- strategic opportunities, annual budget, strategic review and three-year plan;
- the development and launch of new products;
- risk management and risk appetite;
- partnership with ANZ Bank;
- challenge and approval of ICAAP, ILAA and other regulatory documents; and
- post-EU Referendum/Brexit.

Accountability

Election of Directors

The 2018 AGM will be held on 26 July 2018 at 133 Houndsditch, London EC3A 7BX.

Following recommendations from the Nomination Committee and review by the Chairman, the Board considers that all Directors continue to be effective, remain committed to their roles and have sufficient time available to perform their duties. In accordance with the Company's articles of association, and provision B.7.1 of the Code, all Directors will seek election or re-election at the Company's 2018 AGM, which will be set out in the Notice of AGM.

Independence of Non-Executive Directors and time commitment

Each of the Non-Executive Directors is considered to be independent. Each Director is aware of the need to allocate sufficient time to the Company in order to fulfil their responsibilities and is notified of all scheduled Board and Board Committee meetings.

Directors' induction

A formal procedure for Director induction and ongoing training is in place and has been conducted on the three new Non-Executive Directors. As part of a new Director's application for approval from the FCA, a skills gap analysis and Learning and Development Plan has been created. The skills assessment is used by the Company to tailor induction meetings and training requirements for all new Directors. One-on-one meetings are organised between the Director and the management team in relevant areas of the business to allow an incoming Director to familiarise themselves with the management team and their respective roles and responsibilities and to gain a greater understanding and awareness of the industry in which the firm operates. These meetings also allow a forum for new Directors to discuss the business strategy and model, risk management, governance and controls and the requirements of the regulatory framework. These meetings and training arrangements form a key part of the Learning and Development Plan. New Non-Executive Directors attended internally and externally facilitated training sessions.

Conflicts of interest

The Board has a formal process for the Directors to disclose any conflicts of interest. The Board members are asked to disclose any conflicts of interest at each scheduled Board meeting and are required to attest to any changes in their conflicts register annually. Each Director is aware of their responsibility to avoid conflicts of interest and to disclose any conflict or potential conflict of interest to the Board.

Board support

Each Director has access to the Company Secretary for advice and services. The Company Secretary ensures that meeting papers are delivered to Directors in a timely manner to allow for conducive and effective Board and Board Committee meetings.

As stated in each of the Board Committees' terms of reference and the Company's articles of association the Directors may take independent professional advice at the Company's expense.

The Board has ultimate responsibility for reviewing and approving the Annual Report and Financial Statements (Code C.1.1) and it has considered and endorsed the arrangements enabling it to confirm that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. With the assistance of the Group Audit Committee, the Board ensured that sufficient time and resources were available to encompass the disclosure requirements that the Group is subject to and that the Annual Report and Financial Statements met all relevant disclosure requirements.

The Board believes in the governance principles of being open, transparent and compliant with the principles and provisions of the Code. Following review by the Group Audit Committee, the Board considered and agreed that the Annual Report contained the necessary information for shareholders to assess the Company's performance, strategy and overall business model.

Group Audit Committee

The Group Audit Committee has been delegated responsibility for the monitoring and oversight of the external and internal audit of internal controls. The Committee's responsibilities, main activities and priorities for the next reporting cycle are set out on pages 57 to 59.

Group Risk Committee

The Group Risk Committee has been delegated responsibility for the monitoring and oversight of risk management, mitigation and approval of risk appetite. The Committee's responsibilities, main activities and priorities for the coming year are set out on pages 60 to 61.

Shareholder engagement

The Board recognises the importance of good communication with shareholders. The Board maintains regular contact with a cross section of the Company's shareholders to ensure that the Group strategy takes due consideration of our shareholders' views.

During the year there were a number of meetings with significant shareholders and potential investors to ensure the Board was regularly apprised of shareholder sentiment. Monthly investor relations reports are distributed to the Board and considered at each Board meeting.

2018 KEY SHAREHOLDER ENGAGEMENTS

- **January**
Q3 FY2018 Interim management statement
- **March**
FY2018 Pre-close trading update
- **June**
FY2018 Results
- **July**
Annual General Meeting
Q1 FY2019 Interim management statement
- **September**
Q2 FY2019 Pre-close update
- **November**
H1 FY2019 Results

Committee Chair

Paul Wainscott

Other members

Sarah Ing

Clare Salmon

Meetings held

Four

Principal responsibilities of the Audit Committee

The Committee operates within the agreed terms of reference, which outline the key responsibilities of the Committee.

The Committee's full terms of reference can be found on the Group's website:
www.cmcmarkets.com/group/committees.

Areas of focus in 2017/18

The main responsibilities during the year, as set out in the Code, were as follows:

- to monitor the integrity of the Financial Statements of the Group;
- to review and report to the Board on significant financial reporting issues and judgements;
- to assess the adequacy and effectiveness of the Group's internal control systems and report to the Board on any key findings;
- to review and approve of the internal audit charter and internal audit annual plan;
- to review the findings of all internal audit reports, make recommendations as appropriate and monitor resolution plans;
- to review the performance of the internal audit function;
- to review and make recommendations to the Board on the effectiveness and independence of the Company's external auditors including appointment, reappointment and removal of the external auditors;
- to review the findings of the external auditors; and
- to ensure that the external audit contract is put out to tender at least once every ten years.



Dear shareholders

As Chairman of the Group Audit Committee (the "Committee") I am pleased to present my first Group Audit Committee report.

The Committee is the independent Board Committee that assesses and has independent oversight of financial reporting and the effectiveness of internal control systems. This report summarises the activities, key responsibilities and future focus of the Committee.

A handwritten signature in black ink, appearing to read 'Paul Wainscott'.

Paul Wainscott
Senior Independent Director and Chairman of Group
Audit Committee

6 June 2018

Composition and advisers

The Committee is chaired by Paul Wainscott, who joined the Committee upon appointment as a Non-Executive Director and became Chairman on 28 November 2017. James Richards was a member and chaired the Committee following the departure of Manjit Wolstenholme until Paul Wainscott's appointment. Sarah Ing and Clare Salmon joined upon their appointment as Non-Executive Directors. James Richards ceased to be a member with his appointment as Group Chairman in alignment with the UK Corporate Governance Code. The Committee is considered independent to management and the members are all independent Non-Executive Directors.

The UK Corporate Governance Code requires the inclusion on the Committee of at least one member determined by the Board as having recent and relevant financial experience. The Committee Chairman is considered to fulfil this requirement.

The Committee held three scheduled meetings and one ad-hoc meeting during the financial year. The key activities and discussion points are outlined in the relevant section of this Committee report.

The Chief Operating and Financial Officer, Group Head of Finance, Group Head of Tax and Client Asset Management and Group Head of Financial Crime and UK Money Laundering Reporting Officer attend Committee meetings by invitation. Representatives from PricewaterhouseCoopers LLP ("PwC"), the external auditors, and Grant Thornton LLP, the internal auditors attend the Committee meetings by standing invitation.

The Group Chairman was invited to attend all meetings.

Committee attendance is presented on page 52.

GROUP AUDIT COMMITTEE CONTINUED

Statement of internal controls and internal audit

The Group's internal audit function is externally facilitated by Grant Thornton LLP. The internal audit function has a reporting line to the Committee and has direct access to the Committee Chairman and each Committee member. The Committee regularly reviews internal audit reports, follows up verification reports on any findings identified by internal audit, and annually approves the Internal Audit Plan and Charter.

During the year, the internal auditors presented the following reports to the Committee:

June 2017

- UK client onboarding;
- cyber security review; and
- human resources review.

November 2017

- dealing desk systems review; and
- MiFID II plan.

March 2018

- UK security audit;
- Australia security audit; and
- corporate governance.

The Committee approved the Internal Audit Plan for 2018, which includes reviews on:

- General Data Protection Regulation ("GDPR");
- Internal Capital Adequacy Assessment Process ("ICAAP");
- financial crime;
- business continuity planning, disaster planning and crisis management; and
- Senior Managers and Certification Regime ("SM&CR").

External auditors

The Committee considers the reappointment of the external auditors annually and such consideration includes review of the independence of the external auditors and assessment of the auditors' performance. As part of this review, the Committee agreed to recommend to the Board the reappointment of PricewaterhouseCoopers LLP as the Group's external auditors and a resolution to this effect will be put before the shareholders at the 2018 AGM. The current auditors have been in place for nine years.

The Committee, in line with Financial Reporting Council ("FRC") guidance, continues to review the qualification, expertise, resources, effectiveness and independence of the external auditors. Also in line with FRC guidance, the Committee reviews the appointment of staff from the external auditors to positions within the Group and meets with the external audit partner at least annually without executive management present.

The Group's audit and other services fees are disclosed in note 8 of the Financial Statements. Other services fees include the controls opinion relating to the Group's processes and controls over client money segregation and compliance with The Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Non-audit services policy

The Group has a number of relationships with independent advisory and assurance firms which provide alternatives to using PricewaterhouseCoopers LLP. However, the Group has engaged with PricewaterhouseCoopers LLP for a limited number of non-audit services during the year. For each engagement the auditors' independence has been considered by both the Group and PricewaterhouseCoopers LLP to ensure auditor independence would not be compromised. Non-audit related fees provided by PricewaterhouseCoopers LLP are disclosed in note 8 of the Financial Statements.

In order to ensure compliance with the Ethical Standard issued by the FRC regarding the requirement for safeguarding independence of the external auditors, the Committee has in place a formal policy governing the engagement of the auditors to provide non-audit services, which was reviewed and reapproved in November 2017. The Committee received a non-audit services report for review and approval with the nature of expenditure categorising by Discretionary/Non-Discretionary and incurred and proposed fees.

Priorities for financial year 2018/19

The Committee's focus will continue to be to ensure that all relevant accounting practices and disclosures are adhered to and that controls around these obligations are successfully embedded with a strong culture of disclosure and transparency. The Committee will closely monitor the delivery of the stockbroking partnership with ANZ Bank in Australia and review any newly required accounting practices and matters of judgement in recognition of this partnership.

There will be continued focus on internal systems of control and particular focus will be paid to the results of upcoming internal audits.

MAIN ACTIVITIES DURING THE FINANCIAL YEAR

Agendas for scheduled Committee meetings are based on a pre-agreed annual meeting planner to ensure that the Committee fulfils its responsibilities in line with its terms of reference and regulatory obligations.

At each meeting the Committee:

- receives a report from the Chief Operating and Financial Officer on the year-to-date financial performance of the Group;
- receives an update on current and planned internal audits and any internal audit issues highlighted in completed audit reports; and
- receives an update on significant accounting judgements.

June 2017

- Considered the year-end audit report presented by the external auditors and discussed the audit with the lead audit partner. In line with the Committee terms of reference the Committee met with the Group auditors without management or the Executive Directors present.
- Reviewed the Annual Report and Financial Statements including the specific disclosures such as going concern, viability and risk management and internal controls reporting, for recommendation to the Board.
- Reviewed the annual report from the Money Laundering Reporting Officer ("MLRO").

July 2017

- Considered the results of the external auditors' reasonable assurance report on client money and collateral and limited assurance report on custody assets by the independent auditor to the Financial Conduct Authority in respect of the Group's two UK regulated entities, CMC Markets UK plc and CMC Spreadbet plc.
- Reviewed the detailed findings of the external auditors' evaluation.

November 2017

- Met with the internal auditors without management or the Executive Directors present in line with the Committee terms of reference.
- Considered the interim review report presented by the external auditors and discussed the review with the lead audit partner.
- Reviewed the interim results including consideration of going concern, viability and risk management and internal controls reporting, for recommendation to the Board and agreed the engagement letter, audit fee and audit plan for the external auditors.
- Considered the half year Whistleblowing report.

March 2018

- Considered the update on year-end audit presented by the external auditors.
- Reviewed the design and content update on the Annual Report and Financial Statements.
- Discussed with the external auditor the Financial Reporting Council's latest Quality Review (which included the CMC Markets audit).
- Reviewed and reapproved the Group Whistleblowing Policy.
- Considered the significant accounting adjustments made in finalising the Group accounts, with a particular focus on recognition of deferred tax assets and capitalisation of intangible assets.

Committee Chairman

Sarah Ing

Other members

James Richards
Clare Salmon
Paul Wainscott

Meetings held

Four

Principal responsibilities of the Group Risk Committee

The main role and responsibilities of the Committee are:

- oversight of the Group's risk appetite and tolerance;
- review and recommendation of the Risk Appetite Statement and Risk Management Framework;
- provision of advice and recommendations to the Board to assist in Board decision making in relation to risk appetite and risk management;
- oversight of financial and liquidity risks including the responsibilities of the risk management function;
- review, challenge and recommendation to the Board with regard to ICAAP, ILAA and the Group CFP;
- oversight of, and recommendations to the Board on current risk exposures and future risk strategy;
- review of the risks associated with proposed strategic transactions;
- review of the effectiveness of the Group's risk systems;
- approval of the annual Risk Plan;
- approval of the annual Compliance Plan; and
- review of risk taking by Directors and senior management as it impacts their remuneration incentives.

The Committee's full terms of reference can be found on the Group's website (www.cmcmarkets.com/group/committees).

The Committee has oversight of the Group's risk management processes as detailed on page 38 to 45.



Dear shareholders

As the new Chairman of the Group Risk Committee (the "Committee"), I am pleased to present my first Group Risk Committee report.

The Committee assists the Board by providing oversight of the risk appetite and Risk Management Framework of the Group and takes an active role in advising the Board on the Group's risk strategy. The Committee reviews, challenges and recommends, if it sees fit, the Group's key processes and procedures including its Internal Capital Adequacy Assessment Process ("ICAAP"), Individual Liquidity Adequacy Assessment ("ILAA") and Group Contingency Funding Plan ("CFP"), which were reviewed and recommended for Board approval in October 2017. A key priority for the Committee is to ensure that a robust risk culture continues to be embedded across the business.

The Committee actively monitors and discusses the latest risk and regulatory developments affecting the Group.

Further information on the activities of the Committee and its priorities for the year ahead is provided in the following report.

A handwritten signature in black ink, appearing to read 'Sarah Ing', written in a cursive style.

Sarah Ing
Non-Executive Director and
Chairman of the Group Risk Committee
6 June 2018

Composition

The Committee is chaired by Sarah Ing, who joined the Committee upon appointment as a Non-Executive Director and became Chairman on 28 November 2017. James Richards was a member of the Committee throughout the year and chaired the Committee following the departure of Malcolm McCaig. Clare Salmon and Paul Wainscott joined upon their appointment as Non-Executive Directors.

The Committee held four scheduled meetings during the financial year. The Chief Executive Officer, Chief Operating and Financial Officer, Group Commercial Director, Group Head of Risk and Head of Compliance attend Committee meetings by standing invitation. Representatives from other areas of the business attend the Committee meetings by invitation as appropriate to the matter under consideration.

Committee attendance is presented on page 52.

Main activities during the financial year

The Committee has oversight and makes recommendations to the Board on current risk exposures and future risk appetite and strategy. The Committee reviews the risks associated with proposed strategic transactions and the effectiveness of risk mitigation and monitoring processes.

The Committee monitored the Group's top and emerging risks at each Committee meeting during the year. The Group's top and emerging risks are actively reviewed and discussed on a monthly basis by the Risk Management Committee ("RMC"), the Group's risk-focused management committee. Following RMC review and discussion, risk-related reports are provided to the Committee for independent oversight and challenge. The Committee routinely asks business leaders to present an overview of their risk management practice and receive updates on key issues and discussion points from the RMC. Since her appointment, the Committee Chairman has been a regular attendee of the monthly RMC meetings.

During the year, the Committee discussed and reviewed risk-related reports, including the recommendation to the Board to adopt the annually reviewed Group Risk Management Framework. The Committee assessed the Risk Appetite Statement and recommended changes to include client interests and other updates to risk-related issues before obtaining approval by the Board. The Committee recommends the Group's ICAAP, ILAA and CFP to the Board for its approval.

The Committee received updates from the RMC and discussed management reports from the Group's risk departments including Financial Risk Management, Liquidity Risk Management, Operational Risk Management, Compliance, Financial Crime, Complaints Handling and Legal together with the output from the Client Money Review Group Committee and the Treating Customers Fairly and Conduct Committee.

Stockbroking partnership with ANZ Bank

Following the partnership the Committee continues to review and challenge the status of the project implementation.

During the year, the Committee received reports and considered the risks related to the integration of software, transfer of client data, processes, employee transition, technology implementation and integration, governance and other related matters.

Cryptocurrency trading

The Committee discussed the impact of rolling out cryptocurrencies as underlying instruments to the Group's CFD and spread bet products to the Group's professional clients.

People and culture

The Committee has challenged and approved initiatives to enhance conduct and culture and reviews risk taking by Directors and senior management as it impacts their remuneration incentives.

Risk management and internal controls

The Group continues to invest in risk management and internal controls and continues to improve and enhance the Risk Management Framework.

Following an annual review undertaken in October 2017, the Committee was satisfied that the Group's risk management and internal controls were effective.

Regulatory compliance

The Committee continued to closely monitor global regulatory changes and the impact on the Group, in particular risks associated with the potential impact of the product intervention measures proposed by the European Securities and Markets Authority ("ESMA").

The Committee monitored the Group's MiFID II compliance.

The Committee continued to focus on cyber and data security and associated risks given the Group's online trading platform.

In preparation for the EU General Data Protection Regulation ("GDPR"), which came into force on 25 May 2018, the Committee considered the Group's processes for dealing with employees', partners' and clients' personal data. Subsequent to the financial year end, the Committee received an update on GDPR readiness in April 2018 and a post-implementation report in May 2018.

Priorities for financial year 2018/2019

Key priorities for the year ahead remain focused on continued enhancement of risk culture and frameworks across the business. The Committee will continue to take an active role in advising the Board on risk matters, particularly in relation to the current regulatory environment. The Committee will continue to closely monitor risks associated with regulatory change in line with the Group's approach as outlined in pages 38 to 45 of the Strategic report.

In addition to fulfilling the responsibilities outlined in its terms of reference, the Committee will:

- monitor the risks associated with regulatory change;
- monitor the Group's compliance with MiFID II regulations and its impact on the Group;
- monitor planning and process implementation for the FCA's Senior Managers and Certification Regime ("SM&CR") as it extends SM&CR to all Financial Services and Markets Act ("FSMA") authorised firms;
- review the Group's planning for, and implementation of, actions to mitigate the impact of Brexit and ensure that the Group remains compliant with regulations as we move towards the transitional period;
- monitor the Group's offering and the impact of any global regulatory action; and
- monitor the Group's response to FCA's Business Plan for the coming year and to its thematic reviews and focus areas, including culture.



Committee Chairman

James Richards

Other members

Paul Wainscott
Sarah Ing
Clare Salmon

Meetings held

Five

Principal responsibilities of the Nomination Committee

The Nomination Committee assists the Board by regularly reviewing the composition of the Board and Board Committees and follows a rigorous and transparent process when identifying potential candidates for appointment to the Board. The Committee oversees the annual Board and Board Committees performance evaluations and plays an active role in ensuring appropriate succession plans are in place for Board, senior management and other key roles across the business.

The Committee's full terms of reference are available on the Company's website (www.cmcmarkets.com/group/committees).

The main roles and responsibilities of the Committee are:

- to evaluate and review the structure, size and composition of the Board including the balance of skills, knowledge, experience and diversity of the Board while factoring in the Company's strategy, risk appetite and future development;
- to oversee the Board evaluation process and, in analysing the results of the evaluation, identify whether there are any skill gaps or opportunities to strengthen the Board;
- to identify and nominate suitable candidates for appointment to the Board, including chairmanship of the Board and its Committees, and appointment of the Senior Independent Director, against a specific role description and skill set required for the respective positions as identified under the regular reviews of the structure and composition of the Board;
- to assess the Board Directors' conflict of interest;
- to assess the independence, time commitment and engagement of each of the Non-Executive Directors;
- to monitor the external interests of Non-Executive Directors, as part of the review of Non-Executive Directors' independence;
- to have oversight of succession plans for the appointment of Executive Directors and Non-Executive Directors; and
- to approve the report on the Committee's activities for inclusion in the Annual Report and Financial Statements of the Company.

Dear shareholders

As the new Chairman of the Nomination Committee (the "Committee") appointed 28 February 2018, I am pleased to present the Nomination Committee report. I took over the role in line with the Group's succession plans from Simon Waugh, who after almost ten years as a Non-Executive Director of the Company and four years as Chairman retired from the Board on 31 December 2017.

I would firstly like to thank Simon for his considerable efforts chairing the Committee. The Committee spent the greater part of the year under Simon's chairmanship. Simon remains with the Group as Chairman of CMC Markets Group Australia Pty Ltd, and will continue to hold this position until 31 December 2018, overseeing the strengthening of the Asia-Pacific Board reflecting the growing importance of the region to the Group. Appointing new Non-Executive Directors was a particular focus this year after Manjit Wolstenholme and Malcolm McCaig retired from the Board at the Annual General Meeting on 27 July 2017, following the announcements on 23 May and 14 July 2017. Having examined the Board composition and succession requirements, the Committee agreed that in order to meet the requirements of the Company it was appropriate to seek the appointment of three additional members. The Committee is very pleased that its search afforded the Company the opportunity to find three new Non-Executive Directors with a suitably diverse range of skills and experience. This will be of great benefit to the Company, allowing the business to continue to deliver its strategy as it adapts to the changing regulatory environment.

Following a recruitment process, which included the use of an external executive search and recruitment platform, the Committee recommended to the Board the appointment of Sarah Ing (appointed on 14 September 2017), Clare Salmon (appointed on 2 October 2017) and Paul Wainscott (appointed on 19 October 2017) and each became a member of the Group Audit Committee, Group Risk Committee, Nomination Committee and Remuneration Committee upon appointment.

On 28 November 2017 the Board appointed Paul Wainscott as Senior Independent Director and Chairman of the Audit Committee, Sarah Ing as Chairman of the Group Risk Committee and Clare Salmon as Chairman of the Remuneration Committee.

Given the changes to the Non-Executive Directors during 2017 the Board and Board Committee evaluations have been deferred until a date during the financial year commencing 1 April 2018. This is to enable the new Non-Executive Directors to settle in their new roles.

Talent development to lay the foundations for succession planning will continue to be a key priority in the coming year.

Further information on the activities of the Committee and its priorities for the year ahead is provided in the following report.

A handwritten signature in dark ink that reads "James Richards".

James Richards

Group Chairman and Chairman of the Nomination Committee
6 June 2018

Composition and advisers

The Committee is chaired by James Richards with Sarah Ing, Clare Salmon and Paul Wainscott as members. The Committee is considered independent to management.

The Committee held three scheduled meetings and two ad-hoc meetings during the financial year. The Executive Directors and the Group Head of Reward attend Committee meetings by invitation.

Committee attendance is presented on page 52.

The Committee engaged an external executive search and recruitment agency as part of the Non-Executive Director recruitment process. It was confirmed that none of the Committee members nor the Group had any other connection with this agency.

Board and Board Committee evaluation

Notwithstanding the changes to the Board since the 2017 AGM and the Committee's deferral of a formal internal Board and Board Committee self-assessment evaluation, the Group's internal auditors (Grant Thornton UK LLP) conducted a review to evaluate the corporate governance arrangements in place and in order to determine whether the controls are appropriate and sufficient for the needs of the business. The scope of their audit was to assess whether the Board as a whole: operated effectively with open debate and constructive challenge; had evolved and matured, particularly in the context of being a company with a premium listing on the London Stock Exchange and had further embedded the process required of a listed company to assess whether appropriate composition and structure of the Board and its Committees are present, the appointment and re-election of members of the Board and Committees, the effective operation of the Board and its Committees and the adequacy of management information. No material issues were raised.

Succession planning and diversity

The Committee takes an active role in the succession planning of Board members. During the year, succession plans for the Executive Directors and senior management were reviewed.

The Committee regularly considers diversity, including gender, in its succession planning and works closely with the Remuneration Committee with regard to issues such as the gender pay gap. Following the Board's acknowledgement in the 2017 Annual Report and Financial Statements that the number of women in senior roles is an area the Company could improve upon, we are pleased that two of the three newly appointed Non-Executive Directors are women.

The Board is committed to a Board and senior management team comprising individuals from different backgrounds with diverse and relevant skills, knowledge, experience and perspectives. The Committee carefully considers the benefits of diversity, including gender diversity, whilst ensuring that our obligation to shareholders to recruit the best individual for the role based on merit is fulfilled. The Board's Diversity Policy can be found on the CMC Markets plc Group website and gender diversity statistics are presented on page 29.

Priorities for the financial year 2018/19

The Committee will continue to focus on key themes such as diversity and succession planning. It will support the new Non-Executive Directors as they settle into their new roles. Board evaluations will be conducted in the coming year.

MAIN ACTIVITIES DURING THE FINANCIAL YEAR

Agendas for scheduled Committee meetings are based on a pre-agreed annual meeting planner to ensure that the Committee fulfils its responsibilities in line with its terms of reference and regulatory obligations.

April 2017

- Review of Executive Director roles.

July 2017

- Non-Executive Director recruitment process.
- Appointment of agents, roles and criteria.

March 2018

- Discussion of the internal auditors' report on corporate governance.

June 2017

- Succession planning discussion.
- Review of Non-Executive Director independence and re-election to the Board.

