



CMC Markets plc  
Annual Report and Financial Statements

2021





## OUR PURPOSE

“Our purpose is to constantly maintain a superior and unrivalled technology experience for our clients.”

**Lord Cruddas**  
Founder and CEO

The business was started in 1989 with a simple ethos: to make financial markets truly accessible for investors. This fundamental belief remains at the heart of everything we do at CMC Markets and staying true to that has been pivotal to our success.

—> Read more at  
**cmcmarketsplc.com**

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# Delivering a bespoke proposition that is constantly evolving

Our scalable platforms allow us to offer a wide range of financial products with high service availability, even during times of extreme volatility, to an ever-broadening pool of clients and partners. We are also continually improving the functionality of the platforms to both improve our service to clients and to remain a market leader.

## TECHNOLOGY PLATFORM AND “TARDIS”

Our superior platforms and technology, combined with our Trade and Risk Data Intelligence System (“TARDIS”) deliver a best-in-class trading experience for our clients and partners. TARDIS was built in house and is fully integrated into all of our front-end trading platforms.

The system underpins and generates real-time pricing, automates trade execution and optimises our risk management process through better aggregation of client flows. It also brings scale and stability to our platforms, especially during volatile market conditions. This enhances the client trading experience and lessens the risk of price quotation outages.

### Clients

- Dedicated service
- Unique value add products
- Competitive pricing
- Customisable platform

### Stockbroking

- International shares
- Native mobile app
- White label offerings
- Online exchange-traded options

### Business to Business (“B2B”) offering

- White label offerings
- Grey label offerings
- API connectivity

### TARDIS

- Automated pricing
- Efficient flow aggregation

- Stable pricing during volatility
- Enhanced client trading experience
- Sets us apart from competitors



## THE PRODUCTS WE PROVIDE

### Leveraged

#### 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](http://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](http://www.cmcmarkets.com).

#### Multi-asset class liquidity

Under our B2B arm, CMC Markets Connect acts as a non-bank liquidity provider offering access to a range of asset classes including Spot FX, the global institutional standard in FX trading.

#### Outsourced trading platform technology

We outsource our platform technology to clients also under the CMC Markets Connect brand, where our award-winning CMC trading platform can be fully customised under a white-label partnership or alternatively under a neutrally branded platform for regulated entities looking to introduce clients or trade on their behalf.

### Non-leveraged

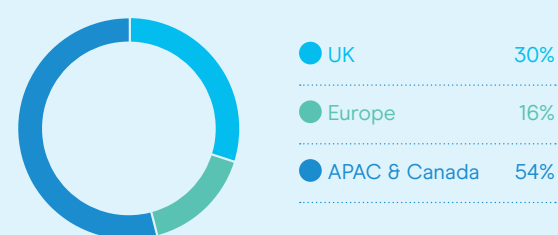
#### Stockbroking

Australian clients are offered the opportunity to trade Australian shares and International shares from 41 exchanges over 15 countries. Clients can choose from a wide variety of instruments, including shares, options, managed funds, warrants and exchange traded funds (“ETFs”).

## OUR GEOGRAPHICAL REACH

CMC Markets has operations in 13 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, Germany being the hub for our European operations and Sydney being the secondary hub to support the Asia Pacific & Canada ("APAC") region. This approach enables the Group to achieve the optimum balance between operational gearing and efficiency.

### Net trading revenue<sup>1</sup> by region



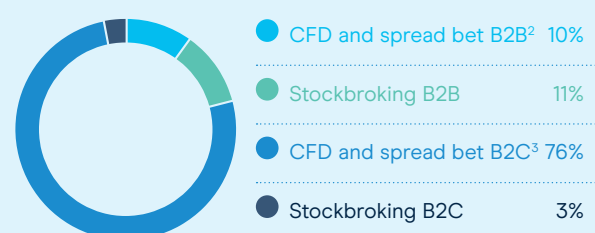
→ Read more about net trading revenue on [page 32](#)

<sup>1</sup> CFD and spread bet gross client income net of rebates, levies and risk management gains or losses and stockbroking revenue net of rebates.

## OUR CLIENT BASE

CMC predominantly attracts retail and elective professional clients to its Next Generation platform and has a significant proportion of trading activity generated from institutional clients and stockbroking clients.

### Net trading revenue by client base



<sup>2</sup> Business to business ("B2B") – revenue from institutional clients.

<sup>3</sup> Business to consumer ("B2C") – revenue from retail and professional clients.

Continents

4

Countries

12

Offices

13

Total active clients<sup>4</sup>

308,644

<sup>4</sup> Active clients represent those individual clients who have traded with or held CFD or spread bet positions or who traded on the stockbroking platform on at least one occasion during the financial year.



# Focusing on high value clients and diversifying the business

## OPERATIONAL HIGHLIGHTS

- Gross CFD client income up 39% to £335.3 million
- Retention of CFD client income<sup>6</sup> of 104% up from 89%
- Significant increase in Stockbroking net trading revenue, up 72% to £54.8 million and is now 14% of total net trading revenue
- Released native Stockbroking app in March 2021, Dynamic Trading in May 2021 and Spot FX products in June 2021
- Operational resilience demonstrated through CFD platform uptime of 99.95%, despite periods of exceptionally high trading volumes during the year
- Revenue per active client up £810 (22%) to £4,560 and active clients up 19,389 (34%) to 76,591
- B2B net trading revenue represents £86.3 million of net trading revenue from £53.7 million (up 61%)

→ [Read more about net trading revenue and our financial measures on page 32](#)

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

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

3 Net trading revenue generated from CFD and spread bet active clients.

4 Spreads, financing and commissions on CFD client trades.

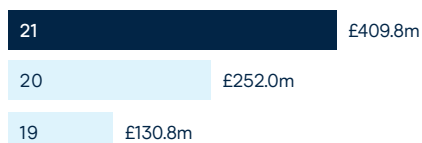
5 Ordinary dividends paid/proposed relating to the financial year.

6 The percentage of CFD gross client income retained after rebates and gains or losses from risk management activities.

## FINANCIAL HIGHLIGHTS

Net operating income<sup>1</sup>

£409.8m



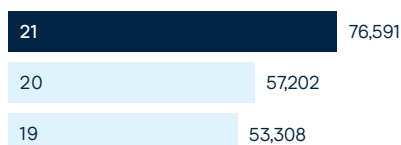
Statutory profit before tax

£224.0m



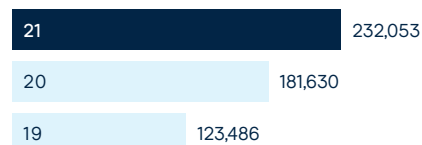
CFD active clients<sup>2</sup>

76,591



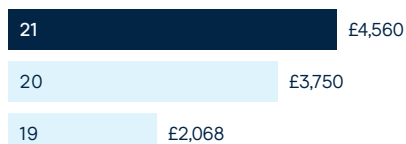
Stockbroking active clients<sup>2</sup>

232,053



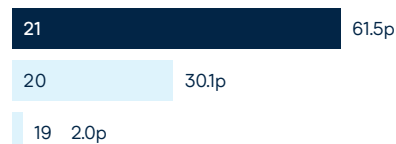
CFD revenue per active client<sup>3</sup>

£4,560



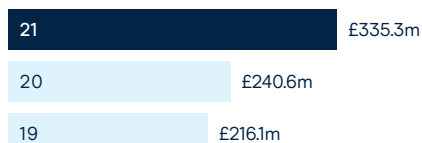
Basic earnings per share

61.5p



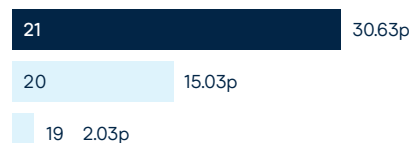
Gross CFD client income<sup>4</sup>

£335.3m



Ordinary dividend per share<sup>5</sup>

30.63p



## Investment case

# CMC Markets is an attractive investment for the following reasons:

## Our technology focus and award-winning platforms

We continuously invest in our proprietary technology for the benefit of our clients. We offer a wide suite of products and our online and mobile platform is both scalable and resilient and sets us apart.

10,000+

financial instruments traded across the CFD platform and over 40,000 instruments within Stockbroking

Read more about our technology on **pages 22 to 25**

## Our diverse product offering

We generate CFD and spread bet revenue globally, have an enlarged stockbroking business in Australia, and our institutional business offers additional channels to distribute our CFD and stockbroking platforms.

15%

share of Australian stockbroking market<sup>1</sup>

Read more about our product offering on **pages 22 to 25**

## Our geographical reach

We serve retail, professional and institutional clients through regulated offices and branches in 12 countries, with a significant presence in the UK, Australia, Germany and Singapore.

54%

of net trading revenue generated outside the UK and Europe regions

Read more about our geographical diversity on **page 3**

## Our client focus

We put our clients at the centre of everything we do. We employ and train high-quality client services staff to ensure best-in-class client service and we lead the UK industry in client satisfaction.

308,644

CFD active clients and stockbroking active clients

Read more about our client service on **pages 22 to 25**

## Our risk management strategy

Our Risk Management Framework is a key differentiator for the Group; our continued focus on quantitative analytics and data-driven decisions allows us to offer very competitive spreads and liquidity versus the underlying market. We constantly review and enhance our sophisticated quantitative and data science analytics models and, alongside our data-driven intelligent hedging strategies, we ensure we retain high levels of client income, whilst keeping costs low.

104%

client income retained

Read more about our Risk Management Framework on **pages 37 and 38**

<sup>1</sup> ASX and Chi-X Combined Trading Statistics – IRESS.

# Focus and progress on strategy delivers a record year for the Group



2021 has been an excellent year for the Group, building on the momentum gained in 2020. Our strategic investments in technology, client service, professional and institutional clients and income diversification through new products has led to further improvements in the Group's financial performance in 2021. This provides the Group a strong base from which we can focus on innovation and agile and responsive technology development.

The Group's ongoing focus on medium to long-term value generation continues to be successful. In particular, the Australian stockbroking and the institutional B2B businesses provided further diversification in addition to ongoing strong growth in the core retail B2C business. This is complemented by a roadmap of strategic innovation that the Board is confident will generate further value over the coming years.

The Board's clear vision of the Group's purpose, values and strategy, supported by its culture and engagement with staff, has enabled CMC to build a robust yet agile business. This, combined with an ambitious technology transformation programme that will enable and facilitate quick and robust development of new products and services, provides an excellent platform for the Group to grow.

The COVID-19 pandemic continued to increase its effect and disruption throughout the financial year, with our staff showing incredible resilience and flexibility when faced with travel and work restrictions. The Group did not require nor seek any assistance from the various government COVID-19 support schemes. No staff were furloughed. Staff were able to work effectively from home and the Group provided assistance for them to be able to do so.

The Group has continued to perform extremely well during the pandemic, with

client services and platform availability remaining largely unaffected throughout. Global markets have been volatile, and this has benefitted the Group, driving new client acquisition and higher-than-normal levels of trading. I would like to thank staff for the dedication and resilience they have shown during this difficult time. It is that commitment to delivery that gives me great confidence in the future success of the Group.

## Results and dividend

The Group's financial performance has been extremely strong throughout the financial year with net operating income increasing 63% to £409.8 million. This has resulted in a consecutive year of record profits after tax of £178.1 million. The Board recommends a final dividend payment of 21.43 pence per share, which results in a total dividend payment of 50% of profit after tax.

## Regulation

The Australian Securities and Investments Commission ("ASIC") announced new regulatory measures in October 2020 that came into effect on 29 March 2021. We are supportive of the regulatory change, as we have always operated to the highest standards, and our experience with the European Securities and Markets Authority ("ESMA") measures show that they are, in the medium to long term, positive for CMC.

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**“THE BOARD'S CLEAR VISION OF THE GROUP'S PURPOSE, VALUES AND STRATEGY, SUPPORTED BY ITS CULTURE AND ENGAGEMENT WITH STAFF, HAS ENABLED CMC TO BUILD A ROBUST YET AGILE BUSINESS.”**

**James Richards**  
Chairman



## Our values

### 1 Put clients first

Our business is built around our clients. We are proud to have long-lasting relationships by understanding and supporting them every step of the way.

### 2 Lead with quality

Our commitment to quality is at the heart of our culture. Whatever we do, we do it properly. When faced with the choice, we always prioritise quality over quantity.

### 3 Set the standards

We are clear, open and honest with our clients, and with each other. We don't wait for others, but set the standards for others to follow.

We are glad that the regulatory conditions are now more harmonised globally and that we can continue to focus on growing our business in an industry where regulatory arbitrage is being reduced.

## Board and governance

As set out in more detail on page 48, the Board conducted an internal governance review during the financial year which resulted in the appointment of the external governance adviser Independent Audit in January 2021. Their review and implementation of recommendations are still ongoing and I look forward to reporting fully on it in next year's report. We will also further develop our governance and control arrangements over the coming years, to support the Group in achieving our diverse and ambitious strategic objectives.

It was also decided at the end of the financial year, as part of the governance review, that with effect from the start of the new financial year, Clare Salmon would relinquish her Chairmanship of the Remuneration Committee and take on the Chairmanship of the Group Risk Committee and Sarah Ing would relinquish her Chairmanship of the Group Risk Committee and take on the Chairmanship of the Remuneration Committee. I am very grateful for their sterling efforts with their respective committees over the last three and a half years.

## People and stakeholders

Our staff are our greatest asset and their work on delivering against our strategic initiatives has driven an excellent performance across the business. On behalf of the Board, I would like to thank them all for their considerable contribution.


The Board remained committed to improving both the engagement and motivation of the workforce throughout the year, and I am pleased to advise that our pulse survey towards the end of the year has shown further improvements on the already greatly improved survey last year. More details of what we have been doing are presented in the People and Sustainability section of the report.

## Outlook

Global financial markets continued to be volatile throughout the year as a result of the COVID-19 pandemic. This has resulted in the Group benefitting from new clients and ongoing higher levels of client trading activity than would ordinarily be expected. I am confident that, as the markets and people's lives return to more normalised conditions, the Group's focus on its strategic initiatives will continue to deliver revenue diversification and profitable growth for the Group.

Costs remain well controlled, although the Board recognises that continued investment is key to ensuring that the Group continues to offer market-leading technology platforms and client service.

We look forward to the year and remain committed to our mission to "make financial markets truly accessible to investors" and I strongly believe that our recent and future technology and product investment will help us deliver this.



**James Richards**  
Chairman

9 June 2021

# Responding to stakeholders' needs

CMC is committed to listening to, and effectively engaging with, all of its stakeholder groups and recognises their importance in ensuring responsible decisions are made.

	Clients	People	Regulators
<b>WHY WE ENGAGE</b>	Our clients are at the heart of everything we do, which means we continually strive to engage with them across multiple touchpoints to ensure the Group remains aware of, and therefore develops products that solve their problems and satisfy their needs.	We recognise that having a fully engaged workforce is of mutual benefit to both the Group and the employee. A highly engaged team is not only willing to advocate for the business but also to exceed expectations in achieving business objectives.	Engagement with regulators is key to ensuring that we are fully compliant across all jurisdictions we operate within, whilst also allowing the Group to be involved in shaping future regulations within the sector.
<b>HOW WE ENGAGE</b>	The Group actively engages with clients across a range of channels such as our client service and sales operations, product teams and client events. Our Digital Transformation Programme has also resulted in further emphasis on user experience research with clients, who directly input into improvements that can be made to our product and proposition.	Our employee engagement is driven in a number of ways, for example informally by ensuring our line managers gather feedback from the employees at every opportunity, whether in team meetings or one-on-ones, and formally through the designated Non-Executive Director with responsibility for employee engagement, a twice yearly global survey with follow-up focus groups to better understand the results and "town hall" style forums to enable purposeful engagement between management and employees.	We engage in open and active dialogue with regulators, seeking opportunities to share the wealth of data we have available to help inform them in their decision making.
<b>OUTCOMES</b>	Through engaging with clients, the Group identified various requirements that have been directly addressed through the launch of Dynamic Trading and the native iOS stockbroking app. The Digital Transformation Programme ensures that clients will continue to remain central to everything we do by building the development of any product or functionality around their needs.	Our engagement activities feed into a number of processes to ensure we are reflecting the needs of our employees. This has resulted in a rollout of a formal senior management communication calendar and a formalised People Plan. The result has been the Group's engagement score remaining above the industry average.	Through constant engagement with regulators, along with our commitment to upholding high standards of regulatory compliance and aligning our interests with clients', we believe we have forged strong relationships with our regulators and differentiated ourselves from other firms within the sector.

## Section 172

## Engaging with our stakeholders

The Board considers the interests of the Group's employees and other stakeholders, including the impact of its activities on the local community, environment, suppliers and clients, when making decisions. The Board, acting fairly between members and acting in good faith, considers what is most likely to promote the success of the Group for its shareholders in the long term.



Read more about:

- the Group's goals, strategy and business model in the Strategic report on pages 2 to 45;
- how we manage risks on pages 37 and 38;
- our impact on the environment on pages 26 to 31; and
- corporate governance on pages 46 to 91.

	Suppliers	Shareholders	Local community
<b>WHY WE ENGAGE</b>	We require a range of services from third parties to support our business, making it essential for the Group to have close engagement with suppliers. This allows us to enhance our service offering and to put clients first. Engagement with suppliers who perform any critical or material outsourced service also ensures that we remain compliant with European Banking Authority ("EBA") requirements.	We engage with both shareholders and potential investors throughout the year to communicate the Group's strategy and performance, as well as understanding the issues that are most important to them. This dialogue promotes shareholder confidence and support.	CMC recognises that the Group has a duty to help improve the prospects and living environment of the local community.
<b>HOW WE ENGAGE</b>	When engaging with suppliers, business owners follow a mandatory procurement process to review the external market and complete a robust evaluation of all available options. Once a supplier is engaged, regular direct engagement between the business owner and supplier is maintained through our Supplier Relationship Programme.	We use a number of different channels to communicate to shareholders and ensure relevant information is made available to them in a timely manner. This includes regular trading updates, half and full year presentations, the Annual Report and Financial Statements, our AGM, and a comprehensive IR section of the website. We continue to have an active schedule of shareholder meetings and roadshows, giving our stakeholders access to the investor relations and management teams. Our Corporate Brokers assist with our Investor Relations Programme, and during 2020 this team was strengthened with the appointment of Peel Hunt as joint broker to help drive our equity story messaging and further expand our investor reach.	We actively engage with charities across all of our offices, both through our existing partnership with Action for Children in London and Learning Links in Sydney, but also a new partnership with Yes Futures in London. In addition to a guaranteed donation per year, employees are given one day each year to either take part in fundraising events or to become directly involved in the charities' activities. We also sponsor the annual Making the Leap Social Mobility Careers Fair in London. The Board confirmed its commitment to the charities by approving a three-year partnership during the year.
<b>OUTCOMES</b>	Our robust governance process allows the Group to select the best supplier for the business and ultimately our clients. Our considered approach also allows us to treat vendors with respect and prioritise collaboration and value generation to mutually benefit all parties, whilst remaining compliant with all relevant regulations.	The regular, open and constructive dialogue with investors promotes confidence in the Group's strategy, resulting in a strong share register built on long-term relationships, whilst also ensuring our continued access to potential capital and liquidity.	Through our long-term support of the Making the Leap scheme, we have provided a further three internships to students in the London area during the year along with offering several apprenticeships. The partnerships with Action for Children and Learning Links have resulted in the charities raising funds, whilst also gaining access to highly motivated employees to help across a wide range of their activities.

## Chief Executive Officer's statement

# Record profits driven by an unwavering focus on premium clients and superior platform technology



Our superior platform technology continues to be the key driver of success for the Group, enhanced by an ongoing focus on high value clients and the growth of our institutional and stockbroking businesses. In addition, our focus on providing best-in-class technology to our clients and partners is delivering diversified growth and we continue to invest in technology and broaden the products and services we offer.

This year saw a significant increase in trading activity globally which provided a supportive backdrop for all of our businesses. It also presented challenges and I have been delighted with the resilience of our trading platforms as well as the performance of our risk management system during these periods of extreme volatility and activity, highlighting the quality of our technology and people.

The outstanding performance in 2021 supports our long-term strategy of investing in our technology. We have continued to acquire and retain high value, premium clients, who will trade with us for the long term. We also continue to deliver on our other strategic initiatives, driving revenue diversification through very strong growth in our non-leveraged business. However, success this year cannot simply be measured by record profits alone; our market risk management continues to be highly successful, whilst we have continued to make significant investments in and improvements to our technology capability, all of which are building solid foundations for ongoing success and value creation in the future.

## COVID-19

The current year has been marked by the continuation, and escalation, of the COVID-19 pandemic and my thoughts remain with all those impacted. Throughout the year our immediate priorities have continued to be protecting the health, safety and wellbeing

of our people and supporting our clients. Our CFD trading platform has remained resilient during multiple periods of extremely high levels of trading activity, achieving 99.95% uptime while trade volumes<sup>1</sup> increased 50% year on year. This is further evidence that our continuous focus on, and investment in, technology and infrastructure provide platform stability and scalability. Once again, I am impressed by the dedication our teams have shown in preventing client disruption while working in unprecedented circumstances and would therefore like to thank all of my colleagues for their continued hard work during these tough times.

<sup>1</sup> Average trades per day on CFD platform 2021 vs 2020.

## Investment in technology

The Group has continued to invest in technology throughout the year and has significantly scaled up the breadth and capability of the technology function. We hired a new Chief Technology Officer ("CTO"), Brendan Foxen, who has set up an ambitious Digital Transformation Programme that will deliver a wide range of benefits, including faster time to market for new products and deeper client engagement. Our commitment to this programme is displayed by the Group hiring 60 additional technology staff throughout the year.

We have also delivered a number of new products during the year, including FX Spot and Dynamic Trading, released native apps for our stockbroking clients and co-located

## STOCKBROKING FOCUS – KEY HIGHLIGHTS

- CMC is the second largest retail stockbroker in Australia with over 230,000 active retail stockbroking clients with total assets of AUD\$69.4 billion (with approximately 10% held in cash).
- In addition to our retail offering, we also offer a white label to large financial institutions, mainly Australian banks and an intermediated proposition where CMC provides execution, clearing and settlement services as a service provider to Australian Financial Service Licensees.
- CMC Markets Stockbroking is a member firm of both the Australian Securities Exchange ("ASX") and Chi-X Australia, both regulated equity markets.
- The CMC product proposition includes direct market access ("DMA") to the ASX and its derivatives market, Chi-X Australia and a market leading international trading solution providing real-time access to 41 exchanges in 15 countries.
- Underpinning both propositions is Australia's high direct equity ownership with over 35% of adult Australians owning direct equities.

our data centres to reduce latency for both CMC and our clients.

I am excited by the pipeline of technological innovations and new products that we have planned for the years ahead, more details of which I hope to share in due course.

### Growth in non-leveraged business

The primary area of non-leveraged business is our stockbroking operation in Australia, which is free of market risk management, as trade execution occurs directly with the exchange and physical settlement is funded from the client's linked bank account.

Additionally, our white label stockbroking business (with various banks and brokers) poses even less risk and cost to the Group, given client acquisition is the responsibility of the partner. I strongly believe that the ANZ Bank white label agreement is our first true technology deal, as it is a purely technological transaction without risk management and onboarding of clients.

Non-leveraged trading is also the fastest growing client acquisition area of the business; we opened over two times more non-leveraged client accounts in Australia than leveraged business across the whole Group during the year.

As the Group continues to secure these transactions through technology, we continue to diversify the business through increasing non-leveraged revenue streams. In addition, within the next year, we will also be developing additional non-leveraged platforms targeting the investment community. We will provide detail about this later in the year as we continue the journey through the build process, but we are effectively leveraging off our existing platform technology in order to diversify into other markets and target more non-leveraged business. We are able to diversify this way because of the technology we have built and we are constantly looking at ways to enhance the platform technology to launch new products and services.

### Market risk management

Market risk management within CMC Markets is automated and managed by our Trade and Risk Data Intelligence System ("TARDIS"). We have employed more quantitative analysts and data scientists and our dealers are now quantitative traders.

TARDIS was developed in-house as a complete front-to-back architecture and our ongoing investment in technology, combined with our significant trade flows, means we are

able to maintain liquidity and platform stability to meet the needs of our clients, especially during volatile market conditions.

TARDIS also allows us to manage institutional trade flows as a liquidity provider and to transition to the role of a non-bank liquidity provider, offering counterparties access to more than 10,000 different assets, with price construction and market depth supported from our natural internal flow. Continued focus and evolution of our quantitative and data science analytics such as mark out curves, internalisation horizons and static position modelling have optimised the balance of systematic internalisation with automated externalisation per product to maximise client income retention.

Overall, our robust market Risk Management Framework has helped us achieve consistently high client income retention in all four half year periods since we launched TARDIS in late 2019 – never lower than 82% for a half year period, with an average of 96% over the last two years.

The Group saw client income retention of 104% during the year. This arose as CMC's exposure to our clients' significant positive equity market returns was matched with largely complete hedging of the static risk during the period. The profitable net hedge position resulted from the internalisation of a proportion of certain highly liquid instruments during periods of high volatility. Our clients maintain long and short positions across various assets and durations in order to generate net returns, while CMC makes decisions on hedging and internalisation based on individual asset dynamics and their impact on the overall exposure of the firm. As such, certain market conditions can result in CMC's hedging activity producing positive hedge profits at the same time as positive client market returns.

### Financial performance

Revenue growth has been exceptional across our leveraged retail ("B2C") CFD and non-leveraged stockbroking businesses, with the leveraged institutional ("B2B") business also continuing to grow. The CFD business has seen exceptional client income (client transaction fees) growth as our ongoing focus on high value, sophisticated, experienced global clients, and increased levels of interest in the financial markets from a new wave of clients, have resulted in a step change in client numbers (up 34% to 76,591). Our new client cohort exhibits similar characteristics to our pre-COVID-19 cohorts and early signs

are that retention rates are similar to historical averages, giving us confidence that this new cohort should remain with the Group for the medium term and giving us a permanent and sustainable upwards movement in the active client base.

Client income retention also remained strong, with our data-driven approach to risk management (TARDIS), which I described earlier, continuing to deliver excellent results. The stockbroking business continued to grow and contributed a material level of revenue and profitability for the Group. Overall, Group net operating income increased 63% to £409.8 million.

The Group's cost base excluding variable remuneration increased by 22% to £167.8 million during the year, mainly as a result of the significant investments in people and technology, increased marketing spend to attract new clients and higher variable costs related to increased client trading activity. Variable remuneration increased by £2.2 million to £16.2 million as a result of higher headcount and ongoing strong financial performance. Overall, total costs increased by 21% to £185.8 million.

As a result of the strong revenue performance and operating leverage in the business, profit before tax at £224.0 million was £125.3 million higher than the previous year and results in a proposed final dividend per share of 21.43 pence, being 50% of profit after tax in line with our dividend policy.

As well as the continued significant improvement in profitability, the underlying fundamentals of the business remain strong. CFD active clients for the year were up 34% to 76,591, and we continue to target and retain higher value, sophisticated clients in order to grow client income. Levels of client money, which is an indicator of future trading potential, increased significantly, up 62% on the prior year. The benefits of the ANZ Bank white label stockbroking partnership and the further expansion of the international shares offering in our stockbroking business have also contributed significantly towards our growth, with stockbroking active clients increasing 28% to 232,053. Of this increase, stockbroking B2C clients increased 47% to 46,375, with B2B increasing by 24% to 185,678.

The balance sheet continues to reflect the strong financial position of the Group. At the end of the year, the Group's net available liquidity was £210.6 million and the regulatory capital ratio was 20.5%.



## Chief Executive Officer's statement continued

### Strategic update

It has always been my focus to invest in technology which sets us apart from other providers and enables us to scale, adapt and develop our offerings. To date we have built an industry-leading platform which enables us to continue to win business in a highly competitive sector.

In 2019, we refined our strategic priorities, to focus on our established markets, our institutional offering, and how we optimise our client journey. The implementation of this strategy has delivered significant value throughout the financial year. More details are provided below.

 [Read more on pages 16 and 17](#)

### Established markets

Our established markets consist of the UK, Germany and Australia, geographies where we still see good opportunities for growth and appetite for our offering.

Our UK region displayed strong growth in the year, with record increase in active clients of 45% to 20,077, with the launch of Dynamic Trading in May 2021 and Spot FX in June 2021 responding directly to client requests and positioning the group for further growth.

In Germany, the Group saw a record increase in active clients, resulting in strong growth.

Our Australian business continues to perform very well with CFD net trading revenue during the year rising to £100.3 million, which now accounts for 29% of CFD net trading revenue for the Group. The Group was well prepared for, and welcoming of, the ASIC measures and we do not believe they will have a material impact on revenue in the medium term. The stockbroking business also continues to display strong growth.

### Optimising our client journey

Throughout the year we have continued to make improvements to our client journey with a focus on user experience and client conversion rates, and the acquisition of higher value clients. The client onboarding

process has become more efficient, even during large spikes in client applications driven by market volatility.

We remain focused on providing both our retail and institutional clients with best-in-class platforms that deliver an intuitive and personalised experience, enabling them to efficiently achieve their trading goals.

### Institutional offering

The institutional business has continued to grow in the past 12 months, with significant milestones in our strategic road map being achieved. We launched our Spot FX product in June 2021, completed the co-location of our pricing and risk engines to reduce latency for our clients, and became a signatory to the FX Global Code. Our stockbroking business now delivers share trading platforms for two tier one banks and three of the largest tier two banks in the Australian domestic market, which is a testament to our long-term focus on technology, product and service. In 2021, we have retained our ranking as the second largest retail stockbroker in Australia.

This year has also seen the business pivot to an institutional first approach, where we build for our most sophisticated audience and therefore also bolster our retail client proposition. Throughout the period we have invested in our technology and personnel. This investment, combined with our ambitious product road map, positions us well to further attract business from institutional clients including banks and hedge funds as we progress into 2022.

### Regulation

The Group is, and has always been, supportive of regulatory enhancement which make sure all providers operate to the highest standards, ensuring fair client outcomes.

The Australian regulator, ASIC, announced new regulatory measures in October 2020 that came into effect from 29 March 2021. These measures are aimed at, and affect, CFDs for retail clients onboarded into our Australian entity, which represents 29% of 2021 CFD net trading revenue. Before the effective date, the Group was already

compliant with the majority of announced measures, and the client margin requirements are in line with those implemented by ESMA.

We are supportive of these changes and, given the Group's focus on acquiring and retaining high quality, experienced clients, a large proportion of Australian CFD net revenue is generated by clients eligible to qualify as wholesale clients, meaning they are not impacted by the changes. With the lifting of regulatory uncertainty in our core markets, we can continue to focus on driving the business forward in an industry with more closely harmonised regulations.

In addition, in the UK, the FCA imposed a ban on the sale of instruments, such as CFDs, with prices linked to cryptocurrencies to retail clients from 6 January 2021. This contributed less than 1% of the Group's CFD net trading revenue in the financial year. We continue to offer the products to clients outside of the UK and to our professional and institutional clients in the UK.

### Brexit

On 31 December 2020 the UK's transitional agreement with the European Union ("EU") ended. This resulted in the UK no longer having specific MiFID passporting rights to offer financial services to EEA clients. Given the uncertainty regarding the inclusion of financial services in any future trade agreement between the UK and EU, in advance of the end of the transitional agreement the Group transferred all European branches to our German subsidiary and all EEA resident clients started to be onboarded into this subsidiary.

The Group's headquarters will remain in the UK.

### People

Our people are crucial to our success and throughout the year I have been consistently impressed by their hard work and commitment. Despite the challenges of remote working, our people have shown passion and dedication to the success of the Group, which is demonstrated in this year's financial results.



The Board is keen to do more to improve staff engagement. As a result of feedback from Group-wide engagement surveys conducted twice yearly since 2019, a number of initiatives have been implemented to enhance employee engagement such as improvements to our flexible working, annual leave and charitable giving policies and an increased emphasis on learning and career development. I am happy this work has resulted in an improvement to a number of measures of employee engagement.

On behalf of the Board, I would like to thank all of my colleagues for their continued dedication and hard work and look forward to improving engagement across the Group on an ongoing basis.

### Clients

Our clients continue to be at the heart of everything we do, and their input is intrinsic to improving our business processes across product development, marketing and client services as we tailor new developments and target improvements. In Q1 2022, following engagement with our clients, we implemented FX spot and Dynamic Trading.

We have invested in user experience research capacity to facilitate this and ensure our customer needs are championed across the business. We believe this will enable us to build and distribute better products that delight our clients and positively drive client retention and lifetime value.

### Dividend

The Board recommends a final dividend payment of £62.3 million. This is 21.43 pence per share (2020: 12.18 pence), resulting in a total dividend payment for the year of 30.63 pence per share (2020: 15.03 pence). This represents a payment of 50% of profit after tax, in line with policy. The Board believes that this is an appropriate payment for the year after considering both the Group's capital and liquidity position and forecast requirements in the year ahead to support business growth.

## “OUR STRONG PERFORMANCE IN 2021, FOLLOWING STRONG GROWTH IN 2020, ALLOWS THE GROUP TO FURTHER INVEST SIGNIFICANTLY IN PRODUCTS, INFRASTRUCTURE AND SERVICES THAT WILL CONTINUE TO DELIVER SUSTAINABLE GROWTH.”

### House of Lords

I was greatly honoured and proud to be elevated to the House of Lords by Prime Minister Boris Johnson earlier in the year. I am a Conservative Peer and I was introduced to the House of Lords on 2 February 2021 as Lord Cruddas of Shoreditch: I was born and bred in the area, so it was an easy choice to select this title.

I have made it clear to my colleagues and investors that my role in the House of Lords will not affect my work at CMC Markets. My focus will remain as full time CEO and will be for the foreseeable future and many years to come.

### Outlook

Our strong performance in 2021, following similarly impressive growth in 2020, gives the Group the opportunity to further invest significantly in products and services that will continue to bring diversified growth. This investment enhances our best-in-class technology that not only makes us operationally resilient, but importantly also provides our clients with a high-quality service. We are well placed as an attractive choice for a wide array of clients and partners around the world, who benefit from our in-house capability, track record of stability and delivery, and strong team expertise throughout the business.

It is especially pleasing that we are now winning more non-leveraged business through technology and partnership

agreements, demonstrating our ability to move successfully into adjacent markets.

I am confident that the Group's underlying growth in recent years will ensure our growth trajectory continues, especially as we focus on more technology development and transactions and take on more non-leveraged business. We have some exciting plans that will further expand this business, which I hope to share later in the year as we get near to launch.

I strongly believe that, through continuing to invest in our technology, focusing on our strategic initiatives, capitalising on market opportunities as they arise and building engagement across all of our stakeholder groups, the Group will be in the best possible position for success in the next financial year and beyond.



**Lord Cruddas**  
Chief Executive Officer  
9 June 2021

# Leading the market through technology and diversification

Whilst the Group generates the majority of its revenue from CFD and spread bet products, our revenue is continuing to diversify with the Australian stockbroking business growing year on year. Group revenues are split between our three regions, the UK, Europe and APAC & Canada.

## LEVERAGED: CFD AND SPREAD BET

Key market driver	Our response
<b>Volatility</b> Volatility in the financial markets undoubtedly acts as a call to action for the Group's CFD and Australian stockbroking target market. The escalation of the COVID-19 pandemic at the beginning of our financial year resulted in significant volatility across all asset classes. Volatility remained in excess of historical averages throughout much of the year.	<p>The ongoing elevated volatility throughout the year, from a number of separate events, has resulted in increased trading activity from both existing clients trading more frequently and new or previously inactive clients starting to trade or reactivate their accounts. The Group has also seen a significant increase in new client applications both during and after the market activity, resulting in social media driven interest in shares, including an elevated number of "switchers" from other CFD providers.</p> <p>Looking ahead, short bursts of market activity which result in high velocity movements in the products that we offer are not necessarily beneficial to our clients or the Group. Aside from notifying clients of changing levels of market activity in a timely manner through a flexible marketing strategy, the Group can have little influence on capitalising more or less than competitors during short-term periods of raised market volatility.</p>
<b>ASIC</b> The Australian regulator, ASIC, announced new regulatory measures in October 2020 that came into effect from 29 March 2021. The measures are broadly similar to those implemented by ESMA in August 2018 and include: <ul style="list-style-type: none"> <li>• prohibition of the issue and distribution of OTC binary options to retail clients;</li> <li>• implementation of CFD leverage ratio limits;</li> <li>• protection against negative balances;</li> <li>• standardised approach to the automatic close-out of retail client positions;</li> <li>• enhanced transparency of CFD pricing, execution, costs and risks; and</li> <li>• prohibition on firms offering monetary and non-monetary benefits to retail investors.</li> </ul>	<p>The Group continues to be supportive of regulatory change that moves towards a globally consistent regulatory environment. The Group is confident that the experience gained from the implementation of ESMA provisions can be utilised to ensure minimal disruption to the Australian business. Furthermore, CMC was already in compliance with a number of the proposed measures as a Group standard.</p> <p>In a similar framework to that of ESMA, ASIC defines two key client groups, wholesale and retail. Clients are able to request to be treated as a wholesale client and, if successful, be exempted from the new restrictions if they meet either the:</p> <ul style="list-style-type: none"> <li>• wealth criteria by providing proof of net assets of at least AUD 2.5 million or gross income for the last two financial years of at least AUD 0.25 million; or</li> <li>• professional investor criteria by controlling gross assets greater than AUD 10 million.</li> </ul> <p>Since the announcement of the measures in October 2020, the Group has engaged with selected clients on the proposed changes, with some electing to opt up in advance to ensure that their leverage limits are not affected.</p> <p>Australian CFD net trading revenue represents 24% of Group net operating income. However, the Group expects the revenue impact to be mitigated through opt-up of eligible retail clients to wholesale as implemented under ESMA; of the clients not opting up, we expect a reduction in their trading of around 60-70% whilst using more of their cash on account to trade and to hold their trades for longer periods.</p>
<b>COVID-19</b> The escalation of the COVID-19 pandemic at the beginning of our financial year resulted in many governments enacting strict social contact controls including, in some cases, laws instructing offices and other places of work to close.	<p>The Group rapidly scaled up its infrastructure in Q4 last year, enabling 100% of employees to work from home during the outbreak, whilst maintaining its consistently high availability rate and trade execution times. Significant investment was made to ensure all of the Group's offices are COVID-19 secure. This continues to work well, with individual offices adopting a tailored approach according to local regulations.</p>

## LEVERAGED: CFD AND SPREAD BET CONTINUED

Key market driver	Our response
<b>Other regulatory and tax change</b> In addition to the ASIC proposals on the previous page, there continues to be an active regulatory environment globally: <ul style="list-style-type: none"> <li>The FCA prohibited the sale of derivatives and exchange traded notes that reference certain types of cryptoassets to retail customers, effective from 6 January 2021.</li> <li>The German government announced changes to the treatment of capital gains on certain derivatives products in December 2019, restricting the offsetting of losses to €20,000 for forward transactions in the year commencing January 2021.</li> </ul>	<p>The ban on cryptocurrency derivatives does not have a significant impact upon the Group, with less than 1% of 2021 CFD net trading revenue generated from this asset class in the UK.</p> <p>The Group has not seen a material change in client trading activity since the changes were introduced.</p>
<b>Brexit</b> On 31 December 2020 the transition period within the UK-EU Withdrawal Agreement ended, and the UK no longer had MiFID passporting rights to the EU.	<p>The Group established a new German subsidiary during 2019 and started onboarding new German resident clients to the new subsidiary from December 2019 and other EEA clients from December 2020.</p> <p>Acting on advice received from one of our panel of regulatory advisors, the Group applied reverse solicitation ("Grandfathering") provisions, leaving certain EEA clients trading with its UK subsidiary after 31 December 2020. Given emerging regulatory uncertainty regarding the application of these provisions and further advice from additional regulatory advisors, the Group informed those EEA clients that they would no longer be permitted to trade with the UK subsidiary and offered them the opportunity to open an account with the new German subsidiary. The majority of EEA clients' activities with the UK subsidiary ceased prior to 31 March 2021.</p> <p>The Group is proactively engaging with the regulatory authorities in the EEA markets where the UK subsidiary continued to service clients after 31 December 2020. Whilst it is possible that regulatory censure may result from these matters, they are in their very early stages and such an outcome is not currently considered probable.</p>

## NON-LEVERAGED: STOCKBROKING

Key market driver	Our response
<b>Volatility</b>	<p>The ongoing elevated volatility throughout the year due to COVID-19 and a social media driven increased interest in shares trading has resulted in increased trading activity from both existing clients trading more frequently and new or previously inactive clients starting to trade or reactivate their accounts.</p> <p>The heightened interest in the market stemming from increased volatility, will see CMC Stockbroking continue to assist clients in identifying investment opportunities through a flexible marketing strategy and important tools including new mobile app, algorithmic trading and enhanced educational content.</p>
<b>Low cash interest rate</b>	<p>The historically low rate environment has persisted through the period and continues to drive investors towards alternative asset classes including equities.</p> <p>We will continue to assist clients by offering them the opportunity to invest in both local and international equities via our leading offering which, as the most comprehensive in Australian retail broking, includes access to ASX, Chi-X and 41 exchanges in 15 international markets.</p>
<b>Market size and share</b>	<p>An independent report suggests that the Australian online stockbroking market continued to grow during 2021 at levels not seen since the advent of online trading and CMC, in combination with the ANZ Bank white label partnership, has been a beneficiary of the growth with a combined retail market share in the region of 15%<sup>1</sup>. As a result, we continue to maintain our position as the second largest retail broker in Australia with over 230,000 active clients and are the largest provider of white label broking services in the country.</p>
<b>Seasonality</b>	<p>Earnings season is a major driver of activity and as a result strong months are generally seen in both August and February.</p>
<b>Market conditions</b>	<p>The accelerated rate of market recovery post-COVID-19 lows and current record highs have made shares an attractive asset class for clients. CMC Stockbroking continues to assist clients by expanding our product offering through an increase in international markets available for trading and zero brokerage fees in four key markets.</p>

<sup>1</sup> Source: ASX and Chi-X Combined Trading Statistics – IRESS.

