cmc markets

Annual Report and Financial Statements

For the year ended 31 March 2016

CMC Markets plc

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Our purpose

To make the financial markets truly accessible for investors

Our strategic goal

To increase shareholder value by delivering sustainable and profitable revenue growth

Our strategic objectives

Increase the client base in established markets	Expand into new markets and grow developing regions	Maintain a strong pipeline of new products	Implement digital solutions to improve efficiencies across the client journey	Establish CMC as a key player in the Institutional sector

Business enablers

Client service	Competitive product offering	Technology and operational excellence	Trading risk management	Financial strength	Our people

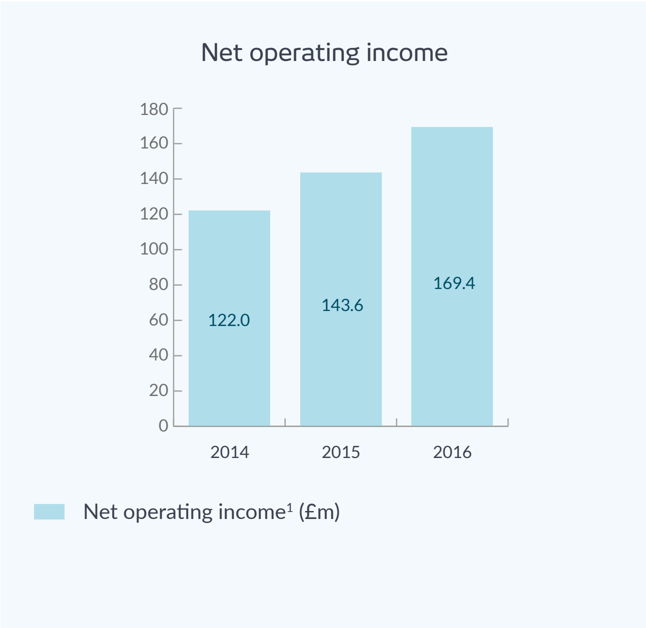
Shareholder return

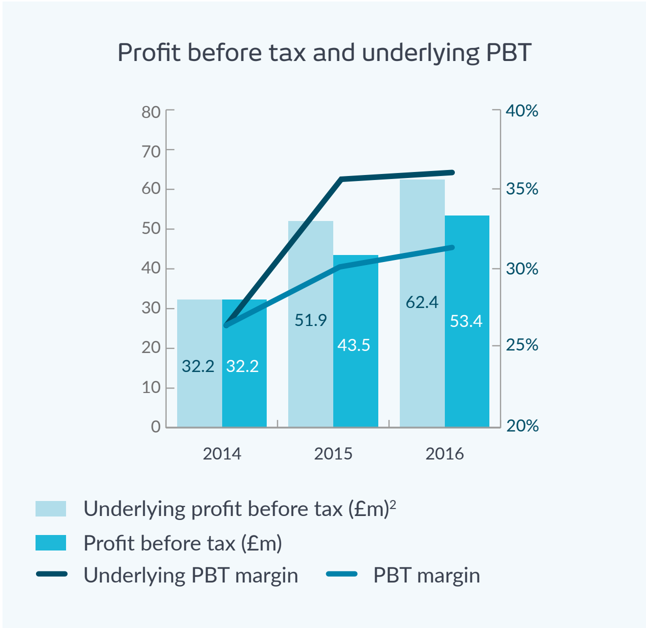
Earnings per share	Dividends

"2016 was another strong year for the Group, achieving continuing growth in underlying profit before tax and successfully listing on the London Stock Exchange. Through our focus on innovation we have delivered new products and platform features. This is underpinned by our focus on client service."

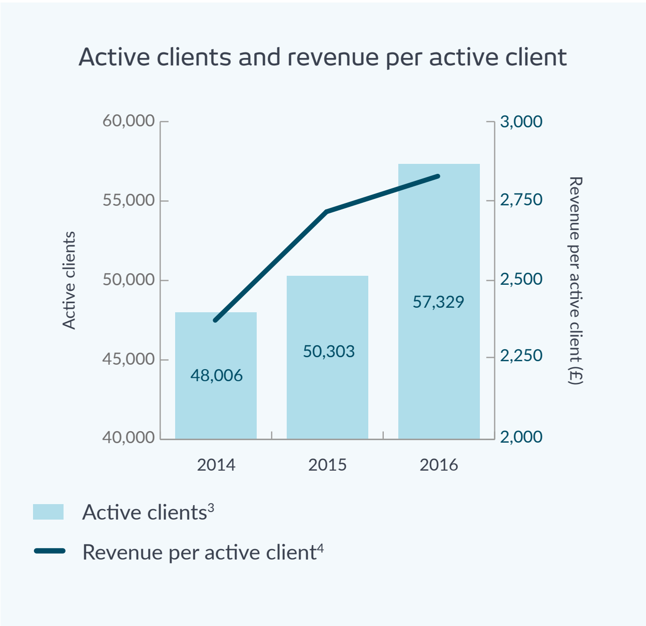
Peter Cruddas
Chief Executive Officer

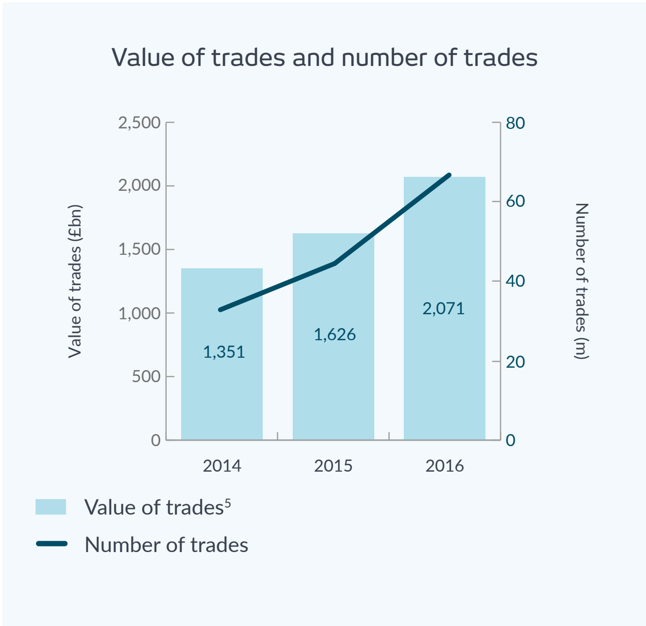
Revenue growth and operating effectiveness





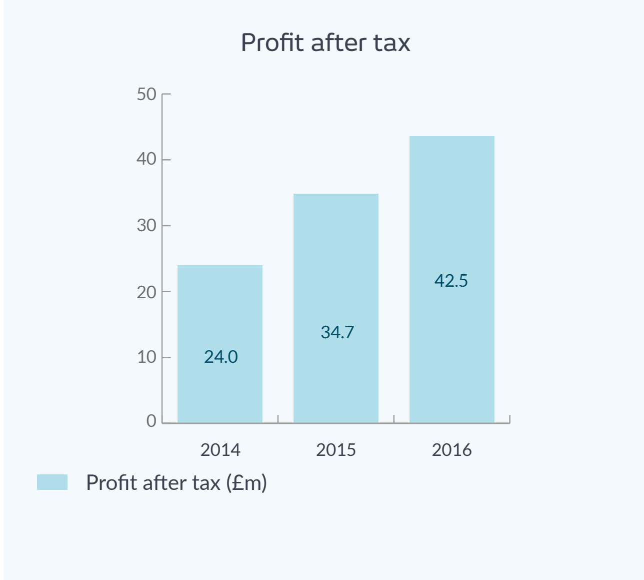
Client value generation and client quality

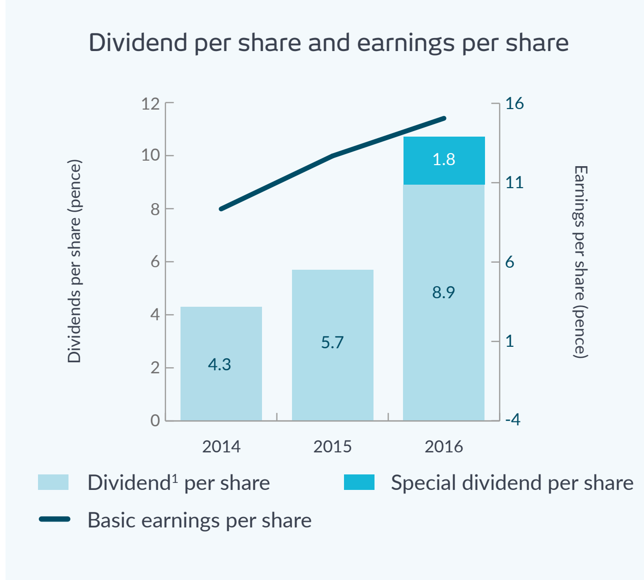




[1] Net operating income represents revenue net of rebates payable to introducing partners who are not themselves trading counterparties and spread betting levies
[2] Underlying figures represent PBT before exceptional items
[3] Active clients represent those individual clients who have traded with or held CFD or spread bet positions with CMC Markets on at least one occasion during the financial year
[4] Net revenue generated from CFD and spread bet active clients
[5] Value of client trades represents the notional value of trades

Delivery of shareholder value and returns





- Net operating income up £25.8 million (18%) at £169.4 million driven by continuing focus on strategic initiatives
- Profit before tax up £9.9 million (23%) at £53.4 million and underlying profit before tax up 20% at £62.4 million
- Profit before tax margin up 1.2% at 31.5%, underlying profit before tax margin up 0.6% to 36.8%
- Active clients up 7,026 (14%) to 57,329 and revenue per active client up £112 (4%) to £2,828
- Value of client trades up 27%, to £2,071 billion
- Earnings per share up 22% to 15.1 pence, underlying earnings per share up 23% to 18.0 pence

Summary income statement and earnings per share

£m	2016	2015	Variance	Variance %
Net operating income	**169.4**	**143.6**	**25.8**	**18%**
Other income	**3.1**	**-**	**3.1**	**-**
Operating expenses	(112.3)	(92.3)	(20.0)	(22)%
EBITDA	**60.2**	**51.3**	**8.9**	**17%**
Analysed as:				
Underlying EBITDA	69.2	59.7	9.5	16%
Net exceptional items[2]	(9.0)	(8.4)	(0.6)	(6)%
EBITDA	**60.2**	**51.3**	**8.9**	**17%**
Depreciation and amortisation	(6.0)	(6.9)	0.9	13%
Finance costs	(0.8)	(0.9)	0.1	14%
Profit before tax	**53.4**	**43.5**	**9.9**	**23%**
Analysed as:				
Underlying profit before tax	62.4	51.9	10.5	20%
Net exceptional items[2]	(9.0)	(8.4)	(0.6)	(6)%
Profit before tax	**53.4**	**43.5**	**9.9**	**23%**
Underlying PBT margin	**36.8%**	**36.2%**	**0.6%**	**-**
PBT margin	**31.5%**	**30.3%**	**1.2%**	**-**
Profit after tax	**42.5**	**34.7**	**7.8**	**22%**
Underlying profit after tax[3]	**50.7**	**40.9**	**9.8**	**24%**

Pence	2016	2015	Variance	Variance %
Basic EPS	**15.1**	**12.4**	**2.7**	**22%**
Underlying Basic EPS	**18.0**	**14.6**	**3.4**	**23%**

[1] Dividend paid/proposed relating to the financial year
[2] Consists of £3.1million exceptional income and £12.1million exceptional costs
[3] Based on implied tax payable excluding exceptional items

Chairman's statement

I am very pleased to report another strong year for the Group and the first set of results since we successfully listed on the London Stock Exchange in February 2016. The listing is a significant milestone in the Group's history and the beginning of a new chapter, which I am very proud to be a part of.

Over the last three years we have had a clear strategy to provide our clients with the best trading platform, superior service and competitive pricing, with a strong focus on innovation. This strategy has again driven a strong performance by the Group. Net operating income is up 18% and underlying profit before tax at £62.4 million is up 20% on the prior year. Underlying earnings per share is 18.0 pence, an increase of 23% from the prior year.

Our award-winning Next Generation trading platform has continued to be developed with new features and tools, and we are adding new products. 'Countdowns', was successfully launched during the year and our binaries offering was launched in April 2016.

Governance and the Board

We are committed to the highest levels of corporate governance, and as we prepared for life as a listed company this important area was further strengthened by a number of appointments to the Board.

After extensive searches, Manjit Wolstenholme joined as Senior Independent Non-Executive Director. Malcolm McCaig and James Richards joined as Non-Executive Directors. Manjit, Malcolm and James bring a wealth of experience to the Board and I look forward to working with them during this exciting time.

John Jackson left the Board in June 2015 after nine years as a Non-Executive and I would like to take this opportunity to thank John for his valuable input and assistance to the Board during his time in the role.

As a Board we are committed to continually reviewing our performance and effectiveness. During the course of the coming year each member of the Board will be undertaking a questionnaire-based analysis to evaluate performance and this will be developed over the coming years. As a recently listed business, there are a number of items that will be addressed to ensure we are fully compliant with the UK Corporate Governance Code ("the Code").

The intention is to put all directors up for re-election at the 2016 Annual General Meeting in compliance with the Code.

In the past we have operated a combined Nomination and Remuneration Committee, which operated well during the year. Following the listing we have established separate committees. Further detail around remuneration can be found in the Nomination and Remuneration Report on page 78.

In addition we have also established separate audit and risk committees following listing; previously these were also combined.

Our people

On behalf of the Board I would like to thank all of our staff for their hard work once again. Their effort and commitment has delivered a record level of profit after tax as well as achieving a successful London Stock Exchange listing. We have very talented people across all areas of the Group and this was clear to me as we progressed through the listing process.

Dividends

CMC Markets is a highly cash generative business, and as the Group's client activity grows, an increasing amount of liquidity is required in the Group to hedge client trades. In order to fully meet our growth aspirations our dividend policy is to pay 50% of underlying profit after tax. The Board's view is that this allows the Group to retain sufficient cash to meet its growth aspirations.

However, as a Board we have no desire to build up funds unnecessarily and will return surplus funds to shareholders where possible, as evidenced by the £5.0 million special dividend that was paid earlier in the financial year.

In line with policy the dividend for the full year will be 8.93 pence per share, so following an interim dividend of 3.57 pence per share the Board is recommending a final dividend of 5.36 pence per share. Including the special dividend of 1.79 pence per share paid at the half year this represents a total dividend of 10.72 pence per share.

Outlook

2016 has been a key year in the history of CMC Markets; as well as the listing, we have opened new offices and launched new products, and we have a clear strategy to deliver future growth and shareholder value.

Simon Waugh
Chairman
7 June 2016

CEO report

2016 has been a landmark year in the history of CMC Markets with record profit after tax and a public listing on the London Stock Exchange. Having founded the business 26 years ago with just a desk, a telephone and £10,000, I feel immensely proud of what has been achieved.

The whole experience of becoming a public company was demanding but exciting and I can say that it was the right time for the business. We have invested heavily across the Group over the last five years, particularly in technology, infrastructure, staff and client service. The company is now in a strong position and being a public company will help elevate our profile and attract new business.

In January 2016, just as we began the final stages of the listing, global stock markets experienced one of the worst starts to a year in their history. However, by engaging with investors and explaining our business, we were able to list the company when others had to delay their planned listings. One point I made on the road shows to investors was that "amongst the fog of all this turmoil in the financial markets, there are companies that are growing, producing profits and paying dividends, and we are one of those companies". We successfully listed on 5 February 2016 in London. As such we were one of the few companies to go public during the first quarter of 2016, which is a reflection of the high quality of the business.

My wife of 30 years had a better way of describing the CMC journey that my family and I have been on over the last 26 years. She penned the following poem in a card to me after the listing.

With £10,000 and a basement room,
Nobody guessed how the business would boom.
You've relished the highs and battled the lows,
Where your energy comes from, God only knows!
But for 26 years, you've led all the way,
To gain the success and respect achieved here today,
So raise your glass and shout "chin chin"!
Congratulations! Good Luck! Let the new Chapter begin!

Fiona Cruddas, February 2016

CMC Markets' listing on the London Stock Exchange

A Countdowns trade on the mobile trading app

I am fully committed to my role as Chief Executive; I still retain around 60% of the shares in the Group and by holding such a large stake my interests are wholly aligned with our new public shareholders. We are in this together!

Although it has been a demanding year in preparing and listing the company, I am delighted to say that 2016 has been a record year for the Group. Our focus and investment in mobile technology continues to deliver, and now almost half of our business is conducted on mobile devices.

Financial performance

Net operating income grew by 18% to £169.4 million. Total expenses excluding exceptional costs increased by 17% to £107.0 million, as a result of our continuing investment in the business to support future growth. In particular we continue to invest in marketing and mobile technology.

Underlying profit before tax was £62.4 million, before exceptional listing costs of £12.1 million and exceptional income of £3.1 million, a 20% improvement on the prior year. Underlying earnings per share were 18.0 pence, an increase of 3.4 pence on the prior year. On a statutory basis, this was 15.1 pence, an increase of 2.7 pence on the prior year.

The value of client trades increased by 27% to £2,071 billion, illustrating the scalability that we have in the business and technology infrastructure, for example, 48% of the value of client trades was executed on mobile devices.

As a highly cash generative business own funds have increased by £33.3 million to £176.4 million and the Group continues to have a strong regulatory total capital ratio of 31.2% as at 31 March 2016.

Regional review

Revenue growth has been generated across all core regions where the business operates. In addition, the Group has seen improvements in key performance indicators such as revenue per active client, which has increased by 4% to £2,828, one of the highest in the industry today and a reflection of the quality of our client base. Revenue per active client is presented net of client rebates, which was a record £10.5 million, an increase of 50% on prior year.

The UK, the Group's largest market, contributed a 30% rise in net revenue[1] demonstrating the success of our strategy to focus on attracting and retaining high value clients. Our European business showed growth of 7% in net revenue[1] driven by our focus on the developing our smaller offices and maintaining our market leading[2] position in Germany.

Net revenue[1] in Asia Pacific (APAC) & Canada increased by 19%, as we continue to grow market share in the region. In Australia we are now the number one provider to the active high value client share of the market[3] at 31%, up 9% from the year before.

[1] Net revenue generated from CFD and spread bet active clients, including Countdowns, after the impact of rebates and levies
[2] Investment Trends April 2015 Germany CFD & FX Report
[3] Investment Trends June 2015 Australia CFD Report

New products and innovation

Our proprietary, in house developed, "Next Generation" technology provides a clear differentiated advantage over many of our competitors. We constantly enhance and improve the platform, responding to client demands and new product development. Innovation has been the foundation for our growth over the last three years and we continue to drive the business forward through continuing innovation in technology, products and client service.

The benefit of developing Next Generation technology in house rather than outsourcing is the control and flexibility over all aspects of our core technology that it gives the Group.

New products have been a feature of this year and will continue to be going forward. At the end of July 2015 we launched 'Countdowns', a short term binary product providing our clients with a dynamic way to make short term trades on the markets.

In April 2016 we launched our binaries offering, again designed to provide clients with an exciting and simple way to trade the financial markets. But this is just the beginning with a pipeline of new products and platform enhancements to be launched later in the calendar year.

This year we also completed our Next Generation partners and institutional offering, with full white label, grey label and electronic connectivity (API). Historically, this has been a strong area for the Group and we are excited about the incremental growth opportunity in this sector.

In our Australian stockbroking business we also launched the Pro Platform using HTML5 to complement the business's successful frequent trader strategy.

Client service

I have this fundamental belief that success is all about having a quality product which combined with a great client service ethos delivers a superior trading experience. This approach ensures we maintain our loyal trading community, contributing towards optimal returns for our shareholders and increasing the long term value of the business.

Within the business there is a strong emphasis on exceeding the needs of our clients through our product offer and service.

We measure how well we are performing through customer satisfaction studies and net promoter score. In the UK we have achieved number one position for 11 out of the top 15 drivers of customer satisfaction. Across our established markets our net promoter score is positive and ahead of the category average.

Strategy

We have set out a clear strategy to grow the business in the future around five strategic initiatives (covered in detail in the Strategic report) and underpinning each of these is our continuing focus on client service, innovation and technology.

We are continuing to make good progress across each of these strategic initiatives.

Regulation

This year has seen regulators in a number of jurisdictions look at the regulation of the contracts for difference ("CFD") and spread betting industry. We welcome strong regulation and have always ensured that we operate to the highest standards of regulatory compliance. We hope that increased regulatory oversight will help to ensure that all operators in the industry move towards higher regulatory standards.

Looking forward

We continue to look at new opportunities to drive growth. We have a strong pipeline of new products and developments that will be rolled out, and are looking at a number of new geographic markets where we believe there are significant opportunities for the Group.

Throughout the listing process I was consistently impressed with the quality of our business across all areas. This is because we have high quality and committed staff. As part of the listing we have been able to recognise their contribution and retain them within the Group through Long Term Incentive and Share Incentive Plans, ensuring that all our interests are aligned to drive the future success of the business. I would also like to thank our staff for their dedication, hard work and drive for excellence as well as our shareholders for their support and confidence in what we are doing.

But the year would not be complete without a big thank you to our clients who in many cases have been loyal to us over a number of years. As part of the listing process I was adamant that we should recognise the contribution our clients make to our success, so we launched a client offer as part of the process enabling retail clients to participate in a bonus share offer.

Our clients are the foundation of the business. They contribute so much to what we do, through their valuable feedback which helps us develop the business going forward. Their feedback is vital to our success.

It has been a truly memorable year for the business. We are on a fantastic journey, which will continue to grow and develop this company, and will ultimately lead to more innovation and exciting opportunities.

Peter Cruddas
Chief Executive Officer
7 June 2016

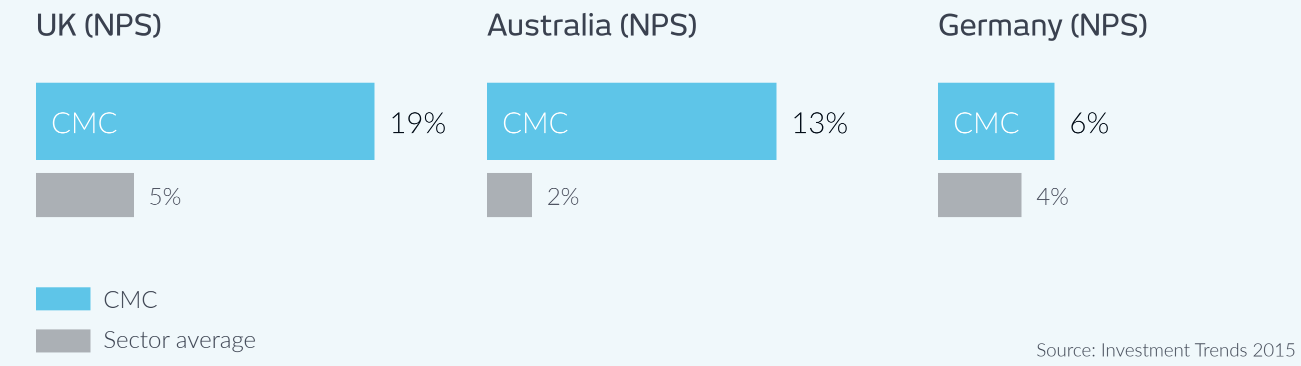
Customer satisfaction drivers

UK financial spread betting

Key selection driver criteria	Top three providers against satisfaction: First	Second	Third
Overall quality of the service	CMC Markets		
Execution speed	CMC Markets		
Customer service	CMC Markets		
Consistency of executing trades at prices quoted	CMC Markets		
Ease of platform navigation		CMC Markets	
Platform features	CMC Markets		
Reliability of platform	CMC Markets		
Trading tools	CMC Markets		
Value for money			
Handling of CHF crisis on 15th Jan	CMC Markets		
Spreads			CMC Markets
Research tools	CMC Markets		
Risk management tools	CMC Markets		
Mobile solutions	CMC Markets		
Trading ideas and strategies		CMC Markets	

Source: Investment Trends 2015 UK Leveraged Trading Report

Net promoter score in established markets



Source: Investment Trends 2015

Company history

CMC Markets was founded by Peter Cruddas in 1989, and since then the company has grown to become a global leader in online trading. There have been numerous milestones for the Group over the past 26 years as the company has expanded into new markets around the world and continues to champion innovation and new trading technology.

When "Currency Management Corporation", later abbreviated to CMC, first began trading in London in 1989 as an FX broker, the office contained one desk, one telephone and one highly ambitious trader and entrepreneur. Over the following years the company grew rapidly, and in 1996 it launched the world's first online retail FX trading platform, allowing its clients to take advantage of markets previously only accessible to institutional traders.

In 2000, CMC Markets expanded its business to become a CFD broker. In 2001 the company launched an online financial spread betting service, becoming the first spread betting company to launch the daily Rolling Cash® Bet. The innovative daily Rolling Cash® concept subsequently became an industry benchmark.

In 2002, CMC Markets opened its first overseas office in Sydney, launching into the Australian market as an online CFD and foreign exchange provider. By 2007 the company had expanded its global footprint with additional offices in New Zealand, Germany, Canada, Singapore and Sweden, and had sold a 10% equity stake to Goldman Sachs. Further global growth followed over the next few years, with offices opened in Norway, Spain, Italy and France.

CMC Markets launched its award-winning[1] Next Generation platform in 2010 and has since then rolled it out across all the regions in which the Group operates, frequently adding new tools, features and enhancements.

The Group celebrated its silver anniversary in 2014 and received a record number of awards in the UK in recognition of the quality of the Next Generation trading platform and associated service.

Innovation is a key growth driver for the business and in 2015 the Group launched Countdowns, a new fixed odds trading product. During 2015 the Group also expanded its geographical footprint when it opened an office in Poland.

In February 2016 the Group successfully listed on the London Stock Exchange marking the beginning of a new and exciting chapter in the Group's history.

Triple winner at the 2015 Shares Awards

1989
CMC Markets begins operations in the UK

1996
Launches the world's first online retail FX trading platform

2000
Starts offering CFDs in the UK

2001
Launches online spread betting service in the UK

2002
Opens first non-UK office in Sydney, Australia

2005
Offices opened in Beijing, Canada and Germany

2006
Opens New Zealand office

2007
Singapore and Sweden offices opened; 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; spread betting iPhone app launched in the UK

2011
CMC Markets wins Financial Services Provider of the Year (Shares Magazine)

2012
Spread betting app for Android™ launched

2013
CMC Markets wins 33 industry awards globally

2014
CMC Markets celebrates 25 years of being a world-leader in online trading

2015
Countdowns launched. Poland and Austria offices opened. Stockbroking Pro Platform launched

2016
CMC Markets lists on the London Stock Exchange trading as CMCX. Binaries launched

Strategic report
Business review

Our business

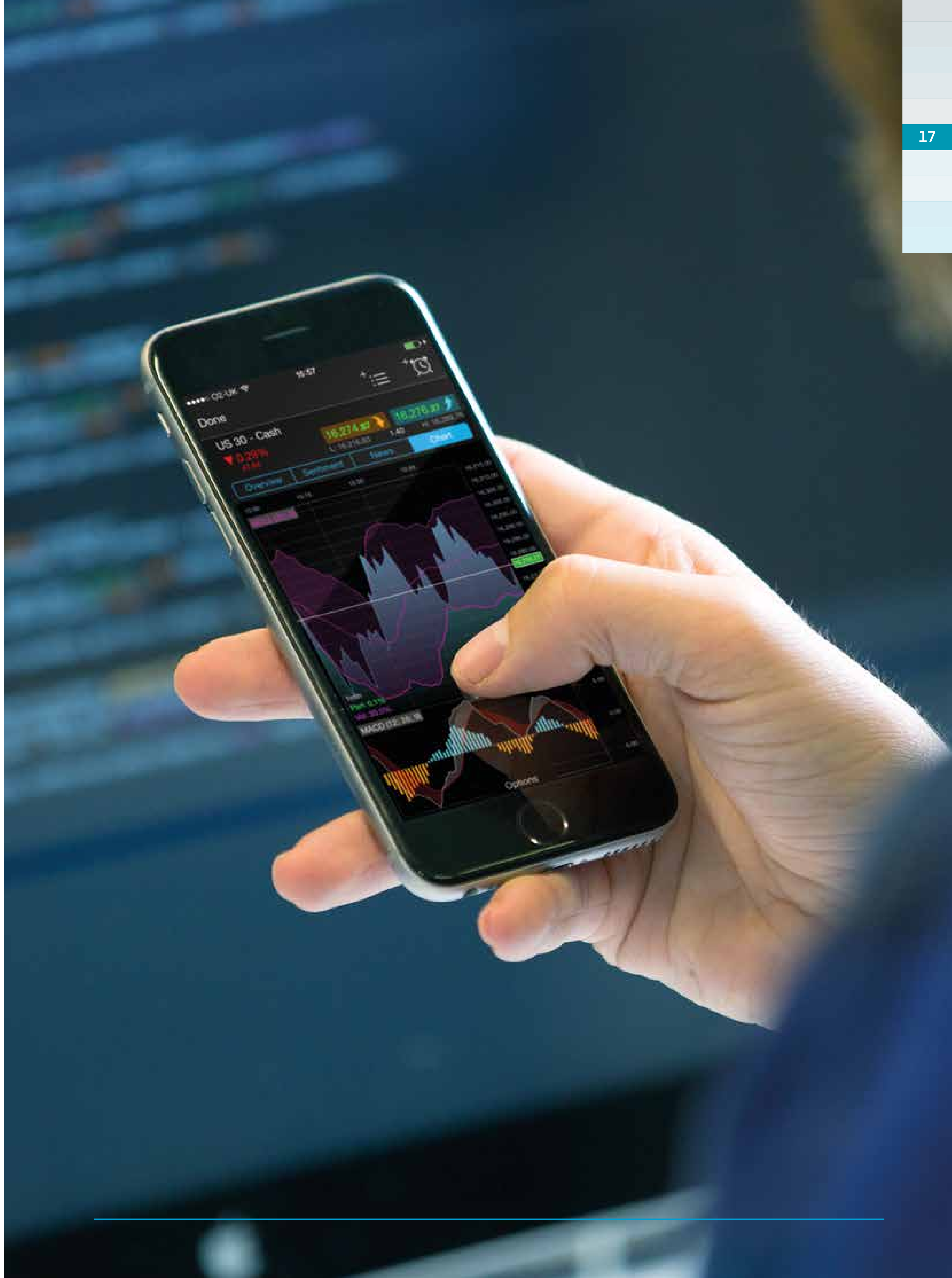
CMC Markets is a leading global provider of online and mobile trading, servicing both retail and institutional clients. The company enables clients to trade over 10,000 financial instruments including indices, commodities, FX and equities through its multi award-winning Next Generation trading platform, supported by sophisticated charting, competitive pricing and automated execution.

Clients can trade the markets via contracts for difference (CFDs), financial spread bets (UK and Ireland only) and binaries.

Revenues are generated through transactional spreads, financing income, commissions and trading income arising from clients' trading activities. Our risk management strategy is based on highly-automated flow management, dynamically hedging net client exposures and risk. The level of revenue is influenced by the number of clients actively trading and the value of those trades.

Trade over 10,000 financial instruments

FX				
339	**99**	**9699**	**119**	**63**
Forex products	Indices	Shares & ETFs	Commodities	Treasuries



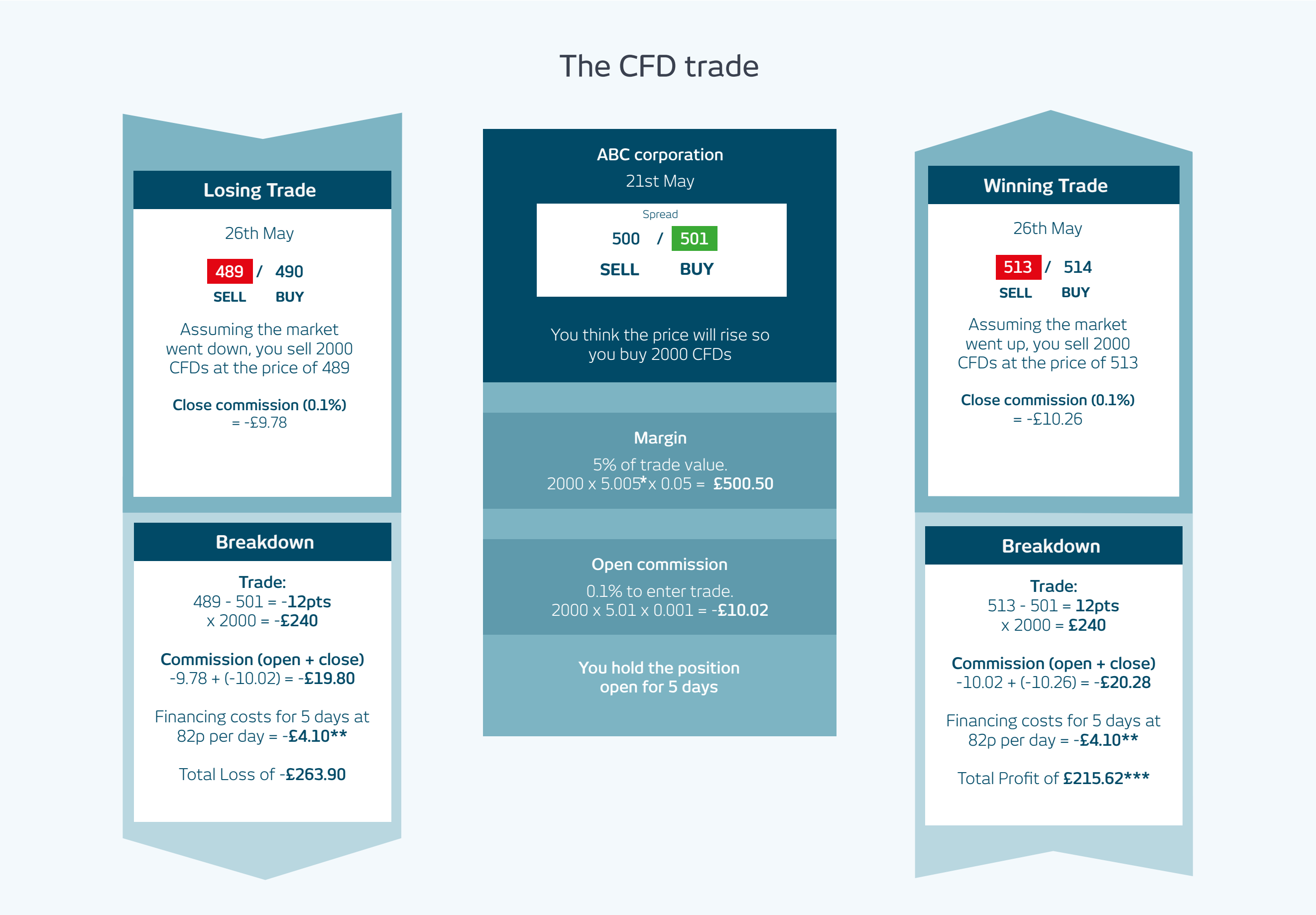
Our products

CFD

A CFD is a cash-settled investment based on currencies, commodities, treasuries, indices and shares, providing economic benefits similar to an investment in an underlying asset without certain costs and limitations associated with physical ownership. A CFD is a leveraged product which has the potential to magnify profits as well as losses. In the UK, CFD trades currently do not incur stamp tax duty charges, in contrast to trades in traditional financial investments, such as equity securities. The Group's clients can trade fractions of units per CFD, and the Group charges commission on CFD trades for shares and charges spreads for all other asset classes. The Group's CFD products allow a client to take long or short positions. As a CFD is a leveraged product, the Group requires varying levels of margin to be posted in respect of the full value of a client's position. Margins vary depending on a client's position and the type of instrument in which the client invests.