November 2017

- Review of structure, size and composition of the Board and Board Committees.
- Subsidiary Board discussions.
- Development of Directors and relevant senior managers.
- Non-Executive Director induction programme.

Committee Chair

Clare Salmon

Other members

Sarah Ing
James Richards
Paul Wainscott

Meetings held

Seven

Principal responsibilities of the Remuneration Committee

The Committee reviews and sets the remuneration of the Executive Directors within the parameters of the Remuneration Policy as approved by shareholders at the 2016 Annual General Meeting. The Committee is presented with and asked to endorse the remuneration of executives and senior management, ensuring it is consistent with the Remuneration Policy. As part of the remuneration review process, independent advisers were used to ensure remuneration was appropriately benchmarked with the Group's peer companies.

The main role and responsibilities of the Remuneration Committee are:

- to review and agree an appropriate Remuneration Policy which complies with all relevant regulations;
- to review and set the remuneration of the Executive Directors and endorse the remuneration of senior management;
- to review and ensure that bonus payments to Executive Directors are linked to the achievement of agreed objectives;
- to ensure that remuneration incentivises and retains key employees including the Executive Directors and senior management;
- to ensure that executive remuneration is linked to the delivery of the long-term success of the Company;
- to review any major changes to employee benefit structures, including new share schemes, and ensure that shareholders are consulted and the required approval processes followed;
- to review the appropriateness of remuneration against the risk management strategy following advice from the Group Risk Committee; and
- to ensure all relevant regulations relating to Executive Director remuneration are adhered to.



Committee composition, attendance and advisers

The Committee was chaired by James Richards until the appointment of Clare Salmon on 28 November 2017. James Richards remains a member of the Committee. Sarah Ing and Paul Wainscott joined upon their appointment as Non-Executive Directors.

The Committee held four scheduled meetings and three ad-hoc meetings during the financial year.

Committee attendance is presented on page 52.

The Committee was advised by Willis Towers Watson ("WTW"), who was appointed by the Committee in January 2017 to advise the Committee on remuneration matters, including independent advice on the information and proposals presented to the Committee by Company executives. WTW is a member of the Remuneration Consultants Group ("RCG") and is a signatory to the RCG's Code of Conduct. It was confirmed that none of the Committee members had any connection or conflicts of interest in regard to this appointment.

During the year, the Committee received support on remuneration matters from the Group Head of Reward and Chief Executive Officer in regard to Executive Director remuneration and from the Chief Operating and Financial Officer and Group Commercial Director in regard to members of the Executive Committee.

Remuneration Policy

The Directors' Remuneration Policy ("Policy") was approved by shareholders at the 2016 AGM as set out on pages 69 to 76.

The Committee has carried out a thorough review of CMC's current Remuneration Policy. Following this, we intend to put forward a new Policy at the AGM as detailed on pages 66 to 68, which will include a single combined incentive plan in place of the current Annual Incentive and Management Equity Plan ("MEP"). Subject to approval, our intention is that the new Policy would apply from the 2018/19 financial year, with the first deferred share awards following the year ending on 31 March 2019.

Priorities for the financial year 2018/19

The Remuneration Committee will continue to monitor the appropriateness of the Executive Director and senior management remuneration. Shareholder feedback on the Directors' remuneration report will be considered as part of the ongoing role of the Committee along with performance-related pay and relevant remuneration policies that fall under the remit of the Committee.

MAIN ACTIVITIES DURING THE FINANCIAL YEAR

April 2017

- Reviewed the draft Directors' remuneration report to be included in the Annual Report and Financial Statements to 31 March 2017.
- Considered Executive Directors' remuneration benchmarking based on new roles.
- Reviewed Executive Directors' performance against objectives/annual incentives including bonus payment and Long Term Incentive Plan ("LTIP") targets.
- Reviewed senior leadership team performance against personal objectives/annual incentives.

August 2017

- Grant of LTIP post-setting EPS.

January 2018

- Received an update on Executive Director objectives and mid-year performance reviews.
- Received an update on market trends from the remuneration consultants.
- Considered FRC consultation on the Corporate Governance code.
- Discussed the Remuneration Policy and Executive Director Remuneration.
- Discussed its terms of reference.

June 2017

- Reviewed and recommended the Directors' remuneration report and Remuneration Policy included in the Annual Report and Financial Statements to 31 March 2017.
- Reviewed LTIP targets and awards to those below senior management.
- Approval of annual incentive awards under the Committee's remit.
- Considered and approved the FCA required Remuneration Policy Statement.

October 2017

- Reviewed the performance of the Group's remuneration consultants.
- Received an update on feedback post-AGM from investors and investor advisory groups.
- Reviewed proposed grant to new Executive Committees ("ExCo") members and high potential employees ("HIPOs") and key talent.

March 2018

- Considered potential changes to the Remuneration Policy and the proposed Combined Incentive Plan.
- Received an update on considerations of Executive Director and senior management remuneration in light of regulatory developments.
- Received a report on the Company's remuneration strategy and Group employee retention.

Dear shareholders

I am pleased to present my first Remuneration Committee ("Committee") report as its new Chairman. This independent Board Committee has three key accountabilities. Firstly, it is responsible for assessing and setting Executive Director remuneration, incentives and retention arrangements. Secondly, the Committee reviews and, if appropriate, endorses senior management remuneration. The Committee also reviews other Group remuneration as required. This report summarises the outcomes of these activities and describes the future focus of the Committee over the coming year.

Remuneration Policy Review

During this year the Committee faced significant challenges in aligning the Executive Directors' rewards with shareholders' interests. The Financial Conduct Authority published its consultation paper CP16/40 'Enhancing conduct of business rules for firms providing contract for difference products to retail clients'. This led to a sharp decline in CMC's share price, in common with our competitors, and hence the need to consider how best to motivate and retain key members of the team in light of this. A provisional assessment of the 2016 LTIP identified a major and sustained downgrade in the likely outturn from the plan as a result of the volatile regulatory environment. In these circumstances, the Committee recognised the difficulty of aligning the shareholder and Executive Director experience, whilst also ensuring that we are able to drive sustainable performance in the business by retaining and attracting key talent. With this in mind, the Remuneration Committee took the opportunity to review the Remuneration Policy to ensure that it aligns Executive Directors' interests with our strategic objectives and shareholders' interests, and also that it continues to motivate and retain our critical talent. Following this review, and after consultation with major shareholders, the Committee considered it was appropriate to restructure the existing incentive arrangements to align better with the Group's strategy. The Committee has proposed a revised Directors Remuneration Policy which will be subject to a binding vote at the Company Annual General Meeting on 26 July 2018.

Remuneration Policy Changes

We have designed a new Remuneration Policy which we believe will reflect the systemic changes underway, and enable CMC to benefit from the regulator's intent to create a fairer and more transparent market place and full alignment to our strategic objectives. The Committee propose to replace the current short and long-term incentive arrangements with a single combined incentive plan.

The level of award under the combined incentive plan will be determined primarily on financial performance in the previous financial year, with a portion of the award (45%) settled in cash and the remaining portion (55%) deferred into shares for up to five years. The vesting of the deferred share portion will be subject to an underpinning performance assessment over three years to ensure that vesting is warranted based on sustained success. The proposed structure will support the Committee in taking account of short-term developments, whilst at the same time reinforcing continued performance through the use of deferral and associated performance criteria. The Committee believes that this approach will strengthen the alignment of pay with the measures of performance that are important in creating value for shareholders, as well as forming a strong retention/motivation mechanism for Executives.

Compliance statement

This Remuneration report has been prepared on behalf of the Board by the Remuneration Committee (the 'Committee') in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Committee adopts the principles of good governance as set out in the UK Corporate Governance Code and complies with the UKLA Listing Code.

The following parts of the Annual Report on Remuneration are audited: the single total figure of remuneration for Directors, including annual incentive outcomes for the financial year ending 31 March 2018, scheme interests awarded during the year, and total pension entitlements; payments to past Directors and payments for loss of office; and, Directors' shareholdings and share interests.

The deferral into shares will provide a good fit with the shareholder experience over the long term and ensure that short-term success is sustained. The Committee also believes that the new arrangements will represent a significantly simplified structure. Details of the proposed Remuneration Policy are provided on page 69.

Implementation of Remuneration Policy for 2018/19

If approved by shareholders, the new Remuneration Policy will be applicable for the year ended 31 March 2019. The Committee proposes that Group and individual performance against targets for the 2019 financial year will form the basis on which the first combined incentive will be awarded. It is anticipated that the performance measures applied to the combined incentive in the first year of operation will be:

- 60% earnings per share;
- 30% strategic performance; and
- 10% personal objectives.

As deferred share awards under the new Combined Incentive Plan will vest over a five-year period, compared to the three year performance period under the current LTIP, to help bridge the transitional gap the Committee proposes to grant LTIP awards equal to 125% salary to the Chief Operating and Financial Officer and Group Commercial Director, as permitted under the existing policy in July 2018. The Committee will use the same three metrics for LTIP awards as applied in 2017 – 60% earnings per share, 30% relative total shareholder return and 10% net promoter score.

In relation to the EPS target, the Committee has ensured that a sufficiently stretching range has been set by taking account of a number of internal and external reference points and the impact of regulatory change. The target range will be disclosed in next year's Annual Report. With regard to the strategic and personal objectives, these will be evaluated based on quantitative measurable objectives in the significant majority of cases. A detailed disclosure of these quantitative performance measures and associated outcomes will be disclosed in the 2019 Annual Report and Accounts.

The graph below demonstrates how awards under the existing and proposed remuneration policy will be delivered:

Timeline for transition to new policy

OLD POLICY						
	2018 LTIP AWARD PERFORMANCE PERIOD		100% VEST (JULY 2021)			
NEW POLICY						
COMBINED INCENTIVE PLAN – LEVEL OF AWARD DETERMINED BY PERFORMANCE IN YEAR 0	CASH PORTION PAYABLE (JULY 2019)					
	DEFERRED SHARE PORTION SHARES VEST AFTER 3, 4 AND 5 YEARS SUBJECT TO UNDERPIN PERFORMANCE					
				40% VEST (JULY 2022)	30% VEST (JULY 2023)	30% VEST (JULY 2024)
FY MAR 2019	FY MAR 2020	FY MAR 2021	FY MAR 2022	FY MAR 2023	FY MAR 2024	FY MAR 2025

Overview of performance in the year ended 31 March 2018

The Group had a very strong year of financial performance in 2018. Continued strong organic growth and resilient responses to regulatory uncertainty have contributed to strong financial results including:

- net operating income increasing by 16% to £187 million; and
- profit before tax increasing by 24% to £60 million.

In addition to the strong financial performance, the Group achieved considerable progress against our strategic objectives. The stockbroking partnership with ANZ Bank continues to progress to plan with the retail go live in September 2018, generating revenues from that point onwards. In addition we have increased the number of premium clients serviced by the Group by 3%. These are important achievements for the Group as we continue to diversify our risk exposure and will ensure we are well positioned to respond to developing regulatory changes.

These strong financial and strategic results are directly attributable to the dedication and quality of our people, and their response to market pressures.

Implementation of Remuneration Policy for 2017/18

When determining the annual incentive plan payouts in respect of 2018, the Committee took into account the overall performance of the business as well as the Executive Directors' performance. The annual incentive plan was assessed against Group and individual targets as follows:

- 80% based on performance against profit before tax, which increased significantly to £60 million; and
- 20% on individual performance against individual objectives, which were determined by the Committee in light of the revised remuneration strategy. The targets and the level of achievement against them are described on pages 69 to 72.

The Group profit target was achieved and the Group has continued to make strong progress on its strategic initiatives, which is reflective of the significant contributions from each of the Executive Directors. After careful consideration, the Committee determined that bonuses of 100% of salary should be paid to each of the Executive Directors in respect of the year ended 31 March 2018.

Long term incentive awards, with a three-year performance period, were granted to the Executive Directors (excluding the CEO) following listing in 2016. The first tranche of LTIP awards are due to vest in 2019 subject to performance.

I hope you find the reports helpful in understanding the challenges facing the Group in endeavouring to strike the right balance with remuneration in an uncertain regulatory environment and one of likely changing remuneration practices.

Clare Salmon
Remuneration Committee Chairman
6 June 2018

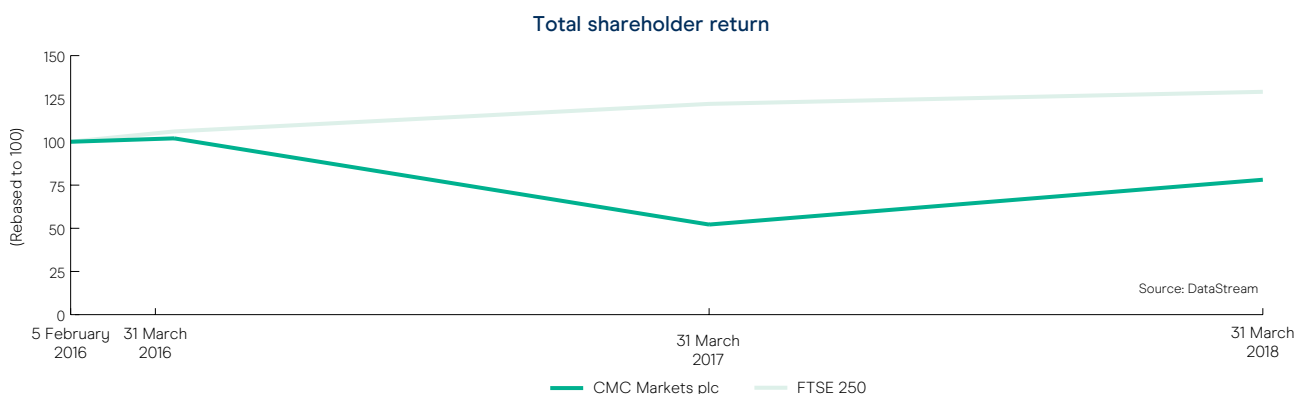
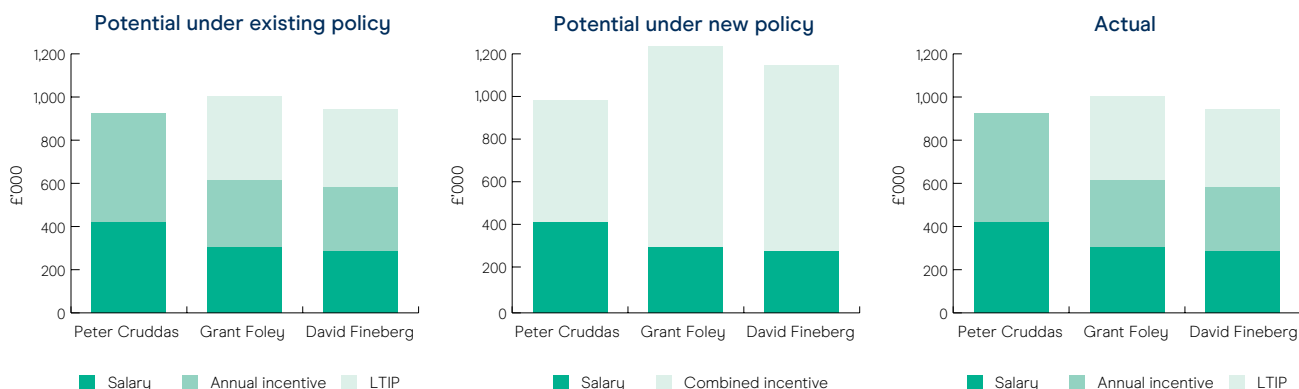
Summary of policy changes and 2018 implementation

No changes have been proposed to the following elements of Policy; (i) base salary, (ii) pension, (iii) benefits and (iv) SIP. The table below summarises how the incentive arrangements in our proposed remuneration policy will differ from our current policy.

Full details of the new policy are set out on pages 69 to 72.

Variable	Current policy	New policy
Annual Incentive	Performance measured annually each financial year with 100% settled in cash subject to Remuneration Committee discretion to defer up to 50% in shares which vest after three years. Maximum opportunity up to 120% of salary.	Replace the annual incentive and LTIP with a combined incentive plan. Performance measured annually with: <ul style="list-style-type: none"> • 45% settled in cash after the year; and • 55% deferred into shares for up to five years.
Management Equity Plan ("LTIP")	LTIP awards granted annually subject to a three-year performance period. Maximum opportunity up to 125% in normal circumstances and 200% of salary in exceptional circumstances.	The deferred share portion will vest pro-rata over a five-year period, subject to achieving performance underpin, as follows – 40% after year three, 30% after year four and 30% after year five. Maximum opportunity up to 300% of base salary (135% cash settled and 165% in deferred shares).

At a glance



Directors Remuneration Policy

The current Remuneration Policy was introduced upon CMC's listing in February 2016 and was structured to include relatively market-typical annual bonus and long-term performance share elements. In 2018 the Board carried out a review of the Company's strategy, particularly in light of the evolving and challenging regulatory environment in which it operates. Following this review the Committee considered it was appropriate to restructure the existing incentive arrangements to better align with the Group's strategy.

Participants in the new plan will include the Executive Directors, however, the CEO will not participate in the share portion of the plan.

Policy table

The below table summarises the key components of the proposed Remuneration Policy for the Executive Directors which will be put to a binding shareholder vote at the Annual General Meeting on 26 July 2018.

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary To reflect the market value of the role and individual's experience, responsibility and contribution.	The policy is for base salary to be competitive. In making this assessment the Committee has regard for: <ul style="list-style-type: none"> the individual's role, responsibilities, and experience; business performance and the external economic environment; salary levels for similar roles at relevant comparators; and salary increases across the Group payable in cash. Salaries are reviewed on an annual basis, with any increase normally taking effect from 1 April.	Executive Director salary increases will normally be in line with those awarded to the wider employee population. Increases may be above this level if (i) there is an increase in scale, scope, market comparability of the role and/or (ii) where an Executive Director has been promoted or has had a change in responsibilities. Where increases are awarded in excess of the wider employee population, the Committee will provide an explanation in the relevant year's Remuneration report.	Business performance is considered in any adjustment to base salary.
Pension To provide competitive retirement benefits	Executive Directors participate in a defined contribution pension scheme or may receive a cash allowance in lieu.	Up to 15% of salary.	Not applicable.
Share Incentive Plan ("SIP") To encourage broad employee share ownership.	In line with HMRC rules. Executive Directors are entitled to participate in the SIP on the same terms as other employees.	In line with HMRC permitted limits.	Not applicable.
Benefits To provide market competitive benefits.	Benefits include life insurance, permanent health insurance, private medical insurance, dental insurance, health screening/assessment, critical illness, interest-free season ticket loans, gym membership, eye tests, cycle to work, childcare vouchers, dining card, travel insurance, club membership, and car allowance. Where appropriate, other benefits may be offered including, but not limited to, allowances for relocation and other expatriate benefits to perform his or her role.	Benefits may vary by role and individual circumstances and are reviewed periodically to ensure they remain competitive. The maximum value of the benefits is unlikely to exceed 10% of salary.	Not applicable.

Directors Remuneration Policy continued

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
<p>Combined incentive plan</p> <p>To ensure that incentives are fully aligned to the Group's strategy.</p>	<p>The value of an award will be determined based on performance achieved in the previous financial year against defined financial and strategic targets.</p> <p>Performance conditions and targets are reviewed prior to the start of the year to ensure they are appropriate, stretching and reinforce the business strategy. At the end of the year the Committee determines the extent to which these were achieved.</p> <p>The award will be delivered as follows:</p> <p>Cash award: 45% of the award will be settled in cash as soon as practicable following the financial year.</p> <p>Deferred shares: 55% of the award will be deferred into shares for up to five years following the financial year. This portion of the award will vest subject to the achievement of a three-year performance underpin to ensure the deferred portion of the award is warranted based on sustained success.</p> <p>Subject to the achievement of the performance underpin, the deferred share portion of the award will vest pro-rata over a period of at least five years. It is anticipated this will be as follows:</p> <ul style="list-style-type: none"> • 40% after three years; • 30% after four years; and • 30% after five years. <p>Incentive awards are discretionary.</p> <p>Awards under the combined incentive plan are non-pensionable and are subject to malus and clawback for a seven year period from grant in the event of a material financial misstatement, gross misconduct, calculation error, failure of risk management, or in any other circumstance the Committee consider appropriate.</p>	<p>Participants in the new plan will include the Executive Directors. However, the CEO will not participate in the deferred share element of the plan.</p> <p>Executive Directors (excluding CEO): Awards may be up to 300% of salary delivered as follows:</p> <ul style="list-style-type: none"> • Cash award: 135% salary. • Deferred shares: 165% salary. <p>CEO: Awards may be made under the cash element of the plan only up to 135% of salary.</p>	<p>Performance is assessed against Group and individual performance measures as considered appropriate by the Committee.</p> <p>Financial performance will account for at least 60% of an award.</p> <p>It is anticipated that the performance measures applied in 2018/19 will be:</p> <ul style="list-style-type: none"> • 60% financial: based on achievement of absolute earnings per share targets; • 30% strategic: based on the achievement of measurable objectives against targets on metrics including net promoter score, premium client growth etc; and • 10% personal objectives. <p>The deferred share portion will vest subject to a performance underpin measured over a period of at least three years. The Committee will review Group performance over the relevant period, taking into account factors such as a) the Company's TSR performance, b) aggregate profit levels and c) any regulatory breaches during the period.</p>

Subject to shareholder approval of the new policy it is anticipated that effective from 31 March 2018 one additional award of the LTIP will be granted to Executive Directors in 2018 and no further grants under the annual incentive will be awarded to Executive Directors, albeit the Company reserves the right to make awards under the LTIP to facilitate external recruitment.

Directors Remuneration Policy continued

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Annual incentive To reinforce and reward delivery of annual strategic business priorities.	<p>Performance is measured on an annual basis for each financial year.</p> <p>Performance conditions and targets are reviewed prior to the start of the year to ensure they are appropriate, stretching and reinforce the business strategy.</p> <p>At the end of the year the Committee determines the extent to which these were achieved. Incentive awards are discretionary.</p> <p>Awards are paid in cash. The Committee may defer up to 50% of any incentive in shares for up to three years, or longer if regulations require.</p> <p>Dividend equivalents may accrue on deferred share awards and be paid on those shares which vest.</p> <p>Awards under the annual incentive are non-pensionable. Unpaid/unvested awards are subject to malus and paid/vested awards are subject to clawback for a three-year period from award in the event of a material financial misstatement, gross misconduct, calculation error, failure of risk management, or in any other circumstance the Committee considers appropriate.</p>	<p>Awards may be up to 120% of salary.</p> <p>Payout for threshold performance is up to 25% of maximum; payment for performance 'in line with expectations' is up to 70% of maximum.</p> <p>In the event that there is no annual incentive as a result of Group financial performance, the Committee has discretion to award a bonus of up to 20% of salary for exceptional individual performance.</p>	<p>Performance is assessed against Group and individual performance.</p> <p>A pool is determined by reference to the actual level of profit achievement compared to performance targets and is capped. Once the pool is defined, it is allocated to individuals based on their individual objectives and behaviour.</p> <p>Measures selected and their respective weightings may vary from year to year depending on strategic priorities.</p> <p>The Committee may adjust the incentive outcome to ensure alignment of pay with the underlying performance of the business over the financial year. Factors the Committee considers include whether outcomes were achieved within the Company's risk appetite.</p>
2015 Management Equity Plan ("LTIP") To reinforce delivery of sustained long-term success, and align the interests of participants with those of shareholders.	<p>LTIP awards may be granted annually by the Remuneration Committee to Executive Directors. Awards may consist of performance shares (nil cost options or conditional rights to receive shares) or market value options or a combination of the two.</p> <p>LTIP awards normally vest after three years. The Committee may extend the LTIP time horizon by introducing a holding period of up to two years, or by extending the vesting period, e.g. if regulations require.</p> <p>The number of performance shares and/or options vesting is dependent on the degree to which performance conditions attached to the LTIP award have been met over the performance period. Dividend equivalents may accrue on performance shares and be paid on those shares which vest.</p> <p>The award levels and performance conditions are reviewed in advance of grant to ensure they are appropriate.</p> <p>Awards under the LTIP are non-pensionable and are subject to malus and clawback provisions for a seven-year period from grant in the event of a material financial misstatement, gross misconduct, calculation error, failure of risk management, or in any other circumstance the Committee considers appropriate.</p>	<p>Award which is a mix of shares and options that will have an economic value no higher than an award of 125% of salary in performance shares in normal circumstances and up to 200% of salary in exceptional circumstances.</p> <p>Vesting for threshold performance is up to 25% of maximum.</p>	<p>Awards vest subject to the Company's performance and continued employment.</p> <p>The Committee has flexibility to adjust the performance measures and weightings in advance of each future cycle to ensure they continue to support delivery of the Company's strategy. Over the term of this policy, performance will be predominantly dependent on financial, and/or share price-related measures.</p> <p>The Committee has flexibility to adjust downwards the formulaic outcome based on its assessment of underlying performance, and results being achieved within the Company's risk appetite, over the performance period.</p>

Directors Remuneration Policy continued

Notes to the policy table

In addition to the elements of remuneration detailed in the policy table, any historical awards or commitments described in this report which were made prior to, but due to be fulfilled after the approval and implementation of, the Remuneration Policy detailed in this report will be honoured.