# Our focus for 2022

The Group's focus on the three initiatives of established markets, client journey optimisation and institutional offering remains unchanged for the year ahead. The significant achievements made with the initiatives during 2021 place us in an excellent position to continue to deliver throughout 2022, thereby deriving future value for, and supporting the diversification of, the Group.

## 1

### 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 and development 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 and financial strength required to attract clients from competitors.

#### Priorities for 2021/22

- UK: growth in net trading revenue generated from active professional clients and high value retail clients.
- Australia: implement ASIC regulatory changes and continue to grow the high value client base.
- The Group is also focused on the development of a non-leveraged platform which will offer trading and investment products in the UK.
- Continue to maintain market leading client service levels in all three countries.

#### Underpinned by technology

- Proprietary technology easily adapted to meet regulatory requirements.
- Continue to develop new products in response to client demand.
- High platform availability maintained and continual reductions to latency implemented.

#### Progress against 2020/21 objectives

- Significant growth delivered across all regions within the year in both professional and retail clients, with particularly strong growth in the APAC region.
- The Group continued to win numerous awards for client service and products throughout the year.
- Dynamic Trading CFD product launched in May 2021, a key differentiating product for the Group and one of many product innovations that the Group is investing in over the coming years.
- Native iOS mobile app for stockbroking launched in March 2021, providing our clients with an industry leading mobile offering.

## 2

## CLIENT JOURNEY OPTIMISATION

### Opportunity

We have led the way in providing a best-in-class client trading experience and generating high levels of customer satisfaction with our product and service. We believe there is a sizeable opportunity to build on this strength and drive greater longevity, stickiness and advocacy from our client base. We are focused on solving our clients' problems and supporting them on their trading journey and believe this will enable the Group to further improve its capability to attract, build and retain a high quality client base.

### Priorities for 2021/22

- Continue to invest in a responsive, insight-driven platform that is optimised for incremental client learning and growth.
- Deliver innovative new services that better support our clients to manage their risk and take advantage of suitable market opportunities, which in turn will drive improved customer retention and lifetime value.
- Simplify and improve the holistic trading experience for our clients, which will improve customer advocacy and share of voice.

### Underpinned by technology and powered by our people

- Formed cross functional squads that are mission orientated around the value proposition we deliver to our clients.
- Building core capability that will enable us to deliver a peerless trading experience to our target market.
- Establishing new ways of working across our business to increase the velocity of product delivery, organisational learning and incremental value we deliver to our clients.

### Progress against 2020/21 objectives

- Delivered numerous user experience improvements to our customer onboarding processes, which have improved conversion rates.
- Delivered premium content, tailored communication processes and notifications covering trading opportunities that help our customers stay abreast of opportunities in the market.
- The high level of service we provide combined with the user experience optimisations resulted in a Trustpilot score of 4.2/5 at the end of March.

## 3

## INSTITUTIONAL OFFERING

### Opportunity

The launch of CMC Markets Connect, our dedicated institutional brand, during 2021 positions us to service an ever-growing number of client types including banks, brokerages and hedge funds globally.

Through our API offering (electronic connectivity to the CMC Markets platform for institutions), white label (branded) and grey label (unbranded) propositions clients have access to our award-winning trading technology, low latency price construction and execution and CMC liquidity solutions.

### Priorities for 2021/22

- Building a multi-asset class offering: extracting greater share of wallet from existing client base, as well as appealing to new client types including banks and hedge funds.
- Grow global awareness of institutional brand: continue to build understanding of our B2B proposition throughout APAC & Europe, utilising upgraded price construction technology and Spot FX product launch (global standard in FX).
- White Label: continued expansion of our global B2B FX and CFD sales campaign, along with further deployment of our white labelled equity stockbroking business in Australia.

### Underpinned by technology

- Our price construction technology allows us to win business in a highly competitive field.
- Wider integration with distribution technology hubs to further expand our product reach.
- Utilising best-in-class technology partners will enable us to expand on our product range through 2022 and beyond.

### Progress against 2020/21 objectives

- Completed project to significantly improve speed of price construction, we continue ongoing work in this area to remain competitive.
- Integrated with industry standard data centres (Equinix LD4), improving speed, connectivity, convenience and ability to attract new clients.
- Launched new Spot FX product in June 2021.

## Key performance indicators

# Tracking our progress

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

## Strategy key

- 1** Established markets
- 2** Client journey optimisation
- 3** Institutional offering

## CLIENT VALUE GENERATION AND CLIENT QUALITY

## Gross CFD client income

### £335.3m



## KPI definition

Spread, financing and commission fees charged to CFD and spread bet clients.

## Why we measure

Used to measure the total income generated from CFD client transaction charges.

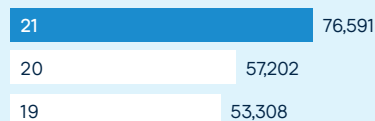
## Link to strategy

**1** **2** **3**

CFD net trading revenue is the product of Gross CFD client income, multiplied by client income retained. Further information on net trading revenue is provided on page 32.

## CFD Active clients

### 76,591



## 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.

## Link to strategy

**1** **2** **3**

## Revenue per CFD active client

### £4,560



## KPI definition

Net trading revenue generated from CFD and spread bet active clients, divided by the number of active clients during the year.

## Why we measure

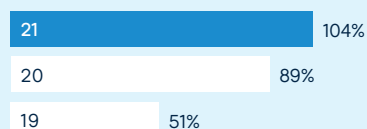
High value clients are central to the Group's strategy and the growth in this figure is indicative of the success in attracting and retaining these clients.

## Link to strategy

**1** **2** **3**

## Client income retained

### 104%



## KPI definition

Percentage of gross CFD client income retained after rebates and gains and losses from risk management.

## Why we measure

Used to measure the success of the risk management strategy of converting client spread, financing and commissions charges to CFD net trading revenue.

## Link to strategy

**1** **2** **3**

## Stockbroking net trading revenue

### £54.8m



## KPI definition

Income received from brokerage and FX spread on client trades, less rebates.

## Why we measure

Revenue diversification and high value clients are central to the Group's strategy and the growth in this figure is indicative of the success in growing the stockbroking business and attracting and retaining high value clients.

## Link to strategy

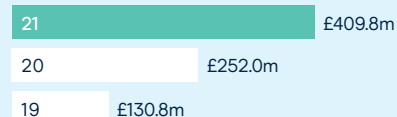
**1** **2** **3**



## REVENUE GROWTH AND OPERATING EFFECTIVENESS

Net operating income

£409.8m



### KPI definition

This is a statutory measure, which represents total revenue net of introducing partner commissions and spread betting levies.

### Why we measure

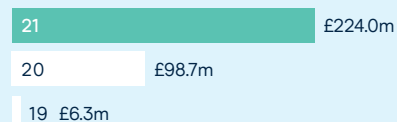
Key operating metric.

### Link to strategy

[1](#) [2](#) [3](#)

Statutory profit before tax

£224.0m



### KPI definition

This is a statutory measure, which comprises net operating income less operating expenses and interest expense.

### Why we measure

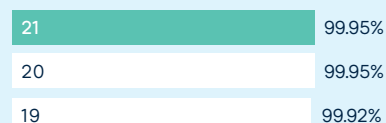
Key operating metric.

### Link to strategy

[1](#) [2](#) [3](#)

CFD platform uptime

99.95%



### KPI definition

The percentage of trading hours that clients are able to trade on the CFD platform.

### Why we measure

The CFD platform is at the core of our business – if clients are unable to trade, the Group will be unable to earn revenue. Maintaining a very high uptime is key to the continued success of the Group.

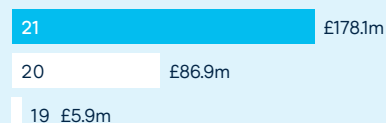
### Link to strategy

[1](#) [2](#) [3](#)

## DELIVERY OF VALUE AND RETURNS

Profit after tax

£178.1m



### 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.

### Link to strategy

[1](#) [2](#) [3](#)

Basic earnings per share

61.5p



### KPI definition

This is a statutory measure, which is calculated as earnings attributed to Ordinary Shareholders divided by weighted average number of shares.

### Why we measure

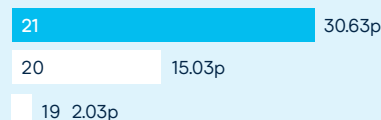
Key shareholder value metric.

### Link to strategy

[1](#) [2](#) [3](#)

Ordinary dividend per share relating to the financial year

30.63p



### KPI definition

Any dividend declared, proposed or paid relating to the financial year.

### Why we measure

Key shareholder value metric.

### Link to strategy

[1](#) [2](#) [3](#)

# The best trading experience

## OUR CLIENT OFFERING

Our clients are at the heart of everything that we do.

### Who they are:

- Sophisticated
- High value
- Experienced

### What we offer them:

- Cutting-edge technology
- Competitive pricing
- Excellent client services



## HOW WE MAKE MONEY

### CFD

#### Gross CFD client income

£335.3m

#### 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 both CFD equity trades and institutional DMA 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.

#### Rebates

£(20.8)m

Volume-based rebates paid to professional, high value retail and institutional clients and introducing brokers on selected asset classes.

#### Risk management gains/(losses)

£34.7m

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.

#### Retained client income

104%

The percentage of CFD gross client income retained after rebates and gains or losses from risk management activities.

## OUR BUSINESS ENABLERS

### 1. Technology and product

Technology and product has 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. Recognising that innovation is key to retaining this reputation, the Group has embarked on an ambitious Digital Transformation Programme during the year, with the aim of reducing time to market for new products and ensuring that client needs remain at the core of our technology development roadmap.

### 2. People and sustainability

We are 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 pages 22 to 25

→ For more information see pages 26 to 31

**Stockbroking****£54.8m**

Net trading revenue, predominantly earned through brokerage charged for the execution of exchange traded products, options, warrants, ETFs, managed funds, interest rate securities and bonds. Further, we earn fees including FX revenue on international shares, interest on deposits, and equity capital markets ("ECM") income.

**Other income****£5.7m**

Mainly consists of interest income from client deposits, rental income and dormancy charges.

**HOW WE ADD VALUE****Shareholders****30.63 pence**

dividend per share  
(up 15.60 pence from 2020)

**61.5 pence**

earnings per share  
(up 31.4 pence from 2020)

**People****86%**

employee engagement<sup>1</sup>  
(2020: 84%)

**26%**

with us for over five years

**Clients****57%**

revenue generated from clients  
of tenure greater than 2 years

**24**

awards for service  
platform and technology

<sup>1</sup> Engage internal survey. Percentage of employees with average engagement.

**3. 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 the growth opportunities.

→ For more information see **pages 32 to 36**

**4. 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 **pages 37 to 45**

# Technology that responds to clients' needs

We are creating a unique and highly reliable client offering through technology, by placing client needs at the core of all activities. A new Digital Transformation Programme, commenced during 2021, will create a more agile and flexible organisation, able to respond to those needs faster than ever.



## Operational excellence supporting leading edge innovation

The Group's infrastructure remained extremely resilient throughout 2021 with the CFD platform achieving uptime above 99.95% throughout the year, despite ongoing elevated volatility driven primarily by COVID-19 related events, but also more recently driven by social media related equities interest and cryptocurrency price movements. Once again, our technology has been core to providing our clients with uninterrupted access to the financial markets.

Despite the continued success of our IT infrastructure, we recognised that we need to be constantly evolving and innovating to ensure we remain at the leading edge of our industry. As a result, we hired a new CTO during the year and embarked on an ambitious Digital Transformation Programme. The core

objective of the transformation programme is to reduce the time to market for new products, or changes to existing products, that we believe will provide our clients with innovative digital solutions that both improve their current experience and open up new trading opportunities. We are also ensuring that client engagement is achieved throughout the entire development cycle.

We are already beginning to see the benefits of the programme, with a number of recent product launches and a significant pipeline of developments in the coming year. This transformation has been achieved whilst simultaneously maintaining the high performance and availability of our market leading pricing and execution platform, a testament to the skills and experience of the technology function at CMC.

## Putting clients' needs at the core of our strategy

Our product strategy at the spearhead of our Digital Transformation Programme is based on understanding and eliciting these needs from our clients and delivering personalised experiences supporting their key journeys with CMC. We believe that understanding what our clients need and when they need it will underpin clients' long-term relationships with us through enabling their long-term success. Our product offerings and roadmap of new services are all geared towards this "north star" outcome.

# 35%

reduction in median execution time

### Implementing a Group-wide transformation programme

Having formulated our product strategy, we identified internal constraints inhibiting the delivery of the new product concepts that have emerged from the product strategy and identified optimisations, and in some cases fundamental changes, to both our underlying technology and Group-wide operating model to alleviate them.

How we develop and operate our new product offerings is almost as important as the products themselves. We have implemented automation at the heart of our delivery function to speed up changes made to our products focusing on comprehensive testing and deployment pipelines. Whereas we previously developed new offerings

via project delivery with feature changes requiring centralised planning and prioritisation, we have moved to a product thinking roadmap and organisation structure whilst adopting a squad model where teams form at the problem statement stage. This enables a cross functional team to develop working prototypes and review them with a select number of clients before general release. We can then iterate fast on the product and push changes through to production in minutes numerous times per day and on demand. We have formed “CMC Labs” which will act as our incubator for ideas that can be developed quickly and tested to qualify early if we’re solving specific problems for our clients. We can now do this in days compared to months previously.

**“WE NOW HAVE THE ABILITY TO RESPOND TO CHANGING CLIENT NEEDS IN DAYS AND WEEKS AND CONTINUE TO PROVIDE UNINTERRUPTED ACCESS TO FINANCIAL MARKETS.”**

#### CASE STUDY

## Stockbroking native mobile app

The Australian investment market has evolved significantly in the last few years, with access to modern mobile applications a key requirement and driver of customer satisfaction. We therefore embarked on an ambitious project to completely redesign the existing stockbroking mobile experience and launch a new native mobile app prior to the end of 2021.

The project commenced in late 2020, beginning with an initial emphasis on user research testing in partnership with a specialist research and design agency, data analytics and stakeholder interviews. The aim was to synthesise these results and ideas into a clear client journey map that could be used to prototype an industry leading mobile offering.

Once we finalised the initial designs, development started in early 2021 with

the formation of our new mobile squad. Using the new design system created specifically for this project, the product, project and development teams worked collaboratively alongside the design agency to bring everything to life.

In January 2021, we conducted a final round of customer research to confirm the app exceeded their expectations and to identify any potential concerns, with the iOS app launched to customers in late March 2021.

With the successful launch of our iOS app we now move our focus to the next phase of the project to deliver a new Android app in the second quarter of 2022 and subsequently rebranding the app for our White Label banking partners and adding in adviser functionality for our institutional partners.

# 77%

**Increase in orders processed through the stockbroking platform**



## CASE STUDY

# Dynamic Trading

Our Dynamic Trading product, launched in May 2021, was selected as the spearhead project of the Digital Transformation Programme. The product is highly innovative and unique in our markets, as it enables investors to create multiple trading books and manage independent trading strategies together in one account, something that our clients have requested previously.

Trading Books provide investors with increased customisation and flexibility, including:

- Amount-based trading, which allows investors to dynamically trade and rebalance each product on a trading book according to a percentage weighting. This has the effect of ensuring that price of each product doesn't alter the target allocation.
- Custom margin<sup>1</sup>, which uses excess cash on a trading book to overfund the margin requirement of each product on a trading book. This has the effect of reducing leverage.
- Financing haircut offset<sup>1</sup>, which discounts the financing haircut on a trading book. This has the effect of charging a haircut based on the value of the exposure less the custom margin provided i.e. charged only on the borrowed value of the exposure.

- Multiple currencies, which enables investors to create a trading book in a different currency to their account currency. This has the effect of reducing potential trading currency conversion fees.
- Basket order execution, which facilitates the execution of multiple market orders, from over 10,000 different products listed globally, in a single click.

With the singular goal of creating the greatest value for our customers, the team was also set up in the new product squad structure being rolled out across CMC. As an example, the team began user testing much earlier than on previous projects, iteratively improving the product based on customer feedback. This autonomy over end-to-end product delivery allows team members to work more closely with our customers, resulting in true empowerment and ownership within the team.

## Strategic partnerships enable the Group to focus on innovation

To innovate and test fast with clients, it was imperative that the Group engages with technology partners whose core value proposition is to enable this. For this reason, we announced our partnership with Amazon Web Services ("AWS"), who are able to provide a suite of services that enables us to experiment and bring our new products and services to market in days and weeks compared to months and years. Using AWS also enables a "build and run" mode of operation under our new squad structure, where the team owns the product delivery end to end. This drastically reduces important metrics such as mean time to resolution of faults. Squads, through the leadership of our product owners, are now empowered to deliver outcomes based on objectives and key results ("OKRs") rather than output.

At CMC, we are all responsible for delivering new products and services with squads formed of both technical and non-technical functions.

<sup>1</sup> Available only to individual clients classified as Professional, or the equivalent regulatory classification.





### The start of regular “podium moments”

These initial squads are developing new CMC branded products while fundamental new capabilities are being developed. Our data strategy supporting these new products and services is opening up fantastic opportunities in our B2B offering that we hope to provide more information on in 12 months’ time. In the meantime, the new products launched under the CMC brand this year will signal where our strategy is leading to and how this will reflect in our B2B offering in the months and years ahead.

The capabilities that we now have in CMC will result in more frequent product launches and feature updates with the rate of change soaring while maintaining the foundational stability that CMC is renowned for. Speed and stability are not mutually exclusive and with our new technology and ways of working, our availability and performance will improve even further.

Exciting times for CMC, its people and most importantly, its clients.

**“SPEED AND STABILITY ARE NOT MUTUALLY EXCLUSIVE, AND WITH OUR NEW TECHNOLOGY AND WAYS OF WORKING, OUR AVAILABILITY AND PERFORMANCE WILL IMPROVE EVEN FURTHER.”**



### CASE STUDY

## Optimising the trading experience by further reducing latency

In last year’s report we referenced our ambition to become truly competitive in the institutional market and exceed our clients’ expectations by bolstering the technology used for our price construction and therefore create a lower latency solution.

In order to do this we have migrated our FX price construction and risk engines to a fully co-located environment, within the same Equinix data centre as the exchanges. We have deployed new dedicated high performance servers with low latency networking and an optimised messaging methodology to fully optimise this platform.

Improving the experience for our clients is an ongoing project, we continue to build on our trade cost and trade flow analytics, implementing our own overlays to improve internal insight as well as improving the bespoke analysis that we provide to our end clients.

# Powered by our people

At CMC we are truly committed to employing the most talented and motivated team in our industry to deliver for our clients. We also place great significance on our responsibilities towards the environment, climate change and our local community.

This year has proved a challenge for many in the workplace, but we could not be prouder of how our employees at CMC have responded during this period. All of the countries in which our offices are located have endured varying levels of lockdown over the year. However, our business has proven robust with all colleagues successfully working from home for long periods of time particularly during the initial wave of the pandemic and the Group not requesting access to any government support during the period.

We quickly adapted policies and ambitions for the year to align with what has been a unique set of circumstances. As restrictions lifted we made the decision to open our offices where guidelines allowed, creating COVID secure environments for those able to return, whilst supporting our colleagues who were unable to, including those who were shielding, shielding family members or facing childcare and home-schooling challenges, to continue to work from home. This, combined with creative use of team rotas, acquiring temporary office space to aid social distancing and using our business continuity sites has meant we have not only delivered strong performance in the core business, but also launched significant change and business development initiatives.

Engagement during this period was robust with levels of average and full engagement, as measured by our independent surveys, remaining strong and above average for our industry.

The year has seen significant levels of investment in people as the business strengthens its core functions and begins the most significant growth and transformation journey in the Group's history. Global headcount growth was 19% (11% in 2020), with many staff being hired and successfully onboarded during periods of lockdown. Employee turnover showed an improvement on 2020 at 15%.

In order to accommodate this staff growth, we have invested in a further 15,000 square feet of London head office space, an increase of 44%. During the year ahead, this, along with our existing office space will be reconfigured to support the new ways of working that the transformation programme is bringing to CMC. In addition, we are moving our Vienna office in the Summer of 2021 to accommodate this expanding team into premises designed for a 21st century digital workforce. Both projects will benefit from green power and LED lighting.

## Global headcount growth

# 19%

We made a significant and successful investment in a leading edge human resource information system in 2021, which we will embed during the course of 2022. The investment is already delivering returns by simplifying processes, reducing people risk and providing better management information to inform our people strategy. The implementation has delivered an improved performance

management process system, rolled out at the end of 2021, which we believe will lead to improved engagement, performance and skills development.

## Our values

Whilst our focus on people continues to be demonstrated through our Company values, we are reviewing these as part of the transformation programme to ensure they remain aligned to the strategy and vision of the business. They will continue, however, to centre on quality, clients and integrity.

## Senior Managers and Certification Regime

During 2021 we successfully adopted the full requirements of the FCA's Senior Management Regime including adopting the conduct requirements in full and ahead of the required schedule. In keeping with underlying philosophy to work closely with all regulators and adopting the highest standards globally, we have applied the conduct requirements across all our offices.

## Reward and benefits

The Group offers a highly competitive reward package and strives to continually review our employee proposition to align it to the external market. This is key to delivering our hiring plans and motivating our existing employees.

Senior management and critical talent have equity incentives and all UK employees have the opportunity to contribute to a Share Incentive Plan. At the year end 29% of our London workforce were participating in the scheme. Similar equity or cash-equivalent schemes are also available globally.

## Employee turnover

# 15%

(17% in 2020)

**“ALL CMC OFFICES HAVE ENDURED VARYING LEVELS OF LOCKDOWN OVER THE YEAR. HOWEVER, CMC'S BUSINESS HAS PROVED ROBUST, WITH THE ENTIRE COMPANY SUCCESSFULLY WORKING FROM HOME, PARTICULARLY DURING THE INITIAL WAVE OF THE PANDEMIC.”**

## Employee engagement

Engaging with our people is fundamental to our business success. By listening to and collaborating with employees, we can grow our business and deliver for our customers over the long term. We actively encourage collaboration through knowledge sharing and ideas generation with a focus on quality and delivery.

Listening to our people and taking action to ensure we have the right culture, policies and practices in place is key to ensuring they have all the tools and optimal processes to maximise their contribution. We recognise that regular communication is crucial to seeking the feedback we need to adapt our strategy for employee engagement and to support our people through these unprecedented times. We ensure regular communication to staff at all levels through multiple channels including interactive live sessions, results presentations, focus groups, global emails, and publications on the internal platforms, with Clare Salmon as the designated Non-Executive Director with responsibility to both engage with, and oversee engagement with, our employees. To ensure employees understand the financial challenges, opportunities, and risks presented to the business Townhalls are held at key points during the year.

*We listen, we act...*

Our 2020 employee engagement survey told us that our people wanted to better understand the Company's aspirations, improve our community and charity support, increase awareness of diversity and inclusion and to create more recognition channels to celebrate individual and team successes. In response, the following initiatives have been implemented:

- regular open-invitation virtual presentations and increased email communication delivering business updates;
- a three-year charitable commitment with recognised time off for volunteering and enhancement of our pound for pound matching scheme;
- the launch of Inclusive Employer; and
- enhancement of our Champion of the Month initiative.

Going forward we are investing in better digital tools to enable the Group to gather real-time feedback and respond accordingly. Average engagement has increased to 86% this year (from 84% in 2020), exceeding the FinTech industry average<sup>1</sup>.

<sup>1</sup> Engage 2021 FinTech survey. Average engagement represents the mean score for percent favourable (agree or strongly agree) for the 6 engagement questions.

## Employee engagement

86%

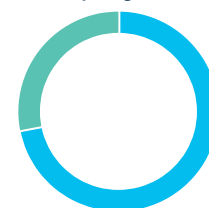
## Emerging talent

Despite COVID lockdown requirements we have continued to hire and develop new apprentices and recent graduates.

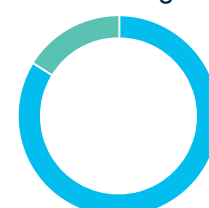
In addition we extended the programme of our 2020 cohort of IT End User Support apprentices to support home working during period of lockdown, increased technology demand due to the growth of the business and to implement changes in our technology landscape.



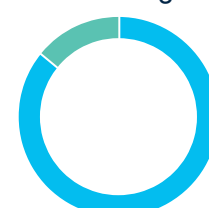
## All employees<sup>1</sup>



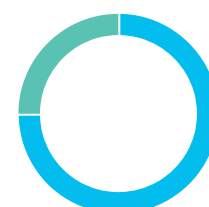
## Senior managers<sup>2</sup>



## Senior management team<sup>3</sup>



## Board of Directors



- 1 Employees of the Group including contractors as at 31 March 2021.
- 2 Senior Managers includes those roles not direct reports of Executive Directors with responsibility for planning, directing or controlling the activities of the company.
- 3 Direct reports of Executive Directors in non administrative roles.

## People and sustainability continued

### Learning and development

We continue to invest in the development of our people with a record investment in 2021 in learning initiatives. We have accelerated our programme to offer development through a range of channels and formed partnerships with LinkedIn Learning and Pluralsight to offer remote learning solutions. Whilst face-to-face learning has been restricted, we have sourced providers skilled in delivering online interactive programmes to support such topics as the new conduct regime performance management. To provide a more cohesive development proposition we are implementing a global learning management system. This will significantly improve access to learning for all and improve our ability to deliver mandatory development activities.

### Diversity and inclusion

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 and inclusion of the Group can be improved, particularly at the leadership level.

During the year the Group has looked to further support diversity and inclusion efforts in a number of ways. Firstly, by becoming members of Inclusive Employer, which provides inclusion support to the business through a range of interventions as the Group works towards the Inclusive Employer Standard. The Group has continued membership with

the Everywoman Network, with particular success in the APAC region, where engagement in the annual Women@CMC activities was significant. The percentage of female employees in the APAC region has grown through the year, and we believe this is supported by the Women@CMC programme. Furthermore, the Group has sponsored the online festival Women in Finance, with attendance being provided to everyone in the office. The feedback from those who attended was positive and we are now due to sponsor the upcoming Women in Tech forum.

### 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. We seek to establish a culture that values meritocracy, openness, fairness and transparency.

We affirm that we 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. For those disabled persons looking to join CMC Markets or any existing employees become disabled, whether temporarily or permanently, we work to adapt the working environment and where possible offer flexible working, training and graduated back-to-work plans in conjunction with occupational health to ensure genuine opportunity for all and the retention of employees.

### 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. We have ensured our offices exceed all government and health authority guidance to create COVID safe environments.

### Human rights

We conduct business in an ethical manner and adhere 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](http://www.cmcmarkets.com/group)).

## The things we live by



### We stand with our clients

We are as passionate about trading as our clients, and we're here to help them make the most of every opportunity. We put our clients at the centre of everything we do.



### We are human

We're personable and approachable. We know the value of direct interaction and make ourselves available to talk in person.



### We take ownership

We make decisions as accountable individuals, not as committees. We do our research and listen with intent to drive improvements.

## Corporate social responsibility

The Board promotes the support of local charities in all of our global offices and recognises the importance of increasing this support, particularly as charities are impacted by the COVID-19 pandemic. The Board encourages staff engagement in charitable activities primarily through a "Charity Champions" scheme. This involves individual employees nominating charities that they would like CMC to support, with voting taking place within each office to nominate their Charity of the Year.

All members of staff are encouraged to engage with their local community, with additional leave granted if staff would like to spend time supporting charities directly.

During the year ended 31 March 2021 the CMC Markets CSR Committee directly engaged with charities and the community in both London and Australia, with the Board approving a three-year charity support partnership that will strengthen our interactions and impact on children from primary age through to taking their first steps in the working world. Highlights include:

- Continuing our partnership with Action for Children. Action for Children helps more than 300,000 children, young adults, parents and carers through 600 projects across the UK. It has been helping vulnerable children and young people break

through injustice, deprivation and inequality for almost 150 years and it is the leading UK provider of family and community centres, support in rural areas and for those leaving care, and services for disabled children and their families. In addition to a guaranteed donation from CMC Markets, further fundraising events have been planned.

- Through the partnership with Action for Children, we are also supporting the London Independent Visitor scheme. The scheme involves our employees volunteering to guide, advise, listen to and befriend young people in care, sharing their experiences as well as trying new activities and spending quality time together. Our staff commit to mentor a child for a period of two years but often the relationship runs for longer.
- CMC Sydney completed the fifth year of partnership with its corporate charity Learning Links, who provide support to children with learning disabilities and difficulties. CMC staff continue to be involved in the Counting for Life volunteer programmes each year, which provide one-on-one maths tutoring to a primary school student over a ten-week period during the school term. The significant improvements seen in the children's results is a testament to the benefit of the programme and the impact our staff are having on the development of the children.

- We are committed to supporting local talent and, together with the Peter Cruddas Foundation, were the sole sponsor of Making the Leap, which was moved online this year due to COVID-19 restrictions.

## Task Force on Climate-related Financial Disclosures ("TCFD")

The TCFD recommends that organisations disclose information about climate-related risks and opportunities in four areas: governance, strategy, risk management and metrics and targets. Climate change is not deemed to pose a significant business risk to the Group. Full implementation of TCFD will be a multi-year process and the Group is currently developing the appropriate frameworks to ensure we are fully compliant. These frameworks will be disclosed in our 2022 Annual Report and Financial Statements.

## 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 Head of Compliance UK and Europe, 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 like to anonymously raise bribery or corruption concerns they are also able to do this in accordance with the Group whistleblowing policy.



### We are bold

We're not afraid to challenge ourselves or the status quo and we're always looking for ways to improve. If things don't work, we learn, iterate and succeed.



### We work as a team

We're inclusive, welcoming and encourage collaboration. We work together across boundaries and don't have time for egos.



### We keep it simple

In a complex industry, we always strive to keep things as simple as possible. We're honest, reliable and straight talking.



### We focus on impact

We focus on solving the most important problems that will deliver the biggest impact. We use our time and money wisely and stay focused on the end goal.



## People and sustainability continued

### Environmental matters

The Group is committed to managing our environmental impact and is 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") and the Department for Business, Energy & Industrial Strategy ("BEIS").

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. The Group's intensity ratio has decreased significantly due to an increase in net operating income and reductions in emissions. The Group's emissions per employee have decreased by 21%.

### Group global emissions per employee (YoY)

(21%)

We are also mindful of the environmental impact of each of our global offices and have a clear preference for office buildings rated as energy efficient. We take pride in our office in Sydney having the highest green energy rating in Australia and strive to keep the carbon footprint for all our global offices as low as possible.

In addition, we have well-established waste management initiatives in place to effectively reduce our carbon footprint, including management and reduction of 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.

We also provide the facilities within our offices to allow employees to engage in sustainable activities by providing bicycle storage, along with shower and changing facilities, allowing as many people as possible to travel to work in an environmentally friendly and healthy manner. This is underpinned by UK employees having access to both the Cycle to Work Scheme and season ticket loans for public transport.

Following the move to a flexible work environment, CMC embarked on a Global workstation replacement programme, replacing each desktop computer with a laptop. In order to reduce waste and to support our local community, the Group pledged to donate all surplus equipment to local educational bodies and community

groups. This has resulted in around 300 PCs being recycled in the London Office alone – more throughout our other offices worldwide.

We are encouraging the groups to use the machines to set up mini computing suites to help disadvantaged people in our community, and the London office IT Department has volunteered staff to help with the setup if required.

### Greenhouse gas emissions

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 BEIS's "Greenhouse gas reporting: conversion factors 2020" to calculate our Scope 1 emissions and have determined the Scope 2 electricity impacts for electricity from the International Energy Agency ("IEA") emission factors. 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. 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. In some cases estimates are used to calculate usage where actual consumption figures are not available, such as gas consumption in an office and electricity consumption in a datacentre, in the UK.

### Mandatory greenhouse gas emissions report by scope

GROUP	Unit	Year ended 31 March 2021	Year ended 31 March 2020	Year ended 31 March 2015 (Base year)
Scope 1				
Gas consumption	tCO <sub>2</sub> e	104.7	104.7	108.4
Scope 2				
Electricity consumption	tCO <sub>2</sub> e	1,443.9	1,544.1	3,452.0
Total global emissions	tCO <sub>2</sub> e	1,548.6	1,648.8	3,560.4
Net operating income	£m	409.8	252.0	143.6
Intensity ratio (total global emissions/net operating income)	tCO <sub>2</sub> e/£m	3.8	6.5	24.8

### Global energy consumption by location in kWh

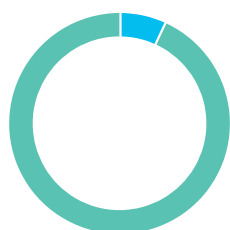
	Year ended 31 March 2021 (In kWh)	Year ended 31 March 2021 Percentage
UK	4,930,940	86.0%
Rest of the World	803,410	14.0%
Total	5,734,350	100%

### Global energy emissions by location in tCO<sub>2</sub>e

	Year ended 31 March 2021 (In tCO <sub>2</sub> e)	Year ended 31 March 2021 Percentage
UK	1,096.9	70.8%
Rest of the World	451.7	29.2%
Total	1,548.6	100%



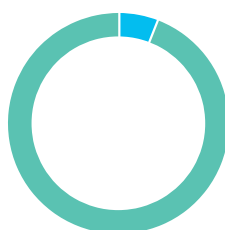
**Total emissions (tCO<sub>2</sub>e)  
year ended 31 March 2021**



● Gas 7%

● Electricity 93%

**Total emissions (tCO<sub>2</sub>e)  
year ended 31 March 2020**



● Gas 6%

● Electricity 94%

### Group non-financial information statement

Set out below is the information required by Sections 414CA and 414CB of the Companies Act 2006 ("the Act") necessary for an understanding of the Group's development, performance and position in relation to the matters set out in the table below.

Reporting requirement	Group Policies and Statements	Commentary, outcomes and KPIs
Environmental matters	Health and Safety Policy Travel and Entertainment Policy	Stakeholder analysis pages 8 and 9 People and sustainability pages 26 to 31
Employees	Equal Opportunity Policy Anti-Harassment and Bullying Policy Physical Security Policy UK Sabbatical Policy Diversity and Inclusion Statement and Policy Board Diversity Policy Flexible Working Policy	People and sustainability pages 26 to 31 Nomination Committee section pages 60 and 61
Social matters	Equal Opportunity Policy UK Sabbatical Policy Diversity and Inclusion Statement and Policy Board Diversity Policy	People and sustainability pages 26 to 31
Human Rights	Equal Opportunity Policy Anti-Harassment and Bullying Physical Security Policy UK Sabbatical Policy Diversity and Inclusion Statement and Policy Board Diversity Policy Flexible Working Policy	People and sustainability pages 26 to 31
Anti-Corruption and Anti-Bribery matters	Group Anti-Bribery and Corruption Policy Group AML Policy Group Financial Sanctions Policy Group Politically Exposed Persons Policy Group Anti-Slavery Policy Modern Slavery Statement	People and sustainability pages 26 to 31
Principal risks		Risk management section pages 37 to 45
Business model		Our business model section pages 20 and 21
Non-financial key performance indicators		Key performance indicators section pages 18 and 19

# Building upon our position of strength

The Group has continued to strengthen its financial position throughout the year. This has provided the Group with the liquidity to support the hedging activity required to service the trading appetite of our enlarged client base whilst also facilitating an acceleration of our investment in technology.

During 2021, we delivered record net operating income, which resulted in a record statutory profit before tax of £224.0 million (2020: £98.7million). We also made significant progress towards our strategic goals and achieved significant growth in both our leveraged and non-leveraged businesses.

The ambitious digital transformation and technology investment plan we embarked upon during 2021 is focused on diversifying both the Group's product offering and revenue opportunities. It will also enable all areas of the business to implement change at greater speed meaning we will become an even more agile and product-focused company.

The higher retained earnings in the business have resulted in an increase in total capital resources to £327.9 million (2020: £236.7 million). Our total available liquidity also increased to £456.1 million (2020: £268.3 million) primarily due to cash generated from operations.

## Summary income statement

	2021 £m	2020 £m	Change £m	Change %
<b>Net operating income</b>	<b>409.8</b>	252.0	157.8	63%
Operating expenses	(184.0)	(151.3)	(32.7)	(22%)
<b>Operating profit</b>	<b>225.8</b>	100.7	125.1	124%
Finance costs	(1.8)	(2.0)	0.2	14%
<b>Profit before tax</b>	<b>224.0</b>	98.7	125.3	127%
<b>Profit before tax margin<sup>1</sup></b>	<b>54.7%</b>	39.2%	15.5%	—
<b>Profit after tax</b>	<b>178.1</b>	86.9	91.2	105%
	2021 Pence	2020 Pence	Variance Pence	Variance %
<b>Basic EPS</b>	<b>61.5</b>	30.1	31.4	104%
<b>Ordinary dividend per share<sup>2</sup></b>	<b>30.6</b>	15.0	15.6	104%

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

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

## Summary

Net operating income for the year increased by £157.8 million (63%) to £409.8 million, primarily driven by higher gross client income in our CFD business as a result of significantly increased active clients in addition to higher client income retention resulting from the strength of the risk management strategy. The stockbroking business also went from strength to strength, with elevated market volatility throughout the year acting as a call to action for new clients to onboard onto the platform and for existing clients to increase their trading activity.