Example
If a client believes that the price of a particular instrument is likely to fall, they could place a sell trade or 'go short'. Conversely, if they think the price will rise, they could place a buy trade or 'go long'. If the market moved in the direction they predicted, they would make a profit. If the market moved in the opposite direction, they would make a loss.

When you trade CFDs, you buy or sell a number of units. For every point the price of the instrument moves in your favour, you gain based on the number of units you have bought or sold. For every point the price moves against you, you will make a loss.



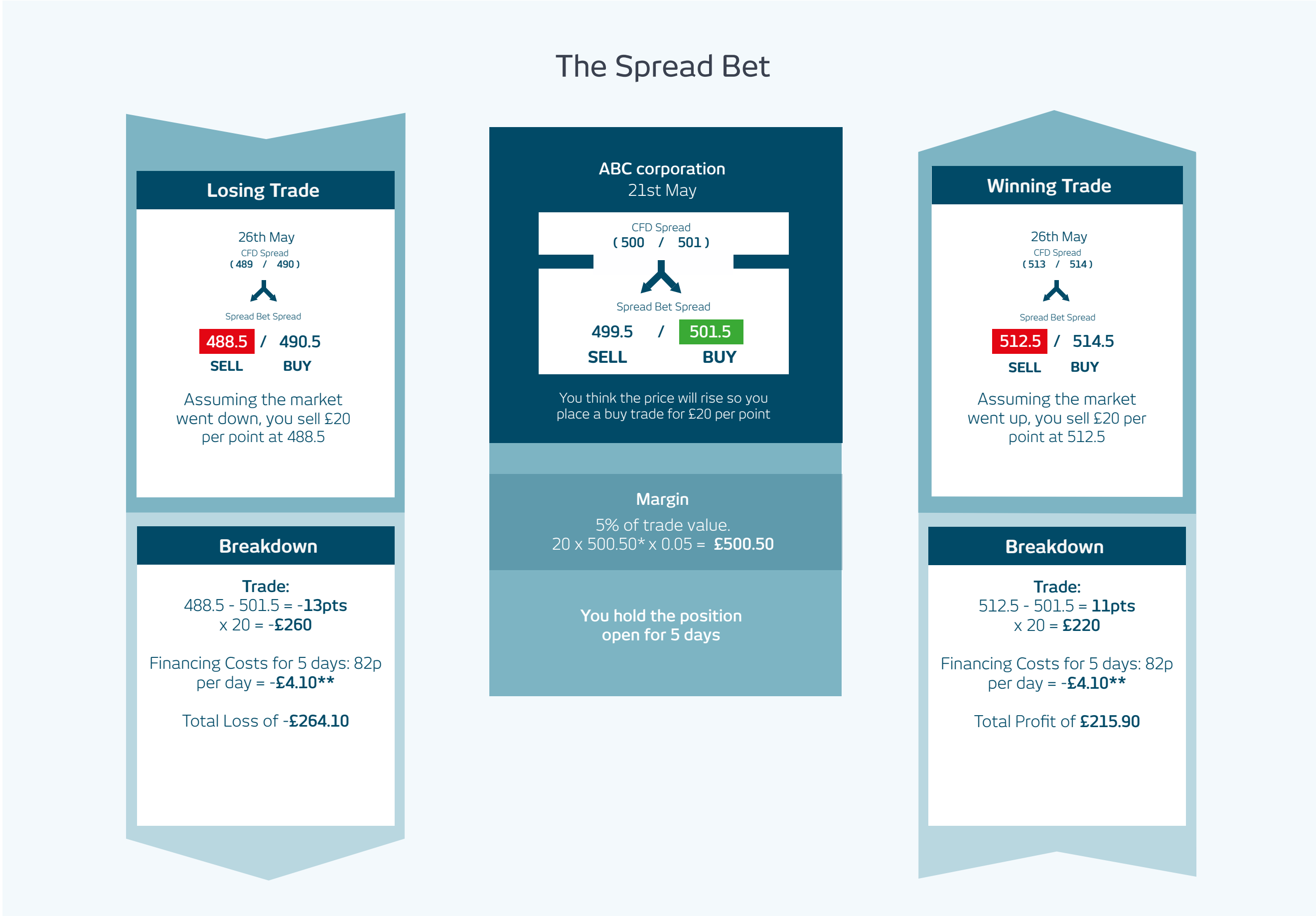
*** Mid-price**
The mid-price is 5.005, the mid-point between the buy and sell price
**** Financing cost calculation**
No. of units x opening trade price x buy financing rate / 365 | (2000 x 5.01 x 3) / 365 = 82p per day | 5 days = £4.10
***** Total Profit**
Profit gross of potential capital gains tax

Spread bet

The Group's spread betting products are offered exclusively in the UK and Ireland as profits from spread betting are currently free from capital gains tax and stamp duty in these jurisdictions. Spread betting provides similar economic benefits to those experienced when investing in an underlying asset, but without the costs and limitations associated with physical ownership. With a spread bet a client bets a specific stake size per point movement of a product, rather than trading a specific number of shares or units. The Group's spread bet products allow a client to take long or short positions. The Group's spread betting products are leveraged products. A key risk of leveraged products is that losses can exceed deposits.

Example
If a client feels that the price of a particular instrument is likely to fall, they could place a sell bet or 'go short'. Conversely, if they believed that the price will go up, they could place a buy bet, or 'go long'. If the market moved in the direction they predicted, they would make a profit. If not, they would make a loss.

When you spread bet, you buy or sell an amount per point movement, such as £5 per point, which is known as your 'stake'. For every point the product's price moves in your favour, you gain a multiple of your stake. For every point the price moves against you, you lose a multiple of your stake.



***Mid-price**
The mid-price is 500.5, the mid-point between the buy and sell price.
****Financing cost calculation**
Stake x opening trade price x buy financing rate/ 365 | (20 x 501.50 x 3) / 365 = 82p per day | 5 days = £4.10

Binaries and Countdowns

During the summer of 2015 CMC Markets launched Countdowns, a limited risk trading product that enables clients to place trades over a range of short-term timeframes. The client decides the timeframe starting from time of trade as opposed to selecting a pre-determined expiry time. Countdowns has been rolled out across all core markets and proven popular with both new and existing clients.

In April 2016 the Group further expanded its product range with the launch of binaries across all core markets. With binaries, the client's risk and potential profit are determined at the point of trade. Clients are offered the opportunity to place a trade depending on whether they believe a particular market's price will be above or below a certain level at a specific time in the future. If their trade is "in the money" at the end of the specified timeframe, they will be credited with the amount agreed at the point of trade; if they are "out of the money" they will forfeit their stake. Clients also have the opportunity to close a binary trade prior to the time of expiry as the odds of the product being above or below a pre-determined level change as the price in the underlying market changes. The Group has launched four types of binaries; Ladder, One Touch, Up/Down and Range.

The Countdown trade

^If you believe the Settlement Price will finish below the Countdown price at the end of the expiry then you can choose to place a Below trade. If the price finished below at expiry then you would receive a payout of £37 ((£20 x 85%) + £20 Initial Stake). If it finished above then your loss would be limited to your stake size of £20.
*If the Countdown price finishes equal with the Settlement Price at the end of the expiry the Countdown will end in a draw and a percentage of your stake is returned. The percentage of your stake returned will differ depending on the product traded and expiry.

The Binary 'Ladder' trade

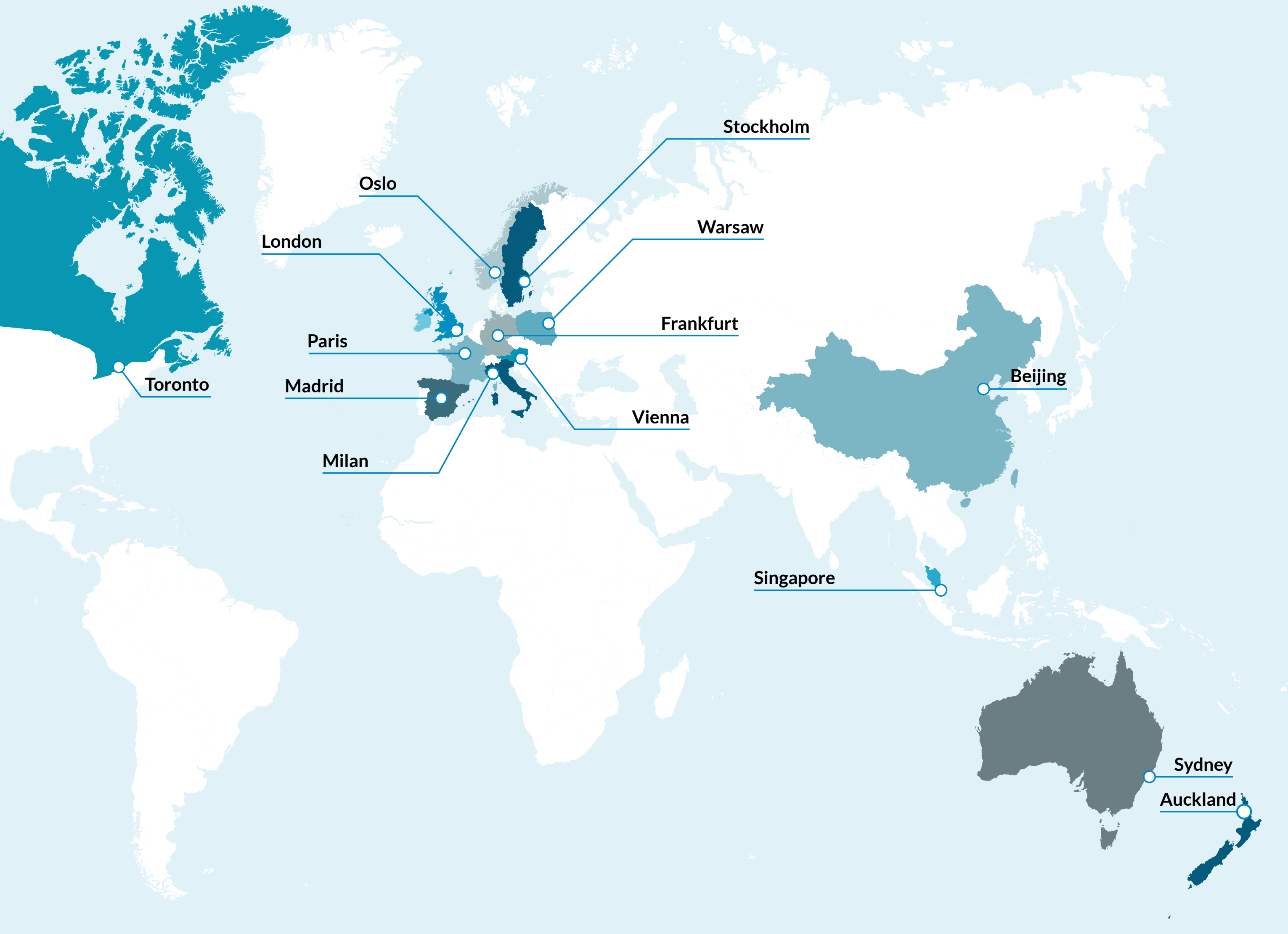
Stockbroking

CMC Markets also offers Australian wholesale and retail clients the ability to buy and sell ASX and SSX (formerly APX) listed products and managed funds. Clients have access to live market data and independent research and analysis tools.

*Binary Prices are always quoted between 0 & 100. If the price is closer to 100 then we are pricing the event as more likely to occur, while if the price is closer to 0 then we are pricing the event as less likely to occur.
^If you believe the Binary event will not occur you can sell the Binary. In the example above you would sell the Binary at 24.2 and if the event does not happen your profit is equal to (24.2 – 0) x 10 = £242. If the event did occur then your loss is equal to (24.2 - 100) x 10 = £758.
**Binary Positions may be closed partially or fully prior to the Binary Expiry except for during the 'Pre-Close' period which may be different for each product and expiry.

Our geographical reach

CMC Markets is a global business with operations in 14 countries. The head office is based in London, UK and the business has offices across many of the world's leading financial centres including Frankfurt, Paris, Sydney, Singapore and Toronto.



Our strategic objectives

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

Increase the client base in established markets

Opportunity	Progress
The established markets of the UK, Australia and Germany generate a significant part of the Group's revenue, and given the size of the markets, they also offer the greatest absolute growth opportunities. This means that we continue to focus on developing brand and product awareness with the aim of becoming the choice provider to new clients in these regions and provide the premium proposition required to attract clients from competitors.	• Strong growth in the UK, net revenue increased by 30% and active clients were up 12%. • Maintained number one market position in Germany. • Now number one provider to high value clients in Australia.

Expand into new markets and grow developing regions

Opportunity	Progress
New regions and developing regions offer an opportunity for revenue growth with marginal additional cost given the scalability of the business. Markets where CMC currently operate but have a small market share have received a focus on expansion opportunities, and new regions where CMC has no presence but the potential client base exists are regularly reviewed and offices are being considered where appropriate.	• Opening of Poland and Austria offices. • 70% growth in the value of client trades in France. • A number of other markets currently under review.

Maintain a strong pipeline of new products and developments

Opportunity	Progress
Diversifying the product offering to attract existing clients to trade more with the Group and broaden the appeal to a wider potential client base.	• The release of Countdowns in July 2015 has been a success and the release of a wider binaries offering in April 2016 means a more complete offering for our clients. • Other products are currently under development, with a strong pipeline to be delivered in the coming financial year.

Implement digital solutions to improve efficiencies across the client journey

Opportunity	Progress
It is recognised that digital and mobile channels present opportunities for the Group to attract new clients and retain existing clients more efficiently by adopting a highly digital approach to the client journey.	• Investment in the digital marketing team throughout the year. • Focus on driving demand through online and mobile acquisition channel activity. • Focus on conversions through new websites and onboarding improvements. • Focus on retention and reactivation through sophisticated eCRM.

Establish the business as a key player in the institutional sector

Opportunity	Progress
Strong opportunity to offer our award winning platform to other institutions, through white label (branded) and grey label (unbranded) propositions.	• Full Next Generation institutional offering now available and new team established. • Existing partners successfully migrating to the Next Generation platform and new partners onboarded. • Strong pipeline of opportunities. • Capabilities also developed enabling institutions to electronically connect to CMC platform (API connectivity).

Business enablers

The Group has six business enablers supporting the delivery of its objectives

Client service

Our ambition is to deliver an unparalleled experience to all of our clients. Offering competitive pricing, products and trading capabilities that our clients expect.

CMC Markets continues to place the utmost importance on client service and the continuous delivery of fair outcomes to our clients through our behaviour, image, product innovation and internal culture.

Progress

We have continued to develop the Next Generation trading platform to respond to our clients' needs. Increased recruitment onto our Sales Trading desk has enabled the business to manage and support our top-tier client base and to encourage acquisition of other high value traders from our competitors.

Winning 21 awards globally last year including Highest Overall Client Satisfaction from UK Investment Trends combined with the Best Spread Betting platform from the ADVFN International Financial Awards gives clear confirmation that we are delivering a service that offers clients exactly what they want.

For the sixth consecutive year, our Australian stockbroking business has been awarded the CANSTAR national award for 'Outstanding Value Online Share Trading'.

Competitive product offering

CMC Markets continually invests significant resources in developing the Next Generation trading platform to ensure we stay at the forefront of the industry by constantly delivering the latest innovations. We monitor industry trends and engage extensively with our clients through numerous feedback mechanisms to ensure we regularly add new trading tools, additional products and new ways to trade.

Progress

During the year we added over 6,500 new instruments, bringing our total instrument offering over 10,000 global products, all of which can be traded both online via a desktop and on the go via our range of advanced mobile apps. New usability features, including module linking and inbuilt search functionality have also made a significant impact on how clients navigate the trading platform features. The introduction of GSLOs (Guaranteed Stop Loss Orders) has proved to be a popular new Risk Management tool. In addition to all these improvements we launched brand new products in the form of Countdowns and binaries.

Our continual investment into enhancing the Next Generation technology on both web and mobile has been one of the driving forces behind another year of industry recognition. Last year CMC Markets won the prestigious UK Financial Services Provider of the Year from Shares Awards. This is the fourth time we have won this award in the last five years and our third in succession. We were also honoured to win the Best Mobile/Tablet App and Best CFD Provider at the same awards.

Technology and operational excellence

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

Progress

We have continued to invest in infrastructure and technology to ensure the platform has the capacity to cope with increased demand as the business continues to grow. The rising general threat from cyber-attacks and breaches has led to an increase in spend in this area with a number of new contracts and initiatives this year to ensure CMC has the right technology in place to protect its business, clients and platform.

Our investment in technology and operational processes allows us to expand with ease in the future, providing scalability, combined with exceptional dependability and speed, while driving down marginal costs as volumes grow.

Trading risk management

Part of the success of CMC Markets is our global trading risk management capability, dealing with high volumes of sophisticated multi-asset retail flow benefiting from a significant proportion of natural aggregation. Our strong capital and liquidity balances allow us to retain an element of net client portfolio risk, transferring the remaining risk through hedging to our external counterparties. This delivers a highly automated transactional based risk management strategy, allowing the business to deliver consistent and sustainable returns irrespective of underlying client performance and driving long term client engagement.

Risk appetite is controlled via strong governance and real time controls and oversight, within tightly defined risk parameters approved by the Board.

Progress

Enhancements to our trading tools during the year have further improved the returns of our highly automated transactional based risk management strategy. This has helped deliver improved daily average revenue, lower revenue variability and a lower percentage of loss days than the prior year.

The risk management framework ensures net exposures are managed within asset class level notional based limits. The risk limits along with our regulatory requirement, broker margins and FX net open position levels are all computed and displayed real-time in the dealer dashboards.

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 business. This includes a long-term level of capital to withstand the demands of financial fluctuations in the markets and access to a healthy level of surplus liquid resources in line with the size of our business and the growth opportunities which exist.

Progress

The Group monitors its capital position on a real time basis. The Group's capital position has increased compared with the prior year. (see Financial review, page 36). The Group's liquidity position has improved during the year (see Financial review, page 36) and the available credit facility demonstrates the robust liquidity profile of the Group. The facility provides additional capacity to support the Group's strategy of maintaining excess liquidity to fund both growth and client trading peaks.

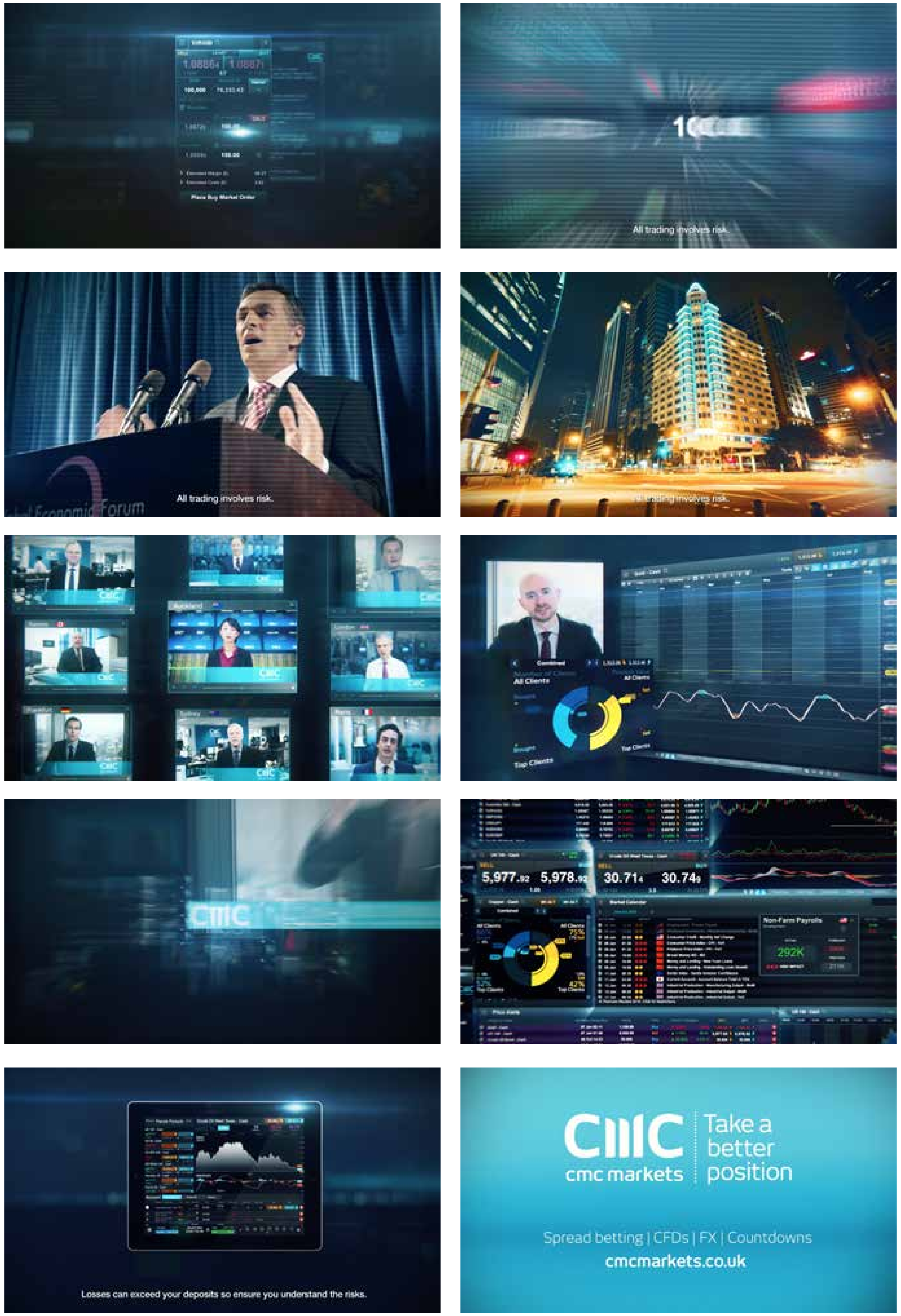
Our people

CMC Markets is committed to recruiting, developing, retaining and motivating exceptional people who are talented, innovative and determined to deliver on our promise to our clients.

The flat management structure and cross-departmental collaborative environment encourage knowledge sharing, ideas generation and rapid delivery.

Progress

Our people are core to everything that we do and we continue to ensure that we attract and retain the best talent available; our continuing commitment to our people is described in more depth in Corporate social responsibility (page 30).



New global TV campaign

Corporate social responsibility

CMC Markets has a responsibility to maximise shareholder returns, and this is aligned with striving to provide clients with the best service and platform, safety of deposits and best execution. This is achieved not only through the company having financial strength but also through investing in our employees and wider social practices.

Our people

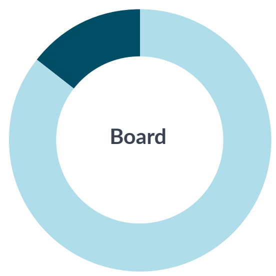
576[1] people work for the Group globally and the Group is committed to providing a safe, challenging, progressive and innovative place to work. The quality of our staff is essential to the success of the Group. We offer competitive employment packages, including a flexible benefit scheme to enable the Group to attract and retain the best available talent. In addition to the senior management and critical talent equity incentives, since listing, all UK employees are now offered the ongoing opportunity to contribute to an HMRC eligible Share Incentive Plan.

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

Diversity

As a Group, we are committed to having a diverse workforce, and believe that diversity brings valuable experience and skills to the business, through boosting the productivity of our employees. The Group provides a number of apprenticeship and graduate positions that offer individuals the opportunity to obtain new skills, as well as develop existing skillsets. The Group also provides learning and development opportunities, both on-the-job and through more formal training methods, for all employees, including the senior management team, in order to build critical capabilities across the Group by specifically developing our high-potential talent and driving business performance. We acknowledge that the diversity of the Group can be improved and the Board monitors this on an ongoing basis.

Male 422 Female 154



Male 6 Female 1

Male 15 Female 1

[1] Employees of the Group including contractors as at 31 March 2016
[2] Direct reports to CEO and subsidiary Directors excluding Board Directors as at 31 March 2016

Collaboration

We actively encourage our employees to suggest and contribute to pioneering and innovative ideas, which are fostered through our flat organisational structure. The Group strongly believes that the contribution of a diverse, talented and passionate team is vital for the continuing success of the company.

Equal opportunities

The Group highly values the differences and creativity that a diverse workforce brings and is committed to recruiting, developing and retaining a world class team irrespective of ethnicities, nationalities, sexual orientation, gender identity, beliefs, religions, cultures, and physical abilities. CMC Markets seeks to establish a culture that values meritocracy, openness, fairness and transparency.

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

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

Human rights

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

Health and safety

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

Clients

Clients are critical to the success of the business and we strive to deliver a high quality and efficient service to all of them. Client service is central to our strategy and is described in more depth in the Business review on page 16.

The Group fully segregates all retail client funds whether required by regulation or not. All funds are held separately in designated accounts to ensure that in the event of company default, client funds are safe and can be quickly returned to clients.

CFDs and spread bets are leveraged products and losses can exceed initial deposits. In order to help protect clients from suffering excessive losses, most client positions are automatically liquidated once margin has been reduced to agreed levels. Within the platform there are also a number of tools available to clients to effectively manage their risk.

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

We acknowledge that our products are not suitable for everyone so ensure that we follow strict guidelines when marketing our products, ensuring that our marketing material is fair, clear and not misleading. When clients open accounts we assess whether the product is appropriate for them by asking a number of key questions, including trading experience, income and savings.

Charities and the community

During the year ended 31 March 2016 CMC Markets donated 1% of profit before tax to charity totalling £540,000, with The Peter Cruddas Foundation receiving £450,000. The Peter Cruddas Foundation strap line is "Helping Young People Achieve More", and during the year a number of donations were made to a number of London based charities, selected through employee engagement.

In addition to the donations to The Peter Cruddas Foundation, CMC Markets' staff are encouraged to support charity through a company matching scheme, with CMC Markets matching every pound raised through employee sponsorship.

Our environmental impact

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

The running of our two UK data centres accounts for the majority of the Group's electricity usage, and we always look for opportunities to improve both the efficiency of the datacentres and the IT infrastructure housed in them. Over the past two years we have made considerable investment in our IT infrastructure, including moving the primary site to a new state of the art facility outside of London during 2015, which utilises fresh air cooling to minimise the power needed to run expensive cooling equipment. In our secondary datacentre site we recently installed cold aisle containment to reduce the cooling required, which is estimated to reduce energy usage on the site by as much as 20% per year. Further, the purchase of new server infrastructure has enabled the business to consolidate the amount of equipment required to support the platform,

reducing our overall footprint by approximately half. We have further consolidated our footprint overseas by closing or reducing the size of datacentre sites in Singapore and Sydney. All decommissioned equipment is recycled or disposed of in a secure and environmentally sound manner.

We are also mindful of and have consideration for the environmental impact of each of our global offices and have a clear preference for energy efficient rated office buildings. In this respect our UK head office is situated in a BREEAM (Building Research Establishments Environmental Assessment Method) rated building whose management team continually strive to increase sustainability.

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

Basis of preparation

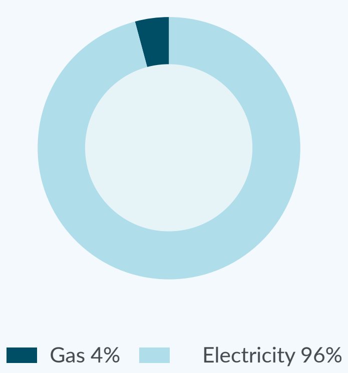
Greenhouse gas emissions are calculated in alignment with records used for the production of the consolidated financial statements for the relevant accounting period and conversion factors published by the Department for Environment, Food & Rural Affairs guidelines "Greenhouse Gas Conversion Factors for Company Reporting" issued on 10 June 2015. All emissions required under the Companies Act 2006 are included except where stated and include Scope 1 (direct emissions from gas consumption) and Scope 2 (indirect emissions from purchased electricity) emissions, but exclude Scope 3 (other emissions from business travel and waste) emissions. Global diesel usage for backup generators at one office location has been excluded from the report given that it is not material to our carbon emissions. The figures include emissions from all global offices.

Mandatory Greenhouse Gas emissions report by scope

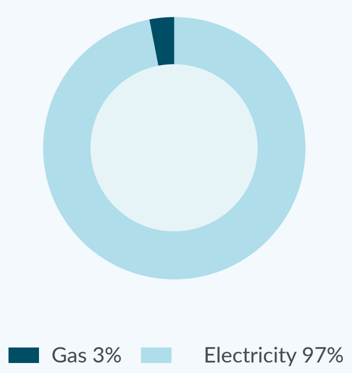
GROUP	Unit	Year ended 31 March 2016	Year ended 31 March 2015	% Change
Scope 1				
Natural Gas consumption	tCO_2e	105.9	108.4	(2%)
Scope 2				
Electricity consumption	tCO_2e	2,518.8	3,452.0	(27%)
Total global emissions	tCO_2e	2,624.7	3,560.4	(26%)
Net operating income	£m	169.4	143.6	
Intensity ratio (total global emissions / net operating income)	**tCO_2e / £m**	**15.5**	**24.8**	**(37%)**

The majority of the reduction in electricity consumption is due to switch over and consequent temporary dual running of two UK data centres during the year ended 31 March 2015. Further reductions were also achieved during the year ended 31 March 2016 through the efficiencies outlined above.

Total Emissions (tCO_2e)
Year ended 31 March 2016



Total Emissions (tCO_2e)
Year ended 31 March 2015



Financial review
KPIs

Revenue growth and operating effectiveness

Net operating income
up £25.8 million (18%) to £169.4 million

▲18%

FY15	143.6M
FY16	169.4M

Underlying profit before tax
up £10.5 million (20%) to £62.4 million

▲20%

FY15	£51.9M
FY16	£62.4M

Statutory profit before tax
up £9.9 million (23%) to £53.4 million

▲23%

FY15	£43.5M
FY16	£53.4M

Client value generation and client quality

Revenue per active client
up £112 (4%) to £2,828

▲4%

FY15	£2,716
FY16	£2,828

Active clients
up 7,026 (14%) to 57,329

▲14%

FY15	50,303
FY16	57,329

Delivery of shareholder value and returns

Profit after tax
up £7.8 million (22%) to £42.5 million

▲22%

FY15	£34.7M
FY16	£42.5M

Basic earnings per share
up 2.7 pence (22%) to 15.1 pence

▲22%

FY15	12.4p
FY16	15.1p

Dividend per share paid/proposed relating to the financial year
up 5.0 pence (88%) to 10.7 pence

▲88%

FY15	5.7p
FY16	10.7p

Client value generation and client quality

Value of client trades
up £445 billion (27%) to £2,071 billion

▲27%

FY15	£1,626Bn
FY16	£2,071Bn

Number of trades
up 22.2 million (50%) to 66.8 million

▲50%

FY15	44.6M
FY16	66.8M

Summary income statement

£m	2016	2015	Variance	Variance %
Net operating income	**169.4**	**143.6**	**25.8**	**18%**
Other income	**3.1**	**-**	**3.1**	**-**
Operating expenses	(112.3)	(92.3)	(20.0)	(22)%
EBITDA	**60.2**	**51.3**	**8.9**	**17%**
Analysed as:				
Underlying EBITDA	69.2	59.7	9.5	16%
Net exceptional items[1]	(9.0)	(8.4)	(0.6)	(6)%
EBITDA	**60.2**	**51.3**	**8.9**	**17%**
Depreciation and amortisation	(6.0)	(6.9)	0.9	13%
Finance costs	(0.8)	(0.9)	0.1	14%
Profit before tax	**53.4**	**43.5**	**9.9**	**23%**
Analysed as:				
Underlying profit before tax	62.4	51.9	10.5	20%
Net exceptional items[1]	(9.0)	(8.4)	(0.6)	(6)%
Profit before tax	**53.4**	**43.5**	**9.9**	**23%**
Underlying PBT margin	36.8%	36.2%	0.6%	-
PBT margin	31.5%	30.3%	1.2%	-
Profit after tax	**42.5**	**34.7**	**7.8**	**22%**
Underlying profit after tax [2]	**50.7**	**40.9**	**9.8**	**24%**

Pence	2016	2015	Variance	Variance %
Basic EPS	**15.1**	**12.4**	**2.7**	**22%**
Underlying Basic EPS	**18.0**	**14.6**	**3.4**	**23%**

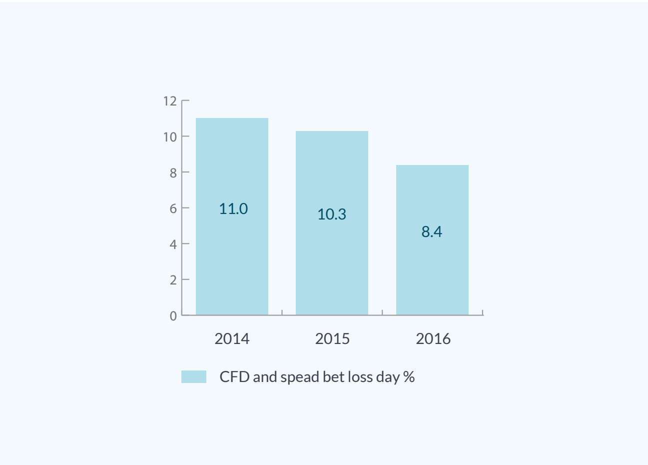
[1] Consists of £3.1m exceptional income and £12.1m exceptional costs
[2] Based on implied tax payable should exceptional items not have been incurred

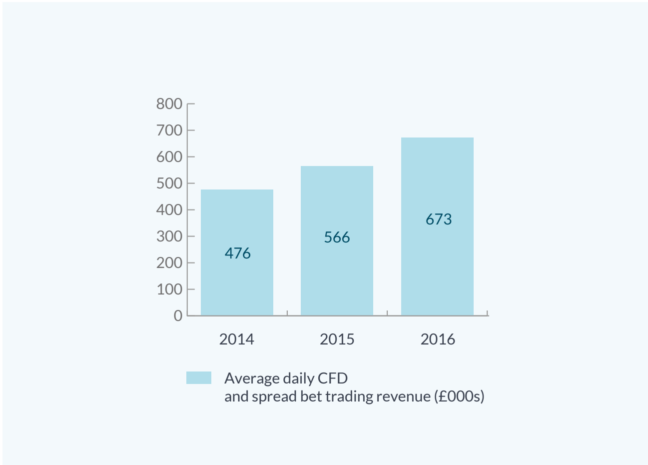
Summary

Net operating income grew £25.8 million (18%) to £169.4 million, driven by the continuing focus on the Group's strategic initiatives, all of which have made a contribution to delivering improvements in both active client numbers and trading activity.