Shareholding guidelines

Executive Directors are required to build up a holding of 200% of base annual salary. Executive Directors will be required to build up to this level over a period of five years, starting from the date of our listing in 2016 for the current Executive Directors and from appointment for any future recruits.

Dividend equivalents

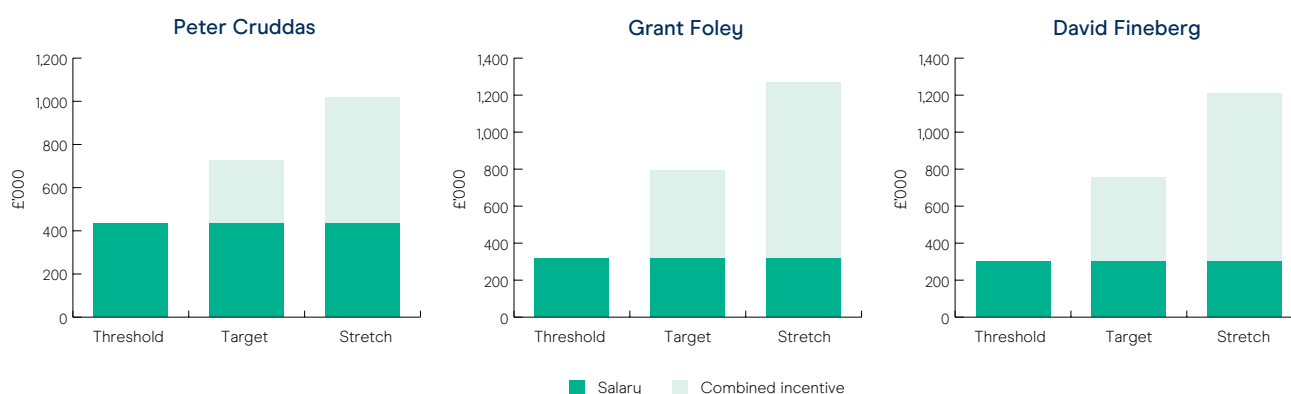
Dividend equivalents are payable on the deferred share portion of the combined incentive.

Clawback and malus provisions

Awards under the plan will be subject to provisions that allow the Committee to withhold, reduce or require the repayment of awards after vesting if there is found to have been (a) material misstatement of the Company's financial results, (b) gross misconduct on the part of the award holder, or (c) any other material event as the Committee considers appropriate.

Executive Directors' remuneration scenarios

The charts below provide estimates of the potential future reward opportunity for each of the three Executive Directors, and the implied split between the different elements of remuneration under three different performance scenarios: "Threshold", "Target" and "Stretch".



Assumptions underlying each element of remuneration are provided in the table below.

Component		Threshold	Target	Stretch
Fixed	Base salary	Latest salary		
	Pension	Contribution applies to latest salary		
	Other benefits	As presented as a single figure on page 77		
Combined incentive		No payment	50% of maximum	100% of maximum

The projected value of the deferred element of the combined incentive excludes the impact of share price growth and any potential dividend accrual. Actual remuneration delivered, however, will be influenced by these factors. Deferred awards are subject to continuing employment.

The Company currently anticipates that Peter Cruddas will not participate in the deferred share element of the combined incentive plan or pension arrangements and so these elements are not included for him in the above chart.

Directors Remuneration Policy continued

Remuneration policy for new hires

In the case of hiring or appointing a new Executive Director, the Committee may make use of all the existing components of remuneration.

The salaries of new appointees will be determined by reference to their role and responsibilities, experience and skills, relevant market data, internal relativities and their current salaries. New appointees will be eligible to receive a pension contribution or allowance and benefits and participate in the Company's HMRC approved all-employee Share Incentive Plan, in line with the Remuneration Policy detailed above.

New appointees will be entitled to participate in the combined incentive plan, as described in the policy table above, with the relevant maximum being pro-rated to reflect the period served. The deferred share portion of a new appointees combined incentive award will normally vest on the same terms as other Executive Directors, as described in the policy table. Individual objectives will be tailored to the individual's role.

In determining appropriate remuneration for a new Executive Director, the Committee will take into consideration all relevant factors (including quantum, nature of remuneration and the jurisdiction from which the candidate was recruited) to ensure that the remuneration arrangements are appropriate and in the interests of the Company and its shareholders. The Committee may consider it appropriate to grant an award under a structure not included in the policy and/or under the existing LTIP (MEP), for example to "buy out" incentive arrangements forfeited on leaving a previous employer, and may exercise the discretion available under Listing Rule 9.4.2 if necessary to secure the right candidate. In doing so, the Committee will ensure the value of any buyout will not exceed the expected value of awards forgone using a Black-Scholes or equivalent valuation method and, where applicable, take into account progress against any performance conditions attached to those awards and an assessment of the likelihood of those conditions being met.

In cases of appointing a new Executive Director by way of internal promotion, the Remuneration Committee will be consistent with the policy for external appointees detailed above. Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company will continue to honour these arrangements.

In the case of hiring or appointing a new Non-Executive Director, the Committee will follow the policy as set out in the table on page 75.

Service contracts

The Executive Directors are employed under contracts of employment with CMC Markets UK plc. The principal terms of the Executive Directors' service contracts are as follows:

Executive Director	Position	Effective date of contract	Notice period from Company	Notice period from Director
Peter Cruddas	Chief Executive Officer	1 February 2016	12 months	12 months
Grant Foley	Chief Operating and Financial Officer	1 February 2016	6 months	6 months
David Fineberg	Group Commercial Director	1 February 2016	6 months	6 months

The terms shown in the table above are in line with the Company policy of operating notice periods of up to nine months in the case of Executive Directors, except for the CEO service contract which can have a notice period of up to 12 months. All employees including Executive Directors are subject to a six-month probation period.

Executive Directors' contracts are available to view at the Company's registered office.

Letters of appointment are provided to the Chairman and Non-Executive Directors. Non-Executive Directors have letters of appointment which means that they retire at each AGM and are put up for re-election at the AGM. Non-Executive Directors' letters of appointment are available to view at the Company's registered office.

Details of the effective date of Non-Executive Directors' letters of appointment and notice periods are set out below:

Non-Executive Director	Date of letter	Date of appointment	Notice period
James Richards	25 January 2016	1 April 2015	3 months
Sarah Ing	7 July 2017	14 September 2017	3 months
Clare Salmon	19 July 2017	2 October 2017	3 months
Paul Wainscott	11 July 2017	19 October 2017	3 months

Directors Remuneration Policy continued

Exit payment policy

The Company considers termination payments on a case-by-case basis, taking into account relevant contractual terms, the circumstances of the termination and any applicable duty to mitigate. In such an event, the remuneration commitments in respect of Executive Directors' contracts could amount to salary, benefits in kind and pension rights during the notice period, together with payment in lieu of any accrued but untaken holiday leave, if applicable.

If such circumstances were to arise, the Executive Director concerned would have no claim against the Company for damages or any other remedy in respect of the termination. The Committee would apply general principles of mitigation to any payment made to a departing Executive Director and would honour previous commitments as appropriate, considering each case on an individual basis.

The table below summarises how the awards under the annual incentive and LTIP are typically treated in different leaver scenarios and on a change of control. The Committee retains discretion on determining "good leaver" status, but it typically defines a "good leaver" in circumstances such as retirement with agreement of the Board, ill health, injury or disability, death, statutory redundancy, or part of the business in which the individual is employed or engaged ceases to be a member of the Group. Final treatment is subject to the Committee's discretion.

Event		Timing of vesting/award	Calculation of vesting/payment
Combined incentive	"Good leaver"	On normal vesting date (or earlier at the Committee's discretion).	Unvested awards vest to the extent that any performance conditions have been satisfied and are pro-rated to reflect the proportion of the vesting period served.
	"Bad leaver"	Unvested awards lapse.	Unvested awards lapse on cessation of employment.
	Change of control ¹	On the date of the event.	Unvested awards vest to the extent that any performance conditions have been satisfied and are pro-rated to reflect the proportion of the vesting period served, subject to the Remuneration Committee's discretion otherwise.
Annual incentive	"Good leaver"	Annual incentive awards due are paid at the same time as to continuing employees. Any unvested deferred share awards vest on the normal vesting date.	Annual incentive is paid only to the extent that any performance conditions have been satisfied and is pro-rated for the proportion of the financial year worked before cessation of employment.
	"Bad leaver"	Not applicable.	Individuals lose the right to their annual incentive and unvested deferred share awards.
	Change of control ¹	Annual incentive awards are paid and unvested deferred share awards vest on effective date of change of control.	Annual incentive is paid only to the extent that any performance conditions have been satisfied and is pro-rated for the proportion of the financial year worked to the effective date of change of control.
LTIP	"Good leaver"	On normal vesting date (or earlier at the Committee's discretion).	Unvested awards vest to the extent that any performance conditions have been satisfied and are pro-rated to reflect the proportion of the vesting period served.
	"Bad leaver"	Unvested awards lapse.	Unvested awards lapse on cessation of employment.
	Change of control ¹	On the date of the event.	Unvested awards vest to the extent that any performance conditions have been satisfied and are pro-rated to reflect the proportion of the vesting period served.

¹ In certain circumstances, the Committee may determine that any deferred share awards under the annual incentive and both unvested and any deferred awards under the LTIP and combined incentive plan will not vest on a change of control and instead be replaced by an equivalent grant of a new award, as determined by the Committee, in the new company.

Upon exit or change of control, SIP awards will be treated in line with the approved plan rules.

If employment is terminated by the Company, the departing Executive Director may have a legal entitlement (under statute or otherwise) to additional amounts, which would need to be met. In addition, the Committee retains discretion to settle other amounts reasonably due to the Executive Director, for example to meet the legal fees incurred by the Executive Director in connection with the termination of employment, where the Company wishes to enter into a settlement agreement (as provided for below) and, in which case, the individual is required to seek independent legal advice.

In certain circumstances, the Committee may approve new contractual arrangements with departing Executive Directors including (but not limited to) settlement, confidentiality, restrictive covenants and/or consultancy arrangements. These will be used sparingly and only entered into where the Committee believes that it is in the best interests of the Company and its shareholders to do so.

Directors Remuneration Policy continued

Consideration of conditions elsewhere in the Group

In making remuneration decisions, the Committee takes into account the pay and employment conditions of employees across the Group. In particular, the Committee considers the range of base pay increases across the Company as a factor in determining the base salary increases for Executive Directors. The Committee does not consult with employees on the Executive Director Remuneration Policy nor does it use any remuneration comparison measurements.

Remuneration policy for other employees

CMC Market's approach to annual salary reviews is consistent across the Group. All employees are eligible to participate in the annual incentive, with targets appropriate to their organisational level and business area. Key senior managers are also eligible for LTIP awards to further support long-term alignment with shareholder interests. LTIP performance conditions are consistent for these employees, while award opportunities may vary by organisational level or business area.

It is envisaged that for the year ending 31 March 2019 and thereafter other senior executives will also participate in the combined incentive plan.

Consideration of shareholder views

The Committee is committed to an ongoing dialogue on Directors' remuneration. It is the Remuneration Committee's intention to consult with major shareholders prior to any major changes to its Remuneration Policy.

Group's Remuneration Policy for Chairman and Non-Executive Directors

The Board determines the Remuneration policy and level of fees for the Non-Executive Directors, within the limits set out in the articles of association. The Remuneration Committee recommends the Remuneration policy and level of fees for the Chairman of the Board.

The Group's policy is:

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Fees To attract suitable individuals with a broad range of experience and skills to oversee shareholders' interests and Company strategy. Fees are set to reflect market value of the role and the individual's time commitment, responsibility, performance and contribution.	Annual fee for the Chairman Annual base fee for the Non-Executive Directors. Additional fees are paid to Non-Executive Directors for additional services such as chairing a Board Committee, performing the role of Senior Independent Director, etc. Fees are reviewed from time to time taking into account time commitment, responsibilities, and fees paid by companies of a similar size and complexity. Fee increases are applied in line with the outcome of the review. Expenses The Company may reimburse NEDs in cash for reasonable expenses incurred in carrying out their role.	Fee increases are applied in line with the outcome of the review. Aggregate fees will not exceed the limit approved by shareholders in the articles of association which is currently £750,000.	Not applicable.

Performance measurement selection

The Company's incentive plans are designed to incentivise the achievement of demanding financial and business-related objectives, using a balance of absolute and relative performance measures selected to support the Group's key strategic priorities.

The annual incentive uses a balance between Group and individual, and financial and non-financial performance targets. Group profit targets relating to the annual incentive plan are set in relation to the Company's annual budget, which is reviewed and approved by the Board prior to the start of each financial year. In addition, individual performance will be assessed based on the achievement of non financial/strategic objectives, the individual's contribution and behaviour, and compliance with the Company's risk appetite. Performance objectives and targets are reviewed annually to ensure ongoing alignment with the Company's strategy for the year ahead and to ensure that they remain stretching yet achievable. The annual incentive is discretionary and the Committee considers wider factors in its deliberations at the end of the year, for example the quality of earnings. In determining individual awards, the Committee is not required to award the Group incentive pool (i.e. the sum of the incentive awards may be less than the Group incentive pool).

The LTIP is designed to align the interests of our participants with the longer-term interests of the Company's shareholders by rewarding them for delivering sustained increases in shareholder value, within the Group's risk appetite. LTIP performance measures selected reinforce the Group's strategy over the medium- to long-term, and provide a balance of internal and external perspectives, and between absolute and relative performance. The Committee has selected EPS as the primary measure as this is a well-accepted measure of bottom-line financial performance and is well-aligned with shareholder interests. Inclusion of TSR provides direct alignment with shareholder interests, and achievement of strategic objectives reinforces delivery of the Company's strategy over the medium- to long-term. Performance measures and targets are reviewed by the Committee ahead of each grant to ensure they are appropriately stretching and achievable over the performance period.

DIRECTORS' REMUNERATION REPORT CONTINUED

Directors Remuneration Policy continued**Group's Remuneration Policy for Chairman and Non-Executive Directors continued****Performance measurement selection continued**

It is proposed to replace the annual incentive and LTIP with a new combined incentive plan for the year ending 31 March 2019 and thereafter. This combined plan strengthens the alignment of pay with the measures of performance that are important in creating value for shareholders and also form a strong retention and motivation mechanism for executives. The performance measures selected are a combination of financial performance, strategic performance and individual objectives. The achievement of these performance measures will be reviewed by the Committee ahead of any award and the vesting of share awards will be subject to the achievement of a performance underpin over the vesting period.

Risk considerations

The Remuneration Policy is also designed to promote sound and effective risk management. The Remuneration Committee reviews and approves the Remuneration Policy for all employees, including for Material Risk Takers and senior risk and compliance employees, to help ensure pay arrangements encourage appropriate behaviour and compliance with the Company's risk appetite. For example, all employees receive a salary which reflects their market value, responsibilities and experience. An individual may only receive an annual incentive award if he/she operates within the risk appetite of the Company, and has demonstrated appropriate behaviour. Key senior managers are eligible for consideration of LTIP awards, with any vesting based on performance over at least three years. The Committee has flexibility to adjust the formulaic outcome if the Company's recorded performance is not a genuine reflection of underlying business performance or if results were not achieved within the Company's risk appetite. Annual incentive awards are subject to malus and clawback for all LTIP participants in various circumstances, including a failure of risk management. The Chief Operating and Financial Officer is closely involved in the remuneration process to ensure that both Remuneration Policy and outcomes reinforce compliance with the Company's risk appetite, including reporting independently to the Committee at least annually on compliance with the risk appetite, on any notable risk events, and on the behaviour of the Material Risk Takers.

Incentive plan discretions

The Committee will operate the Company's incentive plans according to their respective rules and the Policy set out above, and in accordance with relevant financial services regulations, the Listing Rules and HMRC rules where relevant. The 2016 LTIP Rules were approved by shareholders at our September 2016 AGM.

In line with common market practice, the Committee retains discretion as to the operation and administration of these incentive plans, including:

- who participates;
- the timing of grant and/or payment;
- the size of an award and/or payment (within the plan limits approved by shareholders);
- the manner in which awards are settled;
- the choice of (and adjustment of) performance measures and targets in accordance with the Remuneration Policy set out above and the rules of each plan;
- in exceptional circumstances, amendment of any performance conditions applying to an award, provided the new performance conditions are considered fair and reasonable, and are neither materially more nor materially less challenging than the original performance targets when set;
- discretion relating to the measurement of performance in the event of a variation of share capital, change of control, special dividend, distribution or any other corporate event which may affect the current or future value of an award;
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes, based on the rules of each plan and the appropriate treatment under the plan rules; and
- adjustments required in certain circumstances (e.g. rights issues, share buybacks, special dividends, other corporate events, etc.).

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration. As appropriate, it might also be the subject of consultation with the Company's major shareholders.

Minor changes

The Committee may make minor amendments to the Policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without requiring prior shareholder approval for that amendment.

Annual Report on Remuneration

The following section sets out the remuneration arrangements and outcomes for the year ended 31 March 2018, and how the Committee intends the Remuneration Policy to apply during the year ending 31 March 2019.

The following pages have been prepared in accordance with Part 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and Rule 9.8.6 of the Listing Rules, and will be put to an advisory shareholder vote at the Annual General Meeting on 26 July 2018.

Single figure of Executive Director Remuneration (audited)

The table below sets out the single figure of the total remuneration received by each Executive Director who served during the year ended 31 March 2018 and 31 March 2017.

Name	Year ended 31 March	Salary £'000	Benefits ¹ £'000	Annual incentives ² £'000	Long-term incentives £'000	Pension ³ £'000	Share Incentive Plan ⁴ £'000	Total £'000
Peter Cruddas	2018	420.2	3.3	422.3	—	—	—	845.8
	2017	410.1	2.8	—	—	—	—	412.8
Grant Foley	2018	304.5	2.5	310.0	—	30.4	2.7	650.1
	2017	276.8	1.3	27.7	—	27.7	2.1	335.6
David Fineberg	2018	286.8	1.3	295.0	—	28.7	2.7	614.5
	2017	246.0	1.4	24.6	—	24.6	2.2	298.8

1 Benefits: taxable value of benefits received in the year by Executive Directors comprise private health insurance and, in addition for the CEO, dental insurance.

2 Annual incentives for the year ending 31 March 2018: the total earned in respect of performance during the relevant financial year.

3 Pension: during the year ended 31 March 2018, Grant Foley and David Fineberg received a Company pension contribution of 10% of salary. Peter Cruddas opted out of the plan and no compensation was provided. None of the Executive Directors have a prospective right to a final salary pension by reference to years of qualifying service.

4 Share Incentive Plan: employees, including the Executive Directors, are entitled to participate in the SIP throughout the year; it allows employees and Directors to receive one matching share for every partnership share purchased under the SIP up to the limits defined by HMRC. In 2017/18, 1,594 matching shares were allocated to Grant Foley and 1,602 matching shares to David Fineberg, calculated by reference to the share price on 31/03/2018. In 2016/17, 1,748 matching shares were allocated to Grant Foley and 1,813 matching shares to David Fineberg, and calculated by reference to the share price on 31 March 2017. The free and matching shares will be forfeited if, within three years from the date of grant, the individual leaves employment in certain circumstances. Peter Cruddas does not currently participate in the plan.

Annual incentive plan for the year ended 31 March 2018 (audited)

During the year ended 31 March 2018 the Executive Directors participated in the annual incentive plan with a maximum opportunity of up to 120% of salary for the CEO and up to 100% of salary for the Chief Operating and Financial Officer and the Group Commercial Director.

In considering the annual incentive amounts payable to the Executive Directors for the year ended 31 March 2018, the Committee began by reviewing Group profit before tax ("PBT") against targets over the period, to ensure that the value available under the incentive plan based on formulaic outcomes is an appropriate reflection of the Group's performance over the period.

Group performance measures

Measure	Threshold	Target	Maximum	Actual
Group profit before tax	£52.9m	£55.4m	£57.9m	£60.1m

As outlined above, the Group's PBT exceeded targets set by the Committee and as a result all Executive Directors are eligible to receive bonus payments, subject to the Committee's assessment of their personal contributions over the performance period.

The Committee reviewed each Executive Directors personal performance over the period, as outlined in the table below. In assessing the annual incentive awards outcomes for the period the Committee also considered:

- the overall company performance over the period;
- whether individual behaviour over the period is reflective of the Group's culture and represents compliance with the Company's risk appetite; and
- if the formulaic outcomes are reflective of shareholders' experience over the period.

Annual Report on Remuneration continued

Annual incentive plan for the year ended 31 March 2018 (audited) continued

As a result of the strong financial performance achieved in the year combined with the successful delivery of the key strategic milestones outlined below, the Committee determined the formulaic results from the annual incentive plan are appropriately reflective of each individual's contribution over the period and approved the following individual bonus payments:

Individual	Individual performance	Bonus Outcomes		
		Annual incentive payout (as % max)	Annual incentive payout (% salary)	Annual incentive payout (£'000)
Chief Executive Officer	<ul style="list-style-type: none"> successful delivery of ANZ stockbroking transaction key milestones liaising with regulators concerning regulatory change 	83%	100%	422.3
Chief Operating and Financial Officer	<ul style="list-style-type: none"> management of the Company's response following the FCA and other regulatory announcements increasing and syndicating the Group's revolving credit facility from £40 million to £65 million 	100%	100%	310.0
Group Commercial Director	<ul style="list-style-type: none"> continued expansion of the APAC hub with the successful integration of China into the framework adapting the risk engine to cater for new products 	100%	100%	295.0

Long term incentive plan (LTIP) (audited)

The table below outlines the LTIP awards granted to the Chief Operating and Financial Officer and Group Commercial Director in 2017/18 under the existing Remuneration Policy.

Director name	Date of award	Number of shares	Face value ¹	% of salary	Performance conditions	Performance period	% vesting at threshold
Grant Foley	27/07/2017	420,814	£620,000	200%	60% based on EPS; 30% based on TSR; and 10% based on NPS score	Three consecutive financial years ending 31 March 2020	25%
David Fineberg	27/07/2017	400,452	£590,000	200%			

¹ Face value calculation is based on the share price of £1.473 on 26 July 2017 calculated as the average closing share price for the three prior days. Actual value at vesting may be greater or lesser depending on actual share price at vesting and as a result of any dividend equivalent payable on vested shares. The number of shares contributed to the plan account was based on a three-day average share price.

The Remuneration Policy approved at the 2016 AGM allows the Committee the discretion to award up to 200% of salary under the LTIP in exceptional circumstances. The FCA's announcement in 2016 of its intention to review the sale of CFD's to retail investors had a significant impact on short-term prospects of CMC markets and in particular the Group's ability to incentivise and retain critical talent, including the Chief Operating and Financial Officer and Group Commercial Director. The retention concerns in respect of these two Executive Directors was compounded when coupled with the impact of share price decline on the value of the IPO "retention awards" granted to both individuals which partially vested in February 2017 (50%), and February 2018 (50%).

Given the limited retentive value of the current in-flight awards to the two Executive Directors, the Remuneration Committee determined that it would be appropriate to make exceptional awards of up to 200% salary to both the Chief Operating and Financial Officer and Group Commercial Director in 2017.

Awards were granted in the form of nil cost options and are subject to continued employment and satisfaction of the performance targets described below.

Performance will be measured over three years based 60% on point-to-point EPS growth, 30% on TSR relative to FTSE 250 constituent companies (excluding investment trusts) and 10% on customer satisfaction, based on net promoter score as independently assessed by Investment Trends. The table below sets out the performance conditions applicable to these awards:

	Cumulative EPS target (60% weighting)	TSR relative to FTSE 250 constituents (30% weighting)	Net promoter score (10% weighting)
Threshold performance (25% vesting)	22.79	Median	Above industry average
Stretch performance (full vesting)	37.98	Upper quartile	Upper quartile of industry

There will be straight-line vesting between these performance points.

Awards are subject to malus and clawback provisions for a seven-year period from award date.

Annual Report on Remuneration continued

Implementation in 2018/19

Salary

With effect from 1 June 2018, the Executive Directors will receive a pay rise of 2.5% of salary, in line with the increase awarded across the Group.

Name	New role	Previous salary	Adjusted salary	Percentage change
Peter Cruddas	Chief Executive Officer	£422,300	£432,858	2.5%
Grant Foley	Chief Operating and Financial Officer	£310,000	£317,750	2.5%
David Fineberg	Group Commercial Director	£295,000	£302,375	2.5%

Pension

Executive Directors will continue to receive a pension contribution of 10% of salary, or cash in lieu of pension (net of employer costs), with the exception of the CEO who does not currently participate in the scheme.

Share ownership and share interests

The Committee has adopted guidelines for Executive Directors and other senior Executives to encourage substantial long-term share ownership. Executive Directors are expected to build and hold shares of at least 200% of salary and to retain at least 50% of shares vesting (net of tax) until the guideline is achieved.

The table below shows the interests of the Directors and connected persons in shares and the extent to which CMC Market's shareholding guidelines are achieved.