CFD active client numbers increased by 19,389 (34%) to 76,591. This had a number of drivers, including high market volatility throughout much of the year and higher marketing spend, which encouraged dormant clients to reactivate and new clients to onboard onto our platform. Early indications are that clients onboarded during the year have characteristics comparable to our current high value client base, with longevity and trading activity at similar levels to prior cohorts.

The increase in CFD net trading revenue has resulted in revenue per active client ("RPC") increasing by £810 (22%) to £4,560.

Gross CFD client income increased by £94.7 million (39%) to £335.3 million, with increased client numbers and heightened trading as a result of market volatility being the main drivers.

Total operating expenses have increased by £32.7 million (22%) to £184.0 million, with the main drivers being higher personnel costs largely as a result of the recruitment of personnel to support ongoing strategic initiatives, increased marketing costs to capitalise on market opportunities, and trading related variable costs such as bank charges and market data costs.

Profit before tax increased to £224.0 million from £98.7 million and PBT margin increased to 54.7% from 39.2%, reflecting the high level of operational gearing in the business.

## Net operating income overview

	2021 £m	2020 £m	Change
CFD and spread bet net trading revenue	349.2	214.5	63%
Stockbroking net trading revenue (excl. interest income)	54.8	31.8	72%
<b>Net trading revenue<sup>1</sup></b>	<b>404.0</b>	<b>246.3</b>	<b>64%</b>
Interest income	0.7	3.3	(78%)
Other operating income	5.1	2.4	113%
<b>Net operating income</b>	<b>409.8</b>	<b>252.0</b>	<b>63%</b>

<sup>1</sup> CFD and spread bet gross client income net of rebates, levies and risk management gains or losses and stockbroking revenue net of rebates.

## B2B and B2C net trading revenue

	2021 £m			2020 £m			% change		
	B2C	B2B	Total	B2C	B2B	Total	B2C	B2B	Total
CFD and spread bet net trading revenue	307.3	41.9	349.2	186.8	27.7	214.5	65%	51%	63%
Stockbroking net trading revenue	10.4	44.4	54.8	5.8	26.0	31.8	80%	70%	72%
<b>Net trading revenue</b>	<b>317.7</b>	<b>86.3</b>	<b>404.0</b>	<b>192.6</b>	<b>53.7</b>	<b>246.3</b>	<b>65%</b>	<b>61%</b>	<b>64%</b>

The improved performance of the Group was reflected within both our B2C and B2B businesses, with year-on-year increases in net trading revenue of 65% and 61% respectively. The CFD and stockbroking businesses both saw strong growth within B2C and B2B demonstrating the performance of all areas in the business.

## Regional performance overview: CFD and spread bet

	2021				2020				% change			
	Net trading revenue £m	Gross client income <sup>1</sup> £m	Active clients	RPC £	Net trading revenue £m	Gross client income <sup>1</sup> £m	Active clients	RPC £	Net trading revenue	Gross client income <sup>1</sup>	Active clients	RPC
UK	122.0	123.2	20,077	6,078	67.1	86.4	13,883	4,835	82%	42%	45%	26%
Europe	64.8	53.7	20,280	3,197	43.5	43.6	18,347	2,370	49%	23%	11%	35%
UK & Europe	186.8	176.9	40,357	4,630	110.6	130.0	32,230	3,432	69%	36%	25%	35%
APAC & Canada	162.4	158.4	36,234	4,481	103.9	110.6	24,972	4,160	56%	43%	45%	8%
<b>Total</b>	<b>349.2</b>	<b>335.3</b>	<b>76,591</b>	<b>4,560</b>	<b>214.5</b>	<b>240.6</b>	<b>57,202</b>	<b>3,750</b>	<b>63%</b>	<b>39%</b>	<b>34%</b>	<b>22%</b>

<sup>1</sup> Spreads, financing and commissions on CFD client trades.

### UK and Europe

Gross client income grew by £46.9 million (36%) and RPC increased by £1,198 (35%), with active clients increasing by 25%.

### UK

The number of active clients in the region increased by 45% to 20,077 (2020: 13,883), in turn driving gross client income growth of 42% against the prior year to £123.2 million (2020: £86.4 million). The increases were predominantly driven by the retail business.

### Europe

Europe comprises offices in Austria, Germany, Norway, Poland and Spain. Gross client income increased 23% to £53.7 million (2020: £43.6 million) driven by strong growth in the Germany and Poland offices. RPC also grew significantly by 35% to £3,197 (2020: £2,370). The number of active clients increased 11% to 20,280 (2020: 18,347).

### 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. Gross client income increased by 43% to £158.4 million (2020: £110.6 million), primarily driven by increased active clients and heightened market activity throughout the year. Active clients were up 45% to 36,234 (2020: 24,972), with strong increases across the region.

## Financial review continued

## Stockbroking

The non-leveraged Australian stockbroking business continued to grow significantly during the year, with revenue increasing 72% to £54.8 million (2020: £31.8 million) driven by a combination of higher client trading activity driven by market volatility and increased FX revenue from international shares trading following the introduction of our zero brokerage offering in September 2020. Active clients continued to increase, up 28% to 232,053 (2020: 181,630) with AUM also increasing substantially to AUD\$69.4 billion (2020: AUD\$46.7 billion).

## Interest income

Global interest rates have remained at historically low levels, with interest income decreasing accordingly, down 78% to £0.7 million (2020: £3.3 million). The majority of the Group's interest income is earned through our segregated client deposits in our UK, Australia, New Zealand and stockbroking subsidiaries.

## Expenses

Total costs increased by £32.5 million (21%) to £185.8 million.

	2021 £m	2020 £m
Net staff costs – fixed (excluding variable remuneration)	62.5	53.8
IT costs	26.2	21.5
Marketing costs	24.6	14.9
Sales-related costs	5.8	3.2
Premises costs	3.8	3.1
Legal and professional fees	7.2	5.2
Regulatory fees	5.0	5.2
Depreciation and amortisation	11.2	11.0
Irrecoverable sales tax	6.5	5.1
Other	15.0	14.3
<b>Operating expenses excluding variable remuneration</b>	<b>167.8</b>	<b>137.3</b>
Variable remuneration	16.2	14.0
<b>Operating expenses including variable remuneration</b>	<b>184.0</b>	<b>151.3</b>
Interest	1.8	2.0
<b>Total costs</b>	<b>185.8</b>	<b>153.3</b>

**“THE GROUP PERFORMED VERY WELL THROUGHOUT THE YEAR AND CONTINUES TO BE IN A STRONG FINANCIAL POSITION FROM A LIQUIDITY AND CAPITAL STANDPOINT. THIS PROVIDES US WITH THE CONFIDENCE THAT THE GROUP CAN CAPITALISE ON FUTURE OPPORTUNITIES AS THEY ARISE AND CONTINUE TO INVEST IN OUR TECHNOLOGY.”**

## Net staff costs

Net staff costs including variable remuneration increased £10.9 million (16%) to £78.7 million following significant investment across the business, particularly within technology, marketing and product functions, to support the delivery of strategic projects. Variable remuneration increased due to higher headcount within 2021 resulting in higher performance-related pay.

	2021 £m	2020 £m
Wages and salaries	64.4	51.7
Performance-related pay	13.7	11.7
Share-based payments (note 31)	2.5	2.3
<b>Total employee costs</b>	<b>80.6</b>	<b>65.7</b>
Contract staff costs	3.2	3.1
Net capitalisation	(5.1)	(1.0)
<b>Net staff costs</b>	<b>78.7</b>	<b>67.8</b>

## Marketing costs

Marketing costs have increased by £9.7 million (65%) to £24.6 million as the Group capitalised on market opportunities as they arose throughout the year, whilst ensuring that spend was targeted through the most efficient channels to acquire high value clients. The success of this targeted approach is borne out through the increases in both active clients and revenue per active client.

## IT costs

IT costs increased £4.7 million (22%) to £26.2 million, with increases due to higher market data costs throughout the year as a result of increased client activity and increased software maintenance.

## Other expenses

Sales-related costs increased by £2.6 million (83%) as a result of provisions and payments made during the year for client compensation in addition to stockbroking variable sales related costs.

Legal and professional fees increased £20 million (40%) primarily driven by external audit fee increases and external consultants engaged as part of the Group's preparations for Brexit.

Premises costs increased £0.7 million (22%) due to the rental of additional office space within London to facilitate the growth in

headcount and to maintain social distancing requirements, during the year.

Other costs increased due to a number of factors, with the main drivers being volume driven increases in both bank charges as a result of higher client payment volumes, and bad debt charges.

## Taxation

The effective tax rate for the year was 20% (2020: 12%). The increase mainly resulted from the recognition of additional Australian tax credits in 2020 which did not recur in 2021. It is anticipated that the Group's effective tax rate is likely to remain at a similar level in 2022.

## Profit after tax for the year

The increase in profit after tax for the year of £91.2 million (105%) was due to higher net operating income and the operational gearing in the business.

## Dividend

Dividends of £62.1 million were paid during the year (2020: £10.2 million), with £35.4 million relating to a final dividend for the prior year paid in September 2020, and a £26.7 million interim dividend paid in December 2020 relating to current year performance. The Group has proposed a final ordinary dividend of 21.43 pence per share (2020: 12.18 pence per share).

## Non-Statutory Summary Group Balance Sheet

	2021 £m	2020 £m
Intangible assets	10.3	4.6
Property, plant and equipment	14.8	14.6
Net lease liability	(4.0)	(5.7)
<b>Fixed Assets</b>	<b>21.1</b>	<b>13.5</b>
Cash and cash equivalents	118.9	84.3
Amounts due from brokers	253.9	134.3
Financial investments	28.1	25.4
Derivative financial instruments	3.3	5.4
<b>Liquid Assets</b>	<b>400.9</b>	<b>244.0</b>
Net derivative financial instruments	0.2	3.0
Title transfer funds	(30.7)	(8.7)
<b>Own Funds</b>	<b>370.4</b>	<b>238.3</b>
Working Capital	2.6	16.0
Tax receivable	1.7	0.8
Deferred tax net asset	4.7	14.3
<b>Net Assets</b>	<b>400.5</b>	<b>282.9</b>

The table above is a non-statutory view of the Group balance sheet and line names don't necessarily have their statutory meanings.

### Fixed assets

The Group dedicated a significant amount of internal resource to the development of new products and functionality in 2021, with Dynamic Trading, FX Spot and the native iOS stockbroking mobile application being the primary focus. This, in addition to software purchases, resulted in an increase of £8.0 million in intangible assets, offset by amortisation during the year.

Net lease liability decreased by £1.7 million during the year due to the net length of lease contracts being lower at the end of 2021 than prior year.

### Own funds

Cash and cash equivalents have increased significantly during the year as a result of the Group's operating performance.

Amounts due from brokers relate to cash held at brokers either for initial margin or balances in excess of this for cash management purposes. The elevated client trading exposures throughout the year, particularly in equities, resulted in increases in holdings at brokers for hedging purposes.

Financial investments mainly relate to eligible assets held by the Group as a liquid asset buffer ("LAB"), per Financial Conduct Authority ("FCA") requirements.

Title transfer funds increased by £22.0 million, reflecting the high levels of account funding by a small population of mainly institutional clients.

### Working capital

The decrease year on year is primarily as a result of the increased market volatility in Q4 of the prior year, which significantly increased the value of the stockbroking receivables yet to settle at the prior year end.

### Tax receivable

Taxes receivable increased by £0.9 million as a result of overpayments of corporation and service taxes in a number of Group entities.

### Deferred tax net asset

Deferred tax assets decreased during the year due to utilisation of Australian tax credits.

## Regulatory capital resources

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

The Group's total capital resources increased to £327.9 million (2020: £236.7 million) with retained earnings for the year being partly offset by the interim and proposed final dividend distribution.

At 31 March 2021 the Group had a total capital ratio of 20.5% (2020: 23.3%). The decrease in the total capital ratio resulted from a higher total risk exposure; this was driven mainly by an increase in market risk capital requirement, partially offset by an increase in total capital resources. 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 30 to the Financial Statements.

	2021 £m	2020 <sup>4</sup> £m
Core equity Tier 1 capital <sup>1</sup>	338.2	247.6
Less: intangibles and deferred tax assets	(10.3)	(10.9)
<b>Total capital resources</b>	<b>327.9</b>	<b>236.7</b>
Pillar 1 requirement <sup>2</sup>	127.6	81.4
Total risk exposure <sup>3</sup>	1,595.5	1,017.9
<b>Total capital ratio (%)</b>	<b>20.5%</b>	<b>23.3%</b>

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

2 The minimum capital required to adhere to CRD IV.

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

4 2020 total risk exposure and capital ratio have not been restated following a change in accounting policy.

## Financial review continued

## Regulatory capital resources continued

On 16 April 2019, the European Parliament adopted a new legislative package: the Investment Firm Regulation and Directive ("IFR/IFD"), that will become directly applicable in Member States on 26 June 2021. This framework will alter the licensing basis, capital and remuneration requirements and governance and transparency provisions for a wide range of non-bank financial institutions. The UK played an instrumental role in the introduction of IFR/IFD at EU level, negotiated them as a Member State, and is supportive of their respective intended outcomes. In light of the UK's departure from the EU, HM Treasury has introduced the Investment Firm Prudential regime ("IFPR") that has been designed to achieve similar intended outcomes as those in IFR/IFD albeit tailored where necessary to reflect the structure of the UK market and how it operates. The IFPR is expected to enter into force on 1 January 2022 and will be regulated by the FCA. It is not envisaged that these changes will lead to higher capital requirements for the Group.

The Group and its UK subsidiaries will fall into scope of the IFPR, with the Group's German subsidiary, CMC Markets Germany GmbH, subject to the provisions of IFR/IFD. This will ultimately end the Group's requirement to comply with the existing and incoming CRD/CRR rules in favour of the new regimes.

## 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 consist mainly of cash and cash equivalents. They also include investments in UK government securities, of which the majority are held to meet the Group's LAB as set by the FCA. These UK government securities are FCA Prudential sourcebook for Banks, Building Societies and Investment Firms ("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 as 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 them for its stability.
- **Available committed facility (off-balance sheet liquidity):** The Group has access to a facility of up to £55.0 million (2020: £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 facility consists of a one-year term facility of £27.5 million (2020: £20.0 million) and a three-year term facility of £27.5 million (2020: £20.0 million). 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. There was no drawdown on the facility at 31 March 2021 (2020: £nil).

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

- **Blocked cash:** Amounts held to meet the requirements of local regulators and exchanges, in addition to 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 and cryptocurrency positions.

At 31 March 2021, the Group held cash balances of £118.9 million (2020: £84.3 million). In addition, £549.4 million (2020: £339.8 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 £370.4 million (2020: £238.3 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 29 of the Financial Statements.

The increase is predominantly due to own funds generated from operating activities.

	2021 £m	2020 £m
Own funds	370.4	238.3
Title transfer funds	30.7	8.7
Available committed facility	55.0	21.3
<b>Total available liquidity</b>	<b>456.1</b>	268.3
Less: blocked cash	(75.4)	(40.2)
Less: initial margin requirement at broker	(170.1)	(39.0)
<b>Net available liquidity</b>	<b>210.6</b>	189.1
Of which: held as LAB	28.1	25.4

## Client money

Total segregated CFD client money held by the Group was £549.4 million at 31 March 2021 (2020: £339.8 million).

Client money represents the capacity for our clients to trade and offers an underlying indication of 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 which 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 in the UK, BaFin in Germany and ASIC in Australia. 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 48 to 53.



**Euan Marshall**  
Chief Financial Officer  
9 June 2021



## Risk management

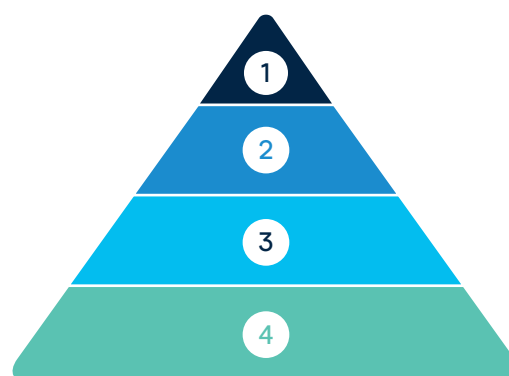
# Effective risk management

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

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 the Group. 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. Its top and emerging risks are those that would threaten its business model, future performance, solvency or liquidity. These are outlined below and details of financial risks and their management are set out in note 30 to the Financial Statements.



- 1 Board**
- 2 Executive Committees**  
Execution of Board's risk strategy including risk appetite.
- 3 Risk and control functions**  
Comprise of compliance, financial crime, financial risk (including liquidity risk management) and operational risk. In addition, legal, finance, data privacy and security functions are also considered as part of the control functions within the Group.
- 4 Business functions**  
Identify, own, assess and manage risks. Design, implement and monitor suitable controls, issue management, KRI and risk appetite reporting.

## Risk management continued

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:

- **Brexit:** On 31 December 2020 the UK's transitional agreement with the EU ended, meaning UK companies no longer had MiFID passporting rights to offer financial services to EEA clients. The Group established a new German subsidiary during 2019 and started onboarding new German resident clients to the new subsidiary from December 2019 and other EEA clients from December 2020.

Acting on advice received from one of our panel of regulatory advisors, the Group applied reverse solicitation ("Grandfathering") provisions, leaving certain EEA clients trading with its UK subsidiary after 31 December 2020. Given emerging regulatory uncertainty regarding the application of these provisions and further advice from additional regulatory advisors, the Group informed those EEA clients that they would no longer be permitted to trade with the UK subsidiary and offered them the opportunity to open an account with the new German subsidiary. The majority of EEA clients' activities with the UK subsidiary ceased prior to 31 March 2021.

The Group is proactively engaging with the regulatory authorities in the EEA markets where the UK subsidiary continued to service clients after 31 December 2020. Whilst it is possible that regulatory censure may result from these matters, they are in their very early stages and such an outcome is not currently considered probable.

- **COVID-19:** The continued spread and deepening of the pandemic throughout the financial year gave rise to multiple risks to the Group. Market and counterparty credit risk resulting from the increased trading activity driven by the pandemic is actively monitored as a course of business. From an operational risk perspective, the Group has put significant measures in place aimed at mitigating specific risks relating to its people and operational activities and continues to actively monitor the situation and closely follow governmental advice.
- **Market risk management:** The Group's risk management is constantly reviewed to ensure it is optimised and as efficient as possible. For more information on market risk management and mitigation see page 41.

- **Regulatory change:** The Australian regulator, ASIC, announced new regulatory measures in October 2020 that came into effect from 29 March 2021. The measures are broadly similar to those implemented by ESMA in August 2018 and include:

- prohibition of the issue and distribution of OTC binary options to retail clients;
- implementation of CFD leverage ratio limits;
- protection against negative balances;
- standardised approach to the automatic close-out of retail client positions;
- prohibition on firms offering monetary and non-monetary benefits to retail investors; and
- enhanced transparency of CFD pricing, execution, costs and risks.

The Group continues to believe 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.

Further information on the structure and workings of Board and Management Committees is included in the Corporate governance report on pages 48 to 53.

## Principal risks

## BUSINESS AND STRATEGIC RISKS

Risk	Description	Management and mitigation
<b>Acquisitions and disposals risk</b>	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.	<ul style="list-style-type: none"> <li>• Robust corporate governance structure including strong challenge from independent Non-Executive Directors.</li> <li>• Vigorous and independent due diligence process.</li> <li>• Align and manage the businesses to Group strategy as soon as possible after acquisition.</li> </ul>
<b>Strategic/business model risk</b>	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.	<ul style="list-style-type: none"> <li>• Strong governance framework established including three independent Non-Executive Directors and the Chairman sitting on the Board.</li> <li>• Robust governance, challenge and oversight from independent Non-Executive Directors.</li> <li>• Managing the Group in line with the agreed strategy, policies and risk appetite.</li> </ul>
<b>Preparedness for regulatory change risk</b>	<p>The risk that changes to the regulatory framework the Group operates in impacts the Group's 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"> <li>• Active dialogue with regulators and industry bodies.</li> <li>• Monitoring of market and regulator sentiment towards the product offering.</li> <li>• Monitoring by and advice from compliance department on impact of actual and possible regulatory change.</li> <li>• A business model and proprietary technology that is responsive to changes in regulatory requirements.</li> </ul>
<b>Reputational risk</b>	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.	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Examples include: <ul style="list-style-type: none"> <li>• 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; and</li> <li>• systems and controls to ensure we continue to offer a good service to clients and quick and effective response to address any potential issues.</li> </ul> </li> </ul>

## Principal risks continued

## FINANCIAL RISKS

Risk	Description	Management and mitigation
<b>Credit and counterparty risk</b>	The risk of losses arising from a counterparty failing to meet its obligations as they fall due.	<p><b>Client counterparty risk</b></p> <p>The Group's management of client counterparty risk is significantly aided by the automated liquidation functionality. This is where the client positions are reduced should the total equity of the account fall below a predefined percentage of the required margin for the portfolio held.</p> <p>Other platform functionality mitigates risk further:</p> <ul style="list-style-type: none"> <li>• tiered margin requires clients to hold more collateral against bigger or higher risk positions;</li> <li>• mobile phone access allowing clients to manage their portfolios on the move;</li> <li>• guaranteed stop loss orders allow clients to remove their chance of debt from their position(s); and</li> <li>• position limits can be implemented on an instrument and client level. The instrument level enables the Group to control the total exposure the Group takes on in a single instrument. At a client level this ensures that the client can only reach a pre-defined size in any one instrument.</li> </ul> <p>In relevant jurisdictions, CMC offers negative balance protection to retail clients limiting the liability of a retail investor to the funds held in their trading account.</p> <p>However, after mitigations, there is a residual risk that the Group could incur losses relating to clients (excluding negative balance protection accounts) moving into debit balances if there is a market gap.</p> <p><b>Financial institution credit risk</b></p> <p>Risk management is carried out by a central liquidity risk management ("LRM") team under the Counterparty Concentration Risk Policy.</p> <p>Mitigation is achieved by:</p> <ul style="list-style-type: none"> <li>• monitoring concentration levels to counterparties and reporting these internally/externally on a monthly/quarterly basis; and</li> <li>• monitoring the credit ratings and credit default swap ("CDS") spreads of counterparties and reporting internally on a weekly basis.</li> </ul>
<b>Insurance risk</b>	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"> <li>• Use of a reputable insurance broker who ensures cover is placed with financially secure insurers.</li> <li>• Comprehensive levels of cover maintained.</li> <li>• Rigorous claim management procedures are in place with the broker.</li> </ul> <p>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.</p>

Risk	Description	Management and mitigation
<b>Tax and financial reporting risk</b>	The risk that financial, statutory or regulatory reports including VAT and similar taxes are submitted late, incomplete or are inaccurate.	<ul style="list-style-type: none"> <li>• Robust process of checking and oversight in place to ensure accuracy.</li> <li>• Knowledgeable and experienced staff undertake and overview the relevant processes.</li> </ul>
<b>Liquidity risk</b>	The risk that there is insufficient available liquidity to meet the liabilities of the Group as they fall due.	<ul style="list-style-type: none"> <li>• 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 risks under both normal and stressed conditions. The forecasting and stress testing fully incorporates the impact of all liquidity regulations in force in each jurisdiction that the Group operates in and any other impediments to the free movement of liquidity around the Group.</li> </ul> <p>Risk is mitigated by:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• maintaining regulatory and Board approved buffers;</li> <li>• managing liquidity to a series of Board approved metrics and Key Risk Indicators;</li> <li>• a committed bank facility of up to £55.0 million (2020: £40.0 million) 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</li> <li>• 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.</li> </ul>
<b>Market risk</b>	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.	<ul style="list-style-type: none"> <li>• Trading risk management monitors and manages the exposures it inherits from clients on a real-time basis and in accordance with Board-approved appetite.</li> <li>• The Group 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.</li> <li>• 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.</li> </ul>

## Principal risks continued

## OPERATIONAL RISKS

Risk	Description	Management and mitigation
<b>Business change risk</b>	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.	<ul style="list-style-type: none"> <li>• Governance process in place for all business change programmes with Executive and Board oversight and scrutiny.</li> <li>• Key users engaged in development and testing of all key change programmes.</li> <li>• Significant post-implementation support, monitoring and review procedures in place for all change programmes.</li> <li>• Strategic benefits and delivery of change agenda communicated to employees.</li> </ul>
<b>Business continuity and disaster recovery risk</b>	The risk that a 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"> <li>• Multiple data centres and systems to ensure core business activities and processes are resilient to individual failures.</li> <li>• Dedicated alternate office sites for Tier 1 offices. Remote access systems to enable staff to work from home or other locations in the event of a disaster recovery or business continuity requirement.</li> <li>• Periodic testing of business continuity processes and disaster recovery.</li> <li>• Robust incident management processes and policies to ensure prompt response to significant systems failures or interruptions.</li> </ul>
<b>Financial crime risk</b>	The risk that the Group is not committed to combatting financial crime and ensuring that our platform and products are not used for the purpose of money laundering, sanctions evasion or terrorism financing.	<p>Adherence with applicable laws and regulations regarding Anti-Money Laundering ("AML"), Counter Terrorism Financing ("CTF"), Sanctions and Anti-Bribery &amp; Corruption is mandatory and fundamental to our AML/CTF framework. We have strict and transparent standards and we continuously strengthen our processes to ensure compliance with applicable laws and regulations. CMC Markets reserves the right to reject any client, payment, or business that is not consistent with our risk appetite. This risk is further mitigated by:</p> <ul style="list-style-type: none"> <li>• establishing and maintaining a risk-based approach towards assessing and managing the money laundering and terrorist financing risks to the Group;</li> <li>• establishing and maintaining risk-based know your customer ("KYC") procedures, including enhanced due diligence ("EDD") for those customers presenting higher risk, such as politically exposed persons ("PEPs");</li> <li>• establishing and maintaining risk-based systems for surveillance and procedures to monitor ongoing customer activity;</li> <li>• procedures for reporting suspicious activity internally and to the relevant law enforcement authorities or regulators as appropriate;</li> <li>• maintenance of appropriate records for the minimum prescribed record keeping periods;</li> <li>• training and awareness for all employees;</li> <li>• provision of appropriate MI and reporting to senior management of the Group's compliance with the requirements; and</li> <li>• oversight of Group entities for financial crime in line with the Group AML/CTF Oversight Framework.</li> </ul>



Risk	Description	Management and mitigation
<b>Information and data security risk</b>	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"> <li>• Dedicated information security and data protection expertise within the Group.</li> <li>• Technical and procedural controls implemented to minimise the occurrence or impact of information security and data protection breaches.</li> <li>• Access to information and systems only provided on a “need-to-know” and “least privilege” basis consistent with the user’s role and also requires the appropriate authorisation.</li> <li>• Regular system access reviews implemented across the business.</li> </ul>
<b>Information technology and infrastructure risk</b>	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"> <li>• 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.</li> <li>• Software design methodologies, project management and testing regimes to minimise implementation and operational risks.</li> <li>• Constant monitoring of systems performance and, in the event of any operational issues, changes to processes are implemented to mitigate future concerns.</li> <li>• Operation of resilient data centres to support each platform (two in the UK to support Next Generation and two in Australia to support Stockbroking).</li> <li>• Systems and data centres designed for high availability and data integrity enabling continuous service to clients in the event of individual component failure or larger system failures.</li> <li>• Dedicated Support and Infrastructure teams to manage key production systems. Segregation of duties between Development and Production Support teams where possible to limit development access to production systems.</li> </ul>
<b>Legal (commercial/litigation) risks</b>	The risk that disputes deteriorate into litigation.	<ul style="list-style-type: none"> <li>• Compliance with legal and regulatory requirements including relevant codes of practice.</li> <li>• Early engagement with legal advisers and other risk managers.</li> <li>• Appropriately managed complaints which have a legal/litigious aspect.</li> <li>• An early assessment of the impact and implementation of changes in the law.</li> </ul>

## Principal risks continued

## OPERATIONAL RISKS CONTINUED

Risk	Description	Management and mitigation
<b>Operations (processing) risk</b>	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"> <li>Investment in system development and upgrades to improve process automation.</li> <li>Enhanced staff training and oversight in key business processing areas.</li> <li>Monitoring and robust analysis of errors and losses and underlying causes.</li> </ul>
<b>Procurement and outsourcing risk</b>	The risk that third-party organisations inadequately perform, or fail to provide or perform the outsourced activities or contractual obligations to the standards required by the Group.	<ul style="list-style-type: none"> <li>Responsibility for procurement, vendor management and general outsourcing owned by the Chief Financial Officer under the Senior Manager and Certification Regime, with the accountability to ensure compliance to the Group procurement process and completion of key activities, based on the risk profile of the service required by the organisation.</li> <li>Outsourcing only employed where there is a strategic gain in resource or experience, which is not available in house.</li> <li>Due diligence performed on service supplier ahead of outsourcing being agreed.</li> <li>Service level agreements in place and regular monitoring of performance undertaken.</li> </ul>
<b>People risk</b>	The risk of loss of key staff, having insufficient skilled and motivated resources available or failing to operate people-related processes to an appropriate standard.	<ul style="list-style-type: none"> <li>The Board has directed that the Group maintains active People, Succession and Resource Plans for the Group and all key individuals and teams, which will mitigate some of the risk of loss of key persons. It will adopt policies and strategies commensurate with its objectives of: <ul style="list-style-type: none"> <li>attracting and nurturing the best staff;</li> <li>retaining and motivating key individuals;</li> <li>managing employee-related risks;</li> <li>achieving a high level of employee engagement;</li> <li>developing personnel capabilities;</li> <li>optimising continuous professional development; and</li> <li>achieving a reputation as a good employer with an equitable remuneration policy.</li> </ul> </li> </ul>

Risk	Description	Management and mitigation
<b>Regulatory and compliance risk</b>	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"> <li>• Internal audit outsourced to an independent third-party professional services firm.</li> <li>• Effective compliance oversight and advisory/technical guidance provided to the business.</li> <li>• Comprehensive monitoring and surveillance programmes, policies and procedures designed by compliance.</li> <li>• Strong regulatory relations and regulatory horizon scanning, planning and implementation.</li> <li>• Controls for appointment and approval of staff holding a senior management or certified function and annual declarations to establish ongoing fitness and propriety.</li> <li>• Governance and reporting of regulatory risks through the Risk Management Committee, Group Audit Committee and Group Risk Committee.</li> <li>• Robust anti-money laundering controls, client due diligence and sanctions checking.</li> </ul>
<b>Conduct risk</b>	The risk that through our culture, behaviours or practices we fail to meet the reasonable expectations of our customers, shareholders or regulators.	<ul style="list-style-type: none"> <li>• The Treating Customers Fairly ("TCF") and Conduct Committee is comprised of senior management and subject matter experts, it convenes regularly to evaluate and challenge the TCF MI alongside any emerging issues or incidents which could impact client fairness. It reports to the Board via the Risk Management Committee ("RMC") who are also charged with approving the TCF Policy.</li> </ul>
<b>Client money segregation risk</b>	The risk that the Group fails to implement adequate controls and processes to ensure that client money is segregated in accordance with applicable regulations.	<ul style="list-style-type: none"> <li>• The Client Money Review Group ("CMRG"), which reports into the RMC, is a fundamental part of the Group's client money governance and oversight procedures. The CMRG is chaired by the Chief Financial Officer, an FCA-approved person, who is responsible for overseeing the controls and procedures in place to protect client money.</li> <li>• The Committee is comprised of senior management from across the Group who oversee functions which impact client money. The CMRG forms a key part of the oversight of client money in addition to compliance, internal audit and PricewaterhouseCoopers LLP as external auditors.</li> </ul>

The Strategic report was approved by the Board on 9 June 2021.

On behalf of the Board



**Euan Marshall**  
Chief Financial Officer  
9 June 2021

## Board of Directors

**James Richards**

Chairman

**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 and Chair of the Nomination Committee from 31 January 2018. He has previously held positions as Chair of the Remuneration Committee and been a member of the Nomination Committee, Group Risk Committee and Group Audit 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 (2012 to 2016). Prior to this he was a 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****Lord Peter Cruddas**

Chief Executive Officer

**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 Chief Executive Officer 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

**Paul Wainscott**

Senior Independent Director

**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. Paul served as finance director at the Peel Group for 27 years until March 2018. During his time at the Peel Group, Paul gained wide experience at both board level and in several different business sectors, including real estate, transport, media and utilities.

**No external appointments****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**

XPS Pensions Group Plc  
Liontrust ESG Trust plc

**The role of the Board**

The Board operates within the governance structure detailed in this section of the Annual Report and Financial Statements. It provides entrepreneurial leadership and considered oversight in relation to the long-term, sustainable success of the Company. The Board is responsible for the establishment of the Group's purpose, values and strategy through appropriate shareholder and stakeholder

engagement and corresponding implementation within necessary financial, human resources and cultural frameworks.

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 assess, manage and mitigate risk.

**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, Royal London and Amigo Holdings PLC. Clare is also an experienced non-executive director having spent six years on the board of Alliance Trust Plc, and was CEO of the British Equestrian Federation.

**Current external appointments**

GS Yacht Charters LLP  
Scottish Widows Independent Governance Committee

**David Fineberg**

Deputy Chief Executive Officer

**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 and then in April 2019 he was promoted to the position of Deputy Chief Executive Officer.

**No external appointments****Euan Marshall**

Chief Financial Officer

**Appointment**

1 November 2019

**Committee membership**

E M

**Skills and experience**

Euan joined CMC Group in November 2011 and he has held a variety of roles across the finance function, including Group Head of Finance. He was appointed as Chief Financial Officer in November 2019, where he is responsible for the management of all finance functions globally and investor relations. Euan has been a member of the Chartered Institute of Management Accountants since 2005 and has over 20 years' experience working in financial services and business consulting including at Barclays, HSBC and Deloitte. Euan holds a BSc in Economics from the University of Nottingham.

**No external appointments****Matthew Lewis**

Head of Asia Pacific &amp; Canada

**Appointment**

1 November 2019

**Committee membership**

E M

**Skills and experience**

Matthew joined the Group in September 2005 and has held a variety of roles including Senior Dealer, Head of Eastern Equities, Head of Sales Trading ANZ, Head of Trading Eastern Region and Director of Asia. In his current role as the Head of Asia Pacific & Canada, he is responsible for implementing the Group's business strategies across the APAC & Canada region for both the retail and wholesale CFD and foreign exchange business. He is also responsible for the Group's stockbroking business. Prior to joining the Group, Matthew worked for Commonwealth Securities, Australia's largest provider of financial services, dealing in equities, before moving into derivatives as an options trader and warrants representative. Matthew has over 19 years' experience in financial services and holds a Bachelor of Economics from the University of Sydney.

**No external appointments**

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 (and the Remuneration and Nomination Committees) are available on the CMC Markets plc Group website (<https://www.cmcmarketsplc.com/investors/corporate-governance/committees/>).

**Committee membership**

A Group Audit Committee

R Remuneration Committee

G Group Risk Committee

M Risk Management Committee

N Nomination Committee

E Executive Committee

● Committee Chair

# Corporate governance introduction

Corporate governance is the foundation of 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 2021. The Board continues to recognise that an effective governance framework is fundamental in ensuring the Group's ability to deliver long-term value for our shareholders and stakeholders.

## COVID-19

The financial year under review has proved to be challenging for many as a consequence of COVID-19. Although the Group's financial performance has been very strong during the period, the global pandemic has highlighted the importance of having a clear corporate governance framework to ensure that the Group can appropriately react to unforeseen challenges. Proactive corporate decisions made the circumstances created by the pandemic, including facilitating remote working across the global work force, evidence, in one regard, the effectiveness of the Group's governance framework.

## UK Corporate Governance Code

As a company listed on the Main Market of the London Stock Exchange, CMC Markets plc has applied the Principles as set out in the 2018 UK Corporate Governance Code published by the Financial Reporting Council ("FRC"), and available at [www.frc.org.uk](http://www.frc.org.uk) (the "Code") for the financial year ended 31 March 2021.

A full explanation is provided on pages 52, 59 and 75 in respect of the approach adopted by the Company to the application of:

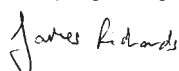
- Principle G, and in particular Provision 11, of the Code which requires that the Board should include an appropriate combination of Executive and Non-Executive Directors;
- Principle L, and in particular Provision 21, of the Code which deals with Board evaluation;
- Principle M, and in particular Provision 25, of the Code which deals with the review of the company's internal financial controls and internal control and risk management systems by a board committee composed of independent non-executive directors;
- Principle P, and in particular Provision 36, of the Code which relates to the development of formal policy for post-employment shareholding, which has been adopted in the Directors' Remuneration Policy to be considered for approval at the forthcoming AGM, detailed on page 75; and
- Principle P, and in particular Provision 38, of the Code which relates to the alignment of pension contribution rates for Executive Directors and the workforce, which has been adopted in the Directors' Remuneration Policy to be considered for approval at the forthcoming AGM, detailed on page 75.

As advised in last year's Annual Report, a review of governance arrangements had been generally initiated by the Board in the first quarter of 2020 with the intention of having a formal evaluation in the autumn of 2020.

During this period, due to the growth of the business and a number of technological initiatives and opportunities evolving, the general internal

review was longer than originally anticipated. It took on a necessary wider remit extending into the risk management function. This resulted in further consideration being given to the scope and depth of the subsequent formal review. It also required a rethinking of the most suitable external adviser to be involved in a more extensive review of governance and Board and Board Committee effectiveness. To that end Independent Audit (<https://www.independentaudit.com/>) was appointed in January 2021 and has been undertaking an in-depth review of the Company with regards to its current reporting and oversight by the Board and its Committees. Its review is still a work in progress but will be completed during the summer. The COVID-19 pandemic also affected the timing.

For the purposes of supporting Provision 21 under the Code, it is confirmed that Independent Audit has no connection with the Company or any of the Company's Directors.



**James Richards**

Chairman

9 June 2021

## Board composition

It is critical that the Board has the right composition, so it can provide balanced leadership for the Group and the independent discharge of its duties to shareholders. This relies on the Board having the right balance of skills and experience and objectivity, as well as a good working knowledge of the Group's business.

In light of the Digital Transformation Programme, and the host of new products and technological innovations that will accompany it, the Board has held off appointing a further Non-Executive Director during 2021. The development of enhancements to our non-leveraged product offering will influence the deliberations of the Nomination Committee when considering the experience and skill set of a future Non-Executive Director.

## Board committees

As part of the internal review of governance arrangements and the initiation of the Digital Transformation Programme the Board decided that now was an opportune moment for the Chairs of both the Group Risk Committee and the Remuneration Committee (namely Sarah Ing and Clare Salmon) to swap roles as Chairs of their respective Committees with effect from 1 April 2021. I would like to thank them very much for their sterling work in chairing their respective Committees for the last three and a half years and look forward to their successful chairing of their new Committees.

## Board effectiveness

The balance of skills, experience and independence of the Board and individual Directors has been reviewed and is under consideration as part of the ongoing governance review being undertaken by Independent Audit. All Directors received computer-based training on relevant financial services matters with emphasis on the responsibilities with regard to regulation and compliance.



## Stakeholder engagement

Mindful of relevant obligations under the Code, stakeholder engagement has been a further consideration for the Board this year and we will continue to develop relevant relationships for the benefit of the Company. A regular update in relation to stakeholder engagement is now a feature of Board papers and ongoing governance consideration.

## 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. A monthly investor relations report is distributed to the Board and considered at each Board meeting.

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.

In light of the obligation to present the Directors' Remuneration Policy for review and approval at this year's AGM, Clare Salmon, as Chair of the Remuneration Committee for the financial year ended 31 March 2021, wrote to a selection of our shareholders and related proxy agencies to discuss the forthcoming Directors' Remuneration Policy proposals. The correspondence has been complemented by very useful discussions with relevant parties and we are grateful for the very high level of engagement in this process.