The UK continued to grow at an encouraging pace in what is the largest mature market in the sector; our increased digital marketing efforts are starting to deliver positive results; opening of our new Poland office and change of management in France are starting to show improving performance; regarding new products, Countdowns were released in the UK, Australia and New Zealand in July 2015 and the remainder of Europe in November 2015 and contributed gross revenue of £4.3 million over the period since launch; and our institutional Partners team has begun actively selling our Partners Next Generation offering.

Although average market volatility remained lower than has been seen historically, it was higher than the previous year and this was also a contributory factor to the rise in trading activity. The higher levels of trading activity were illustrated through a £445 billion (27%) increase in the value of client trades to £2,071 billion, including a record month in August 2015. Against this backdrop the continual refinement of the risk management strategy has demonstrated its value through improved consistency of the Group's daily revenue flow as well as a reduction in the amount of loss days.





Active client numbers and revenue per active client (RPC) increased by 7,026 (14%) to 57,329 and £112 (4%) to £2,828 respectively. RPC growth was moderate but demonstrates the growth in active clients has not come at the detriment of the overall quality of the client base. At £2,828 our RPC is amongst one of the highest in the industry and importantly is shown after we returned a record £10.5 million to clients through our global rebate programme.

Total costs increased by £19.0 million (19%) to £119.1 million. Excluding exceptional costs, the year-on-year increase was £15.3 million (17%). This increase was driven by investment in personnel and increased marketing activity, partly offset by lower amortisation costs.

Underlying profit before tax increased by £10.5 million (20%) to £62.4 million, and our underlying profit before tax margin increased by 0.6% to 36.8%. As we have continued to invest in the business for the future we have been able to improve our margin.

Statutory profit before tax increased by £9.9 million (23%) to £53.4 million and profit before tax margin[1] increased by 1.2% from 30.3% to 31.5%.

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

Net operating income overview

£m	2016	2015
CFD and spread bet (including binaries) net revenue	162.2	136.6
Stockbroking (exc interest income)	5.2	5.1
Interest income	1.8	2.1
Other operating income	0.2	(0.2)
Net operating income	**169.4**	**143.6**

Retail rebates, included within net operating income, increased by £3.5 million (50%) to £10.5 million. We continue to be committed to our clients and our monthly rebate scheme, which is based on the notional value that they trade, is central to this commitment.

Partner and institutional rebates have also grown against the prior year, as the Next Generation institutional offering has been released. This has resulted in existing Partner clients trading more as they have migrated to the Next Generation platform as well as attracting new institutions.

Regional performance overview: CFD and spread bet

	2016			
	Net revenue (£m)	Value of trades (£bn)	Active Clients	RPC (£)
UK	63.1	746	17,268	3,652
Europe	48.5	672	21,714	2,234
APAC & Canada	50.6	653	18,347	2,760
Total	**162.2**	**2,071**	**57,329**	**2,828**

	2015			
	Net revenue (£m)	Value of trades (£bn)	Active Clients	RPC (£)
UK	48.6	548	15,417	3,152
Europe	45.4	553	20,019	2,269
APAC & Canada	42.6	525	14,867	2,864
Total	**136.6**	**1,626**	**50,303**	**2,716**

	% change			
	Net revenue (£m)	Value of trades	Active Clients	RPC
UK	30%	36%	12%	16%
Europe	7%	22%	8%	(2%)
APAC & Canada	19%	24%	23%	(4%)
Total	**19%**	**27%**	**14%**	**4%**

UK

The value of client trades in the UK was 36% ahead of the prior year at £746 billion (FY15: £548 billion), with active client numbers up by 12% during the year to 17,268 (FY15: 15,417). The annual Investment Trends study published in October 2015 highlighted an increase in primary market share for CMC, in a UK spread betting market that grew by 4% to 81,000 active clients. Continued improvements to product, platform and service were underpinned by Investment Trends data with CMC ranked in the top three in seventeen of eighteen categories relating to client satisfaction, with first place rankings in twelve categories including overall quality of service. Client acquisition has improved by 10% from the prior year following further investment in developing the digital marketing infrastructure. Client quality and retention again improved during the year with revenue per active client up 16% during the year to £3,652 (FY15: £3,152), with a continued focus on attracting and retaining high value clients, those that are both new to the market or switching to CMC from direct competitors.

Europe

Europe comprises the German, French, Italian, Spanish, Norwegian and Swedish offices, as well as our new Austrian and Polish offices which opened during the year. Our Polish office will serve the wider Central and Eastern Europe region. The value of client trades in Europe was 22% ahead of the prior year at £672 billion (FY15: £553 billion). Active client numbers were up 7% in the year at 21,714 (FY15: 20,019). A market leading position was maintained in Germany[1], CMC's core European market with a 17% market share of primary CFD active clients, and the launch of automatic client verification providing greater efficiency in the client onboarding process. There was a strong performance from France, with the value of trades 70% ahead of the prior year at £33 billion (FY15: £20 billion) following changes to the management team and further investment in marketing spend. The last remaining clients were migrated from CMC's legacy Market Maker platform to the Next Generation platform during the year. White and grey label Partners functionality was developed in local language for our European offices.

Countdowns launch on the Polish website

[1] Investment Trends April 2015 Germany CFD & FX Report

APAC and Canada

Our APAC and Canada business, which services clients from our Sydney, Auckland, Singapore and Toronto offices, continued to grow during the year with the value of client trades 24% ahead of the prior year at £653 billion (FY15: £525 billion), new accounts up 43% and active client numbers up 23%. Our continuing success across all key financial metrics has been further recognised externally by Investment Trends[1] with CMC achieving the number one ranking in terms of market share for CFD high value clients in Australia, number one market share for frequent trading FX clients in Australia, and number one primary market share for CFD high value clients in Singapore. This demonstrates success in our continued goal to acquire and support our high value client base. These independent reports also showed that CMC had the highest prompted brand awareness in the Australian market, and therefore CMC's brand profile is continuing to build strength in the region.

Stockbroking

The Australian stockbroking business improved on prior year performance, with trading revenues of £5.2 million (2015: £5.1 million), driven by continued strong client acquisition. This is despite a stagnant local index combined with poor ongoing sentiment driven by the performance of local bank and resources stocks, the slowdown seen in both China and other emerging markets and adverse currency movements.

During the year the stockbroking business launched their Pro Platform build using HTML5 to complement its successful frequent trader strategy, and also supported several on-market capital raisings through the ASX on-market bookbuild service. Further, the wholesale business grew through winning several mandates which included a white label partnership with Australia's fifth largest bank.

The CMC Markets sponsored NSW Waratahs in action

[1] Investment Trends June 2015 Australia CFD Report, Investment Trends November 2015 Australia FX Report, Investment Trends August 2015 Singapore CFD & FX Report

Head of Product Development Ryan O'Doherty introduces the new Australian stockbroking Pro Platform

Interest income

The low interest rate environment has meant that interest income has reduced marginally from an already low base to £1.8 million (FY15: £2.1 million). This is mainly earned through our segregated client deposits in our Australia, New Zealand and stockbroking subsidiaries.

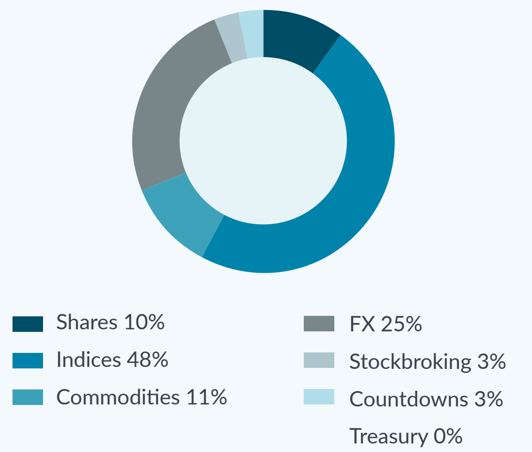
Other income

All other income of £3.1 million relates to a litigation settlement. Given its one-off nature, the Group has classed the income as exceptional.

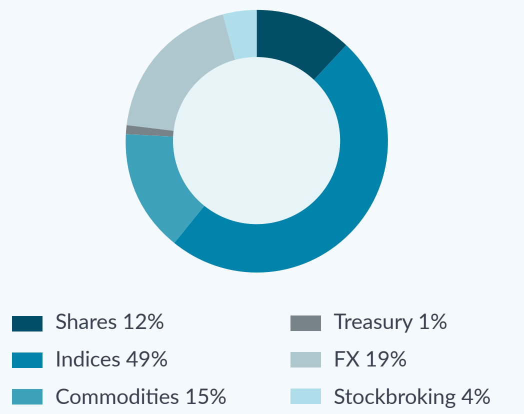
Asset class performance

Indices continue to generate the majority of the Group's revenue (excluding interest and other operating income) on an asset class basis. FX has improved its revenue share due to more trading opportunities in this asset class during the financial year leading to an improvement in value of client trades.

FY16 Revenue by asset class



FY15 Revenue by asset class



Expenses

The London Stock Exchange listing has been a major driver in the increase in operating expenses during the year. Given the one-off nature of these costs, they have been classed as exceptional items. Total costs and exceptional items are separated below such that changes to the Group's underlying cost base can be more easily understood.

Exceptional items in the current year consist of £4.8 million professional fees relating to the listing, £6.2 million share based payment incentives awarded to staff at the listing, and other costs, including associated irrecoverable VAT, of £1.1 million. Exceptional costs in the prior year relate to the £4.6 million settlement of an Australian litigation case and the associated legal costs and £3.8 million relating to provisions and write-offs of client debt arising from the Swiss National Bank decision to release the Swiss Franc peg.

The Group's underlying operating expenses increased by £16.3 million (19%) to £100.2 million with higher net staff costs (£5.4 million increase) due to investment in key areas of the business, continuing growth in digital and brand marketing spend (£4.6 million increase) and increases in other costs with higher irrecoverable sales tax and bad debts the main drivers of the rise. The increased investment in personnel and marketing spend has directly contributed to the 14% increase in active clients.

£m	2016	2015
Net staff costs	46.1	40.7
IT costs	12.7	11.4
Sales and marketing costs	18.3	13.7
Premises costs	4.8	5.6
Legal and professional fees	3.6	2.9
Regulatory fees	2.7	2.1
Other	12.0	7.5
Total operating expenses before exceptional items	**100.2**	**83.9**
Exceptional costs	12.1	8.4
Total operating expenses	**112.3**	**92.3**
Depreciation and amortisation	6.0	6.9
Interest	0.8	0.9
Total costs	**119.1**	**100.1**

Staff costs

Net staff costs increased £5.4 million (13%) to £46.1 million, with investment in headcount, particularly in client acquisition, marketing and IT development, leading to average headcount rising from 473 to 539 (14%). Performance related pay increased broadly in line with average headcount.

£m	2016	2015
Wages and salaries	34.5	31.1
Performance related pay	8.7	6.9
Share-based payments (note 28)	1.1	1.0
Total employee costs	**44.3**	**39.0**
Contract staff costs	1.8	1.7
Net staff costs	**46.1**	**40.7**

Sales and marketing costs

Sales and marketing costs increased £4.6 million (34%) to £18.3 million during the year as we continue to invest in our brand profile and growing our client base, with a particular focus on digital channels. Brand activity included the sponsorship of the Land Rover BAR America's Cup sailing team and the continuing support of the New South Wales Waratahs rugby team in Australia.

Aside from the brand spend, the main increases in expenditure were seen in our main hubs of the UK and Australia. The opening of the new Poland office also contributed towards the increase in expenditure.

Other expenses

IT costs increased £1.3 million (11%) to £12.7 million, due to additional expenditure in the cyber security area and increased market data costs.

Other costs increased by £4.5 million (59%) to £12.0 million, with the main contributors being a rise in irrecoverable sales tax, which has increased along with expenditure, and an increase in bad debts caused by market gaps through periods of high volatility.

Taxation

The effective tax rate for the year was 20% (2015: 20%). The majority of the Group's profits are taxed in the UK and the reduction in the UK corporation tax rate from 21% to 20% had a positive effect. In addition, the Group benefited from higher utilisation of Australian corporation tax credits, which largely offset the impact of disallowable exceptional costs associated with the listing.

Profit after tax for the year

The increase in profit after tax for the year of £7.8 million (22%) to £42.5 million (2015: £34.7 million) illustrates the continuing success of the Group's strategy with a focus on client service, continuing innovation with enhancements of the award winning platform.

Dividend

Dividends of £24.9 million were paid during the year (FY15: £12.0 million), £10.0 million relating to a final dividend for the prior year paid in May 2015, with a £9.9 million interim dividend and a special dividend of £5.0 million paid in November 2015 in relation to the current year performance. The Group remains committed to a dividend policy of paying 50% of underlying post-tax profit as dividends.

Group statement of financial position

£m	2016	2015
Intangible assets	2.6	3.7
Property, plant and equipment	16.4	17.4
Deferred tax assets	7.7	7.5
Total non-current assets	**26.7**	**28.6**
Trade and other receivables	20.9	18.8
Derivative financial instruments	0.8	3.2
Financial investments	20.4	0.0
Amount due from brokers	84.2	109.8
Cash and cash equivalents	78.3	38.6
Total current assets	**204.6**	**170.4**
Total assets	**231.3**	**199.0**
Trade and other payables	34.6	38.8
Derivative financial instruments	5.0	0.8
Borrowings	1.4	1.4
Current tax payable	7.8	3.5
Short term provisions	0.2	4.3
Total current liabilities	**49.0**	**48.8**
Trade and other payables	3.5	3.9
Borrowings	1.1	2.5
Deferred tax liabilities	0.0	0.1
Long term provisions	1.4	1.4
Total non-current liabilities	**6.0**	**7.9**
Total liabilities	**55.0**	**56.7**
Total equity	**176.3**	**142.3**
Total equity and liabilities	**231.3**	**199.0**

Non-current assets

The Group is committed to investing in and developing its trading platform and these costs are expensed as incurred. The majority of intangible assets relate to the net book value of software licences rather than net capitalised internal development costs.

Current assets

Trade and other receivables relate mainly to client receivables from Stockbroking positions yet to settle, prepayments, amounts due from our segregated client accounts on the next working day and other client debtors. **Amount due from brokers** relates to cash held at brokers either for initial margin or to reduce interest payable on the Group's overall hedge position. **Cash and cash equivalents** have increased significantly during the course of the year with cashflow generated from operations either being held as cash or financial investments. Cash generated from the listing was used to fund the exceptional costs associated with the event. **Financial investments** relate to the FCA BIPRU12 requirement to hold eligible assets against potential liquidity stress. This investment was made during November and December 2015.

Current liabilities

Trade and other payables consist mainly of accruals and deferred income, amounts due on Stockbroking trades yet to settle, and amounts due to clients in relation to title transfer funds. **Current tax payable** has increased significantly to £7.8 million (FY15: £3.5 million) due to the increase in Group profits. The decrease in **provisions** relates to an Australian litigation settlement that was paid in April 2015.

Non-current liabilities

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

Regulatory capital

For the year under review, CMC Markets was supervised on a consolidated basis by the UK's Financial Conduct Authority (FCA). The Group maintained a significant capital surplus over the regulatory requirement at all times.

The Group's Tier 1 capital increased due to the rise in retained earnings relating to audited 2016 profits, capital raising as a result of the listing and lower intangible assets on the balance sheet. Deduction for deferred tax assets has been taken from the Tier 1 capital through a phased approach in accordance with the EU Capital Requirements Directive IV (CRD IV).

At 31 March 2016 the capital resources represented 31.2% of the capital resources requirement (31 March 2015 27.9%). 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 4 to the financial statements.

Regulatory Capital	2016	2015
Total capital resources (£m)	154.3	135.9
Total risk exposure (£m)	494.9	487.5
Total capital ratio (%)	31.2%	27.9%

Note: capital resources include audited reserves and any changes to deferred tax assets resulting from the audit process and proposed dividends.

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, excluding all cash held on behalf of segregated clients. Own funds includes investments in UK government bonds which are held to meet the Group's liquid asset buffer (LAB - as agreed with FCA). These UK government bonds are BIPRU 12.7 eligible securities and are available to meet liabilities which fall due in periods of stress.

- **Title Transfer Funds (TTFs).** This represents funds received from professional clients and eligible counterparties (as defined in the FCA Handbook) that are held under a Title Transfer Collateral Agreement (TTCA); a means by which a professional client or eligible counterparty may agree that full ownership of such funds is unconditionally transferred to the Group. The Group considers these funds as an ancillary source of liquidity and places no reliance on its stability.

- **Available committed facility.** (off-balance sheet liquidity). The Group has access to a facility of up to £40.0m (March 2015: £40.0 million) in order to fund any potential fluctuations in margins required to be posted at brokers to support our risk management strategy. The maximum amount of the facility available at any one time is dependent upon the initial margin requirements at brokers and margin received from clients. The facility consists of a one year term facility of £20.0 million and a three year term facility of £20.0 million, both of which will be renewed during June 2016.

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

- **Blocked cash.** Amounts held to meet the requirements of local market regulators and amounts held at overseas subsidiaries in excess of local segregated client requirements to meet potential future client requirements.
- **Internal liquidity buffer.** An amount that represents the Group's liquidity risk appetite. This is based on the liquidity requirements of the Group under a number of stress tests (conducted according to the FCA's 'ILAS' regime) and other 'traditional' liquidity measures. This internal buffer is set at £10.0 million in excess of the regulatory LAB requirement.
- **Initial margin requirement at broker.** The total GBP equivalent initial margin required by prime brokers to cover the Group's hedge derivative positions.

At 31 March 2016, the Group held cash balances of £78.3 million (2015: £38.6 million). In addition, £226.1 million (2015: £232.3 million) was held in segregated client money accounts for clients. The movement in Group cash and cash equivalents is set out in the Consolidated Cash Flow Statement.

Own funds have increased to £176.4 million (2015: £143.1 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 4 of the financial statements.

£m	2016	2015
Own funds	176.4	143.1
Title transfer funds	2.2	7.8
Available committed facility	25.5	36.8
Total available liquidity	**204.1**	**187.7**
Less: Blocked cash	(14.9)	(14.9)
Less: Internal liquidity buffer	(30.0)	(30.0)
Less: Initial margin requirement at broker	(54.7)	(52.8)
Surplus total available liquidity[1]	**104.5**	**90.0**

Client Money

Total client money held by the Group on behalf of its retail clients including regulatory buffers held in client money bank accounts was £230.7 million at 31 March 2016 (2015: £233.4 million). Client money is held by the Group in trust for its retail clients and is not included in available liquid assets.

Client funds represent the latent capacity for our clients to trade and offer an underlying indication to the health of our client base.

Client money governance

The Group segregates all money held by it on behalf of retail clients in accordance with applicable client money regulations in countries in which it operates and in particular the CASS rules of the UK Financial Conduct Authority (FCA). All segregated client funds are held in dedicated client money bank accounts with major banks that meet strict internal criteria and are held separately from the Group's own money.

The Group has comprehensive client money processes and procedures in place to ensure client money is identified and protected at the earliest possible point after receipt as well as governance structures which ensure such activities are effective in protecting client money. The Group's governance structure is explained further on pages 64 to 72.

Principal risks and uncertainties

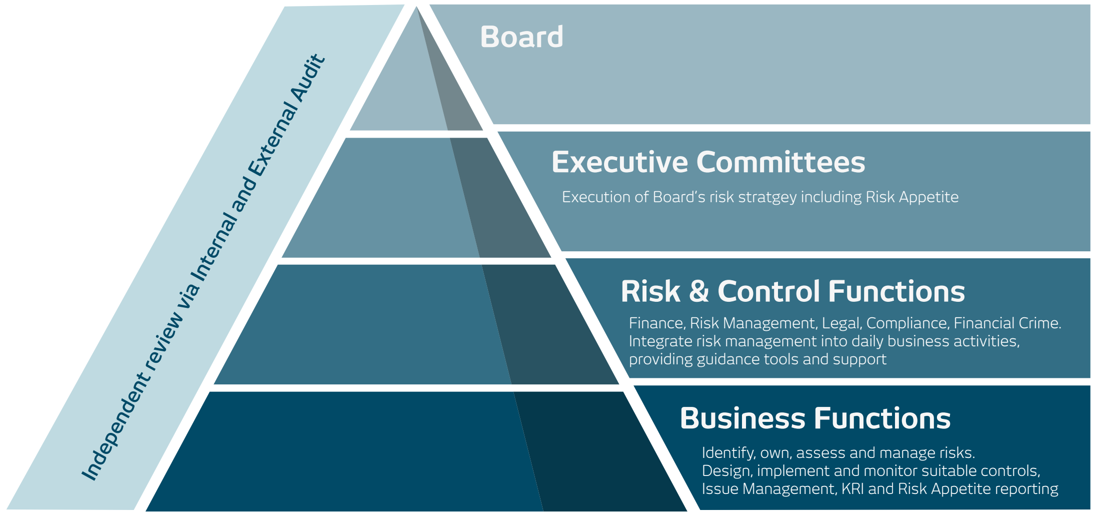
The Group's business activities naturally expose it to strategic, financial and operational risks inherent in the nature of the business it undertakes and the financial, market and regulatory environments in which it operates. The Group recognises the importance of understanding and managing these risks 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.

[1] Surplus total available liquidity is defined as the liquidity in excess of the Group's liquidity risk appetite and is the Group's key liquidity measure.

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

- Identification, evaluation 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.
- Establishment and maintenance of 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 Groups' strategic objectives. The structure is regularly reviewed and monitored and any changes are subject to Board approval. Furthermore, management regularly considers updates to the processes and procedures to embed good corporate governance throughout CMC Markets.



As part of the Group Risk Management Framework, the business is subject to independent assurance by external and 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) provide additional support to the integrated assurance programme and ensure that the Group is effectively identifying, managing and reporting its risks.

The Group has established a Risk Management Framework the main components of which are:-

- Identification and evaluation of the principal risks the Group is exposed to;
- Setting an appetite for the amount of risk the Board is willing to take to achieve its strategic objectives and having measures in place to monitor this;
- Maintaining governance, policies and other systems and controls to enable the Group to operate within the Board's appetite for risk.

The Group has made enhancements to its Risk 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, including those that would threaten its business model, future performance, solvency or liquidity and how they are managed or mitigated (code C.2.1.) These are outlined below and details of financial risks and their management are set out in note 4 to the financial statements.

Further information on the structure and workings of Board and Management committees is included in the Corporate Governance report on page 64.

Category	Risk	Description	Management and Mitigation
Business and strategic risks	**Acquisitions and disposals**	The risk that mergers, acquisitions or disposals made by the Group do not achieve the stated strategic objectives or that they give rise to on-going or previously unidentified liabilities.	• Robust Corporate Governance structure including strong challenge from independent Non-Executive Directors. • Vigorous and independent due diligence process. • Align and manage the businesses to Group strategy as soon as possible after acquisition.
	Strategic / Business model risk	The risk of an adverse impact resulting from the Group's strategic decision-making as well as failure to exploit strengths or to take opportunities. It is a risk which may cause damage or loss, financial or otherwise to the Group as a whole.	• Strong governance framework established including three independent Non–Executive Directors and the Chairman sitting on the Board. • Robust governance, challenge and oversight from independent Non-Executive Directors. • Managing the Group in line with the agreed strategy, policies and risk appetite. • Group Risk is involved in the annual budgeting process.
	Regulatory change	The risk that changes to the regulatory framework the Group operates in impacts the Group performance. 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.	• Monitoring of market and regulator sentiment towards product offering. • Compliance department monitor and advise on impact of actual and possible regulatory change. • Active dialogue with regulators and industry bodies. • Flexible business model that is responsive to changes in regulatory requirements.
	Reputational risk	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.	• The Group is conservative in its approach to reputational risk and operates robust controls to ensure significant risks to its brand and standing are appropriately mitigated. Examples include:- - Proactive engagement with the Group's regulators and active participation with trade and industry bodies. - Positive development of media relations with strictly controlled media contact.

Category	Risk	Description	Management and Mitigation
Financial risks	**Credit and counterparty risk**	The risk of a client, custodian or counterparty failing to fulfil contractual obligations, including settlement, resulting in financial loss for the Group. Specifically: **Client credit risk:** Financial losses may be incurred in cases where the adverse price move exceeds the margin that a client holds to maintain their position, followed by the client defaulting against their contractual obligations to pay the deficit. **Counterparty credit risk:** A Financial Institution failing to meet or defaulting on their obligations in accordance with agreed terms.	Client credit risk: The Group's management of client credit risk is significantly aided by automatic liquidation functionality where margin levels are continuously reviewed. If they fall below pre-agreed levels, the positions held on the account will automatically be closed out. Other platform functionality mitigates risk further: • Tiered margin requires clients to hold more collateral against bigger or higher risk positions. • Mobile phone access allowing clients to manage their portfolios on the move. • Guaranteed Stop Loss Orders allowing a client to remove their chance of debt from their position(s). However, after mitigations, there is a residual risk that the Group could incur losses relating to clients moving into debit balances if there is a market gap. Counterparty credit risk: Risk management is carried out by a central Liquidity Risk Management (LRM) team under the Counterparty Concentration Risk Policy, approved by the Board of Directors. Mitigation is achieved by: • Monitoring concentration levels to counterparties and reporting these internally/externally on a monthly/quarterly basis. • Monitoring the credit ratings and Credit Default Swap (CDS) spreads of counterparties and reporting internally on a weekly basis. Further information is available in note 4 to the financial statements.
	Financial reporting risk	The risk that financial, statutory or regulatory reports are submitted late, incomplete or are inaccurate.	• Robust process of checking and oversight in place to ensure accuracy. • Knowledgeable and experienced staff undertake and overview the relevant processes.
	Insurance risk	The risk that an insurance claim by the Group is declined (in full or in part) or there is insufficient insurance coverage.	• Reputable broker deals with the insurance and ensures cover is placed with financially secure insurers. • Comprehensive levels of cover maintained. • Rigorous claim management procedures are in place with the broker. • The Board's appetite for uninsured risk is low and as a result the Group has put in place established comprehensive levels of insurance cover.

Category	Risk	Description	Management and Mitigation
Financial risks (continued)	**Liquidity risk**	The risk that there is insufficient available liquidity to meet the liabilities of the Group as they fall due.	Risk management is carried out by a central Liquidity Risk Management (LRM) team under policies approved by the Board and in-line with the FCA's ILAS regime. The Group utilises a combination of liquidity forecasting and stress testing to identify any potential liquidity risk both during normal and stressed conditions. The forecasting and stress testing fully incorporates the impact of all liquidity regulations in force in each jurisdiction and other impediments to the free movement of liquidity around the Group. Risk is mitigated by: • The provision of timely daily, weekly and monthly liquidity reporting and real-time broker margin requirements to enable strong management and control of liquidity resources. • A £40 million committed bank facility to meet short-term liquidity obligations to broker counterparties in the event that it does not have sufficient access to its own cash. • 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. For more information see note 4 to the financial statements.
	Market risk	Market risk is defined as the risk that the value of our residual portfolio will decrease due to changes in market risk factors. The three standard market risk factors are price moves, interest rates and foreign exchange rates.	Trading risk management monitors and manages the exposures it inherits from clients on a real time basis and in accordance with Board approved appetite. CMC Markets predominantly acts as a market maker in linear, highly liquid financial instruments in which it can easily neutralise all market risk exposure through its prime broker (PB) arrangements. This significantly reduces the Group's revenue sensitivity to individual asset classes and instruments. 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. For further information see note 4 to the financial statements.

Category	Risk	Description	Management and Mitigation
Operational risks	**Business change risk**	The risk that business change projects are ineffective, fail to deliver stated objectives, or result in resources being stretched to the detriment of business as usual activities.	• Governance process in place for all business change programmes with Executive and Board oversight and scrutiny. • Key users engaged in development and testing of all key change programmes. • Significant post-implementation support, monitoring and review procedures in place for all change programmes. • Strategic benefits and delivery of change agenda communicated to employees.
	Business continuity & disaster recovery risk	The risk that a physical business continuity event or system failure results in a reduced ability or inability to perform core business activities or processes.	• Dedicated business continuity functional support within Operational Risk Function. • Use of external specialist premises to enhance resilience in the event of a disaster recovery or business continuity requirement. • Periodic testing of business continuity processes and disaster recovery. • Prompt response to significant systems failures or interruptions.
	Financial crime risk	Financial Crime covers a number of unlawful activities including fraud (first and third party), theft, scams, confidence tricks, tax evasion, bribery, embezzlement, identity theft, money laundering, forgery, counterfeiting and acts of terrorism.	• Adoption of the risk based approach to financial crime, including undertaking formal and regular risk assessments across global operations. • Global reporting procedures and surveillance processes in place using local compliance and legal expertise. • Regular and on-going training and awareness programme in place for staff at all levels and in all jurisdictions. • Group Whistleblowing policy provides a clear framework for escalation of issues.
	Information and data security risk	The risk of unauthorised access to or external disclosure of client or company information.	• Dedicated Information Security & Data Protection resource/expertise within the Group. • Technical and procedural controls implemented to minimise the occurrence of information security and data protection breaches. • Access to information only provided on a "need to know" and "least privilege" basis consistent with the user's role and requires appropriate authorisation. • Key data loss prevention initiatives and regular system access reviews implemented across the business.

Category	Risk	Description	Management and Mitigation
Operational risks (continued)	**Information technology and infrastructure risk**	The risk of loss of technology services due to loss of data, system or data centre, or failure of a third party to restore services in a timely manner.	• Continuous investment in increased functionality, capacity and responsiveness of systems and infrastructure. • Rigorous software design methodologies, project management and testing regimes to minimise implementation and operational risks. • Constant monitoring of systems performance and in the event of any operational issues, changes to processes are implemented to mitigate future concerns. • Operation of two data centres in the UK. • Systems and data centres designed for high availability and data integrity. • Continuous service available to clients in the event of individual equipment failures or major disaster recovery events.
	Legal (Commercial / Litigation) risks	The risk that disputes deteriorate into litigation.	• Compliance with legal and regulatory requirements including relevant codes of practice. • Early engagement with legal advisors and other risk managers. • Appropriately managed complaints which have a legal/litigious aspect. • An early assessment of the impact and implementation of changes in the law.
	Operations (Processing) risks	The risk that the design or execution of business processes is inadequate or fails to deliver an expected level of service and protection to client or company assets.	• Investment in system development and upgrade to improve process automation. • Enhanced staff training and oversight in key business processing areas. • Monitoring and robust analysis of errors and losses and underlying causes.
	Outsourcing and procurement risks	This is the risk of third party organisations inadequately or failing to provide or perform the outsourced activities or contractual obligations to the standards required by the Group.	• Outsourcing only employed where there is a tactical gain in resource or experience. • Due diligence performed on service supplier ahead of outsourcing being agreed. • Service level agreements in place and regular monitoring of performance undertaken.

Category	Risk	Description	Management and Mitigation
Operational risks (continued)	**People risk**	The risk of loss of key staff, or having insufficient skilled resources available.	• The Board has directed that the Group maintain an active succession and resource plan for all key individuals and groups/teams, which will mitigate some of the risk of loss of key persons. It will adopt policies and strategies commensurate with its objectives of: - attracting and nurturing the best staff; - retaining key individuals; - developing personnel capabilities; - optimising continuous professional development; - achieving a reputation as a good employer with an equitable remuneration policy.
	Regulatory and compliance risk	The risk of regulatory sanction or legal proceedings as a result of failure to comply with regulatory, statutory or fiduciary requirements or as a result of a defective transaction.	• Effective compliance function. • Internal audit outsourced to an independent third party professional services firm. • Effective compliance oversight, planning and implementation. • Comprehensive monitoring programmes by compliance and internal audit. • Controls for appointment and approval of staff holding a controlled function and annual declarations to establish ongoing fitness and propriety. • Governance and reporting of regulatory risks through the Risk Management Committee, Group Audit Committee and Group Risk Committee. • Anti-money laundering controls for client due diligence and sanctions checking.

