cmc markets

Annual Report and Financial Statements

For the year ended 31 March 2017

CMC Markets plc

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For the year ended 31 March 2017

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Our purpose, goal, objectives and enablers

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 product offering
- Implement digital solutions to improve efficiencies across the client journey
- Establish the business 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

Highlights

"Our first full year as a listed company has been one of progress as we have worked hard to position the Group for future growth. It is disappointing that reduced client activity impacted revenue performance for much of the year, but I am pleased that the strength of our platform, team and service proposition has continued to attract new, high quality clients and our existing clients are putting more money to work with us. We have continued to make excellent headway with our five strategic initiatives in 2017 and signed the biggest institutional transaction in our history, our partnership with ANZ Bank. Clearly regulatory change is likely to have some impact on the business, but we believe we are well positioned to benefit from market share gains in the medium to long term, with our ability to adapt our leading proprietary technology and focus on client service and regulatory compliance supported by our financial strength."

Peter Cruddas
Chief Executive Officer

- Net operating income down £8.6 million (5%) to £160.8 million
- Profit before tax down £4.9 million (9%) and underlying profit before tax down £13.9 million (22%) to £48.5 million
- Profit before tax margin down 1.4% and underlying profit before tax margin down 6.7% to 30.1%
- Active clients up 2,753 (5%) to 60,082 and revenue per active client down £311 (11%) to £2,517
- Value of client trades down 3%, to £2,016 billion
- Earnings per share and underlying earnings per share down 9% and 24% respectively to 13.7 pence

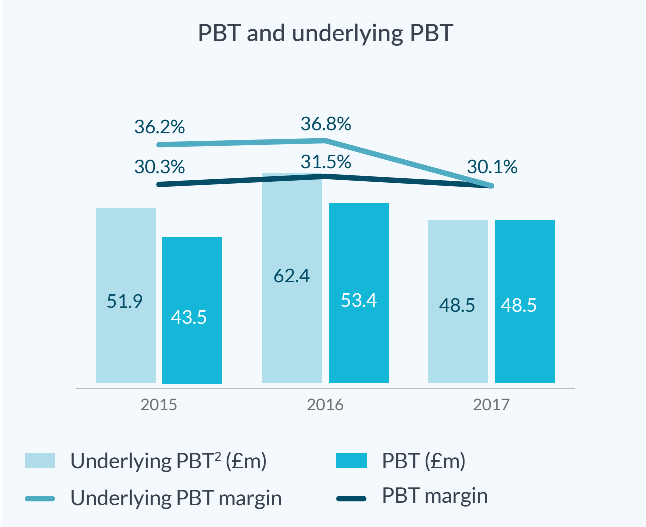
Summary income statement and earnings per share

£m	2017	2016	Variance	Variance %
Net operating income	**160.8**	**169.4**	**(8.6)**	**(5)%**
Other income	**–**	**3.1**	**(3.1)**	**–**
Operating expenses	(105.8)	(112.3)	6.5	6%
EBITDA	**55.0**	**60.2**	**(5.2)**	**(9)%**
Analysed as:				
Underlying EBITDA	55.0	69.2	(14.2)	(20%)
Net exceptional items[1]	–	(9.0)	9.0	–
EBITDA	**55.0**	**60.2**	**(5.2)**	**(9)%**
Depreciation and amortisation	(5.8)	(6.0)	0.2	4%
Finance costs	(0.7)	(0.8)	0.1	5%
Profit before tax	**48.5**	**53.4**	**(4.9)**	**(9)%**
Analysed as:				
Underlying profit before tax	48.5	62.4	(13.9)	(22)%
Net exceptional items[1]	–	(9.0)	9.0	–
Profit before tax	**48.5**	**53.4**	**(4.9)**	**(9)%**
Underlying PBT margin	**30.1%**	**36.8%**	**(6.7)%**	**–**
PBT margin	**30.1%**	**31.5%**	**(1.4)%**	**–**
Profit after tax	**39.2**	**42.5**	**(3.3)**	**(8)%**
Underlying profit after tax[2]	**39.2**	**50.7**	**(11.5)**	**(23)%**