I am looking forward to the forthcoming year as the Group seeks to grow and continue to deliver on its strategy and technology in relation to established markets, client journey optimisation and its institutional offering.

# Board leadership and purpose

The Board provides entrepreneurial leadership and considered oversight in relation to the long-term, sustainable success of the Company. The Board is responsible for the establishment of the Group's purpose, values and strategy through appropriate shareholder and stakeholder engagement and corresponding implementation within necessary financial, human resources and cultural frameworks.

The Board has continued to oversee the strategic focus on established markets, client journey optimisation and its institutional offering through an innovative and resilient set of technological solutions while ensuring stakeholder issues are considered in Board discussions and as part of its decision making.

The Board's leadership includes an awareness of the importance of a working culture which promotes inclusion and acceptance of differing approaches to facilitating the successful delivery of strategic projects and initiatives. This culture is reinforced and supported by an exhaustive range of policies and practices, overseen by the Board, which support the workforce in the pursuit of the Group's long-term sustainable success consistent with the Group's values (please see Group non-financial information on page 31). Any employee can raise a matter of concern at any time through day-to-day management reports or whistleblower channels as appropriate – on an annual basis the Board will receive a report in relation to the operation and effectiveness of its systems and controls in relation to whistleblowing and approve the Group whistleblowing policy. The Board reviews results of employee engagement exercises and monitors responses which facilitates a means by which culture can be assessed.

## 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 and charitable donations;
- appointment of principal professional advisers;
- material litigation;
- whistleblowing;
- pension schemes; and
- insurance.

The schedule of matters reserved for the Board is available on the CMC Markets plc Group website <https://www.cmcmarketsplc.com/investors/corporate-governance/>.

## Board composition

Corporate governance: member meeting attendance

Name	Position	Board meetings	Group Audit Committee	Group Risk Committee	Nomination Committee	Remuneration Committee
James Richards	Chairman	8(8)	—	4(4)	2(2)	6(6)
Paul Wainscott	Senior Independent Director	7(8)*	5(5)	3(4)*	2(2)	5(6)*
Sarah Ing	Independent Non-Executive Director	8(8)	5(5)	4(4)	2(2)	6(6)
Clare Salmon	Independent Non-Executive Director	7(8)	5(5)	4(4)	2(2)	6(6)
Lord Cruddas	Chief Executive Officer	8(8)	—	—	—	—
David Fineberg	Deputy Chief Executive Officer	8(8)	—	—	—	—
Euan Marshall	Chief Financial Officer	8(8)	—	—	—	—
Matthew Lewis	Head of Asia Pacific & Canada	8(8)	—	—	—	—

\* Paul Wainscott was unable to attend relevant meetings due to ill health.

# 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 Chair 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 Chair 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.

## SENIOR INDEPENDENT DIRECTOR

Responsibilities of the Senior Independent Director (“SID”) include:

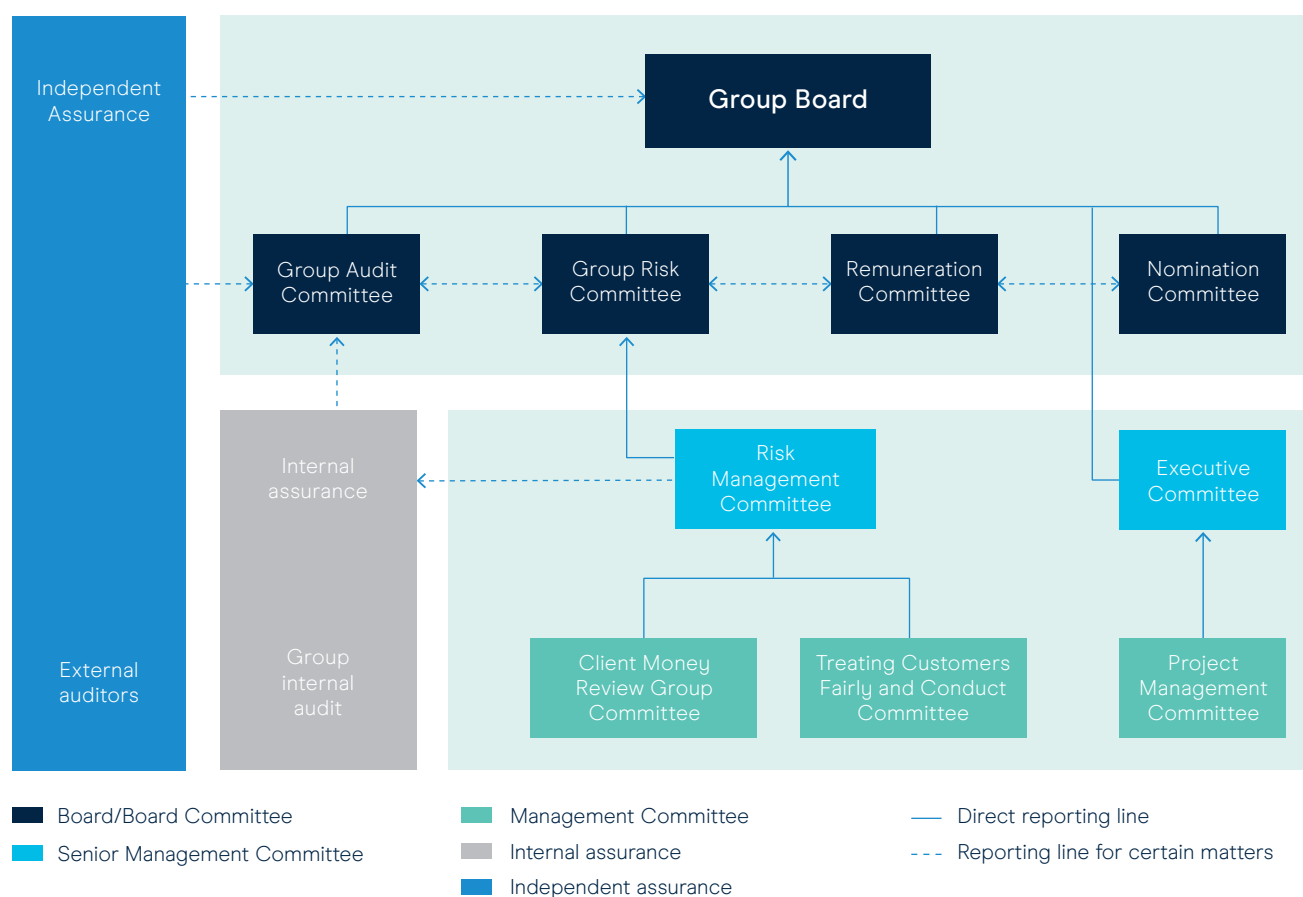
- acting as a sounding board for the Chairman and serving as an intermediary for the other Directors as necessary;
- acting as lead independent Non-Executive Director;
- leading the Non-Executive Directors in the performance evaluation of the Chairman, with input from the Executive Directors; and
- being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

## NON-EXECUTIVE DIRECTORS

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 structures as at 31 March 2021



## 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 year were:

- the management of the business during the COVID-19 pandemic, facilitating remote working across the global workforce and ensuring ongoing access to CMC platforms and products;
- regulatory change and potential business impact;
- the ongoing review of Group infrastructure and resources;
- the development and launch of new products;
- risk management and risk appetite;
- the review and approval of ICAAP, ILAA and other regulatory documents;
- oversight of the rollout of the SMCR at relevant UK regulated Group entities;
- CTO appointment and introduction of a transformation initiative in relation to working practices and engagement;
- rollout of portable work devices across global workforce;
- stakeholder engagement;
- staff engagement survey results;
- governance review undertaken by Independent Audit;
- approval of Board policies, e.g. whistleblowing;
- cyber security; and
- Brexit.

# Accountability

## Election of Directors

The 2021 AGM will be held at 12:00 p.m. on 29 July 2021 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 all Directors will seek re-election at the Company's 2021 AGM, which will be set out in the Notice of AGM.

## Conflicts of interest

The Company's Articles of Association, in line with the Companies Act 2006, allow the Board to authorise any potential conflicts of interest that may arise and impose limits or conditions as appropriate. The Board has a formal process for the Directors to disclose any conflicts of interest and any decision of the Board to authorise a conflict of interest is only effective if it is agreed without the conflicted Director(s) voting or without their votes being counted. In making such a decision, the Directors must act in a way they consider in good faith will be most likely to promote the success of the Group.

## 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.

## Board independence

At least half of the Board, excluding the Chairman, is not comprised of independent Non-Executive Directors. This position does not comply with Provision 11 to Principle G of the Code. The Board continues to keep this position under review. There is currently a balance of Executive and Non-Executive Directors (including the Chairman) with the Chairman discharging his responsibilities with an independent mindset. The Board feels this is proportionate given the Company's size and operations. These arrangements will be kept under review, including as part of the governance review being undertaken by Independent Audit, and in response to the further diversification of the Group's business.

## Directors' induction

A formal procedure for Director induction and ongoing training is in place. As part of a new Director's application for approval from the FCA, a skills gap analysis and learning and development plan will be 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 facilitate an opportunity 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. Non-Executive Directors attended internally and externally facilitated training sessions.

As part of the governance review being undertaken by Independent Audit recommendations are anticipated in relation to an ongoing, sophisticated governance and risk training programme across the Board to enhance current arrangements.

## Board support

Each Director has access to the Company Secretariat Department for advice and services. The Company Secretary provides meeting papers to Directors in a timely manner to allow for conducive and effective Board and Board Committee meetings.

## Board evaluation

As advised in last year's Annual Report, a review of governance arrangements had been generally initiated by the Board in the first quarter of calendar year 2020 with the intention for a formal evaluation in the autumn of 2020.

However, during this period, due to the growth of the business and a number of technological initiatives and opportunities evolving, the general review was longer than originally anticipated. It took on a necessary wider remit extending into the risk management function. This resulted in further consideration being given to the scope and depth of the subsequent formal review. It also required a rethinking of the most suitable external adviser to be involved in a more extensive review of governance and Board and Board Committees effectiveness. To that end Independent Audit was appointed in January 2021 and has been undertaking an in-depth governance review of the Company with regards to its current reporting and oversight by the Board and its Committees. Its review is still a work in progress but will be completed during the summer.

This means that for this financial year, the Company did not comply with supporting Provision 21 to Principle L of the Code. However, an external review has begun during this financial year which it is expected will be delivered during the next financial year in compliance with Provision 21 to Principle L of the Code.

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.

## Board responsibilities in relation to the Annual Report and Accounts

The Board has ultimate responsibility for reviewing and approving the Annual Report and Financial Statements 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 of the Code. Following review by the Group Audit Committee, the Board considered and agreed that the Annual Report and Financial Statements 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 54 to 57.

### Group Risk Committee

The Group Risk Committee has been delegated responsibility for the monitoring and oversight of risk management, mitigation and recommendation for and approval of the risk appetite to the Board. The Committee's responsibilities, main activities and priorities for the coming year are set out on pages 58 and 59.

### Stakeholder engagement

The Board recognises its various legal, fiduciary, statutory and governance obligations and duties in relation to stakeholder engagement, including those specified in the Principles and Provisions of the Code and Section 172 of the Companies Act 2006, and receives regular stakeholder engagement updates in the Board papers. Please also see the discussion on pages 8 and 9 regarding responding to stakeholders' needs.

### Employee engagement

In relation to employee engagement, Clare Salmon, one of the Company's Non-Executive Directors, is the designated Non-Executive Director with responsibility to engage with (and oversee engagement with) employees, and involve relevant views and experiences in Board discussion and decision making (the "Designated Director"). Clare was appointed Designated Director by the Nomination Committee at its meeting in March 2020. The Designated Director's responsibility is to engage with (and oversee engagement with) employees in ways that are most effective in discerning relevant views and understanding related experiences. The Board as a whole reviews and considers the results of the employee engagement survey.

In the discharge of their various legal, statutory and governance obligations and duties, the Directors have endeavoured to act to promote the success of the Group for the benefit of its members as a whole, and in doing so have regard to the interests of its various stakeholders. Details of the various stakeholder groups and their associated engagement strategies are provided on pages 8 and 9. The Board ensures, in its discussion of relevant matters, that stakeholder interests are considered in related discussions and decision-making processes and inform policies and procedures.

### Internal controls over financial reporting

The Group has an Internal Control Framework in place to ensure that the financial information produced is accurate, reliable and timely such that it can be used by all stakeholders to monitor performance and aid effective decision making.

## 2020/21 KEY SHAREHOLDER EVENTS



The internal control frameworks consists of:

- **Forecasting and budgeting:** The Group has a detailed forecasting and budgeting process in place that is well embedded across the Group.
- **Financial Accounting and Reporting:** The finance team produce Group consolidated accounts on a monthly basis, and the team is well staffed with a good level of experience. There are full reconciliation and reporting processes in place to ensure that any issues are identified and resolved in a timely manner. Detailed reconciliations are completed between the trading systems and the general ledger to ensure completeness.
- **Management reporting:** The Group has a detailed suite of MI that is prepared, daily, weekly, monthly and quarterly. This MI was prepared and improved throughout the year to reflect appropriate measurements as the business has changed.
- **IT environment:** The Group is heavily reliant on its IT systems and has systems and controls to ensure that they are operational and accessible at all times. There have been no IT issues in the year that could impact the financial reporting of the Group.

## Group Audit Committee



**Paul Wainscott**

Chair of the Group  
Audit Committee

### MEMBERS AND ATTENDANCE

**Paul Wainscott,**  
Chair



**Sarah Ing,**  
Independent  
Non-Executive Director



**Clare Salmon,**  
Independent  
Non-Executive Director



- Attended meeting
- Did not attend

### Dear shareholders

As Chair of the Group Audit Committee (the "Committee") I am pleased to present the 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.

**Paul Wainscott**

Senior Independent Director and Chair of the Group  
Audit Committee

9 June 2021

### Principal responsibilities of the Group 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: <https://www.cmcmarketsplc.com/investors/corporate-governance/committees/>.

### Areas of focus in 2020/21

The main responsibilities during the year, in compliance with the requirements of 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 the Internal Audit Charter and Annual Internal Audit 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; and
- to review the findings of the external auditors.



## Composition and advisers

The Committee is chaired by Paul Wainscott with Sarah Ing and Clare Salmon as members. The Committee is considered independent to management and the members are all independent Non-Executive Directors.

The 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 Chair is considered to continue to fulfil this requirement.

The Committee held five scheduled meetings during the financial year. The key activities and discussion points are outlined in the relevant section of this Committee report.

The Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Head of Asia Pacific & Canada, Group Head of Finance, Group Head of Risk, and Group Head of Financial Crime & 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 and attended all meetings.

Committee attendance is presented on page 54.

## 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 Chair and each Committee member. The Committee reviews all internal audit reports, follows up verification reports on any findings identified by internal audit, and annually approves the Internal Audit Plan and Charter.

## 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.

On the Company's entry to the FTSE 350 earlier in 2021 the requirement to re-tender audit arrangements following PwC's external audit role for the Company for a period of ten years was triggered. The Company initiated a re-tender process in relation to the 2022 audit, but following discussions with the Competition and Markets Authority ("the CMA") has been given permission to defer the re-tender process. The Group confirms that it has complied with the provisions of the CMA Order in respect of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014. The re-tender process will be completed during 2022 in relation to the 2023 audit.

The Committee agreed to recommend to the Board the reappointment of PwC as the Group's external auditors and a resolution to this effect will be put before the shareholders at the 2021 AGM.

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 (when necessary) 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 PwC.

During the year ending 31 March 2021, PwC provided non-audit services to the Group. However, all services provided fall under categories explicitly permitted under the new Ethical Standards.

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 March 2021. The Committee received a non-audit services report for review and approval with the nature of expenditure categorised by discretionary/non-discretionary and incurred and proposed fees.

## Priorities for financial year 2021/22

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.

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

## Group Audit Committee continued

## 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 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.

**July 2020**

- Considered and approved the 2021 Internal Audit Charter.
- Completed the external auditor evaluation.
- Discussed the external auditor re-tender obligations triggered by entry to the FTSE 350.

**September 2020**

- Considered and approved Tax Strategy and Policy.
- Discussed audit re-tender process and CMA's order and permission to defer re-tender to audit of 2023.
- Discussed external auditor proposed audit fees for 2021.
- Discussed the proposed plan to remediate control improvements highlighted as part of the 2020 audit.

**November 2020**

- Considered the half-year audit report presented by the external auditors and discussed the report 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 annual Internal Audit Plan for 2021, the engagement letter, management representation letter and audit fee for the external auditors.
- Update in relation to non-audit services and fees.
- Received the Group tax update and noted related planning in anticipation of Brexit.

**May 2020**

- 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.
- Discussed non-audit fees.
- Having considered the auditors' independence letter, concluded that the auditors remained independent and objective and recommended the auditors' reappointment to the Board.
- Reviewed the annual report from the Money Laundering Reporting Officer ("MLRO").

**March 2021**

- Considered the update on year-end audit presented by the external auditors.
- Considered the accounting and tax considerations of the transfer of branches and client referrals relating to Brexit.
- Considered the Group's exposure to, and control environment surrounding, cryptocurrencies.
- Reviewed non-audit services policy.
- Received the Group tax update.

Role of the Committee	Responsibilities discharged	Conclusion or action taken
<b>Going concern and long term viability</b> It is required that the Directors make statements in the Annual Report as to the going concern and longer-term viability of the Group.	The Committee reviewed reports from management that assessed the impact of various stress tests and longer term business risks to determine how the Group would be able to remain viable through periods of liquidity or capital stress.	Following challenge of management on the individual scenarios and impacts thereof, the Committee agreed to recommend the Going Concern and Viability Statement to the Board for approval.
<b>Tax Strategy and Policy</b> In light of the Group's growth and profitability, a formal Tax Strategy and Policy was created to reflect the increased diversification and complexity of the Group.	The Committee challenged management on whether any material tax errors or issues had come to light in the development of the policy and strategy.	Following detailed consideration and discussion, the Committee agreed to recommend the policy to the Board for approval and for updates regarding tax matters to become a standing agenda item at the Committee going forward.
<b>Control improvements and remediation</b> The Group completed a number of remediation and improvement activities to its internal controls during 2021 which were highlighted as part of the 2020 external audit.	The Committee requested detailed and regular progress updates from management with a view to gaining timely resolution.	The Committee requested to be kept informed of all developments in the remediation efforts.
<b>Accounting and tax considerations of the transfer of branches and client referrals relating to Brexit</b> The Group transferred the assets and liabilities of its European branches to its new German subsidiary, in addition to inviting its EEA clients to onboard to the new subsidiary.	The Committee challenged management on various aspects of the branch transfer and client referrals to ensure all actions were being taken in line with appropriate regulations and external counsel was engaged where appropriate.	The Committee concluded that the treatment of both branch transfers and client referrals was appropriate.
<b>Impact of growing client interest in cryptocurrencies</b> The Group had seen a growing interest from clients in the Cryptocurrency asset class. This had driven an associated focus on, and increase in, hedging activities and the Cryptocurrency counterparties that the group hedges its exposure with.	The Committee reviewed the assessment received from management and challenged multiple aspects of the third party control framework and management's approach to ensuring risk is adequately managed.	The Committee concluded that management's proposed approach was appropriate, but recommended the Committee remained informed of any further developments.



## Group Risk Committee



**Clare Salmon**

Chair of the Group  
Risk Committee

### MEMBERS AND ATTENDANCE

**Clare Salmon,**  
Chair



**James Richards,**  
Chairman



**Paul Wainscott<sup>1</sup>,**  
Senior Independent Director



**Sarah Ing,**  
Independent  
Non-Executive Director



<sup>1</sup> Paul Wainscott was unable to attend the October meeting due to ill health.

● Attended meeting

○ Did not attend

### Dear shareholders

As the Chair of the Group Risk Committee (the "Committee"), following my appointment effective 1 April 2021, I am pleased to present the 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 for approval by the Board, 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"). 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.

**Clare Salmon**

Independent Non-Executive Director  
and Chair of the Group Risk Committee

9 June 2021

### 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](http://www.cmcmarkets.com/group/committees)).

The Committee has oversight of the Group's risk management processes as detailed on pages 37 to 45.

## Composition

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

The Committee held four meetings during the financial year. The Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Head of Asia Pacific & Canada, Group Head of Risk, and Head of Compliance UK and Europe 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 58.

## Main activities during the financial year

The Committee has oversight of 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 Group Risk Management Committee ("RMC") meets on a monthly basis as the Group's risk focused management committee.

At each Committee meeting during the year the Group's top and emerging risks were monitored. Following RMC review and discussion, risk-related reports in relation to financial risk management, liquidity risk management and operational risk management are provided to the committee for independent oversight and challenge.

The Committee also received updates from the RMC and discussed management reports from Compliance UK and Europe and Asia Pacific and Canada, Financial Crime, Group Complaints, Legal and Data Protection together with the output from the Client Money Review Group Committee and the Treating Customers Fairly and Conduct Committee. The Committee routinely asks business leaders to present an overview of their risk management practice and receives updates on key issues.

The Committee reviewed proposed changes to the Group Risk Appetite Statement and Risk Management Framework and made recommendations for Board approval of both documents. The Committee also recommends the Group's ICAAP, ILAA and CFP to the Board for its approval. The Committee also oversaw the risk elements of the transition of the Group's European business to its hub at CMC Markets Germany GmbH.

## Risk management and internal controls

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

Following an annual review, the Committee confirmed at its October 2020 meeting, acting as a Committee of the Board, that it was satisfied that the Group's risk management and internal controls were effective.

Within provision 25 of the Code there is a requirement that internal financial controls and internal control and risk management systems are to be reviewed by a Board committee (audit or risk) composed of independent non-executive directors. As the Chair is not considered independent in respect of his Committee membership, this element of the provision is not fulfilled since the Committee is not therefore solely composed of independent non-executive directors. It is felt that the Chair nonetheless discharges his role on the Committee with an independent mindset, and it is further noted that it is anticipated that this situation will be addressed by the recommendations of the Governance Review.

## Regulatory compliance

The Committee continued to closely monitor global regulatory changes and the impact on the Group, in particular the risks associated with the impact of the Australian Securities and Investments Commission ("ASIC") measures which came into effect on 29 March 2021.

## Priorities for financial year 2021/22

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 closely monitors risks associated with regulatory change in line with the Group's approach as outlined in pages 37 to 45 of the Strategic report.

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

- continue to monitor the risks associated with regulatory change and the impact this could have on the Group's offering;
- review the Group's implementation of actions to mitigate the impact of Brexit during the transitional period and ensure that the Group maintains a robust risk framework post-Brexit;
- monitor the implementation of the Group's response to ASIC intervention changes introduced in relation to the issue and distribution of over the counter ("OTC") binary options and CFDs in Australia on 29 March 2021; and
- monitor the Group's response to the FCA's Business Plan for the coming year and to its thematic reviews and focus areas, including culture.



## Group Nomination Committee



**James Richards**

Chair of the Group  
Nomination Committee

### MEMBERS AND ATTENDANCE

**James Richards,**  
Chair



**Paul Wainscott,**  
Senior Independent Director



**Clare Salmon,**  
Independent  
Non-Executive Director



**Sarah Ing,**  
Independent  
Non-Executive Director



● Attended meeting

○ Did not attend

### Dear shareholders

As the Chair of the Nomination Committee (the "Committee"), I am pleased to present the Nomination Committee report.

As discussed elsewhere in the Annual Report, the plans in relation to the delivery of an internal governance review in 2021 were affected by the growth of the business and the progress of a number of technological initiatives and opportunities. This led to the general internal review being longer than originally anticipated, and taking on a necessary wider remit extending into the risk management function. This resulted in further consideration being given to the scope and depth of the subsequent formal review. It also required a rethinking of the most suitable external adviser to be involved in a more extensive review of governance and Board and Board Committee effectiveness. To that end Independent Audit was appointed in January 2021 and has been undertaking an in-depth governance review of the Company in respect of its current reporting and oversight by the Board and its Committees.

At its March 2021 meeting in light of the on-going governance review of the Group and the initiation of the Digital Transformation Programme, the Committee recommended to the Board that Clare Salmon be appointed as chair of the Risk Committee and Sarah Ing be appointed as chair of the Remuneration Committee. The changes took place with effect from 1 April 2021.

The Nomination Committee has been the Board Committee forum for the discussion of the governance review and the work of Independent Audit.

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

**James Richards**

Chairman and Chair of the Group  
Nomination Committee

9 June 2021

### 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 Committee 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 Group's website: [www.cmcmarkets.com/group/committees](http://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' conflicts of interest;
- to assess and keep under review the independence, time commitment and engagement of each of the Non-Executive Directors;
- to have oversight of succession plans in relation to Executive Director, Non-Executive Director and senior management positions; and
- to approve the report on the Committee's activities for inclusion in the Annual Report and Financial Statements of the Company.

### Composition

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 two meetings during the financial year.

The Executive Directors attend Committee meetings by invitation.

Committee attendance is presented on page 60.

### Board and Board Committee evaluation

As advised in last year's Annual Report a review of governance arrangements had been generally initiated by the Board in the first quarter of 2020 with the intention for a formal evaluation in the autumn of 2020.

However, during this period, due to the growth of the business and a number of technological initiatives and opportunities evolving, the general review was longer than originally anticipated. It took on a necessary wider remit extending into the risk management function. This resulted in further consideration being given as to the scope and depth of the subsequent formal review. It also required a rethinking of the most suitable external adviser to be involved in a more extensive review of governance and Board and Board Committee effectiveness. To that end Independent Audit was appointed in January 2021 and has been undertaking an in-depth review of the Company with regards to its current reporting and oversight by the Board and its Committees. Its review is still a work in progress but will be completed during the summer.

### Succession planning and diversity

The Committee takes an active role in the succession planning of Board members and senior management. The Committee retains a focus on diversity, including gender, in its operation and works closely with the Remuneration Committee with regard to issues such as the gender pay gap.

It is committed to addressing diversity through 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 and age diversity, whilst ensuring that our obligation to shareholders to recruit the best individual for relevant roles 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 27. Board-related diversity initiatives supplement the various policies including those relating to equal opportunities and diversity and inclusion, which operate within the rest of the Group's operations, and are referenced within the Group non-financial information section on page 31.

### Priorities for the financial year 2021/22

The Committee will continue to focus on key themes such as diversity and succession planning and is committed to ensuring that continued improvements to Board and Board Committee effectiveness are made following the Independent Audit Governance Review findings. The expectation is that Governance Review findings in respect of the Committee will lead to it developing its work in relation to wider people matters in association with the HR Department and Designated Director for Employee Engagement consistent with the operation of a mature Board Committee.

## 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.

#### May 2020

- Individual Director evaluation in respect of time commitment and independence.
- Determination of annual re-election of Directors.

#### March 2021

- Governance review consideration.
- Board Committee Chair appointments.

## Directors' Remuneration Report



**Sarah Ing**

Chair of the Group  
Remuneration Committee

### MEMBERS AND ATTENDANCE

**Sarah Ing,**  
Chair



**James Richards,**  
Chairman



**Clare Salmon,**  
Independent  
Non-Executive Director



**Paul Wainscott<sup>1</sup>,**  
Senior Independent Director



<sup>1</sup> Paul Wainscott was unable to attend the October meeting due to ill health.

● Attended meeting

○ Did not attend

### Dear shareholder

As Chair of the Remuneration Committee, following my appointment effective 1 April 2021, I am pleased to present the Directors' remuneration report for the year ended 31 March 2021.

This report comprises three sections. First, my annual statement as Chair of the Remuneration Committee; second, the proposed Remuneration Policy which we are required to seek shareholder approval for at the 2021 AGM; and third the Annual report on remuneration which sets out how the 2018 policy was implemented for the year ended 31 March 2021.

### Remuneration Policy

Our Directors' Remuneration Policy was last approved in 2018 and as a UK listed company we are required to seek shareholder approval to renew it every three years. We will therefore be submitting an updated policy to shareholders at the 2021 AGM.

The Committee has undertaken a thorough review of the current policy to consider whether it remains fit for purpose and aligned with the Company's dynamic strategy.

As part of its review the Committee was cognisant that the 2018 policy was a significant change to the one previously operated as we moved to the Combined Incentive Plan ("CIP") as opposed to more traditional separate annual and Long-Term Incentive Plans ("LTIPs"). Both the revised Policy and the CIP were designed to align with the evolving strategy of the business and in particular allow for regulatory interventions and volatile trading conditions.

Our experience since 2018 has highlighted that the move to a structure that enables the Committee to take account of short-term developments whilst at the same time reinforcing sustained performance through the use of significant deferral into shares, as well as a performance underpin is an appropriate approach. The COVID-19 pandemic and the need for the business to be responsive and adapt to circumstances has served to demonstrate the importance of this over the past year.

In addition, the flexibility of the existing arrangements, particularly under the CIP, has enabled the Committee to use its discretion to align pay outcomes with performance and this has been evidenced in previous years where we have adjusted the formulaic outcomes under the plan to align with the shareholder experience.

Taking all this into consideration, the Committee was of the view that the 2018 policy operates as intended in relation to Company performance and quantum and concluded that the 2021 policy should largely reflect the 2018 policy. However, taking into account recent corporate governance developments and best practice we have incorporated the following changes:

- alignment of employer pension contributions for the Executive Directors with the wider workforce rate;
- a commitment to monitor and review regulatory and market developments in respect of vesting and holding period for the CIP with the potential for the Committee to adjust the vesting schedule for future awards;

- clarification within the policy that the Committee will only grant awards to Executive Directors under the existing LTIP for recruitment purposes – i.e. where it is necessary to compensate external recruit for awards forfeited on leaving the previous employer in line with the recruitment policy; and
- the introduction of a formal policy for post-employment shareholding requirements for Executive Directors, under which a holding of 200% of salary (or actual shareholding at termination if less than this) must be maintained for two years after leaving employment.

The proposed policy has been subject to consultation with the Company's key institutional shareholders and the main proxy advisers.

## Remuneration in context

### Financial and strategic performance

As a result of the Group's focus on its strategic initiatives alongside the continued volatility experienced by global financial markets, our financial performance has been strong throughout the financial year. The performance of our share price has created value for our investors and as a result the Group paid an interim dividend in December 2020 and is recommending a final dividend to shareholders of 21.43 pence per share.

Against the backdrop of the pandemic, 2021 has been an excellent year for the Group and we have continued to make strategic investments in areas of the business including technology, client service and our professional and institutional client base, which have been key contributors to the Group's strong financial performance. This resulted in an increase in net operating income of £157.8 million. The new product offerings of Dynamic Trading and Spot FX launched in May and June 2021, along with the new stockbroking native mobile app, give me confidence that the Group will deliver sustainable results even in times of more normalised client trading activity.

The year saw an increase in operating expenses, driven by higher marketing spend as we capitalised on market opportunities as they arose and increased trading related variable costs alongside significant investments in technology. This resulted in operating expenses increasing by £32.7 million, however the strong operational leverage within the Group resulted in a profit before tax of £224.0 million, an increase of £125.3 million from the prior year.

### Our employees

Throughout the COVID-19 pandemic, our priority has been to protect the wellbeing and health of our employees and to support our clients and I am proud of the resilience and commitment our colleagues have shown in this period.

During the pandemic, the Group did not request any financial support from the government. Furthermore, no salary reductions or deferrals were needed and no employees were furloughed. There have been no cuts to our employee benefit programme and we have enhanced the support that we provide to our colleagues to enable them to work flexibly, including working from home throughout the pandemic. Our workforce headcount increased by 146 which will enable us to continue to focus on innovative products and respond to developments in technology.

We have continued to build and shape our employee proposition by increasing opportunities for learning and internal career development. This has resulted in an average increase to basic salary of 5.3% across the Group. In addition, we continue to align our benefits to market developments, for example, introducing revised pension provisions in Germany and Poland.

## Remuneration in relation to the year ended 31 March 2021

Throughout the year, the Committee has given careful consideration to remuneration in the context of the external environment and the Group's performance.

During the year, the Committee undertook a review of all Executive Director salaries, including requesting salary benchmarking analysis to assist with the process. As a result of the review, the Committee agreed that salary increases would be awarded to the Chief Executive Officer, Peter Cruddas and the Head of Asia Pacific & Canada, Matthew Lewis.

In regard to the Chief Executive Officer salary increase, the Committee recognised the significant and ongoing contribution that Peter Cruddas has made to the success of the business, specifically in an Executive capacity, and therefore decided it was appropriate to review his remuneration package relative to his performance and contribution.

The Committee was cognisant that the salary for Peter Cruddas had been set at £400,000 when the Company first listed on the London Stock Exchange in 2016 and prior to this review had been increased to £445,843. To avoid a potential reduction of the free float percentage of the shares upon listing, he does not participate in the Deferred Share element of the CIP. This results in his maximum incentive opportunity being capped at 135%, compared to 300% for the other Executive Directors.

The Committee therefore concluded that the reward package for the Chief Executive Officer was not on an equitable basis and as a result in September 2020 agreed that it was an appropriate time to bring his base salary more closely into line with market rates, though not market leading, and at a level which recognises his substantial contribution and the strong performance of the business.

The agreed salary increase to £700,000 was in line with the Committee's assessment of the relevant market and the Chief Executive Officer's experience and contribution to the business. In making this decision, we took into consideration some of the challenges that the business faced in the period since listing, including in particular regulatory changes which had a significant impact on the business, and noted that these challenges had previously led to the Committee showing restraint with regards to salary increases, whilst recognising that the Chief Executive Officer has been instrumental in our strategic response to them, which has been reflected in the strong performance of the business over the past 18 to 24 months.

## Directors' Remuneration Report continued

### Remuneration in relation to the year ended 31 March 2021 continued

The Committee also considered the salary for Matthew Lewis, Head of Asia Pacific & Canada, in light of the growth in scope of his role as the APAC region increases in terms of scale and importance to the business, the additional responsibilities taken on upon appointment as Executive Director of the Board and the benchmarking analysis. As a result, the Committee decided to adjust his salary from £234,000 to £300,000 from 1 September 2020 which would ensure his arrangements are at an appropriate market rate.

The Committee reviewed the salaries of the Deputy Chief Executive Officer and the Chief Financial Officer and did not propose any changes to base salary. The Committee also differentiated awards made to the Executive Directors in 2020, taking into account the promotion of Euan Marshall to Chief Financial Officer and the developmental nature of his appointment. This was formalised in 2020/21 with a reduced maximum opportunity under the CIP for the Chief Financial Officer of 200%. The Committee will continue to review this as he gains greater experience in role.

#### 2017 Management Equity Plan ("LTIP") Awards

David Fineberg and Matthew Lewis were granted awards under the LTIP which vested during the financial year. The awards were based on performance targets of earnings per share (60%), relative total shareholder return (30%) and net promoter score (10%) measured over a three-year period. The earnings per share and total shareholder return targets were met in full resulting in 100% vesting of these measures. The net promoter score target was between the average and upper quartile which resulted in a 9% vesting of the measure. The total vesting for the awards was 99%. Further details are included on page 80.

#### CIP Awards

The financial year ended 31 March 2021 was the third year of the implementation of the CIP and the plan was assessed against Group financial, strategic and individual performance targets, as approved by the Committee as follows:

- 60% based on financial performance (earnings per share – threshold 34.21 pence, target 41.06 pence and maximum 47.90 pence);
- 30% based on strategic performance (a detailed disclosure of strategic objectives is outlined in table on pages 77 to 79); and
- 10% based on achievement of personal objectives (a detailed disclosure of personal objectives is outlined in table of pages 77 to 79).

As highlighted, the Group has had an exceptionally strong year. Diluted EPS was 61.2 pence against a maximum target of 47.90 pence, resulting in 100% achievement of this element of the Plan, i.e. 60% of the maximum award.

To determine the overall outcomes under the CIP, the Committee also reviewed individual Executive Directors' performance against their strategic and personal objectives which were set at the beginning of the year. The Committee assessed each Executive Director against their strategic objectives and determined whether these had been partially met, significantly met or met. In considering the personal objective of each Executive Director, the Committee took into consideration the Brexit-related issue that had arisen during the

year and determined that this portion of the award had been met by 50%. Further details are set out on page 15. This resulted in the Committee awarding 91% of potential award to the CEO; 90% to the Deputy CEO; 85% to the CFO and 92% to the Head of Asia Pacific & Canada. Further details on how the Executive Directors performed against their objectives can be found on pages 77 to 79.

The Committee has considered the formulaic outcome and determined that it was appropriate, in light of the holistic performance of the Company and the experience of shareholders and employees, and that no adjustments needed to be applied.

In line with the 2018 Remuneration Policy and in accordance with the rules of the Combined Incentive Plan, the awards comprise a 45% Cash Award and a 55% Share Award, with the exception of the CEO who, under the rules of the scheme, only receives the cash element of the Award.

Share Awards will be granted, post the release of the Group's results for the year ending 31 March 2021. The Share Awards will be assessed against a performance underpin after a further three-year period ending 31 March 2024 and, if the underpin is achieved, continue to vest until 2026.

### Remuneration in relation to 2022

In light of the salary increases made for the year ended 31 March 2021, the Committee is not proposing any further increases beyond those broadly aligned with those awarded to the wider workforce.

The Committee proposes to continue to use Group financial, strategic and individual performance against targets for the 2022 financial year as the basis on which the combined incentive will be awarded. The performance measures applied to the combined incentive will be:

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

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 is considered commercially sensitive and so 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. Again, these are considered commercially sensitive so detailed disclosure of these quantitative performance measures and associated outcomes will be included in the 2022 Annual Report and Financial Statements.

The Committee has agreed that with effect from 1 April 2021 the maximum employer pension contributions for the Executive Directors will be aligned to the all employee maximum employer contribution level which is currently 7% in the UK and 9.5% in Australia.

## Engagement with stakeholders

The Committee takes into consideration the guidelines of investor bodies and shareholder views when determining remuneration and welcomes feedback. We have undertaken an extensive consultation with our key institutional shareholders and main proxy advisory bodies on the proposed 2021 Remuneration Policy and the comments we have received in relation to key elements of the policy such as pension alignment and post-employment shareholder guidelines have helped shape the final policy being recommended to shareholders at the AGM.

## Workforce remuneration and engagement

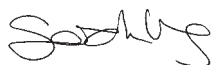
The Committee is responsible for reviewing the Group's wider employee remuneration policies and how reward aligns to the culture of the Group. During the year, the Committee discussed the bonus allocation and salary reviews for the wider workforce, reviewed and agreed the Group's approach to long-term incentives beyond the Executive Directors, reviewed the Group's gender pay gap data and the steps that could be taken to close the existing gap, and discussed the operation of and participation in the Group's all-employee share plan.

During the year, all employees have been given the opportunity to participate in our twice-yearly engagement surveys and provide feedback on all topics, including remuneration. In addition, the Committee has received an update on the initiatives we have undertaken to support and develop employees and managers throughout the year. As noted on page 53 of this report, Clare Salmon is the designated Non-Executive Director with responsibility to engage and oversee engagement with our employees.

## Committee changes

At its March meeting, the Nomination Committee reviewed the composition of the Committee and, in light of the on-going governance review of the Group and the initiation of the Digital Transformation Programme recommended to the Board that that Clare Salmon be appointed as chair of the Risk Committee and I be appointed as chair of the Remuneration Committee. The changes took place with effect from 1 April 2021. Both Clare and I continue to be members of the Remuneration Committee and the Risk Committee respectively.

I hope you find this report provides a clear understanding of the Committee's approach to remuneration and that you will be supportive of the resolutions relating to remuneration at the 2021 AGM.