Grant Foley
Chief Financial Officer & Head of Risk
7 June 2016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FX
Equities_US
Equities_EUR
Treasuries
Countdowns
Equities_ASIA
Commodities
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Binary_Vol
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434
4
0 %
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Active 6774
Sessions 8161
Max 13026
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UK2 MDH 02 323
UK3 MDH 01 321
UK3 MDH 02 320
Charting Requests
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UK3
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1385
2621
1428
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1.00 Node 2 Trade Rate
0.00 Node 3 Trade Rate
1.00 Node 4 Trade Rate
1.50 Node 5 Trade Rate
Trades Today
UK 16:53:05
17-May-2016
AU 01:53:05
Market Data Distribution
Pricing Engine (PROD)
Pricing Engine (DR)
Trading Engine
MD Distribution
Trading Engine
Pricing Engine
Charting
FX Pricing Feeds
Mobile / API

Governance
Chairman's letter

Dear Shareholders,

On behalf of the Board, I am pleased to present our Group Corporate Governance report, our first since becoming a public company. The Board recognises that an effective governance framework is key to ensuring the Group remains successful and all Directors are committed to ensuring that high standards of corporate governance are achieved. However, given that there was a short period of seven weeks between listing and the financial year end, it was not possible to address all UK Corporate Governance Code ("the Code") provisions.

The importance of good corporate governance in the effective management of the Group was a key principle of the management team prior to listing on the London Stock Exchange and we will continue to improve our governance arrangements following listing. The Group already complied with a number of the Code principles and provisions prior to listing and during the listing preparation the opportunity was taken to conduct a comprehensive review of the existing governance structure.

Board composition

The Group welcomed three new independent Non-Executive Directors to the Board during this financial period, namely, Manjit Wolstenholme (Senior Independent Director), Malcolm McCaig and James Richards. The knowledge, skills and experience that these directors bring to the Group have strengthened the Board and the directors continue to add an independent voice as we grow as a listed company. A short biography of all directors can be found on pages 64 to 67.

After nine years of service John Jackson retired as a Non-Executive Director in June 2015. John continued to work with the Group as an adviser until February 2016 to ensure a smooth and orderly process towards listing and on behalf of the Board and the Group I would like to thank John for his hard work and contribution to the Company and Group.

London Stock Exchange listing preparation

In preparation for listing it was recognised that while the internal governance structure was fit for purpose, additional work was required to enhance the structure in order to satisfy certain governance requirements of a premium listed company. As a result, a number of work streams were instigated to ensure that the Company's operations as a listed company complied with relevant regulations and guidance.

The Group Audit Committee, Group Risk Committee, Remuneration Committee and Nomination Committee ("the Board Committees"), made up of independent Non-Executive Directors, and the Chairman where appropriate, have been restructured and the number of meetings increased. The restructure included:

- Separation of the role and responsibilities of the Audit and Risk Committee into two committees; the Group Audit Committee and Group Risk Committee; and
- Separation of the role and responsibilities of the Nomination and Remuneration Committee into two committees; the Remuneration Committee and the Nomination Committee.

The responsibilities and value added by these Board Committees are stated under the respective committee reports on pages pages 74 to 83 and their terms of reference are available on the investor relations page of the Company website (http://www.cmcmarkets.com/group/investor-relations).

Board effectiveness

As part of the preparation for listing, the balance of skills, experience and independence of the Board and individual directors was reviewed. As well as the appointment of three independent Non-Executive Directors, all directors received training on the duties and responsibilities of a listed company director and the Board under the Code, the Disclosure and Transparency Rules and the Listing Rules. The Code can be found on the Financial Reporting Council website. The Board did not conduct a formal effectiveness review during the period from listing in February 2016 to 31 March 2016. A formal effectiveness review is required under principle B.6 of the Code at least annually.

A formal evaluation of the effectiveness and structure of the Board and Board Committees will be completed during 2016 and it is intended for an independent, externally facilitated evaluation to be completed in 2017.

Shareholder engagement

As Chairman, I am responsible for the effective communication between shareholders and the Company and for ensuring the Board understands the views of major shareholders. I look forward to listening to the views of our shareholders at the Company's 2016 Annual General Meeting. The Chief Executive Officer and the Chief Financial Officer & Head of Risk have met with a number of major shareholders during the year, not only as part of the listing process but since listing to ensure an ongoing dialogue is maintained.

Simon Waugh
Chairman
7 June 2016

During the period from listing of the Company's shares to the London Stock Exchange on 5 February 2016 until 31 March 2016, the Company complied with all the provisions of the Code save for the exceptions noted below:

Code provision A.4.2

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

Since the Company's listing, the Chairman has held one meeting with the Non-Executive Directors without the Executive Directors present. The Chairman and Non-Executive Directors intend on meeting on a regular basis in 2016 without Executive Directors present. The Senior Independent Director and other Non-Executive Directors did not meet to appraise the Chairman's performance since listing and it is planned to do so before the end of the next reporting period.

Code provision B.6.1

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

The Board did not conduct a formal effectiveness review during the period from listing in February 2016 to 31 March 2016. Three independent Non-Executive Directors were appointed to the Board in the reporting period. Accordingly, the Board felt that it was not conducive to carry out an evaluation so soon after listing. However, the Board intends on carrying out an evaluation of itself, its Board Committees and individual directors in 2016 and will report to shareholders on the findings in the next annual report.

Code provision B.6.3

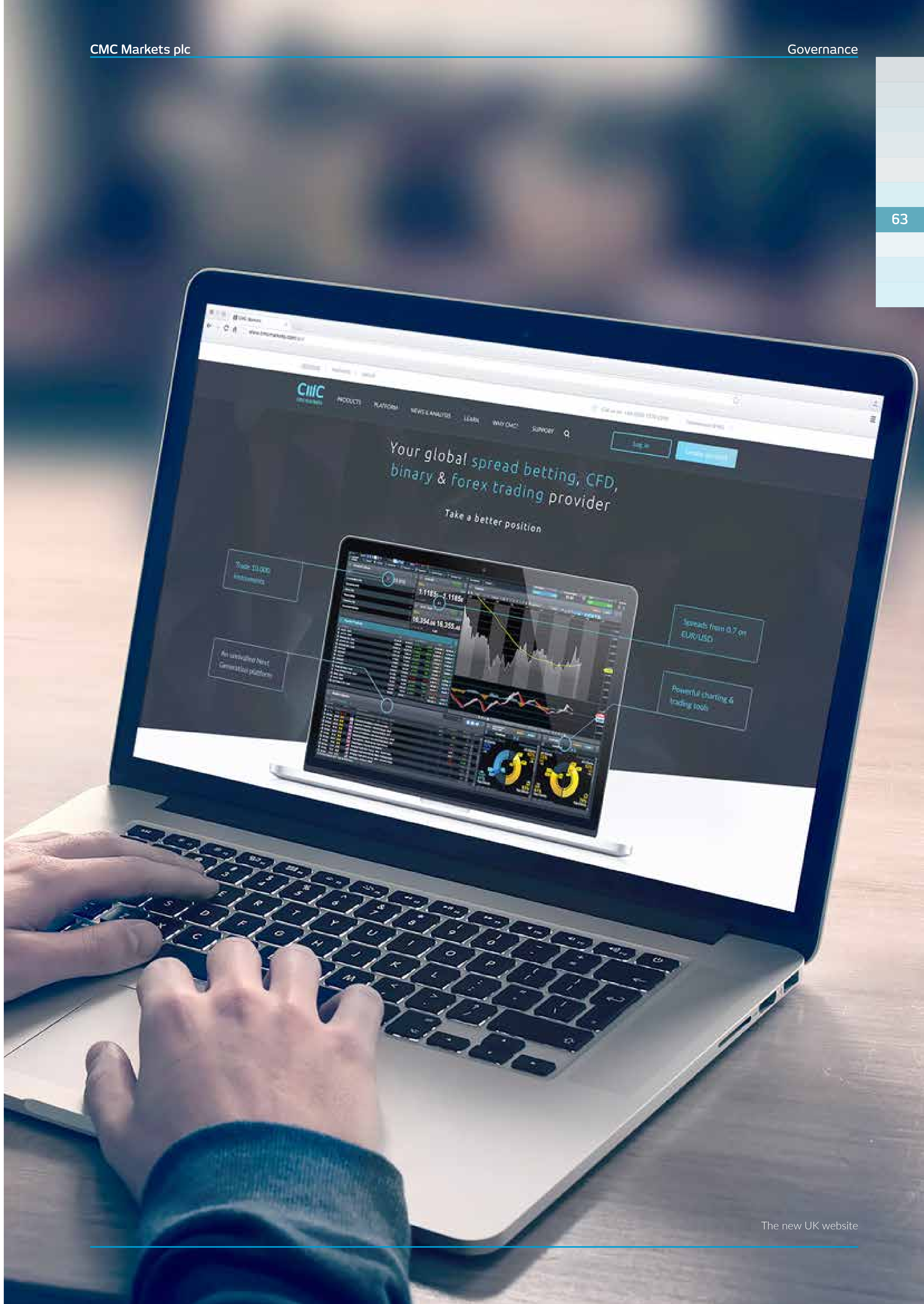
"The Code recommends that the non-executive directors, led by the senior independent director, should be responsible for performance evaluation of the chairman, taking into account the views of the executive directors."

As set out above in the explanation for Code provision A.4.2 a formal performance evaluation for the period from listing to 31 March 2016 was not completed. However, the Senior Independent Director and the Non-Executive Directors intend on carrying out a performance evaluation of the Chairman in 2016 and will report to shareholders on the findings in the next annual report.

Code provision B.7.2

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

As noted above a formal Board performance evaluation was not completed since listing in February 2016. Notwithstanding that an evaluation was not completed, the Chairman is of the belief that all directors standing for election at the 2016 Annual General Meeting continue to be effective and demonstrate commitment to their roles.



The new UK website

Governance
The Board

The role of the Board

In promoting the long-term success of the Group the Board provides entrepreneurial leadership and oversight within the Governance structure detailed on pages 70 to 72. The Board is responsible for the development of the Group strategy and monitoring performance against a set of clear objectives ensuring that the necessary financial and human resources are in place to achieve this strategy.

The Board has ultimate responsibility to prepare the annual report and accounts and to ensure that appropriate internal controls and risk management systems are in place to manage and mitigate risk. The Board delegates the in depth review and monitoring of internal controls and risk management to the Group Audit Committee and Group Risk Committee. The terms of reference of these Board Committees are available on the CMC Markets plc Group website (http://www.cmcmarkets.com/group/committees).

Simon Waugh
(Chairman)

Appointed to the Board: 1 December 2007

Committee membership:

- Nomination Committee (Chair)
- Group Risk Committee
- Remuneration Committee

Simon joined the Group as a Non-Executive Director in December 2007 and became the Non-Executive Chairman in March 2013. He was Chairman of the Audit and Risk Committee until listing. Prior to joining the Group, Simon was Group Director of Sales, Marketing and Customer service at Centrica. He retained these responsibilities for the seven years he was with the Group, and also held the roles of Deputy CEO of British Gas and CEO of the Centrica Financial Services Company. On leaving Centrica, Simon became CEO of AWD Financial Services Group, a leading Independent Financial Advisor and consumer financial services business. Simon's final senior executive position was in the role of Chairman and CEO of the National Apprenticeship Service, leading the government's flagship skills programme, reporting to the Secretaries of State for both Education and Business. Simon is also a life fellow of both the Marketing Society and the Institute of Direct Marketing.

Current external appointments:

The Consulting Consortium Limited
Record Sure Limited
Aid-Call Limited
Age UK
Age UK Enterprises Limited
Swaines Limited
Age UK Trading CIC
BMLL Technologies Limited
Gallagher Risk & Reward Limited

Peter Cruddas
(Chief Executive Officer)

Appointed to the Board: 3 June 2004

Committee membership:

- Executive Committee (Chair)
- Risk Management Committee

Peter founded the Group and became its Chief Executive Officer in 1989. Peter held this role until October 2007, and again between July 2009 and June 2010. Between 2003 and March 2013, he also served as the Group's Executive Chairman. In March 2013, he once again became the Group's CEO, and is responsible for running the Group on a day to day basis. Prior to founding the Group, Peter was Chief Dealer and Global Group Treasury Advisor 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:

Royal Opera House Covent Garden Foundation
The Peter Cruddas Foundation
Finada Limited
Business for Britain Limited
Vote Leave Limited
Crudd Investments Limited

Manjit Wolstenholme
(Senior Independent Director)

Appointed to the Board: 9 December 2015

Committee membership:

- Group Audit Committee (Chair)
- Group Risk Committee
- Nomination Committee
- Remuneration Committee

Manjit joined the Group as a Non-Executive Director in December 2015 and acts as the Group's Senior Independent Director. Manjit qualified as a chartered accountant with Coopers & Lybrand. Her background includes roles as Director and Co-Head of Investment Banking at Dresdner Kleinwort Wasserstein, and Partner at Gleacher Shacklock. She is Chair of Provident Financial plc and Senior Independent Director and Chair of the Remuneration Committee of Future plc as well as Chair of Audit and Non-Executive Director of Unite Group plc and Chair of CALA Group (Holdings) Limited.

Current external appointments:

CALA Group (Holdings) Limited
The Unite Group Plc
Future plc
Provident Financial Plc

Malcolm McCaig
(Independent Non-Executive Director)

Appointed to the Board: 9 December 2015

Committee membership:

- Group Risk Committee (Chair)
- Group Audit Committee
- Nomination Committee
- Remuneration Committee

Malcolm joined the Group as a Non-Executive Director in December 2015. Malcolm is a Chartered Management Consultant. He was a partner and practice leader, initially at Deloitte and subsequently at Ernst & Young. He has held senior executive positions in Prudential, Cigna and National Australia Bank. He was formerly the Chairman of Kent Reliance Building Society and Barbon Insurance Group. Malcolm is the Senior Independent Director at Unum Ltd and Punjab National Bank International Limited. He also holds Board positions at OneSavings Bank plc, Tradition UK and QBE Europe.

Current external appointments:

QBE Insurance (Europe) Limited
QBE Underwriting Limited
QBE RE (Europe) Limited
TFS Derivatives Limited
Trad-X (UK) Limited
Tradition Financial Services Ltd
Tradition (UK) Limited
Punjab National Bank (International) Limited
Unum European Holdings Company Limited
OneSavings Bank Plc
Unum Limited
City of Glasgow College Foundation
Meretune Management (Falcon) Limited

James Richards
(Independent Non-Executive Director)

Appointed to the Board: 1 April 2015

Committee membership:

- Remuneration Committee (Chair)
- Group Audit Committee
- Group Risk Committee
- Nomination Committee

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

Current external appointments:

Dillon Eustace

Grant Foley
(Chief Financial Officer & Head of Risk)

Appointed to the Board: 1 August 2013

Committee membership:

- Executive Committee
- Risk Management Committee (Chair)

Grant joined the Group in April 2013 as Group Head of Finance and was made Group Director of Finance, Risk and Compliance in August 2013 when he was appointed to the main Board. In January 2016, he became the Chief Financial Officer & Head of Risk. Grant is a Fellow Chartered Accountant (FCA) and has almost 20 years of financial services experience, having held senior finance, operational and board positions in a number of businesses. These have included Coutts & Co, Prudential Bache, Nomura and Arbuthnot Securities.

No current external appointments

David Fineberg
(Group Director of Trading)

Appointed to the Board: 1 January 2014

Committee membership:

- Executive Committee
- Risk Management Committee

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 he 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.

No current external appointments

Leadership

Matters reserved for the Board

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

- strategy and management
- structure and capital
- financial reporting and controls
- internal controls and risk management
- contracts
- communications
- Board membership and other appointments
- remuneration
- delegation of authority
- corporate governance matters

The schedule of matters reserved for the Board is available on the CMC Markets plc Group website (http://www.cmcmarkets.com/group/committees).

Composition of the Board

NAME	POSITION	BOARD MEETINGS ATTENDED (ELIGIBLE)
Simon Waugh	Chairman	10 (12)
Peter Cruddas	Chief Executive Officer	12 (12)
David Fineberg	Group Director of Trading	11 (12)
Grant Foley	Chief Financial Officer & Head of Risk	12 (12)
John Jackson[1]	Independent Non-Executive Director	2 (3)
Malcolm McCaig[2]	Independent Non-Executive Director	6 (6)
James Richards	Independent Non-Executive Director	9 (12)
Manjit Wolstenholme[2]	Senior Independent Director	5 (6)

In addition to the Chairman, the Board includes three Executive Directors and three Non-Executive Directors. All Non-Executive Directors are considered to be independent.

[1]Retired as a director on 30 June 2015
[2]Appointed as a Board Director on 9 December 2015

Division of responsibilities

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

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;
- oversight of each directors induction and ongoing training; and
- leadership, through his role as Chairman of the Nomination Committee, of the Board effectiveness process.

Responsibilities of the Chief Executive Officer include:

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

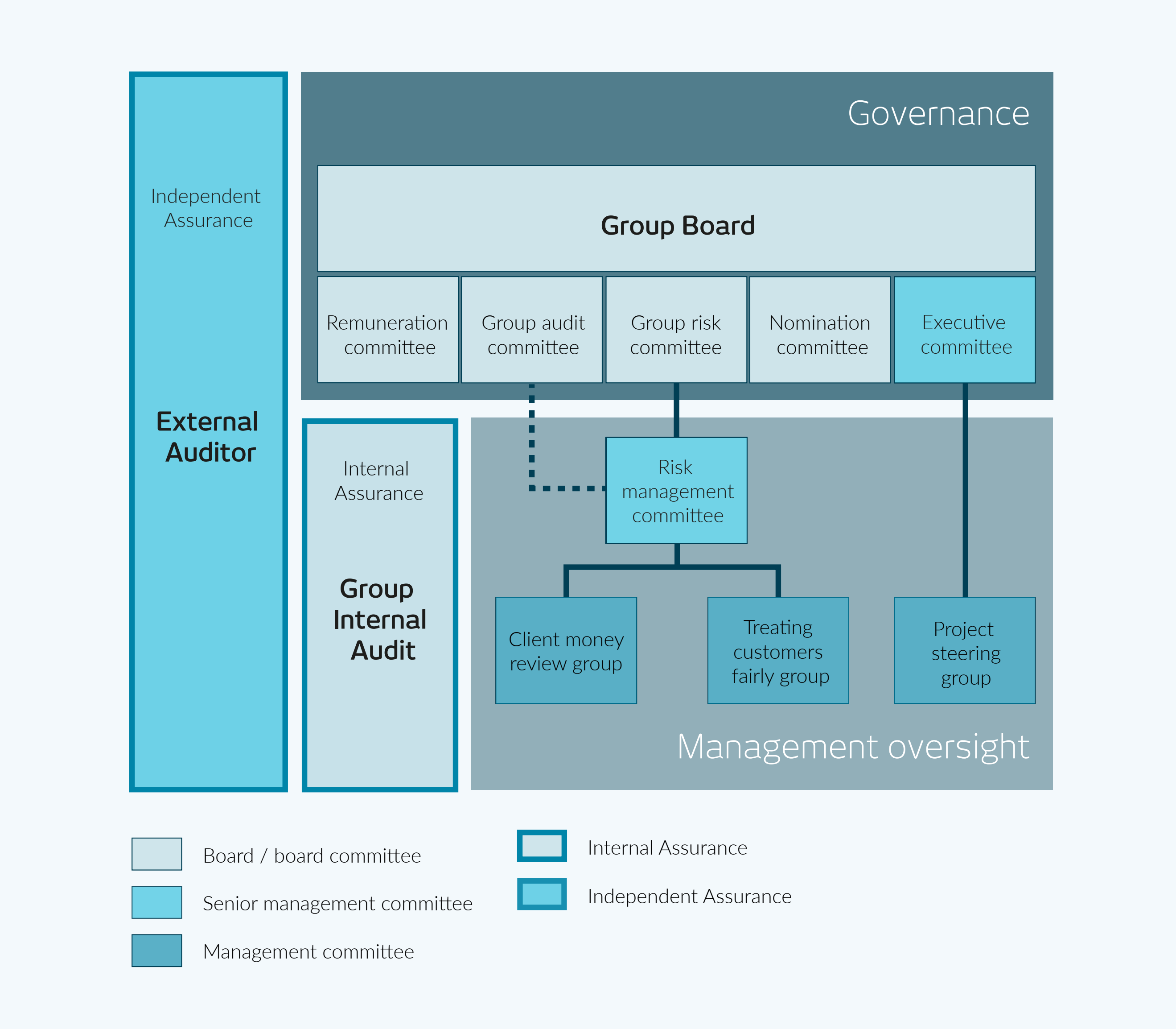
Responsibilities of the Senior Independent Director ("SID") include:

- acting as a sounding board for the Chairman and serving as an intermediary for the other directors as necessary;
- acting as lead independent Non-Executive Director; and
- being available to shareholders in the event the Chairman, Chief Executive Officer or other Executive Directors being unavailable.

Responsibilities of the Non-Executive Directors include:

- constructive challenge to management proposals and provide advice in line with their respective skills and experience;
- help develop proposals on strategy;
- have a prime role in appointing and, where necessary, removing Executive Directors; and
- have an integral role in succession planning.

Governance Structure as at 31 March 2016



Activities of the Board

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

- the preparation and execution to successfully list the Company on the London Stock Exchange;
- strategic opportunities annual budget and three year plan;
- the development and launch of new products;
- risk management and risk appetite;
- the opening of CMC's Vienna and Warsaw offices; and
- review, challenge and approval of ICAAP and ILAA
- review, challenge and approval of annual report and accounts

Effectiveness

As stated in the Chairman's letter on page 60, a formal effectiveness review was not conducted during the period. A formal evaluation of the effectiveness and structure of the Board and Board Committees will be completed during 2016 and it is intended for an independent, externally facilitated evaluation to be completed in 2017.

The Nomination and Remuneration Committee discussed the knowledge, skills and experience on the Board during the year. The success and growth of the Group is testament to the effectiveness of the Board in recent years although the Board accept that there is always the opportunity to improve and strengthen for the future.

In their role as Reporting Accountants a gap analysis was produced by PricewaterhouseCoopers LLP regarding the Board and governance structure, and action plans drafted to ensure that the governance structure and policies were adequate. The action plans were implemented and the Group is compliant with the Code except where shown on page 62.

Election of Directors

The upcoming Annual General Meeting ("AGM") on 7 September 2016 being held at 133 Houndsditch, London EC3A 7BX will be the Company's first AGM since listing on the London Stock Exchange.

Following recommendations from the Nomination Committee, the Board considers that all Directors continue to be effective, committed to their roles and have sufficient time available to perform their duties. In accordance with the Company's Articles of Association and provision B.7.1 of the Code all Directors will be subject to annual re-election. Accordingly, all Directors will seek election at the Company's 2016 AGM which will be set out in the Notice of AGM.

Independence of Non-Executive Directors and time commitment

Each of the Non-Executive Directors are 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 are notified of all scheduled Board and Board Committee meetings.

Directors' induction

A formal procedure for Director Induction and ongoing training is in place. As part of each new Director's application for approval from the Financial Conduct Authority ("FCA"), a skills gap analysis and 'learning and development plan' was completed and submitted to the FCA. The skills assessment was used by the Company to tailor induction meetings and training requirements for all new Directors. One-on-one meetings were organised between the Director and the management team in relevant areas of the business to allow the Director to familiarise themselves with the management team, their respective roles and responsibilities and gain understanding and awareness of the market the firm operates in. These meetings also presented a forum for new Directors to discuss the business strategy and model, risk management, governance and controls and the requirements of the regulatory framework. These meetings and training arrangements form a key part of the learning and development plan.

Conflicts of interest

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

Board support

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

As stated in each of the Board Committees' Terms of Reference and the Company's Articles of Association the Directors may take independent professional advice at the Company's expense.

Accountability

The Board has ultimate responsibility for reviewing and approving the Annual Report and Accounts (Code C.1.1) and it has considered and endorsed the arrangements to enable it to confirm the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and 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 additional disclosure requirements following listing and that the Annual Report and Financial Statements met the additional disclosure requirements.

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

Group Audit Committee

The Group Audit Committee has been delegated responsibility for the monitoring and oversight of the external audit and internal audit of internal controls. The Committee's responsibilities, main activities and priorities for the next reporting cycle are set out on pages 75 to 76.

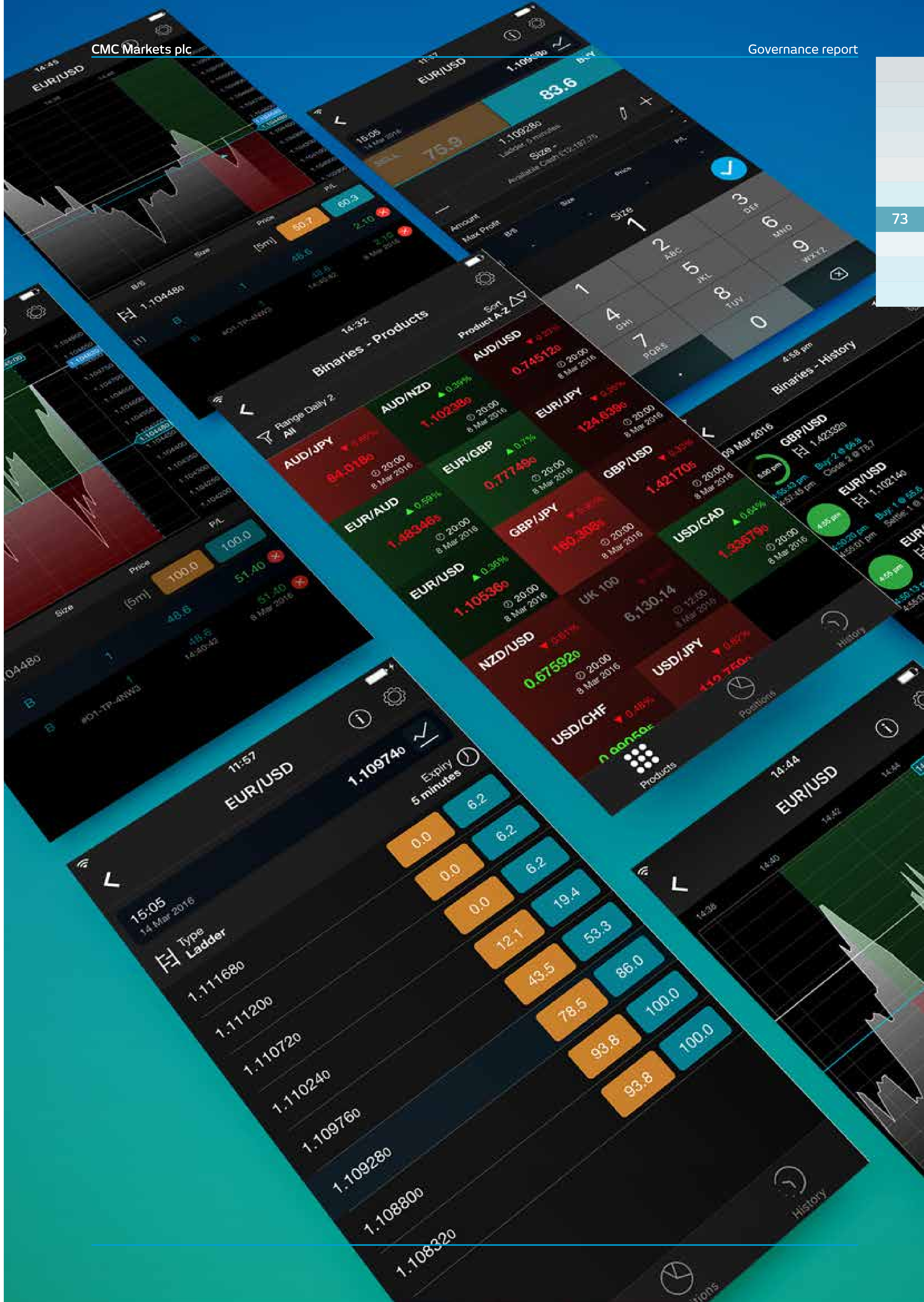
Group Risk Committee

The Group Risk Committee has been delegated responsibility for the monitoring and oversight of risk management, mitigation and recommendation of risk appetite. The Committee's responsibilities, main activities and priorities for the coming year are set out on page 77.

Relations with shareholders

The Board recognises the importance of good communication with shareholders. The Chairman, Chief Executive Officer and Chief Financial Officer & Head of Risk maintain regular contact with major shareholders to ensure that the Group strategy takes due consideration of our shareholders' views.

During the year there were a number of meetings with major shareholders and potential shareholders as the Company prepared to list on the London Stock Exchange. The Chief Executive Officer and Chief Financial Officer & Head of Risk ensured that the views of major shareholders were communicated to the Board as a whole.



Audit and Risk Committee

Dear Shareholders,

As Chairmen of the Group Audit Committee and Group Risk Committee (the "Committees") we are pleased to present the Audit and Risk Committee Report. The Audit and Risk Committee ("ARC"), chaired by Simon Waugh, was the primary Board Committee that assessed and had independent oversight of risk management and internal controls for the majority of the financial reporting period. In January 2016 the Board agreed that the ARC be split into separate committees namely the Group Audit Committee and the Group Risk Committee.

The Group Audit Committee (GAC) is chaired by Manjit Wolstenholme with Malcolm McCaig and James Richards as members. The Group Risk Committee (GRC) consists of Malcolm McCaig as Chairman and James Richards, Simon Waugh and Manjit Wolstenholme as members.

The Committees' Terms of Reference were approved by the Board on 25 January 2016 and are available on the Company's website (http://www.cmcmarkets.com/group/committees). Both Committees held one formal meeting in the period from 25 January to the 31 March 2016 with a further three GAC meetings and four GRC meetings scheduled in 2016. The Group Risk Committee Terms of Reference was subsequently amended and approved by the Board on 30 March 2016.

Both Committees are considered independent to management and are made up of Independent Non-Executive Directors. The CFO & Head of Risk, external audit partner and Head of Internal Audit are invited to attend all GAC meetings and the CFO & Head of Risk and the Global Head of Compliance are invited to all GRC meetings.

Manjit Wolstenholme
Senior Independent Director and
Group Audit Committee chairman
7 June 2016

Malcolm McCaig
Independent Non-Executive Director and
Group Risk Committee chairman
7 June 2016

Audit and Risk Committee (1 April 2015 to 24 January 2016)

NAME	POSITION	ATTENDED (ELIGIBLE)
Simon Waugh	Chairman	2 (2)
John Jackson	Independent Non-Executive Director	1 (1)
James Richards	Independent Non-Executive Director	2 (2)

Group Audit Committee (25 January 2016 to 31 March 2016)

NAME	POSITION	ATTENDED (ELIGIBLE)
Manjit Wolstenholme	Senior Independent Director	1 (1)
Malcolm McCaig	Independent Non-Executive Director	1 (1)
James Richards	Independent Non-Executive Director	0 (1)

Group Risk Committee (25 January 2016 to 31 March 2016)

NAME	POSITION	ATTENDED (ELIGIBLE)
Malcolm McCaig	Independent Non-Executive Director	1 (1)
Simon Waugh	Chairman	1 (1)
Manjit Wolstenholme	Senior Independent Director	1 (1)
James Richards	Independent Non-Executive Director	0 (1)

Audit matters

Group Audit Committee responsibilities

The main role and responsibilities of the Group Audit Committee are:

- monitoring the integrity of the Financial Statements of the Group;
- to review and report to the Board on significant financial reporting issues and judgements;
- the assessment of the adequacy and effectiveness of the Company's internal control systems and report to the Board on any key findings;
- the review and approval of the internal audit charter and internal audit annual plan;
- to review the findings of all internal audit reports, make recommendations as appropriate and monitor resolution plans;
- to review and make recommendations to the Board on the effectiveness and independence of the Company's external auditor including appointment, re-appointment and removal of the external auditor;
- to review the findings of the external auditors; and
- to ensure that the external audit contract is put out to tender at least once every 10 years

Statement of internal controls and internal audit

The Group's Internal Audit function is externally provided by Grant Thornton LLP. The Internal Audit function reported into the ARC until 25 January when its reporting line moved to the Group Audit Committee. The Committee reviews regular Internal Audit Reports; follow up verification reports on any findings within Internal Audit and reviews and approves the Internal Audit plan and charter on an annual basis.

Significant judgements and issues

The Group Audit Committee discussed, considered and addressed the following significant judgements and issues during the year

- **Revenue recognition of litigation settlement.** The Committee received a paper from management to consider the recoverability of a litigation settlement twice during the year to approve the revenue recognised in the Group accounts
- **Exceptional costs.** The Committee considered and approved the rationale of presenting listing costs and specific share based payments relating to the listing as exceptional costs in order to more clearly present the Group's financial performance

External auditor

The Group Audit Committee considers the reappointment of the external auditor annually and such consideration includes review of the independence of the external auditor and assessment of the auditor's performance. The current auditor has been in place for seven years and a tender process for the external auditor position, in accordance with the Code, is due in 2019.

As part of the above mentioned review, the Group Audit Committee agreed to recommend to the Board the reappointment of PricewaterhouseCoopers LLP as the Group's external auditor and a resolution to this effect will be put before the shareholders at the 2016 Annual General Meeting.

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

Audit fees

The Group's audit and audit-related fees are disclosed in note 11 of the financial statements. Audit-related fees include the reporting to the FCA on the Group's client money rules compliance and the opinion on compliance with the Capital Requirements (country-by-country reporting) Regulations 2013.

Non-audit fees

The Group has a number of relationships with independent advisory and assurance firms which provide alternatives to using PricewaterhouseCoopers LLP. However, the Group has engaged with the audit company for a number of non-audit services during the year. For each engagement their independence has been considered by both the Group and PricewaterhouseCoopers LLP to ensure that it will not be compromised. Non-audit related fees provided by PricewaterhouseCoopers LLP are disclosed in note 11 of the financial statements. In 2016 there was a significant rise in these fees due to their engagement as the Reporting Accountants for the listing of the Group on the London Stock Exchange. The majority of the remaining non-audit fees relate to tax compliance and tax advisory services. Material tax advisory services are tendered with other professional services firms and the tax compliance services are subject to tender on a five yearly basis.

Audit Committee activity during the period

During the period it was required for the Company to produce a set of audited interim results in order to adhere to the listing requirement of ensuring a set of audited financial statements were completed within six months of listing. The Interim Results to 30 September 2015 were produced in accordance to the requirements of a listed company and the Audit and Risk Committee ("ARC") reviewed and recommended these results to the Board for approval.