Name	Total share interests at 31 March 2017	Total share interests at 31 March 2018	Total share interests 31 March 2018 as a % salary	Requirement met	Unvested awards not subject to performance conditions ¹	Unvested awards subject to performance conditions ²
Executive Directors						
Peter Cruddas (including shares held by spouse)	179,929,906	179,929,906	72,091%	Yes	—	—
Grant Foley ¹	104,474	221,377	121%	No	4,295	569,566
David Fineberg ¹ (including shares held by spouse)	168,794	330,511	190%	No	4,354	532,676

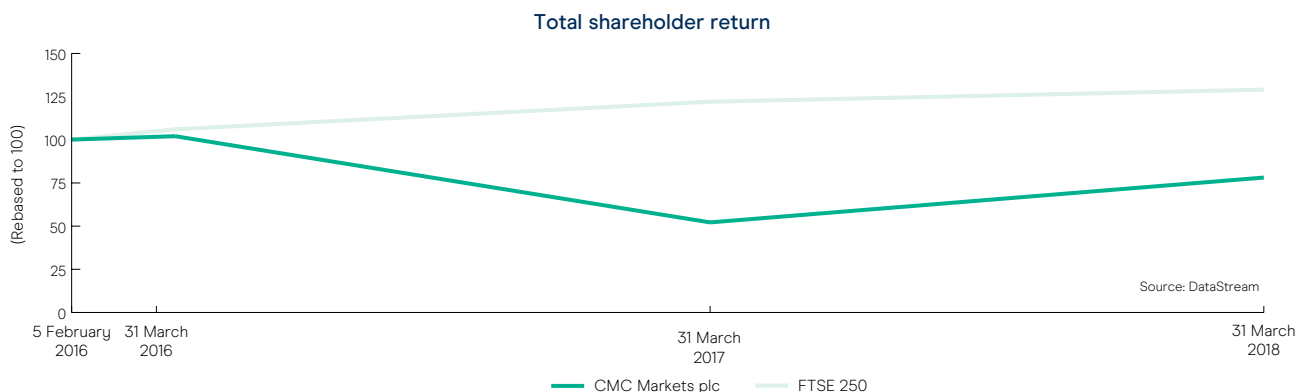
1 Grant Foley and David Fineberg have interests under the Share Incentive Plan subject to forfeiture for three years.

2 Awards under the LTIP as described on page 78 are nil cost options.

3 Grant Foley and David Fineberg have continued to participate in the Share Incentive Plan, each acquiring 84 and 83 matching shares and 84 and 83 partnership shares in April and May respectively.

Total shareholder return (TSR) performance and CEO single figure

The below chart compares the total shareholder return (TSR) of the Company against the FTSE 250 Index based on £100 invested at listing (5 February 2016). The FTSE 250 Index was originally selected as a relevant comparator as it included companies of a similar size and complexity to CMC Markets and the Company was a constituent of the Index. Although CMC Markets is no longer a constituent of this Index, it has been retained for comparison purposes for consistency with last year's report.



Annual Report on Remuneration continued

CEO pay history

Name	Year ended 31 March 2016 ¹	Year ended 31 March 2017	Year ended 31 March 2018
CEO single figure of remuneration (£'000)	739.9	412.8	845.8
Annual incentive payout (as % of maximum)	100%	0%	83%
Long-term incentives (as % of maximum)	Not applicable	Not applicable	Not applicable

¹ CMC Markets listed on the London Stock Exchange on 5 February 2016, however the full-year single figure has been included here for the year ended 31 March 2016.

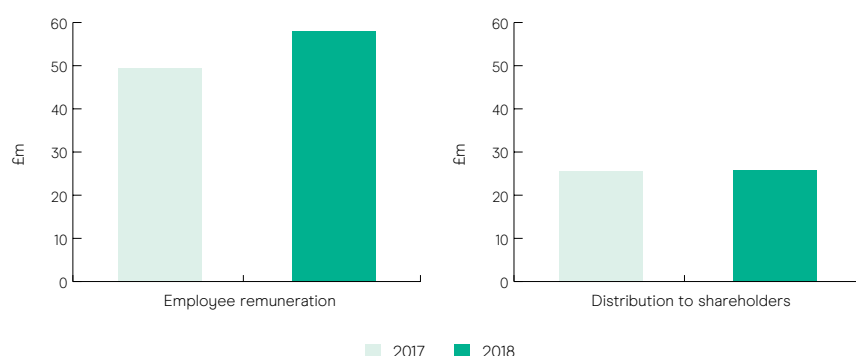
Percentage change in CEO remuneration

The table below shows the percentage change in salary, taxable benefits and annual incentive for the CEO, and the average for all employees within the Company.

CEO annual	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000	Increase/ (decrease)	Average increase across all employees
Salary	420.2	410.0	2.5%	6.1%
Taxable benefits	3.3	2.8	18.0%	7.1%
Annual incentive	422.3	—	100.0%	213.1%

Relative importance of spend on pay

The chart below illustrates the Group's actual expenditure on shareholder distributions (including dividends and share buybacks) and total employee pay expenditure for the financial years ended 31 March 2017 and 31 March 2018.



Dilution

The Company's share schemes are funded through a combination of shares purchased in the market and new-issue shares, as appropriate. The Company monitors the number of shares issued under these schemes, compared to the relevant dilution limits set by the Investment Association in respect of all share plans (10% in any rolling ten-year period) and executive share plans (5% in any rolling ten-year period).

Payments to past Directors and for loss of office (audited)

There were no payments to past Directors or for loss of office during the year.

Non-Executive Director Remuneration

Remuneration for the year ending 31 March 2018 is unchanged and is as follows:

Role	£'000
Chairman fee	160.0
Non-Executive Director fee	60.0
Committee Chairman additional fee	10.0
Senior Independent Director additional fee	5.0

External appointments

It is the Board's policy to allow Executive Directors to take up external Non-Executive positions, subject to the prior approval of the Board. Any fee earned in relation to outside appointments is retained by the Executive Director. Only Peter Cruddas held any external appointments during the year ended 31 March 2018.

Annual Report on Remuneration continued

Single figure of Non-Executive Director remuneration (audited)

The table below sets out the single figure of the total remuneration received by each Non-Executive Director who served during the year ended 31 March 2018 and 31 March 2017.

Remuneration comprises an annual fee for acting as a Chairman or Non-Executive Director of the Company. Additional fees are paid to Non-Executive Directors in respect of service as Chairman of the Audit, Risk or Remuneration Committees.

Name	Year ended 31 March	Base fee £'000	Committee fee £'000	SID fee £'000	Benefits ¹ £'000	Total ² £'000
James Richards	2018	85.0	7.5	—	—	92.5
	2017	60.0	10.0	—	—	70.0
Paul Wainscott	2018	26.6	4.4	2.2	—	33.2
	2017	—	—	—	—	—
Clare Salmon	2018	30.0	5.0	—	—	35.0
	2017	—	—	—	—	—
Sarah Ing	2018	32.8	5.4	—	—	38.2
	2017	—	—	—	—	—
Simon Waugh	2018	120.0	—	—	1.3	121.3
	2017	160.0	—	—	2.9	162.9
Manjit Wolstenholme	2018	20.0	3.3	1.7	1.7	26.7
	2017	60.0	10.0	5.0	3.4	78.4
Malcolm McCaig	2018	35.0	5.8	—	—	40.8
	2017	60.0	10.0	—	—	70.0

1 Non-Executive Directors are not entitled to benefits. Reimbursed expenses which are subject to tax via PAYE are included in the table above in the benefits column.

2 Non-Executive Directors are not entitled to receive share-based payments and no award of shares was granted to any NEDs during the period.

Non-Executive Director share ownership and share interests (audited)

The table below shows the interests of the Non-Executive Directors and connected persons in shares and the extent to which CMC Market's shareholding guidelines are achieved.

Name	Ordinary shares held at 31 March 2017	Ordinary shares held at 31 March 2018
Non-Executive Directors		
James Richards	—	—
Paul Wainscott	—	—
Clare Salmon	—	—
Sara Ing	—	—
Simon Waugh	25,000	n/a
Malcolm McCaig	12,500	n/a
Manjit Wolstenholme	12,500	n/a

The Remuneration Committee

During the year, the Committee sought internal support from the Executive Directors, who attended Committee meetings by invitation from the Chairman. Advice was sought on specific questions raised by the Committee and on matters relating to the performance and remuneration of senior managers. No Director was present for any discussions that related directly to their own remuneration. The Company Secretary, Jonathan Bradshaw, or his deputy attends each meeting as Secretary to the Committee.

Advisers to the Remuneration Committee

In undertaking its responsibilities, the Committee seeks independent external advice as necessary. Willis Towers Watson have continued to act as advisers to the Committee throughout the year. Willis Towers Watson are voluntary signatories to the Code of Conduct for Remuneration Consultants, which assures clients of independence and objectivity. Details of the Code can be found at www.remunerationconsultantsgroup.com. During the year, Willis Towers Watson provided independent advice on a range of remuneration matters including current market practice, benchmarking of Executive pay and incentive design. They provide no other services to the Company. The fees paid to Willis Towers Watson in respect of work carried out for the Committee for the year under review totalled £65,500. The Committee is comfortable that the advice it has received has been objective and independent.

Annual Report on Remuneration continued

Voting outcome for 2016/17 Remuneration Report at AGM

The Company AGM was held on 27 July 2017 and our remuneration report received strong support from shareholders. The result of the vote on these resolutions is set out below.

	Remuneration Policy (at 2016 AGM when the current policy was approved)		Remuneration report	
	% of votes (excluding withheld)	Number of votes	% of votes (excluding withheld)	Number of votes
For	92.78%	231,912,237	91.11%	242,198,501
Against	7.22%	18,038,191	8.89%	23,619,462
Total votes cast		249,950,428		265,817,963
Withheld ¹		424,564		

¹ A vote withheld is not a vote in law and so is not counted for the purposes of the calculation of the proportion of votes "for" and "against" a resolution.

REGULATED ENTITIES

CMC Markets entity	Financial services regulator(s)
CMC Markets UK plc	Financial Conduct Authority ("FCA"), UK
CMC Markets UK plc – European branches	FCA, UK
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 Contrôle Prudentiel et de résolution ("ACPR")
Germany Niederlassung Frankfurt am Main der CMC Markets UK plc	Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin"), Germany
Norway CMC Markets UK plc Filial Oslo	Finanstilsynet (The Financial Supervisory Authority of Norway)
Spain CMC Markets UK plc, Sucursal en España	Comisión Nacional del Mercado de Valores ("CNMV"), Spain
Sweden CMC Markets UK plc Filial Stockholm	Finansinspektionen (The Financial Supervisory Authority Sweden)
Poland CMC Markets UK plc Oddział w Warszawie	Komisja Nadzoru Finansowego (The Polish Financial Supervision Authority)
CMC Markets UK plc – representative office	
Beijing Representative Office of CMC Markets UK plc	China Banking and Regulatory Commission
CMC Spreadbet plc	FCA, UK
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 Stockbroking Services Pty 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 NZ Ltd	Financial Markets Authority (New Zealand)
CMC Markets Singapore Pte Ltd	Monetary Authority of Singapore ("MAS")

The Corporate governance report can be found on pages 52 to 56 and, together with this report of which it forms part, fulfils the requirements of the Corporate governance statement for the purpose of the Disclosure and Transparency Rules ("DTR").

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 38 to 45 and financial risks described in note 28 to the Financial Statements.

Viability statement

In accordance with provision C2.2 of the Financial Reporting Council's UK Corporate Governance Code (the "Code"), the Directors have considered the Group's current financial position and future prospects and have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment.

In reaching this conclusion, both the prospects and viability considerations have been assessed:

Prospects

- The Group's current financial position as outlined in the Strategic report (pages 4 to 45).
- The Group's business model: despite imminent regulatory change in a number of jurisdictions, the core of the current strategy remains in place and continues to demonstrate delivery of sufficient cash generation to support operations.
- Assessment of prospects and assumptions: conservative expectations of future business prospects through delivery of the Group strategy (see pages 18 to 19) as presented to the Board through the budget process. The annual budget process consists of a detailed bottom-up process with a 12-month outlook which involves input from all relevant functional and regional heads. The process includes a collection of resource assumptions required to deliver the Group strategy and associated revenue impacts with consideration of key risks. This is used in conjunction with external assumptions such as a region-by-region review of the regulatory environment and incorporation of any anticipated regulatory changes as outlined in the strategic report, to revenue modelling, market volatility, interest rates and industry growth which materially impact the business. The budget is used to set targets across the Group. The budgeting process also covers liquidity and capital planning and, in addition to the granular budget, a three-year outlook is prepared using assumptions on industry growth, the effects of regulatory change, revenue growth from strategic initiatives and cost growth required to support initiatives. The budget was reviewed and approved by the Board in March 2018.
- Ongoing review and monitoring of risks: these have been identified in the Group's Risk Appetite Statement, outlined in the Group's principal risks and uncertainties (pages 38 to 45) and monitored monthly by the Risk Management Committee, with review and challenge from the Group Risk Committee.

Viability

- Scenario stress testing: available liquidity and capital adequacy are central to understanding the Group's viability and therefore stress scenarios, such as adverse market conditions and adverse regulatory change are therefore considered in the Group's Individual Capital Adequacy Assessment Process and Individual Liquidity Adequacy Assessment documents, which are shared with the FCA on request. The results of the stress testing showed that, due to the robustness of the business, the Group would be able to withstand scenarios, including combined scenarios, over the financial planning period by taking management actions that have been identified within the scenario stress tests.

The Directors have considered that three years is an appropriate period over which to provide a viability statement as this is the longest period over which the Board reviews the success of strategic opportunities and this timeline is also aligned with the period over which internal stress testing occurs. The Directors have no reason to believe that the Group will not be viable over a longer period. But given the uncertainty involved, in particular of regulatory change, they believe this period presents the readers of the Annual Report with a reasonable degree of confidence.

In addition to considering the above, the Group also monitors performance against pre-defined budget expectations and risk indicators, along with strategic progress updates, which provide early warning to the Board, allowing management action to be taken where required including the assessment of new opportunities.

Directors

All Directors will seek election at the 2018 AGM on 26 July 2018. Following recommendation by the Nomination Committee, a Director may be appointed to the Board by the Board of Directors and will then be put forward at the following AGM for election by the shareholders. The Company's articles of association, available on the CMC Markets plc Group website, detail the appointment and removal process for Directors.

Directors' interests can be found in the Directors' remuneration report on page 79 and other directorships are disclosed on pages 50 to 51.

The Directors of the Company who were in office during the year and up to the date of signing the Financial Statements were:

James Richards	Chairman – appointed 1 January 2018 (previously Non-Executive Director)
Paul Wainscott	Senior Independent Director – appointed 19 October 2017 (SID from 28 November 2017)
Peter Cruddas	Chief Executive Officer
David Fineberg	Group Commercial Director
Grant Foley	Chief Operating and Financial Officer
Sarah Ing	Non-Executive Director – appointed 14 September 2017
Clare Salmon	Non-Executive Director – appointed 2 October 2017
Simon Waugh	Chairman – retired 31 December 2017
Manjit Wolstenholme	Senior Independent Director – resigned 27 July 2017
Malcolm McCaig	Non-Executive Director – resigned 27 July 2017

Directors' indemnities

As permitted by the articles of association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

The Company also maintains appropriate insurance to cover Directors' and Officers' liability, which is assessed annually and approved by the Board. No amount was paid under the Directors' and Officers' liability insurance during the year.

Strategic report

The Companies Act 2006 requires the Group to prepare a Strategic report, which commences at the start of this Annual Report and Financial Statements up to page 45. The Strategic report includes information on the Group's operations and business model, review of the business throughout the year, anticipated future developments, key performance indicators and principal risks and uncertainties. The use of financial instruments is included in the report and further covered under note 27 to the consolidated Financial Statements on page 129. The Group's vision is to be a global provider of online retail financial services complete with a complete professional and institutional offering. 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 objectives to achieve this are also set out in the Strategic report.

Dividends

On 6 June 2018, the Board recommended a final dividend of 5.95 pence per Ordinary Share in respect of the full financial year ended 31 March 2018, subject to shareholder approval at the 2018 AGM. Further information on dividends is shown in note 11 of the Financial Statements and is incorporated into this report by reference.

Share capital

The Company's share capital comprises Ordinary Shares of 25 pence each and Deferred Shares of 25 pence each. At 31 March 2018, there were 289,008,354 Ordinary and 2,478,086 Deferred Shares in issue.

Further information about share capital can be found in note 23 of the Financial Statements.

Ordinary Shares

The holders of Ordinary Shares are entitled to one vote per share at meetings of the Company. All Ordinary Shares in issue in the Company rank equally and carry the same voting rights and the same rights to receive dividends and other distributions declared or paid by the Company.

Deferred shares

The holders of Deferred Shares do not have the right to receive notice of any general meeting of the Company nor the right to attend, speak or vote at any such general meeting. The Deferred Shares have no rights to dividends and, on a return of assets in a winding-up, entitles the holder only to the repayment of the amounts paid upon such shares. The Deferred Shares may be purchased at nominal value at the option of the Company by notice in writing served on the holder of the Deferred Shares. No application has been made or is currently intended to be made for the deferred shares to be admitted to the Official List or to trade on the London Stock Exchange or any other investment exchange.

Share capital and Directors' powers

The powers of the Directors, including in relation to the issue or buyback of the Company's shares, are set out in the Companies Act 2006 and the Company's constitution. The Directors were granted authority to issue and allot shares and to buy back shares at the 2017 AGM.

Shareholders will be asked to renew these authorities in line with the latest institutional shareholder guidelines at the 2018 AGM.

The Company did not repurchase any of the issued Ordinary Shares during the year and up to the date of this report.

Controlling Shareholder Disclosure

The Company entered into a Relationship Agreement with Peter and Fiona Cruddas (the "Controlling Shareholders") on 26 January 2016, the terms of which came into force on listing the Company to trade on the main market of the London Stock Exchange. The principal purpose of the Relationship Agreement is to ensure that the Company is capable at all times of carrying on its business independent of the Controlling Shareholders and their associates, that transactions and relationships with the Controlling Shareholders and their associates are at arm's length and on normal commercial terms (subject to the rules on related party transactions in the Listing Rules) and to ensure the Controlling Shareholders do not take any action that would prevent the Company from complying with, or circumvent, the Listing Rules. The Relationship Agreement will stay in effect until the earlier of: (i) the Controlling Shareholders ceasing to own in aggregate an interest in at least 10% or more of the shares in the Company (or an interest which carries 10% or more of the aggregate voting rights in the Company from time to time); or (ii) the shares ceasing to be listed on the premium listing segment of the Official List and admitted to trading on the London Stock Exchange's main market for listed securities.

Significant contracts and change of control

The Company has a large number of contractual arrangements which it believes are essential to the business of the Company. These can be split into three main categories, which are a committed bank facility, prime broker arrangements, and market data and technology contracts. A change of control of the Company may cause the committed bank facility to terminate should the Controlling Shareholders' holding reduce to below 51%.

Statutory information contained elsewhere in the report

Information required to be part of this Directors' report can be found elsewhere in the Annual Report as indicated below:

Information	Location in Annual Report
Employees (employment of disabled persons and employee engagement)	Page 29
Disclosure of overseas branches	Page 82
Employee share schemes	Note 29, Pages 140 to 141
Financial instruments	Note 27, Page 129
Likely future developments	Pages 18 to 19
Directors' interests	Page 79
Related party transactions	Pages 142 to 143

Disclosure table pursuant to Listing Rule LR9.8.4C

Listing Rule	Information to be included	Disclosure
9.8.4(1)	Interest capitalised by Group.	None.
9.8.4(2)	Unaudited financial information (LR 9.2.18).	None.
9.8.4(4)	Long-term incentive scheme information involving Board Directors (LR 9.4.3).	Details can be found on page 78 of the Directors' remuneration report.
9.8.4(5)	Waiver of emoluments by a Director.	None.
9.8.4(6)	Waiver of future emoluments by a Director.	None.
9.8.4(7)	Non pre-emptive issues of equity for cash.	None.
9.8.4(8)	Non pre-emptive issues of equity for cash in relation to major subsidiary undertakings.	None.
9.8.4(9)	Listed company is a subsidiary of another company.	Not applicable.
9.8.4(10)	Contracts of significance involving a Director or a controlling shareholder.	None.
9.8.4(11)	Contracts for the provision of services by a controlling shareholder.	None.
9.8.4(12)	Shareholder waiver of dividends.	The trustees of the CMC Markets plc Employee Share Trust have a dividend waiver in place in respect of Ordinary Shares which are its beneficial property.
9.8.4(13)	Shareholder waiver of future dividends.	The trustees of the CMC Markets plc Employee Share Trust have a dividend waiver in place in respect of Ordinary Shares which are its beneficial property.
9.8.4(14)	Agreement with controlling shareholder.	See Controlling Shareholder Disclosure on page 85 of the Directors' report.

Substantial shareholdings

Information provided to the Company by substantial shareholders pursuant to the DTR is published via a Regulatory Information Service. As at 31 March 2018, the Company has been notified under DTR Rule 5 of the interests as set out below in its issued share capital. All such share capital has the right to vote at general meetings.

Shareholder As at 31 March 2018	Ordinary Shares held	% of voting rights
Peter Andrew Cruddas	165,155,374	57.15
Schroder Investment Mgt	17,470,140	6.03
Fiona Jane Cruddas	14,774,532	5.11
J O Hambro Capital Management	13,470,104	4.66
BlackRock Investment Mgt (UK)	8,978,323	3.11

As at 6 June 2018 the substantial shareholding in the Ordinary Shares of the Company remain as stated in the table above.

The shareholdings of CMC Markets plc Directors are listed within the Directors' remuneration report.

Articles of association

Any amendments to the Company's articles of association may only be made by passing a special resolution at a general meeting of the shareholders of the Company.

Research and development

The Group continues to invest in the development of the Next Generation platforms and stockbroking platforms in addition to maintaining existing infrastructure with considerable effort applied by the technical and software development teams. In addition the Group has capitalised development costs relating to the ANZ Bank implementation. During the year development expenditure amounting to £2.9 million has been capitalised (2017: £nil).

Our environmental impact

The Group is committed to managing our environmental impact and are fully aware that by considering the environment in our decision making, particularly around technology adoption, we can have a beneficial impact on the Group's performance. Our key environmental impacts are from running our global offices and business travel. For the purpose of this report we are disclosing our Scope 1 and 2 global emissions in accordance with the Environmental Reporting Guidelines as issued by the Department for Environment, Food & Rural Affairs (DEFRA).

The running of our two UK data centres accounts for the majority of the Group's electricity usage, and we continue to look for opportunities to improve their efficiency and performance; this has been the main driver of the reduction in total emissions in the year ended 31 March 2018.

We are also mindful of the environmental impact of each of our global offices and have a clear preference for energy efficient rated office buildings. Our new Sydney office is the world's first ever building to be awarded the top WELL Building Institute¹ certification, at Platinum level, for the buildings features, which were certified and monitored as positively impacting the health of people who live, work, and learn in them. We have chosen to seek to match this impressive result by targeting a similar six star Green Star¹ rating for the office fit-out in the building by adopting environmentally sustainable design and construction, innovation in sustainable building practices, consideration for occupational health, productivity and reducing its ongoing energy and similar operational costs. In addition, our UK head office is situated in a BREEAM (Building Research Establishments Environmental Assessment Method) rated building whose management team continually strives to increase sustainability.

We have well-established waste management initiatives in place to effectively manage and reduce waste, which have been implemented across the organisation. We recycle all paper, cardboard waste, aluminium cans and plastics and also operate a managed print solution to help control paper usage. We use a registered waste disposal contractor for their strict compliance with relevant waste legislation.

¹ WELL Building Institute (www.WBI.com) and the Green Star rating (which is awarded by the Green Building Council of Australia, (www.gbca.org.au) are internationally recognised sustainability rating systems.

Basis of preparation

Greenhouse gas emissions are calculated in alignment with records used for the production of the consolidated financial statements for the relevant accounting period. We have used emission factors from DEFRA's "Greenhouse gas reporting: conversion factors 2017" and have determined the Scope 2 electricity impacts for non-UK electricity from the International Energy Agency (IEA). All emissions required under the Companies Act 2006 are included except where stated and include Scope 1 (direct emissions from gas consumption) and Scope 2 (indirect emissions from purchased electricity) emissions, but exclude Scope 3 (other emissions from business travel and waste) emissions. Global diesel usage for backup generators at one office location has been excluded from the report given that it is not material to our carbon emissions. The figures include emissions from all global offices.

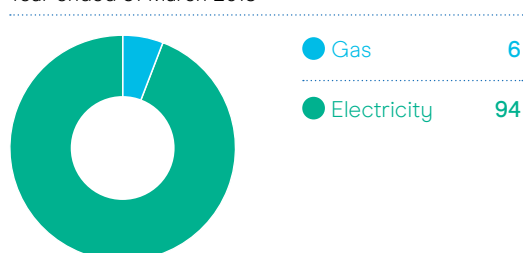
Mandatory greenhouse gas emissions report by scope

GROUP	Unit	Year ended 31 March 2018	Year ended 31 March 2017	Year ended 31 March 2015 (Base year)
Scope 1				
Natural Gas consumption	tCO ₂ e	104.9	104.8	108.4
Scope 2				
Electricity consumption	tCO ₂ e	1,701.2	2,052.0	3,452.0
Total global emissions	tCO ₂ e	1,806.1	2,156.8	3,560.4
Net operating income	£m	187.1	160.8	143.6
Intensity ratio (total global emissions/net operating income)	tCO ₂ e/£m	9.7	13.4	24.8

The majority of the reduction in electricity consumption is due to efficiencies achieved in our UK data centres during the year.