**Sarah Ing**

Independent Non-Executive Director and  
Chair of the Group Remuneration Committee

9 June 2021

## Directors' Remuneration Report continued

### Directors' Remuneration Policy

The Committee has undertaken a full review of the Remuneration Policy that was approved by shareholders in 2018 and concluded that it remains aligned with CMC Markets' strategy. The new Policy set out below, which will be put to shareholders for approval at the 2021 AGM, therefore, remains substantially the same as the 2018 Policy. The changes are primarily to reflect corporate governance developments (e.g. to align Executive Director pensions with the wider workforce levels per the 2018 update to the Corporate Governance Code) or drafting for clarity.

#### Policy table

The below table summarises the key components of the Remuneration Policy for the Executive Directors which will be presented to the 2021 Annual General Meeting to be held on 29 July 2021 for approval. The Committee is proposing updates to the following elements of the Policy:

- Alignment of employer pension contributions for Executive Directors and employees.
- Subject to the achievement of the performance underpin, the Deferred Share portion of the CIP will continue vest pro-rata over a period of at least five years but the Committee will continue to monitor developments in respect of vesting and holding periods and may for future awards adjust the vesting schedule.
- Clarification of the circumstances in which the Committee may grant LTIP awards to Executive Directors which will only be for recruitment purposes that is to buy out incentive arrangements forfeited on leaving a previous employer in line with recruitment policy.
- Introduction of post-employment shareholding guidelines whereby Executive Directors are required to maintain a holding of at least 200% of base salary (or the holding at termination if less than this) for a period of two years after leaving employment.

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
<b>Base salary</b> 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"> <li>• the individual's role, responsibilities and experience;</li> <li>• business performance and the external economic environment;</li> <li>• salary levels for similar roles at relevant comparators; and</li> <li>• salary increases across the Group payable in cash.</li> </ul> Salaries are reviewed on an annual basis, with any increase normally taking effect from 1 June.	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 or 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.
<b>Pension</b> To provide competitive retirement benefits.	Executive Directors participate in a defined contribution pension scheme or may receive a cash allowance in lieu.	Aligned to the all employee maximum employer contribution level, which is currently 7% in the UK and 9.5% in Australia.	Not applicable.
<b>Share Incentive Plan ("SIP")</b> 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.
<b>Benefits</b> 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 and club membership.  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.



Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
<p><b>Combined incentive plan</b></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 and 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 and continued service, the Deferred Share portion of the award will vest over a period of at least five years. For 2021/22, it is anticipated this will be as follows, although the Committee will continue to monitor both market and regulatory developments in respect of vesting and holding periods and may for future awards adjust the vesting schedule:</p> <ul style="list-style-type: none"> <li>• 40% after three years;<sup>1</sup></li> <li>• 30% after four years;<sup>1</sup> and</li> <li>• 30% after five years.<sup>1</sup></li> </ul> <p>The Combined Incentive awards are discretionary. Dividend equivalents may accrue on the Deferred Share portion of the award and be paid on those shares that vest.</p> <p>Awards under the CIP 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, material reputational damage or any other circumstance the Committee considers appropriate.</p> <p><sup>1</sup> 4, 5 and 6 years in total respectively allowing for the one-year performance period to determine the deferred award amount.</p>	<p>Participants in the new plan will include the Executive Directors other than the current CEO who 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"> <li>• Cash award: 135% salary.</li> <li>• Deferred Shares: 165% salary.</li> </ul> <p>Current CEO: In respect of the current CEO, Peter Cruddas, awards may be made under the cash element of the plan only up to 135% of salary in accordance with the scheme rules.</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. For this portion, 25% of the maximum would be payable for performance at Threshold level and 50% for Target performance.</p> <p>It is anticipated that the performance measures applied in 2021/22 will be:</p> <ul style="list-style-type: none"> <li>• 60% financial: based on achievement of absolute earnings per share targets;</li> <li>• 30% strategic: based on the achievement of measurable objectives against targets relating to strategic business development milestones; and</li> <li>• 10% personal objectives.</li> </ul> <p>The Deferred Share portion will vest subject to a performance underpin measured over a period of at least three years starting from the end of the year used to determine the amount of the award. 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 or any other such factor that the Committee considers appropriate which may include personal performance of the relevant Executive Director.</p>

## Directors' Remuneration Report continued

### Directors' Remuneration Policy continued

#### Policy table continued

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
<b>2015 Management Equity Plan ("LTIP")</b> To reinforce delivery of sustained long-term success, and align the interests of participants with those of shareholders.	<p>In respect of Executive Directors, LTIP awards may only be granted by the Remuneration Committee to facilitate external recruitment – i.e. to be used as the vehicle for buying out incentive awards forfeited on leaving a previous employer as per the recruitment policy set out below. 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 any performance conditions attached to the LTIP award have been met over the performance period.</p> <p>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>125% of salary in normal circumstances and up to 200% of salary in exceptional circumstances or an equivalent economic value where an award is a combination of shares and options.</p> <p>Vesting for threshold performance in respect of any performance share awards is up to 25% of maximum.</p>	<p>Awards will generally vest subject to the Company's performance and continued employment.</p> <p>The Committee has flexibility to adjust any performance measures and weightings in advance of each future award 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>

#### 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 Executive Directors who were in role at the time the 2018 Remuneration Policy was approved and from the date of appointment for any recruits since that time or in future. Executive Directors will be expected to retain at least 50% of shares vesting (net of tax) until the guideline level is achieved. For the purposes of satisfying the shareholding requirement, shares held by a connected person (e.g. a spouse) will be considered to be included.

A post-employment shareholding requirement will apply of 200% of base annual salary (or the actual shareholding at date of exit if lower) for a period of two years after leaving employment.

#### Dividend equivalents

Dividend equivalents are payable on the Deferred Share portion of the combined incentive.

## Clawback and malus provisions

Awards under the CIP and LTIP 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.

## 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 two 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. CIP awards are subject to malus and clawback for all participants in various circumstances, including a failure of risk management. The Chief 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.

Following amendments in 2019 the CIP specifically includes relevant clauses to ensure the Remuneration Committee are able to use their discretion to reduce the value of a Cash Award or the number of Shares to a Share Award or the extent to which a Share Award will vest, to avoid an otherwise formulaic outcome.

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.

## 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 measures which could include absolute and relative performance measures, as appropriate, selected to support the Group's key strategic priorities.

The CIP 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. CIP performance measures selected reinforce the Group's strategy over the medium to long term, and provide a balance of internal and external perspectives. 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. Performance measures and targets are reviewed by the Committee ahead of each performance period to ensure they are appropriately stretching and achievable over the performance period.

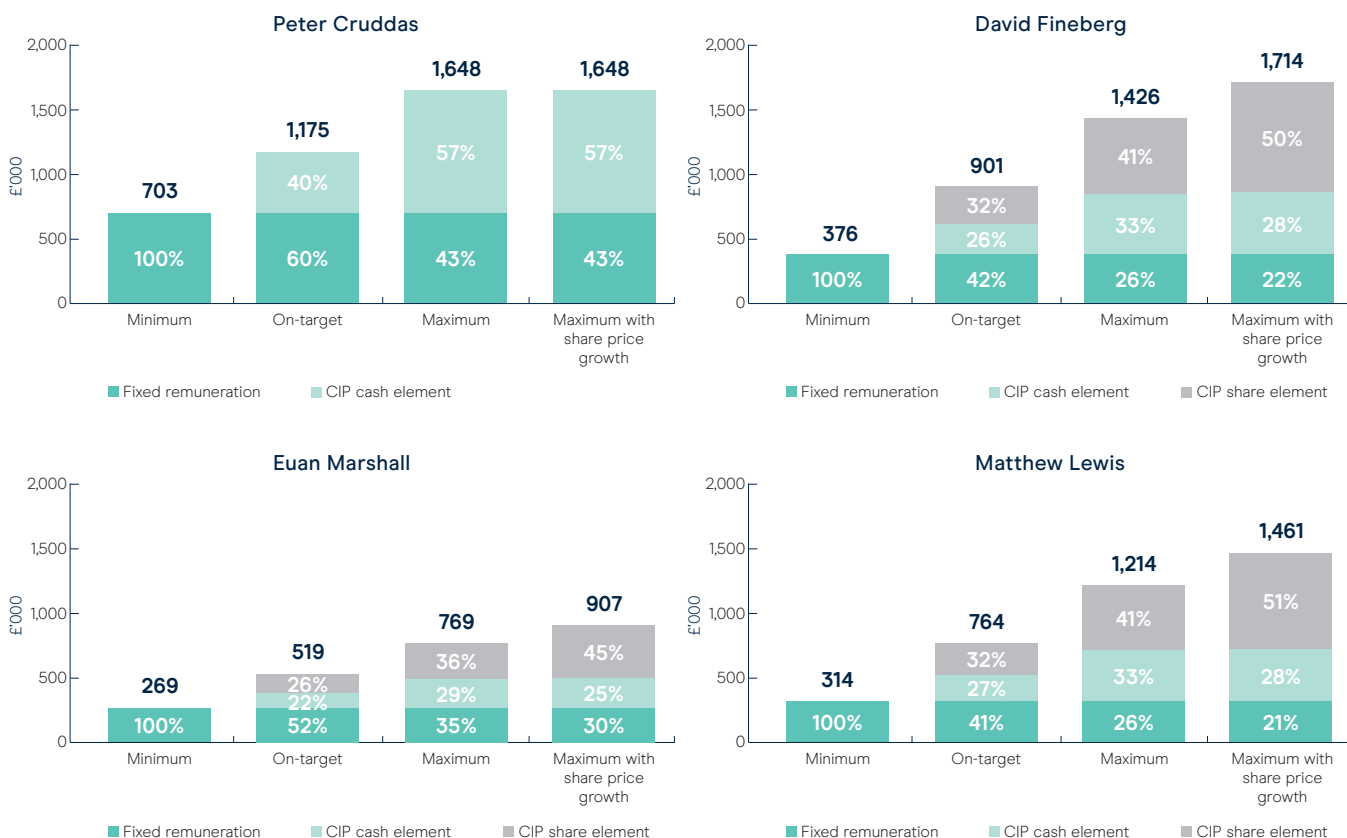
The combined plan strengthens the alignment of pay with the measures of performance that are important in creating value for shareholders and also forms a strong retention and motivation mechanism for Executives. The performance measures selected are a combination of financial performance, strategic 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.

## Directors' Remuneration Report continued

## Directors' Remuneration Policy continued

## Executive Directors' remuneration scenarios

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



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

Component		Minimum	On Target	Maximum	Maximum with share price growth
<b>Fixed</b>	Base salary	Latest salary	n/a	n/a	n/a
	Pension	Contribution applies to latest salary	n/a	n/a	n/a
	Other benefits	As presented as a single figure on page 76	n/a	n/a	n/a
<b>Combined incentive</b>		No payment	50% of maximum	100% of maximum	100% of maximum with 50% growth in share price

The column headed "Maximum with share price growth" is the maximum figure but including share price growth of 50% for any part of the CIP paid in shares. Otherwise, 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.

In accordance with the scheme rules, Peter Cruddas does not participate in the Deferred Share element of the CIP, neither does he participate in the pension arrangements. These elements are therefore not included for him in the above chart which instead only reflects the cash element of the CIP.

## 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.

New appointees will be entitled to participate in the CIP, as described in the policy table, with the relevant maximum being pro-rated to reflect the period served. The Deferred Share portion of a new appointee's 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 "buy out" incentive arrangements forfeited by an Executive on leaving a previous employer, and may exercise the discretion available under Listing Rule 9.4.2 if necessary. In doing so, the Committee will ensure that the value of any buyout will as closely as possible mirror the expected value of awards forgone (taking into account progress against any performance conditions attached), and take into consideration the timeframe, performance conditions attached and type of award foregone when constructing a buyout award. Buyout awards will be subject to continued employment over the performance period.

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 73.

## 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
Euan Marshall	Chief Financial Officer	1 November 2019	6 months	6 months
David Fineberg	Deputy Chief Executive Officer	1 February 2016	6 months	6 months
Matthew Lewis	Head of Asia Pacific & Canada	1 November 2019	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. The contracts have no fixed duration.

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.

Non-Executive Directors are all on a three-month notice period, details of the effective date of Non-Executive Directors' letters of appointment are set out below:

Non-Executive Director	Date of initial letter	Date of latest letter	Date of appointment
James Richards	20 October 2014	16 February 2018	1 April 2015
Sarah Ing	7 July 2017	7 July 2017	14 September 2017
Clare Salmon	19 July 2017	19 July 2017	2 October 2017
Paul Wainscott	11 July 2017	11 July 2017	19 October 2017

## Directors' Remuneration Report continued

### 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.

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 Combined Incentive Plan, 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
<b>Combined incentive</b>	"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 <sup>1</sup>	On the date of the event.	The Committee will determine the level of vesting taking account of the extent to which performance conditions have been or are likely to be satisfied and, unless the Committee decides otherwise, the proportion of the vesting period served.
<b>LTIP</b>	"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 <sup>1</sup>	On the date of the event.	The Committee will determine the level of vesting taking account of the extent to which performance conditions have been or are likely to be satisfied and, unless the Committee decides otherwise, the proportion of the vesting period served.

<sup>1</sup> 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 CIP 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.

#### 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 Directors' Remuneration Policy nor does it use any remuneration comparison measurements.

#### Remuneration Policy for other employees

CMC Markets' approach to annual salary reviews is consistent across the Group. All employees are eligible to participate in the annual incentive award scheme or an equivalent scheme, 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.



## 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
<b>Fees</b> 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.	<b>Annual fee for the Chairman</b> 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.	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.
	<b>Expenses</b> The Company may reimburse NEDs in cash for reasonable expenses (including any tax due thereon) incurred in carrying out their role.		

## 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

### Principal responsibilities of the Remuneration Committee

The Committee is responsible for determining the Remuneration Policy for the Executive Directors and ensuring that incentive payments are aligned to the Company's purpose, values and strategy in order to promote long-term sustainable success. The Committee is also responsible for setting the remuneration of the Chairman of the Board, members of the Senior Leadership Team, including the General Counsel & Company Secretary, and overseeing the remuneration framework and practices for the wider workforce.

The main role and responsibilities of the Remuneration Committee are:

- to review and agree appropriate Remuneration Policies which comply with all relevant regulations;
- to review and determine the remuneration of the Executive Directors and the senior management team having regard to remuneration of the wider CMC workforce;
- to review and ensure that incentive payments to Executive Directors are linked to the achievement of stretching financial performance and both strategic and individual 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;
- have oversight of the operation of remuneration arrangements across the CMC Group through regular review of "management" information including gender related;
- 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.

## Directors' Remuneration Report continued

### Annual report on remuneration continued

#### Committee composition, attendance and advisers

The Committee is comprised of four independent Non-Executive Directors, namely Sarah Ing as Chairman, Clare Salmon and Paul Wainscott and the Chairman of the Board, James Richards.

The Committee held six scheduled meetings in the financial year. In addition, the Committee held a number of unscheduled meetings during the year in order to discharge its duties.

During the year, the Committee was advised by independent remuneration consultants Willis Towers Watson ("WTW") on various remuneration matters including providing advice on all elements of remuneration for the Executive Directors, the Remuneration Policy and best-practice and market updates. 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. Additional legal advice was sought from Tapestry Compliance Limited in respect of the Group's share-based plans.

The Chief Executive Officer, Deputy CEO, Chief Financial Officer and Head of Asia Pacific & Canada attend Committee meetings by invitation but do not attend to take part in any discussions relating to their own remuneration. The Head of HR attends Committee meetings where appropriate to the matters being considered including both Executive and wider workforce remuneration. No Director or employee is involved in discussions regarding their own pay.

### MAIN ACTIVITIES DURING THE FINANCIAL YEAR

#### April 2020

- Considered Combined Incentive Plan ("CIP") rules and awards
- Considered senior management bonus proposals

#### May 2020

- Senior Leadership Team Performance Reviews
- Considered LTIP awards to senior management and CIP Performance Targets
- Senior Leadership Team Objective Setting
- Executive Director and Senior Leadership Team base salary proposals
- Executive Director Performance Review in relation to strategic and personal objectives
- Overview of corporate salary review and bonus allocation for 2020

#### July 2020

- Approved the 2017 LTIP award vesting
- Approved awards made under the LTIP and the CIP

#### August 2020

- Considered AGM shareholder voting analysis
- Executive Director performance objective setting
- Reviewed Executive Directors' salary arrangements

#### October 2020

- Remuneration Policy renewal
- Considered past shareholder voting on Remuneration Policy and proxy adviser reports
- Considered CIP performance target setting principles
- Discussed corporate bonus pool modelling
- Received update on gender pay gap data

#### February 2021

- Remuneration Policy renewal and shareholder consultation
- Executive Director performance discussion

#### March 2021

- Remuneration Policy renewal and shareholder consultation
- Received update on investor sentiment for the year ending 31 March 2021
- Considered approach to CEO pay ratio
- Gender Pay report 2020/21
- Performance review process update
- Proposed bonus pool and salary increase budget for 2022
- Executive Director performance update and draft objectives for 2022

## Compliance with the 2018 UK Corporate Governance Code

The Committee considers the proposed Remuneration Policy and current practices addresses the provisions contained within paragraph 40 of the Code.

Provision	How addressed
<b>Clarity</b> – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The proposed Remuneration Policy is clearly disclosed in this report and the Committee has proactively engaged with key institutional shareholders as part of the renewal process. The Committee receives regular updates on market practice and has received updates on pay within the wider workforce.
<b>Simplicity</b> – remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The Committee aims for our arrangements to be as simple as possible by, for example, operating a single combined incentive arrangement. Our aim is for disclosure in this report to be easy to understand for our stakeholders.
<b>Risk</b> – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	The Company's discretionary incentive plans ensure the Committee has discretion to reduce the size of awards and awards are subject to malus and clawback provisions. The Committee has discretion to adjust formulaic outcomes if it does not consider them appropriate (see policy pages 66 to 73).
<b>Predictability</b> – the range of possible reward values to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy.	Scenario charts for all Executive Directors are included in the Remuneration Policy and show estimates of potential future reward opportunity and the implied split between the different elements of remuneration under three different performance scenarios. The policy includes an explanation of the discretions that can be exercised by the Committee.
<b>Proportionality</b> – the range of possible reward outcomes, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.	A significant part of an Executive's reward is linked to performance with a clear line of sight between business performance and the delivery of shareholder value.
<b>Alignment to culture</b> – incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	The incentive arrangements and the performance measures used are strongly aligned to those that the Board considers when determining the success of the implementation of the Company's strategy. Please see pages 16 to 19 of this report for more information on the Company's strategy and key performance indicators.

The Committee is cognisant that throughout the financial year the Company did not comply with Provision 36, developing a formal policy for post-employment shareholding requirements, and Provision 38, aligning the pension contribution rates for Executive Directors with those available to the workforce. Both of these provisions are included in the proposed Remuneration Policy which will be put to shareholders at the 2021 AGM. The Committee has also agreed to align the pension contribution rates for the Executive Directors with those available to the workforce with effect from 1 April 2021. As noted on page 65 Clare Salmon is the designated Non-Executive Director for engaging with the workforce on a variety of topics, including remuneration.

## Directors' Remuneration Report continued

### Annual report on remuneration continued

The Remuneration Policy operated as intended in the year ending 31 March 2021 and the following section sets out the remuneration arrangements and outcomes for the year ended 31 March 2021, and how the Committee intends the Remuneration Policy to apply during the year ending 31 March 2022, subject to it being approved by shareholders at the 2021 AGM.

The following pages have been prepared in accordance with Part 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and Rules 9.8.6 and 9.8.8 of the Listing Rules. The Directors' Remuneration Report, excluding the Remuneration Policy will be put to an advisory shareholder vote at the Annual General Meeting on 29 July 2021.

### Single total figure of Executive Director remuneration (audited)

The table below sets out the single total figure of the remuneration received by each Executive Director who served during the year ended 31 March 2021 and 31 March 2020.

Name	Year ended 31 March	Salary £'000	Benefits <sup>3</sup> £'000	Pension <sup>6</sup> £'000	Other £'000	Total fixed remuneration £'000	Annual Incentives <sup>4</sup> £'000	Long-term incentives <sup>5</sup> £'000	Total variable remuneration	Total £'000
Peter Cruddas <sup>1</sup>	2021	594.1	3.0	—	—	597.1	862.3	—	862.3	1,459.4
	2020	443.7	2.9	—	—	446.6	601.9	—	601.9	1,048.5
David Fineberg	2021	350.0	1.7	30.7	1.8	384.2	423.5	1,542.4	1965.9	2,350.2
	2020	341.2	1.6	30.0	1.8	374.6	425.3	13.2	438.5	813.1
Euan Marshall <sup>2</sup>	2021	250.0	1.7	15.2	1.8	268.7	192.2	—	192.2	460.9
	2020	104.2	0.7	9.4	0.8	115.1	70.3	—	70.3	185.4
Matthew Lewis <sup>1,2</sup>	2021	276.6	—	13.7	—	290.3	371.7	424.3	796.0	1,086.3
	2020	97.5	—	9.3	—	106.8	131.6	—	131.6	238.4

1 Salaries for Peter Cruddas and Matthew Lewis incorporate the increases that were agreed by the Committee in September 2020.

2 The 2020 figures for Euan Marshall and Matthew Lewis reflect the period from 1 November 2019 to 31 March 2020.

3 Benefits: taxable value of benefits received in the year by Executive Directors comprises private health insurance and club membership for Peter Cruddas.

4 The total cash element of the CIP award earned in respect of performance during the relevant financial year.

5 The long-term incentive payment in 2021 to David Fineberg and Matthew Lewis relates to the vesting of the November 2017 LTIP Performance Award. The majority of the performance targets were yielding a total vesting of 99% of the granted shares. Dividend equivalents are included in the figures. The value attributable to share price growth is £853,967 and £229,030 for David Fineberg and Matthew Lewis respectively. This has been calculated using the grant price of £1.47 and the vesting price of £3.42.

6 Pension: during the year ended 31 March 2021, David Fineberg and Euan Marshall were eligible to receive a Company pension contribution of up to 10% of salary. Matthew Lewis received contributions to the Superannuation plan in Australia. 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. In line with the revised Remuneration Policy the pension contribution for David Fineberg and Euan Marshall will be reduced in line with that received by employees across the Group.

7 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 2020/21, 600 matching shares were allocated to David Fineberg, and 600 matching shares were allocated to Euan Marshall, calculated based on the dates of purchase. In 2019/20, 1,630 matching shares to David Fineberg, and 500 matching shares were allocated to Euan Marshall, calculated based on the dates of purchase. 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 participate in the plan.

### CIP for the year ended 31 March 2021 (audited)

During the year ended 31 March 2021 the Executive Directors participated in the Combined Incentive Plan with a maximum opportunity of up to 135% of salary for Peter Cruddas, CEO, up to 300% of salary for David Fineberg, Deputy Chief Executive Officer and Matthew Lewis, the Head of Asia Pacific & Canada, and up to 200% of salary for Euan Marshall, the Chief Financial Officer.

In considering the combined incentive Cash Award and Share Award, together comprising the Award, due to the Executive Directors for the year ended 31 March 2021, the Committee reviewed Group earnings per share ("EPS") against targets over the period.

**Group financial performance measure**

Financial performance measures account for 60% of the total award.

Measure	Threshold	Target	Maximum	Actual
Group earnings per share ("EPS")	34.21 pence	41.06 pence	47.90 pence	61.2 pence

The Group has had an exceptionally strong year. Diluted EPS was 61.2 pence against a maximum target of 47.90 pence, resulting in 100% achievement of this element of the Plan.

**Group strategic and personal performance measures**

Strategic performance measures account for 30% of the total award and personal measures account for 10% of the total award.

Chief Executive Officer strategic objectives (30%)	Score	Assessment
Oversee the delivery of the key project initiatives designed to deliver significant improvements in the quality of CMC's client offering and the agility of the technology platform, demonstrating material financial outcomes from these.	75%	Strong progress has been made in delivering and broadening a comprehensive programme of strategic business initiatives that will strengthen the existing product suite and provide on-going diversification.
Drive the delivery of CMC's key investment programmes to create a major diversification opportunity for the firm. Deliver the financial projections and launch plan for the business by March 2021.	75%	Significant progress has been made in the discovery, design and planning phases of these initiatives.
Oversee the development of the top management team to improve the bench strength of the team and ensure it is fit for purpose to deliver CMC's ambitions.	100%	A number of key hires were made in the year including a Chief Technology Officer increasing the breadth and depth of in-house skills at CMC. The Executive Directors continue to develop well in their respective roles.
Work with the Board to further develop the strategic messaging for the Group and its evolution over the next 3 years, enabling the creation of robust budgeting and planning assumptions.	100%	Peter has been key to articulating the strategic opportunity for CMC over the coming years and delivering plans to maximise those opportunities.
Lead CMC's investor relations activity to enhance the mix of institutional investors and their understanding of CMC's strategic potential. Prepare investors for the launch of the key diversification products to create a supportive audience and potential client opportunities.	75%	Peter has been at the forefront of a number of initiatives to increase investors understanding of CMC's strategy. New brokers have been introduced and we have recently brought several Investor Relations activities in-house.
Remain attuned to COVID-19 developments so as to ensure a safe working environment.	100%	CMC has provided COVID safe environments across all its offices and adhered closely to all government guidance. The business has delivered a strong performance in challenging times.
<b>Award for strategic objectives</b>	<b>26%</b>	
<b>Personal &amp; Mandatory Risk Objective (10%):</b>		
Lead CMC Markets to deliver its vision and objectives by demonstrating leadership skills fully aligned with CMC values, ways of working and conduct requirements.	50%	Peter led by example to deliver to the company's values and ways of working. Further work is planned for 2022 to enhance the overall risk culture.
<b>Award for Personal objective</b>	<b>5%</b>	
<b>Total for strategic and personal objectives (40%)</b>	<b>31%</b>	

## Directors' Remuneration Report continued

### Annual report on remuneration continued

#### CIP for the year ended 31 March 2021 (audited) continued

##### Group strategic and personal performance measures continued

Deputy CEO strategic objectives (30%)	Score	Assessment
<p>Deliver significant improvements in the quality of the client offering and the agility of the technology platform through the delivery of strategic projects in accordance with the business cases for these.</p> <p>The overriding goal is to demonstrate significant improvements in the client offering and agility of the technology platform, producing material improvements in financial outcomes via improved customer satisfaction, acquisition, and retention performance.</p>	75%	Strong progress has been achieved across a broad range of strategic programmes including the transformation of the business to digital ways of working. The objectives for some programmes have evolved during the discovery phases meaning full delivery is scheduled for 2022 but overall, the portfolio has made strong progress.
Improve client satisfaction and retention levels amongst premium clients.	100%	Whilst client satisfaction scores have decreased slightly CMC remains the industry leader and retention of active clients has improved by 8.6%. In addition the number of premium clients has grown from 8% to 15% of the total client base.
Drive the delivery of new diversification opportunities across the wider Group, ensuring that CMC's customer insight and brand communications enable a robust and timely launch plan to be executed.	100%	David has played a strong role supporting the development of new opportunities for the Group during 2021 acting as an advocate for how the existing capabilities of the business can support new business lines.
Improve the utility of the risk management processes, ensure the effective coordination of the three risk testing mechanisms so that Capital limits, notional position limits, and live stress testing work effectively together to deliver the agreed risk strategy.	75%	Positive progress has been made during the year but there remains scope to improve the Groups horizon scanning and understanding of non-financial risks.
Improve the level of strategic understanding and confidence in leadership of employees, with particular emphasis on the London office.	75%	Globally employee engagement has been maintained at the high levels seen in 2020 and more employees said they see a vision for CMC that motivates them, including those in London. There is a slight decline, however, in overall engagement in London.
Streamline CMC's Procurement processes to ensure that they are an asset to CMC's strategic aims.	50%	This objective is in progress with most of the delivery now scheduled for 2022.
Ensure CMC's Net Promoter Scores sustained to the following levels: Threshold – maintain current position during 2020; On target – improve current position during 2020.	100%	With NPS data for key markets not yet available, the Remuneration Committee has considered other relevant information, notably record acquisition and retention levels, and strong service delivery, notwithstanding the challenging circumstances of the pandemic other data.
<b>Award for strategic objectives</b>	<b>25%</b>	
<b>Personal &amp; Mandatory Risk Objective (10%):</b>		
Lead CMC Markets to deliver its vision and objectives by demonstrating leadership skills fully aligned with CMC values, ways of working and conduct requirements.	50%	David has led by example to deliver to the company's values and ways of working. Further work is planned for 2022 to enhance the overall risk culture.
<b>Award for Personal objective</b>	<b>5%</b>	
<b>Total for strategic and personal objectives (40%)</b>	<b>30%</b>	



Chief Financial Officer strategic objectives (30%)	Score	Assessment
Improve the external audit processes to ensure timely sign off to a high standard with no meaningful issues raised. Improve the quality of collaboration and understanding within CMC and with the Audit team.	100%	Significant progress has been made in providing central co-ordination for all audit issues which has improved the overall speed of remediation in all functions. This process was completed by early January 2021. In addition, there has been an ongoing and improved dialogue with the auditors regarding both progress issued and preparations for the annual audit process commencing in April 2021 which has led to a smoother process this year.
Deliver an improvement in the quality and usefulness of internal audit reports, to the satisfaction of the Audit Committee and the Board.	50%	There have been good improvements made to the quality and timeliness of Internal Audit reports but there remains further scope to improve their impact and usefulness as part of the Group's risk management approach.
Develop options to address potential impact of changes to German withholding tax rules and implement agreed solutions.	50%	A comprehensive range of options were present to the Board in the Autumn and have been developed for delivery which is on-going into 2022.
Improve the quality of financial reporting on project impacts, so that the value at stake to CMC's P&L from initiatives can be tracked and further opportunities identified.	50%	Financial projections for benefits arising from key projects were presented in July 2020, and work is ongoing regarding assessment and prioritisation of projects proposed in the 2022 business plans.
Improve the level of strategic understanding and confidence in leadership of employees, with particular emphasis on the London office.	75%	Globally employee engagement has been maintained at the high levels seen in 2020 and more employees said they see a vision for CMC that motivates them, including those in London. There is a slight decline, however, in overall engagement in London.
Provide support to the Deputy Chief Executive Officer in streamlining CMC's procurement processes to ensure they are an asset to CMC's strategic aims.	50%	This objective is in progress with most of the delivery now scheduled for 2022.
Ensure CMC's Net Promoter Scores sustained to the following levels: Threshold – maintain current position during 2020; On target – improve current position during 2020.	100%	With NPS data for key markets not yet available, the Remuneration Committee has considered other relevant information, notably record acquisition and retention levels, and strong service delivery, notwithstanding the challenging circumstances of the pandemic other data.
<b>Award for strategic objectives</b>	<b>20%</b>	
<b>Personal &amp; Mandatory Risk Objective (10%):</b>		
Lead CMC Markets to deliver its vision and objectives by demonstrating leadership skills fully aligned with CMC values, ways of working and conduct requirements.	50%	Euan has led by example to deliver the to the company's values and ways of working and continues to develop well in the Group CFO role.
<b>Award for Personal objective</b>	<b>5%</b>	
<b>Total for strategic and personal objectives (40%)</b>	<b>25%</b>	
Head of Asia Pacific & Canada strategic objectives (30%)	Score	Assessment
Improve the Board's insight into the APAC market and agree a headline three-year plan for the region for sign off by December 2020. Enhance quality of regular reports to the Board.	75%	A three-year strategic plan for APAC business was presented to the Board in January and monthly APAC strategic summary now included in the Board pack. Further work is on-going to improve the Board's engagement with the continuing development of the strategy.
Complete the successful second stage transition moving customers from BankWest cash solution to ANZ, with no significant client service issues. Identify further opportunities from the acquired client base and quantify meaningful outcomes from these.	100%	Highly successful project with the transfer taking place on three tranches through February with minimal remediation and attrition.
Improve the quality of customer service and platform resilience for stockbroking customers, resulting in an improvement in customer satisfaction, reduction in complaints and platform outages. Ensure that operational risk issues in share issuance are eliminated.	75%	A comprehensive stability plan was developed and actioned utilising the DevOps capabilities created through the transformation programme. This delivered significantly improved stability despite record volumes, however there is remains work to maintain these levels with current record volumes.
Improve the quality of risk & compliance processes, and operational oversight of them in the APAC region.	75%	The quality of APAC Risk reporting at a Group level has improved significantly supported by targeted local hiring. All broking risk processes have matured during 2021 with improved visibility on key risk and compliance priorities but there remains scope to further integrate APAC into the Risk processes.
Improve the level of strategic understanding and confidence in leadership of employees, with particular emphasis on the APAC offices.	100%	Globally employee engagement has been maintained at the high levels seen in 2020 and more employees said they see a vision for CMC that motivates them.
Contribute to the delivery of key technology and platform related projects, in partnership with UK colleagues and drive material outcomes from these in APAC.	100%	A strong contribution during 2020 with Matthew has played a leading role in ensuring the outcomes are optimal for the APAC region.
Ensure CMC's Net Promoter Scores sustained to the following levels: Threshold – maintain current position during 2020; On target – improve current position during 2020.	100%	With NPS data for key markets not yet available, the Remuneration Committee has considered other relevant information, notably record acquisition and retention levels, and strong service delivery, notwithstanding the challenging circumstances of the pandemic other data.
<b>Award for strategic objectives</b>	<b>27%</b>	
<b>Personal &amp; Mandatory Risk Objective (10%):</b>		
Lead CMC Markets to deliver its vision and objectives by demonstrating leadership skills fully aligned with CMC values, Ways of Working and conduct requirements.	50%	Matthew has led by example to deliver the to the company's values and ways of working. Further work is planned for FY22 to enhance the overall risk culture.
<b>Award for Personal objective</b>	<b>5%</b>	
<b>Total for strategic and personal objectives (40%)</b>	<b>32%</b>	

## Directors' Remuneration Report continued

### Annual report on remuneration continued

#### CIP for the year ended 31 March 2021 (audited) continued

##### Group strategic and personal performance measures continued

Based on the outcomes against the performance targets the Committee recommended the following awards under the Combined Incentive Plan.

##### Executive Directors Combined Incentive Outcomes

	Role	Max Award % salary	Overall outcome (% of max opportunity)	Award (as % max)	Total Award (£'000)	Cash Award		Share Award	
						(£'000)	% salary	(£'000)	% salary
Peter Cruddas	Chief Executive Officer <sup>1</sup>	135%	91%	123%	862.3	862.3	123%	—	—
David Fineberg	Deputy Chief Executive Officer	300%	90%	270%	941.3	423.5	121%	517.7	148%
Euan Marshall	Chief Financial Officer	200%	85%	170%	426.8	192.2	77%	234.6	94%
Matthew Lewis	Head of Asia Pacific & Canada	300%	92%	276%	826.1	371.7	124%	454.3	151%

<sup>1</sup> Under the rules of the CIP scheme the CEO only receives the cash element of any award made.

##### Vesting of awards under the LTIP in the financial year ended 31 March 2021 (audited)

The below table details the performance conditions and targets applicable to awards made to Deputy Chief Executive and Head of Asia Pacific & Canada in 2017 under the LTIP which vested in the year.

Measure	Weight as a % of max.	Threshold	Maximum	Actual	Actual MEP payable as a % of max
Earnings Per Share ('EPS')	60%	22.79p	37.98	49.4%	60%
Relative TSR FTSE FTSE250 ex. investment trusts	30%	Median	Upper Quartile	Upper quartile+	30%
Net Promoter Score ('NPS') – blend of UK, Germany and Australia metrics	10%	Average	Upper Quartile	Between average and upper quartile	9%
Total					99%

The Committee reviewed the formulaic results arising and concluded that they were in line with the shareholder experience over the period and consequently agreed that 99% of the maximum awards should vest. The actual amounts are detailed in the single figure table for the Executive Directors.

##### Share Awards granted in year (audited)

The table below provides details of the deferred element of the 2020 CIP.

Director	Face value of award (£'000)	No. of shares awarded
David Fineberg	519.8	148,854
Euan Marshall	103.1	29,535
Matthew Lewis	193.1	55,289

##### Notes:

The awards were granted as conditional shares. The award share price was £3.49, calculated using the three-day average share price prior to the date of grant of the award.

Awards vest at 40%, 30% and 30% after 3, 4 and 5 years respectively and are subject to a performance underpin assessed at the end of 3 years. The performance underpin will consist of a broad review of the performance of the business and will take into account the Company's three-year TSR performance, three-year aggregate profit levels and any regulatory breaches during the period. The Committee has discretion to apply other factors.

## Implementation in 2021/22

### Salary

The Executive Directors will not receive a pay rise with effect from 1 June 2021. The salaries for Peter Cruddas and Matthew Lewis were adjusted in September 2020 and the figures in the table below reflect these adjustments.

Name	Role	Previous salary	Adjusted salary	Percentage change
Peter Cruddas	Chief Executive Officer	£445,843	£700,000	57%
David Fineberg	Deputy Chief Executive Officer	£350,000	£350,000	—
Euan Marshall	Chief Financial Officer	£250,000	£250,000	—
Matthew Lewis	Head of Asia Pacific & Canada	£234,000	£300,000	28%

### Combined Incentive Plan

The Committee also proposes to continue to use Group financial, strategic and individual performance against targets for the 2021 financial year as the basis on which the combined incentive will be awarded. The performance measures applied to the combined incentive will be:

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

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. The Directors believe that these performance measures are commercially sensitive therefore detailed disclosure of these quantitative performance measures and associated outcomes will be included in the 2022 Annual Report & Financial Statements.

### Pension

The pension contributions for the Executive Directors have been aligned to the all employee maximum contribution level with effect from 1 April 2021. With the exception of the CEO who does not currently participate in the scheme, the Executive Directors based in the UK will receive a pension contribution of 7% of salary, or cash in lieu of pension (net employer costs). The Head of Asia Pacific & Canada receives Super Annuation in Australia.

### Share ownership and share interests (audited)

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 Markets' shareholding guidelines are achieved.

	Total share interests at 31 March 2021 Number	Total share interests 31 March 2021 as a % salary	Requirement met	Unvested awards not subject to performance condition <sup>1</sup>	Unvested awards subject to performance conditions <sup>3</sup>
<b>Executive Directors</b>					
Peter Cruddas (including shares held by spouse)	174,149,738	120,163%	Yes	—	—
David Fineberg <sup>1</sup> (including shares held by spouse)	341,942	472%	Yes	3,516	328,995
Euan Marshall <sup>1</sup> (including shares held by spouse)	15,527	30%	No	2,386	29,535
Matthew Lewis <sup>2</sup> (including shares held by spouse)	178,439	287%	Yes	—	124,679

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

2 Matthew Lewis total share interests and unvested awards includes share awards made before his appointment to the Board.

3 Unvested Deferred Share awards under made the CIP are included as unvested awards subject to performance conditions and do not count towards the Total share interests.

David Fineberg and Euan Marshall have continued to participate in the Share Incentive Plan, each acquiring 61 matching shares and 61 partnership shares during April and May.

There are no other changes to shareholding between 31 March 2021 and 4 June 2021.