It was also a requirement for a Reporting Accountant to produce a number of reports in relation to the Company's proposed listing. These reports were reviewed and challenged by the ARC prior to being recommended to the Board for approval.

The ARC also monitored and had oversight of all Internal Audit reports during the period which included reports on a number of different areas of the business.

As described above, the ARC was split into separate Group Audit and Group Risk Committees and between 25 January 2016 and 31 March 2016 the Group Audit Committee held one formal meeting. Matters on the agenda for this meeting included an update on completed internal audits, internal audit plan and charter, external audit timetable, changes to accounting requirements and accounting matters for Group Audit Committee consideration.

Group Audit Committee priorities for the year ending 31 March 2017

Following the successful listing on to the London Stock Exchange the Committee's focus will 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 greater focus on internal systems of control and particular focus will be paid on the results of upcoming internal audits on projects and change management, conduct and reputational risk and security.

Risk matters

Group Risk Committee responsibilities

The main role and responsibilities of the GRC are:

- oversight of the Group's risk appetite and tolerance;
- the review and recommendation of the Risk Appetite Statement and Risk Management Framework;
- the provision of advice and recommendations to the Board to assist in Board decision making in relation to risk appetite and risk management;
- the oversight of financial and liquidity risks including the responsibilities of the risk management function;
- the review of the ICAAP and ILAA frameworks;
- the oversight of, and making recommendations to the Board on, current risk exposures and future risks; and
- to review and make recommendations on embedding risk management in director and senior management's remuneration

Risk Committee activity during the period

During the period the planning and process in relation to the ICAAP and ILAA was reviewed by the ARC, and subsequently, following review and recommendation by the ARC, the ICAAP and ILAA was approved by the Board.

The ARC, in respect of risk management and oversight, received regular executive reporting on risk matters including capital and liquidity risk, operational risk, legal and compliance, and financial crime.

The ARC reviewed and made recommendations on the Risk Management Framework ("RMF") and the Risk Appetite Statement ("RAS") and both the RMF and RAS were recommended, and subsequently approved, by the Board.

As described above, the ARC was split into separate Group Audit and Group Risk Committees and between 25 January 2016 and 31 March 2016 the Group Risk Committee held one formal meeting. Matters on the agenda for this meeting included top and emerging risks, update from the Chairman of the Risk Management Committee, UK referendum risks and the executive reports relating to risk as noted above.

Group Risk Committee priorities for the year ending 31 March 2017

The oversight and mitigation of risk is a key aspect in the good governance of any company. The focus for the Group Risk Committee will be to ensure all capital, liquidity, operational and regulatory risks are appropriately managed throughout the year. Following the Company's listing on the London Stock Exchange certain risks have increased in their impact to the Group such as risks associated with disclosure obligations and the Committee will monitor the trajectory of these risks.

The Group Risk Committee receives a report at each meeting on the top risks facing the Group and advises the Board, as required, on the implications of these risks and on potential mitigating actions.

Particular attention will be given to the potential risks associated with the United Kingdom referendum on continued membership in the European Union. The Committee will monitor and assess the volatility risks in the lead up to the referendum and, where possible, plan for any potential risks associated with the outcome of the referendum.

Reputational risk has increased following the listing of the Company shares onto the London Stock Exchange and Capital Market Communications Ltd ("Camarco"), an external advisor, has been employed to monitor this risk. The Committee will review the potential impact of increased reputational risk over the coming twelve months.

Statement of risk management

The Group Risk Committee has oversight of the Group's risk management as detailed on page 51.

Nomination and Remuneration Committee

Dear Shareholders,

As Chairmen of the Remuneration Committee and the Nomination Committee (the "Committees") we are pleased to present the Nomination and Remuneration Committee Report. The Nomination and Remuneration Committee ("NRC"), chaired by James Richards, was the primary Board Committee that assessed and had independent oversight of Executive Director remuneration and appointments to the Board and senior management. In January 2016 the Board agreed that the NRC be split into separate committees namely the Nomination Committee and the Remuneration Committee.

The Nomination Committee consists of Simon Waugh as Chair and Manjit Wolstenholme, Malcolm McCaig and James Richards as members and will focus on the effectiveness and structure of the Board and its committees, succession planning, director induction and on-going director training.

The Remuneration Committee consists of James Richards as Chair and Simon Waugh, Manjit Wolstenholme and Malcolm McCaig as members and will focus on director and senior management remuneration, incentives, retention and Group remuneration matters as required.

The Committees' Terms of Reference were approved by the Board on 25 January 2016 and are available on the Company's website (http://www.cmcmarkets.com/group/committees).

Simon Waugh
Group Chairman and
Nomination Committee Chairman
7 June 2016

James Richards
Non-Executive Director and
Remuneration Committee Chairman
7 June 2016

Nomination and Remuneration Committee (1 April 2015 to 24 January 2016)

NAME	POSITION	ATTENDED (ELIGIBLE)
Simon Waugh	Chairman	5 (5)
John Jackson	Independent Non-Executive Director	1 (1)
James Richards	Independent Non-Executive Director	5 (5)
Manjit Wolstenholme	Senior Independent Director	1 (1)
Malcolm McCaig	Independent Non-Executive Director	1 (1)

Nomination Committee (25 January 2016 to 31 March 2016)

NAME	POSITION	ATTENDED (ELIGIBLE)
Simon Waugh	Chairman	1 (1)
Manjit Wolstenholme	Senior Independent Director	1 (1)
Malcolm McCaig	Independent Non-Executive Director	1 (1)
James Richards	Independent Non-Executive Director	0 (1)

Nomination matters

Nomination Committee responsibilities

The Nomination Committee will assist the Board by regularly reviewing the composition of the Board and Board Committees and will follow a rigorous and transparent process when identifying potential candidates for appointment to the Board. As part of this review process, the Board and Board Committees will be subject to annual performance evaluations with an independent review conducted at least every three years.

The main role and responsibilities of the Nomination 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 director's conflict of interest on appointment and as they arise;
- to assess the independence, time commitment and engagement of each of the Non-Executive Directors;
- to monitor the external interests of Non-Executive Directors, as part of the review of Non-Executive Directors' independence;
- to have oversight of succession plans for the appointment of Executive Directors and Non-Executive Directors; and
- to approve the report on the Committee's activities for inclusion in the Annual Report and Accounts of the Company

Boardroom diversity

The Board is committed to a Board and leadership team comprising individuals from different backgrounds with diverse and relevant skills, knowledge, experience and perspectives. The Nomination Committee carefully considers the benefits of diversity, including gender diversity, whilst ensuring that our obligation to shareholders to recruit the best person for the role based on merit is fulfilled. The Board's Diversity Policy can be found on the CMC Markets plc Group website and gender diversity statistics are presented on page 30.

Nomination activities during the period

The nomination matters considered by the NRC in 2015 were focused on ensuring the Board structure, size and composition was appropriate to direct the Company during the listing process and to have the skills, knowledge, experience and diversity to lead the company following listing on the London Stock Exchange. During the year three Non-Executive Directors were appointed, which has increased the 'independent voice' at Board meetings and ensured that, excluding the Chairman, at least half of the Board members are independent Non-Executive Directors.

All directors received training on their duties and responsibilities under the Code, the Disclosure and Transparency Rules and the Listing Rules prior to the Company listing on the London Stock Exchange.

As described above, the NRC was split into separate Remuneration and Nomination Committees and between 25 January 2016 and 31 March 2016 the Nomination Committee held one formal meeting. Matters on the agenda for this meeting included review of the structure and size of the Board and its committees, Board evaluation, development of directors, senior management succession planning and Board diversity policy.

Nomination Committee priorities for the year ending 31 March 2017

Due to the number of newly appointed directors within the reporting period it was considered appropriate to allow the Board to settle down prior to conducting a formal Board evaluation. It has been agreed that a formal Board, Board Committee and director performance and effectiveness evaluation be completed in 2016, which will be within a year of listing and allow compliance with provision B.6.1 of the UK Corporate Governance Code.

The appointment of the Non-Executive Directors within the year followed a rigorous selection and interview process, with assistance from an independent search firm as required.

Since the formation of the Committee on 25 January 2016 there has been one formal meeting held prior to the 31 March 2016 year end with a further three meetings scheduled in 2016.

Remuneration matters

Remuneration Committee responsibilities

The Remuneration Committee will assist the Board by reviewing the remuneration of the Executive Directors and senior management and will follow the remuneration policy, which will be put before shareholders for approval at the 2016 AGM, when considering the remuneration of executives. As part of the remuneration review process, independent advisors may be used to ensure remuneration is appropriately benchmarked with the Group's peer companies.

The main role and responsibilities of the Remuneration Committee are:

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

Remuneration considerations during the period

The remuneration matters considered by the former NRC in 2015 was focused on review of existing contract arrangements of the Executive Directors and senior management team, existing employee share schemes and oversight of new share schemes linked to a successful listing and life as a listed company.

Remuneration policy

The directors' remuneration policy can be found on pages 92 to 100. In accordance with statutory requirements, the remuneration policy will be put to shareholders for approval at the 2016 AGM.

Remuneration Committee priorities for the year ending 31 March 2017

The Remuneration Committee will continue to monitor the appropriateness of the Executive Directors, senior management and Company Secretary remuneration. Shareholder feedback on the Directors' Remuneration Policy will be considered as part of the ongoing role of the Committee along with performance related pay and relevant remuneration policies that fall under the remit of the Committee. It is also planned for an employee salary benchmarking exercise to be conducted in 2016 and the Remuneration Committee will have oversight of this exercise.

Annual statement by the Chairman of the Remuneration Committee

Dear Shareholders,

I am pleased to present shareholders with our first remuneration report which, in accordance with legislation comprises two separate parts. The Annual Report on Remuneration setting out the implementation of remuneration policy and the Directors' Remuneration Policy.

The Annual Report on Remuneration sets out payments made to Directors during the last year and how the Committee intends the Directors' Remuneration Policy to apply in the year ending 31 March 2017. This report is subject to an advisory vote at the Company's Annual General Meeting on 7 September 2016.

The Directors' Remuneration Policy describes our forward looking policy which is proposed to take effect immediately from the Company's Annual General Meeting. It is subject to a binding vote at the Annual General Meeting.

Remuneration practice is very different in the listed company environment. As part of the transition from being a privately owned Group, the Group has to adapt to a cultural shift. This is from an environment where, due to the Group's highly cash generative business, remuneration has been built around a structure of lower base pay, annual cash bonuses and ad hoc awards of share options, to a very different environment where a more structured framework and longer term reward horizon are required. Our remuneration policy needs to continue to satisfy the aspiration of key personnel who are critical in helping drive and grow the business, and align them with the longer term interests of all our shareholders. We need to acclimatise to the changes we put in place in anticipation of listing and engage with our shareholders to seek approval of our move to a more typical remuneration structure for the listed environment. A journey which has begun.

The context of remuneration in the year ended 31 March 2016

Prior to the Company's listing in February 2016 the Committee reviewed remuneration policy to ensure the remuneration arrangements for the Group's Executive and Non-Executive Directors would support the Group's business strategy and take appropriate account of the Company's new status as a FTSE 250 company.

Following this review, the major decisions on Executive Directors' remuneration policy included the following:

- Increases in base salary to take account of other changes in remuneration structure, and to reflect the anticipated market position of the Group following listing.
- Review of annual incentive arrangements for Executive Directors and senior management.
- Granting of pre-IPO awards to reinforce stability of the senior management team in the first two years post-IPO. These were granted with reference to the share price at listing of £2.40. The awards vest 50% on each of the first and second anniversaries of listing and are subject to continued employment and malus and clawback provisions.

- Introduction of a new Long Term Incentive Plan based primarily on three-year EPS growth and three-year total shareholder return relative to FTSE250 companies (excluding Investment Trusts), and subject to malus and clawback provisions.
- Introduction at listing of an award of "free shares" to all eligible employees under an HMRC approved Share Incentive Plan (SIP) in which the Executive Directors other than the CEO participated.

Details of the remuneration policy and the amount paid during the year ended 31 March 2016 are respectively given in the Directors' Remuneration Policy and the Annual Report on Remuneration.

The Group's auditors, PriceWaterhouseCoopers LLP, have audited the information in the single total figure of remuneration section.

Group Performance in the year ended 31 March 2016

The financial and operating performance for the year ended 31 March 2016 is set out in the Strategic report. Overall the Group has had a strong performance in a competitive environment. As the Chief Executive has stated in his report, 2016 has been a "landmark year" for the Company. With the growth in net operating income and underlying profit before tax there continues to be investment in technology, new products and offices. The financial and operating performance for the year ended 31 March 2016 is set out on pages 36 to 57 in the Strategic report.

The Committee has considered this performance along with compliance with the Company's risk appetite, individual performance and behaviour in determining the level of annual incentive to be awarded. In light of the above, and in accordance with the policy in place prior to this AGM, the Committee made annual incentive awards of 100% of salary to the Executive Directors. Further details can be found on page 85.

Conclusion

This has been a year of significant transition for the Company from private ownership to a full listing on the London Stock Exchange.

I hope you find the reports helpful in understanding the Group's past and future remuneration practices as we move into a new environment and that you will support the resolutions relating to remuneration at the forthcoming Annual General Meeting.

James Richards
Remuneration Committee Chairman
7 June 2016

Compliance Statement

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

The following parts of the Annual Report on Remuneration are audited: the single total figure of remuneration for directors, including annual incentive outcomes for the financial year ending 31 March 2016, scheme interests awarded during the year, and total pension entitlements; payments to past directors and payments for loss of office; and, directors' shareholdings and share interests.

Annual report on remuneration

The following section sets out the remuneration arrangements and outcomes for the year ended 31 March 2016, and how the Committee intends the Remuneration Policy to apply during the year ending 31 March 2017.

Single figure of Executive Director remuneration

The table below sets out a single figure for the total remuneration received by each Executive Director who served during the years ended 31 March 2016 and 31 March 2015.

£'000 Name	Year ended 31 March	Salary	Benefits[1]	Annual Incentive[2]	Long term Incentives[3]	Share Incentive plan[4]	Pension[5]	Total
Peter Cruddas	**2016**	**337.5**	**2.4**	**400.0**	**-**	**-**	**-**	**739.9**
	2015	250.0	2.2	250.0	-	-	-	502.2
Grant Foley	**2016**	**228.3**	**1.1**	**270.0**	**883.6**	**3.6**	**22.8**	**1,409.4**
	2015	154.5	1.0	145.5	268.8	-	15.5	585.3
David Fineberg	**2016**	**206.7**	**1.1**	**240.0**	**1,249.7**	**3.6**	**20.7**	**1,721.8**
	2015	154.5	1.0	154.5	268.8	-	15.5	594.3

[1] Taxable value of benefits received in the year by Executive Directors comprise private health insurance and, in addition for the CEO, dental insurance.
[2] Annual Incentive: The total earned in respect of performance during the relevant financial year. As per past policy annual incentives were calculated by reference to the annual pay at the end of the financial year; going forward, the company will use the annual salary paid to calculate incentive opportunities.
[3] Long Term Incentive: For the year ended 31 March 2016, based on the market value of the Pre-IPO Retention Awards calculated with reference to the share price at Listing of £2.40. Awards were granted to Executive Directors, senior management and other key employees to retain and motivate key talent through listing and beyond. Awards vest 50% on the first and second anniversaries of listing, subject to continued employment and malus and clawback provisions apply. For the year ended 31 March 2015, based on nil-cost options awarded under the Company's 2009 Management Equity Plan, calculated with reference to the share price at grant of £1.74. These awards vested on listing.
[4] Share Incentive Plan: Employees including the Executive Directors are entitled to participate in the SIP throughout the year; it allows employees and Directors to receive one matching share for every partnership share purchased under the SIP up to the limits defined by HMRC. Free shares were granted to employees (including Grant Foley and David Fineberg) with a market value of £3,600; these shares were granted on 11 February 2016 and will be forfeited if within 3 years from the date of grant, the individual leaves employment in certain circumstances. Peter Cruddas does not currently participate in the plan.
[5] During the year ended 31 March 2016, Grant Foley and David Fineberg received a Company pension contribution of 10% of salary. Peter Cruddas opted out of the plan and no compensation was provided. None of the Executive Directors have a prospective right to a final salary pension by reference to years of service.

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. No Executive Director held any external appointments during the year ended 31 March 2016 with the exception of Peter Cruddas who held one Non–Executive position and a number of other directorships as detailed in the governance section of the Annual Report on page 65, he receives no fee in respect of these appointments.

Single figure of Non-Executive director remuneration

The table below sets out the single figure of the total remuneration received by each Non-Executive Director who served during the year ended 31 March 2016 and 31 March 2015.

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.

£'000 Name	Year ended 31 March	Base fee	Committee fee	SID fee	Benefits	Total
Simon Waugh	2016	130.4	-	-	-	130.4
	2015	125.0	-	-	-	125.0
James Richards	2016	52.5	2.5	-	-	55.0
	2015	-	-	-	-	-
Malcolm McCaig	2016	19.6	2.5	-	-	22.1
	2015	-	-	-	-	-
Manjit Wolstenholme	2016	19.6	2.5	0.8	-	22.9
	2015	-	-	-	-	-
John Jackson	2016	22.5	2.5	-	-	25.0
	2015	90.0	10.0	-	-	100.0

Award under the Annual incentive plan for the year ended 31 March 2016

During the year ended 31 March 2016, Executive Directors participated in the annual Incentive plan with a maximum opportunity of up to 100% of salary.

Annual incentive awards were predominantly based on pre-incentive underlying Group profit before tax. Final determination of actual awards was also subject to the Committee's assessment of satisfactory individual performance and behaviour and that outcomes were achieved within the risk appetite of the Company.

For the year ended 31 March 2016, target performance for pre-incentive underlying Group profit before tax was £68.0 million and the stretch requirement was £71.0 million. Actual performance was £72.0 million which warranted the maximum/stretch level of incentive award. Underlying profit before tax excludes items such as exceptional listing costs of £12.1 million and exceptional income of £3.1million relating to litigation income which are both included in statutory profit before tax.

This approach is used by the Committee as a guideline rather than being formulaic and applies to all employees, and not just board directors. The disclosure above therefore provides full retrospective disclosure of Group financial targets that determine the annual incentive outcomes.

While the specific individual objectives of the Executive Directors are considered commercially sensitive, the following provides details of some of the executive director achievements which the committee took into account:

- The successful execution of the listing
- Continued strong performance of the Company including 14% growth in active clients and 4% increase in revenue per active client
- New product and platform developments
- Continued recruitment and retention of high calibre employees

The Committee also considered wider factors including the quality of earnings generated, and feedback from the Chief Financial Officer & Head of Risk, and determined that performance was achieved within the risk appetite of the firm.

Following consideration of the above, the Committee awarded incentives of 100% of salary i.e. the maximum incentive to each Executive Director, equivalent to £400,000 for Peter Cruddas, £270,000 for Grant Foley, and £240,000 for David Fineberg. Awards are paid in cash and are subject to clawback provisions.

* Non-Executive Directors are not entitled to benefits. Reimbursed expenses which are not strictly business related are subject to tax via PAYE.

Payments to past directors and for loss of office

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

Share ownership and share interests

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

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

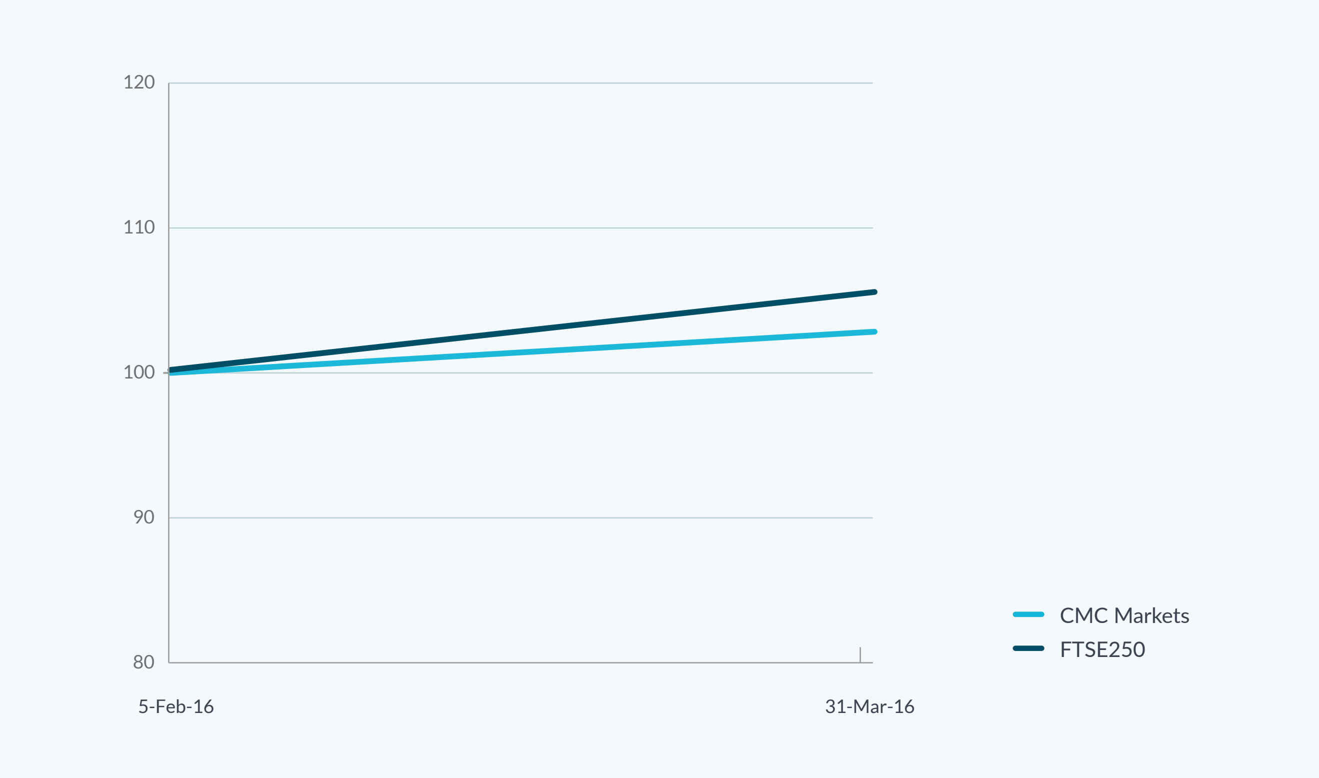
Name	Total share interests at 31 March 2015	Total share interests at 31 March 2016	Requirement met
Executive Directors			
Peter Cruddas	249,610,638	179,929,906	Yes
Grant Foley[1]	-	-	No
David Fineberg[1]	21,688	21,688	No
Non-Executive Directors			
Simon Waugh	-	25,000	Not applicable
James Richards	-	-	Not applicable
Malcolm McCaig	-	12,500	Not applicable
Manjit Wolstenholme	-	12,500	Not applicable
John Jackson[2]	70,883	Not applicable	Not applicable

[1] In addition, Grant Foley and David Fineberg have interests in unvested awards, subject to deferral, granted under the Pre-IPO Retention Plan, of respectively 368,150 and 520,700 conditional rights to shares on vesting and of respectively 2,954 and 3,074 shares under the Share Incentive Plan subject to forfeiture for three years.
[2] John Jackson retired on 30 June 2015.

The movement in directors' share interests between the end of the year and 3 June 2016 were an increase of 787 for David Fineberg and 727 for Grant Foley associated with partnership share purchases through the SIP.

Total shareholder return (TSR) performance and CEO single figure

The below chart compares the total shareholder return (TSR) of the Company against the FTSE250 Index based on £100 invested at listing (5 February 2016). The FTSE250 index has been selected as a relevant comparator as it includes companies of a similar size and complexity to CMC Markets plc and the Company is a constituent of the Index. The full year single figure of remuneration for the Chief Executive has been included in the table that follows the graph for simplicity.



Source: DataStream

CEO - single figure of remuneration (£000)	2016
CEO Single figure of remuneration (£'000)	739.9
Annual incentive payout (as % of maximum)	100%
Long term incentives (as % of maximum)	Not applicable

CMC Markets listed on the London Stock Exchange on 5 February 2016; however the full year single figure has been included here.

Percentage change in CEO remuneration

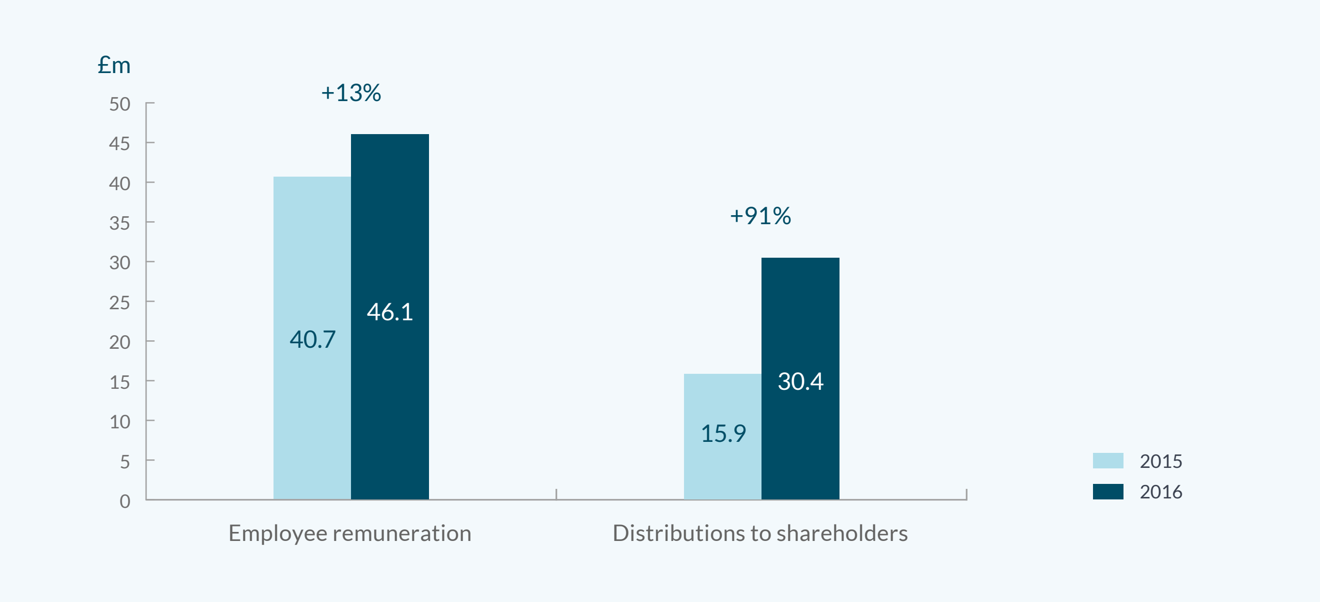
The table below shows the percentage change in salary, taxable benefits and annual incentive for the CEO, and the average for all employees within the Company.

CEO annual cash	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000	Increase	Average increase across all employees
Salary	337.5	250.0	35%	3.3%
Taxable benefits	2.4	2.2	9%	9.5%
Annual incentive	400.0	250.0	60%	15%

The CEO's salary was set at £400,000 from 1 February 2016 which the Committee believes is a competitive rate, taking into account various factors including the individual's role and experience, and salary levels for similar roles at sector comparators and companies of a similar size and complexity. The CEO's salary was previously £325,000.

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 2015 and 31 March 2016.



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). No shares have been issued since Listing except for awards under the HMRC approved Share Incentive Plan.

Implementation of remuneration policy for year ending 31 March 2017

Salary

Following a review by the Committee, Executive Director salaries for the year ending 31 March 2017 were increased by 2.5%, which is in line with the average employee increase across the Group. For the year ending 31 March 2017, salaries for Executive Directors are therefore £410,000 for the CEO, £276,750 for the CFO & Head of Risk, and £246,000 for the Group Director of Trading.

Pension

Executive Directors will continue to receive a pension contribution of 10% of salary, or cash in lieu of pension (net of employer costs) in the year ending 31 March 2017, with the exception of the CEO who does not currently participate in the scheme.

Annual incentive

The annual incentive for the year ending 31 March 2017 will operate in line with the Remuneration Policy. The Company operates an incentive pool approach. The incentive pool is based on Group profit and subject to the Committee's assessment that the profit outcome has been achieved within the agreed risk appetite of the Company. Allocations are based on an assessment of individual performance, with due regard to the achievement of non-financial/strategic objectives, the individual's contribution and behaviour, and compliance with the Company's risk appetite. Annual incentives for the year ending 31 March 2017 will be up to 120% of salary for the CEO and up to 100% of salary for other Executive Directors[1].

Shareholders will recognise that the Company operates in a very competitive market and the Board considers prospective incentive performance objectives and targets to be commercially sensitive. In our Annual Remuneration Report, we will provide a full retrospective rationale of why bonuses were paid to ensure that shareholders can clearly identify the close link between pay and performance.

[1] This will be based on the annual salary paid to the Executive Director during the year ending 31 March 2017.

Long term incentive plan (LTIP)

It is anticipated that initial LTIP awards will be performance shares of up to 125% of salary and will be granted shortly after our September 2016 AGM, subject to shareholder approval of the new Remuneration Policy.

Performance will be measured over three years based 60% on point to point EPS growth, 30% on TSR relative to FTSE250 companies (excluding investment trusts) and 10% on customer satisfaction, based on Net Promoter Score as assessed by Investment Trends. Net Promoter Score is a measure of how likely clients are to recommend the Company to others.

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

The Committee intends performance targets for the initial LTIP awards will be as follows:

	EPS growth (60% weighting)	TSR relative to FTSE250[1] (30% weighting)	Net Promoter Score (10% weighting)
Threshold performance (25% vesting)	6% p.a.	Median	Above industry average
Stretch performance (full vesting)	18% p.a.	Upper quartile	Upper quartile of industry

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

The EPS growth targets for the first cycle take account of internal projections and external expectations. The Committee intends to review LTIP performance targets in advance of future cycles to ensure these are stretching yet achievable over the relevant 3-year period.

The Company currently anticipates that the CEO will not participate in the LTIP during the year ending 31 March 2017.

Non-Executive Director remuneration

Remuneration for the year ending 31 March 2017 is unchanged and is as follows:

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

Consideration by the Remuneration Committee[2] on Non-Executive Directors' remuneration

The Committee met five times during the year under review. Attendance by individual Committee members at meetings is detailed below.

Name	Member throughout 2015/16	Attended (Eligible)
James Richards[3]	Yes	5 (5)
Simon Waugh	Yes	5 (5)
Manjit Wolstenholme[4]	No	1 (1)
Malcolm McCaig[4]	No	1 (1)
John Jackson[5]	No	1 (1)

[1] TSR measure is FTSE250 excluding investment trusts.
[2] Up until 25 January 2016, there was a single Remuneration and Nomination Committee. On 25 January 2016, the Remuneration and Nomination Committee was split into two separate Committees; no formal Remuneration Committee meetings were held between 25 January 2016 and 31 March 2016.
[3] James Richards is Remuneration Committee Chairman and has been a Committee member since 1 April 2015.
[4] Manjit Wolstenholme and Malcolm McCaig have been Committee members since 9 December 2015.
[5] John Jackson was the Nomination and Remuneration Committee Chairman until he retired on 30 June 2015.

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

Advisers

In undertaking its responsibilities, the Committee seeks independent external advice as necessary. Following a competitive tender process during 2015, the Committee appointed Mercer LLC ('Mercer') as the principal external adviser to the Committee. Mercer is a voluntary signatory to the Code of Conduct for Remuneration Consultants, which assures clients of independence and objectivity. Details of the Code can be found at www.remunerationconsultantsgroup.com. During the year, Mercer provided independent advice on a wide range of remuneration matters including current market practice, benchmarking of executive pay and incentive design. They provide no other services to the Company. The fees paid to Mercer in respect of work carried out for the Committee for the year under review totalled £58,000 on a time and materials basis. The Committee is comfortable that the advice it has received has been objective and independent.

Summary of shareholder voting

The Company listed on the London Stock Exchange in February 2016. The Company is presenting this Annual Report on Remuneration and the Policy Report to our shareholders for voting at our September 2016 AGM. The Committee will summarise results in a Regulatory News Announcement shortly after the AGM and in next year's Remuneration Report.

Policy report

This section of the report sets out the proposed Remuneration Policy for Executive and Non-Executive Directors which is intended to apply from our September 2016 AGM, subject to shareholder approval at that meeting.

Our Remuneration Policy is designed to ensure remuneration supports achievement of the Group's goals, and provides effective incentives for exceptional Company and individual performance. The Committee regularly reviews the remuneration structure in place to ensure it remains aligned with our business strategy, reinforces our success, and aligns reward with the creation of shareholder value ensuring that there is an appropriate balance between fixed and performance-related pay. A high proportion of executive remuneration is linked to performance targets including the Group's performance and the executives' personal contribution. A considerable part of the reward package is linked to share price performance and is to be delivered in shares that have to be partially retained until minimum shareholding requirements have been met in accordance with shareholding guidelines. The Remuneration Policy also complies with relevant financial services regulation, with all incentives subject to remaining within the risk appetite of the Company.