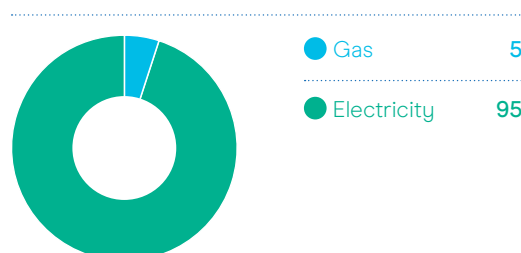
Total emissions (tCO₂e)

Year ended 31 March 2018



Total emissions (tCO₂e)

Year ended 31 March 2017



Directors' statement as to disclosure of information to auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware. Each Director has taken all the steps that he or she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given pursuant to Section 418 of the Companies Act 2006.

Independent auditors

PricewaterhouseCoopers LLP acted as auditors throughout the year. In accordance with Section 489 and Section 492 of the Companies Act 2006, resolutions proposing the reappointment of PricewaterhouseCoopers LLP as the Company's auditors and authorising the Directors to determine the auditors' remuneration will be put to the 2018 AGM.

Political donations

No political donations were made by the Company during the year.

Corporate jet

The Group did not maintain or have use of a corporate jet in the reporting period.

Annual General Meeting

The 2018 AGM is to be held at 133 Houndsditch, London EC3A 7BX at 10.00 am on Thursday 26 July 2018.

Due to the above Controlling Shareholder Disclosure, the independent shareholders' voting results on the re-election of independent Non-Executive Directors will be disclosed when the voting results are published. Should the required percentage of the independent shareholders' vote to approve re-election not be achieved, then a further vote will be held at a subsequent general meeting within the prescribed time period.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic report, Directors' report and the Financial Statements in accordance with applicable law and regulations. As a listed company within the European Union, the Directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU. The Directors have elected to prepare the parent company Financial Statements in accordance with the Companies Act 2006 and IFRSs as adopted by the EU.

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 Group for that period. In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- in respect of the Group Financial Statements, provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and performance;
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the Financial Statements; and
- in respect of the parent company Financial Statements, state whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the Financial Statements, and prepare the Financial Statements on a going concern basis, unless they consider that to be inappropriate.

The Directors confirm that the Financial Statements comply with the above requirements.

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 the Group and enable them to ensure that the Financial Statements comply with the Companies Act 2006 and, as regards the Group Financial Statements, article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

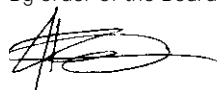
Responsibilities statement

We confirm that to the best of our knowledge:

- the Financial Statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and results of the Company and the Group;
- the Strategic report contained in this Annual Report includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Annual Report was approved by the Board on 6 June 2018.

By order of the Board



Jonathan Bradshaw
Company Secretary

CMC Markets plc
Registered number: 05145017



Set the standards

We believe that we must always be at the forefront of client service, technology and regulatory standards.

We will never take a backwards step in these areas.

Financial statements

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CMC MARKETS PLC

Report on the audit of the Financial Statements

Opinion

In our opinion, CMC Markets plc and its subsidiaries (collectively the "Group") Financial Statements and parent company Financial Statements (the "Financial Statements"):

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2018 and of the Group's profit and the Group's and the parent company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the parent company's Financial Statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

We have audited the Financial Statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and parent company Statements of Financial Position as at 31 March 2018; the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income for the year then ended; the Consolidated and parent company Statements of Cash Flows; the Consolidated and parent company Statements of Changes in Equity for the year then ended; and the notes to the Financial Statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, which include the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company.

Other than those disclosed in note 8 to the Financial Statements, we have provided no non-audit services to the Group or the parent company in the period from 1 April 2017 to 31 March 2018.

Our audit approach

Overview

Materiality • Overall Group materiality: £3.0 million (2017: £2.4 million), based on 5% of profit before tax.

- Overall parent company materiality: £2.5 million (2017: £2.0 million), based on 2.5% of net assets.

Audit Scope

Group:

- The Group consists of a UK holding company with a number of subsidiary entities and branches containing the operating businesses of both the UK and overseas territories. The accounting records for both the UK and the overseas businesses are primarily maintained and controlled by the UK finance team in London.
- We determined the appropriate work to perform based on the consolidated balances of the Group. As a result, the majority of the audit work was performed by the Group audit team in London, with certain specified audit procedures carried out by overseas PwC engagement teams where necessary.
- Accounts comprising 92% of consolidated net operating income, 80% of consolidated operating profit and 96% of consolidated profit before tax fell within the scope of our audit procedures. Balances within the scope of our audit contributed 99% of Group total assets.

Parent:

- The parent company balance sheet consists of investment in subsidiaries, receivables, payables and cash. The audit work was performed by the Group audit team in London.

Key audit matters

- Risk of fraud in revenue recognition, specifically in relation to superuser access to systems (Group).
- Recoverability of deferred tax assets (Group).
- Measurement of investment in subsidiaries (parent).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Company's Financial Statements, including but not limited to, the Companies Act 2006, and the Financial Conduct Authority's Client Asset Sourcebook. Our tests included, but were not limited to, a review of the financial statement disclosures to underlying supporting documentation, review of correspondence with the regulators, review of correspondence with legal advisors, enquiries of management and review of internal audit reports in so far as they related to the Financial Statements. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely we would become aware of it.

We found the risk of fraud in revenue recognition, specifically in relation to superuser access to systems to be a key audit matter, and this is discussed further below. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Risk of fraud in revenue recognition, specifically in relation to superuser access to systems – Group We have concluded that the greatest risk of fraud in revenue recognition arises from superuser access to systems. Individuals with such access could have the opportunity and incentive to commit fraud, including through inappropriate manipulation of revenue recognition.	<p>To address the risk of inappropriate access to systems which generate the Group's financial records we first identified the key systems which contribute to the recognition of revenue in the Group's Financial Statements.</p> <p>For each of these systems, we evaluated the design of, and tested the operation of, the IT general controls in place.</p> <p>Where control exceptions were identified, we tested data integrity reconciliations between downstream systems and upstream systems. These reconciliations mitigate the risk that superuser access to systems could result in inappropriate or fraudulent recognition of revenue.</p> <p>We also performed incident management analysis over privileged access and toxic user combinations testing with no exceptions noted.</p>

INDEPENDENT AUDITORS' REPORT CONTINUED
TO THE MEMBERS OF CMC MARKETS PLC

Report on the audit of the Financial Statements continued

Our audit approach continued

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
<p>Recoverability of deferred tax assets – Group</p> <p>The recognition of deferred tax assets is complex and often subjective. There are substantial tax losses in relation to the Group's Australia business carried forward and not yet utilised; these give rise to a material deferred tax asset. The extent of recognition of this asset depends on a judgement surrounding forecast profitability. The judgement is subjective, in particular given the additional uncertainty introduced by the future assumption of the ANZ stockbroking business.</p>	<p>To address the risk associated with the recoverability of deferred tax assets we identified key assumptions made by management in relation to the future taxable profits to be earned in the Australia business and the period over which these profits could be reasonably foreseen.</p> <p>We evaluated these assumptions by:</p> <ul style="list-style-type: none"> • assessing the growth rate used to forecast revenue and costs, comparing it to growth rates used for budgeting and historic growth rates and considering the impact of the planned changes to the Australia business; • assessing the accuracy of the forecast by comparing the forecast profit for the current year (from the prior year forecast) to profit for the current year; • assessing the period over which profits are deemed to be reasonably foreseeable and comparing this period to other forecasting periods used by the Group; and • considering whether current Australian tax legislation could impact the degree to which losses could be recognised in the future. <p>We also agreed the tax rate used to calculate the deferred tax asset to the substantively enacted rate, and checked the mathematical accuracy of the deferred tax calculation.</p> <p>As a result of these procedures, we concluded that the basis on which the tax losses have been recognised is appropriate, although conservative.</p>
<p>Measurement of investment in subsidiaries – Parent</p> <p>The parent company has a number of significant investments in subsidiaries. The determination as to whether there are indications that the carrying value of these investments may be impaired depends on judgement. This judgement needs to take account of events or changes which have occurred within the subsidiaries and their affiliates, the industry, or the economy. Any such events could indicate that the carrying value of one or more of the subsidiaries could be impaired.</p> <p>Where impairment indicators are identified, the need to record an impairment must be assessed by comparing the recoverable amount of an investment to its carrying value. The calculation of the recoverable amount is subjective and depends on the exercise of judgement.</p>	<p>To address the risk associated with the carrying value of these investments being measured incorrectly we performed the following procedures:</p> <ul style="list-style-type: none"> • we evaluated management's assessment as to whether any impairment indicators existed; • we assessed the methods used by management to determine the recoverable amount of any investments where impairment indicators existed; • we compared the assumptions used in determining recoverable amounts to corroborating evidence; • we evaluated the mathematical accuracy of the calculations of those recoverable amounts; and • we compared the carrying value to the recoverable amounts in order to assess management's conclusions that no impairments needed to be recorded. <p>The above procedures were performed with no exceptions noted.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Financial Statements as a whole, taking into account the structure of the Group and the parent company, the accounting processes and controls, and the industry in which the Group operates.

CMC Markets plc is an online retail financial services business that provides its clients with online and mobile financial spread betting (UK and Ireland only) and contract for difference (CFD) trading platforms. CMC Markets plc is a global company with significant operations in the UK, Europe and Asia Pacific. The Group also has a stockbroking offering in Australia.

The Group consists of a UK holding company with a number of subsidiary entities and branches containing the operating businesses of both the UK and overseas territories. The accounting records for both the UK and overseas businesses are primarily maintained and controlled by the UK finance team in London. We determined the appropriate work to perform based on the consolidation schedules of the Group setting out balances and accounts which aggregate to the Group totals, the areas of focus as noted above, known or historical accounting issues and the need to include some unpredictability in our audit procedures.

As a result of our scoping, we concluded that the following UK legal entities: CMC Markets plc, CMC Markets UK plc, CMC Markets Holdings Limited and CMC Markets UK Holdings Limited were material components and therefore we performed a full scope audit of these entities. In addition, the Group audit team in London performed certain substantive testing that covered all spread betting and CFD revenue accounts. As a result, the majority of the audit work was performed by the Group audit team in London. Certain specified audit procedures were carried out by PwC Australia over intangible assets, property, plant and equipment, deferred tax, trade receivables, cash and cash equivalents and deferred revenue balances relating to the CMC Australian subsidiaries.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	Group Financial Statements	Parent company Financial Statements
Overall materiality	£3.0 million (2017: £2.4 million)	£1.65 million (2017: £2.0 million)
How we determined it	5% of profit before tax	1% of net assets
Rationale for benchmark applied	We have used profit before tax as the materiality benchmark as it is an important profit metric which takes account of all aspects of trading performance of the Group.	We have used net assets as the materiality benchmark as the parent company of the Group primarily holds investments in its underlying subsidiaries.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £2.5 million and £2.85 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £150,000 (Group audit) (2017: £121,000) and £82,500 (parent company audit) (2017: £121,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

INDEPENDENT AUDITORS' REPORT CONTINUED

TO THE MEMBERS OF CMC MARKETS PLC

Report on the audit of the Financial Statements continued

Our audit approach continued

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements and the Directors' identification of any material uncertainties to the Group's and the parent company's ability to continue as going concerns over a period of at least twelve months from the date of approval of the Financial Statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and parent company's ability to continue as going concerns.
We are required to report if the Directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the Financial Statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2018 is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report. (CA06)

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 38 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 83 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 89, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and parent company obtained in the course of performing our audit.
- The section of the Annual Report on page 57 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' remuneration

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

INDEPENDENT AUDITORS' REPORT CONTINUED

TO THE MEMBERS OF CMC MARKETS PLC

Responsibilities for the Financial Statements and the audit

Responsibilities of the Directors for the Financial Statements

As explained more fully in the Statement of Directors' responsibilities set out on page 89, the Directors are responsible for the preparation of the Financial Statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the parent 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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the parent company Financial Statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the members on 29 October 2009 to audit the Financial Statements for the year ended 31 March 2010 and subsequent financial periods. The period of total uninterrupted engagement is nine years, covering the years ended 31 March 2010 to 31 March 2018.



Gilly Lord (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

6 June 2018

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2018

GROUP	Note	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Revenue		209,128	185,927
Interest income		2,114	1,739
Total revenue	4	211,242	187,666
Introducing partner commissions and betting levies		(24,142)	(26,876)
Net operating income	3	187,100	160,790
Operating expenses	5	(125,863)	(111,591)
Operating profit		61,237	49,199
Finance costs	7	(1,173)	(734)
Profit before taxation	8	60,064	48,465
Taxation	9	(10,379)	(9,309)
Profit for the year attributable to owners of the parent		49,685	39,156
Earnings per share			
Basic earnings per share (p)	10	17.3p	13.7p
Diluted earnings per share (p)	10	17.1p	13.6p

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 Company had no other comprehensive income.

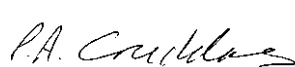
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

GROUP	Note	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Profit for the year		49,685	39,156
Other comprehensive income/(expense):			
Items that may be subsequently reclassified to income statement			
Gain/(loss) on net investment hedges	25	1,755	(2,950)
Amounts recycled from equity to the income statement	25	—	159
Currency translation differences	25	(3,093)	4,255
Change in value of available-for-sale financial assets		(58)	(7)
Other comprehensive (expense)/income for the year		(1,396)	1,457
Total comprehensive income for the year attributable to owners of the parent		48,289	40,613

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2018
COMPANY REGISTRATION NUMBER: 05145017

GROUP	Note	31 March 2018 £'000	31 March 2017 £'000
ASSETS			
Non-current assets			
Intangible assets	12	4,365	2,115
Property, plant and equipment	13	20,685	18,197
Deferred tax assets	14	8,802	8,113
Financial investments	18	10,822	—
Trade and other receivables	16	2,237	—
Total non-current assets		46,911	28,425
Current assets			
Trade and other receivables	16	47,940	31,542
Derivative financial instruments	17	7,335	1,935
Financial investments	18	10,330	20,272
Amounts due from brokers		156,887	119,390
Cash and cash equivalents	19	60,468	53,226
Total current assets		282,960	226,365
Total assets		329,871	254,790
LIABILITIES			
Current liabilities			
Trade and other payables	20	91,696	36,389
Derivative financial instruments	17	3,922	3,340
Borrowings	21	1,274	5,760
Current tax payable		2,347	5,489
Short-term provisions	22	145	368
Total current liabilities		99,384	51,346
Non-current liabilities			
Trade and other payables	20	5,389	3,030
Borrowings	21	2,346	3,042
Deferred tax liabilities	14	682	24
Long-term provisions	22	2,040	1,575
Total non-current liabilities		10,457	7,671
Total liabilities		109,841	59,017
EQUITY			
Equity attributable to owners of the Company			
Share capital	23	72,872	72,646
Share premium	23	46,236	46,236
Own shares held in trust	24	(567)	(466)
Other reserves	25	(49,452)	(48,056)
Retained earnings		150,941	125,413
Total equity		220,030	195,773
Total equity and liabilities		329,871	254,790

The Financial Statements on pages 99 to 143 were approved by the Board of Directors on 6 June 2018 and signed on its behalf by:



Peter Cruddas
Chief Executive Officer

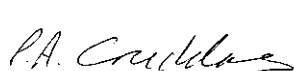


Grant Foley
Chief Operating and Financial Officer

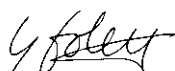
Financial statements
PARENT COMPANY STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2018
COMPANY REGISTRATION NUMBER: 05145017

COMPANY	Note	31 March 2018 £'000	31 March 2017 £'000
ASSETS			
Non-current assets			
Investment in subsidiary undertakings	15	166,737	168,906
Total non-current assets		166,737	168,906
Current assets			
Trade and other receivables	16	14,445	196
Cash and cash equivalents	19	280	149
Total current assets		14,725	345
Total assets		181,462	169,251
LIABILITIES			
Current liabilities			
Trade and other payables	20	15,235	21,363
Total current liabilities		15,235	21,363
Total liabilities		15,235	21,363
EQUITY			
Equity attributable to owners of the Company			
Share capital	23	72,872	72,646
Share premium	23	46,236	46,236
Retained earnings			
At 1 April		29,006	26,223
Profit for the year attributable to the owners		42,064	23,618
Other changes in retained earnings		(23,951)	(20,835)
		47,119	29,006
Total equity		166,227	147,888
Total equity and liabilities		181,462	169,251

The Financial Statements on pages 99 to 143 were approved by the Board of Directors on 6 June 2018 and signed on its behalf by:



Peter Cruddas
Chief Executive Officer



Grant Foley
Chief Operating and Financial Officer

CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

GROUP	Share capital £'000	Share premium £'000	Own shares held in trust £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 April 2016	72,600	46,243	(984)	(49,513)	107,981	176,327
New shares issued	46	(7)	—	—	—	39
Total comprehensive income for the year	—	—	—	1,457	39,156	40,613
Acquisition of own shares held in trust	—	—	(504)	—	—	(504)
Utilisation of own shares held in trust	—	—	1,022	—	—	1,022
Share-based payments	—	—	—	—	2,253	2,253
Tax on share-based payments	—	—	—	—	(31)	(31)
Dividends	—	—	—	—	(23,946)	(23,946)
At 31 March 2017	72,646	46,236	(466)	(48,056)	125,413	195,773
New shares issued	226	—	—	—	—	226
Total comprehensive income for the year	—	—	—	(1,396)	49,685	48,289
Acquisition of own shares held in trust	—	—	(104)	—	—	(104)
Utilisation of own shares held in trust	—	—	3	—	—	3
Share-based payments	—	—	—	—	1,505	1,505
Tax on share-based payments	—	—	—	—	57	57
Dividends	—	—	—	—	(25,719)	(25,719)
At 31 March 2018	72,872	46,236	(567)	(49,452)	150,941	220,030

Total equity is attributable to owners of the Company

COMPANY	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 1 April 2016	72,600	46,243	26,223	145,066
New shares issued	46	(7)	—	39
Total comprehensive income for the year	—	—	23,618	23,618
Share-based payments	—	—	3,114	3,114
Dividends	—	—	(23,949)	(23,949)
At 31 March 2017	72,646	46,236	29,006	147,888
New shares issued	226	—	—	226
Total comprehensive income for the year	—	—	42,064	42,064
Share-based payments	—	—	1,773	1,773
Dividends	—	—	(25,724)	(25,724)
At 31 March 2018	72,872	46,236	47,119	166,227

CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

	Note	GROUP		COMPANY	
		Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Cash flows from operating activities					
Cash generated from/(used in) operations	26	64,242	11,865	(3,859)	(16,235)
Interest income		2,114	1,739	253	—
Tax paid		(13,787)	(11,372)	—	—
Net cash generated from/(used in) operating activities		52,569	2,232	(3,606)	(16,235)
Cash flows from investing activities					
Purchase of property, plant and equipment		(8,640)	(3,069)	—	—
Proceeds from disposal of property, plant and equipment		42	85	—	—
Investment in intangible assets		(3,518)	(811)	—	—
Proceeds from disposal of intangible assets		—	33	—	—
Purchase of financial investments		(21,426)	(20,562)	—	—
Proceeds from maturity of financial investments and coupon receipts		20,512	20,710	—	—
Inflow/(outflow) on net investment hedges		2,206	(4,792)	—	—
Net contribution from subsidiaries		—	—	3,942	1,244
Dividends received		—	—	25,695	24,050
Net cash (used in)/generated from investing activities		(10,824)	(8,406)	29,637	25,294
Cash flows from financing activities					
Repayment of borrowings		(171,686)	(20,204)	—	—
Proceeds from borrowings		170,778	19,247	—	—
Proceeds from issue of Ordinary Shares		42	—	226	39
Acquisition of own shares		(104)	(465)	—	—
Dividends paid		(25,719)	(23,946)	(25,724)	(23,949)
Finance costs		(1,173)	(734)	(402)	—
Net cash used in financing activities		(27,862)	(26,102)	(25,900)	(23,910)
Net increase/(decrease) in cash and cash equivalents		13,883	(32,276)	131	(14,851)
Cash and cash equivalents at the beginning of the year		48,952	78,280	149	15,000
Effect of foreign exchange rate changes		(2,367)	2,948	—	—
Cash and cash equivalents at the end of the year		60,468	48,952	280	149

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

1. General information and basis of preparation

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 and its subsidiaries (collectively the "Group") are set out in note 3.

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 Group's 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 2.

Basis of accounting

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

The Financial Statements have been prepared in accordance with the going concern basis, under the historical cost convention, except in the case of "Financial instruments at fair value through profit or loss" and "Available-for-sale financial assets". The financial information is rounded to the nearest thousand, except where otherwise indicated.

The Group's principal accounting policies adopted in the preparation of these Financial Statements are set out in note 2 below. These policies have been consistently applied to all years presented. The Financial Statements presented are at and for the years ending 31 March 2018 and 31 March 2017. Financial annual years are referred to as 2018 and 2017 in the Financial Statements.

Changes in accounting policy and disclosures

Application of new and revised accounting standards

With effect from 1 April 2017, the Group has adopted:

- Amendments to IAS 7 'Statement of Cash Flows: Disclosure Initiative', which requires disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, such as foreign exchange adjustments. This new disclosure is provided in note 21 to the Financial Statements.
- Amendments to IAS 12 'Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses'. Application of these amendments has had no impact on the Financial Statements.

Otherwise, the accounting policies set out in note 2, below, have been applied consistently to both years presented in these Financial Statements.

New accounting standards in issue but not yet effective

At the date of authorisation of the 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 the Financial Statements:

- IFRS 9 'Financial Instruments: Classification and Measurement' will replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 has three measurement categories: amortised cost, fair value through profit or loss and fair value through other comprehensive income. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives.

The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement. The Group intends to adopt the standard in the accounting year beginning 1 April 2018. The Group does not expect that the adoption of IFRS 9 will have a material impact on the Financial Statements but will impact both the measurement and disclosure of financial instruments.

- IFRS 15 'Revenue from Contracts with Customers' deals with revenue recognition and establishes principles for reporting useful information to users of Financial Statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts' and related interpretations. The Group intends to adopt the standard in the accounting year beginning 1 April 2018. The Group has assessed the impact of this new standard on its Financial Statements, and our conclusion is that new revenue standard does not have a material impact on the Group's earned income and does not change the timing of recognition of revenue, as our current recognition approach is consistent with the new requirements under IFRS 15.

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2018

1. General information and basis of preparation continued

Changes in accounting policy and disclosures continued

New accounting standards in issue but not yet effective continued

- IFRS 16 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of Financial Statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019. The Group intends to adopt the standard in the accounting year beginning 1 April 2019. The Group continues to assess the full impact of IFRS 16; however, the impact will greatly depend on the facts and circumstances at the time of adoption and upon transition choices adopted. It is therefore not yet practicable to provide a reliable estimate of the financial impact on the Group's consolidated results.

Basis of consolidation

The Financial Statements incorporate the financial information of the Company and its subsidiaries. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

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. Acquisition-related costs are expensed as incurred.

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.

Significant accounting judgements

The preparation of Financial Statements in conformity with IFRSs requires the use of certain significant accounting judgements. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The only area involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the Financial Statements is:

Deferred taxes

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.

2. Summary of significant accounting policies

Total revenue

Revenue

Revenue comprises the fair value of the consideration received from the provision of online financial services in the ordinary course of the Group's activities, net of client rebates. Revenue is shown net of value added tax 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, spreads and financing income associated with acting as a market maker to its clients to trade contracts for difference ("CFD") and financial spread betting.

Revenue represents profits and losses, including commissions, spreads and financing income, from client 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.

Interest income

Total revenue also includes interest earned on the Group's own funds, clients' funds and broker trading deposits net of interest payable to clients and brokers. Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

2. Summary of significant accounting policies continued

Introducing partner commissions and betting levies

Commissions payable to introducing partners and spread betting levies are charged to the income statement when the associated revenue is recognised and is disclosed as a deduction from total revenue in deriving net operating income. Betting levy is payable on net gains generated from clients on spread betting and the Countdowns and Digital 100 products. This levy is payable on net gains generated from clients on these products.

Segmental reporting

The Group's segmental information is disclosed in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker ("CODM"), who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the CMC Markets plc Board. Operating segments that do not meet the quantitative thresholds required by IFRS 8 are aggregated. The segments are subject to annual review and the comparatives restated to reflect any reclassifications within the segmental reporting.

Share-based payment

The Group issues equity settled and cash 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 income statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the retained earnings.

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.

Cash settled share-based payments are measured at expected value at vesting date at least once per year, along with the likelihood of meeting non-market-based vesting conditions and the number of shares that are expected to vest. The cost is recognised in the income statement with a corresponding accrual.

Retirement benefit costs

A defined contribution plan is a post-employment benefit plan into which the Group pays fixed contributions to a third party pension provider and has no legal or constructive obligation to pay further amounts. Contributions are recognised as staff expenses in profit or loss in the years during which related employee services are fulfilled.

The Group operates defined contribution pension schemes for its Directors and employees. The assets of the schemes are held separately from those of the Group in independently administered funds.

Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor 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 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.