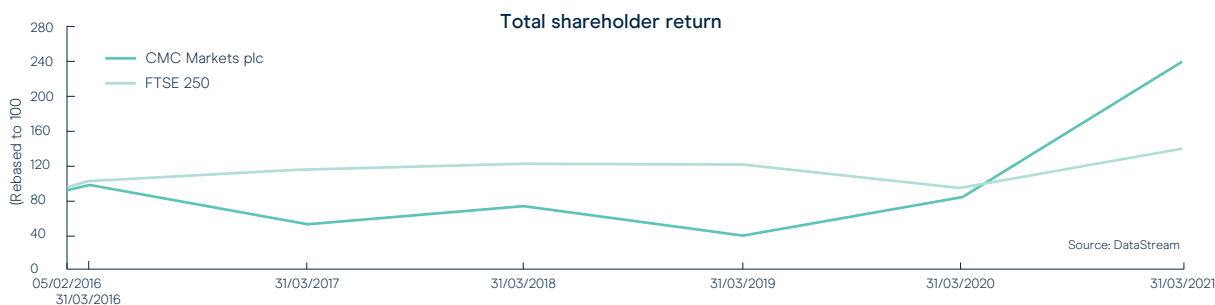
## Directors' Remuneration Report continued

### Annual report on remuneration continued

#### Implementation in 2021/22 continued

#### 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).



#### CEO pay history

Name	Year ended 31 March 2016 <sup>1</sup>	Year ended 31 March 2017	Year ended 31 March 2018	Year ended 31 March 2019	Year ended 31 March 2020	Year ended 31 March 2021
CEO single figure of remuneration (£'000)	739.9	412.8	845.8	434.4	1,048.5	1,459.4
Annual incentive payout (as % of maximum)	100%	0%	83%	0%	100%	91%
Long-term incentives (as % of maximum)	n/a	n/a	n/a	n/a	n/a	n/a

<sup>1</sup> 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 remuneration

The table below shows the annual percentage change in salary, taxable benefits and annual incentive for each Director with colleagues employed by the Group who are also not Directors of the Group:

% Change in ED & NED remuneration	Salary/fees	Taxable benefits	Annual incentive
<b>Executive Directors</b>			
Peter Cruddas	34%	0%	43%
David Fineberg	3%	7%	0%
Euan Marshall	0%	0%	14%
Matthew Lewis	24%	0%	18%
<b>Non-executive Directors</b>			
James Richards	18%	n/a	n/a
Paul Wainscott	8%	0%	n/a
Clare Salmon	8%	n/a	n/a
Sarah Ing	8%	n/a	n/a
All employees <sup>1</sup>	5.39%	0%	15%

<sup>1</sup> The employee figure relates to those "same store" employees i.e. those employed on 1 April 2020 and compares their salary then to 31 March 2021.

## Pay ratio reporting

The Company is required to publish information on the pay ratio of the Group Chief Executive to UK employees. The table below sets out the ratio of the pay and benefits of the median UK employee (P50) and those at the 25th (P25) and 75th (P75) percentile to the remuneration received by the Group Chief Executive Officer. We have used 'method A' as we believe it provides the most consistent and comparable outcomes. The ratios reflect all remuneration received by an individual in respect of the relevant years, and includes salary, benefits, pension, and value received from incentive plans. Employee pay and benefits were determined on 31 March 2021 using the same approach as used for the Single Total Figure.

Financial year	Methodology	Total remuneration		
		P25 (Lower Quartile) pay ratio	P50 (Median) pay ratio	P75 (Upper Quartile) pay ratio
2021	A	33:1	21:1	15:1
2020	A	26:1	17:1	12:1

Between 2020 and 2021 total remuneration for our CEO has increased compared to employees in line with the increase in CEO salary detailed in the Remuneration Committee Chairs letter.

Comparative employee reward elements are detailed below:

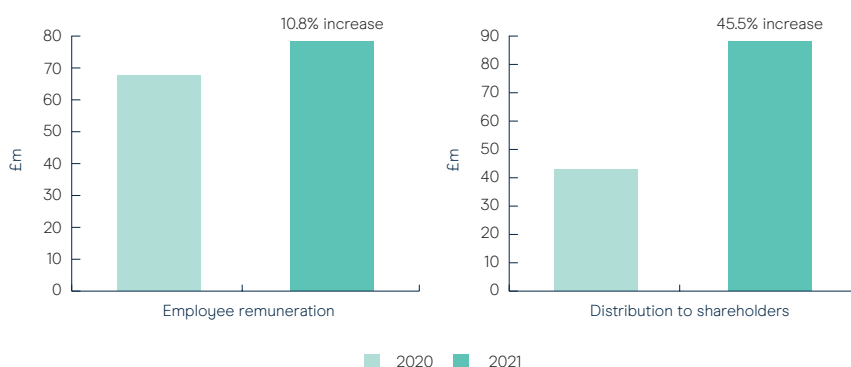
	CEO £'000	P25 (Lower Quartile) £'000	P50 (Median) £'000	P75 (Upper Quartile) £'000
Total salary	594.1	37.8	55.3	77.8
Total remuneration	1,459.4	44.2	68.5	96.4

Our principles for pay setting and progression in our wider workforce are the same as for our Executives, with total reward being sufficiently competitive to attract and retain high calibre individuals without over-paying and providing the opportunity for individual development and career progression. The pay ratios reflect how remuneration arrangements differ as accountability increases for more senior roles within the organisation, and in particular the ratios reflect the weighting towards long-term value creation and alignment with shareholder interests for the CEO.

We are satisfied that the median pay ratio voluntarily reported this year is consistent with our wider pay, reward and progression policies for employees. The median reference employee has the opportunity for annual pay increases, annual performance payments and career progression.

## 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 2020 and 31 March 2021.



## 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).

## Directors' Remuneration Report continued

## Annual report on remuneration continued

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

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

## Non-Executive Director remuneration

The table below sets out the remuneration for the Non-Executive Directors for the year ending 31 March 2021. The fees for the Chairman and the Non-Executives, having been unchanged since the Company listed in 2016, were reviewed in the financial year ending 31 March 2021, taking into account external benchmarking, changes in the size and complexity of the business, NED time commitment and relevant market remuneration data. Following the review, the Chairman's fees were increased by 31% and the base fee for the Non-Executive Directors was increased by 16%.

Role	£'000
Chairman fee	210.0
Non-Executive Director fee	70.0
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. Peter Cruddas was a Director of The Peter Cruddas Foundation, Finada Limited and Crudd Investments Limited during the year ended 31 March 2021 and received no fees in relation to these appointments. No other Executive Director held any outside appointments.

## Single total figure of Non-Executive Director remuneration (audited)

The table below sets out the single total figure of the remuneration received by each Non-Executive Director who served during the year ended 31 March 2021 and 31 March 2020. The fees set out in the table below reflect the actual amounts paid during the year. The Non-Executive Directors do not receive any variable remuneration.

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 and Senior Independent Director.

Name	Year ended 31 March	Base fee £'000	Committee fee £'000	SID fee £'000	Benefits <sup>1</sup> £'000	Total <sup>2</sup> £'000
James Richards	2021	189.1	—	—	0.3	189.4
	2020	160.0	—	—	—	160.0
Paul Wainscott	2021	65.8	10.0	5.0	0.3	81.1
	2020	60.0	10.0	5.0	0.3	75.3
Clare Salmon	2021	65.8	10.0	—	0.3	76.1
	2020	60.0	10.0	—	—	70.0
Sarah Ing	2021	65.8	10.0	—	0.3	76.1
	2020	60.0	10.0	—	—	70.0

<sup>1</sup> Non-Executive Directors are not entitled to benefits. Benefits (and any tax due thereon) referred to in the above table were an allowance made for home working expenses provided to all employees and NEDs.

<sup>2</sup> 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.

Name	Ordinary Shares held at 31 March 2020	Ordinary Shares held at 31 March 2021
James Richards	—	—
Paul Wainscott	—	—
Clare Salmon	13,051	824
Sarah Ing	—	—

There are no other changes to shareholding between 31 March 2021 and 4 June 2021.



## 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, Patrick Davis, 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 ("WTW") have continued to act as advisers to the Committee throughout the year. WTW were appointed in 2017 by the Committee following a review of advisers. WTW 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](http://www.remunerationconsultantsgroup.com). During the year, WTW provided independent advice on a range of remuneration matters including current market practice, benchmarking of Executive pay and incentive design. The fees paid to WTW in respect of work carried out, on a time and expenses basis, for the Committee for the year under review totalled £70,591. The Committee is comfortable that the advice it has received has been objective and independent.

## Statement of voting at the AGM

The Company AGM was held on 30 July 2020, where a revised Directors' remuneration report was tabled. Further details regarding how the Committee has consulted with shareholders with regards to remuneration are included in the Chair's statement.

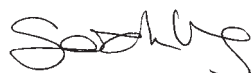
The result of the vote on these resolutions is set out below.

	Remuneration Policy (at 2018 AGM when the current policy was approved)		Remuneration report	
	% of votes (excluding withheld)	Number of votes	% of votes (excluding withheld)	Number of votes
For	78.03	201,826,156	99.44	265,351,313
Against	21.97	56,839,473	0.56	1,484,243
Total votes cast		258,665,629		266,835,556
Withheld <sup>1</sup>		1,979		5,501

<sup>1</sup> 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.

This report will be submitted to shareholders for approval at the AGM to be held on 29 July 2021.

Approved by the Board on 9 June 2021 and signed on its behalf by:



**Sarah Ing**

Chair of the Group Remuneration Committee

9 June 2021

## Regulated entities

CMC Markets entity	Financial services regulator(s)
<b>CMC Markets UK plc</b>	Financial Conduct Authority ("FCA"), UK
<b>CMC Markets UK plc – European branches</b>	
Austria Niederlassung Wien der CMC Markets UK Plc	Österreichische Finanzmarktaufsicht (FMA)
Germany Niederlassung Frankfurt am Main der CMC Markets UK plc Germany	Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin")
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 of Sweden)
Poland CMC Markets UK Spółka Akcyjna Oddział w Polsce	Komisja Nadzoru Finansowego (The Polish Financial Supervision Authority)
<b>CMC Markets UK plc – representative office</b>	
Beijing representative office of CMC Markets UK plc	China Banking and Regulatory Commission
<b>CMC Markets Germany GmbH</b>	Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin")
<b>CMC Markets Germany GmbH – European branches</b>	
Austria CMC Markets Germany GmbH, Niederlassung Wien	Österreichische Finanzmarktaufsicht (FMA)
Norway CMC Markets Germany GmbH, Oslo	Finanstilsynet (The Financial Supervisory Authority of Norway)
Spain CMC Markets Germany GmbH, Sucursal en España	Comisión Nacional del Mercado de Valores ("CNMV"), Spain
Sweden* CMC Markets Germany GmbH Filial Stockholm	Finansinspektionen (The Financial Supervisory Authority of Sweden)
Poland CMC Markets Germany GmbH Spółka z Ograniczoną Odpowiedzialnością Oddział w Polsce	Komisja Nadzoru Finansowego (The Polish Financial Supervision Authority)
<b>CMC Spreadbet plc</b>	Financial Conduct Authority ("FCA"), UK
<b>CMC Markets Asia Pacific Pty Ltd</b>	ASIC, ASX and Chi-X
<b>CMC Markets Stockbroking Ltd</b>	ASIC, the Australian Securities Exchange ("ASX") and Chi-X Australia ("Chi-X")
<b>CMC Markets Stockbroking Services Pty Ltd</b>	ASIC, ASX and Chi-X
<b>CMC Markets Canada Inc (operating as Marchés CMC Canada in Quebec)</b>	Investment Industry Regulatory Organization of Canada ("IIROC"), Autorité des Marchés Financiers ("AMF"), British Columbia Securities Commission
<b>CMC Markets NZ Ltd</b>	Financial Markets Authority New Zealand ("FMA")
<b>CMC Markets Singapore Pte Ltd</b>	Monetary Authority of Singapore ("MAS")
<b>CMC Markets Middle East Limited</b>	Dubai Financial Services Authority ("DFSA")

\* Branches of CMC Markets UK Plc and CMC Markets Germany GmbH in Sweden were closed in April 2020.

## Directors' report

The Directors present their report, together with the consolidated financial statements for the year ended 31 March 2021. For the purpose of the FRC's Disclosure Guidance and Transparency Rule ("DTR") 4.1.8R, the Directors' report is also the Management report for the year ended 31 March 2021.

The Corporate governance report can be found on pages 48 to 53 and, together with this report of which it forms part, fulfils the requirements of the Corporate governance statement for the purpose of the DTRs.

### Going concern

Having given due consideration to the nature of the Group's business, and risks emerging or becoming more prominent as a result of the global COVID-19 pandemic, 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 39 to 45 and financial risks described in note 30 to the Financial Statements.

### Viability statement

The Directors of the Company 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:

### Long-term prospects

- The Group's current financial position is outlined in the Strategic report (pages 2 to 45).
- The Group's business model: during the year the Group's risk management has continued to be optimised and strategic initiatives have continued to progress well. The ongoing impact of COVID-19 has provided additional opportunities for clients to trade, and the business model and operational resilience has enabled the Group to improve its trading performance during this unprecedented period whilst also keeping staff safe. On this basis, the Group continues to believe that it will continue 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 16 and 17) 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, which was a topic of particular focus given the impact of COVID-19, 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 at the March 2021 Board meetings.

- 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 39 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 stress scenarios, such as adverse market conditions and adverse regulatory change, are 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 concluded 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, given existing and known future changes to relevant regulations.

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 re-election at the 2021 AGM on 29 July 2021. 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 62 to 85 and other directorships are disclosed on pages 46 and 47.

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
Paul Wainscott	Senior Independent Director
Lord Cruddas	Chief Executive Officer
David Fineberg	Deputy Chief Executive Officer
Sarah Ing	Non-Executive Director
Clare Salmon	Non-Executive Director
Euan Marshall	Chief Financial Officer
Matthew Lewis	Head of Asia Pacific & Canada

Further details and individual biographies for current Directors are set out on pages 46 and 47.

## Directors' report continued

### 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.

### Branch offices

The Group has overseas branches in the following jurisdictions: Australia, Austria, China, New Zealand, Norway, Poland, South Africa, Spain and Sweden.

### 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. As permitted by Section 414 C(11) of the Companies Act 2006, some matters required to be included in the Directors' report have instead been included in the Strategic report. These disclosures are incorporated by reference in the Directors' report. 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 29 to the consolidated Financial Statements. The Group's vision is to be a global provider of online retail financial services 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 on pages 2 to 45.

### Dividends

On 9 June 2021, the Board recommended a final dividend of 21.43 pence per Ordinary Share in respect of the full financial year ended 31 March 2021, subject to shareholder approval at the 2021 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 2021, there were 290,717,473 Ordinary (99.15% of the overall share capital) and 2,478,086 Deferred Shares (0.85% of the overall share capital) in issue.

Further information about share capital can be found in note 25 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. Throughout the year, the Ordinary Shares were publicly listed on the London Stock Exchange and it remains so as at

the date of this report. There are no specific restrictions on the size of a shareholding nor on the transfer of shares which are both governed by the Articles of Association and the prevailing law. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of shares or on voting rights. No person has special rights of control over the Company's share capital and all issued shares are fully paid. Shares held by the Employee Benefit Trust rank *pari passu* with the Ordinary Shares and have no special rights. Voting rights and rights of acceptance of any offer relating to the shares held in this trust rest with the trustees, who may take account of any recommendation from the Company. Voting rights are not exercisable by the employees on whose behalf the shares are held in trust.

### 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, entitle 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 2020 AGM.

Shareholders will be asked to renew these authorities in line with the latest institutional shareholder guidelines at the 2021 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%.

The Group's share and incentive plans include usual provisions relating to change of control. There are no agreements providing for compensation for the Directors or employees on a change of control.

## 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. These sections are deemed to be incorporated by reference into the Directors' report:

Information	Location in Annual Report
Employees (employment of disabled persons and employee engagement)	Pages 26 to 29
Disclosure of overseas branches	Page 88
Employee share schemes	Note 31, pages 139 to 141
Financial risk management	Note 30, pages 131 to 138
Likely future developments	Pages 16 and 17
Directors' interests	Pages 81 and 84
Related party transactions	Note 34, page 143

## Disclosure table pursuant to Listing Rule LR 9.8.4C

Listing Rule	Information to be included	Disclosure
9.8.4(1)	Interest capitalised by Group.	None.
9.8.4(2)	Unaudited financial information (LR 9.2.18R).	None.
9.8.4(4)	Long-term incentive scheme information involving Board Directors (LR 9.4.3R).	Details can be found on pages 76 to 80 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, except for Lord Cruddas' service contract.
9.8.4(11)	Contracts for the provision of services by a Controlling Shareholder.	None, except for Lord Cruddas' service contract.
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 86 of the Directors' report.

## Directors' report continued

### Substantial shareholdings

Information provided to the Company by substantial shareholders pursuant to the DTRs is published via a Regulatory Information Service and on the Company's website. The table below sets out details of the shareholdings of Lord Peter Andrew Cruddas and Mrs Fiona Cruddas, and further provides details of the interests in the voting rights of the Company's Ordinary issued share capital as at 31 March 2021, notified to the Company under DTR 5. Holdings may have changed since being notified to the Company. Notification of any change is not required until the next applicable threshold is crossed.

Shareholder As at 31 March 2021	Number of voting rights	% of voting rights
Lord Peter Andrew Cruddas	165,155,374	56.80
Aberforth Partners	14,446,286	5.00
Mrs Fiona Cruddas	8,994,364	3.09

In the period from 1 April to 9 June 2021 the Company received no further notifications in respect of interests in voting rights.

The shareholdings of CMC Markets plc Directors are listed within the Directors' remuneration report on pages 62 to 85.

### 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. The Company has not adopted any special rules regarding the appointment and replacement of Directors other than as provided for under UK company law.

### Research and development

The Group continues to invest in the development of the Next Gen 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 new product and functionality development. During the year development expenditure amounting to £5.4 million has been capitalised (2020: £1.0 million).

### Directors' statement as to disclosure of information to auditors

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

PwC acted as auditors throughout the year. In accordance with Section 489 and Section 492 of the Companies Act 2006, resolutions proposing the reappointment of PwC as the Company's auditors and authorising the Directors to determine the auditors' remuneration will be put to the 2021 AGM.

### Political donations

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

### Annual General Meeting

The 2021 AGM is to be held at 12.00 p.m. on 29 July 2021 at 133 Houndsditch, London EC3A 7BX.

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 in respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the group and the parent company Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, 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 parent 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;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the Group financial statements and international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and parent company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006.

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



## Directors' confirmations

The Directors consider that 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 Group and parent company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the corporate governance section confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group;
- the Company financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and loss of the Parent Company; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties that it faces.

The Annual Report was approved by the Board on 9 June 2021.

By order of the Board



**Patrick Davis**

Company Secretary

9 June 2021

CMC Markets plc

Registered number: 05145017

## 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's 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 2021 and of the group's profit and the group's and parent company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position and Parent Company Statement of Financial Position as at 31 March 2021; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Cash Flows and 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.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

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

##### Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in Note 1 to the group financial statements, the group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

##### 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 includes 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.

Other than those disclosed in Note 8 to the financial statements, we have provided no non-audit services to the parent company or its controlled undertakings in the period under audit.

##### Our audit approach

###### Overview

###### 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.
- We determined the appropriate work to perform based on the consolidated balances of the group. The majority of the audit work was performed by the group audit team in London, including a full scope audit of the significant component CMC Markets UK Plc.
- The following entities were also determined to be significant components and were subject to full scope audits by component auditors PwC Australia: CMC Markets Stockbroking Ltd, CMC Markets Group Australia Pty Ltd and CMC Markets Asia Pacific Pty Ltd.
- Where a non-significant component comprised a significant proportion of one or more consolidated account balances, specific audit procedures were performed over those account balances.

## Report on the audit of the financial statements (continued)

### Our audit approach (continued)

#### Overview (continued)

##### Audit scope (continued)

##### Parent company

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

##### Key audit matters

- Risk of fraud in revenue recognition (group)
- Impact of COVID-19 (group and parent company)

##### Materiality

- Overall group materiality: £4,610,000 (2020: £2,980,000) based on 1% of total revenues.
- Overall parent company materiality: £1,686,600 (2020: £1,670,000) based on 1% of net assets.
- Performance materiality: £3,455,000 (group) and £1,264,900 (parent company).

#### 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.

#### 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.

"Recoverability of deferred tax assets (group)" and "Carrying value of investment in subsidiaries (parent company)", which were key audit matters last year, are no longer considered to be key audit matters. This is due to improved profitability in the subsidiary companies and the group's carried forward tax losses having been substantially utilised, leading to a reduction in the audit effort required to evaluate these matters. Otherwise, the key audit matters below are consistent with last year.

## 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><b>Risk of fraud in revenue recognition (group – and specifically as set out below)</b></p> <p>Refer to Note 2 “Summary of significant accounting policies” and Note 4 “Total revenue”.</p> <p>Where commission income is earned from clients who were introduced to the group through introducing brokers, the group collects the total commission from the customer and, acting as agent, passes the relevant amount to the introducing broker based on pre-agreed rates (“IB rates”). The remainder is recognised as commission income by the group, and recorded in the Revenue financial statement line item in the group’s consolidated income statement.</p> <p>The IB rates paid to the introducing brokers are inputted manually into the trading platform, and any error or deliberate misstatement in them would lead to an error in the revenue recognised by the group. In previous audits, we have identified instances where the IB rates in the UK did not agree to underlying agreements, hence this cohort is the subject of our key audit matter.</p>	<p>We evaluated the design and implementation of key controls over the recognition of commission income, including those relevant to the maintenance of IB rates in the trading platform, and bank reconciliations.</p> <p>Where we planned to rely on controls, we tested their operating effectiveness and concluded that we could place reliance on them for the purposes of our audit.</p> <p>Our substantive testing included, but was not limited to, the following:</p> <ul style="list-style-type: none"> <li>• We agreed a sample of IB rates back to underlying agreements; and</li> <li>• We used data auditing techniques to test that all commission income transactions had a corresponding cash transaction in the ledger.</li> </ul> <p>Based on the work performed, we concluded that this revenue had been appropriately recognised.</p>
<p><b>Impact of COVID-19 (group and parent company)</b></p> <p>Management and the board have considered the impact of the events that have been caused by the pandemic, COVID-19, on the current and future operations of the group.</p> <p>In doing so, management has made estimates and judgements that are critical to the outcomes of these considerations with a particular focus on the group’s ability to continue as a going concern for a period of at least 12 months from the date of approval of these financial statements.</p> <p>As a result of the impact of COVID-19 on the group and the wider financial markets, we have determined management’s consideration of the potential impact of COVID-19 to be a key audit matter.</p>	<p>In assessing management’s consideration of the impact of COVID-19 on the financial statements, we have undertaken the following procedures:</p> <ul style="list-style-type: none"> <li>• Considered the impact of COVID-19 on the internal control environment through our audit testing and inquiries of management;</li> <li>• Considered the impact of COVID-19 when performing our fraud risk assessment and testing of management override of controls;</li> <li>• Performed enquiries of the Audit Committee and management;</li> <li>• Reviewed and evaluated management’s going concern assessment, which considered the impact of COVID-19 on the financial performance;</li> <li>• Assessed the impact of COVID-19 on estimates and the assumptions that underpin them, noting no areas which are materially impacted; and</li> <li>• Evaluated the adequacy of the disclosures made in the financial statements with respect to the impact of COVID-19.</li> </ul> <p>Based on the work performed, we concluded that the impact of COVID-19 has been appropriately evaluated and reflected in the preparation of the financial statements.</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 they operate.

The group operates through a network of companies primarily in the UK, Europe and Asia Pacific each of which is considered to be a financial reporting component. In establishing the overall approach to our audit of the financial statements, we determined the type of work that was required to be performed over the components by us, as the group engagement team, or auditors from other PwC network firms operating under our instruction (‘component auditors’).

Where the work was performed by component auditors, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the consolidated financial statements as a whole. This included regular communication with the component auditors throughout the audit, the issuance of instructions, a review of the results of their work and attendance at formal clearance meetings.

Any components which were considered individually financially significant in the context of the group’s consolidated financial statements were considered full scope audit components.

## Report on the audit of the financial statements (continued)

### Our audit approach (continued)

#### How we tailored the audit scope (continued)

We considered the individual financial significance of other components in relation to primary statement account balances. We considered the presence of any significant audit risks and other qualitative factors (including history of misstatements through fraud or error). Any component which was not already included as a full scope audit component but was identified as being individually financially significant in respect of one or more account balances was subject to specific audit procedures over those account balances.

All remaining components were subject to procedures which mitigated the risk of material misstatement including testing of entity level controls, information technology general controls and group level analytical review procedures.

The parent company audit was performed by us.

### 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:

	Financial statements – group	Financial statements – parent company
Overall materiality	£4,610,000 (2020: £2,980,000).	£1,686,600 (2020: £1,670,000).
How we determined it	1% of total revenues	1% of net assets
Rationale for benchmark applied	We determined that using total revenue is an appropriate benchmark compared to using other profit indicators as revenue is driven by the volume of trading activity and gives the best indicator of the size of the business. This is consistent with the benchmark used in the prior year.	We have used net assets as the materiality benchmark as the parent company of the group primarily holds investments in its underlying subsidiaries. This is consistent with the benchmark used in the prior year.

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 £215,000 and £4,383,900. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £3,455,000 for the group financial statements and £1,264,900 for the parent company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £230,000 (group audit) (2020: £149,800) and £84,300 (parent company audit) (2020: £83,800) 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)

##### Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- Evaluation of management's going concern assessment;
- Evaluation of management's financial forecasts and management's stress testing of liquidity and regulatory capital, including the severity of the stress scenarios and assumptions that were used;
- Evaluation of the degree to which the impact of COVID-19 has been reflected in the group's financial plans and going concern assessment; and
- Substantiation of liquid resources held by, and liquidity facilities available to, the group.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the parent company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this 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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

##### 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 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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.

##### 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.

##### Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.



## Report on the audit of the financial statements (continued)

### Corporate governance statement (continued)

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Corporate governance report on pages 48 to 91 together with the Directors' report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and parent company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the parent company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and parent company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and parent company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

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

### 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 in respect of the financial statements, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to laws and regulations issued by the Financial Conduct Authority ("FCA") (including the Listing Rules), the European Securities and Markets Authority ("ESMA") and corporation tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006.

## Independent auditors' report continued

### To the members of CMC Markets plc

#### Report on the audit of the financial statements (continued)

##### Responsibilities for the financial statements and the audit (continued)

##### Auditors' responsibilities for the audit of the financial statements (continued)

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the potential for manual journal entries being recorded in order to manipulate financial performance. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing key correspondence with regulators, such as the FCA, in relation to the group's compliance with applicable regulations;
- Writing to external legal counsel to identify any instances of non-compliance with laws and regulations, and assessing their potential impact;
- Identifying and testing what we considered to be higher risk manual journal entries; and
- Incorporating unpredictability into the nature, timing and/or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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](http://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 obtained 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 12 years, covering the years ended 31 March 2010 to 31 March 2021.



**Gilly Lord (Senior Statutory Auditor)**

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

10 June 2021

## Consolidated income statement

### For the year ended 31 March 2021

GROUP	Note	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
<b>Revenue</b>		<b>461,308</b>	294,727
Interest income		746	3,345
<b>Total revenue</b>	4	<b>462,054</b>	298,072
Introducing partner commissions and betting levies		(52,288)	(46,067)
<b>Net operating income</b>	3	<b>409,766</b>	252,005
Operating expenses	5	(183,994)	(151,267)
<b>Operating profit</b>		<b>225,772</b>	100,738
Finance costs	7	(1,762)	(2,052)
<b>Profit before taxation</b>	8	<b>224,010</b>	98,686
Taxation	9	(45,903)	(11,749)
<b>Profit for the year attributable to owners of the parent</b>		<b>178,107</b>	86,937
<b>Earnings per share</b>			
Basic earnings per share (p)	10	61.5p	30.1p
Diluted earnings per share (p)	10	61.2p	29.9p

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 2021

GROUP	Note	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
<b>Profit for the year</b>		<b>178,107</b>	86,937
Other comprehensive income/(expense):			
<b>Items that may be subsequently reclassified to income statement</b>			
(Loss)/gain on net investment hedges	27	(2,007)	1,817
Currency translation differences	27	4,563	(3,828)
Changes in the fair value of debt instruments at fair value through other comprehensive income	27	(54)	4
<b>Other comprehensive income/(expense) for the year</b>		<b>2,502</b>	(2,007)
<b>Total comprehensive income for the year attributable to owners of the parent</b>		<b>180,609</b>	84,930

## Consolidated statement of financial position

### At 31 March 2021

GROUP	Note	31 March 2021 £'000	31 March 2020 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	12	10,330	4,588
Property, plant and equipment	13	26,105	28,138
Deferred tax assets	14	6,370	16,530
Trade and other receivables	16	1,800	2,269
<b>Total non-current assets</b>		<b>44,605</b>	<b>51,525</b>
<b>Current assets</b>			
Trade and other receivables	16	127,119	162,702
Derivative financial instruments	17	3,241	5,353
Current tax recoverable		1,749	848
Financial investments	18	28,104	25,445
Amounts due from brokers	19	253,895	134,276
Cash and cash equivalents	20	118,921	84,307
<b>Total current assets</b>		<b>533,029</b>	<b>412,931</b>
<b>Total assets</b>		<b>577,634</b>	<b>464,456</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	21	152,253	153,624
Derivative financial instruments	17	3,077	2,369
Borrowings	22	945	880
Lease liabilities	23	4,599	4,686
Provisions	24	1,889	548
<b>Total current liabilities</b>		<b>162,763</b>	<b>162,107</b>
<b>Non-current liabilities</b>			
Borrowings	22	194	751
Lease liabilities	23	10,727	14,587
Deferred tax liabilities	14	1,622	2,206
Provisions	24	1,811	1,926
<b>Total non-current liabilities</b>		<b>14,354</b>	<b>19,470</b>
<b>Total liabilities</b>		<b>177,117</b>	<b>181,577</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	25	73,299	72,899
Share premium	25	46,236	46,236
Own shares held in trust	26	(382)	(433)
Other reserves	27	(49,334)	(51,836)
Retained earnings		330,698	216,013
<b>Total equity</b>		<b>400,517</b>	<b>282,879</b>
<b>Total equity and liabilities</b>		<b>577,634</b>	<b>464,456</b>

The Financial Statements on pages 99 to 104 were approved by the Board of Directors on 9 June 2021 and signed on its behalf by:



**Lord Cruddas**  
Chief Executive Officer



**Euan Marshall**  
Chief Financial Officer

# Parent company statement of financial position

At 31 March 2021

Company registration number: 05145017

COMPANY	Note	31 March 2021 £'000	31 March 2020 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiary undertakings	15	168,111	169,023
<b>Total non-current assets</b>		168,111	169,023
<b>Current assets</b>			
Trade and other receivables	16	14,019	14,572
Cash and cash equivalents	20	167	110
<b>Total current assets</b>		14,186	14,682
<b>Total assets</b>		182,297	183,705
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	21	60	91
<b>Total current liabilities</b>		60	91
<b>Non-current liabilities</b>			
Borrowings	22	13,549	15,952
<b>Total non-current liabilities</b>		13,549	15,952
<b>Total liabilities</b>		13,609	16,043
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	25	73,299	72,899
Share premium	25	46,236	46,236
At 1 April		48,527	47,380
Profit for the year attributable to the owners		61,140	9,312
Other changes in retained earnings		(60,514)	(8,165)
Retained earnings		49,153	48,527
<b>Total equity</b>		168,688	167,662
<b>Total equity and liabilities</b>		182,297	183,705

The Financial Statements on pages 99 to 104 were approved by the Board of Directors on 9 June 2021 and signed on its behalf by:



**Lord Cruddas**  
Chief Executive Officer



**Euan Marshall**  
Chief Financial Officer

## Consolidated and parent company statements of changes in equity

### For the year ended 31 March 2021

GROUP	Note	Share capital £'000	Share premium £'000	Own shares held in trust £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
<b>At 1 April 2019</b>		72,892	46,236	(604)	(49,829)	137,006	205,701
New shares issued		7	—	—	—	—	7
Profit for the year		—	—	—	—	86,937	86,937
Other comprehensive expense for the year		—	—	—	(2,007)	—	(2,007)
Acquisition of own shares held in trust	26	—	—	(32)	—	—	(32)
Utilisation of own shares held in trust	26	—	—	203	—	—	203
Share-based payments		—	—	—	—	2,130	2,130
Tax on share-based payments		—	—	—	—	141	141
Dividends	11	—	—	—	—	(10,201)	(10,201)
<b>At 31 March 2020</b>		<b>72,899</b>	<b>46,236</b>	<b>(433)</b>	<b>(51,836)</b>	<b>216,013</b>	<b>282,879</b>
New shares issued		400	—	—	—	—	400
Profit for the year		—	—	—	—	178,107	178,107
Other comprehensive income for the year		—	—	—	2,502	—	2,502
Acquisition of own shares held in trust	26	—	—	(364)	—	—	(364)
Utilisation of own shares held in trust	26	—	—	415	—	—	415
Share-based payments		—	—	—	—	(2,458)	(2,458)
Tax on share-based payments		—	—	—	—	1,164	1,164
Dividends	11	—	—	—	—	(62,128)	(62,128)
<b>At 31 March 2021</b>		<b>73,299</b>	<b>46,236</b>	<b>(382)</b>	<b>(49,334)</b>	<b>330,698</b>	<b>400,517</b>

### Total equity is attributable to owners of the Company

COMPANY	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
<b>At 1 April 2019</b>	72,892	46,236	47,380	166,508
New shares issued	7	—	—	7
Profit for the year	—	—	9,312	9,312
Share-based payments	—	—	2,040	2,040
Dividends	—	—	(10,205)	(10,205)
<b>At 31 March 2020</b>	<b>72,899</b>	<b>46,236</b>	<b>48,527</b>	<b>167,662</b>
New shares issued	400	—	—	400
Profit for the year	—	—	61,140	61,140
Share-based payments	—	—	1,621	1,621
Dividends	—	—	(62,135)	(62,135)
<b>At 31 March 2021</b>	<b>73,299</b>	<b>46,236</b>	<b>49,153</b>	<b>168,688</b>



## Consolidated and parent company statements of cash flows

### For the year ended 31 March 2021

	Note	GROUP		COMPANY	
		Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
<b>Cash flows from operating activities</b>					
Cash generated from operations	28	151,300	74,393	754	125
Interest income		1,784	3,178	21	178
Tax paid		(33,620)	(13,079)	—	—
<b>Net cash generated from operating activities</b>		<b>119,464</b>	<b>64,492</b>	<b>775</b>	<b>303</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(4,162)	(2,645)	—	—
Investment in intangible assets		(8,028)	(1,628)	—	—
Purchase of financial investments		(28,933)	(14,446)	—	—
Proceeds from maturity of financial investments		25,176	11,245	—	—
(Outflow)/inflow on net investment hedges		(1,761)	1,084	—	—
Investment in subsidiaries		—	—	(469)	(13)
Amounts contributed by subsidiaries in relation to share-based payments		—	—	2,587	58
Dividends received		—	—	61,950	10,170
<b>Net cash (used in)/generated from investing activities</b>		<b>(17,708)</b>	<b>(6,390)</b>	<b>64,068</b>	<b>10,215</b>
<b>Cash flows from financing activities</b>					
Repayment of borrowings		(51,190)	(11,494)	(2,700)	—
Proceeds from borrowings		50,000	10,175	—	—
Principal elements of lease payments		(6,057)	(5,746)	—	—
Proceeds from issue of Ordinary Shares		80	—	400	7
Acquisition of own shares		(44)	(25)	—	—
Dividends paid		(62,128)	(10,201)	(62,135)	(10,205)
Finance costs		(1,749)	(2,052)	(351)	(348)
<b>Net cash used in financing activities</b>		<b>(71,088)</b>	<b>(19,343)</b>	<b>(64,786)</b>	<b>(10,546)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>30,668</b>	<b>38,759</b>	<b>57</b>	<b>(28)</b>
Cash and cash equivalents at the beginning of the year	20	84,307	48,729	110	138
Effect of foreign exchange rate changes		3,946	(3,181)	—	—
<b>Cash and cash equivalents at the end of the year</b>	<b>20</b>	<b>118,921</b>	<b>84,307</b>	<b>167</b>	<b>110</b>

# Notes to the consolidated and parent company financial statements

## For the year ended 31 March 2021

### 1. General information and basis of preparation

#### Corporate information

CMC Markets plc (the "Company") is a public company limited by shares incorporated in the United Kingdom and domiciled in England and Wales under the Companies Act 2006. The nature of the operations and principal activities of 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

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 ("FVPL")" and "Financial instruments at fair value through other comprehensive income ("FVOCI")". The financial information is rounded to the nearest thousand except where otherwise indicated.

The Company and 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, with the exception of the adoption of the new and revised standards as set out below. The Financial Statements presented are at and for the years ended 31 March 2021 and 31 March 2020. Financial annual years are referred to as 2021 and 2020 in the Financial Statements.

#### Changes in accounting policy and disclosures

As described in Note 32, the Group has a policy of holding all client monies off balance sheet. As it relates to the stockbroking business in Australia, the accounting treatment of monies deposited by clients in advance of trading has been open to interpretation with judgement required to determine whether risks and rewards are such that the amounts should be on an entity's statement of financial position. Previously, the Group determined that the amounts, and associated payables to clients, should be reflected on the statement of financial position. During the year, and in line with emerging and clarified industry practice, the Group has changed its accounting policy in this regard, concluding that the amounts should be de-recognised. This change in accounting policy has been applied retrospectively, leading to the restatement of the Consolidated statement of financial position as at 31 March 2020, whereby £23,561,000 has been derecognised from the Trade & Other Receivables and Trade & Other Payables balances (31 March 2019: £8,640,000).

#### Application of new and revised accounting standards

Several amendments and interpretations, as listed below, applied for the first time in the current financial year, but do not have a significant impact on the financial statements of the Company and the Group:

- Amendments to IAS 1 and IAS 8 "Definition of Material".
- Amendments to IFRS 3 "Definition of a Business".
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7.
- Revised Conceptual Framework for Financial Reporting.

The Group also elected to adopt the following amendments early:

- Amendments to IFRS 16 "COVID-19-related Rent Concessions".
- In the current financial year, the Group has applied the amendments to IFRS 16 (as issued by IASB in May 2020) in advance of its effective date. These amendments provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The Group has applied the practical expedient retrospectively to all rent concessions that meet the conditions and the effect on the financial statements of the Group is immaterial.

#### 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 Company and the Group were in issue but not yet effective and have not been applied to the Financial Statements:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 3	Reference to the Conceptual Framework
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 9, IFRS 16, IFRS 1

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company and the Group in future periods.

# Notes to the consolidated and parent company financial statements continued

## For the year ended 31 March 2021

### 1. General information and basis of preparation continued

#### 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 acquisition method of accounting.

Under the acquisition 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 and estimates

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.

#### Contingent liabilities

Judgement has been applied in evaluating the accounting treatment of the specific matters described in Note 35 (Contingent Liabilities), notably the probability of any obligation or future payments arising.

No significant estimates were used in the preparation of the financial statements.

### 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.

The Group generates revenue principally from commissions, spreads and financing income associated with stockbroking and acting as a spread bet and contract for difference market maker to its clients, and the transactions undertaken to hedge the resulting risks.

#### Contracts for difference ("CFD") and spread bet

Revenue from CFD and spread bet represents:

- fees paid by clients for commission and funding charges in respect of the opening, holding and closing of financial spread bets and contracts for difference, together with the spread and fair value gains and losses for the Group arising on client trading activity; and
- fees paid by the Group in commissions and funding charges arising in respect of hedging the risk associated with the client trading activity and the Group's currency exposures, together with the spread and fair value gains and losses incurred by the Group arising on hedging activity.

Commission and funding charges are accounted for in accordance with IFRS15 "Revenue from Contracts with Customers".

Commission income is earned and recognised when the trade is placed, and funding charges when an open position is held by a customer at 5:00pm New York time. Spread and fair value gains and losses are accounted for in accordance with IFRS9 "Financial Instruments" and IFRS13 "Fair Value Measurement".