Group's remuneration policy for Executive Directors

The below Policy Table summarises the key components of remuneration for the Executive Directors:

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary To reflect the market value of the role and individual's experience, responsibility and contribution	The policy is for base salary to be competitive . In making this assessment the Committee looks particularly at sector peers and other FTSE 250 (excluding Investment Trusts) companies. Salaries are reviewed on an annual basis, with any increase normally taking effect from 1 April. The Committee reviews base salaries with reference to: – the individual's role, responsibilities, and experience; – business performance and the external economic environment; – salary levels for similar roles at relevant comparators; and, – salary increases across the Group. Payable in cash.	Base salary will not exceed the highest in the comparator group. Base salary increases are applied in line with the outcome of the review. It is anticipated that salary increases will generally be in line with those awarded to the wider employee population. Increases may be above this level if there is an increase in scale, scope, market comparability or responsibily of the role. Where increases are awarded in excess of the wider employee population, the Committee will provide an explanation in the relevant year's Remuneration Report.	Business performance is considered in any adjustment to base salary
Pension To provide competitive retirement benefits	Executive Directors participate in a defined contribution pension scheme or may receive a cash allowance in lieu.	Up to 15% of salary. Pension contributions for the year ending 31 March 2017 have been set at 10% of base pay.	Not applicable
Share Incentive Plan ('SIP') To encourage broad employee share ownership	In line with HMRC rules. Executive Directors are entitled to participate in the SIP on the same terms as other employees.	In line with HMRC permitted limits.	Not applicable
Benefits To provide market competitive benefits.	Benefits include life insurance, permanent health insurance, private medical insurance, dental insurance, health screening / assessment, critical Illness, interest free season ticket loans, gym membership, eye tests, cycle to work, childcare vouchers, dining card, travel insurance, club membership and car allowance. Where appropriate, other benefits may be offered including, but not limited to, allowances for relocation and other expatriate benefits to perform his or her role.	Benefits may vary by role and individual circumstances and are reviewed periodically to ensure they remain competitive. The maximum value of the benefits is unlikely to exceed 10% of salary.	Not applicable

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Annual Incentive To reinforce and reward delivery of annual strategic business priorities.	Performance is measured on an annual basis for each financial year. Performance conditions and targets are reviewed prior to the start of the year to ensure they are appropriate, stretching and reinforce the business strategy. At the end of the year the Committee determines the extent to which these were achieved. Incentive awards are discretionary. Awards are paid in cash. The Committee may defer up to 50% of any incentive in shares for up to three years, or longer if regulations require. Dividend equivalents may accrue on deferred share awards and be paid on those shares which vest. Awards under the annual incentive are non-pensionable. Unpaid/unvested awards are subject to malus and paid/vested awards are subject to clawback for a three year period from award in the event of a material financial misstatement, gross misconduct, calculation error, failure of risk management, or in any other circumstance the Committee considers appropriate.	Awards may be up to 120% of salary. Payout for threshold performance is up to 25% of maximum; payment for performance ‘ in line with expectations’ is up to 70% of maximum. In the event that there is no annual incentive as a result of Group financial performance, the Committee has discretion to award a bonus of up to 20% of salary for exceptional individual performance.	Performance is assessed against Group and individual performance. A pool is determined by reference to the actual level of profit achievement compared to performance targets and is capped. Once the pool is defined, it is allocated to the individuals based on their individual objectives and behaviour. For the year ending 31 March 2017, Group performance is to be based on profit and subject to the Committee's assessment that the outcome is achieved within the risk appetite of the Company, and individual performance is to be based on the achievement of non-financial/strategic objectives, the individual's contribution and behaviour, and compliance with the Company's risk appetite. Measures selected and their respective weightings may vary from year to year depending on strategic priorities. The Committee may adjust the incentive outcome to ensure alignment of pay with the underlying performance of the business over the financial year. Factors the Committee considers include whether outcomes were achieved within the Company's risk appetite.

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
2015 Management Equity Plan (‘LTIP’) To reinforce delivery of sustained long-term success, and align the interests of participants with those of shareholders.	LTIP awards may be granted annually by the Remuneration Committee to Executive Directors. Awards may consist of performance shares (nil cost options or conditional rights to receive shares) or market value options or a combination of the two. 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. The number of performance shares and/or options vesting is dependent on the degree to which performance conditions attached to the LTIP award have been met over the performance period. Dividends equivalents may accrue on performance shares and be paid on those shares which vest. The award levels and performance conditions are reviewed in advance of grant to ensure they are appropriate. 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.	Award which is a mix of shares and options which will have an economic value no higher than an award of 125% of salary in performance shares in normal circumstances and up to 200% of salary in exceptional circumstances. Vesting for threshold performance is up to 25% of maximum.	Awards vest subject to Company performance and continued employment. The performance measures for 2016 awards are earnings per share (EPS) (60% weighting), relative total shareholder return (TSR) (30%) and achievement of strategic objectives (10%). The Committee has flexibility to adjust the performance measures and weightings in advance of each future cycle to ensure they continue to support delivery of the Company strategy. Over the term of this Policy, performance will be predominantly dependent on financial, and/or share price-related measures. 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.

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.

In particular, Pre-IPO Retention Awards were granted to Executive Directors, senior management and other key employees to retain and motivate key talent through listing and beyond. Awards vest 50% on the first and second anniversaries of Listing, subject to continued employment. Malus and clawback provisions also apply.

Performance measurement selection

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

The annual incentive uses a balance between Group and individual, and financial and non-financial performance targets. The Committee has selected Group profit for annual incentive for the year ending 31 March 2017 because it is a key measure of financial performance and provides management with clear line-of-sight. Group profit targets relating to the annual incentive plan are set in relation to the Company's annual budget, which is reviewed and approved by the Board prior to the start of each financial year. In addition, individual performance for the year ending 31 March 2017 will be assessed based on the achievement of non-financial/strategic objectives, the individual's contribution and behaviour, and compliance with the Company's risk appetite. Performance objectives and targets are reviewed annually to ensure ongoing alignment with the Company's strategy for the year ahead and to ensure that they remain stretching yet achievable. The annual incentive is discretionary and the Committee considers wider factors in its deliberations at the end of the year, for example the quality of earnings. In determining individual awards, the Committee is not required to award the Group incentive pool (i.e. the sum of the incentive awards may be less than the Group incentive pool).

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

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, with targets appropriate to their organisational level and business area. Key senior managers are also eligible for LTIP awards to further support long term alignment with shareholder interests. LTIP performance conditions are consistent for these employees, while award opportunities may vary by organisational level or business area.

Risk considerations

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

Incentive Plan discretions

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

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

- 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
- Adjustments required in certain circumstances (e.g. rights issues, share buybacks, special dividends, other corporate events, etc.)

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

Minor changes

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

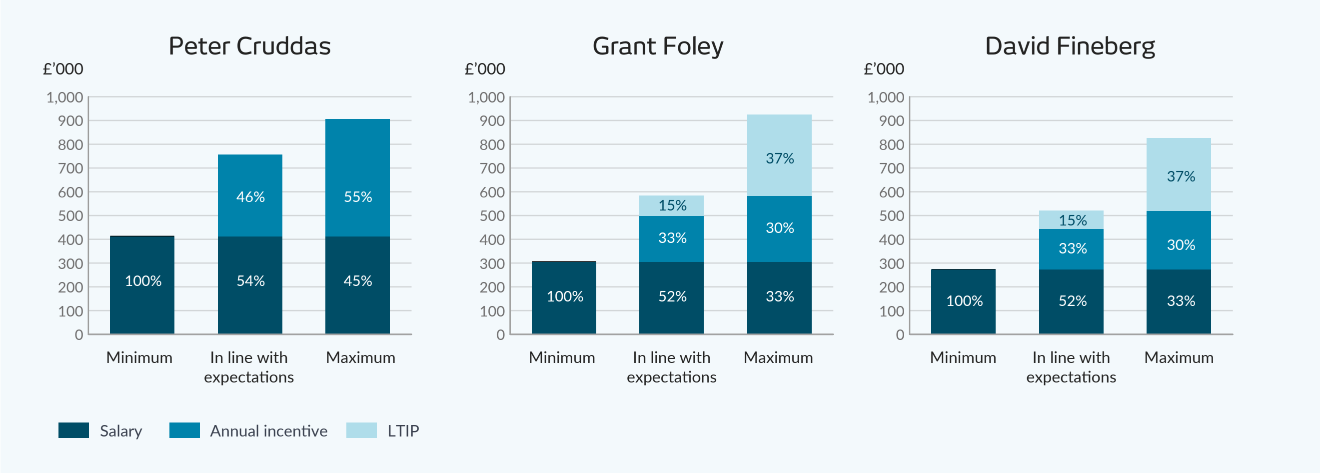
Group's remuneration policy for Chairman and Non-Executive Directors

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 Company's Policy is:

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

Executive Directors' remuneration scenarios

The charts below provide estimates of the potential future reward opportunity for each of the three Executive Directors, and the implied split between the different elements of remuneration under three different performance scenarios: 'Minimum', 'In line with Board expectations' and 'Maximum'.



Assumptions underlying each element of remuneration are provided in the table below. The projected value of the long-term incentives excludes the impact of share price growth and any potential dividend accrual. Actual remuneration delivered, however, will be influenced by these factors.

Component		Minimum	In line with expectations	Maximum
Fixed	Base salary	Latest salary	Latest salary	Latest salary
	Pension	Contribution applies to latest salary	Contribution applies to latest salary	Contribution applies to latest salary
	Other benefits	As presented as a single figure on page 85	As presented as a single figure on page 85	As presented as a single figure on page 85
Annual incentive		No payment	70% of maximum	100% of maximum
LTIP		No payment	25% of maximum	100% of maximum

The Company currently anticipates that Peter Cruddas will not participate in the LTIP or pension arrangements during the year ending 31 March 2017.

Approach to recruitment remuneration

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

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

The annual incentive described in the Policy Table will normally apply to new appointees with the relevant maximum being pro-rated to reflect the period served. Individual objectives will be tailored to the individual's role. New appointees are eligible for awards under the LTIP which will normally be on the same terms as other Executive Directors, as described in the Policy Table.

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 from) to ensure that the remuneration arrangements are appropriate and in the interests of the Company and its shareholders. The Committee may consider it appropriate to grant an award under a structure not included in the Policy, for example to 'buy out' incentive arrangements forfeited on leaving a previous employer, and may exercise the discretion available under Listing Rule 9.4.2 R if necessary to secure the right candidate. In doing so, the Committee will ensure the value of any buyout will not exceed the expected value of awards forgone using a Black-Scholes or equivalent valuation method and, where applicable, take into account progress against any performance conditions attached to those awards and an assessment of the likelihood of those conditions being met.

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

In the case of hiring or appointing a new Non-Executive Director, the Committee will follow the Policy as set out in the table on page 97.

Service contracts

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

Executive Director	Position	Effective date of contract	Notice period from Company	Notice period from Director
Peter Cruddas	Chief Executive Officer	1 February 2016	12 months	12 months
Grant Foley	CFO & Head of Risk	1 February 2016	6 months	6 months
David Fineberg	Group Director of Trading	1 February 2016	6 months	6 months

The terms shown in the table above are in line with the Company policy of operating notice periods of up to 9 months' notice period 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 6 month probation period.

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

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

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

Non-Executive Director	Date of letter	Date of appointment	Notice period
Simon Waugh	25 January 2016	1 December 2007	3 months
James Richards	25 January 2016	1 April 2015	3 months
Manjit Wolstenholme	28 September 2015	9 December 2015	3 months
Malcolm McCaig	28 September 2015	9 December 2015	3 months

Exit payment policy

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

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

The table overleaf summarises how the awards under the annual incentive and LTIP are typically treated in different leaver scenarios and on a change of control. The Committee retains discretion on determining 'good leaver' status, but it typically defines a 'good leaver' in circumstances such as retirement with agreement of the Board, ill health, injury or disability, death, statutory redundancy, or part of the business in which the individual is employed or engaged ceasing 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
Annual incentive	**'Good leaver'**	Annual incentive awards due are paid at the same time as to continuing employees Any unvested deferred share awards vest on the normal vesting date	Annual incentive is paid only to the extent that any performance conditions have been satisfied and is pro-rated for the proportion of the financial year worked before cessation of employment
	'Bad leaver'	Not applicable	Individuals lose the right to their annual incentive and unvested deferred share awards
	Change of control[1]	Annual incentive is paid and unvested deferred share awards vest on effective date of change of control	Annual incentive is paid only to the extent that any performance conditions have been satisfied and is pro-rated for the proportion of the financial year worked to the effective date of change of control
LTIP	**'Good leaver'**	On normal vesting date (or earlier at the Committee's discretion)	Unvested awards vest to the extent that any performance conditions have been satisfied and are pro-rated to reflect the proportion of the vesting period served
	'Bad leaver'	Unvested awards lapse	Unvested awards lapse on cessation of employment
	Change of control[1]	On the date of the event	Unvested awards vest to the extent that any performance conditions have been satisfied and are pro-rated to reflect the proportion of the vesting period served

[1] In certain circumstances, the Committee may determine that any deferred share awards under the annual incentive and both unvested and any deferred awards under the LTIP 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 Director Remuneration Policy nor does it use any remuneration comparison measurements.

Consideration of shareholder views

The Committee is committed to an on-going 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.

Regulated entities

CMC Markets entity	Financial services regulator(s)
CMC Markets UK plc	Financial Conduct Authority (FCA), UK
CMC Markets UK plc – European branches	FCA, UK; and
Italy CMC Markets UK plc Succursale di Milano	Commissione Nazionale per le Società e la Borsa (CONSOB), Italy
France CMC Markets UK plc, France	Autorité des Marchés Financiers (AMF); and Autorité de Controle Prudential et de resolution (ACPR)
Germany Niederlassung Frankfurt am Main der CMC Markets UK plc	Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Germany
Norway CMC Markets UK plc Filial Oslo	Finanstilsynet (The Financial Supervisory Authority of Norway)
Spain CMC Markets UK plc, Sucursal en España	Comisión Nacional del Mercado de Valores (CNMV), Spain
Sweden CMC Markets UK plc Filial Stockholm	Finansinspektionen (Financial Supervisory Authority Sweden)
Poland CMC Markets UK Plc Oddział w Warszawie	Komisja Nadzoru Finansowego (Polish Financial Supervision Authority)
CMC Markets UK plc – Representative Office:	
Beijing Representative Office of CMC Markets UK plc	China Banking and Regulatory Commission
CMC Spreadbet plc	FCA, UK
CMC Markets Asia Pacific Pty Ltd	Australian Securities and Investments Commission (ASIC)
CMC Markets Pty Ltd	ASIC
CMC Markets Stockbroking Ltd	ASIC; and Australia Stock Exchange (ASX)
CMC Markets Canada Inc. (Operating as Marches CMC Canada in Quebec)	Investment Industry Regulatory Organization of Canada (IIROC); Autorité des Marchés Financiers (AMF) Ontario Securities Commission; and British Columbia Securities Commission
CMC Markets NZ Ltd	Financial Markets Authority (New Zealand)
CMC Markets Singapore Pte Ltd	Monetary Authority of Singapore (MAS)

Directors' report

The Corporate Governance Report can be found on pages 60 to 107 and, together with this report of which it forms part, fulfils the requirements of the Corporate Governance Statement for the purpose of the Disclosure and Transparency Rules ("DTR").

Going concern

Having given due consideration to the nature of the Group's business, the Directors consider that the Company and the Group are going concerns and the financial statements are prepared on that basis. This treatment reflects the reasonable expectation that the Group has adequate resources to continue in business for the foreseeable future and the consideration of the various risks set out on pages 50 to 57 and financial risks described in note 4 to the financial statements.

Viability statement

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

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

Prospects

- the Group's current financial position as outlined in the Strategic report (pages 36 to 50)
- the Group's business model: The core of the current strategy has been in place for over three years and continues to demonstrate delivery of sufficient and growing cash generation to support operations, with average own funds generated from operating activities of £47.1m per annum over the last three financial years, and a consistently improving capital base (Total equity of £104.3 million at 31 March 2013 and £176.3 million at 31 March 2016).
- assessment of prospects and assumptions: Conservative expectations of future business prospects through delivery of the Group strategy (see pages 24 to 25) as presented to the Board through the budget process. The budget process consists of a detailed bottom up process with a 12 month outlook which involves input from all relevant department and regional heads. The process includes 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 regulatory environment which continues to support the Group's products, market volatility, interest rates and industry growth which materially impact the business. The budgeting process covers liquidity and capital planning and a three year outlook is prepared. The budget was reviewed and approved by the Board in March 2016.
- 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 50 to 57) and monitored monthly at the Risk Management Committee, with review and challenge from the Group Risk Committee.

Viability

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

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

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

Directors

All directors will seek election at the 2016 Annual General Meeting ("2016 AGM") on 7 September 2016. 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 Annual General Meeting 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 87 and other directorships are disclosed on page 64 to 67.

The Directors who served during the year were:

Simon Waugh	Chairman	
Manjit Wolstenholme	Senior Independent Director	(appointed 9 December 2015)
Peter Cruddas	Chief Executive Officer	
Malcolm McCaig	Non-Executive Director	(appointed 9 December 2015)
James Richards	Non-Executive Director	(appointed 1 April 2015)
John Jackson	Non-Executive Director	(resigned 30 June 2015)
David Fineberg	Group Director of Trading	
Grant Foley	CFO & Head of Risk	

Directors' indemnities

The Company maintains appropriate insurance to cover Directors' and Officers' liability which is assessed annually and approved by the Board. Directors are granted indemnity provisions against section 234, 235 and/or 236 of the Companies Act 2006. No amount was paid under the Directors' and Officers' liability insurance during the year.

Strategic report

The Companies Act 2006 requires the Group to prepare a Strategic report, which commences at the start of this Annual Report and financial statements up to page 157. The Strategic report includes information about 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 23 to the consolidated financial statements on page 148. The Group's vision is to be market leader in global online retail multi-asset trading. Its strategic objective is to provide superior shareholder returns through the consistent and sustainable delivery of growth in revenue and improvement to operating margins through operational excellence including product innovation, technology and service. The strategic objectives to achieve this are also set out in the Strategic report.

Dividends

On 7 June 2016, the Board recommended a final dividend of 5.36 pence per Ordinary Share in respect of the full financial year ended 31 March 2016, subject to shareholder approval at the 2016 AGM. Further information on dividends is shown in note 14 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 2016 there were 287,923,211 Ordinary and 2,478,086 Deferred Shares in issue.

During the year:

1. The Company issued 7,626,349 Ordinary Shares. 6,239,333 Ordinary Shares were issued to public investors and certain Non-Executive Directors for a consideration of £14,974,000. In addition, 563,816 were issued to the CMC Markets plc Employee Share Plan Trust, 477,000 Ordinary Shares were issued to the Employee Share Incentive Plan Trust and 346,200 Ordinary Shares were issued directly to certain employees.

2. Under the CMC Markets Management Equity Plan 2009 ("2009 MEP"), 934,300 options that were previously granted were cash settled upon listing resulting in nil remaining outstanding at the year-end;

3. Under the CMC Markets Management Equity Plan 2015 ("2015 MEP") 4,914,300 options over Ordinary Shares were granted without charge to employees of the Group and 1,641,525 were vested upon listing;

4. Under the UK Share Incentive Plan ("UK SIP") 477,000 options over Ordinary Shares were granted without charge to employees of the Group; and

5. No Ordinary Shares were converted to Deferred Shares and the mechanism to enable such a conversion of Ordinary Shares into Deferred Shares when required ended upon listing.

At the date of this report an aggregate of 2,926,575 options over Ordinary Shares in the Company remain outstanding subject to the rules of the 2015 MEP and 477,000 options over Ordinary Shares are outstanding subject to the rules of the UK SIP. Further details of the authorised and issued capital are disclosed in note 26.

Ordinary Shares

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

Deferred Shares

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

Share capital and Directors' powers

The powers of the Directors, including in relation to the issue or buy back of the Company's shares, are set out in the Companies Act 2006 and the Company's Constitution. The Directors were granted authorities to issue and allot shares and to buy back shares at a general meeting held 4 February 2016.

Shareholders will be asked to renew these authorities in line with the latest institutional shareholder guidelines at the 2016 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 independently 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 would circumvent, the Listing Rules. The Relationship Agreement will stay in effect until the earlier of: (i) the Controlling Shareholders ceasing to own in aggregate an interest in at least 10% or more of the Shares in the Company (or an interest which carries 10% or more of the aggregate voting rights in the Company from time to time) or (ii) the Shares ceasing to be listed on the premium listing segment of the Official List and admitted to trading on the London Stock Exchange's main market for listed securities.

Significant contracts and change of control

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

Statutory information contained elsewhere in the report

Information required to be part of this Directors' report can be found elsewhere in the annual report as indicated below.

Information	Location in annual report
Greenhouse gas emissions	Page 34
Employees (employment of disabled persons, employee engagement)	Page 30
Disclosure of overseas branches	Page 101
Employee share schemes	Note 28, page 152
Directors' long term incentives	Pages 82 to 100
Financial instruments	Note 23, Page 148
Likely future developments	Page 12 and 24 to 25
Compliance with the UK Corporate Governance Code	Page 62
Directors interests	Page 87
Related party transactions	Page 157

Substantial shareholdings

Information provided to the Company by substantial shareholders pursuant to the DTRs is published via a Regulatory Information Service. As at 31 March 2016, the company has been notified under DTR Rule 5 of the interests as set out below in its issued share capital. All such share capital has the right to vote at general meetings.

As at 3 June 2016 the substantial shareholdings in the Ordinary Shares of the Company remain as stated in the table below.

Shareholder As at 31 March 2016	Ordinary Shares held	% of voting rights	Direct/Beneficial owner
Peter Andrew Cruddas	165,155,374	57.36	Beneficial owner*
Fiona Jane Cruddas	14,774,532	5.13	Direct
Goldman Sachs International	14,395,894	5.00	Direct
Legal & General Investment Management	11,682,538	4.06	Direct
Henderson Global Investors	11,302,835	3.92	Direct
Schroders Investment Management	10,000,000	3.47	Direct
Fidelity Management	9,500,000	3.30	Direct

* Held directly by Goldman Sachs Securities Nominees.

The shareholdings of CMC Markets plc Directors are listed within the Directors Remuneration Report.

Articles of association

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

Research and development

The Group continues to invest in the development of the CFD and spread bet Next Generation platform in addition to maintaining existing infrastructure with considerable effort applied by the technical and software development teams. Little expenditure is capitalised and is therefore expensed when it is incurred. £nil of development expenditure has been capitalised during the year (2015: £nil).

Directors' statement as to disclosure of information to Auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware of. 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 auditor is aware of that information. This confirmation is given pursuant to section 418 of the Companies Act 2006.

Independent auditor

PricewaterhouseCoopers LLP acted as auditors throughout the year. In accordance with s489 and s492 of the Companies Act 2006, resolutions proposing the re-appointment of PricewaterhouseCoopers LLP as the Company's auditors and authorising the Directors to determine the auditors' remuneration will be put to the 2016 AGM.

Political donations

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

Annual General Meeting

The 2016 AGM is to be held at 133 Houndsditch, London EC3A 7BX at 10.00am on Wednesday 7 September 2016.

Statement of Directors' Responsibilities

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

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing the Financial Statements, the Directors are required to:

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Responsibilities statement

We confirm that to the best of our knowledge:

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

The Annual Report was approved by the Board on 7 June 2016.

By order of the Board

Jonathan Bradshaw
Company Secretary
7 June 2016

CMC Markets plc
Registered number: 05145017

Independent auditors' report to the members of CMC Markets plc

Report on the financial statements

Our 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 2016 and of the Group's and the parent company's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the consolidated and parent company statements of financial position as at 31 March 2016;
- the consolidated income statement and the consolidated statement of comprehensive income for the year then ended;
- the consolidated and parent company statements of cash flows for the year then ended;
- 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 summary of significant accounting policies and other explanatory information.

Certain required disclosures that 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.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Our audit approach

Context

On 5 February 2016 CMC Markets plc listed its ordinary shares on the London Stock Exchange. Our audit was planned in anticipation of the listing and therefore we haven't had to amend our audit plan during the year end from what was originally presented to the Audit Committee. As a result of the listing process, there were exceptional expenses incurred by the Group, which is one of the areas of focus for us this year.

Overview

Materiality	• Overall group materiality: £2.675 million which represents 5% of profit before tax.
Scope	• The Group consists of a UK holding Company with a number of subsidiary entities and branches containing the operating businesses of both the UK and overseas territories. The accounting records for both the UK and overseas businesses are primarily maintained and controlled by the UK finance team in London. • We determined the appropriate work to perform based on the consolidated balances of the group. As a result, the majority of the audit work was performed by the Group audit team in London, with certain, specified audit procedures carried out by overseas PwC engagement teams where necessary. • Balances within the scope of our audit contributed 86% of Group total assets. Audit coverage on account balances in the consolidated income statement ranged between 80% and 100%.
Areas of focus	• Revenue recognition. • Disclosure and classification of exceptional items.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing 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. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Revenue recognition The Group gives its clients access to a broad range of financial markets predominantly through provision of spreadbetting and contract-for-difference ("CFD") market-making activities. All of the client trading transactions which lead to revenue and the Group's related hedging transactions are recorded in the NextGen and MarketMaker systems, and the net position at each month end is recorded in the Oracle general ledger. We have focused on this area because it is a key driver of substantially all of the revenue in the Group.	We use data analytics and account mapping to perform a full reconciliation of all account balances recorded in the trading systems to the general ledger. This is performed for every balance in those trading systems for the entire year. We did not identify any material differences. As each transaction ultimately has a cash impact we tested the cash reconciliation controls throughout the year. We also agreed all cash accounts to external third party evidence through a combination of independent confirmations and examination of bank statements. Finally, to address the risk that improper transactions had been entered into the trading systems, we read a sample of customer complaints as well as testing a sample of accounts for authenticity to identify any instances where revenue might have been improperly recognised. We did not identify any material exceptions.
Disclosure and classification of exceptional items The Group has an accounting policy in relation to the disclosure of exceptional items. All exceptional items are ordinarily recorded in the financial statements, however are disclosed separately on the face of the Income Statement. Three instances gave rise to exceptional items in the current year. One of these related to income received on a legal settlement, and the other two were expenses incurred in the listing process. The decision whether to disclose items as exceptional or not is a judgemental one, and there is additional risk involved as the "underlying" profit before tax (excluding exceptional items) is a key metric for measuring senior management's performance and for discussing the performance of the Group. As such there is a heightened disclosure risk that exceptional debits are overstated or exceptional credits understated to increase reported underlying profit.	We assessed the appropriateness of the Group's accounting policy and whether those items disclosed as exceptional items were consistent with the accounting policy. We found the Group's accounting policy to be appropriate and the classification of these exceptional items to be consistent with the accounting policy. We understood the nature of each of the exceptional items (e.g. litigation settlement, listing costs and share based payment expenses) through discussion with management and examination of the relevant accounting memos. All amounts have been agreed to actual cash payments and receipts, as well as invoices where applicable. We have also considered whether the population of exceptional items is complete. Specifically we have considered whether any additional income amounts should be disclosed as exceptional. Based on our analysis we did not identify any additional exceptional items to be included in the disclosure.

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. In scoping our audit work we took into account the geographic structure of the group, the location of accounting processes and controls, and the industry in which the group operates.

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

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

As a result of our scoping, the only material components were the UK legal entities (including the European branches) and we have performed a full scope audit of these entities. In addition to this it was possible for us to perform testing in the UK for all spread betting and CFD revenue. As a result, the majority of the audit work was performed by the Group audit team in London, with certain, specified audit procedures carried out by PwC Australia over cash, deferred tax and stockbroking revenue.

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 on the financial statements as a whole.

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

Overall group materiality	£2.675 million
How we determined it	5% of profit before tax
Rationale for benchmark applied	We have used profit before tax as the materiality benchmark as it is the most relevant metric against which the performance of the Group is measured.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £133,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 102, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the group and parent company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the group's and parent company's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinions

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

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:	
• information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group and parent company acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
• the statement given by the directors on page 72, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's and parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and parent company acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the Annual Report on page 75, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:	
• the directors' confirmation on page 51 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the directors' explanation on page 102 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.
Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the group and the directors' statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. - We have nothing to report having performed our review.	

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- 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.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the parent company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 107, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Hemione Hudson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 June 2016

Financial statements

Consolidated income statement

For the year ended 31 March 2016

GROUP £'000	Note	Year ended 31 March 2016	Year ended 31 March 2015
Revenue		**186,397**	**155,755**
Interest income	6	1,762	2,118
Total revenue		**188,159**	**157,873**
Rebates and levies		(18,812)	(14,221)
Net operating income	**5**	**169,347**	**143,652**
Other income	7	3,135	–
Operating expenses	8	(112,277)	(92,312)
EBITDA[1]		**60,205**	**51,340**
Analysed as:			
EBITDA before exceptional items[2]		**69,168**	**59,774**
Exceptional income	7	3,135	–
Exceptional costs	8	(12,098)	(8,434)
EBITDA[1]		**60,205**	**51,340**
Depreciation and amortisation	11	(6,057)	(6,934)
Operating profit		**54,148**	**44,406**
Finance costs	10	(772)	(896)
Profit before taxation	**11**	**53,376**	**43,510**
Analysed as:			
Profit before taxation and exceptional items		**62,339**	**51,944**
Exceptional income	7	3,135	–
Exceptional costs	8	(12,098)	(8,434)
Profit before taxation		**53,376**	**43,510**
Taxation	12	(10,915)	(8,770)
Profit for the year attributable to owners of the parent		**42,461**	**34,740**
Earnings per share			
Basic earnings per share (p)	**13**	**15.1p**	**12.4p**
Diluted earnings per share (p)	13	15.0p	12.4p

[1] EBITDA represents earnings before interest, tax, depreciation and amortisation and impairment of intangible assets, but includes interest income classified as trading revenue.
[2] EBITDA before exceptional items represents Underlying EBITDA.

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 profit for the year ended 31 March 2016 dealt within the financial statements of the Company was £7,708,000 (2015: £10,000 Loss). The Company had no other comprehensive income.

Consolidated statement of comprehensive income

For the year ended 31 March 2016

GROUP £'000	Note	Year ended 31 March 2016	Year ended 31 March 2015
Profit for the year		**42,461**	**34,740**
Other comprehensive (expense) / income:			
Items that may be subsequently reclassified to income statement			
(Loss) / Profit on net investment hedges net of tax	29	(1,172)	1,063
Profit recycled from equity to the income statement net of tax	29	61	–
Currency translation differences	29	1,563	(1,485)
Change in value of available-for-sale financial assets		4	–
Other comprehensive income / (expense) for the year		**456**	**(422)**
Total comprehensive income for the year attributable to owners of the parent		**42,917**	**34,318**

Consolidated and parent company statements of financial position

At 31 March 2016

		GROUP		COMPANY	
£'000	Note	31 March 2016	31 March 2015	31 March 2016	31 March 2015
ASSETS					
Non-current assets					
Intangible assets	15	2,649	3,658	–	–
Property, plant and equipment	16	16,350	17,376	–	–
Investment in subsidiary undertakings	17	–	–	167,036	162,576
Deferred tax assets	25	7,701	7,552		–
Total non-current assets		**26,700**	**28,586**	**167,036**	**162,576**
Current assets					
Trade and other receivables	18	20,931	18,766	–	35,444
Derivative financial instruments	23	795	3,275	–	–
Financial investments	19	20,374	–	–	–
Amounts due from brokers		84,230	109,794	–	–
Cash and cash equivalents	20	78,280	38,611	15,000	–
Total current assets		**204,610**	**170,446**	**15,000**	**35,444**
TOTAL ASSETS		**231,310**	**199,032**	**182,036**	**198,020**
LIABILITIES					
Current liabilities					
Trade and other payables	21	34,738	38,723	36,970	54,014
Derivative financial instruments	23	4,996	805	–	–
Borrowings	22	1,355	1,399	–	–
Current tax payable		7,758	3,507	–	3
Short term provisions	24	160	4,345	–	–
Total current liabilities		**49,007**	**48,779**	**36,970**	**54,017**
Non-current liabilities					
Trade and other payables	21	3,479	3,926	–	–
Borrowings	22	1,085	2,453	–	–
Deferred tax liabilities	25	5	128	–	–
Long term provisions	24	1,407	1,423	–	–
Total non-current liabilities		**5,976**	**7,930**	**–**	**–**
TOTAL LIABILITIES		**54,983**	**56,709**	**36,970**	**54,017**
EQUITY					
Equity attributable to owners of the Company					
Share capital	26	72,600	70,694	72,600	70,694
Share premium	26	46,243	33,362	46,243	33,362
Own shares held in trust	27	(984)	(1,983)	–	–
Other reserves	29	(49,513)	(49,969)	–	–
Retained earnings		107,981	90,219	26,223	39,947
Total equity		**176,327**	**142,323**	**145,066**	**144,003**
TOTAL EQUITY AND LIABILITIES		**231,310**	**199,032**	**182,036**	**198,020**

The financial statements on pages 113 to 157 were approved by the Board of Directors on 7 June 2016 and signed on its behalf by:

P.A. Cruddas

Peter Cruddas, Chief Executive Officer

Grant Foley, Chief Financial Officer & Head of Risk

Consolidated and parent company statements of changes in equity

For the year ended 31 March 2016

GROUP £'000	Share capital	Share premium	Own shares held in trust	Other reserves	Retained earnings	Total Equity
At 1 April 2014	**70,694**	**33,362**	**(1,983)**	**(49,547)**	**67,055**	**119,581**
Total comprehensive (expense) / income for the year	–	–	–	(422)	34,740	34,318
Share-based payments	–	–	–	–	374	374
Dividends	–	–	–	–	(11,950)	(11,950)
At 31 March 2015	**70,694**	**33,362**	**(1,983)**	**(49,969)**	**90,219**	**142,323**
New shares issued	1,906	12,881	–	–	–	14,787
Total comprehensive income for the year	–	–	–	456	42,461	42,917
Disposal of own shares held in trust	–	–	999	–	–	999
Share-based payments	–	–	–	–	205	205
Tax on share-based payments	–	–	–	–	31	31
Dividends	–	–	–	–	(24,935)	(24,935)
At 31 March 2016	**72,600**	**46,243**	**(984)**	**(49,513)**	**107,981**	**176,327**

Total equity is attributable to owners of the Company

COMPANY £'000	Share capital	Share premium	Retained earnings	Total Equity
At 1 April 2014	**70,694**	**33,362**	**51,533**	**155,589**
Total comprehensive expense for the year	–	–	(10)	(10)
Share-based payments	–	–	374	374
Dividends	–	–	(11,950)	(11,950)
At 31 March 2015	**70,694**	**33,362**	**39,947**	**144,003**
New shares issued	1,906	12,881	–	14,787
Total comprehensive income for the year	–	–	7,708	7,708
Share-based payments	–	–	3,503	3,503
Dividends	–	–	(24,935)	(24,935)
At 31 March 2016	**72,600**	**46,243**	**26,223**	**145,066**

Consolidated and parent company statements of cash flows

For the year ended 31 March 2016

		GROUP		COMPANY	
£'000	Note	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015
Cash flows from operating activities					
Cash generated from operations	30	80,061	6,362	14,277	11,982
Net interest income		1,762	2,118	–	–
Tax paid		(6,872)	(6,471)	(3)	(4)
Net cash generated from operating activities		**74,951**	**2,009**	**14,274**	**11,978**
Cash flows from investing activities					
Purchase of property, plant and equipment		(2,900)	(8,584)	–	–
Proceeds from disposal of property, plant and equipment		59	136	–	–
Investment in intangible assets		(1,092)	(1,866)	–	–
Purchase of financial investments		(20,633)	–	–	–
Proceeds from maturity of financial investments and coupon receipts		287	–	–	–
Investment in subsidiaries		–	–	(4,126)	
Dividends received		–	–	15,000	–
Net cash used in investment activities		**(24,279)**	**(10,314)**	**10,874**	**–**
Cash flows from financing activities					
Repayment of borrowings		(1,412)	(1,524)	–	–
Proceeds from borrowings		–	4,402	–	–
Proceeds from issue of ordinary shares		14,787	-	14,787	–
Disposal of own shares		999	–	–	–
Dividends paid		(24,935)	(11,950)	(24,935)	(11,950)
Finance costs		(772)	(896)	–	(28)
Net cash used in financing activities		**(11,333)**	**(9,968)**	**(10,148)**	**(11,978)**
Net increase / (decrease) in cash and cash equivalents		**39,339**	**(18,273)**	**15,000**	**–**
Cash and cash equivalents at the beginning of the year		38,611	57,801	–	–
Effect of foreign exchange rate changes		330	(917)	–	–
Cash and cash equivalents at the end of the year		**78,280**	**38,611**	**15,000**	**–**

Notes to the financial statements

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1. General information

Corporate information

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

Functional and presentation currency

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

2. Basis of preparation

Basis of accounting

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

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

The Group principal accounting policies adopted in the preparation of these financial statements are set out in note 3 below. These policies have been consistently applied to all years presented. The financial statements presented are at and for the years ending 31 March 2016 and 31 March 2015. Financial annual years are referred to as 2016, and 2015 in the financial statements.