Exceptional items

Exceptional items are events or transactions that fall outside the ordinary activities of the Group and which by virtue of their size or incidence have been disclosed in order to improve a reader's understanding of the Financial Statements.

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies continued

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 and laws 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. Deferred tax is calculated using tax rates and laws enacted or substantively enacted by the balance sheet date.

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. Gains and losses arising on retranslation are included in the income statement 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 year. 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 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.

2. Summary of significant accounting policies continued

Intangible assets continued

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 the asset's estimated useful life.

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. Amortisation is charged to the income statement on a straight-line basis over their estimated useful lives.

Client relationships

The fair value attributable to client 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 client relationships 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 client relationships.

Following initial recognition, computer software, trademarks and trading licences and client relationships are carried at cost or initial fair value less accumulated amortisation. Amortisation is provided on all intangible assets 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	Amortisation policy
Computer software (purchased or developed)	3 years or life of licence
Trademarks and trading licences	10–20 years
Client 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
Leasehold improvements	15 years

The useful lives and residual values of the assets are assessed annually and may be adjusted 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.

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies continued

Impairment of assets

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 fair value less cost to sell 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.

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 those with maturities greater than 12 months after the end of the reporting year. 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 subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Group's loans and receivables comprise "trade and other receivables" (note 16), "amounts due from brokers" and "cash and cash equivalents" (note 19) in the statement of financial position.

Derivative financial instruments

Derivatives financial instruments, comprising index, commodities, foreign exchange and treasury futures and forward foreign exchange contracts are classified as "fair value through profit or loss" under IAS 39, unless designated as hedges. Derivatives not designated as hedges are initially recognised at fair value. Subsequent to initial recognition, changes in fair value of such derivatives and gains or losses on their settlement are recognised in the income statement.

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:

Held for trading

Derivatives classified as held for trading are included in this category. The Group uses derivative financial instruments in order to hedge derivative exposures arising from open client positions, which are classified as held for trading. All derivatives held for trading are carried in the statement of financial position at fair value with gains or losses recognised in revenue in the income statement.

Held as hedges of net investments in foreign operations

Where a foreign currency derivative financial instrument is a formally designated hedge of a net investment in a foreign operation, foreign exchange differences arising on translation of the financial instrument are recognised in the net investment hedging reserve via other comprehensive income to the extent the hedge is effective. The Group assesses the effectiveness of its net investment hedges based on fair value changes of its net assets and the fair value changes of the relevant financial instrument. The gain or loss relating to the ineffective portion is recognised immediately in operating costs in the income statement. Accumulated gains and losses recorded in net investment hedging reserve are recognised in operating costs in the income statement on disposal of the foreign operation.

Economic hedges (held as hedges of monetary assets and liabilities, financial commitments or forecast transactions)

These are derivatives held to mitigate the foreign exchange risk on monetary assets and liabilities, financial commitments or forecast transactions. Where a derivative financial instrument is used as an economic hedge of the foreign exchange exposure of a recognised monetary asset or liability, financial commitment or forecast transaction, but does not meet the criteria to qualify for hedge accounting under IAS 39, no hedge accounting is applied and any gain or loss resulting from changes in fair value of the hedging instrument is recognised in operating costs in the income statement.

2. Summary of significant accounting policies continued

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. 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 as hedges held for trading are margin traded. Amounts due from brokers represent funds placed with hedging counterparties, a proportion of which are posted to meet broker margin requirements. Assets or liabilities resulting from profits or losses on open positions are recognised separately as derivative financial instruments.

The Group offers cryptocurrencies as a product that can be traded on its platform. The Group purchases and sells cryptocurrencies to hedge the clients' positions. This product is used in a similar manner to using broking counterparties for hedging purposes. Whilst it does not strictly meet the definition of a financial asset we have accounted for the cryptocurrencies as a financial asset and included the values within "Amounts due from brokers".

Cash and cash equivalents

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

Client money

The Group holds money on behalf of clients in accordance with the Client Asset ("CASS") rules of the FCA and other financial markets regulators in the countries in which the Group operates. The amounts held on behalf of clients at the balance sheet date are stated in notes 19 and 20. Segregated client funds comprise individual client balances which are pooled in segregated client money bank accounts. Segregated client money bank accounts hold statutory trust status restricting the Group's ability to use the monies and accordingly such amounts and are not recognised on the Group's Statement of Financial Position.

Trade payables

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

Borrowings

The Group leases certain property, plant and equipment. The leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. These leases are capitalised at the lease's commencement at the lower of fair value and present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of liability for each period and is presented within finance costs. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

All loans and borrowings other than finance leases 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 the income statement when the liabilities are derecognised or impaired, as well as through the amortisation process.

Provisions

A provision is a liability of uncertain timing or amount that is 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.

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies continued

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.

Own shares held in trusts

Shares held in trust by the Company for the purposes of employee share schemes are classified as a deduction from shareholders' equity and are recognised at cost. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of equity shares.

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 are held at cost and are included as a deduction from equity attributable to the Company's equity owners 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, are included in equity attributable to the Company's equity owners.

3. Segmental reporting

The Group's principal business is online retail financial services and provides its clients 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. The Group also makes these services available to institutional partners through white label and introducing broker arrangements. The Group's CFDs are traded worldwide, whereas the financial spread betting products are only available to trade in the UK and Ireland and the Group provides stockbroking services only in Australia. The Group's core business is generally managed on a geographical basis and, for management purposes, the Group is organised into three segments:

- UK and Ireland ("UK & IE");
- Europe; and
- Australia, New Zealand and Singapore ("APAC") and Canada.

These segments are in line with the management information received by the chief operating decision maker ("CODM").

Revenues and costs are allocated to the segments that originated the transaction. Costs generated centrally are allocated to segments on an equitable basis, mainly based on revenue, headcount or active client levels.

GROUP	Year ended 31 March 2018				
	UK & IE £'000	Europe £'000	APAC & Canada £'000	Central £'000	Total £'000
Segment revenue net of introducing partner commissions and betting levies	73,087	50,465	61,434	—	184,986
Interest income	593	—	1,521	—	2,114
Net operating income	73,680	50,465	62,955	—	187,100
Segment operating expenses	(16,001)	(9,840)	(14,544)	(85,478)	(125,863)
Segment contribution	57,679	40,625	48,411	(85,478)	61,237
Allocation of central operating expenses	(25,603)	(26,734)	(33,141)	85,478	—
Operating profit	32,076	13,891	15,270	—	61,237
Finance costs	(62)	—	(1)	(1,110)	(1,173)
Allocation of central finance costs	(484)	(320)	(306)	1,110	—
Profit before taxation	31,530	13,571	14,963	—	60,064

3. Segmental reporting continued

GROUP	Year ended 31 March 2017				
	UK & IE £'000	Europe £'000	APAC & Canada £'000	Central £'000	Total £'000
Segment revenue net of introducing partner commissions and betting levies	61,091	45,194	52,766	—	159,051
Interest income	192	—	1,547	—	1,739
Net operating income	61,283	45,194	54,313	—	160,790
Segment operating expenses	(13,603)	(11,916)	(13,217)	(72,855)	(111,591)
Segment contribution	47,680	33,278	41,096	(72,855)	49,199
Allocation of central operating expenses	(23,050)	(23,355)	(26,450)	72,855	—
Operating profit	24,630	9,923	14,646	—	49,199
Finance costs	(71)	(4)	(2)	(657)	(734)
Allocation of central finance costs	(271)	(202)	(184)	657	—
Profit before taxation	24,288	9,717	14,460	—	48,465

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

The Group uses "Segment contribution" to assess the financial performance of each segment. Segment contribution comprises operating profit for the year before finance costs and taxation.

4. Total revenue

Revenue

GROUP	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
CFD and spread bet	197,385	175,842
Stockbroking	10,633	10,104
Other	1,110	(19)
Total	209,128	185,927

Interest income

GROUP	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Bank and broker interest	2,087	1,622
Interest from clients	3	64
Interest on financial investments	24	53
Total	2,114	1,739

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

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS CONTINUED
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5. Operating expenses

GROUP	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Net staff costs (note 6)	57,936	49,380
IT costs	16,949	15,352
Sales and marketing	20,558	21,791
Premises	6,224	5,211
Legal and professional fees	4,027	3,520
Regulatory fees	2,951	2,550
Depreciation and amortisation	6,810	5,835
Other	10,645	7,952
	126,100	111,591
Capitalised internal software development costs	(237)	—
Operating expenses	125,863	111,591

The above presentation reflects the breakdown of operating expenses by nature of expense.

6. Employee information

The aggregate employment costs of staff and Directors were:

GROUP	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Wages and salaries	46,106	36,819
Social security costs	6,677	5,102
Other pension costs	1,354	1,348
Share-based payments	3,003	4,408
Total Director and employee costs	57,140	47,677
Contract staff costs	3,475	1,703
	60,615	49,380
Capitalised internal software development costs	(2,679)	—
Net staff costs	57,936	49,380

Compensation of key management personnel is disclosed in note 31.

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

GROUP	Year ended 31 March 2018 Number	Year ended 31 March 2017 Number
By activity:		
Key management	7	7
Client acquisition and maintenance	278	266
IT development and support	133	120
Global support functions	148	167
Total Directors and employees	566	560
Contract staff	26	18
Total staff	592	578

The Company had no employees during the current year or prior year.

7. Finance costs

GROUP	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Interest and fees on bank borrowings	1,020	549
Other finance costs	153	185
Total	1,173	734

8. Profit before taxation

GROUP	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Profit before tax is stated after charging/(crediting):		
Depreciation	5,628	4,498
Amortisation of intangible assets	1,182	1,337
Net foreign exchange gain	(599)	(969)
Operating lease rentals	2,794	2,538
Auditors' remuneration for audit and other services (see below)	1,105	985

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

GROUP	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Audit services		
Audit of CMC Markets plc's financial statements	324	324
Audit of CMC Markets plc's subsidiaries	359	289
Total audit fees	683	613
Non-audit services		
Audit related services	366	144
Tax compliance services	38	228
Other non-audit services	18	—
Total non-audit fees	422	372
Total fees	1,105	985

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FOR THE YEAR ENDED 31 MARCH 2018

9. Taxation

GROUP	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Analysis of charge for the year		
Current tax:		
Current tax on profit for the year	10,769	9,034
Adjustments in respect of previous years	201	(41)
Total current tax	10,970	8,993
Deferred tax:		
Origination and reversal of temporary differences	(656)	414
Adjustments in respect of previous years	(29)	(187)
Impact of change in tax rate	94	89
Total deferred tax	(591)	316
Total tax	10,379	9,309

The standard rate of UK corporation tax charged was 19% with effect from 1 April 2017. Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions. The effective tax rate of 17.28% (year ended 31 March 2017: 19.21%) differs from the standard rate of UK corporation tax rate of 19% (year ended 31 March 2017: 20%). The differences are explained below:

GROUP	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Profit before taxation	60,064	48,465
Profit multiplied by the standard rate of corporation tax in the UK of 19% (31 March 2017: 20%)	11,412	9,693
Adjustment in respect of foreign tax rates	591	465
Adjustments in respect of previous years	172	(228)
Impact of change in tax rate	94	89
Expenses not deductible for tax purposes	180	366
Income not subject to tax	34	(115)
Irrecoverable foreign tax	357	292
Recognition of previously unrecognised tax losses	(2,262)	(1,380)
Other differences	(199)	127
Total tax	10,379	9,309

GROUP	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Tax on items recognised directly in equity		
Tax credit/(charge) on share-based payments	57	(31)

10. Earnings per share ("EPS")

Basic EPS is calculated by dividing the earnings attributable to the equity owners of the Company by the weighted average number of Ordinary Shares in issue during each 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 weighted average Ordinary Shares, which consists of share options granted to employees during the year ended 31 March 2018.

GROUP	Year ended 31 March 2018	Year ended 31 March 2017
Earnings attributable to ordinary shareholders (£'000)	49,685	39,156
Weighted average number of shares used in the calculation of basic earnings per share ('000)	287,556	286,693
Dilutive effect of share options ('000)	2,629	2,072
Weighted average number of shares used in the calculation of diluted earnings per share ('000)	290,185	288,765
Basic earnings per share (p)	17.3p	13.7p
Diluted earnings per share (p)	17.1p	13.6p

For the year ended 31 March 2018, 2,629,000 (year ended 31 March 2017: 2,072,000) potentially dilutive weighted average Ordinary Shares in respect of share options in issue were included in the calculation of diluted EPS.

11. Dividends

GROUP	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Declared and paid in each year		
Final dividend for 2017 at 5.95p per share (2016: 5.36p)	17,137	15,392
Interim dividend for 2018 at 2.98p per share (2017: 2.98p)	8,582	8,554
Total	25,719	23,946

The final dividend for 2018 of 5.95 pence per share, amounting to £17,196,000, was proposed by the Board on 6 June 2018 and has not been included as a liability at 31 March 2018. The dividend will be paid on 24 August 2018, following approval at the Company's AGM, to those members on the register at the close of business on 3 August 2018.

The dividends paid or declared in relation to the financial year are set out below:

GROUP	Year ended 31 March 2018 Pence	Year ended 31 March 2017 Pence
Declared per share		
Interim dividend	2.98p	2.98p
Final dividend	5.95p	5.95p
Total dividend	8.93p	8.93p

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FOR THE YEAR ENDED 31 MARCH 2018

12. Intangible assets

GROUP	Goodwill £'000	Computer software £'000	Trademarks and trading licences £'000	Client relationships £'000	Assets under development £'000	Total £'000
Cost						
At 1 April 2016	11,500	116,582	1,352	2,898	—	132,332
Additions	—	811	—	—	—	811
Disposals	—	(101)	—	—	—	(101)
Foreign currency translation	—	2,736	103	405	—	3,244
At 31 March 2017	11,500	120,028	1,455	3,303	—	136,286
Additions	—	602	—	—	2,916	3,518
Transfers	—	273	—	—	(273)	—
Foreign currency translation	—	(2,186)	(50)	(324)	(82)	(2,642)
At 31 March 2018	11,500	118,717	1,405	2,979	2,561	137,162
Accumulated amortisation						
At 1 April 2016	(11,500)	(114,423)	(862)	(2,898)	—	(129,683)
Charge for the year	—	(1,286)	(51)	—	—	(1,337)
Disposals	—	68	—	—	—	68
Foreign currency translation	—	(2,736)	(78)	(405)	—	(3,219)
At 31 March 2017	(11,500)	(118,377)	(991)	(3,303)	—	(134,171)
Charge for the year	—	(1,132)	(50)	—	—	(1,182)
Foreign currency translation	—	2,185	47	324	—	2,556
At 31 March 2018	(11,500)	(117,324)	(994)	(2,979)	—	(132,797)
Carrying amount						
At 1 April 2016	—	2,159	490	—	—	2,649
At 31 March 2017	—	1,651	464	—	—	2,115
At 31 March 2018	—	1,393	411	—	2,561	4,365

Computer software includes capitalised development costs of £26,487,000 relating to the Group's next generation trading platform which has been fully amortised.

Impairment

Intangibles are tested for impairment if events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. There was no impairment identified in the year ended 31 March 2018 (year ended 31 March 2017: £nil).

As a result of the ANZ Bank white label stockbroking agreement, the Group is committed to capital expenditure relating to the capitalisation of internal software development costs. It is estimated that the remaining internal software development costs up to the implementation date in September 2018 will total in the region of £2.2 million.

13. Property, plant and equipment

GROUP	Leasehold improvements £'000	Furniture, fixtures and equipment £'000	Computer hardware £'000	Construction in progress £'000	Total £'000
Cost					
At 1 April 2016	14,242	9,400	28,600	—	52,242
Additions	1,982	555	3,577	—	6,114
Disposals	(136)	(49)	(126)	—	(311)
Foreign currency translation	372	301	382	—	1,055
At 31 March 2017	16,460	10,207	32,433	—	59,100
Additions	1,924	573	2,834	3,309	8,640
Disposals	(138)	(163)	(40)	—	(341)
Foreign currency translation	(440)	(121)	(387)	(50)	(998)
At 31 March 2018	17,806	10,496	34,840	3,259	66,401
Accumulated depreciation					
At 1 April 2016	(6,101)	(8,231)	(21,560)	—	(35,892)
Charge for the year	(1,310)	(417)	(2,771)	—	(4,498)
Disposals	34	149	43	—	226
Foreign currency translation	(190)	(212)	(337)	—	(739)
At 31 March 2017	(7,567)	(8,711)	(24,625)	—	(40,903)
Charge for the year	(2,161)	(500)	(2,967)	—	(5,628)
Disposals	138	120	15	—	273
Foreign currency translation	205	84	253	—	542
At 31 March 2018	(9,385)	(9,007)	(27,324)	—	(45,716)
Carrying amount					
At 1 April 2016	8,141	1,169	7,040	—	16,350
At 31 March 2017	8,893	1,496	7,808	—	18,197
At 31 March 2018	8,421	1,489	7,516	3,259	20,685

The net book value amount of property, plant and equipment on 31 March 2018 includes £3,191,000 (31 March 2017: £4,684,000) in respect of computer hardware held under finance leases.

14. Deferred tax

GROUP	31 March 2018 £'000	31 March 2017 £'000
Deferred tax assets to be recovered within 12 months	4,634	2,170
Deferred tax assets to be recovered after 12 months	4,168	5,943
	8,802	8,113
Deferred tax liabilities to be settled within 12 months	(5)	(5)
Deferred tax liabilities to be settled after 12 months	(677)	(19)
	(682)	(24)
Net deferred tax asset	8,120	8,089

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14. Deferred tax continued

Deferred income taxes are calculated on all temporary differences under the liability method at the tax rate expected to apply when the deferred tax will crystallise. The gross movement on deferred tax is as follows:

GROUP	31 March 2018 £'000	31 March 2017 £'000
At 1 April	8,089	7,696
Credit/(charge) to income for the year	685	(227)
Credit/(charge) to equity for the year	57	(31)
Change in tax rate	(94)	(89)
Foreign currency translation	(617)	740
At 31 March	8,120	8,089

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

GROUP	Tax losses £'000	Accelerated capital allowances £'000	Other timing differences £'000	Total £'000
At 1 April 2016	3,968	2,183	1,545	7,696
Credit/(charge) to income for the year	128	(94)	(261)	(227)
Debit to equity for the year	—	—	(31)	(31)
Change in tax rate	(2)	(70)	(17)	(89)
Foreign currency translation	560	48	132	740
At 31 March 2017	4,654	2,067	1,368	8,089
Credit/(charge) to income for the year	121	(1,063)	1,627	685
Credit to equity for the year	—	—	57	57
Change in tax rate	—	(94)	—	(94)
Foreign currency translation	(475)	56	(198)	(617)
At 31 March 2018	4,300	966	2,854	8,120

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of the temporary differences can be deducted. The recoverability of the Group's deferred tax asset in respect of carry forward losses is based on an assessment of the future levels of taxable profit expected to arise that can be offset against these losses. The Group's expectations as to the level of future taxable profits take into account the Group's long-term financial and strategic plans and anticipated future tax adjusting items. In making this assessment, account is taken of business plans including the Board-approved Group budget. Key budget assumptions are discussed in the Directors' viability statement.

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. As on 31 March 2018 the Group did not recognise deferred tax assets of £12,922,000 (year ended 31 March 2017: £16,781,000) in respect of losses amounting to £43,513,000 (year ended 31 March 2017: £56,454,000). In respect of these losses, £42,497,000 (year ended 31 March 2017: £55,258,000) relates to the Group's Australian subsidiaries and there are no time limits on their utilisation. £1,016,000 (year ended 31 March 2017: £1,196,000) of the losses relates to the Group's Information Internet Ltd subsidiary and there are no time limits on their utilisation.

The Group has recognised a deferred tax asset of £4,268,000 (year ended 31 March 2017: £4,596,000) in respect of losses of £14,227,000 (year ended 31 March 2017: £15,319,000) in the Group's Australian subsidiaries as at 31 March 2018. The Group has recognised a deferred tax asset of £32,000 (year ended 31 March 2017: £31,000) in respect of losses of £172,000 (year ended 31 March 2017: £164,000) in the Group's Information Internet Ltd subsidiary as at 31 March 2018.

The change in the main rate of UK corporation tax from 19% to 17%, effective from 1 April 2020, passed into legislation in September 2016 through the 2016 Finance Act. The Group has assessed the impact of these changes in line with accounting policies and all deferred tax balances are recorded at the tax rate expected to apply when the deferred tax will crystallise.

15. Investment in subsidiary undertakings

COMPANY	31 March 2018 £'000	31 March 2017 £'000
At 1 April	168,906	167,036
Capital contribution relating to share-based payments	1,773	3,114
Amounts contributed by subsidiaries in relation to share-based payments	(4,234)	(1,244)
Investment	292	—
At 31 March	166,737	168,906

The list below includes all of the Group's direct and indirect subsidiaries as at 31 March 2018:

	Country of incorporation	Principal activities	Held
CMC Markets Holdings Ltd	England	Holding company	Directly
CMC Markets UK Holdings Ltd	England	Holding company	Indirectly
CMC Markets UK plc	England	Online trading	Indirectly
Information Internet Ltd	England	IT development	Indirectly
CMC Spreadbet plc	England	Financial spread betting	Indirectly
CMC Markets Overseas Holdings Ltd	England	Holding company	Indirectly
CMC Markets Asia Pacific Pty Ltd	Australia	Online trading	Indirectly
CMC Markets Pty Ltd	Australia	Training and education	Indirectly
CMC Markets Group Australia Pty Ltd	Australia	Holding company	Indirectly
CMC Markets Stockbroking Ltd	Australia	Stockbroking	Indirectly
CMC Markets Stockbroking Services Pty Ltd	Australia	Dormant	Indirectly
CMC Markets Stockbroking Nominees Pty Ltd	Australia	Stockbroking nominee	Indirectly
CMC Markets Stockbroking Nominees (No. 2 Account) Ltd	Australia	Dormant	Indirectly
CMC Markets Canada Inc	Canada	Client introducing office	Indirectly
CMC Markets NZ Ltd	New Zealand	Online trading	Indirectly
CMC Markets Singapore Pte Ltd	Singapore	Online trading	Indirectly
CMC Business Services (Shanghai) Limited	China	Training and education	Indirectly

Please refer to page 148 for the registered office addresses of the subsidiaries above.

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.

No direct and indirect subsidiaries of the Group were dissolved during the year ended 31 March 2018.

The list below includes all of the Group's employee benefit trusts as at 31 March 2018:

	Country of incorporation
CMC Markets plc Employee Share Trust	Jersey
CMC Markets plc UK Share Incentive Plan	England
CMC Markets plc (Discretionary Schemes) Employee Share Trust	England
CMC Markets 2007 Employee Benefit Trust	Isle of Man
CMC Employee Share Scheme Trust	Isle of Man

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FOR THE YEAR ENDED 31 MARCH 2018

16. Trade and other receivables

	GROUP		COMPANY	
	31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'000	31 March 2017 £'000
Current				
Gross trade receivables	7,455	5,089	—	—
Less: provision for impairment of trade receivables	(2,964)	(3,491)	—	—
Trade receivables	4,491	1,598	—	—
Amounts due from Group companies	—	—	505	—
Prepayments and accrued income	8,065	7,494	237	196
Stockbroking debtors	19,386	19,292	—	—
Other debtors	15,998	3,158	13,703	—
	47,940	31,542	14,445	196
Non-current				
Other debtors	2,237	—	—	—
Total	50,177	31,542	14,445	196

Stockbroking debtors represent the amount receivable in respect of equity security transactions executed on behalf of clients with a corresponding balance included within trade and other payables (note 20).

As part of the transaction with ANZ Bank, the Group has AUD 25,000,000 (£13,703,000) deposited in escrow, which is included in other debtors above.

17. Derivative financial instruments

Assets

GROUP	31 March 2018 £'000	31 March 2017 £'000
Held for trading		
Index, commodity, foreign exchange and treasury futures	3,275	480
Forward foreign exchange contracts	3,218	979
Held for hedging		
Forward foreign exchange contracts – economic hedges	842	184
Forward foreign exchange contracts – net investment hedges	—	292
Total	7,335	1,935

Liabilities

GROUP	31 March 2018 £'000	31 March 2017 £'000
Held for trading		
Index, commodity, foreign exchange and treasury futures	(1,401)	(3,007)
Forward foreign exchange contracts	(2,356)	(328)
Held for hedging		
Forward foreign exchange contracts – economic hedges	(6)	(5)
Forward foreign exchange contracts – net investment hedges	(159)	—
Total	(3,922)	(3,340)

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.

17. Derivative financial instruments continued

Held for trading

As described in note 28, the Group enters derivative contracts in order to hedge its market price risk exposure arising from open client positions.

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 hedges. During the year ended 31 March 2018, £311,000 of gains net of revaluation gains or losses relating to economic hedges were recognised in the income statement (year ended 31 March 2017: gains £1,103,000).

The Group has designated a number of foreign exchange derivative contracts as hedges of the net investment in the Group's foreign operations. At 31 March 2018, £6,884,000 (31 March 2017: £8,639,000) of fair value losses were recorded in net investment hedging reserve within other reserves. At 31 March 2018, £5,293,000 (31 March 2017: £8,386,000) of fair value gains were recorded in translation reserve within other reserves. All changes in the fair value were treated as being effective under IAS 39 'Financial Instruments: Recognition and Measurement'.