Open client and hedging positions are fair valued on a daily basis and the unrealised gains and losses arising on this valuation are recognised in revenue, alongside realised gains and losses on positions that have closed.

#### Stockbroking revenue from contracts with customers

Revenue from the provision of financial information and stockbroking services to third parties represents fee and commission income. The Group recognises this revenue when the amount for the service can be determined and the performance obligation has been satisfied, this leads to the revenue being recognised on the date of the Group providing the service to the client.

## 2. Summary of significant accounting policies continued

### Total revenue continued

#### Other revenue from contracts with customers

Other revenue from the provision of financial information, dormancy fees and balance conversions are accounted for in accordance with IFRS15 "Revenue from Contracts with Customers".

#### Interest income

Total revenue also includes interest earned on the Group's own funds, clients' funds and broker trading deposits. Interest income is accrued based on the effective interest rate method, by reference to the principal outstanding and at the interest rate applicable. In addition, the Group earns interest income on UK Government securities held as financial investments, calculated using the effective interest method.

Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. This is presented within other interest income.

#### 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 are 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 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 ("CODM"). The chief operating decision maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the CMC Markets 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.

#### 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.

#### 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 and are expected to apply when the asset or liability is settled.

## Notes to the consolidated and parent company financial statements continued

### For the year ended 31 March 2021

## 2. Summary of significant accounting policies continued

### Taxation continued

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 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.

Current and 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 tax is also dealt with in equity.

### 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.

#### 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:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use it;
- there is an ability to use the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

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 from the point at which the asset is ready to use.

#### 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.

## 2. Summary of significant accounting policies continued

### Intangible assets continued

#### 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 or life of lease

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.

Premises in the course of construction are carried at cost, less any recognised impairment loss. Depreciation of these assets, determined on the same basis as other leasehold assets, commences when the assets are ready for their intended use.

### Right-of-use assets

Right-of-use assets are measured at cost and comprise of the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are presented within property, plant and equipment in the statement of financial position and are subject to impairment.

### 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.

## Notes to the consolidated and parent company financial statements continued

### For the year ended 31 March 2021

## 2. Summary of significant accounting policies continued

### Financial instruments

#### Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss); and
- those to be measured at amortised cost.

#### Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not measured at fair value through profit or loss or fair value through other comprehensive income, transaction costs that are directly attributable to the acquisition of the financial asset. Regular way transactions are recognised on trade date.

The Group subsequently measures cash and cash equivalents, amounts due from brokers and trade and other receivables at amortised cost. The Group subsequently measures derivative financial instruments and financial investments at fair value.

#### Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### Amounts due from brokers

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

The Group offers CFDs on cryptocurrencies as a product that can be traded on its platform. As part of a wider hedging strategy which also includes the use of futures, 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, they are held for trading purposes, hence we have classified the cryptocurrencies as a financial asset and included the values within "Amounts due from brokers". These assets are measured at fair value with changes in valuation being recorded in the Income Statement in the period in which they arise.

#### Trade and other receivables

Trade receivables primarily comprise amounts due from clients and stockbroking settlement balances. They are short term in nature are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade receivables are short term and do not contain a significant financing element and therefore expected credit losses are measured using the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables. Amounts are written off when there is no reasonable expectation of recovery of the amount.

The expected loss model for these trade receivables has been built based on the levels of loss experienced, with due consideration given to forward-looking information.

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 uncollectable, 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.

The Group sub-leases some of its leased premises. Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17). The Group, as a lessor, has reclassified certain of its sub-lease agreements as finance leases and recognised a lease receivable equal to the net investment in the sub-lease. This is presented within Other Debtors.

#### Financial investments

Financial investments are subsequently measured at fair value. Interest income is calculated using the effective interest method on debt securities. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the income statement.



## 2. Summary of significant accounting policies continued

### Derivative financial instruments

Derivative 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 IFRS 9, unless designated as accounting hedges. Derivatives not designated as accounting 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.

For accounting hedges, 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

The Group accounts for derivative financial instruments held as hedges of net investment in foreign operations as per the requirements of IFRS 9. Where a foreign currency derivative financial instrument is a formally designated accounting 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 the 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 IFRS, 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.

#### Trade payables

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

#### Borrowings and lease liabilities

Liabilities arising from a lease are initially measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and variable lease payments that depend on an index or a rate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term or a change in the in-substance fixed lease payments. The finance cost 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 the liability for each period.

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Extension and termination options are included in a number of property leases in the Group. Management considers the facts and circumstances that may create an economic incentive to exercise an extension or termination option in order to determine whether the lease term should include or exclude such options. Extension or termination options are only included within the lease term if they are reasonably certain to be exercised in the case of extension options and not exercised in the case of termination options.

All other loans and borrowings are initially recognised at cost, being the fair value of the consideration received, net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

#### 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 2021

## 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 ("EBT") 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, is included in equity attributable to the Company's equity owners.

### 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 20 and 21. 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.

## 3. Segmental reporting

The Group's principal business is online retail financial services including stockbroking and providing 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 business is generally managed on a geographical basis and, for management purposes, the Group is organised into four segments:

- CFD and Spread bet – UK and Ireland ("UK & IE");
- CFD – Europe;
- CFD – Australia, New Zealand and Singapore ("APAC") and Canada; and
- Stockbroking – Australia.

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, or where central costs are directly attributed to specific segments.

GROUP	Year ended 31 March 2021					
	CFD and Spread bet			Stockbroking		Total £'000
	UK & IE £'000	Europe £'000	APAC & Canada £'000	Australia £'000	Central £'000	
Segment revenue net of introducing partner commissions and betting levies	125,947	65,035	163,236	54,802	—	409,020
Interest income	(26)	—	533	239	—	746
<b>Net operating income</b>	<b>125,921</b>	<b>65,035</b>	<b>163,769</b>	<b>55,041</b>	<b>—</b>	<b>409,766</b>
Segment operating expenses	(19,909)	(6,574)	(21,950)	(10,039)	(125,522)	(183,994)
<b>Segment contribution</b>	<b>106,012</b>	<b>58,461</b>	<b>141,819</b>	<b>45,002</b>	<b>(125,522)</b>	<b>225,772</b>
Allocation of central operating expenses	(36,336)	(30,393)	(37,320)	(21,473)	125,522	—
<b>Operating profit</b>	<b>69,676</b>	<b>28,068</b>	<b>104,499</b>	<b>23,529</b>	<b>—</b>	<b>225,772</b>
Finance costs	(484)	(36)	(242)	(213)	(787)	(1,762)
Allocation of central finance costs	(331)	(134)	(322)	—	787	—
<b>Profit before taxation</b>	<b>68,861</b>	<b>27,898</b>	<b>103,935</b>	<b>23,316</b>	<b>—</b>	<b>224,010</b>

### 3. Segmental reporting continued

GROUP	Year ended 31 March 2020					
	CFD and Spread bet			Stockbroking		Total £'000
	UK & IE £'000	Europe £'000	APAC & Canada £'000	Australia £'000	Central £'000	
Segment revenue net of introducing partner commissions and betting levies	68,577	43,665	104,602	31,816	—	248,660
Interest income	1,631	2	1,499	213	—	3,345
<b>Net operating income</b>	70,208	43,667	106,101	32,029	—	252,005
Segment operating expenses	(15,375)	(9,763)	(15,970)	(6,711)	(103,448)	(151,267)
<b>Segment contribution</b>	54,833	33,904	90,131	25,318	(103,448)	100,738
Allocation of central operating expenses	(30,715)	(26,802)	(30,154)	(15,777)	103,448	—
<b>Operating profit</b>	24,118	7,102	59,977	9,541	—	100,738
Finance costs	(554)	(21)	(529)	(36)	(912)	(2,052)
Allocation of central finance costs	(401)	(168)	(343)	—	912	—
<b>Profit before taxation</b>	23,163	6,913	59,105	9,505	—	98,686

The measurement of net operating income for segmental analysis is consistent with that in the income statement and is broken down by geographic location below.

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Net operating income by geography		
UK	125,921	70,208
Australia	156,167	91,315
Other countries	127,678	90,482
<b>Total net operating income</b>	<b>409,766</b>	<b>252,005</b>

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 and an allocation of central operating expenses.

The measurement of segment assets for segmental analysis is consistent with that in the balance sheet. The total of non-current assets other than deferred tax assets, broken down by location of the assets, is shown below.

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
UK	22,662	17,841
Australia	12,693	13,568
Other countries	2,880	3,586
<b>Total non-current assets</b>	<b>38,235</b>	<b>34,995</b>

### 4. Total revenue

#### Revenue

GROUP	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
CFD and spread bet	373,006	236,866
Stockbroking revenue from contracts with customers	83,310	55,516
Other revenue	4,992	2,345
<b>Total</b>	<b>461,308</b>	<b>294,727</b>

## Notes to the consolidated and parent company financial statements continued

### For the year ended 31 March 2021

#### 4. Total revenue continued

##### Interest income

GROUP	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Bank and broker interest	681	3,136
Interest on financial investments	43	167
Other interest income	22	42
<b>Total</b>	<b>746</b>	<b>3,345</b>

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

#### 5. Operating expenses

GROUP	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Net staff costs (note 6)	78,653	67,797
IT costs	26,162	21,497
Sales and marketing	30,399	18,065
Premises	3,794	3,108
Legal and professional fees	7,234	5,161
Regulatory fees	5,002	5,150
Depreciation and amortisation	11,239	10,959
Irrecoverable sales tax	6,536	5,086
Other	15,017	14,477
	<b>184,036</b>	<b>151,300</b>
Capitalised internal software development costs	(42)	(33)
<b>Operating expenses</b>	<b>183,994</b>	<b>151,267</b>

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 2021 £'000	Year ended 31 March 2020 £'000
Wages and salaries	66,694	54,450
Social security costs	9,452	7,440
Other pension costs	1,916	1,469
Share-based payments	2,489	2,334
<b>Total Directors and employee costs</b>	<b>80,551</b>	<b>65,693</b>
Contract staff costs	3,243	3,078
	<b>83,794</b>	<b>68,771</b>
Capitalised internal software development costs	(5,141)	(974)
<b>Net staff costs</b>	<b>78,653</b>	<b>67,797</b>

Compensation of key management personnel is disclosed in the Directors' remuneration report on page 62 to 85.

## 6. Employee information continued

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

GROUP	Year ended 31 March 2021 Number	Year ended 31 March 2020 Number
By activity:		
Key management	8	7
Client acquisition and maintenance	392	354
IT development and support	217	160
Global support functions	179	150
<b>Total Directors and employees</b>	<b>796</b>	<b>671</b>
Contract staff	22	26
<b>Total staff</b>	<b>818</b>	<b>697</b>

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

## 7. Finance costs

GROUP	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Interest and fees on bank borrowings	926	1,034
Interest on lease liabilities	818	1,001
Other finance costs	18	17
<b>Total</b>	<b>1,762</b>	<b>2,052</b>

## 8. Profit before taxation

GROUP	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Profit before tax is stated after charging/(crediting):		
Depreciation	9,254	9,509
Amortisation of intangible assets	1,985	1,450
Net foreign exchange (gain)/loss	(222)	1,669
Auditors' remuneration for audit and other services (see below)	1,975	1,612

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

GROUP	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
<b>Audit services</b>		
Audit of CMC Markets plc's financial statements	681	542
Audit of CMC Markets plc's subsidiaries	777	681
<b>Total audit fees</b>	<b>1,458</b>	<b>1,223</b>
<b>Non-audit services</b>		
Audit-related services	517	357
Other non-audit services	—	32
<b>Total non-audit fees</b>	<b>517</b>	<b>389</b>
<b>Total fees</b>	<b>1,975</b>	<b>1,612</b>

## Notes to the consolidated and parent company financial statements continued

### For the year ended 31 March 2021

#### 9. Taxation

GROUP	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
<b>Analysis of charge for the year</b>		
Current tax:		
Current tax on profit for the year	35,124	15,806
Adjustments in respect of previous years	(815)	(107)
<b>Total current tax</b>	<b>34,309</b>	<b>15,699</b>
Deferred tax:		
Origination and reversal of temporary differences	11,508	(3,968)
Adjustments in respect of previous years	86	181
Impact of change in tax rate	—	(163)
<b>Total deferred tax</b>	<b>11,594</b>	<b>(3,950)</b>
<b>Total tax</b>	<b>45,903</b>	<b>11,749</b>

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 20.49% (year ended 31 March 2020: 11.91%) differs from the standard rate of UK corporation tax of 19% (year ended 31 March 2020: 19%). The differences are explained below:

GROUP	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Profit before taxation	224,010	98,686
Profit multiplied by the standard rate of corporation tax in the UK of 19% (year ended 31 March 2020: 19%)	42,562	18,750
Adjustment in respect of foreign tax rates	3,918	2,394
Adjustments in respect of previous years	(729)	74
Impact of change in tax rate	1	(163)
Expenses not deductible for tax purposes	415	303
Recognition of previously unrecognised tax losses	(678)	(10,162)
Other differences	414	553
<b>Total tax</b>	<b>45,903</b>	<b>11,749</b>

GROUP	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
<b>Tax on items recognised directly in equity</b>		
Tax credit on share-based payments	1,164	141

#### 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 vesting of all dilutive potential weighted average Ordinary Shares and that vesting is satisfied by the issue of new Ordinary shares.

GROUP	Year ended 31 March 2021	Year ended 31 March 2020
Earnings attributable to ordinary shareholders (£'000)	178,107	86,937
Weighted average number of shares used in the calculation of basic EPS ('000)	289,677	288,632
Dilutive effect of share options ('000)	1,485	2,530
Weighted average number of shares used in the calculation of diluted EPS ('000)	291,162	291,162
<b>Basic EPS (p)</b>	<b>61.5p</b>	<b>30.1p</b>
<b>Diluted EPS (p)</b>	<b>61.2p</b>	<b>29.9p</b>

For the year ended 31 March 2021, 1,485,000 (year ended 31 March 2020: 2,530,000) 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 2021 £'000	Year ended 31 March 2020 £'000
<b>Declared and paid in each year</b>		
Final dividend for 2020 at 12.18p per share (2019: 0.68p)	35,393	1,965
Interim dividend for 2021 at 9.20p per share (2020: 2.85p)	26,735	8,236
<b>Total</b>	<b>62,128</b>	<b>10,201</b>

The final dividend for 2021 of 21.43 pence per share, amounting to £62,301,000 was proposed by the Board on 9 June 2021 and has not been included as a liability at 31 March 2021. The dividend will be paid on 9 September 2021, following approval at the Company's AGM, to those members on the register at the close of business on 6 August 2021.

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

GROUP	Year ended 31 March 2021 Pence	Year ended 31 March 2020 Pence
<b>Declared per share</b>		
Interim dividend	9.20	2.85
Final dividend	21.43	12.18
<b>Total dividend</b>	<b>30.63</b>	<b>15.03</b>

## 12. Intangible assets

GROUP	Goodwill £'000	Computer software £'000	Trademarks and trading licences £'000	Client relationships £'000	Assets under development £'000	Total £'000
<b>Cost</b>						
<b>At 1 April 2019</b>	11,500	123,010	1,448	2,959	9	138,926
Additions	—	575	—	—	1,053	1,628
Disposals	—	(9)	—	—	—	(9)
Research and development grant	—	(277)	—	—	—	(277)
Foreign currency translation	—	(2,214)	(39)	(275)	(8)	(2,536)
<b>At 31 March 2020</b>	<b>11,500</b>	<b>121,085</b>	<b>1,409</b>	<b>2,684</b>	<b>1,054</b>	<b>137,732</b>
Additions	—	2,678	—	—	5,350	8,028
Transfers	—	275	—	—	(275)	—
Disposals	—	—	(57)	—	(33)	(90)
Research and development grant	—	(515)	—	—	—	(515)
Foreign currency translation	—	2,472	45	311	52	2,880
<b>At 31 March 2021</b>	<b>11,500</b>	<b>125,995</b>	<b>1,397</b>	<b>2,995</b>	<b>6,148</b>	<b>148,035</b>
<b>Accumulated amortisation and impairment</b>						
<b>At 1 April 2019</b>	(11,500)	(118,468)	(1,038)	(2,959)	—	(133,965)
Charge for the year	—	(1,396)	(54)	—	—	(1,450)
Disposals	—	9	—	—	—	9
Foreign currency translation	—	1,948	39	275	—	2,262
<b>At 31 March 2020</b>	<b>(11,500)</b>	<b>(117,907)</b>	<b>(1,053)</b>	<b>(2,684)</b>	<b>—</b>	<b>(133,144)</b>
Charge for the year	—	(1,945)	(40)	—	—	(1,985)
Foreign currency translation	—	(2,223)	(42)	(311)	—	(2,576)
<b>At 31 March 2021</b>	<b>(11,500)</b>	<b>(122,075)</b>	<b>(1,135)</b>	<b>(2,995)</b>	<b>—</b>	<b>(137,705)</b>
<b>Carrying amount</b>						
<b>At 1 April 2019</b>	—	4,542	410	—	9	4,961
<b>At 31 March 2020</b>	—	3,178	356	—	1,054	4,588
<b>At 31 March 2021</b>	—	<b>3,920</b>	<b>262</b>	—	<b>6,148</b>	<b>10,330</b>

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



## Notes to the consolidated and parent company financial statements continued

### For the year ended 31 March 2021

#### 12. Intangible assets continued

##### Impairment

Intangibles are tested for impairment if events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Assets under development are tested for impairment annually. There was no impairment identified in the year ended 31 March 2021 (year ended 31 March 2020: £nil).

At 31 March 2021, the Group had no material capital commitments in respect of intangible assets (31 March 2020: £nil).

#### 13. Property, plant and equipment

GROUP	Leasehold improvements £'000	Furniture, fixtures and equipment £'000	Computer hardware £'000	Right-of-use asset £'000	Total £'000
<b>Cost</b>					
<b>At 1 April 2019</b>	19,355	10,942	27,346	16,947	74,590
Additions	110	323	4,442	1,646	6,521
Disposals	(223)	(1,272)	(350)	(270)	(2,115)
Foreign currency translation	(642)	(186)	(430)	(666)	(1,924)
<b>At 31 March 2020</b>	<b>18,600</b>	<b>9,807</b>	<b>31,008</b>	<b>17,657</b>	<b>77,072</b>
Additions	—	58	4,805	1,707	6,570
Disposals	(43)	(408)	(12)	(870)	(1,333)
Foreign currency translation	716	199	448	652	2,015
<b>At 31 March 2021</b>	<b>19,273</b>	<b>9,656</b>	<b>36,249</b>	<b>19,146</b>	<b>84,324</b>
<b>Accumulated depreciation</b>					
<b>At 1 April 2019</b>	(10,300)	(9,176)	(22,685)	—	(42,161)
Charge for the year	(2,416)	(639)	(2,130)	(4,324)	(9,509)
Disposals	132	1,168	348	125	1,773
Foreign currency translation	428	124	301	110	963
<b>At 31 March 2020</b>	<b>(12,156)</b>	<b>(8,523)</b>	<b>(24,166)</b>	<b>(4,089)</b>	<b>(48,934)</b>
Charge for the year	(1,796)	(554)	(2,756)	(4,148)	(9,254)
Disposals	43	408	12	546	1,009
Foreign currency translation	(484)	(126)	(325)	(105)	(1,040)
<b>At 31 March 2021</b>	<b>(14,393)</b>	<b>(8,795)</b>	<b>(27,235)</b>	<b>(7,796)</b>	<b>(58,219)</b>
<b>Carrying amount</b>					
<b>At 1 April 2019</b>	9,055	1,766	4,661	16,947	32,429
<b>At 31 March 2020</b>	6,444	1,284	6,842	13,568	28,138
<b>At 31 March 2021</b>	<b>4,880</b>	<b>861</b>	<b>9,014</b>	<b>11,350</b>	<b>26,105</b>

The carrying amount of recognised right-of-use assets relate to the following types of assets:

GROUP	Computer hardware £'000	Leasehold properties £'000	Total £'000
<b>At 1 April 2020</b>	<b>914</b>	<b>12,654</b>	<b>13,568</b>
Additions	—	1,707	1,707
Disposals	—	(324)	(324)
Charge for the year	(609)	(3,539)	(4,148)
Foreign currency translation	—	547	547
<b>At 31 March 2021</b>	<b>305</b>	<b>11,045</b>	<b>11,350</b>

Refer to Note 23 for further details on lease liabilities.

## 14. Deferred tax

GROUP	31 March 2021 £'000	31 March 2020 £'000
Deferred tax assets to be recovered within 12 months	1,966	6,503
Deferred tax assets to be recovered after 12 months	4,404	10,027
	6,370	16,530
Deferred tax liabilities to be settled within 12 months	(495)	—
Deferred tax liabilities to be settled after 12 months	(1,127)	(2,206)
	(1,622)	(2,206)
<b>Net deferred tax asset</b>	<b>4,748</b>	<b>14,324</b>

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	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
At 1 April	14,324	10,494
Change in accounting policy	—	358
(Charge)/credit to income for the year	(11,594)	3,787
(Charge)/credit to equity for the year	(7)	141
Change in tax rate	—	163
Research and development tax credit	310	475
Foreign currency translation	1,715	(1,094)
<b>At 31 March</b>	<b>4,748</b>	<b>14,324</b>

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
<b>At 1 April 2019</b>	5,589	1,115	4,148	10,852
Credit/(charge) to income for the year	1,679	(484)	2,592	3,787
Credit to equity for the year	—	—	141	141
Change in tax rate	—	78	85	163
Research and development tax credit	—	—	475	475
Foreign currency translation	(853)	(20)	(221)	(1,094)
<b>At 31 March 2020</b>	<b>6,415</b>	<b>689</b>	<b>7,220</b>	<b>14,324</b>
Charge to income for the year	(7,106)	(3,317)	(1,171)	(11,594)
Charge to equity for the year	—	—	(7)	(7)
Research and development tax credit	—	—	310	310
Foreign currency translation	826	276	613	1,715
<b>At 31 March 2021</b>	<b>135</b>	<b>(2,352)</b>	<b>6,965</b>	<b>4,748</b>

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.

## Notes to the consolidated and parent company financial statements continued

### For the year ended 31 March 2021

#### 14. Deferred tax continued

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 at 31 March 2021 the Group did not recognise deferred tax assets of £267,000 (at 31 March 2020: £1,177,000) in respect of losses amounting to £1,068,000 (year ended 31 March 2020: £4,075,000). In respect of these losses, £nil (year ended 31 March 2020: £3,154,000) relates to the Group's Australian subsidiaries and there are no time limits on their utilisation. £1,068,000 (year ended 31 March 2020: £921,000) 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 £nil (at 31 March 2020: £6,344,000) in respect of losses of £nil (year ended 31 March 2020: £20,926,000) in the Group's Australian subsidiaries as at 31 March 2021. The Group has recognised a deferred tax asset of £95,000 (at 31 March 2020: £71,000) in respect of losses of £380,000 (year ended 31 March 2020: £238,000) in the Group's Information Internet Ltd subsidiary as at 31 March 2021.

A deferred tax asset of £310,000 (at 31 March 2020: £475,000) has arisen for the Group in respect of Research and Development tax credits arising in Australia which have not been used due to the existence of tax losses. The credits are expected to be utilised in future.

On 5 March 2021 the UK government announced that from 1 April 2023 the Corporation Tax main rate will be increased from 19% to 25%. Deferred tax balances are reported at the current corporation tax rate of 19%, the substantively enacted tax rate at the balance sheet date. The impact of this rate change will be to increase the UK related deferred tax asset held at the balance sheet date by £335,000.

#### 15. Investment in subsidiary undertakings

COMPANY	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
At 1 April	169,023	167,347
Capital contribution relating to share-based payments	1,621	2,040
Amounts contributed by subsidiaries in relation to share-based payments	(2,587)	(58)
Investment	469	13
	168,526	169,342
Impairment	(415)	(319)
<b>At 31 March</b>	<b>168,111</b>	<b>169,023</b>

The list below includes all of the Group's direct and indirect subsidiaries as at 31 March 2021:

	Country of incorporation	Principal activities	Held
CMC Markets Holdings Ltd	England	Holding company	Directly
CMC Markets UK Holdings Ltd	England	Holding company	Indirectly
Cruddas Investments Limited	England	Online trading	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 Group Australia Pty Ltd	Australia	Holding company	Indirectly
CMC Markets Stockbroking Ltd	Australia	Stockbroking	Indirectly
CMC Markets Stockbroking Services Pty Ltd	Australia	Employee services	Indirectly
CMC Markets Stockbroking Nominees Pty Ltd	Australia	Stockbroking nominee	Indirectly
CMC Markets Stockbroking Nominees (No. 2 Account) Pty Ltd	Australia	Dormant	Indirectly
CMC Markets Canada Inc	Canada	Online trading	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
CMC Markets Germany GmbH	Germany	Online trading	Indirectly
CMC Markets Middle East Ltd	UAE	Online trading	Indirectly

Please refer to pages 147 and 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.

## 15. Investment in subsidiary undertakings continued

The list below includes all of the Group's employee benefit trusts as at 31 March 2021:

	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 Employee Share Scheme Trust was closed during the year.

## 16. Trade and other receivables

	GROUP		COMPANY	
	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000
<b>Current</b>				
Gross trade receivables	9,103	10,840	—	—
Less: provision for impairment of trade receivables	(7,762)	(5,853)	—	—
Trade receivables	1,341	4,987	—	—
Amounts due from Group companies	—	—	159	2,100
Prepayments and accrued income	9,799	8,045	79	124
Stockbroking debtors	99,035	134,552	—	—
Other debtors	16,944	15,118	13,781	12,348
	127,119	162,702	14,019	14,572
<b>Non-current</b>				
Other debtors	1,800	2,269	—	—
<b>Total</b>	<b>128,919</b>	<b>164,971</b>	<b>14,019</b>	<b>14,572</b>

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 21). As described in note 32 amounts as at 31 March 2020 have been restated to reflect a change in accounting policy.

As part of the transaction with ANZ Bank, the Group has deposited AUD 25,000,000 (£13,781,000) in escrow, which is included in other debtors above.

## 17. Derivative financial instruments

### Assets

GROUP	31 March 2021 Notional amount £m	31 March 2021 Carrying amount £'000	31 March 2020 Notional amount £m	31 March 2020 Carrying amount £'000
<b>Held for trading</b>				
Index, commodity, foreign exchange, cryptocurrency and treasury futures	198.1	2,058	112.5	2,155
Forward foreign exchange contracts	227.0	681	42.4	1,487
<b>Held for hedging</b>				
Forward foreign exchange contracts – economic hedges	27.2	331	36.0	1,295
Forward foreign exchange contracts – net investment hedges	52.2	171	25.7	416
<b>Total</b>	<b>504.5</b>	<b>3,241</b>	<b>216.6</b>	<b>5,353</b>

## Notes to the consolidated and parent company financial statements continued

### For the year ended 31 March 2021

#### 17. Derivative financial instruments continued

##### Liabilities

GROUP	31 March 2021 Notional amount £m	31 March 2021 Carrying amount £'000	31 March 2020 Notional amount £m	31 March 2020 Carrying amount £'000
<b>Held for trading</b>				
Index, commodity, foreign exchange, cryptocurrency and treasury futures	217.6	(2,409)	25.6	(484)
Forward foreign exchange contracts	38.1	(216)	29.9	(1,425)
<b>Held for hedging</b>				
Forward foreign exchange contracts – economic hedges	48.6	(451)	11.0	(460)
Forward foreign exchange contracts – net investment hedges	—	(1)	—	—
<b>Total</b>	<b>304.3</b>	<b>(3,077)</b>	<b>66.5</b>	<b>(2,369)</b>

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

##### Held for trading

As described in note 30, the Group enters into derivative contracts and holds cryptocurrencies 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 2021, £328,000 of gains net of revaluation gains or losses relating to economic hedges were recognised in the income statement (year ended 31 March 2020: losses of £1,912,000).

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 2021, £7,573,000 (31 March 2020: £5,566,000) of fair value losses were recorded in net investment hedging reserve within other reserves. At 31 March 2021, £6,066,000 (31 March 2020: £1,503,000) of fair value gains were recorded in the translation reserve within other reserves.

During the year ended 31 March 2021, fair value losses of £2,007,000 (year ended 31 March 2020: gains of £1,817,000) relating to net investment hedges were recognised in other comprehensive income. All changes in the fair value were treated as being effective under IFRS 9 "Financial Instruments"; as a result there was no amount reclassified from the net investment hedging reserve or translation reserve into the income statement.

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

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	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
<b>UK government securities</b>		
At 1 April	25,385	22,013
Purchase of securities	28,933	14,446
Maturity of securities and coupon receipts	(26,256)	(11,245)
Net accrued interest	29	167
Changes in the fair value of debt instruments at fair value through other comprehensive income	(54)	4
<b>At 31 March</b>	<b>28,037</b>	<b>25,385</b>
<b>Equity securities</b>		
At 1 April	60	66
Purchase of securities	—	—
Foreign currency translation	7	(6)
<b>At 31 March</b>	<b>67</b>	<b>60</b>
<b>Total</b>	<b>28,104</b>	<b>25,445</b>

## 18. Financial investments continued

The UK government securities are held by the Group mainly in satisfaction of the FCA requirements to hold a "liquid assets buffer" against potential liquidity stress under BIPRU12.

The effective interest rates of UK government securities held at the year end range from -0.20% to 1.70% (31 March 2020: 0.08% to 1.93%).

GROUP	31 March 2021 £'000	31 March 2020 £'000
<b>Analysis of financial investments</b>		
Non-current	—	—
Current	28,104	25,445
<b>Total</b>	<b>28,104</b>	<b>25,445</b>

Financial investments are shown as current assets when they have a maturity of less than one year and as non-current when they have a maturity of more than one year.

All of the Group's UK government securities measured at FVOCI are considered to have low credit risk. These UK government securities are held to meet the groups liquid asset buffer ("LAB") and are BIPRU 12.7 eligible securities that are available to meet liabilities which fall due in periods of stress. There was no impairment identified in the year ended 31 March 2021 (year ended 31 March 2020: £nil).

## 19. Amounts due from brokers

GROUP	31 March 2021 £'000	31 March 2020 £'000
Financial Institutions	252,375	134,276
Cryptocurrency holdings	1,520	—
<b>Amounts due from brokers</b>	<b>253,895</b>	<b>134,276</b>

The Group offers various cryptocurrency-related products that can be traded on its platform. The Group purchases and sells cryptocurrency assets as part of its hedging activity. These assets are measured at fair value with changes in valuation being recorded in the Income Statement in the period in which they arise.

## 20. Cash and cash equivalents

	GROUP		COMPANY	
	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000
Gross cash and cash equivalents	668,304	424,077	167	110
Less: client monies	(549,383)	(339,770)	—	—
<b>Cash and cash equivalents</b>	<b>118,921</b>	<b>84,307</b>	<b>167</b>	<b>110</b>
Analysed as:				
Cash at bank	118,921	84,307	167	110

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## Notes to the consolidated and parent company financial statements continued

### For the year ended 31 March 2021

## 20. Cash and cash equivalents continued

### Analysis of net cash

	31 March 2021 £'000	31 March 2020 £'000
<b>GROUP</b>		
Cash and cash equivalents	118,921	84,307
Borrowings	(1,139)	(1,631)
Lease liabilities	(15,326)	(19,273)
<b>Net cash</b>	<b>102,456</b>	<b>63,403</b>
	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
<b>GROUP</b>		
At 1 April	63,403	46,394
Leases recognised on adoption of IFRS 16	—	(22,818)
	63,403	23,576
Increase/(decrease) in cash and cash equivalents	30,668	38,759
Proceeds from borrowings	(50,000)	(10,175)
Repayment of borrowings	51,190	11,494
Repayment of principal elements of lease liabilities	6,057	5,746
<b>Change in net cash resulting from cash flows</b>	<b>101,318</b>	<b>69,400</b>
Inception of leases and non-cash borrowings	(1,879)	(3,711)
Effect of foreign exchange rate changes	3,017	(2,286)
<b>At 31 March</b>	<b>102,456</b>	<b>63,403</b>

## 21. Trade and other payables

	GROUP		COMPANY	
	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000
<b>Current</b>				
Gross trade payables	580,062	348,442	—	—
Less: client monies	(549,383)	(339,770)	—	—
Trade payables	30,679	8,672	—	—
Amount due to Group companies	—	—	—	10
Tax and social security	236	112	—	—
Stockbroking creditors	89,091	115,973	—	—
Other creditors, accruals and deferred income	32,247	28,867	60	81
<b>Total</b>	<b>152,253</b>	<b>153,624</b>	<b>60</b>	<b>91</b>

Stockbroking creditors represent the amount payable in respect of equity and securities transactions executed on behalf of clients with a corresponding balance included within trade and other receivables (note 16). As described in note 32, amounts as at 31 March 2020 have been restated to reflect a change in accounting policy.



## 22. Borrowings

	GROUP		COMPANY	
	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000
<b>Current</b>				
Other liabilities	945	880	—	—
	945	880	—	—
<b>Non-current</b>				
Other liabilities	194	751	—	—
Amount due to Group companies	—	—	13,549	15,952
	194	751	13,549	15,952
<b>Total</b>	<b>1,139</b>	<b>1,631</b>	<b>13,549</b>	<b>15,952</b>

The fair value of financial liabilities is approximately equivalent to the book value shown above.

### Bank loans

In March 2021, the syndicated revolving credit facility was renewed at a level of £55,000,000 (31 March 2020: £40,000,000) where £27,500,000 had a maturity date of March 2022 and £27,500,000 had a maturity date of March 2024. 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 SONIA (31 March 2020: margin and LIBOR). Other fees such as commitment fees, legal fees and arrangement fees are also payable on this facility (note 7).

This change in reference rate was the only impact of reference rate reform in the year and did not lead to a remeasurement gain or loss.

No amount was outstanding on this facility at 31 March 2021 (31 March 2020: £nil).

## 23. Lease liabilities

The Group leases several assets including leasehold properties and computer hardware to meet its operational business requirements. The average lease term is 2 years.

ROU asset balances relate to both leasehold properties and computer hardware. Refer to Note 13 for a breakdown of the carrying amount of ROU assets.

The movements in lease liabilities during the year were as follows:

GROUP	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
At 1 April	19,273	—
Lease liabilities recognised on adoption of IFRS 16 on 1 April 2019	—	24,433
Additions/modifications of new leases during the year	1,181	1,481
Interest expense	818	1,001
Lease payments made during the year	(6,875)	(6,747)
Foreign currency translation	929	(895)
<b>At 31 March</b>	<b>15,326</b>	<b>19,273</b>

GROUP	31 March 2021 £'000	31 March 2020 £'000
<b>Analysis of lease liabilities</b>		
Non-current	10,727	14,587
Current	4,599	4,686
<b>Total</b>	<b>15,326</b>	<b>19,273</b>

The lease payments for the year ended 31 March 2021 relating to short-term leases amounted to £748,000 (year ended 31 March 2020: £273,000).

As at 31 March 2021 the potential future undiscounted cash outflows that have not been included in the lease liability due to lack of reasonable certainty the lease extension options might be exercised amounted to £nil (31 March 2020: £nil).

## Notes to the consolidated and parent company financial statements continued

### For the year ended 31 March 2021

#### 24. Provisions

GROUP	EBT commitments £'000	Property related £'000	Other £'000	Total £'000
<b>At 1 April 2019</b>	131	2,010	115	2,256
Additional provision	—	—	431	431
Utilisation of provision	(9)	—	(136)	(145)
Currency translation	—	(52)	(16)	(68)
<b>At 31 March 2020</b>	<b>122</b>	<b>1,958</b>	<b>394</b>	<b>2,474</b>
Additional provision	—	113	1,463	1,576
Utilisation of provision	(122)	(27)	(258)	(407)
Currency translation	—	57	—	57
<b>At 31 March 2021</b>	<b>—</b>	<b>2,101</b>	<b>1,599</b>	<b>3,700</b>

The provision relating to EBTs represents the obligation to distribute assets held in EBTs to beneficiaries.

The property-related provisions includes dilapidation provisions. Dilapidation provisions have been capitalised as part of cost of Right-of-use assets and are amortised over the term of the lease. These dilapidation provisions are utilised as and when the Group vacates a property and expenditure is incurred to restore the property to its original condition.

The other provisions balance on 31 March 2021 predominantly relates to provisions made for client complaints linked to market volatility during Q1 2021.

GROUP	31 March 2021 £'000	31 March 2020 £'000
<b>Analysis of total provisions</b>		
Current	1,889	548
Non-current	1,811	1,926
<b>Total</b>	<b>3,700</b>	<b>2,474</b>

#### 25. Share capital and share premium

GROUP AND COMPANY	Number		£'000	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
<b>Authorised</b>				
Ordinary Shares of 25p	400,000,000	400,000,000	100,000	100,000
<b>Allotted, issued and fully paid</b>				
Ordinary Shares of 25p	290,717,473	289,117,473	72,679	72,279
Deferred Shares of 25p	2,478,086	2,478,086	620	620
<b>Total</b>	<b>293,195,559</b>	<b>291,595,559</b>	<b>73,299</b>	<b>72,899</b>

##### 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
<b>At 1 April 2019</b>	289,091,700	2,478,086	291,569,786
New shares issued	25,773	—	25,773
<b>At 31 March 2020</b>	<b>289,117,473</b>	<b>2,478,086</b>	<b>291,595,559</b>
New shares issued	1,600,000	—	1,600,000
<b>At 31 March 2021</b>	<b>290,717,473</b>	<b>2,478,086</b>	<b>293,195,559</b>

## 25. Share capital and share premium continued

### Share class rights continued

GROUP AND COMPANY	Ordinary Shares £'000	Deferred Shares £'000	Share premium £'000	Total £'000
<b>At 1 April 2019</b>	72,272	620	46,236	119,128
New shares issued	7	—	—	7
<b>At 31 March 2020</b>	<b>72,279</b>	<b>620</b>	<b>46,236</b>	<b>119,135</b>
New shares issued	400	—	—	400
<b>At 31 March 2021</b>	<b>72,679</b>	<b>620</b>	<b>46,236</b>	<b>119,535</b>

### Movements in share capital and premium

During the year ended 31 March 2021, 1,600,000 (year ended 31 March 2020: 25,773) shares with nominal value of 25 pence were issued to EBTs.

During the year ended 31 March 2021, no Ordinary Shares were converted to Deferred Shares in accordance with the terms of grant to employees who have now left the Group (year ended 31 March 2020: nil).

## 26. Own shares held in trust

GROUP	Number	£'000
<b>Ordinary Shares of 25p</b>		
<b>At 1 April 2019</b>	507,593	604
Acquisition	56,265	32
Utilisation	(207,954)	(203)
<b>At 31 March 2020</b>	<b>355,904</b>	<b>433</b>
Acquisition	1,610,877	364
Utilisation	(1,630,770)	(415)
<b>At 31 March 2021</b>	<b>336,011</b>	<b>382</b>

The shares are held by various EBTs 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.

## 27. Other reserves

GROUP	Translation reserve £'000	Net investment hedging reserve £'000	FVOCI reserve £'000	Merger reserve £'000	Total £'000
<b>At 1 April 2019</b>	5,331	(7,383)	23	(47,800)	(49,829)
Currency translation differences	(3,828)	—	—	—	(3,828)
Gains on net investment hedges	—	1,817	—	—	1,817
Gains on financial investments at FVOCI	—	—	4	—	4
<b>At 31 March 2020</b>	<b>1,503</b>	<b>(5,566)</b>	<b>27</b>	<b>(47,800)</b>	<b>(51,836)</b>
Currency translation differences	4,563	—	—	—	4,563
Losses on net investment hedges	—	(2,007)	—	—	(2,007)
Losses on financial investments at FVOCI	—	—	(54)	—	(54)
<b>At 31 March 2021</b>	<b>6,066</b>	<b>(7,573)</b>	<b>(27)</b>	<b>(47,800)</b>	<b>(49,334)</b>

### Translation reserve

The translation reserve is comprised of translation differences on foreign currency net investments held by the Group.