Changes in accounting policy and disclosures

Application of new and revised accounting standards

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2015:

- Annual Improvements to IFRSs – 2010-2012 Cycle and 2011 – 2013 Cycle. One of the annual improvements requires entities to disclose judgements made by management in applying the aggregation criteria set out in paragraph 12 of IFRS 8 Operating segments. The Group has aggregated several operating segments into a single operating segment. The application of other amendments has had no material impact on the disclosures or amounts recognised in the Group's consolidated financial statements.

New accounting standards in issue but not yet effective

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

- IFRS 9, 'Financial instruments: classification and measurement', will replace IAS 39, 'Financial instruments: Recognition and measurement.' IFRS 9 has three measurement categories: amortised cost, fair value through profit or loss and fair value through other comprehensive income. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement. The Group is yet to assess the full impact of IFRS 9, but intends to adopt the Standard no later than the accounting year beginning 1 April 2018, subject to endorsement by the EU.

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces

IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Group is yet to assess the full impact of IFRS 15, but intends to adopt the Standard no later than the accounting year beginning 1 April 2018, subject to endorsement by the EU.

- IFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to EU endorsement and the entity adopting IFRS 15 'Revenue from contracts with customers' at the same time. The Group is yet to assess the full impact of IFRS 16, but intends to adopt the Standard no later than the accounting year beginning 1 April 2019, subject to endorsement by the EU.

Basis of consolidation

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

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

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

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

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

Use of estimates

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

Income taxes

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

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.

Segment revenue

The group manages risk and hedges on a group-wide portfolio basis; as such the allocation of revenue to a segment involves the use of an allocation methodology. This methodology does not impact on the overall Group net operating income.

3. Summary of significant accounting policies

Total Revenue

Revenue

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

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

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

Interest Income

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

Rebates and levies

Rebates payable to introducing partners, and spread betting levies are charged to the income statement when the associated revenue is recognised and is disclosed as a deduction from total revenue in deriving net operating income. Betting levy is payable on net gains generated from clients on Spread betting and the Countdowns product (a subset of binaries). This levy is payable on net gains generated from clients on these products.

Other income

Items of income that are material by size and/or nature and are non-business related are classified as other income on the face of the consolidated income statement.

Segmental reporting

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

Share-based payment

The Group issues equity-settled and cash-settled share-based payments to certain employees.

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

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

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

Retirement benefit costs

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

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

Operating Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. The rentals payable under operating leases are charged to the income statement on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are included within deferred income and amortised to the income statement so as to spread the benefit on a straight-line basis over the lease term.

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

Exceptional items

Exceptional items are events or transactions that fall within 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.

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

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

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

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

Foreign currencies

Transactions denominated in currencies, other than the functional currency, are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies, are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in 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 and costs directly attributable to internally developed software are recognised as an expense as incurred.

Costs which have been recognised as an asset are amortised on a straight line basis over their estimated useful lives.

Trademarks and trading licences

Trademarks and trading licences that are separately acquired are capitalised at cost and those acquired from a business combination are capitalised at the fair value at the date of acquisition. Amortisation is charged to the income statement on a straight line basis over their estimated useful lives.

Client relationships

The fair value attributable to client relationships acquired through a business combination is included as an intangible asset and amortised over the estimated useful life on a straight line basis. The fair value of client relations is calculated at the date of acquisition on the basis of the expected future cash flows to be generated from that asset. Separate values are not attributed to internally generated 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 asset at rates calculated to write-off the cost, less estimated residual value based on prices prevailing at the balance sheet date, of each asset on a straight-line basis over its expected useful life as follows:

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

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

Property, plant and equipment

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

Item	Depreciation Policy
Furniture, fixtures and equipment	5 years
Computer hardware	5 years
Leasehold Improvements	15 years

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

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

Impairment of assets

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

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

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

Financial assets

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

Loans and receivables

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

The Group's loans and receivables comprise 'trade and other receivables' (note 18), 'amounts due from brokers' and 'cash and cash equivalents' (note 20) in the statement of financial position.

Derivative financial instruments

Derivatives financial instruments, comprising Index, Commodities, Foreign Exchange and Treasury futures and forward foreign exchange contracts are classified as 'fair value through profit or loss' under IAS39, unless designated as hedges. Derivatives not designated as hedges are initially recognised at fair value. Subsequent to initial recognition, changes in fair value of such derivatives and gains or losses on their settlement are recognised in the income statement.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an on-going 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 and relate to the financial derivative open positions. The Group uses derivative financial instruments in order to hedge derivative exposures arising from open client positions, which are classified as held for trading. All derivatives held for trading are carried in the statement of financial position at fair value with gains or losses recognised in revenue in the income statement.

Held as Hedges of net investments in foreign operations

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

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

These are derivatives held to mitigate the foreign exchange risk on monetary assets and liabilities, financial commitments or forecast transactions. Where a derivative financial instrument is used as an economic hedge of the foreign exchange exposure of a recognised monetary asset or liability, financial commitment or forecast transaction, but does not meet the criteria to qualify for hedge accounting under IAS39, 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 receivables

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

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

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

Amounts due from brokers

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

Cash and cash equivalents

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

Client money

The Group holds money on behalf of clients in accordance with the Client Asset (CASS) rules of the Financial Conduct Authority and other financial markets regulators in the countries in which the Group operates. Client monies are classified as either client money or cash and cash equivalents in accordance with the relevant regulatory agency's requirements. The amounts held on behalf of clients at the balance sheet date are stated in notes 20 and 21. Segregated client funds comprise individual client funds held in segregated client money accounts. Segregated client money accounts hold statutory trust status restricting the Group's ability to control the monies and accordingly such amounts and are not recognised on the Group's statement of financial position.

Trade payables

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

Borrowings

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

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

Provisions

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

Share capital

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

Own shares held in trusts

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

Employee benefit trusts

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

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

4. Financial risk management

The Group's day-to-day business activities naturally expose it to strategic, financial (including credit and market) and operational risks. The Board accepts that it cannot place a cap or limit on all of the risks to which the Group is exposed. However, effective risk management ensures that risks are managed to an acceptable level. The Board is ultimately responsible for the implementation of an appropriate risk strategy, defining and communicating the Group's risk appetite, the establishment and maintenance of effective systems and controls, and continued monitoring of the adherence to Group policies. The Group has adopted a standard risk process, through a five step approach to risk management: Risk Identification; Risk Assessment; Risk Management; Risk Reporting and Risk Monitoring. The approach to managing risk within the business is governed by the Board approved Risk Appetite Statement and Risk Management Framework.

The Board sets the strategy and the policies for managing these risks and delegates the monitoring and management of these risks to various committees including Group Risk Committee and Risk Management Committee.

The Group's Internal Capital Adequacy Assessment Process (ICAAP) is prepared under the requirements set out in the Prudential Regulation Authority (PRA) Rulebook in accordance with CRD IV[1]. A key purpose of an ICAAP is to inform a firm's board of the ongoing assessment of the firm's risks, how the firm intends to mitigate those risks, and how much current and future capital is necessary, having considered potential stresses as well as mitigating factors.

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

Market risk

Market risk is defined as the risk that the value of our residual portfolio will decrease due to the change in market risk factors. The three standard market risk factors are price moves, interest rates and foreign exchange rates.

Market price risk

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

[1] The Capital Requirements Directive (2013/36/EU) (CRD) and the Capital Requirements Regulation (575/2013) (CRR), called 'CRD IV'.

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 instruments, specifically equities, equity indices, commodities, treasuries and foreign exchange as well as forwards on commodities, treasuries equity indices and FX. Because of the high level of notional turnover there is a high level of internal crossing and natural hedging across instruments and asset classes to mitigate significant single instrument concentration risk within the portfolio.

- Natural aggregation

In the year ended 31 March 2016, the Group traded with over 57,000 clients. This large international client base has a diverse range of trading strategies resulting in the Group enjoying a high degree of natural hedging between clients. This 'portfolio effect' leads to a significant reduction in the Group's net market risk exposure.

- Ease of hedging

The Group predominantly acts as a market maker in linear, highly liquid financial instruments in which it can easily neutralise market risk exposure through its prime broker (PB) arrangements. In order to avoid over-reliance on one arrangement the Group has seven PB relationships. For instruments where there is no equivalent underlying market (e.g. Countdowns) the Group controls its risk through setting low position/exposure limits. This is further augmented by dealer monitoring and intervention, which can take the form of restricting the size offered or, if deemed necessary, restricting the clients' ability to take a position in an instrument.

Market risk limits

Market risk positions are managed in accordance with the Group's Risk Appetite Statement and Group Risk Management Framework to ensure that the Group has sufficient capital resources to support the calculated Market Risk Capital Requirement as well as staying within the Risk Appetite. The Group manages this crucial component under notional position limits that are set on an instrument as well as asset class level with overarching capital based limits.

Overall client exposures can vary significantly over a short period of time and are highly dependent on underlying market conditions. Under the residual risk flow model the Group's OFR has fallen against the prior years and remains well within the Board-approved risk appetite.

GROUP OFR £'000	31 March 2016	31 March 2015
Asset class		
Consolidated equities	4,838	5,707
Commodities	1,838	2,692
Treasuries	590	1,656
Foreign exchange	1,862	2,464
Interest rate risk	585	403
Countdowns	1	–
	9,714	**12,922**

Market price risk – stress testing

Group Financial Risk conducts market price risk stress testing on a daily basis. The approach to this stress testing is tailored to the asset class and the client behaviours seen, for example longer holding periods on Equities versus shorter on the Foreign Exchange asset class. This then leads to the most suitable stress testing models to be used, be it based on intraday movements or end of day positions and severe market movements based on historic volatility or CVar/ETL. It should be noted that the Group not only runs likely and probable scenarios but also extreme case stress scenarios, again on a daily basis, where the stress factors simulate almost black swan type events to ensure we maintain capital adequacy even under very unlikely events.

None of the stress tests run through the year implied any significant risk to the capital adequacy nor ongoing profitability of the Group.

Non trading book interest-rate risk

Interest rate risk arises from either less interest being earned or more being paid on interest bearing assets and liabilities due to a change in the relevant floating rate.

Interest rate risk is felt by the Group through a limited number of channels, income on segregated client and own funds and debits on client balances that are over a pre-defined threshold.

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 2015.

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.

GROUP 31 March 2016 £'000	Absolute increase	Absolute decrease
Impact of	**0.50% change**	**0.25% change**
Profit after tax	731	(512)
Equity	731	(512)

GROUP 31 March 2015 £'000	Absolute increase	Absolute decrease
Impact of	**0.50% change**	**0.25% change**
Profit after tax	697	(278)
Equity	697	(278)

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 feels 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 exposures are hedged in accordance with Group Foreign Exchange Hedging Policy. Given the effectiveness of the hedging program (income statement impact in year ended 31 March 2016: £267,000 loss, Year ended 31 March 2015: £374,000 gain), no sensitivity analysis has been performed. These 'fair value hedges' are derivative financial instruments and are reported as described in note 3.

Translation exposure occurs when the net assets of an entity are denominated in a foreign currency other than GBP, when the consolidated statement of financial position is prepared. The Group hedges this exposure by using FX forwards. These 'Net Investment Hedges' are derivative financial instruments and are reported as described in note 3. The unhedged portion does not pose a significant risk to the capital adequacy or to the ongoing profitability of the Group.

Credit risk

Credit risk is the risk that the counterparty to a transaction will cause the Group financial loss by failing to fulfill a contractual obligation. Below are the channels of credit risk the Group is exposed through:

- Credit institution (CI);
- Client.

Credit Institution credit risk

The Group has relationships with a number of counterparties that provide prime brokerage and/or banking services (e.g. cash accounts, foreign exchange trading, credit facilities etc.). All these market counterparties can be described as Credit Institutions (CIs) as defined by Article 4 'Definitions' in the CRR ('credit institution' is defined as an undertaking the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account).

Credit Institution credit risk can therefore be defined as the risk that a CI will default on their contractual obligation to the Group resulting in a loss to the Group.

The above could be felt in two ways:

- For CIs used as a bank and those as a broker, the Group does not receive the funds the CI holds back;
- For the CIs used as broker, the default causes the need to re-hedge at a different broker at a different price.

Mitigation of Credit Institution credit risk

To mitigate or avoid a credit loss[1]:

- The Group maintains, where practical, a range of relationships to reduce over-reliance on a single CI – as detailed in the Group Counterparty Concentration Risk Policy.
- The Group monitors the credit worthiness of the credit institution and reviews counterparties at least annually – as detailed in the Group Hedge Counterparty Selection Policy.

Liquidity Risk Management monitor the credit quality of all its CIs, by tracking the credit ratings issued by Moody's, Standard & Poor's and Fitch rating agencies and the CDS (Credit Default Swap) spreads determined in the CDS market. Ratings, rating outlooks and CDS spreads are reported to senior management on a weekly basis with any changes highlighted.

[1] 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.

No quantitative credit rating limits are set by the Group that CIs must exceed because the choice of suitable CIs is finite and therefore setting minimum rating limits could lead to the possibility that no CIs are able to meet them. As an alternative, the Group reviews negative rating action and large CDS spread widening to CIs on a case by case basis. However, all CIs are of investment grade quality and that negative rating action on CIs rated below A3/A-/A- (by Moody's, S&P and Fitch respectively) would be escalated directly to the Chief Financial Officer & Head of Risk in the first instance to decide if any management actions were required. Possible actions by the Firm to reduce exposure to CIs depend on the nature of the relationship and the practical availability of substitute CIs. Possible actions include the withdrawal of cash balances from a CI on a daily basis, switching a proportion of hedge trading to another prime broker CI or ceasing all commercial activity with the CI.

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

GROUP 31 March 2016 £'000	Cash and cash equivalents	Amounts due from brokers	Net Derivative financial instruments	Total
AA+ to AA-	20,804	–	–	20,804
A+ to A-	5,748	12,578	139	18,465
BBB+ to BBB-	51,727	71,652	(4,340)	119,039
Unrated	1	–	–	1
	78,280	**84,230**	**(4,201)**	**158,309**

GROUP 31 March 2015 £'000	Cash and cash equivalents	Amounts due from brokers	Net Derivative financial instruments	Total
AA+ to AA-	19,216	–	–	19,216
A+ to A-	11,300	73,694	–	84,994
BBB+ to BBB-	7,067	36,100	2,470	45,637
Unrated	1,028	–	–	1,028
	38,611	**109,794**	**2,470**	**150,875**

No cash balances or deposits with institutions were considered past due but not impaired or impaired (Year ended 31 March 2015: £nil).

Client credit risk

The Group operates a real-time mark-to-market leveraged trading facility where clients are required to lodge collateral against positions, any profits and losses generated by the client are 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 their obligations due to the Group. As the Group does not offer most of its retail clients credit terms and has a robust liquidation process, client counterparty credit risk will in general only arise when markets and instruments gap and the movement in the value of a clients leveraged portfolio exceeds the value of equity that the client has held at the Group leaving the client account in deficit.

Mitigation of client credit risk

- *Liquidation process*

This is the process of closing a client's open position if the total equity is not enough to cover a predefined percentage of required margin for the portfolio held.

The Group has a fully automated liquidation process on the Next Generation platform and the semi-automated liquidation order management process on Marketmaker. These processes ensure a consistent and timely approach to the processing of liquidation orders and ultimately aims to minimise client credit risk exposure through protecting the client from becoming a debtor.

Pre-emptive processes are also in place where a clients' free equity (total equity less total margin requirement) becomes negative. At this point the client is requested to deposit additional funds and is restricted from increasing their position.

- *Tiered margin*

Tiered margin was implemented in September 2013 on the Next Generation platform. It enables the Group to set higher margin rates (therefore requiring a client to lodge more collateral) against positions that are deemed to be more risky due to risk profile, which could be due to size relative to the underlying's turnover, the Group's risk appetite or volatility of the instrument.

- *Position limits*

Position limits can be implemented on an instrument and client level on the Next Generation platform. The instrument level enables the Group to control the total exposure the Group acquires in a single instrument. At a client level this ensures that the client can only reach a pre-defined size in any one instrument.

Client Credit Risk Stress Testing

The Group uses the same volatility stress factors as for price risk to stress the client portfolio and assesses the client's total equity post adverse price movement.

None of the stress tests run through the year implied any significant risk to the capital adequacy or to the ongoing profitability of the Group.

Client debt history

For the year ended 31 March 2016, new debt arising was £5,240,000 (Year ended 31 March 2015: £6,597,000). This constituted 2.8% of total revenue (Year ended 31 March 2015: 4.0%).

The Group establishes specific provisions against debts due from clients where the Group determines that it is probable that it will be unable to collect all amounts owed in accordance with contractual terms of the clients agreement. Net debt provided for in the year ended 31 March 2016 amounted to £2,384,000 (Year ended 31 March 2015: £4,335,000), the provision representing 1.3% of total revenue (Year ended 31 March 2015: 2.6%). Bad debt written off during the year ended 31 March 2016 was £4,279,000 or 2.3% of revenue (Year ended 31 March 2015: £401,000; 0.2% of revenue).

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

GROUP £'000	31 March 2016	31 March 2015
Opening provision	5,885	1,951
Net debt provided	2,384	4,335
Debt written off	(4,279)	(401)
Closing provision	**3,990**	**5,885**

The Debt provided during the year ended 31 March 2015 also includes an amount of £3,850,000 of exceptional bad debt provisions.

Debt ageing analysis

The Group works efficiently to minimise the effects of client debts on the Company's profit and loss. Client debts are managed very early in their life cycle in order to minimise the likelihood of them becoming doubtful debts or of being written off. There are no debts past due which have not been impaired. The following table sets out ageing of debts that are past due and the provisions charged against them:

GROUP 31 March 2016 £'000	Debt	Provision
Less than one month	14	1
One to three months	288	150
Three to 12 months	1,654	1,642
Over 12 months	2,510	2,197
	4,466	**3,990**

GROUP 31 March 2015 £'000	Debt	Provision
Less than one month	117	25
One to three months	4,223	3,601
Three to 12 months	391	387
Over 12 months	1,872	1,872
	6,603	**5,885**

Liquidity risk

Liquidity risk is the risk that there is insufficient available liquidity to meet the liabilities of the Group as they fall due.

Liquidity is managed centrally for the Group by the Liquidity Risk Management team. Utilising a combination of liquidity forecasting and stress testing (formally documented in the Individual Liquidity Adequacy Assessment ('ILAA')) to ensure that the Group retains access to sufficient liquidity resources in both normal and stressed conditions to meets its liabilities as they fall due. Liquidity forecasting fully incorporates the impact of liquidity regulations in force in each jurisdiction and other impediments to the free movement of liquidity around the Group, including its own policies on minimum liquidity to be retained by trading entities.

Stress testing is undertaken on a quarterly basis upon a range of individual and combined, firm specific and market wide, short and medium term scenarios that represent plausible but severe stress events to ensure the Group has appropriate sources of liquidity in place to meet such events.

Due to the risk management strategy adopted and the changeable scale of the client trading book, the largest and most variable consumer of liquidity is broker counterparty margin requirements. The collateral calls are met in cash from own funds but to ensure liquidity is available for extreme spikes the Group has arranged a committed bank facility of £40.0 million to meet short term liquidity obligations to broker counterparties in the event that it does not have sufficient access to own cash or funds from clients and to leave a sufficient liquidity buffer to cope with a stress event.

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

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 the UK government bonds which are held to meet the Group's liquid asset buffer (LAB – as agreed with FCA). These UK government bonds are BIPRU 12.7 eligible to meet liabilities which fall due in periods of stress. The derivation of own funds is shown in the table below:

GROUP £'000	31 March 2016	31 March 2015
Cash and cash equivalents	78,280	38,611
Amount due from brokers	84,230	109,794
Financial investments	20,374	–
Derivative financial instruments (Current Assets)	795	3,275
	183,679	**151,680**
Less: Title transfer funds	(2,245)	(7,803)
Less: Derivative financial instruments (Current Liabilities)	(4,996)	(805)
Own Funds	**176,438**	**143,072**

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 £'000	31 March 2016	31 March 2015
Operating activities		
Profit before tax	**53,376**	**43,510**
Adjustments for:		
Finance costs	772	896
Depreciation and amortisation	6,057	6,934
Other non-cash adjustments	209	374
Tax paid	(6,872)	(6,471)
Own funds generated from operating activities	**53,542**	**45,243**
Movement in working capital	**(5,240)**	**4,057**
Inflow / (Outflow) from investing activities		
Net Purchase of property, plant and equipment and intangible assets	(3,933)	(10,314)
Proceeds from issuance of ordinary shares	14,787	–
(Outflow) / Inflow from financing activities		
Interest paid	(772)	(896)
Dividends paid	(24,935)	(11,950)
Other (Outflow) / Inflow from financing activities	(413)	2,878
Total Outflow from investing and financing activities	**(15,266)**	**(20,282)**
Increase in own funds	**33,036**	**29,018**
Own funds at the beginning of the year	143,072	114,971
Effect of foreign exchange rate changes	330	(917)
Own funds at the end of the year	**176,438**	**143,072**

Maturity analysis

GROUP 31 March 2016 £'000	On demand	Less than three months	Three months to one year	After one year	Total
Financial assets					
Cash and cash equivalents	75,577	–	2,703	–	**78,280**
Financial investments	–	–	20,044	–	**20,044**
Amounts due from brokers	84,230	–	–	–	**84,230**
Derivative financial instruments	–	795	–	–	**795**
Trade and other receivables	12,124	208	625	277	**13,234**
	171,931	**1,003**	**23,372**	**277**	**196,583**
Financial liabilities					
Trade and other payables	(33,127)	–	–	–	**(33,127)**
Derivative financial instruments	–	(4,996)	–	–	**(4,996)**
Borrowings	–	(5)	(17)	(55)	**(77)**
Finance lease liabilities	–	(353)	(1,088)	(1,079)	**(2,520)**
	(33,127)	**(5,354)**	**(1,105)**	**(1,134)**	**(40,720)**
Net liquidity gap	**138,804**	**(4,351)**	**22,267**	**(857)**	**155,863**

GROUP 31 March 2015 £'000	On demand	Less than three months	Three months to one year	After one year	Total
Financial assets					
Cash and cash equivalents	38,611	–	–	–	**38,611**
Amounts due from brokers	109,794	–	–	–	**109,794**
Derivative financial instruments	–	3,275	–	–	**3,275**
Trade and other receivables	15,134	–	–	–	**15,134**
	163,539	**3,275**	**–**	**–**	**166,814**
Financial liabilities					
Trade and other payables	(37,415)	–	–	–	**(37,415)**
Derivative financial instruments	–	(805)	–	–	**(805)**
Borrowings	–	(5)	(17)	(77)	**(99)**
Finance lease liabilities	–	(392)	(1,181)	(2,538)	**(4,111)**
	(37,415)	**(1,202)**	**(1,198)**	**(2,615)**	**(42,430)**
Net liquidity gap	**126,124**	**2,073**	**(1,198)**	**(2,615)**	**124,384**

Analysis of financial instruments by category

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

GROUP 31 March 2016 £'000	Assets at FVOCI	Assets at FVPL	Derivatives held for hedging	Financial assets at amortised cost	Total
Financial assets					
Cash and cash equivalents	–	–	–	78,280	78,280
Financial investments	20,374	–	–	–	20,374
Amounts due from brokers	–	–	–	84,230	84,230
Derivative Financial instruments	–	795	–	–	795
Trade and other receivables	–	–	–	13,234	13,234
	20,374	**795**	**–**	**175,744**	**196,913**

	Liabilities at FVPL	Derivatives held for hedging	Loans and receivables	Total
Financial liabilities				
Trade and other payables excluding non-financial liabilities	–	–	(37,182)	(37,182)
Derivative Financial instruments	(3,446)	(1,550)	–	(4,996)
Borrowings	–	–	(77)	(77)
Finance lease liabilities	–	–	(2,363)	(2,363)
	(3,446)	**(1,550)**	**(39,622)**	**(44,618)**

GROUP 31 March 2015 £'000	Assets at FVPL	Derivatives held for hedging	Loans and receivables	Total
Financial assets				
Cash and cash equivalents	–	–	38,611	38,611
Amounts due from brokers	–	–	109,794	109,794
Derivative financial instruments	3,016	259	–	3,275
Trade and other receivables	–	–	15,134	15,134
	3,016	**259**	**163,539**	**166,814**

	Liabilities at FVPL	Derivatives held for hedging	Financial liabilities at amortised cost	Total
Financial liabilities				
Trade and other payables excluding non-financial liabilities	–	–	(41,790)	(41,790)
Derivative Financial instruments	(775)	(30)	–	(805)
Borrowings	–	–	(99)	(99)
Finance lease liabilities	–	–	(3,753)	(3,753)
	(775)	**(30)**	**(45,642)**	**(46,447)**

Fair value estimation

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

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

GROUP 31 March 2016 £'000	Level 1	Level 2	Level 3	Total
Financial investments	20,374	–	–	20,374
Derivative financial instruments (Current Assets)	–	795	–	795
Derivative financial instruments (Current Liabilities)	–	(4,996)	–	(4,996)
	20,374	**(4,201)**	**–**	**16,173**

GROUP 31 March 2015 £'000	Level 1	Level 2	Level 3	Total
Derivative financial instruments (Current Assets)	–	3,275	–	3,275
Derivative financial instruments (Current Liabilities)	–	(805)	–	(805)
	–	**2,470**	**–**	**2,470**

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 consists of equity being share capital reduced by own shares held in trust, share premium, other reserves and retained earnings, which at 31 March 2016 totalled £176,327,000 (31 March 2015: £142,323,000).

The Group is supervised on a consolidated basis by the UK's Financial Conduct Authority (FCA).

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

The outcome of the ICAAP is presented as an Internal Capital Assessment (ICAAP) document covering the Group. It is reviewed and approved by the Board on an annual basis.

Further information on the Group's management of regulatory capital is provided in the 'Pillar 3 Disclosure' report, which is available on the CMC Markets plc website (www.cmcmarkets.com/group). The Group's country-by-country reporting disclosure is also available in the same location on the website.

5. Segmental reporting

The Group's principal business is online retail financial services and provides its clients with the ability to trade contracts for difference (CFD) and financial spread betting on a range of underlying shares, indices, foreign currencies, commodities and treasuries. The Group also makes these services available to institutional partners through white label and introducing broker arrangements. The Group's CFDs are traded worldwide; spread betting only in UK and Ireland and the Group provides stockbroking services only in Australia. The Group's core business is generally managed on a geographical basis and for management purposes, the Group is organised into three segments:

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

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

GROUP Year ended 31 March 2016 £'000	UK & IE	Europe	APAC & Canada	Central	Total
Segment revenue net of rebates and levies	63,153	48,483	55,949	–	167,585
Interest income	286	–	1,476	–	1,762
Net operating income	**63,439**	**48,483**	**57,425**	**–**	**169,347**
Other income	3,135	–	–	–	3,135
Segment operating expenses	(12,879)	(11,424)	(10,117)	(77,857)	(112,277)
Segment EBITDA	**53,695**	**37,059**	**47,308**	**(77,857)**	**60,205**
Allocation of central operating expenses	(26,430)	(26,727)	(24,700)	77,857	–
Depreciation and amortisation	(953)	(164)	(297)	(4,643)	(6,057)
Allocation of central depreciation and amortisation	(1,309)	(1,625)	(1,709)	4,643	–
Operating profit	**25,003**	**8,543**	**20,602**	**–**	**54,148**
Finance costs	(44)	–	–	(728)	(772)
Allocation of central finance costs	(268)	(231)	(229)	728	–
Profit before taxation	**24,691**	**8,312**	**20,373**	**–**	**53,376**

GROUP Year ended 31 March 2015 £'000	UK & IE	Europe	APAC & Canada	Central	Total
Segment revenue net of rebates and levies	48,699	45,090	47,745	–	141,534
Interest income	359	–	1,759	–	2,118
Net operating income	**49,058**	**45,090**	**49,504**	**–**	**143,652**
Other income	–	–	–	–	–
Segment operating expenses	(10,865)	(10,592)	(11,034)	(59,821)	(92,312)
Segment EBITDA	**38,193**	**34,498**	**38,470**	**(59,821)**	**51,340**
Allocation of central operating expenses	(19,145)	(17,440)	(23,236)	59,821	–
Depreciation and amortisation	(1,369)	(145)	(335)	(5,085)	(6,934)
Allocation of central depreciation and amortisation	(1,476)	(1,762)	(1,847)	5,085	–
Operating profit	**16,203**	**15,151**	**13,052**	**–**	**44,406**
Finance costs	–	(14)	–	(882)	(896)
Allocation of central finance costs	(305)	(295)	(282)	882	–
Profit before taxation	**15,898**	**14,842**	**12,770**	**–**	**43,510**

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

The Group uses 'EBITDA' to assess the financial performance of each segment. EBITDA comprises operating profit for the year before interest expense, taxation, depreciation of property, plant and equipment and amortisation and impairment of intangibles.

6. Interest income

GROUP £'000	Year ended 31 March 2016	Year ended 31 March 2015
Bank and broker interest	1,587	1,984
Interest from clients	151	134
Interest on financial investments	24	–
Total	**1,762**	**2,118**

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

7. Other income

Exceptional income

As a result of their materiality the directors decided to disclose certain amounts separately in order to present results which are not distorted by significant non-recurring events.

GROUP £'000	Year ended 31 March 2016	Year ended 31 March 2015
Litigation settlement	3,135	–
Total	**3,135**	**–**

In October 2015 the Group settled a dispute with a number of its former clients. The total settlement amount was £3,135,000 due to be paid to the Group over a two year period to 30 September 2017. This has been treated as exceptional income. As at 31 March 2016 £2,025,000 had been received.

8. Operating expenses

GROUP £'000	Year ended 31 March 2016	Year ended 31 March 2015
Net staff costs (note 9)	46,113	40,722
IT costs	12,698	11,398
Sales and marketing	18,298	13,652
Premises	4,795	5,594
Legal and Professional fees	3,630	2,925
Regulatory fees	2,673	2,078
Other	11,972	7,509
Total operating expenses before exceptional costs	**100,179**	**83,878**
Exceptional costs	12,098	8,434
Total operating expenses	**112,277**	**92,312**

Exceptional costs

As a result of their materiality the directors decided to disclose certain amounts separately in order to present results which are not distorted by significant non-recurring events.

GROUP £'000	Year ended 31 March 2016	Year ended 31 March 2015
Litigation settlement and associated costs	–	4,584
Bad debt provisions and write offs	–	3,850
Listing costs	5,884	–
Share based payments (including social security) to directors and employees	6,214	–
Exceptional costs	**12,098**	**8,434**

During the year ended 31 March 2015 the Group received a claim against one of its subsidiaries relating to losses on a CFD trading account over a period in 2007. A settlement was reached in March 2015. The settlement and associated costs amounted to £4,584,000 during that year.

On 15 January 2015 the Swiss National Bank (SNB) made the unprecedented decision to discontinue its support of the Swiss Franc/Euro peg. Following this decision the Swiss Franc appreciated by over 30 per cent in a matter of minutes. The Debt provisions and write-offs during the year ended 31 March 2015 relating to this event amounted to £3,850,000.

On 5 February 2016 the Company's ordinary shares were listed on the London Stock Exchange. Total listing costs during the year ended 31 March 2016 amounted to £6,418,000. A total of £534,000 of these costs have been recognised directly in equity as they are costs that relate to the issue of new shares, £5,884,000 have been recognised as exceptional costs.

Share based payments including social security to directors and employees relates to the listing event triggered both the settlement of existing share option schemes and the award of new shares to certain directors and employees amounting to £6,214,000. The social security element amounts to £787,000.

9. Employee information

The aggregate employment costs of staff and Directors were:

GROUP £'000	Year ended 31 March 2016	Year ended 31 March 2015
Wages and salaries	36,855	32,107
Social security costs	5,291	4,951
Other pension costs	1,145	1,031
Share based payments	1,059	951
Total director and employee costs	**44,350**	**39,040**
Contract staff costs	1,763	1,682
Net staff costs	**46,113**	**40,722**

Compensation of key management personnel is disclosed in note 33.