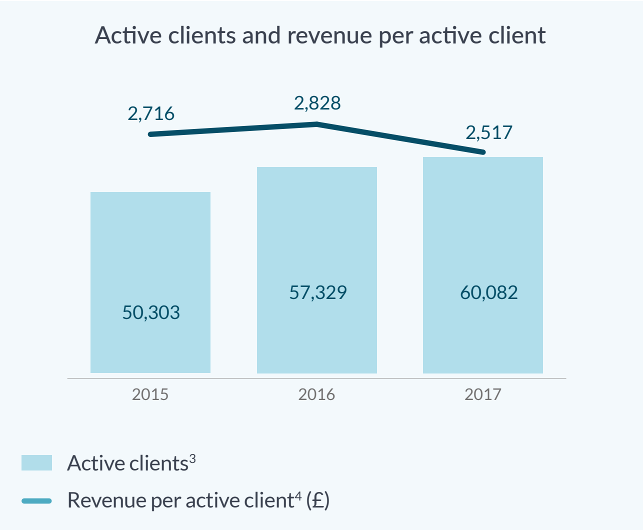
Pence	2017	2016	Variance	Variance %
Basic EPS	**13.7**	**15.1**	**(1.4)**	**(9)%**
Underlying Basic EPS	**13.7**	**18.0**	**(4.3)**	**(24)%**

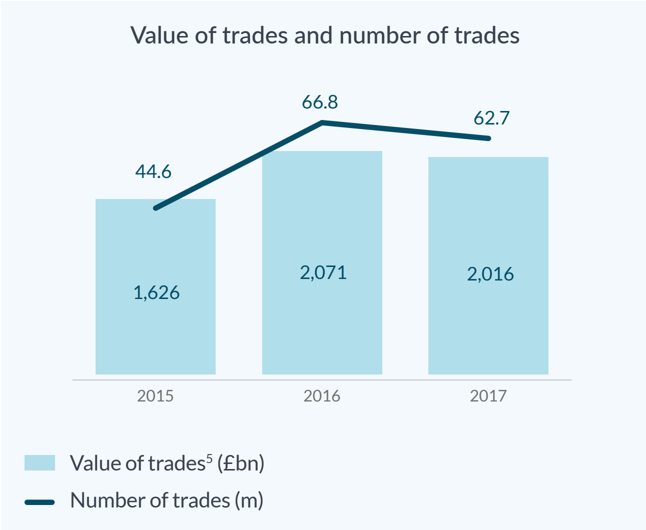
[1] Consists of £3.1 million exceptional income and £12.1 million exceptional costs
[2] Based on implied tax payable excluding exceptional items

Revenue growth and operating effectiveness

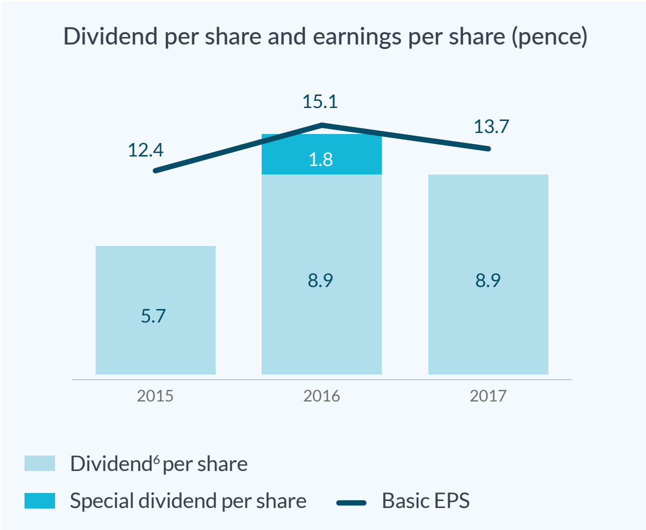


Client value generation and client quality





Delivery of shareholder value and returns



[1] Net operating income represents total revenue net of introducing partners commissions 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
[6] Ordinary dividends paid/proposed relating to the financial year

Chairman's statement

Whilst I am pleased to present the Group's results in our first full year since listing on the London Stock Exchange, there is no doubt that the past year has been challenging and disappointing with net operating income down 5% and underlying profit before tax down 22%. The year-on-year fall in net operating income was primarily driven by more challenging market conditions with sustained periods of significantly lower market volatility, providing fewer trading opportunities for our clients.