### Net investment hedging reserve

Overseas net investments are hedged using forward foreign exchange contracts. Gains and losses on instruments used to hedge these overseas net investments are shown in the net investment hedging reserve. These instruments hedge balance sheet translation risk, which is the risk of changes in reserves due to fluctuations in currency exchange rates. All changes in the fair value of these hedging instruments were treated as being effective under IFRS 9 "Financial Instruments".

## Notes to the consolidated and parent company financial statements continued

### For the year ended 31 March 2021

#### 27. Other reserves continued

##### FVOCI reserve

The Group holds certain UK government securities measured at FVOCI. For these investments, changes in fair value are accumulated within the FVOCI reserve within other reserves. The accumulated changes in fair value are transferred to profit or loss when the investments are derecognised or impaired.

##### Merger reserve

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

#### 28. Cash generated from/(used in) operations

	GROUP		COMPANY	
	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
<b>Cash flows from operating activities</b>				
Profit before taxation	224,010	98,686	61,140	9,312
Adjustments for:				
Interest income	(746)	(3,345)	(21)	(178)
Dividends received	—	—	(61,950)	(10,170)
Finance costs	1,762	2,052	648	750
Impairment of investment in subsidiaries	—	—	415	329
Depreciation	9,254	9,509	—	—
Amortisation of intangible assets	1,985	1,450	—	—
Research and development tax credit	(728)	(223)	—	—
Loss on disposal of property, plant and equipment	(109)	151	—	—
Other non-cash movements including exchange rate movements	(908)	666	—	—
Share-based payment	(2,045)	2,043	—	—
<b>Changes in working capital</b>				
Decrease/(Increase) in trade and other receivables	59,616	(43,550)	553	70
(Increase)/Decrease in amounts due from brokers	(119,619)	(46,241)	—	—
(Decrease)/Increase in trade and other payables	(24,932)	56,578	(31)	12
Decrease/(Increase) in net derivative financial instruments	2,574	(3,669)	—	—
Increase in provisions	1,186	286	—	—
<b>Cash generated from operations</b>	<b>151,300</b>	<b>74,393</b>	<b>754</b>	<b>125</b>

#### 29. Financial instruments

##### Analysis of financial instruments by category

The following tables analyse financial assets and liabilities in accordance with the categories of financial instruments on an IFRS 9 basis.

GROUP	31 March 2021			
	Assets at FVOCI £'000	Assets at FVPL £'000	Assets at amortised cost £'000	Total £'000
<b>Financial assets</b>				
Cash and cash equivalents	—	—	118,921	118,921
Financial investments	28,037	67	—	28,104
Amounts due from brokers	—	1,520	252,375	253,895
Derivative financial instruments	—	3,241	—	3,241
Trade and other receivables excluding non-financial assets	—	—	119,617	119,617
	<b>28,037</b>	<b>4,828</b>	<b>490,913</b>	<b>523,778</b>

## 29. Financial instruments continued

### Analysis of financial instruments by category continued

	31 March 2021			
	Liabilities at FVOCI £'000	Liabilities at FVPL £'000	Liabilities at amortised cost £'000	Total £'000
<b>Financial liabilities</b>				
Trade and other payables excluding non-financial liabilities	—	—	(152,017)	(152,017)
Derivative financial instruments	—	(3,077)	—	(3,077)
Borrowings	—	—	(1,139)	(1,139)
Lease liabilities	—	—	(15,326)	(15,326)
	—	(3,077)	(168,482)	(171,559)

GROUP	31 March 2020			
	Assets at FVOCI £'000	Assets at FVPL £'000	Assets at amortised cost £'000	Total £'000
<b>Financial assets</b>				
Cash and cash equivalents	—	—	84,307	84,307
Financial investments	25,385	60	—	25,445
Amounts due from brokers	—	—	134,276	134,276
Derivative financial instruments	416	4,937	—	5,353
Trade and other receivables excluding non-financial assets	—	—	157,479	157,479
	25,801	4,997	376,062	406,860

	31 March 2020			
	Liabilities at FVOCI £'000	Liabilities at FVPL £'000	Liabilities at amortised cost £'000	Total £'000
<b>Financial liabilities</b>				
Trade and other payables excluding non-financial liabilities	—	—	(153,512)	(153,512)
Derivative financial instruments	—	(2,369)	—	(2,369)
Borrowings	—	—	(1,631)	(1,631)
Lease liabilities	—	—	(19,273)	(19,273)
	—	(2,369)	(174,416)	(176,785)

### Maturity analysis

GROUP	31 March 2021				
	On demand £'000	Less than three months £'000	Three months to one year £'000	After one year £'000	Total £'000
<b>Financial assets</b>					
Cash and cash equivalents	118,921	—	—	—	118,921
Financial investments	67	—	27,251	—	27,318
Amounts due from brokers	253,895	—	—	—	253,895
Derivative financial instruments	—	3,241	—	—	3,241
Trade and other receivables	101,553	14,589	1,674	1,800	119,617
	474,436	17,830	28,925	1,800	522,992
<b>Financial liabilities</b>					
Trade and other payables	(152,017)	—	—	—	(152,017)
Derivative financial instruments	—	(3,077)	—	—	(3,077)
Borrowings	—	(42)	(904)	(194)	(1,140)
Lease liabilities	—	(1,453)	(3,660)	(11,444)	(16,557)
	(152,017)	(4,572)	(4,564)	(11,638)	(172,791)
<b>Net liquidity gap</b>	<b>322,419</b>	<b>13,258</b>	<b>24,361</b>	<b>(9,838)</b>	<b>350,201</b>

## Notes to the consolidated and parent company financial statements continued

### For the year ended 31 March 2021

#### 29. Financial instruments continued

##### Maturity analysis continued

GROUP	31 March 2020				
	On demand £'000	Less than three months £'000	Three months to one year £'000	After one year £'000	Total £'000
<b>Financial assets</b>					
Cash and cash equivalents	84,307	—	—	—	84,307
Financial investments	60	—	25,095	—	25,155
Amounts due from brokers	134,276	—	—	—	134,276
Derivative financial instruments	—	5,353	—	—	5,353
Trade and other receivables	140,988	579	13,667	2,245	157,479
	359,631	5,932	38,762	2,245	406,570
<b>Financial liabilities</b>					
Trade and other payables	(153,512)	—	—	—	(153,512)
Derivative financial instruments	—	(2,369)	—	—	(2,369)
Borrowings	—	(67)	(819)	(752)	(1,638)
Lease liabilities	—	(1,468)	(4,177)	(15,753)	(21,398)
	(153,512)	(3,904)	(4,996)	(16,505)	(178,917)
<b>Net liquidity gap</b>	206,119	2,028	33,766	(14,260)	227,653

The amounts disclosed in the table are the contractual undiscounted cash flows, including principal and interest payments, these amounts will not reconcile to the amounts disclosed in the balance sheet.

Given that 91% of the Group's financial assets are available on demand, there is no significant maturity risk as at 31 March 2021 (31 March 2020: 89%).

COMPANY	31 March 2021				
	On demand £'000	Less than three months £'000	Three months to one year £'000	After one year £'000	Total £'000
<b>Financial assets</b>					
Cash and cash equivalents	167	—	—	—	167
Trade and other receivables	159	13,781	—	—	13,940
	326	13,781	—	—	14,107
<b>Financial liabilities</b>					
Trade and other payables	(60)	—	—	—	(60)
Borrowings	—	—	—	(13,549)	(13,549)
	(60)	—	—	(13,549)	(13,609)
<b>Net liquidity gap</b>	266	13,781	—	(13,549)	498

COMPANY	31 March 2020				
	On demand £'000	Less than three months £'000	Three months to one year £'000	After one year £'000	Total £'000
<b>Financial assets</b>					
Cash and cash equivalents	110	—	—	—	110
Trade and other receivables	2,100	12,348	—	—	14,448
	2,210	12,348	—	—	14,558
<b>Financial liabilities</b>					
Trade and other payables	(91)	—	—	—	(91)
Borrowings	—	—	—	(15,952)	(15,952)
	(91)	—	—	(15,952)	(16,043)
<b>Net liquidity gap</b>	2,119	12,348	—	(15,952)	(1,485)

## 29. Financial instruments continued

### Fair value estimation

The Group's assets and liabilities that are measured at fair value are derivative financial instruments, financial investments in UK government securities and equity 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 2021			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial investments	28,037	—	67	28,104
Derivative financial instruments (current assets)	—	3,241	—	3,241
Derivative financial instruments (current liabilities)	—	(3,077)	—	(3,077)
Amounts due from brokers	1,520	—	—	1,520
	29,557	164	67	29,788

GROUP	31 March 2020			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial investments	25,385	—	60	25,445
Derivative financial instruments (current assets)	—	5,353	—	5,353
Derivative financial instruments (current liabilities)	—	(2,369)	—	(2,369)
	25,385	2,984	60	28,429

## 30. Financial risk management

The Group's day-to-day business activities naturally expose it to strategic, financial (including credit, counterparty, 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 to, 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 Risk Management Committee, which in turn reports to the Group Risk Committee.

The Group's ICAAP review document is prepared under the requirements set out in the Financial Conduct Authority ("FCA") Rulebook in accordance with CRD IV<sup>1</sup>. A key purpose of an ICAAP review document 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 to hold against those risks. This is achieved by considering potential stresses as well as mitigating factors.

It should be noted that the IFPR is expected to enter into force in the UK from January 2022 and will replace the existing CRD IV.

Financial risks arising from financial instruments are categorised into market, credit, counterparty and liquidity risks which, together with how the Group categorises and manages these risks, are described below.

<sup>1</sup> The Capital Requirements Directive (2013/36/EU) ("CRD") and the Capital Requirements Regulation (575/2013) ("CRR"), called "CRD IV".



## Notes to the consolidated and parent company financial statements continued

### For the year ended 31 March 2021

### 30. 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.

#### 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 over 10,000 cross asset class instruments, specifically equities, equity indices, commodities, treasuries, foreign exchange and cryptocurrencies. Due to the high level of notional turnover there is a high level of internal crossing and natural aggregation across instruments and asset classes to mitigate significant single instrument concentration risk within the portfolio.

- Natural aggregation

In the year ended 31 March 2021, the Group traded with 73,591 CFD clients. This large international client base has a diverse range of trading strategies resulting in the Group enjoying a high degree of natural aggregation 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 policy is to have two PBs per asset class. 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 exposures 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 its 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 and remains within the Board-approved risk appetite.

GROUP OFR	31 March 2021 £'000	31 March 2020 £'000
<b>Asset class</b>		
Consolidated equities	29,462	15,676
Commodities	7,362	4,340
Fixed income and interest rates	1,067	474
Foreign exchange	18,090	7,259
Cryptocurrencies	6,140	391
	<b>62,121</b>	<b>28,140</b>

#### 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 behaviour to ensure the most suitable stress testing model is used. For example longer/shorter holding periods, intra-day movements or end-of-day positions, historical 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, where the stress factors simulate almost "black swan" type events to assess potential impact and ensure capital adequacy would be maintained.

None of the stress tests run through the year implied any significant risk to the capital adequacy or ongoing profitability of the Group.

### 30. Financial risk management continued

#### 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; and 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 2020.

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.

GROUP	31 March 2021	
	Absolute increase £'000	Absolute decrease £'000
<b>Impact of</b>	<b>0.50% change</b>	<b>0.25% change</b>
Profit after tax	1,530	(671)
Equity	1,530	(671)

GROUP	31 March 2020	
	Absolute increase £'000	Absolute decrease £'000
<b>Impact of</b>	<b>0.50% change</b>	<b>0.25% change</b>
Profit after tax	1,035	(428)
Equity	1,035	(428)

#### 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 programme (Income statement impact in year ended 31 March 2021: gain of £328,000; year ended 31 March 2020: loss of £1,912,000), no sensitivity analysis has been performed. These 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 spot, forwards and swaps in relation to exposures considered to have a potential material impact on the Group's net assets and regulatory capital. The unhedged portion does not pose a significant risk to the capital adequacy or to the ongoing profitability of the Group. The economic relationship between the hedged item and the hedging instrument is determined using critical terms matching for the purpose of assessing hedge effectiveness. The Group Risk Management Policy outlines the Group's appetite to manage the translation exposure. The Dollar offset method is used to calculate ineffectiveness. The key source of ineffectiveness is differences in notional amounts, which the Group actively monitors and manages..

At 31 March 2021, £7,573,000 (31 March 2020: £5,566,000) of fair value losses were recorded in net investment hedging reserve within other reserves. At 31 March 2021, £6,066,000 (31 March 2020: £1,503,000) of fair value gains were recorded in translation reserve within other reserves.

During the year ended 31 March 2021, fair value losses of £2,007,000 (year ended 31 March 2020: gains of £1,817,000) relating to net investment hedges were recognised in other comprehensive income. All changes in the fair value were treated as being effective under IFRS 9 "Financial Instruments"; as a result there was no amount reclassified from the net investment hedging reserve or translation reserve into the income statement. These "net investment hedges" are derivative financial instruments and are reported as described in note 17.

## Notes to the consolidated and parent company financial statements continued

### For the year ended 31 March 2021

### 30. Financial risk management continued

#### Credit risk

Credit risk is the risk of losses arising from a counterparty failing to meet its obligations as they fall due. Credit risk is divided into credit, counterparty and settlement risk. Below are the channels of credit risk the Group is exposed through:

- Financial Institutions ("FIs"); and
- Client.

#### Financial 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.).

FI credit risk can be felt in the following ways:

- For FIs used as a bank and those as a broker, the Group does not receive the funds the FIs hold on the Group's account.
- For FIs used as a prime broker, a default will result in a loss of any unrealised profits and could cause the need to re-hedge at a different broker at a different price.
- For FIs used as a cryptocurrency counterparty, the loss of physical assets.

#### Mitigation of FIs 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 FI – as detailed in the Group Counterparty Concentration Risk Policy.
- The Group regularly monitors the credit worthiness of the Institutions that it is exposed to 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.

In order to manage both credit and counterparty credit risk within appetite the Group sets limits. As defined in the Group's policies the limits determine the total balance that can be held with each rated FI, each unrated FI and each cryptocurrency counterparty. These limits are expressed as a maximum percentage of capital, in the case of rated FIs, or a fixed amount for both unrated FIs and cryptocurrency counterparties. Liquidity Risk Management monitors the credit quality of all FIs and cryptocurrency counterparties, by tracking the credit ratings issued by Standard & Poor's and Fitch rating agencies, the credit default swap ("CDS") spreads determined in the CDS market, share price, performance against a relevant index, and other relevant metrics. These metrics are reported to senior management on a weekly basis with any changes highlighted.

All rated FIs that the Group transacts with are of investment grade quality; however, no quantitative credit rating limits are set by the Group that FIs must exceed because the choice of suitable FIs is finite and therefore setting minimum rating limits could lead to the possibility that no FIs are able to meet them. As an alternative, the Group reviews negative rating action and large CDS spread widening to FIs on a case-by-case basis. Should an institution's credit rating fall below investment grade, the Risk Management Committee will be called and options discussed. Possible actions by the Group to reduce exposure to FIs depend on the nature of the relationship and the practical availability of substitute FIs. Possible actions include the withdrawal of cash balances from a FI on a daily basis, switching a proportion of hedge trading to another prime broker FI or ceasing all commercial activity with the FI.

The tables below present CMC Markets plc' exposure to credit institutions (or similar) based on their long-term credit rating:

GROUP	31 March 2021			
	Cash and cash equivalents £'000	Amounts due from brokers £'000	Net derivative financial instruments £'000	Total £'000
AA+ to AA-	55,948	—	—	55,948
A+ to A-	56,364	86,568	202	143,134
BBB+ to BBB-	3,796	115,805	(38)	119,563
Unrated	2,813	51,522	—	54,335
	118,921	253,895	164	372,980

## 30. Financial risk management continued

### Credit risk continued

#### Mitigation of FIs credit risk continued

GROUP	31 March 2020			
	Cash and cash equivalents £'000	Amounts due from brokers £'000	Net derivative financial instruments £'000	Total £'000
AA+ to AA-	36,237	—	—	36,237
A+ to A-	43,090	66,948	1,090	111,128
BBB+ to BBB-	3,731	62,846	1,894	68,471
Unrated	1,249	4,482	—	5,731
	84,307	134,276	2,984	221,567

No cash balances or deposits with institutions were considered impaired (year ended 31 March 2020: £nil).

#### Client counterparty risk

The Group's CFD and spread bet business 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 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.

"Negative balance protection" accounts do not pose counterparty risk to the Group as the maximum loss for this account type is limited to their account value.

Further to this the Group operates as a designated clearing broker in Australia, where trading is subject to a settlement process for financial products transacted on the Australian Security Exchange and Chi-X Australia. As a result of this clearing process, the Group has settlement risk if a client or counterparty do not fulfil their side of the agreement by failing to deliver the underlying stock or value of the contract. While international securities trading is further offered to clients, this trading is predominantly fully vetted, greatly limiting the settlement exposure generation.

#### Mitigation of client counterparty 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.

Pre-emptive processes are also in place where a client's free equity (total equity less total margin requirement) becomes negative<sup>1</sup>. At this point the client's account is restricted from increasing their position and a notification is sent inviting them to review their account.

<sup>1</sup> 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 margins were 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 or asset class. Additionally a position limit on an underlying instrument can be applied limiting the overall exposure that can be reached through different futures of the same underlying. For FX the client position limits are based on Net Open Position ("NOP") which limits the currency exposure a client can reach via different FX pairs.

#### Client counterparty risk stress testing

Group Financial Risk conducts client counterparty risk stress testing on a daily basis based on an internal model developed to assess the potential client credit risk exposure. The Group's stress testing is based on scenarios with different severity including stress factors which simulate almost "black swan" type events to assess potential impact.

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.

## Notes to the consolidated and parent company financial statements continued

### For the year ended 31 March 2021

### 30. Financial risk management continued

#### Credit risk continued

##### Client debt history

The Group determines expected credit losses for amounts due from clients, based on historic experience and forward looking considerations. The charge for the year was £3,042,000 (year ended 31 March 2020: £2,917,000), which amounts to 0.6% of total revenue (year ended 31 March 2020: 1.0%). During the year, debts of £1,133,000 were written off, which represented 0.2% of revenue (year ended 31 March 2020: £592,000, 0.2% of revenue).

The table below details the movement on the Group provision for impairment of trade receivables under the expected credit loss model:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
<b>GROUP</b>		
Opening provision	5,853	3,528
Net debt provided	3,042	2,917
Debt written off	(1,133)	(592)
<b>Closing provision</b>	<b>7,762</b>	<b>5,853</b>

##### 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 ageing. Under the simplified approach, debts that are past due carry an expected credit loss provision as set out in the table below:

	31 March 2021	
	Debt £'000	Provision £'000
<b>GROUP</b>		
Less than one month	175	42
One to three months	2,348	1,363
Three to twelve months	1,308	1,162
Over twelve months	5,272	5,195
	<b>9,103</b>	<b>7,762</b>

	31 March 2020	
	Debt £'000	Provision £'000
<b>GROUP</b>		
Less than one month	2,933	663
One to three months	301	192
Three to twelve months	1,433	1,155
Over twelve months	6,173	3,843
	<b>10,840</b>	<b>5,853</b>

##### UK government securities

All of the Group's UK government securities measured at FVOCI are considered to have low credit risk. These UK government securities are held to meet the groups liquid asset buffer ("LAB") and are BIPRU 12.7 eligible securities that are available to meet liabilities which fall due in periods of stress. These UK government are in Stage 1 and ECL is immaterial for the year ended 31 March 2021 (year ended 31 March 2020: £nil).

##### Cash and cash equivalents

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the ECL is immaterial for the year ended 31 March 2021 (year ended 31 March 2020: £nil).

## 30. Financial risk management continued

### 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 under 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 that the Group is active in 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.

Liquidity stress testing is performed quarterly using a range of firm-specific and market-wide scenarios that represent severe but plausible stress events that the Group could be exposed to over the short and medium term. The Group ensures that the tests are commensurate to its current and future liquidity risk profile. Output from the quarterly stress testing process is used to calibrate a series of limits and metrics which are monitored and reported to senior management daily. This process ensures that the Group has appropriate sources of liquidity in place to meet its liabilities as they fall due under both 'business as usual' and stressed conditions.

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 £55.0 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 actively engage in maturity transformation as part of its underlying business model and therefore maturity mismatch of assets and liabilities does not represent a material liquidity risk.

### 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, the majority of 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 2021 £'000	31 March 2020 £'000
Cash and cash equivalents (net of bank overdraft)	118,921	84,307
Amount due from brokers	253,895	134,276
Financial investments	28,104	25,445
Derivative financial instruments (current assets)	3,241	5,353
	404,161	249,381
Less: title transfer funds	(30,679)	(8,672)
Less: derivative financial instruments (current liabilities)	(3,077)	(2,369)
<b>Own funds</b>	<b>370,405</b>	<b>238,340</b>

## Notes to the consolidated and parent company financial statements continued

### For the year ended 31 March 2021

### 30. Financial risk management continued

#### Liquidity risk continued

##### Own funds continued

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	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
<b>Operating activities</b>		
<b>Profit before tax</b>	<b>224,010</b>	98,686
Adjustments for:		
Finance costs	1,762	2,052
Depreciation and amortisation	11,239	10,959
Other non-cash adjustments	(4,083)	3,368
Tax paid	(33,620)	(13,079)
<b>Own funds generated from operating activities</b>	<b>199,308</b>	101,986
<b>Movement in working capital</b>	<b>13,863</b>	12,274
<b>(Outflow)/inflow from investing activities</b>		
Net purchase of property, plant and equipment and intangible assets	(12,190)	(4,273)
Other inflow/(outflow) from investing activities	(1,761)	1,084
<b>Outflow from financing activities</b>		
Proceeds from issue of ordinary shares	80	—
Interest paid	(1,762)	(2,052)
Dividends paid	(62,128)	(10,201)
Other outflow from financing activities	(7,291)	(7,090)
<b>Total outflow from investing and financing activities</b>	<b>(85,052)</b>	(22,532)
<b>Increase/(decrease) in own funds</b>	<b>128,119</b>	91,728
Own funds at the beginning of the year	238,340	149,793
Effect of foreign exchange rate changes	3,946	(3,181)
<b>Own funds at the end of the year</b>	<b>370,405</b>	238,340

#### 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 2021 totalled £400,517,000 (31 March 2020: £282,879,000).

The Group's ICAAP, prepared under the requirements of the FCA and the Capital Requirements Directive, is an ongoing assessment of CMC Markets plc'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](http://www.cmcmarkets.com/group)). The Group's country-by-country reporting disclosure is also available in the same location on the website.



### 31. Share-based payment

The Group 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 Combined Incentive Plan ("2018 CIP"), 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. The rights of participants in the various employee share schemes are governed by detailed terms, including in relation to arrangements which would apply in the event of a takeover.

#### Consolidated Income statement charge for share-based payments

The total costs relating to these schemes for the year ended 31 March 2021 was £2,489,000 (year ended 31 March 2020: £2,334,000).

For the year ended 31 March 2021 the charge relating to equity settled share-based payments was £1,620,000 (year ended 31 March 2020: £2,043,000) and the charge relating to cash settled share-based payments was £869,000 (year ended 31 March 2020: £291,000).

No shares were gifted to employees during the year (year ended 31 March 2020: nil).

#### Current schemes

##### 2015 MEP

Share options granted under the 2015 MEP are predominantly equity settled, with the exception of certain participants that are cash settled. The options granted 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. The options have dividend equivalence where additional shares will be awarded in place of dividends on vesting. Equity settled awards made in July 2017 and July 2018 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. The options have dividend equivalence where additional shares will be awarded in place of dividends on vesting. Equity settled awards made in July 2017, March 2018, July 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. The only vesting condition of the equity settled awards made in June 2019 and July 2020 is that employees remain employed by the Group.

The fair value of awards made under the TSR criteria for the schemes granted above was calculated using an options pricing model and was 279 pence per option for the July 2017 scheme and 378 pence per option for the July 2018 scheme. The significant inputs into the model were 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 and share price at grant date of 204.7 pence, volatility of 44%, and an expected option life of three years for the July 2018 scheme. The fair value of awards made under the June 2019 and July 2020 schemes were calculated using the average of the share price three days prior to the grant date.

## Notes to the consolidated and parent company financial statements continued

### For the year ended 31 March 2021

#### 31. Share-based payment continued

##### Current schemes continued

##### 2018 CIP

Share awards granted to the Executive Directors under the 2018 CIP have been in the form of conditional awards and are equity settled. The Remuneration Committee approves any awards made under the 2018 CIP. Shares awarded are deferred over a period of at least three years subject to a performance underpin. 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.

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
Combined Incentive Plan	349.2p	17 July 2023	—	93,472	—	4,421	—	97,893
Combined Incentive Plan	349.2p	17 July 2024	—	70,104	—	3,316	—	73,420
Combined Incentive Plan	349.2p	17 July 2025	—	70,102	—	3,315	—	73,417
Executive Retention Scheme	147.3p	27 July 2020	463,358	—	(11,468)	—	(451,890)	—
Executive Retention Scheme	204.7p	5 July 2021	196,256	—	—	12,160	—	208,416
Long Term Incentive Plan <sup>1</sup>	147.3p	27 July 2020	2,195,384	—	(31,292)	—	(2,164,092)	—
Long Term Incentive Plan	204.7p	5 July 2021	550,426	—	(40,696)	27,283	—	537,013
Long Term Incentive Plan	87.8p	24 June 2021	320,014	—	(20,913)	13,411	—	312,512
Long Term Incentive Plan	349.2p	17 July 2022	—	482,603	(22,959)	20,687	—	480,331
<b>Total</b>			<b>3,725,438</b>	<b>716,281</b>	<b>(127,328)</b>	<b>84,593</b>	<b>(2,615,982)</b>	<b>1,783,002</b>

<sup>1</sup> The opening balance at beginning of year 31 March 2020 has been adjusted for an additional participant and leavers receiving a lower forfeit rate than anticipated in the LTIP awarded in July 2017.

The average share price at exercise of options was 341.3 pence and the weighted average exercise price of exercised awards for UK participants (2,294,106 shares) was £nil and for Australian participants (534,868 shares) was 25 pence. The weighted average remaining contractual life of share options outstanding at 31 March 2021 was 0.67 years.

In addition, cash settled awards have been granted and vest in periods from April 2021 to April 2023. Balances of 45,483 awards, 42,040 awards, 38,749 awards and 67,704 awards in each of the four tranches remained at the end of the period, with a total carrying value of £463,000 as at 31 March 2021 (31 March 2020: £345,000). 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

Shares awarded under the UK SIP 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 are invited to subscribe for up to £1,800 of partnership shares relating to each tax year 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.

## 31. Share-based payment continued

### Current schemes continued

#### UK and Australia SIP awards continued

Australian employees are invited to subscribe for up to the equivalent of £1,800 of investment shares with the Company matching on a one-for-one basis. Matching shares for each scheme vest on the third anniversary after award date should the employee remain employed by the Group for the term of the award.

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	April 2017 to March 2018	171.4p to 115.3p	April 2020 to March 2021	93,489	—	(2,804)	(90,685)	—
UK	April 2018 to March 2019	85.5p to 204.5p	April 2021 to March 2022	91,424	—	(5,544)	—	85,880
UK	April 2019 to March 2020	79.3p to 179.2p	April 2022 to March 2023	110,174	—	(9,531)	—	100,643
UK	April 2020 to March 2021	194.6p to 425.2p	April 2023 to March 2024	—	54,776	(1,052)	—	53,724
Australia	5 April 2017	118.0p	5 April 2020	11,886	—	—	(11,886)	—
Australia	5 April 2018	178.2p	5 April 2021	6,049	—	(2,020)	—	4,029
Australia	5 April 2019	83.5p	5 April 2022	8,230	—	(1)	—	8,229
Australia	5 April 2020	201.0p	5 April 2023	—	3,179	—	—	3,179
<b>Total</b>				<b>321,252</b>	<b>57,955</b>	<b>(20,952)</b>	<b>(102,571)</b>	<b>255,684</b>

The weighted share price at the exercise date of options exercised during the year ended 31 March 2021 was 282.3 pence (year ended 31 March 2020: 111.0 pence).

The fair value of SIP awards is 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

858,829 new share options were granted in the year ended 31 March 2021 (year ended 31 March 2020: 556,577) and these are detailed above in the current schemes section. Movements in the number of share options outstanding are as follows:

GROUP	Year ended 31 March 2021 Number	Year ended 31 March 2020 Number
At beginning of year <sup>1</sup>	4,046,690	5,769,100
Awarded (including dividend equivalents) <sup>1</sup>	858,829	560,449
Forfeited <sup>1</sup>	(148,280)	(2,091,240)
Exercised	(2,718,553)	(191,618)
<b>At end of year</b>	<b>2,038,686</b>	<b>3,897,721</b>

<sup>1</sup> The opening balance and awarded and forfeited options during the year ending 31 March 2020 have been adjusted for an additional participant and leavers receiving a lower forfeit rate than anticipated in the LTIP awarded in July 2017.

## 32. Changes in accounting policies

The Group has a policy of holding all client monies off balance sheet. As it relates to the stockbroking business in Australia, the accounting treatment of monies deposited by clients in advance of trading has been open to interpretation with judgement required to determine whether risks and rewards are such that the amounts should be on an entity's statement of financial position. Previously, the Group determined that the amounts, and associated payables to clients, should be reflected on the statement of financial position. During the year, and in line with emerging and clarified industry practice, the Group has changed its accounting policy in this regard, concluding that the amounts should be de-recognised. This change in accounting policy has been applied retrospectively, leading to the restatement of the Consolidated statement of financial position as at 31 March 2020, whereby £23,561,000 has been derecognised from the Trade & Other Receivables and Trade & Other Payables balances.

## Notes to the consolidated and parent company financial statements continued

### For the year ended 31 March 2021

#### 32. Changes in accounting policies continued

The following tables set out the impact of the above:

GROUP	31 March 2020 Reported £ '000	Impact of changes in accounting policy £ '000	31 March 2020 Restated £ '000
<b>ASSETS</b>			
<b>Current assets</b>			
Trade and other receivables	186,263	(23,561)	162,702
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	177,185	(23,561)	153,624

The below paragraphs explain the impact of the adoption of IFRS 16 "Leases" on the Group's financial statements adopted on 1 April 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 4.65%.

#### Adjustments recognised on adoption of IFRS 16

The change in accounting policy affected the following items in the statement of financial position on 1 April 2019:

- Deferred tax assets – increase of £358,000
- Computer hardware – decrease of £1,763,000
- Leasehold improvements – decrease of £860,000
- Right-of-use assets – increase of £16,947,000
- Lease liabilities – increase of £24,433,000
- Finance lease liabilities (current and non-current portion) – decrease of £1,615,000
- Accruals and deferred income – decrease of £8,046,000
- Prepayments and accrued income – decrease of £628,000
- Other debtors – increase of £1,339,000

The net impact on retained earnings on 1 April 2019 was an increase of £621,000.

The table below provides a reconciliation between operating lease commitments disclosed applying IAS 17 at 31 March 2019 and lease liabilities recognised on 1 April 2019:

GROUP	£'000
Operating lease commitments disclosed as at 31 March 2019	25,145
Further lease commitments identified <sup>1</sup>	892
Impact of short-term recognition exemption	(145)
Discounted using the incremental borrowing rate at the date of initial application	(3,074)
Finance lease liabilities recognised as at 31 March 2019	1,615
<b>Lease liability recognised as at 1 April 2019</b>	<b>24,433</b>

1 Following a review of lease data validation during the IFRS 16 transition process, additional lease payments were identified which were previously not part of operating lease commitments.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 March 2019.

The recognised right-of-use assets relate to the following types of assets:

GROUP	1 April 2019 £'000
Computer hardware	1,763
Leasehold properties	15,184
<b>Right-of-use assets</b>	<b>16,947</b>

### 33. 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 2021 was £1,916,000 (year ended 31 March 2020: £1,469,000).

### 34. Related party transactions

#### Company

The amounts outstanding with Group entities at year end were as follows:

COMPANY	31 March 2021 £'000	31 March 2020 £'000
Amounts due from Subsidiaries	159	2,100
Amounts due to Subsidiaries	(13,549)	(15,962)

#### Group

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

#### Compensation of key management personnel

The details of compensation to key management personnel are provided within the Directors' remuneration report on page 76.

Key management comprises the Board of CMC Markets plc only.

#### Directors' transactions

A number of the directors have company credit cards and have, during the course of the year, used the company credit cards for personal expenses.

There were no other transactions with Directors.

### 35. Contingent liabilities

The Group operates in a number of jurisdictions around the world and as a result uncertainties exist regarding the interpretation of regulatory, tax and legal matters in these territories. In addition, 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.

Sometimes legal disputes can have a financially significant face value, but the Group's experience is that such claims are usually resolved without any material loss. The Group provides for claims where costs are likely to be incurred.

Where there are uncertainties regarding regulatory, tax and legal matters and a provision has not been made and there are no contingent liabilities where the Group considers any material adverse financial impact to be probable.

#### UK banking surcharge

In the absence of them qualifying for a specific exemption, the Group's regulated companies in the UK would be subject to the Bank Corporation Tax surcharge of 8% on taxable profits over £25m. The group has concluded that the relevant entities meet the exemption requirements and therefore the related tax charge, which would amount to £15m in respect of all relevant periods, has not been provided for. The Group's position is supported by external advice although it is possible that it could be challenged.

#### Brexit approach

There is regulatory uncertainty regarding the Group's historical approach to the use of reverse solicitation provisions allowing EEA clients to trade with UK subsidiaries after 31 December 2020. The risk to the approach has now been mitigated given the majority of EEA clients' activities with the UK subsidiary ceased prior to 31 March 2021. The Group is proactively engaging with the regulatory authorities in the EEA markets where the UK subsidiary continued to service clients after 31 December 2020. Whilst it is possible that regulatory censure may result from these matters, they are in their very early stages and such an outcome is not currently considered probable.

### 36. 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 plc 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 plc has since become a global leader in online trading. There have been a number of significant milestones for the Group over the past 30 years, as it has expanded into new markets around the world and continues to promote innovation and new trading technology.

In 2000, CMC Markets plc 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 plc 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 plc successfully introduced Digital 100s. Later in the year it unveiled Knock-Outs in Germany and Austria, as CMC Markets plc 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 plc 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 Company also received Best CFD Broker for its burgeoning institutional offering, in line with one of its core strategic objectives.

The Company successfully completed the white label stockbroking partnership with ANZ Bank in Australia during 2018, representing the largest migration of client accounts in Australian Stock Exchange history and making the Company the second largest retail stockbroker in the country.

In 2020 CMC Markets launched the dedicated institutional brand, CMC Connect, positioning the Company to service the ever-growing number of client types interested in its products.

### Timeline

- 1989 – CMC Markets plc 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 plc wins Financial Services Provider of the Year (Shares Magazine)
- 2012 – Spread betting app for Android™ launched
- 2013 – CMC Markets plc wins 33 industry awards globally
- 2014 – CMC Markets plc 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 plc lists on the London Stock Exchange, trading as CMCX; and Digital 100s and Knock-Outs launched
- 2018 – CMC Markets (Australia) completes the ANZ Bank white label stockbroking transaction
- 2019 – CMC Markets plc celebrates its 30th year and launches exclusive cryptocurrency, forex and commodity indices
- 2020 – CMC Markets plc releases dedicated institutional brand, CMC Connect

## Five-year summary

### Group income statement

	For the year ended 31 March				
	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
<b>Net operating income</b>	<b>409.8</b>	252.0	130.8	187.1	160.8
Operating expenses	(184.0)	(151.3)	(123.1)	(125.9)	(111.6)
<b>Operating profit</b>	<b>225.8</b>	100.7	7.7	61.2	49.2
Finance costs	(1.8)	(2.1)	(1.4)	(1.1)	(0.7)
<b>Profit before tax</b>	<b>224.0</b>	98.6	6.3	60.1	48.5
Taxation	(45.9)	(11.7)	(0.5)	(10.4)	(9.3)
<b>Profit after tax</b>	<b>178.1</b>	86.9	5.8	49.7	39.2

### Other metrics

	2021	2020	2019	2018	2017
<b>Own funds generated from operations (£m)</b>	<b>199.3</b>	102.0	8.2	55.5	49.3
<b>PBT margin (%)</b>	<b>54.7</b>	39.2	4.8	32.1	30.1
<b>Earnings per share ("EPS")</b>					
Basic EPS (pence)	61.5	30.1	2.0	17.3	13.7
Diluted EPS (pence)	61.2	29.9	2.0	17.1	13.6
<b>Dividend per share</b>					
Interim dividend per share (pence)	9.20	2.85	1.35	2.98	2.98
Final dividend per share (pence)	21.43	12.18	0.68	5.95	5.95
<b>Total ordinary dividend per share (pence)</b>	<b>30.63</b>	15.03	2.03	8.93	8.93

### Client metrics (unaudited)

	2021	2020	2019	2018	2017
Revenue per active client (£)	4,560	3,750	2,068	2,964	2,517
Number of active clients	76,591	57,202	53,308	59,165	60,082



## Shareholder information continued

Five-year summary continued  
Group statement of financial position

	At 31 March				
	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	10.3	4.6	5.0	4.4	2.1
Property, plant and equipment	26.1	28.1	18.1	20.7	18.2
Deferred tax assets	6.4	16.5	11.6	8.8	8.1
Financial investments	—	—	11.3	10.8	—
Trade and other receivables	1.8	2.3	2.7	2.2	—
	44.6	51.5	48.7	46.9	28.4
<b>Current assets</b>					
Trade and other receivables	127.2	186.3	118.0	48.0	31.6
Derivative financial instruments	3.2	5.4	2.9	7.3	1.9
Current tax recoverable	1.7	0.8	3.4	—	—
Financial investments	28.1	25.4	10.7	10.3	20.3
Amounts due from brokers	253.9	134.3	88.1	156.9	119.4
Cash and cash equivalents	118.9	84.3	48.7	60.5	53.2
	533.0	436.5	271.8	283.0	226.4
<b>Total assets</b>	577.6	488.0	320.5	329.9	254.8
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	152.3	177.1	100.6	91.8	36.3
Derivative financial instruments	3.1	2.4	4.3	3.9	3.3
Borrowings	0.9	0.9	1.1	1.3	5.8
Lease liabilities	4.6	4.7	—	—	—
Current tax payable	—	—	—	2.3	5.5
Short-term provisions	1.9	0.5	0.2	0.1	0.4
	162.8	185.6	106.2	99.4	51.3
<b>Non-current liabilities</b>					
Trade and other payables	—	—	4.8	5.5	3.1
Borrowings	0.2	0.8	1.2	2.3	3.0
Lease liabilities	10.7	14.6	—	—	—
Deferred tax liabilities	1.6	2.2	1.2	0.7	—
Long-term provisions	1.8	1.9	2.0	2.0	1.6
	14.3	19.5	9.2	10.5	7.7
<b>Total liabilities</b>	177.1	205.1	115.4	109.9	59.0
<b>EQUITY</b>					
<b>Total equity</b>	400.5	282.9	205.1	220.0	195.8
<b>Total equity and liabilities</b>	577.6	488.0	320.5	329.9	254.8

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Vegetable based inks have been used and 99 per cent of dry waste is diverted from landfill. The printer is a CarbonNeutral® company.

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