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

The Group's derivative positions are reported gross on the statement of financial position, as required by IAS 32 where there are no offset rights in place. There are no further netting arrangements or collateral posted which would impact the settlement of these balances.

18. Financial investments

GROUP	31 March 2018 £'000	31 March 2017 £'000
UK government securities		
At 1 April	20,272	20,374
Purchase of securities	21,426	20,562
Maturity of securities and coupon receipts	(20,512)	(20,710)
Accrued interest	24	53
Net losses transferred to equity	(58)	(7)
At 31 March	21,152	20,272
Less: non-current portion	(10,822)	—
Current portion	10,330	20,272

The UK government securities are held by the Group in satisfaction of the FCA requirements to hold a "liquid assets buffer" against potential liquidity stress under BIPRU12.

The effective interest rates of securities held at the year-end range from 0.15% to 1.93%.

Financial investments are shown as current assets when they have a maturity less than one year and as non-current when they have maturity more than one year and are held as "available for sale". The fair value of securities held is based on closing market prices at the year end as published by the UK Debt Management Office.

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FOR THE YEAR ENDED 31 MARCH 2018

19. Cash and cash equivalents

	GROUP		COMPANY	
	31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'000	31 March 2017 £'000
Gross cash and cash equivalents	365,271	363,258	280	149
Less: client monies	(304,803)	(310,032)	—	—
Cash and cash equivalents	60,468	53,226	280	149
Analysed as:				
Cash at bank	60,468	50,218	280	149
Short-term deposits	—	3,008	—	—

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

Cash and cash equivalents comprise the following for the purpose of the statement of cash flows:

	GROUP		COMPANY	
	31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'000	31 March 2017 £'000
Cash and cash equivalents	60,468	53,226	280	149
Less: bank overdrafts (note 21)	—	(4,274)	—	—
Cash and cash equivalents (net of bank overdrafts)	60,468	48,952	280	149

20. Trade and other payables

	GROUP		COMPANY	
	31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'000	31 March 2017 £'000
Current				
Gross trade payables	352,826	313,871	—	8
Less: client monies	(304,803)	(310,032)	—	—
Trade payables	48,023	3,839	—	8
Amount due to Group companies	—	—	15,160	21,242
Tax and social security	272	25	—	—
Stockbroking creditors	16,992	17,079	—	—
Other creditors, accruals and deferred income	26,409	15,446	75	113
	91,696	36,389	15,235	21,363
Non-current				
Accruals and deferred income	5,389	3,030	—	—
Total	97,085	39,419	15,235	21,363

Stockbroking creditors represent the amount payable in respect of equity and security transactions executed on behalf of clients with a corresponding balance included within trade and other receivables (note 16).

21. Borrowings

GROUP	31 March 2018 £'000	31 March 2017 £'000
Current		
Finance lease liabilities	839	1,316
Bank overdrafts	—	4,274
Other liabilities	435	170
	1,274	5,760
Non-current		
Finance lease liabilities	1,615	2,455
Other liabilities	731	587
	2,346	3,042
Total	3,620	8,802

The fair value of financial liabilities is approximate to the book value shown above.

GROUP	31 March 2018 £'000	31 March 2017 £'000
Finance lease liabilities		
Amounts payable under finance lease:		
Within one year	904	1,424
In the second to fifth years inclusive	1,677	2,581
After five years	—	—
	2,581	4,005
Less: future finance charges	(127)	(234)
Present value of lease obligations	2,454	3,771

The present value of finance lease liabilities is repayable as follows:

GROUP	31 March 2018 £'000	31 March 2017 £'000
Within one year	839	1,316
In the second to fifth years inclusive	1,615	2,455
After five years	—	—
Present value of lease obligations	2,454	3,771

The weighted average interest rates paid were as follows:

GROUP	31 March 2018 %	31 March 2017 %
Finance leases	3.21	3.67

Bank loans

In March 2018, the Group completed a syndication of the revolving credit facility, which resulted in an increase to £65,000,000 (31 March 2017: £40,000,000) where £32,500,000 had a maturity date of March 2019 and £32,500,000 had a maturity date of March 2021. This facility can only 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 and LIBOR. Other fees such as commitment fees, legal fees and arrangement fees are also payable on this facility (note 7).

Undrawn borrowing facilities

At 31 March 2018 the Group no longer had a multi-currency overdraft facility (31 March 2017: £7,500,000).

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2018

21. Borrowings continued**Analysis of net cash**

GROUP	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Cash and cash equivalents	60,468	53,226
Less: bank overdrafts	—	(4,274)
Cash and cash equivalents (net of bank overdrafts)	60,468	48,952
Borrowings (excluding overdrafts)	(3,620)	(4,528)
Net cash	56,848	44,424

GROUP	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
At 1 April	44,424	75,840
Increase/(decrease) in cash and cash equivalents	13,883	(32,276)
Proceeds from borrowings	(170,778)	(19,247)
Repayment of borrowings	171,686	20,204
Change in net cash resulting from cash flows	59,215	44,521
Inception of finance leases	—	(3,045)
Effect of foreign exchange rate changes	(2,367)	2,948
At 31 March	56,848	44,424

22. Provisions

GROUP	EBT commitments £'000	Property related £'000	Other £'000	Total £'000
At 1 April 2016	160	1,407	—	1,567
Additional provision	—	171	208	379
Utilisation of provision	—	(37)	—	(37)
Currency translation	—	34	—	34
At 31 March 2017	160	1,575	208	1,943
Additional provision	—	494	—	494
Utilisation of provision	(15)	—	(208)	(223)
Currency translation	—	(29)	—	(29)
At 31 March 2018	145	2,040	—	2,185

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

The property-related provisions include dilapidation provisions and discounted obligations under onerous lease contracts less any amounts considered recoverable by management. Dilapidation provisions have been capitalised as part of cost of leasehold improvements and are amortised over the term of the lease.

The other provisions balance on 31 March 2017 relates to provisions for redundancy payments.

GROUP	31 March 2018 £'000	31 March 2017 £'000
Analysis of total provisions		
Current	145	368
Non-current	2,040	1,575
Total	2,185	1,943

23. Share capital and premium

GROUP AND COMPANY	Number		£'000	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Authorised				
Ordinary Shares of 25p	400,000,000	400,000,000	100,000	100,000
Allotted, issued and fully paid				
Ordinary Shares of 25p	289,008,354	288,103,959	72,252	72,026
Deferred Shares of 25p	2,478,086	2,478,086	620	620
Total	291,486,440	290,582,045	72,872	72,646

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 or dividend rights. In the event of a winding-up, Ordinary Shares shall be repaid at nominal value plus £500,000 each in priority to deferred shares.

GROUP AND COMPANY	Ordinary Shares Number	Deferred Shares Number	Total Number
At 1 April 2016	287,923,211	2,478,086	290,401,297
New shares issued	180,748	—	180,748
At 31 March 2017	288,103,959	2,478,086	290,582,045
New shares issued	904,395	—	904,395
At 31 March 2018	289,008,354	2,478,086	291,486,440

GROUP AND COMPANY	Ordinary Shares £'000	Deferred Shares £'000	Share premium £'000	Total £'000
At 1 April 2016	71,980	620	46,243	118,843
New shares issued	46	—	(7)	39
At 31 March 2017	72,026	620	46,236	118,882
New shares issued	226	—	—	226
At 31 March 2018	72,252	620	46,236	119,108

Movements in share capital and premium

In February 2017, the Company issued 28,861 bonus shares with nominal value of 25 pence utilising share premium to certain client shareholders as per the terms of the shares subscription at listing. In addition 904,395 (year ended 31 March 2017: 151,887) shares with nominal value of 25 pence were issued to employee benefit trusts.

During the year ended 31 March 2018, no Ordinary Shares were converted to Deferred Shares in accordance with the terms of grant to employees who have now left the Group (31 March 2017: nil).

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24. Own shares held in trust

GROUP	Number	£'000
Ordinary Shares of 25p		
At 1 April 2016	756,250	984
Acquisition	766,054	504
Utilisation	(908,137)	(1,022)
At 31 March 2017	614,167	466
Acquisition	77,840	104
Utilisation	(18,637)	(3)
At 31 March 2018	673,370	567

The shares are held by various employee benefit trusts 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.

25. Other reserves

GROUP	Translation reserve £'000	Net investment hedging reserve £'000	Available-for-sale reserve £'000	Merger reserve £'000	Total £'000
At 1 April 2016	3,972	(5,689)	4	(47,800)	(49,513)
Currency translation differences	4,255	—	—	—	4,255
Losses on net investment hedges	—	(2,950)	—	—	(2,950)
Amounts recycled to income statement	159	—	—	—	159
Losses on financial investments	—	—	(7)	—	(7)
At 31 March 2017	8,386	(8,639)	(3)	(47,800)	(48,056)
Currency translation differences	(3,093)	—	—	—	(3,093)
Gains on net investment hedges	—	1,755	—	—	1,755
Losses on financial investments	—	—	(58)	—	(58)
At 31 March 2018	5,293	(6,884)	(61)	(47,800)	(49,452)

Translation reserve

The translation reserve is comprised of translation differences on foreign currency net investments held by the Group.

During the year ended 31 March 2017, the Group liquidated two of its Austrian subsidiaries; as a result an amount of £159,000 was recycled to the income statement.

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 of these hedging instruments were treated as being effective under IAS 39 'Financial Instruments: Recognition and Measurement'.

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.

26. Cash generated from/(used in) operations

	GROUP		COMPANY	
	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Cash flows from operating activities				
Profit before taxation	60,064	48,465	42,064	23,618
Adjustments for:				
Interest income	(2,114)	(1,739)	(253)	—
Dividends received	—	—	(42,168)	(24,050)
Finance costs	1,173	734	402	—
Depreciation	5,628	4,498	—	—
Amortisation of intangible assets	1,182	1,337	—	—
Research and development tax credit	(333)	—	—	—
Other non-cash movements including exchange rate movements	357	719	—	—
Share-based payment	1,773	3,107	—	—
Changes in working capital				
Increase in trade and other receivables	(18,659)	(10,664)	(14,249)	(196)
Increase in amounts due from brokers	(37,497)	(35,160)	—	—
Increase/(decrease) in trade and other payables	57,666	1,180	10,345	(15,607)
Decrease in net derivative financial instruments	(5,269)	(954)	—	—
Increase in provisions	271	342	—	—
Cash generated from/(used in) operations	64,242	11,865	(3,859)	(16,235)

The movement in trade and other receivables for the year ended 31 March 2018 also includes £310,000 (31 March 2017: £490,000) of exceptional litigation income received during the year. This exceptional income was recognised in the year ended 31 March 2016.

27. Financial instruments

Analysis of financial instruments by category

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

GROUP	31 March 2018				
	Assets at FVOCI £'000	Assets at FVPL £'000	Derivatives held for hedging £'000	Loans and receivables £'000	Total £'000
Financial assets					
Cash and cash equivalents	—	—	—	60,468	60,468
Financial investments	21,152	—	—	—	21,152
Amounts due from brokers	—	—	—	156,887	156,887
Derivative financial instruments	—	7,335	—	—	7,335
Trade and other receivables	—	—	—	42,112	42,112
	21,152	7,335	—	259,467	287,954

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27. Financial instruments continued**Analysis of financial instruments by category continued**

	31 March 2018			
	Liabilities at FVPL £'000	Derivatives held for hedging £'000	Financial liabilities at amortised cost £'000	Total £'000
Financial liabilities				
Trade and other payables excluding non-financial liabilities	—	—	(90,419)	(90,419)
Derivative financial instruments	(3,763)	(159)	—	(3,922)
Borrowings	—	—	(1,166)	(1,166)
Finance lease liabilities	—	—	(2,454)	(2,454)
	(3,763)	(159)	(94,039)	(97,961)

GROUP	31 March 2017				
	Assets at FVOCI £'000	Assets at FVPL £'000	Derivatives held for hedging £'000	Loans and receivables £'000	Total £'000
Financial assets					
Cash and cash equivalents	—	—	—	53,226	53,226
Financial investments	20,272	—	—	—	20,272
Amounts due from brokers	—	—	—	119,390	119,390
Derivative financial instruments	—	1,643	292	—	1,935
Trade and other receivables	—	—	—	24,048	24,048
	20,272	1,643	292	196,664	218,871

	31 March 2017			
	Liabilities at FVPL £'000	Derivatives held for hedging £'000	Financial liabilities at amortised cost £'000	Total £'000
Financial liabilities				
Trade and other payables excluding non-financial liabilities	—	—	(39,394)	(39,394)
Derivative financial instruments	(3,340)	—	—	(3,340)
Borrowings	—	—	(5,031)	(5,031)
Finance lease liabilities	—	—	(3,771)	(3,771)
	(3,340)	—	(48,196)	(51,536)

27. Financial instruments continued

Maturity analysis

GROUP	31 March 2018				
	On demand £'000	Less than three months £'000	Three months to one year £'000	After one year £'000	Total £'000
Financial assets					
Cash and cash equivalents	60,468	—	—	—	60,468
Financial investments	—	—	9,950	10,500	20,450
Amounts due from brokers	156,887	—	—	—	156,887
Derivative financial instruments	—	7,335	—	—	7,335
Trade and other receivables	25,427	245	14,203	2,237	42,112
	242,782	7,580	24,153	12,737	287,252
Financial liabilities					
Trade and other payables	(90,419)	—	—	—	(90,419)
Derivative financial instruments	—	(3,922)	—	—	(3,922)
Borrowings	—	(72)	(404)	(746)	(1,222)
Finance lease liabilities	—	(263)	(641)	(1,677)	(2,581)
	(90,419)	(4,257)	(1,045)	(2,423)	(98,144)
Net liquidity gap	152,363	3,323	23,108	10,314	189,108

GROUP	31 March 2017				
	On demand £'000	Less than three months £'000	Three months to one year £'000	After one year £'000	Total £'000
Financial assets					
Cash and cash equivalents	50,218	—	3,008	—	53,226
Financial investments	—	—	19,757	—	19,757
Amounts due from brokers	119,390	—	—	—	119,390
Derivative financial instruments	—	1,935	—	—	1,935
Trade and other receivables	23,428	195	425	—	24,048
	193,036	2,130	23,190	—	218,356
Financial liabilities					
Trade and other payables	(35,776)	—	—	—	(35,776)
Derivative financial instruments	—	(3,340)	—	—	(3,340)
Borrowings	(4,274)	(47)	(142)	(621)	(5,084)
Finance lease liabilities	—	(505)	(919)	(2,581)	(4,005)
	(40,050)	(3,892)	(1,061)	(3,202)	(48,205)
Net liquidity gap	152,986	(1,762)	22,129	(3,202)	170,151

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27. Financial instruments continued

Fair value estimation

The Group's assets and liabilities that are measured at fair value are derivative financial instruments and financial investments in UK government securities. 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).

GROUP	31 March 2018			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial investments	21,152	—	—	21,152
Derivative financial instruments (current assets)	—	7,335	—	7,335
Derivative financial instruments (current liabilities)	—	(3,922)	—	(3,922)
	21,152	3,413	—	24,565

GROUP	31 March 2017			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial investments	20,272	—	—	20,272
Derivative financial instruments (current assets)	—	1,935	—	1,935
Derivative financial instruments (current liabilities)	—	(3,340)	—	(3,340)
	20,272	(1,405)	—	18,867

28. Financial risk management

The Group's day-to-day business activities naturally expose it to strategic, financial (including credit, market and liquidity) and operational risks. The Board accepts that it cannot place a cap or limit on all of the risks to which the Group is exposed. However, effective risk management ensures that risks are managed to an acceptable level. The Board 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 of the adherence to Group policies. The Group has adopted a standard risk process, through a five step approach to risk management: risk identification; risk assessment; risk management; risk reporting and risk monitoring. The approach to managing risk within the business is governed by the Board approved Risk Appetite Statement and Risk Management Framework.

The Board sets the strategy and the policies for managing these risks and delegates the monitoring and management of these risks to various committees including the Group Risk Committee and Risk Management Committee.

The Group's ICAAP review document is prepared under the requirements set out in the Prudential Regulation Authority ("PRA") Rulebook in accordance with CRD IV¹. A key purpose of an ICAAP is to inform a firm's board of the ongoing assessment of the firm's risks, how the firm intends to mitigate those risks, and how much current and future capital is necessary. This is achieved by considering potential stresses as well as mitigating factors.

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

1 The Capital Requirements Directive (2013/36/EU) ("CRD") and the Capital Requirements Regulation (575/2013) ("CRR"), called "CRD IV".

28. Financial risk management continued

Market risk

Market risk is defined as the risk that the value of our residual portfolio will decrease due to the change in market risk factors. The three standard market risk factors are price moves, interest rates and foreign exchange rates.

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.

Mitigation of market risk

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

- **Natural mitigation of concentration**

The Group acts as a market maker in around 10,000 asset instruments, specifically equities, equity indices, commodities, treasuries and foreign exchange. Due to the high level of notional turnover there is a high level of internal crossing and natural hedging across instruments and asset classes to mitigate significant single instrument concentration risk within the portfolio.

- **Natural aggregation**

In the year ended 31 March 2018, the Group traded with around 60,000 clients. This large international client base has a diverse range of trading strategies resulting in the Group enjoying a high degree of natural hedging between clients. This “portfolio effect” leads to a significant reduction in the Group’s net market risk exposure.

- **Ease of hedging**

The Group predominantly acts as a market maker in linear, highly liquid financial instruments in which it can easily neutralise market risk exposure through its prime broker (“PB”) arrangements. In order to avoid over-reliance on one arrangement the Group has six PB relationships. For instruments where there is no equivalent underlying market (e.g. Countdowns) the Group controls its risk through setting low position/exposure limits. This is further augmented by dealer monitoring and intervention, which can take the form of restricting the size offered or, if deemed necessary, restricting the clients’ ability to take a position in an instrument.

Market risk limits

Market risk positions are managed in accordance with the Group’s Risk Appetite Statement and Group Risk Management Framework to ensure that 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 component under notional position limits that are set on an instrument and asset class level with overarching capital-based limits.

Client exposures can vary significantly over a short period of time and are highly dependent on underlying market conditions. The Group’s own funds requirement (OFR) is calculated as per the CRR. It has increased against the prior year but remains well within the Board-approved risk appetite.

GROUP OFR	31 March 2018 £'000	31 March 2017 £'000
Asset class		
Consolidated equities	3,974	6,831
Commodities	3,569	2,561
Fixed income and interest rates	533	711
Foreign exchange	3,882	1,124
Countdowns and binaries	7	—
	11,965	11,227

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS CONTINUED
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28. Financial risk management continued

Market risk continued

Market price risk – stress testing

Group Financial Risk conducts market price risk stress testing on a daily basis. The stress testing approach is tailored according to the asset class and the client behaviours seen to ensure the most suitable stress testing model is used. For example longer/shorter holding periods, intraday movements or end-of-day positions, historic volatility or Conditional Value at Risk ("CVaR")/Expected Tail Loss ("ETL") (for severe market movements). It should be noted that the Group not only runs likely and probable scenarios but also extreme case stress scenarios on a daily basis, where the stress factors simulate almost black swan type events to ensure capital adequacy is maintained.

None of the stress tests run through the year implied any significant risk to the capital adequacy nor ongoing profitability of the Group.

Non-trading book interest-rate risk

Interest rate risk arises from either less interest being earned or more being paid on interest bearing assets and liabilities due to a change in the relevant floating rate.

Interest rate risk is felt by the Group through a limited number of channels: income on segregated client and own funds; debits on client balances that are over a pre-defined threshold; changes to the value of fixed rate UK government securities held.

The sensitivity analysis performed is based on a reasonable and possible move in the floating rate by 0.5% upwards and 0.25% downwards. This is in line with the movement used for the year ended 31 March 2017.

This is summarised in the below table, and reflects the Group's view that in the current economic environment, interest rate volatility is unlikely to have a significant impact on the profits of the Group.

Changes in interest rate variables result in a decrease/increase in the fair value of fixed rate financial assets classified as available for sale. This has no material impact on the Group's equity.

	31 March 2018	
	Absolute increase £'000	Absolute decrease £'000
GROUP		
Impact of	0.50% change	0.25% change
Profit after tax	863	(523)
Equity	863	(523)

	31 March 2017	
	Absolute increase £'000	Absolute decrease £'000
GROUP		
Impact of	0.50% change	0.25% change
Profit after tax	842	(529)
Equity	842	(529)

28. Financial risk management continued

Non-trading book foreign exchange risk

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

CMC is exposed to foreign exchange risk in the form of transaction and translation exposure.

Transaction exposure is from holdings of cash and other current assets and liabilities in a currency other than the base currency of the entity. This risk is hedged each month by the Liquidity Risk Management team according to a policy based on a cap and floor model, with gains/losses recognised in the income statement. Any foreign exchange transaction exposures are hedged in accordance with Group Foreign Exchange Hedging Policy. Given the effectiveness of the hedging program (income statement impact in year ended 31 March 2018: Gain of £311,000, year ended 31 March 2017: Gain of £1,103,000), no sensitivity analysis has been performed. These "fair value hedges" are derivative financial instruments and are reported as described in note 17.

Translation exposure occurs when the net assets of an entity are denominated in a foreign currency other than GBP, when the consolidated statement of financial position is prepared. The Group hedges this exposure by using FX forwards. These "Net Investment Hedges" are derivative financial instruments and are reported as described in note 17. The unhedged portion does not pose a significant risk to the capital adequacy or to the ongoing profitability of the Group.

Credit risk

Credit risk is the risk that the counterparty to a transaction will cause the Group financial loss by failing to fulfil a contractual obligation. Below are the channels of credit risk the Group is exposed through:

- Credit institution (CI)
- Client

Credit institution credit risk

The Group has relationships with a number of counterparties that provide prime brokerage and/or banking services (e.g. cash accounts, foreign exchange trading, credit facilities, custodian services, etc.). All these market counterparties can be described as CIs as defined by Article 4 "Definitions" in the CRR ("credit institution" is defined as an undertaking the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account).

CI credit risk can therefore be defined as the risk that a CI will default on their contractual obligation to the Group resulting in a loss to the Group.

The above could be felt in two ways:

- For CIs used as a bank and those as a broker, the Group does not receive the funds the CI holds on the Group's account.
- For the CIs used as broker, the default causes the need to re-hedge at a different broker at a different price.

Mitigation of CI credit risk

To mitigate or avoid a credit loss:

- The Group maintains, where practical, a range of relationships to reduce over-reliance on a single CI – as detailed in the Group Counterparty Concentration Risk Policy.
- The Group monitors the credit worthiness of the credit institution and reviews counterparties at least annually – as detailed in the Group Hedge Counterparty Selection Policy.

Contractual losses can be reduced by the "close-out netting" conditions in the ISDA and broker agreements. If a specified event of default occurs, all transactions or all of a given type are terminated and netted (i.e. set off against each other) at market value or, if otherwise specified in the contract or if it is not possible to obtain a market value, at an amount equal to the loss suffered by the non-defaulting party in replacing the relevant contract.

Liquidity Risk Management monitor the credit quality of all CIs, by tracking the credit ratings issued by Moody's, Standard & Poor's and Fitch rating agencies and the CDS (Credit Default Swap) spreads determined in the CDS market. Credit ratings, rating outlooks and CDS spreads are reported to senior management on a weekly basis with any changes highlighted.

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28. Financial risk management continued

Non-trading book foreign exchange risk continued

Mitigation of CI credit risk continued

All CIs that the Group transacts with are of investment grade quality; however, no quantitative credit rating limits are set by the Group that CIs must exceed because the choice of suitable CIs is finite and therefore setting minimum rating limits could lead to the possibility that no CIs are able to meet them. As an alternative, the Group reviews negative rating action and large CDS spread widening to CIs on a case-by-case basis. Negative rating action on CIs rated below A3/A-/A- (by Moody's, S&P and Fitch respectively) would be escalated directly to the Chief Operating and Financial Officer in the first instance to decide if any management actions were required. Possible actions by the Group to reduce exposure to CIs depend on the nature of the relationship and the practical availability of substitute CIs. Possible actions include the withdrawal of cash balances from a CI on a daily basis, switching a proportion of hedge trading to another prime broker CI or ceasing all commercial activity with the CI.

The tables below present CMC Markets' exposure to credit institutions (or similar) based on their long-term credit rating.

GROUP	31 March 2018			
	Cash and cash equivalents (net of bank overdraft) £'000	Amounts due from brokers £'000	Net derivative financial instruments £'000	Total £'000
AA+ to AA-	22,979	—	—	22,979
A+ to A-	6,963	113,000	2,735	122,698
BBB+ to BBB-	30,526	41,164	678	72,368
Unrated	—	2,723	—	2,723
	60,468	156,887	3,413	220,768

GROUP	31 March 2017			
	Cash and cash equivalents (net of bank overdraft) £'000	Amounts due from brokers £'000	Net derivative financial instruments £'000	Total £'000
AA+ to AA-	18,852	—	—	18,852
A+ to A-	7,150	84,600	(1,876)	89,874
BBB+ to BBB-	22,949	34,788	471	58,208
Unrated	1	2	—	3
	48,952	119,390	(1,405)	166,937

No cash balances or deposits with institutions were considered past due but not impaired or impaired (year ended 31 March 2017: £nil).