The more significant fall in underlying profit before tax of 22% was a function of the lower level of net operating income combined with our continued investment in the strategic growth initiatives, which will drive the medium to long-term growth of the Group. We have made strong progress on each of the strategic initiatives, greater detail of which is included later in the annual report.

Although the financial performance is disappointing, the underlying fundamentals within the business have continued to improve with a 5% increase in active clients and client money at record levels.

The results for the year have been somewhat overshadowed by the proposals from the UK's Financial Conduct Authority (FCA) and other European regulators as they reform the way that contracts for difference (CFDs) and spread betting products are offered. The Group welcomes strong regulation and is working with regulators throughout the consultation periods, to achieve their objectives. It is likely that once finalised, these changes will impact the profitability of the Group in the short term, although in the medium to long term we believe that the Group will benefit from these changes as smaller operators leave the industry and we grow market share.

Governance and the Board

Prior to the listing in February 2016, we made a number of changes to the Board, strengthening it in a number of key areas. This is the first full year that the Board has been in place and following a formal evaluation process the Board has agreed that it has operated effectively throughout the year. More detail is included in the Nomination Committee report.

Manjit Wolstenholme will be stepping down from the Board at our Annual General Meeting on 27 July 2017. I would like to thank Manjit for her valuable contribution as we prepared for our listing and during our first year as a public company, and wish her every success for the future. We have commenced a thorough search for a successor.

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 helped to ensure that we successfully managed the market volatility around the EU referendum as well as other significant market events during the year. The quality of our staff gives me the confidence to know that we will successfully deal with the regulatory changes, Brexit and other events that will impact the operations of the Group in the coming years. We have a considerable talent base in our London head office and intend to maintain the UK as our global headquarters. Continuing investment in our key talent will be an absolute priority for the Board in the coming year.

Dividends

CMC Markets continues to be a highly cash generative business. Whilst the Group's policy is to pay dividends of 50% of underlying profit after tax, given the Group's strong cash position, the Board has decided to maintain the full year total ordinary dividend in line with the prior year.

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

Outlook

2018 will be an important year for the Group as the regulatory changes are finalised and the way the Group will best serve the needs of our clients within that environment becomes clear. With our award winning technology, focus on client service and strong balance sheet, we believe that as the industry adjusts to these changes we will be in a position to emerge as a stronger business, delivering future growth and shareholder value.

Simon Waugh
Chairman
7 June 2017

CEO report

2017 has been a busy and eventful year for CMC Markets, as we completed our first full year as a public company. We have made strong progress on our five strategic initiatives outlined for our investors during the listing process, including signing of a partnership with ANZ, launching new products (binaries and Knock-Outs) and continuing to develop our award winning Next Generation platform.

Our financial performance has been lower than last year driven by lower client activity resulting from an unusual lack of market volatility for large parts of the year. However, active client numbers and client assets have continued to increase. I am therefore confident that we have the right foundations in place for the business moving forwards.

The big industry event of the year, which was outside our control, was the decision of a number of European regulators to announce changes or commence consultations around client appropriateness, minimum retail margins, risk warning amendments, client incentive schemes and marketing of leveraged products.

Our primary focus has been on the consultations within our core markets, in particular the UK and Germany where the consultation period took place from December 2016 through to March 2017, and we have made thorough and detailed responses. These consultations were initiated as a result of low-quality providers applying low levels of regulatory compliance, questionable sales practices and irresponsible behaviour, primarily from overseas jurisdictions. CMC Markets has always had a strong focus on compliance and service and I am confident that by working with regulators, in the long term the Group and the industry will emerge in a stronger position.

The recent German regulatory consultation has resulted in the regulator maintaining its initial position which requires the implementation of negative balance protection for retail clients by 10 August 2017, whereby clients cannot lose more than their account balance. The flexibility of our Next Generation platform means that we are able to quickly adapt the platform's functionality to meet these new requirements. We await communication of the outcome of the UK consultation.