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

GROUP Number	Year ended 31 March 2016	Year ended 31 March 2015
By activity:		
Key management	6	5
Client acquisition and maintenance	245	213
IT development and support	123	106
Global support functions	147	133
Total directors and employees	**521**	**457**
Contract staff	18	16
Total staff	**539**	**473**

10. Finance costs

GROUP £'000	Year ended 31 March 2016	Year ended 31 March 2015
Interest and fees on bank borrowings	583	693
Other finance costs	189	203
	772	**896**

11. Profit before taxation

GROUP £'000	Year ended 31 March 2016	Year ended 31 March 2015
Profit before tax is stated after charging / (crediting):		
Depreciation	3,951	4,697
Amortisation of intangible assets	2,106	2,237
Net foreign exchange loss / (gain)	477	(608)
Operating lease rentals	2,065	2,717
Auditors' remuneration for audit and other services (see below)	2,665	867

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

GROUP £'000	Year ended 31 March 2016	Year ended 31 March 2015
Audit services		
Statutory audit of Parent and consolidation	348	322
Statutory audit of subsidiaries	269	263
	617	585
Other services		
Tax compliance services	349	245
Other assurance services	1,699	37
	2,048	282
Total	**2,665**	**867**

The Company incurred expenses of £1,699,000 during the year ended 31 March 2016 (Year ended 31 March 2015:£nil) payable to the Company's auditors relating to the Company's listing on the London Stock Exchange. These costs were treated as Exceptional costs in the year ended 31 March 2016 as they relate to listing costs and considered to be one-off in nature.

12. Taxation

GROUP £'000	Year ended 31 March 2016	Year ended 31 March 2015
Analysis of charge for the year:		
Current tax		
Current tax on profit for the year	10,769	9,165
Adjustments in respect of previous years	354	(76)
Total current tax	**11,123**	**9,089**
Deferred tax		
Origination and reversal of temporary differences	77	(944)
Adjustments in respect of previous years	(436)	625
Impact of change in tax rate	151	–
Total deferred tax	**(208)**	**(319)**
Tax charge	**10,915**	**8,770**

The standard rate of UK corporation tax changed from 21% to 20% with effect from 1 April 2015. Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions. The effective tax rate of 20.45% (Year ended 31 March 2015: 20.16%) differs from the standard rate of UK corporation tax rate of 20% (Year ended 31 March 2015: 21%). The differences are explained below:

GROUP £'000	Year ended 31 March 2016	Year ended 31 March 2015
Profit before taxation	53,376	43,510
Profit multiplied by the standard rate of corp. tax in the UK of 20% (31 March 2015: 21%)	10,675	9,137
Adjustment in respect of foreign tax rates	469	586
Adjustments in respect of previous years	(82)	549
Impact of change in tax rate	151	–
Effect of research and development tax credits	(41)	195
Expenses not deductable for tax purposes	1,440	230
Income not subject to tax	(47)	(12)
Irrecoverable foreign tax	214	(8)
Recognition of previously unrecognised tax losses	(1,816)	(1,888)
Other differences	(48)	(19)
Tax charge	**10,915**	**8,770**

For the year ended 31 March 2016, the tax effect of exceptional costs that were not recognised for tax purposes was £1,177,000 (Year ended 31 March 2015: £nil).

GROUP £'000	Year ended 31 March 2016	Year ended 31 March 2015
Tax charge relating to components of other comprehensive income		
Tax on loss on net investment hedges	–	664
Tax on items recognised directly in Equity		
Tax on Share based payments	31	–

13. 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 the year excluding those held in employee share trusts which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue, excluding those held in employee share trusts, is adjusted to assume conversion of all dilutive potential ordinary shares, which consists of share options granted to employees during the year ended 31 March 2016.

GROUP £'000	Year ended 31 March 2016	Year ended 31 March 2015
Earnings attributable to ordinary shareholders (£ '000)	42,461	34,740
Weighted average number of shares used in the calculation of basic earnings per share ('000)	281,189	279,229
Dilutive effect of share options ('000)	1,206	928
Weighted average number of shares used in the calculation of diluted earnings per share ('000)	282,395	280,157
Basic earnings per share (p)	**15.1**	**12.4**
Diluted earnings per share (p)	15.0	12.4

For the year ended 31 March 2016, £1,206,000 (Year ended 31 March 2015: 928,000) potentially dilutive weighted average ordinary shares in respect of share options in issue were included in the calculation of diluted EPS.

14. Dividends

GROUP £'000	Year ended 31 March 2016	Year ended 31 March 2015
Declared and paid in each year		
Final dividend for 2015 at 3.57p per share (2014: 2.14p)	9,968	5,975
Interim dividend for 2016 at 3.57p per share (2015: 2.14p)	9,978	5,975
Special dividend for 2016 at 1.79p per share (2015: Nil)	4,989	–
Total	**24,935**	**11,950**

The final dividend for 2016 of 5.36p per share, amounting to £15,392,000 was proposed by the board on 7 June 2016 and has not been included as a liability at 31 March 2016. The dividend will be paid on 29 September 2016, following approval at the Company's AGM, to those members on the register at the close of business on 9 September 2016.

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

GROUP £'000	Year ended 31 March 2016	Year ended 31 March 2015
Declared per share		
Interim dividend	3.57p	2.14p
Special dividend	1.79p	–
Final dividend	5.36p	3.57p
Total dividend	**10.72p**	**5.71p**

15. Intangible assets

GROUP £ '000	Goodwill	Computer software	Trademarks and trading licences	Client relationships	Total
Cost					
At 1 April 2014	11,500	114,459	2,991	3,921	132,871
Additions	–	1,866	–	–	1,866
Disposals	–	–	(1,600)	(900)	(2,500)
Foreign currency translation	–	(1,574)	(89)	(232)	(1,895)
At 31 March 2015	11,500	114,751	1,302	2,789	130,342
Additions	–	1,092	–	–	1,092
Foreign currency translation	–	739	50	109	898
At 31 March 2016	**11,500**	**116,582**	**1,352**	**2,898**	**132,332**
Accumulated amortisation					
At 1 April 2014	(11,500)	(111,548)	(2,594)	(3,138)	(128,780)
Charge for the year	–	(1,866)	(46)	(325)	(2,237)
Disposals	–	–	1,600	900	2,500
Foreign currency translation	–	1,573	255	5	1,833
At 31 March 2015	(11,500)	(111,841)	(785)	(2,558)	(126,684)
Charge for the year	–	(1,845)	(45)	(216)	(2,106)
Foreign currency translation	–	(737)	(32)	(124)	(893)
At 31 March 2016	**(11,500)**	**(114,423)**	**(862)**	**(2,898)**	**(129,683)**
Carrying amount					
At 1 April 2014	–	2,911	397	783	4,091
At 31 March 2015	–	2,910	517	231	3,658
At 31 March 2016	**–**	**2,159**	**490**	**–**	**2,649**

Computer software includes capitalised development costs of £26,487,000 relating to the Group's Next Generation trading platform with carrying amount of £nil at 31 March 2016. (Carrying amount at 31 March 2015: £44,000).

Impairment

Goodwill

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

Other intangibles

Other intangibles are tested for impairment if events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. There was no impairment identified in the year ended 31 March 2016 (Year ended 31 March 2015: £nil).

At 31 March 2016, the Group had no material capital commitments in respect of intangible assets (At 31 March 2015: £nil).

16. Property, plant and equipment

GROUP £ '000	Leasehold improvements	Furniture, fixtures and equipment	Computer hardware	Total
Cost				
At 1 April 2014	13,046	8,408	20,443	41,897
Additions	1,430	454	6,700	8,584
Disposals	–	(169)	(321)	(490)
Foreign currency translation	(135)	(252)	(245)	(632)
At 31 March 2015	14,341	8,441	26,577	49,359
Additions	147	760	1,993	2,900
Disposals	(274)	–	(92)	(366)
Foreign currency translation	28	199	122	349
At 31 March 2016	**14,242**	**9,400**	**28,600**	**52,242**
Accumulated depreciation				
At 1 April 2014	(3,914)	(7,158)	(17,092)	(28,164)
Charge for the year	(1,436)	(734)	(2,527)	(4,697)
Disposals	–	46	308	354
Foreign currency translation	94	210	220	524
At 31 March 2015	(5,256)	(7,636)	(19,091)	(31,983)
Charge for the year	(1,038)	(455)	(2,458)	(3,951)
Disposals	215	–	92	307
Foreign currency translation	(22)	(140)	(103)	(265)
At 31 March 2016	**(6,101)**	**(8,231)**	**(21,560)**	**(35,892)**
Carrying amount				
At 1 April 2014	9,132	1,250	3,351	13,733
At 31 March 2015	9,085	805	7,486	17,376
At 31 March 2016	**8,141**	**1,169**	**7,040**	**16,350**

At 31 March 2016, the Group had no material capital commitments in respect of property, plant and equipment (31 March 2015: £nil).

The net book value amount of property, plant and equipment includes £3,225,000 (31 March 2015: £4,536,000) in respect of computer hardware held under finance leases.

17. Investment in subsidiary undertakings

COMPANY £ '000	31 March 2016	31 March 2015
At 1 April	162,576	162,576
Capital contribution relating to share based payments	1,732	–
Investment	4,126	–
	168,434	162,576
Impairment	(1,398)	–
At 31 March	**167,036**	**162,576**

The list below includes all of the Group's direct and indirect subsidiaries as at 31 March 2016:

	Country of incorporation	Principal activities	Held
CMC Markets Holdings Ltd	England	Holding company	Directly
CMC Markets UK Holdings Ltd	England	Holding company	Indirectly
CMC Markets UK plc	England	Online trading	Indirectly
Information Internet Ltd	England	IT development	Indirectly
CMC Spreadbet plc	England	Financial spread betting	Indirectly
CMC Markets Digital Options GmbH	Austria	IT development	Indirectly
CMC Markets Overseas Holdings Ltd	England	Holding company	Indirectly
CMC Markets Asia Pacific Pty Ltd	Australia	Online trading	Indirectly
CMC Markets Pty Ltd	Australia	Training and education	Indirectly
CMC Markets Group Australia Pty Ltd	Australia	Holding company	Indirectly
CMC Markets Stockbroking Ltd	Australia	Stock broking	Indirectly
CMC Markets Stockbroking Nominees Pty Ltd	Australia	Stock broking nominee	Indirectly
CMC Markets Stockbroking Nominees (No. 2 Account) Ltd	Australia	Dormant	Indirectly
CMC Markets Canada Inc.	Canada	Client introducing office	Indirectly
CMC Markets NZ Ltd	New Zealand	Online trading	Indirectly
Redmonitor GmbH	Austria	IT development	Indirectly
CMC Markets Singapore Pte Ltd	Singapore	Online trading	Indirectly

A new directly held holding company, CMC Markets Holdings Ltd, was incorporated on 1 February 2016. On 4 February 2016 the Company transferred its direct shareholding in CMC Markets UK Holdings Ltd and CMC Markets Overseas Holdings Ltd to CMC Markets Holdings Ltd by way of a share for share agreement.

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.

The list below includes all of the Group's direct and indirect subsidiaries dissolved since 1 April 2015:

	Country of incorporation	Date of dissolution	Direct parent
CMC International Financial Consulting (Beijing) Co. Ltd	China	19 May 2015	CMC Markets Pty Ltd

The list below includes all of the Group's employee benefit trusts as at 31 March 2016:

	Country of incorporation
CMC Markets Plc Employee Share Trust	Jersey
CMC Markets Plc UK Share Incentive Plan	England
CMC Markets 2007 Employee Benefit Trust	Isle of Man
CMC Employee Share Scheme Trust	Isle of Man

18. Trade and other receivables

£ '000	GROUP 31 March 2016	GROUP 31 March 2015	COMPANY 31 March 2016	COMPANY 31 March 2015
Trade receivables	4,466	6,603	–	–
Less: provision for impairment of trade receivables	(3,990)	(5,885)	–	–
Trade receivables – net	476	718	–	–
Amounts due from Group companies	–	–	–	35,444
Prepayments and accrued income	7,697	3,632	–	–
Stock broking debtors	7,151	12,690	–	–
Other debtors	5,607	1,726	–	–
Total	**20,931**	**18,766**	–	**35,444**

Stock broking 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).

19. Financial investments

GROUP £ '000	31 March 2016	31 March 2015
At 1 April	–	–
Purchase of securities	20,633	–
Coupon receipts	(287)	–
Accrued interest	24	–
Net gains transferred to equity	4	–
At 31 March	**20,374**	–

The effective interest rates of securities held at the year-end range from 0.28% to 0.45%.

Financial investments are shown as current assets when they have a maturity less than one year and are held as 'available-for-sale'. The fair value of securities held is based on closing market prices at the year-end as published by the UK Debt Management Office.

20. Cash and cash equivalents

£ '000	GROUP 31 March 2016	GROUP 31 March 2015	COMPANY 31 March 2016	COMPANY 31 March 2015
Gross cash and cash equivalents	304,364	270,939	15,000	–
Less: Client monies	(226,084)	(232,328)	–	–
Own cash and cash equivalents	**78,280**	**38,611**	**15,000**	–
Analysed as:				
Cash at bank	75,577	38,611	15,000	–
Short-term deposits	2,703	–	–	–

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

21. Trade and other payables

£ '000	GROUP 31 March 2016	GROUP 31 March 2015	COMPANY 31 March 2016	COMPANY 31 March 2015
Current				
Trade payables	228,329	240,131	–	–
Less: Client monies	(226,084)	(232,328)	–	–
Trade payables – net	2,245	7,803	–	–
Amount owing to Group companies	–	–	35,548	53,438
Tax and social security	1,035	859	–	–
Stock broking creditors	9,186	11,833	–	–
Accruals and deferred income	22,272	18,228	1,422	576
	34,738	**38,723**	**36,970**	**54,014**
Non-current				
Accruals and deferred income	3,479	3,926	–	–
Total	**38,217**	**42,649**	**36,970**	**54,014**

22. Borrowings

GROUP £ '000	31 March 2016	31 March 2015
Current		
Finance lease liabilities	1,333	1,377
Other liabilities	22	22
	1,355	**1,399**
Non-current		
Finance lease liabilities	1,030	2,376
Other liabilities	55	77
	1,085	**2,453**
Total	**2,440**	**3,852**

GROUP £ '000	31 March 2016	31 March 2015
Finance lease liabilities		
Amounts payable under finance lease:		
Within one year	1,441	1,573
In the second to fifth years inclusive	1,079	2,538
After five years	–	–
	2,520	4,111
Less: future finance charges	(157)	(358)
Present value of lease obligations	**2,363**	**3,753**
The present value of finance lease liabilities is repayable as follows:		
Within one year	1,333	1,377
In the second to fifth years inclusive	1,030	2,376
After five years	–	–
Present value of lease obligations	**2,363**	**3,753**

The present value of finance lease liabilities is repayable as follows:

GROUP £ '000	31 March 2016	31 March 2015
Within one year	1,333	1,377
In the second to fifth years inclusive	1,030	2,376
After five years	–	–
Present value of lease obligations	**2,363**	**3,753**

The weighted average interest rates paid were as follows:

GROUP %	31 March 2016	31 March 2015
Finance Leases	6.03%	6.37%

The fair value of financial liabilities is approximate to the book value shown above.

Bank loans

In June 2015, the revolving credit facility was renewed at a level of £40,000,000, where £20,000,000 had a maturity date of June 2016 and £20,000,000 had a maturity date of June 2018. This facility can only be used to meet broker margin requirements of the Group. The rate of interest payable on any loans is the aggregate of the applicable margin and LIBOR. Other fees such as commitment fees, legal fees and arrangement fees are also payable on this facility (note 10).

Undrawn borrowing facilities

In all reported years, the Group has an undrawn multi-currency overdraft facility, with NatWest Bank plc of £7,500,000, which is repayable on demand. The facility is available in Sterling, Canadian Dollars, Euros, Japanese Yen, Swedish Kronor, Swiss Francs, US Dollars, Australian Dollars and Hong Kong Dollars. The interest rate for the Sterling overdraft is NatWest Bank's Base Rate plus 2% per annum and, for all other currencies, the relevant NatWest Bank currency lending rate.

23. Derivative financial instruments

GROUP Assets £ '000	31 March 2016	31 March 2015
Held for trading		
Index, commodity, foreign exchange and treasury futures	588	199
Forward foreign exchange contracts	–	2,783
Held for hedging		
Forward foreign exchange contracts – economic hedges	207	34
Forward foreign exchange contracts – net investment hedges	–	259
Total	**795**	**3,275**

GROUP Liabilities £ '000	31 March 2016	31 March 2015
Held for trading		
Index, commodity, foreign exchange and treasury futures	(1,708)	(624)
Forward foreign exchange contracts	(1,550)	–
Held for hedging		
Forward foreign exchange contracts – economic hedges	(188)	(151)
Forward foreign exchange contracts – net investment hedges	(1,550)	(30)
Total	**(4,996)**	**(805)**

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

Held for trading

As described in note 4, the Group enters derivative contracts in order to hedge its market price risk exposure arising from 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 2016, £267,000 of losses net of revaluation gains or losses relating to economic hedges were recognised in the income statement (Year ended 31 March 2015, gains: £374,000).

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 2016, £5,689,000 (31 March 2015: £4,517,000) of fair value losses were recorded in net investment hedging reserve within other reserves. At 31 March 2016, £3,972,000 (31 March 2015: £2,348,000) of fair value gains were recorded in translation reserve within other reserves. All changes in the fair value were treated as being effective under IAS 39 – *Financial Instruments: Recognition and Measurement and Eligible Hedged Items*.

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

24. Provisions

GROUP £ '000	EBT commitments	Property related	Other	Total
At 1 April 2014	177	461	–	638
Additional provision	3	1,226	4,157	5,386
Utilisation of provision	–	(198)	–	(198)
Currency translation	–	(58)	–	(58)
At 31 March 2015	180	1,431	4,157	5,768
Additional provision	–	35	–	35
Utilisation of provision	(20)	(67)	(4,157)	(4,244)
Currency translation	–	8	–	8
At 31 March 2016	**160**	**1,407**	–	**1,567**

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

The property related provisions include dilapidation provisions and discounted obligations under onerous lease contracts less any amounts considered recoverable by management. Dilapidation provisions have been capitalised as part of cost of leasehold improvements and are amortised over the term of the lease.

Other provisions relate to litigation provisions. The costs relating to these have been presented as exceptional costs in the income statement, in the prior year.

GROUP £ '000	31 March 2016	31 March 2015
Analysis of Total Provisions		
Current	160	4,345
Non-current	1,407	1,423
Total	**1,567**	**5,768**

The Group has no contingent liabilities as at 31 March 2016 (31 March 2015: £nil).

25. Deferred tax

£ '000	GROUP 31 March 2016	GROUP 31 March 2015	COMPANY 31 March 2016	COMPANY 31 March 2015
Deferred tax assets to be recovered within 12 months	3,303	2,278	–	–
Deferred tax assets to be recovered after 12 months	4,398	5,274	–	–
	7,701	**7,552**	–	–
Deferred tax liabilities to be settled within 12 months	(2)	(108)	–	–
Deferred tax liabilities to be settled after 12 months	(3)	(20)	–	–
	(5)	**(128)**	–	–
Net deferred tax asset	**7,696**	**7,424**	–	–

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:

£ '000	GROUP 31 March 2016	GROUP 31 March 2015	COMPANY 31 March 2016	COMPANY 31 March 2015
At beginning of year	7,424	6,753	–	–
Credit / (Charge) to income for the year	359	(303)	–	–
Credit to equity for the year	31	664	–	–
Change in tax rate	(151)	–	–	–
Foreign currency translation	33	310	–	–
At end of year	**7,696**	**7,424**	**–**	–

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

GROUP £ '000	Tax losses	Accelerated capital allowances	Other timing differences	Total
At 1 April 2014	3,247	2,812	694	6,753
(Charge) / credit to income for the year	(673)	(42)	412	(303)
Credit to equity for the year	–	–	664	664
Foreign currency translation	234	25	51	310
At 31 March 2015	2,808	2,795	1,821	7,424
Credit / (Charge) to income for the year	1,112	(490)	(263)	359
Credit to equity for the year	–	–	31	31
Change in tax rate	–	(122)	(29)	(151)
Foreign currency translation	48	–	(15)	33
At 31 March 2016	**3,968**	**2,183**	**1,545**	**7,696**

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 profit forecast.

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As on 31 March 2016 the Group did not recognise deferred tax assets of £15,690,000 (Year ended 31 March 2015: £16,882,000) in respect of losses amounting to £52,301,000 (Year ended 31 March 2015: £56,272,000). In respect of these losses, all relate to the Group's Australian subsidiaries and there are no time limits on their utilisation.

The Group has recognised deferred tax asset of £3,968,000 in respect of losses in the Group's Australian subsidiaries as on 31 March 2016 (Year ended 31 March 2015: £2,808,000).

The change in the main rate of UK corporation tax from 20 per cent to 19 per cent, effective from 1 April 2017, passed into legislation in July 2015 through the 2015 Finance Act. The change in the main rate of UK corporation tax from 19 per cent to 18 per cent, effective from 1 April 2020, also passed into legislation in July 2015 through the 2015 Finance Act. The Group has assessed the impact of these changes in line with accounting policies and all deferred tax balances are recorded at the tax rate expected to apply when the deferred tax will crystallise.

26. Share capital and premium

GROUP AND COMPANY	Number 31 March 2016	Number 31 March 2015	£ '000 31 March 2016	£ '000 31 March 2015
Authorised				
Ordinary shares of 25p	400,000,000	400,000,000	100,000	100,000
Allotted, issued and fully paid				
Ordinary shares of 25p	287,923,211	280,296,862	71,980	70,074
Deferred shares of 25p	2,478,086	2,478,086	620	620
Total	**290,401,297**	**282,774,948**	**72,600**	**70,694**

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 £0.5m each in priority to deferred shares.

GROUP AND COMPANY Number	Ordinary shares	Deferred shares	Total
At 1 April 2014	280,299,177	2,475,771	282,774,948
Conversion of ordinary shares to deferred shares	(2,315)	2,315	–
At 31 March 2015	280,296,862	2,478,086	282,774,948
New shares issued	7,626,349	–	7,626,349
At 31 March 2016	**287,923,211**	**2,478,086**	**290,401,297**

GROUP AND COMPANY £ '000	Ordinary shares	Deferred shares	Share premium	Total
At 1 April 2014	70,075	619	33,362	104,056
Conversion of ordinary shares to deferred shares	(1)	1	–	–
At 31 March 2015	70,074	620	33,362	104,056
New shares issued	1,906	–	12,881	14,787
At 31 March 2016	**71,980**	**620**	**46,243**	**118,843**

Movements in share capital and premium

On admission on 5 February 2016, the company issued 6,239,333 shares with nominal value of 25p to public investors and certain Non-Executive directors for a consideration of £14,974,000. In addition 1,387,016 shares with nominal value of 25p were issued to Employee benefit trusts and certain employees of the group. Total costs of £534,000 relating to the issue of new shares have been recognised directly in share premium.

During the year ended 31 March 2016, no (31 March 2015: 2,315) ordinary shares were converted to deferred shares in accordance with the terms of grant to employees who have now left the Group.

27. Own shares held in trust

GROUP	Number	£ '000
Ordinary shares of 25p		
At 1 April 2014	1,069,282	1,983
At 31 March 2015	1,069,282	1,983
Acquisition	563,816	141
Disposal	(876,848)	(1,140)
At 31 March 2016	**756,250**	**984**

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

28. Share-based payment

The Company operates both equity and cash settled share options schemes for certain employees including Directors.

At listing all existing equity and cash settled schemes under the Management Equity Plan 2009 ('2009 MEP') were exercised and new schemes introduced. New schemes have been granted under the terms of the Management Equity Plan 2015 ('2015 MEP') and the UK Share Incentive Plan ('UK SIP'). Equity settled schemes are offered to certain employees, including Executive Directors in the UK and Australia and cash settled schemes are offered to certain employees outside of the UK and Australia.

Income statement charge for share-based payments

The total charge costs relating to these schemes for the year ended 31 March 2016 was £6,486,000 (Year ended 31 March 2015: £951,000) which include exceptional costs detailed in Note 8.

For the year ended 31 March 2016 the charge relating to equity-settled share-based payments was £5,254,000 (Year ended 31 March 2015: £374,000) and the charge relating to cash-settled share-based payments was £1,232,000 (Year ended 31 March 2015: £577,000).

No shares were gifted to employees during the year (Year ended 31 March 2015: nil).

Current Schemes

2015 MEP

Share options granted under the 2015 MEP have been in the form of 'non-market performance' awards. Three types of equity settled awards were made in February 2015:

- *IPO Award:* awards to senior management and critical staff which were both granted and vested at listing.
- *Executive Retention Scheme:* awards to certain Executive Directors which were granted at listing. The only vesting condition is that the Executive Directors remain employed by the Group. The options have dividend equivalence where additional shares will be awarded in place of dividends on vesting.
- *Long Term Incentive Plan:* awards to senior management and critical staff, excluding Executive Directors, which were granted at listing. The only vesting condition is that the employees remain employed by the Group. The options have dividend equivalence where additional shares will be awarded in place of dividends on vesting.

			Number			
Scheme	Share price at award	Vesting date	Awarded during the year	Lapsed during the year	Exercised during the year	At the end of the year
IPO Award (UK)	222p	5 February 2016	1,641,525	–	1,641,525	–
IPO Award (Australia)	229p	5 February 2016	346,200	–	346,200	–
Executive Retention Scheme	240p	5 February 2017	444,425	–	–	444,425
Executive Retention Scheme	240p	5 February 2018	444,425	–	–	444,425
Long Term Incentive Plan	240p	5 February 2017	1,018,863	–	–	1,018,863
Long Term Incentive Plan	240p	5 February 2018	1,018,862	–	–	1,018,862

In addition, 216,450 cash settled shares were granted and vested on listing with an additional 385,950 shares granted on listing of which 108,225 vest on 5 February 2017, 108,225 vest on 5 February 2018 and 169,500 on 5 February 2019 and have dividend equivalence. The only vesting condition is that the employees remain employed by the Group.

2015 UK SIP Awards

SIP awards of £3,600 of free shares were made to all eligible UK employees at listing. All free shares will vest after three years should the employees remain employed by the Group for the term of the award. Shares awarded under the scheme are held in trust in accordance with UK tax authority conditions. Employees are entitled to receive dividends in the form of additional shares on the shares held in trust as long as they remain employees. A total of 477,000 shares were awarded under the scheme.

			Number			
Scheme	Share price at award	Vesting date	Awarded during the year	Lapsed during the year	Exercised during the year	At the end of the year
UK SIP Award	240p	11 February 2019	477,000	–	–	477,000

Historic Schemes

2009 MEP

Share options granted under the 2009 MEP were in the form of 'market performance' and 'non-market performance' based awards. All existing equity and cash settled options under the 2009 scheme were cash cancelled at listing and the 934,300 equity options are classed as exercised when disclosing the movement in share options.

- *Market performance based option scheme.* Share options granted up to and during the year ended 31 March 2013 which had market performance related conditions attached. The options are exercisable at nil cost and have no individually based performance criteria attached. The fair value of awards made during the year was calculated using a Monte Carlo option pricing model. The significant inputs into the model were the share price of £0.80 at the grant date, dividend yield of 3%, volatility of 30% which was calculated by reference to a number of comparable quoted companies and the annual risk-free interest rate of 1.7%, which resulted in a weighted average fair value per award granted of £0.77. These options lapsed during year ended 31 March 2014 and year ended 31 March 2015. No options were exercised and no further market performance based options where granted.
- *Non-market performance based option scheme* – Equity settled. Share options granted in the year ended 31 March 2015 under the 2009 MEP had no performance conditions attached. They were exercisable at nil cost and had no individually based performance criteria attached. The fair value of the awards made during the year was calculated using a profit multiple based on quoted comparable groups and the Group's current year forecast which resulted in a weighted average fair value per award granted of £1.74.
- *Non-market performance based option scheme* – Cash settled. Share options granted in the year ended 31 March 2015 which had no company performance conditions attached. They were exercised in February 2016 at the listing price.

Movement in equity settled share options

5,391,300 new share options were granted in the year ended 31 March 2016 and these are detailed on the previous page in the current schemes section. No options lapsed during the year ended 31 March 2016. Movements in the number of share options outstanding are as follows:

GROUP Number	31 March 2016	31 March 2015
At beginning of year	934,300	911,035
Granted	5,391,300	309,000
Lapsed	–	(285,735)
Exercised	(2,922,025)	–
At end of year	**3,403,575**	**934,300**

The vesting and expiry dates of outstanding options are shown below:

GROUP Number Year of grant	Exercise period commencing	Exercise period ending	31 March 2016	31 March 2015
2013	Not applicable	Not applicable	–	62,800
2014	Not applicable	Not applicable	–	562,500
2015	Not applicable	Not applicable	–	309,000
2016	5 February 2017	5 February 2017	1,463,288	–
2016	5 February 2018	5 February 2018	1,463,287	–
2016	11 February 2019	11 February 2019	477,000	–
			3,403,575	**934,300**

Matched options

Under the terms of the 2009 MEP, certain employees were able to invest up to a specified amount to purchase ordinary shares in the Company (the 'bought' shares) in order to receive a further 1 ½ free 'matched' options on the 'matching' date, being 1 October 2011. There are no performance conditions attached to the matched options other than continued employment within the Group and ownership of the bought shares.

The average share price of the matched options exercised in 2013 was £0.40.

All matched options have now lapsed and no more bought shares were granted during the year ended 31 March 2016 (31 March 2015: nil).

GROUP Number	31 March 2016	31 March 2015
At beginning of year	–	375,000
Exercised	–	–
Lapsed	–	(375,000)
At end of year	**–**	**–**

29. Other reserves

GROUP £ '000	Translation reserve	Net investment hedging reserve	Available for sale reserve	Merger reserve	Total
At 1 April 2014	3,833	(5,580)	–	(47,800)	(49,547)
Currency translation differences	(1,485)	–	–	–	(1,485)
Profit on net investment hedges	–	399	–	–	399
Tax on profit on net investment hedges	–	664	–	–	664
At 31 March 2015	2,348	(4,517)	–	(47,800)	(49,969)
Currency translation differences	1,563	–	–	–	1,563
Profit on net investment hedges	–	(1,172)	–	–	(1.172)
Profits recycled to income statement	61	–	–	–	61
Gain on financial investments	–	–	4	–	4
At 31 March 2016	**3,972**	**(5,689)**	**4**	**(47,800)**	**(49,513)**

Translation reserve

The translation reserve is comprised of translation differences on foreign currency net investments held by the Group.

During the year ended 31 March 2016, the Group liquidated its Chinese subsidiary; as a result an amount of £61,000 was recycled to the income statement.

Net investment hedging reserve

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

Merger reserve

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

30. Cash generated from operations

£ '000	GROUP Year ended 31 March 2016	GROUP Year ended 31 March 2015	COMPANY Year ended 31 March 2016	COMPANY Year ended 31 March 2015
Cash flows from operating activities				
Profit before taxation	53,376	43,510	7,708	(27)
Adjustments for:				
Net interest income	(1,762)	(2,118)	–	–
Dividends received	–	–	(15,000)	–
Finance costs	772	896	–	28
Depreciation	3,951	4,697	–	–
Amortisation of intangible assets	2,106	2,237	–	–
Impairment of investment in subsidiaries	–	–	1,398	–
Share–based payment	205	374	1,771	374
Changes in working capital:				
(Increase) / decrease in trade and other receivables	(2,189)	895	35,444	1,321
Decrease / (increase) in amounts due from brokers	25,564	(43,930)	–	–
Decrease in trade and other payables	(4,432)	(1,383)	(17,044)	10,286
Decrease / (increase) in net derivative financial instruments	6,671	(3,946)	–	–
(Decrease) / increase in provisions	(4,201)	5,130	–	–
Cash generated from operations	**80,061**	**6,362**	**14,277**	**11,982**

The movement in provisions for the year ending 31 March 2015 includes £4,157,000 of exceptional ligation costs (note 8) which were paid during the year ended 31 March 2016.

The movement in trade and other payables for the year ended 31 March 2016 also includes £2,230,000 of exceptional listing related accrued expenses.

The movement in trade and other receivables for the year ended 31 March 2016 also includes £1,110,000 of exceptional litigation income expected to be received by 30 September 2017.

31. Operating lease commitments

GROUP £ '000	Year ended 31 March 2016	Year ended 31 March 2015
Minimum lease payments under operating leases recognised in expense for the year	2,065	2,717

Operating lease payments represent rentals payable by the Group for office space. As on 31 March 2016, leases are negotiated for an average term of 3.2 years (31 March 2015: 3.7 years) and rentals are fixed for an average of 2.7 years (31 March 2015: 2.7 years).

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

GROUP £ '000	31 March 2016	31 March 2015
Within one year	2,755	3,134
Within two to five years	8,330	10,043
After five years	6,056	9,418
	17,141	**22,595**

32. 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 2016 was £1,145,000 (Year ended 31 March 2015: £1,031,000).

33. Related party transactions

Group transactions

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

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

Compensation of key management personnel

GROUP £'000	Year ended 31 March 2016	Year ended 31 March 2015
Key management compensation:		
Short-term employee benefits	1,942	1,338
Post-employment benefits	44	31
Share based payments	420	374
	2,406	**1,743**
Aggregate remuneration of highest paid director:	740	500

Key management comprise the Board of CMC Markets plc only.

Directors' transactions

During the year ended 31 March 2016, £34,648 (Year ended 31 March 2015: £77,261) was paid to Astre Associates Limited in respect of non-executive director fees payable to John Jackson.

During the year ended 31 March 2016, the Group donated £450,000 to The Peter Cruddas Foundation (Year ended 31 March 2015: £355,000), a charity at which Peter Cruddas holds a Trustee position.

34. Ultimate controlling party

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

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With £10,000 and a basement room,
Nobody guessed how the business would boom.
You've relished the highs and battled the lows,
Where your energy comes from, God only knows!
But for 26 years, you've led all the way,
To gain the success and respect achieved here today,
So raise your glass and shout "chin chin"!
Congratulations! Good Luck! Let the new Chapter begin!

Fiona Cruddas, February 2016

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