Client credit risk

The Group operates a real-time mark-to-market leveraged trading facility where clients are required to lodge collateral against positions, with any profits and losses generated by the client credited and debited automatically to their account. As with any leveraged product offering, there is the potential for a client to lose more than the collateral lodged.

Client counterparty risk captures the risk associated with a client defaulting on its obligations due to the Group. As the Group does not offer most of its retail clients credit terms and has a robust liquidation process, client counterparty credit risk will in general only arise when markets and instruments gap and the movement in the value of a client's leveraged portfolio exceeds the value of equity that the client has held at the Group leaving the client account in deficit.

28. Financial risk management continued

Credit risk continued

Mitigation of client credit risk

- **Liquidation process**

This is the automated process of closing a client's open position if the total equity is not enough to cover a predefined percentage of required margin for the portfolio held.

The Group has a fully automated liquidation process on the Next Generation platform and a semi-automated liquidation order management process on Marketmaker. These processes ensure a consistent and timely approach to the processing of liquidation orders and ultimately aim to minimise client credit risk exposure through protecting the client from becoming a debtor.

Pre-emptive processes are also in place where a client's free equity (total equity less total margin requirement) becomes negative¹. At this point the client is requested to deposit additional funds and is restricted from increasing their position.

¹ Clients in some regions may use limited risk accounts, where it is guaranteed that a client cannot move to a negative equity balance.

- **Tiered margin**

Tiered margin was implemented in September 2013 on the Next Generation platform. It enables the Group to set higher margin rates (therefore requiring a client to lodge more collateral) against positions that are deemed to be more risky due to risk profile, which could be due to size relative to the underlying turnover, the Group's risk appetite or volatility of the instrument.

- **Position limits**

Position limits can be implemented on an instrument and client level on the Next Generation platform. The instrument level enables the Group to control the total exposure the Group acquires in a single instrument. At a client level this ensures that the client can only reach a pre-defined size in any one instrument.

Client credit risk stress testing

None of the stress tests run through the year implied any significant risk to the capital adequacy or to the ongoing profitability of the Group.

Client debt history

The Group establishes specific provisions against debts due from clients 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 clients agreement. Net debt provided for in the year ended 31 March 2018 amounted to £323,000 (year ended 31 March 2017: £883,000), the provision representing 0.2% of total revenue (year ended 31 March 2017: 0.5%). Bad debt written off during the year ended 31 March 2018 was £850,000 or 0.4% of revenue (year ended 31 March 2017: £1,382,000; 0.7% of revenue).

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

GROUP	31 March 2018 £'000	31 March 2017 £'000
Opening provision	3,491	3,990
Net debt provided	323	883
Debt written off	(850)	(1,382)
Closing provision	2,964	3,491

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28. Financial risk management continued

Credit risk continued

Debt ageing analysis

The Group works efficiently to minimise the effects of client debts on the Company's profit and loss. Client debts are managed very early in their life cycle in order to minimise the likelihood of them becoming doubtful debts or of being written off. There are no debts past due which have not been impaired. The following table sets out ageing of debts that are past due and the provisions charged against them:

GROUP	31 March 2018	
	Debt £'000	Provision £'000
Less than one month	3,178	2
One to three months	1,166	481
Three to 12 months	241	192
Over 12 months	2,870	2,289
	7,455	2,964

GROUP	31 March 2017	
	Debt £'000	Provision £'000
Less than one month	682	13
One to three months	63	19
Three to 12 months	483	416
Over 12 months	3,861	3,043
	5,089	3,491

Liquidity risk

Liquidity risk is the risk that there is insufficient available liquidity to meet the obligations of the Group as they fall due.

Liquidity is managed centrally for the Group by the Liquidity Risk Management team. The Group utilises a combination of liquidity forecasting and stress testing (formally documented in the Individual Liquidity Adequacy Assessment ("ILAA")) to ensure that it retains access to sufficient liquid resources in both normal and stressed conditions to meet its liabilities as they fall due. 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 protocols on minimum liquidity to be retained by overseas entities.

Stress testing is undertaken on a quarterly basis upon a range of individual and combined, firm specific and market wide, short and medium-term scenarios that represent plausible but severe stress events to ensure the Group has appropriate sources of liquidity in place to meet such events.

Due to the risk management strategy adopted and the changeable scale of the client trading book, the largest and most variable consumer of liquidity is PB margin requirements. The collateral calls are met in cash from own funds but to ensure liquidity is available for extreme spikes, the Group has a committed bank facility of £65.0 million to meet short-term liquidity obligations to PBs in the event that it does not have sufficient access to own cash and to leave a sufficient liquidity buffer to cope with a stress event.

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.

28. Financial risk management continued

Liquidity risk continued

Own funds

Own funds is a key measure the Group uses to monitor the overall level of liquidity available to the Group. Own funds includes investments in UK government securities which are held to meet the Group's liquid asset buffer ("LAB" – as set by the FCA). These UK government securities are BIPRU 12.7 eligible securities and are available to meet liabilities which fall due in periods of stress. The derivation of own funds is shown in the table below:

GROUP	31 March 2018 £'000	31 March 2017 £'000
Cash and cash equivalents (net of bank overdraft)	60,468	48,952
Amount due from brokers	156,887	119,390
Financial investments	21,152	20,272
Derivative financial instruments (current assets)	7,335	1,935
	245,842	190,549
Less: title transfer funds	(48,023)	(3,839)
Less: derivative financial instruments (current liabilities)	(3,922)	(3,340)
Own funds	193,897	183,370

The following Own Funds Flow Statement summarises the Group's generation of own funds during each year and excludes all cash flows in relation to monies held on behalf of clients. Additionally, short-term financial investments, amounts due from brokers and amounts receivable/(payable) on the derivative financial instruments have been included within "own funds" in order to provide a clear presentation of the Group's potential cash resources.

GROUP	31 March 2018 £'000	31 March 2017 £'000
Operating activities		
Profit before tax	60,064	48,465
Adjustments for:		
Finance costs	1,173	734
Depreciation and amortisation	6,810	5,835
Other non-cash adjustments	1,288	5,661
Tax paid	(13,787)	(11,372)
Own funds generated from operating activities	55,548	49,323
Movement in working capital	(4,882)	(10,683)
(Outflow)/inflow from investing activities		
Net purchase of property, plant and equipment and intangible assets	(12,116)	(3,762)
Proceeds from issuance of Ordinary Shares	42	—
Other inflow/(outflow) from investing activities	2,206	(4,792)
Outflow from financing activities		
Interest paid	(1,173)	(734)
Dividends paid	(25,719)	(23,946)
Other outflow from financing activities	(1,012)	(1,422)
Total outflow from investing and financing activities	(37,772)	(34,656)
Increase in own funds	12,894	3,984
Own funds at the beginning of the year	183,370	176,438
Effect of foreign exchange rate changes	(2,367)	2,948
Own funds at the end of the year	193,897	183,370

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2018

28. Financial risk management continued

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.

The capital resources of the Group consist of equity, being share capital reduced by own shares held in trust, share premium, other reserves and retained earnings, which at 31 March 2018 totalled £220,030,000 (31 March 2017: £195,773,000).

The Group is supervised on a consolidated basis by the FCA.

The Group's ICAAP, prepared under the requirements of the FCA and the Capital Requirements Directive, is an ongoing assessment of CMC Market's 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 document covering the Group. It is reviewed and approved by the Board on an annual basis.

Further information on the Group's management of regulatory capital is provided in the "Pillar 3 Disclosure" report, which is available on the CMC Markets plc website (www.cmcmarkets.com/group). The Group's country-by-country reporting disclosure is also available in the same location on the website.

29. Share-based payment

The Company operates both equity and cash settled share options schemes for certain employees including Directors.

Current awards have been granted under the terms of the Management Equity Plan 2015 ("2015 MEP"), the UK Share Incentive Plan ("UK SIP") and the International Share Incentive Plan ("Australian SIP"). Equity settled schemes are offered to certain employees, including Executive Directors in the UK and Australia and automatically vest on vest date subject to conditions described below for each scheme. Cash settled schemes are offered to certain employees outside of the UK and Australia. Equity schemes for UK employees are settled net of employee taxes due.

Income statement charge for share-based payments

The total charge costs relating to these schemes for the year ended 31 March 2018 was £3,003,000 (year ended 31 March 2017: £4,408,000).

For the year ended 31 March 2018 the charge relating to equity-settled share-based payments was £1,773,000 (year ended 31 March 2017: £3,107,000) and the charge relating to cash-settled share-based payments was £1,230,000 (year ended 31 March 2017: £1,301,000).

No shares were gifted to employees during the year (year ended 31 March 2017: nil).

Current schemes

2015 MEP

Share options granted under the 2015 MEP have been in the form of "non-market performance" or a combination of "non-market performance" and "market performance" awards. The Remuneration Committee approves any awards made under the 2015 MEP. Current schemes are:

- **Executive Retention Scheme:** awards to certain Executive Directors which were granted at listing and in November 2016. The only vesting condition of the shares granted at listing is that the Executive Directors remain employed by the Group. The options have dividend equivalence where additional shares will be awarded in place of dividends on vesting. Equity settled awards made in November 2016 and July 2017 are a combination of "market performance" and "non-market performance" awards. The awards are based on three performance conditions: Total Shareholder Return (TSR), diluted earnings per share and customer satisfaction measures and in addition the employee must remain employed by the Group.
- **Long Term Incentive Plan:** awards to senior management and critical staff, excluding Executive Directors, which were granted at listing and in November 2016. The only vesting condition of the awards made at listing is that the employees remain employed by the Group. The options have dividend equivalence where additional shares will be awarded in place of dividends on vesting. Equity settled awards made in November 2016, July 2017 and March 2018 are a combination of "market performance" and "non-market performance" awards. The awards are based on up to three performance conditions: Total Shareholder Return (TSR), diluted earnings per share and customer satisfaction measures and in addition the employee must remain employed by the Group.

29. Share-based payment continued

Current schemes continued

2015 MEP continued

The fair value of awards made under the TSR criteria for the schemes granted above was calculated using an options pricing model and was 29.2 pence per option for the November 2016 schemes and 27.9 pence per option for the July 2017 scheme. The significant inputs into the model were share price at grant date of 192.5 pence, volatility of 39%, and an expected option life of three years for the November 2016 scheme and share price at grant date of 147.3 pence, volatility of 48%, and an expected option life of three years for the July 2017 scheme.

Scheme	Share price at award	Vesting date	Number					
			At the start of the year	Awarded during the year	Forfeited during the year	Dividend equivalent awarded during the year	Exercised during the year	At the end of the year
Executive Retention Scheme	240.0p	5 February 2018	467,963	—	—	28,661	(496,624)	—
Executive Retention Scheme	192.5p	13 September 2019	288,479	—	—	17,668	—	306,147
Executive Retention Scheme	147.3p	27 July 2020	—	821,266	—	50,299	—	871,565
Long Term Incentive Plan	240.0p	5 February 2018	1,044,330	—	(75,624)	51,324	(1,020,030)	—
Long Term Incentive Plan	192.5p	13 September 2019	414,398	—	(94,674)	19,842	—	339,566
Long Term Incentive Plan	147.3p	27 July 2020	—	2,127,556	(174,834)	106,941	—	2,059,663
Long Term Incentive Plan	154.3p	1 April 2020	—	338,430	—	—	—	338,430
Long Term Incentive Plan	154.3p	1 April 2021	—	338,430	—	—	—	338,430
Total			2,215,170	3,625,682	(345,132)	274,735	(1,516,654)	4,253,801

The share price at exercise date for the Executive Retention Scheme and the Long Term Incentive Plan awards during the year in the above table was 157.6 pence.

The weighted average exercise price of all Executive Retention Scheme awards is £nil.

The weighted average exercise price of all Long Term Incentive Plan awards for UK participants (3,746,875 awards outstanding at the end of the year) in the Long Term Incentive Plan is £nil; for Australian participants, excluding dividend equivalents (506,926 awards outstanding at the end of the year), the exercise price is 25 pence.

In addition, cash settled awards were granted on listing of which 117,000 vest on 5 February 2019. Three further tranches of cash settled awards were granted during the financial year and vest in periods from April 2020 to April 2021. Balances of 45,126 shares, 152,338 and 121,510 shares remained at the end of the period for each of the three schemes. All of these awards benefit from dividend equivalence. The value of these awards is the share price on the date these awards vest.

UK and Australia SIP Awards

SIP awards of £3,600 of free shares were made to all eligible UK employees at listing on 11 February 2016. An equivalent of £3,600 of free shares was also made to all eligible Australian employees on 10 May 2016. All free shares will vest three years after listing should the employees remain employed by the Group for the term of the award. Shares awarded under the UK scheme are held in trust in accordance with UK tax authority conditions and all shares awarded under the Australian scheme are held in a UK trust. Employees are entitled to receive dividends in the form of additional shares on the shares held in trust as long as they remain employees.

UK employees were also invited to subscribe for up to £1,800 of partnership shares relating to each of the tax years to 5 April 2016, 5 April 2017 and 5 April 2018 with the Company matching on a one-for-one basis. All matching shares vest after three years should the employee remain employed by the Group for the term of the award.

Australian employees were invited to subscribe for up to the equivalent of £1,800 of investment shares on 5 July 2016 and 5 April 2017 with the Company matching on a one-for-one basis. Matching shares for each scheme vest on 5 April 2019 and 5 April 2020 should the employee remain employed by the Group for the term of the award.

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2018

29. Share-based payment continued

Current schemes continued

UK and Australia SIP Awards continued

Country of award	Award date	Share price at award	Vesting period/date	Number				
				At the start of the year	Awarded during the year	Forfeited during the year	Exercised during the year	At the end of the year
UK	11 February 2016	240.0p	10 February 2019	399,000	—	(57,000)	(12,000)	330,000
UK	April 2016 to March 2017	285.3p to 112.6p	April 2019 to March 2020	183,804	—	(18,306)	(1,620)	163,878
UK	April 2017 to March 2018	171.4p to 115.3p	April 2020 to March 2021	—	133,297	(5,379)	(1,078)	126,840
Australia	10 May 2016	250.5p	10 February 2019	123,582	—	(18,681)	(2,874)	102,027
Australia	5 July 2016	266.3p	6 April 2019	13,294	—	(676)	—	12,618
Australia	5 April 2017	118.0p	5 April 2020	—	15,219	—	—	15,219
Total				719,680	148,516	(100,042)	(17,572)	750,582

The weighted share price at the exercise date of options exercised during the year ended 31 March 2018 was 150.3 pence.

The fair value of SIP awards are determined to be the share price at grant date without making adjustments for dividends as awardees are entitled to dividend equivalents over the vesting period.

Movement in share options

4,048,933 new share options were granted in the year ended 31 March 2018 (2017: 1,242,814) and these are detailed above in the current schemes section. Movements in the number of share options outstanding are as follows:

GROUP	31 March 2018 Number	31 March 2017 Number
At beginning of year	2,934,850	3,403,575
Awarded (including dividend equivalents)	4,048,933	1,242,814
Forfeited	(445,174)	(179,799)
Exercised	(1,534,226)	(1,531,740)
At end of year	5,004,383	2,934,850

30. Retirement benefit plans

A defined contribution plan is a post-employment benefit plan into which the Group pays fixed contributions to a third-party pension provider and has no legal or constructive obligation to pay further amounts. Contributions are recognised as staff expenses in the income statement in the years during which related employee services are fulfilled.

The Group operates defined contribution pension schemes for its Directors and employees. The assets of the schemes are held separately from those of the Group in independently administered funds.

The pension charge for these plans for the year ended 31 March 2018 was £1,354,000 (year ended 31 March 2017: £1,348,000).

31. Related party transactions

Company

The amounts outstanding with Group entities at year end were as follows:

COMPANY	31 March 2018 £'000	31 March 2017 £'000
Amounts due from Group undertakings	505	—
Amounts due to Group undertakings	(15,160)	(21,242)

31. Related party transactions continued

Group

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

Compensation of key management personnel

GROUP	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Key management compensation:		
Short-term employee benefits	2,434	1,372
Post-employment benefits	59	52
Share-based payments	536	1,483
	3,029	2,907
Aggregate remuneration of highest paid Director	903	1,165

Key management comprises the Board of CMC Markets plc only.

Directors' transactions

There were no other transactions with Directors.

32. Operating lease commitments

GROUP	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Minimum lease payments under operating leases recognised in expense for the year	2,794	2,538

Operating lease payments represent rentals payable by the Group for office space. As on 31 March 2018, leases are negotiated for an average term of 4.0 years (31 March 2017: 4.1 years) and rentals are fixed for an average of 3.6 years (31 March 2017: 3.7 years).

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

GROUP	31 March 2018 £'000	31 March 2017 £'000
Within one year	4,825	3,725
Within two to five years	17,498	13,272
After five years	7,003	6,692
	29,326	23,689

Sub-lease payments:

GROUP	31 March 2018 £000	31 March 2017 £000
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	1,108	—

33. Contingent liabilities

The Group engages in partnership contracts that could result in non-performance claims and from time to time is involved in disputes during the ordinary course of business. The Group provides for claims where costs are likely to be incurred, and there are no contingent liabilities which are expected to have a material adverse financial impact on the Group.

34. Ultimate controlling party

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

SHAREHOLDER INFORMATION

Group history

CMC Markets began trading in 1989 as a foreign exchange broker, led by founder Peter Cruddas. In 1996, the Group launched the world's first online retail forex trading platform, offering its clients the opportunity to take advantage of markets previously only accessible to institutional traders.

CMC Markets has since become a global leader in online trading. There have been a number of significant milestones for the Group over the past 28 years, as it has expanded into new markets around the world and continues to promote innovation and new trading technology.

In 2000, CMC Markets expanded its business to become a CFD broker. A year later, the Group launched an online financial spread betting service, becoming the first spread betting company to release the daily Rolling Cash® bet. The groundbreaking daily Rolling Cash® concept was to become an industry benchmark. In 2002, CMC Markets opened its first overseas office in Sydney, launching into the Australian market as an online CFD and forex provider. By 2007, the Group had expanded its global footprint with offices in New Zealand, Germany, Canada, Singapore and Sweden. Further global growth followed over the next few years, with offices opened across Europe – and most recently in Poland, in 2015. The Group continued to grow its product offering during the year, following the launch of its fixed-odds Countdowns product in 2015.

The Company successfully listed on the London Stock Exchange in February 2016. In April 2016 CMC Markets successfully introduced Digital 100s. Later in the year it unveiled Knock-Outs in Germany and Austria, as CMC Markets became the first CFD provider to offer the product in Germany, reinforcing its position as a global leader in innovation.

Further cementing its place as one of the industry leaders, the Group was awarded a number of important accolades during the year. In the 2016 Investment Trends UK Leveraged Trading Report, which measures customer satisfaction, CMC Markets ranked first across 17 service categories among CFD traders. The Group achieved the highest rating for overall satisfaction, mobile trading, platform features and charting in all three product segments of spread betting, CFD trading and FX. Additional notable recognition came as the Company won Financial Services Provider of the Year for the fourth successive year, an award voted for by the readers of Shares Magazine.

The Group also received Best CFD Broker for its burgeoning institutional offering, in line with one of its core strategic objectives, following on from its new CFD API technology, which was unveiled earlier in the year.

Timeline

1989 – CMC Markets begins operations in the UK

1996 – Launches the world's first online retail FX trading platform

2000 – Starts offering CFDs in the UK

2001 – Launches online spread betting service in the UK

2002 – Opens first non-UK office in Sydney, Australia

2005 – Offices opened in Beijing, Canada and Germany

2006 – Opens New Zealand office

2007 – Singapore and Sweden offices opened; and Goldman Sachs purchases 10% stake

2008 – CMC Markets (Australia) starts offering a stockbroking service following the acquisition of local stockbroker Andrew West & Co.

2010 – Next Generation platform is launched; offices opened in Italy and France; and spread betting iPhone app launched in the UK

2011 – CMC Markets wins Financial Services Provider of the Year (Shares Magazine)

2012 – Spread betting app for Android™ launched

2013 – CMC Markets wins 33 industry awards globally

2014 – CMC Markets celebrates 25 years of being a world leader in online trading

2015 – Countdowns launched; Poland and Austria offices opened; and Stockbroking Pro platform launched

2016 – CMC Markets lists on the London Stock Exchange, trading as CMCX; and Digital 100s and Knock-Outs launched

Five-year summary

Group income statement

	For the year ended 31 March				
	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Net operating income	187.1	160.8	169.4	143.6	122.0
Other income	—	—	3.1	—	—
Operating expenses	(125.9)	(111.6)	(118.3)	(99.2)	(89.1)
Operating profit	61.2	49.2	54.2	44.4	32.9
Analysed as:					
Underlying operating profit	61.2	49.2	63.2	52.8	32.9
Net exceptional items	—	—	(9.0)	(8.4)	—
Operating profit	61.2	49.2	54.2	44.4	32.9
Finance costs	(1.1)	(0.7)	(0.8)	(0.9)	(0.7)
Profit before tax	60.1	48.5	53.4	43.5	32.2
Analysed as:					
Underlying profit before tax	60.1	48.5	62.4	51.9	32.2
Net exceptional items	—	—	(9.0)	(8.4)	—
Profit before tax	60.1	48.5	53.4	43.5	32.2
Taxation	(10.4)	(9.3)	(10.9)	(8.8)	(8.2)
Profit after tax	49.7	39.2	42.5	34.7	24.0
Other metrics					
	2018	2017	2016	2015	2014
Own funds generated from operations (£m)	55.5	49.3	53.5	45.2	42.4
Profit margin					
Underlying PBT margin (%)	32.1	30.1	36.8	36.2	26.4
PBT margin (%)	32.1	30.1	31.5	30.3	26.4
Earnings per share ("EPS")					
Basic earnings per share (pence)	17.3	13.7	15.1	12.4	8.6
Diluted earnings per share (pence)	17.1	13.6	15.0	12.4	8.5
Dividend per share					
Interim dividend per share (pence)	2.98	2.98	3.57	2.14	2.14
Final dividend per share (pence)	5.95	5.95	5.36	3.57	2.14
Ordinary dividend per share (pence)	8.93	8.93	8.93	5.71	4.28
Special dividend per share (pence)	—	—	1.79	—	—
Total dividend per share (pence)	8.93	8.93	10.72	5.71	4.28
Client metrics					
	2018	2017	2016	2015	2014
Revenue per active client (£)	2,964	2,517	2,828	2,716	2,374
Number of active clients	59,165	60,082	57,329	50,303	48,006
Value of trades (£bn)	2,587	2,016	2,071	1,626	1,351
Number of trades (m)	68.4	62.7	66.8	44.6	33.0

SHAREHOLDER INFORMATION CONTINUED

Five-year summary continued
Statement of financial position

	As at 31 March				
	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
ASSETS					
Non-current assets					
Intangible assets	4.4	2.1	2.6	3.7	4.1
Property, plant and equipment	20.7	18.2	16.4	17.4	13.7
Deferred tax assets	8.8	8.1	7.7	7.5	7.4
Financial investments	10.8	—	—	—	—
Trade and other receivables	2.2	—	—	—	—
	46.9	28.4	26.7	28.6	25.2
Current assets					
Trade and other receivables	48.0	31.6	20.9	18.7	19.7
Derivative financial instruments	7.3	1.9	0.8	3.3	0.6
Financial investments	10.3	20.3	20.4	—	—
Amounts due from brokers	156.9	119.4	84.2	109.8	65.9
Cash and cash equivalents	60.5	53.2	78.3	38.6	57.8
	283.0	226.4	204.6	170.4	144.0
Total assets	329.9	254.8	231.3	199.0	169.2
LIABILITIES					
Current liabilities					
Trade and other payables	91.8	36.3	34.6	38.8	39.7
Derivative financial instruments	3.9	3.3	5.0	0.8	2.1
Borrowings	1.3	5.8	1.4	1.4	0.6
Current tax payable	2.3	5.5	7.8	3.5	1.2
Short-term provisions	0.1	0.4	0.2	4.3	0.3
	99.4	51.3	49.0	48.8	43.9
Non-current liabilities					
Trade and other payables	5.5	3.1	3.5	3.9	4.5
Borrowings	2.3	3.0	1.1	2.5	0.3
Deferred tax liabilities	0.7	—	—	0.1	0.6
Long-term provisions	2.0	1.6	1.4	1.4	0.3
	10.5	7.7	6.0	7.9	5.7
Total liabilities	109.9	59.0	55.0	56.7	49.6
EQUITY					
Total equity	220.0	195.8	176.3	142.3	119.6
Total equity and liabilities	329.9	254.8	231.3	199.0	169.2

Proposed final dividend for the year ended 31 March 2018

Ex-dividend date: Thursday 2 August 2018

Record date: Friday 3 August 2018

Dividend payment date: Friday 24 August 2018

Annual General Meeting

The 2018 AGM is to be held at 133 Houndsditch,
London EC3A 7BX at 10.00 am on Thursday 26 July 2018

Registrars/shareholder enquiries

Link Asset Services can be contacted to deal with any questions regarding your shareholding using the contact details listed below. Alternatively, you can access www.cmcmarketsshares.com, where you can view and manage all aspects of your shareholding securely.

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The Registry
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Tel: 0871 664 0300

Calls cost 12 pence per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09.00am–5.30pm, Monday to Friday excluding public holidays in England and Wales.

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SHAREHOLDER INFORMATION CONTINUED

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