The other significant event for CMC Markets during the year, which was specific to the Group, was being chosen by the Australia and New Zealand Bank ("ANZ Bank") to service their stockbroking business, where our technology was one of the main catalysts for winning the transaction. The agreement means we will transfer and service over 250,000 ANZ Bank annual active stockbroking clients from September 2018. CMC Markets is already the largest non-bank retail stockbroker in Australia and this transaction will propel us to the number two position in Australia overall with a 23% market share based on ASX trading statistics.

This transaction is expected to be highly profitable for both CMC Markets and ANZ Bank once we have fully integrated the software and migrated their clients onto our platform which is expected to commence in September 2018. Combined with our existing business we will have in excess of 300,000 annually active stockbroking retail clients, a number of intermediaries and total client assets in excess of A$53 billion. Naturally for a deal of this magnitude, although revenue streams will not begin for over a year, a project is underway to ensure that the transaction is a success. We are developing additional stockbroking platform functionality, and increasing the property and hardware capacity needed to support the anticipated rise in trading activity and staffing required to service the client base.

CMC Markets targets experienced clients through a more feature rich trading platform and excellent client service. Our award-winning, proprietary Next Generation platform was specifically built to attract more experienced clients and, more importantly, to retain them. We aim to have a long relationship with our clients and this has been achieved as illustrated through the fact that approximately 32% of our active clients have been with us for over three years which is significantly higher than the industry average.

In addition to our Next Generation platform, we employ experienced sales trading teams that are available to speak to clients any time and keep them updated on market movements. We also target experienced stockbroking clients through our Pro platform in Australia. Overall globally we won 34 awards for service, platform and technology during the year.

Peter Cruddas collaborates on product development plans.

I founded CMC Markets in 1989 and over the intervening years the business has grown and has dealt with many periods of significant change; in many cases we have pioneered the change. This has included embracing the internet and new technologies including mobile and adapting to regulatory change. I love being at the helm of the business and I plan to steer us through any proposed regulatory changes ahead. That is what I have done successfully for 27 years and I will continue to do going forward.

Financial performance and KPIs

Over the year, global markets were less volatile than historically, particularly in our major asset class, indices, and despite short-term volatility around the EU referendum and US presidential election, this ultimately led to fewer trading opportunities for our clients. Against this backdrop of low levels of market volatility, particularly in the first half, clients traded less than the prior year with net operating income being 5% lower than the prior year at £160.8 million. Operating expenses before exceptional costs increased by 6% to £105.8 million, due to increased investment in marketing and higher staff costs.

Profit before tax was £48.5 million, a 9% decrease on the prior year, driven by the reduced net operating income and the low level of variable cost within the business. However, with this operational leverage we anticipate that when revenues increase there will be a low incremental increase in cost, and therefore believe that our strong client metrics are a good foundation for future earnings growth. Own funds generated from operating activities were £47.0 million for the year ended 31 March 2017 and the Group continues to have a strong regulatory total capital ratio of 31.5% as at 31 March 2017.

Although the Group's policy is to pay 50% of profit after tax as dividends, given the Group's strong cash generation and liquidity position, the Board has recommended to maintain last year's total ordinary dividend and pay a final dividend of 5.95 pence per share despite the lower earnings.

Active clients have increased by 5% for the Group to 60,082; however a 6% reduction in the number of trades and a 3% decrease in the value of those trades contributed to a fall in overall revenue per active client (RPC) of 11% to £2,517. Although lower than the prior year, RPC remains amongst the highest in the industry and is a reflection of the quality of our client base. RPC is presented net of retail and Institutional client rebates, which were £9.9 million for the year, a decrease of 6% from the prior year.

2017 has generally been a good year for overall client acquisition for the CFD and spread betting businesses, with new clients increasing by 13% compared to the prior year. Our stockbroking business has seen client acquisition increase by 20%.

Regional review

The UK continues to be Group's largest market; net revenue[1] fell by 3% although the value of trades increased by 6%. The value of trades saw an increase in lower margin institutional business offset by a large decrease in indices business.

In Europe net revenue fell by 7% marginally higher than the reduction in the value of trades, whilst in APAC & Canada net revenue decreased by 11%, again slightly higher than the value of trades.

[1] Net revenue generated from CFD and spread bet active clients

We are pleased to have increased our primary market share in the UK, maintained our number one market position in Germany and continue to be the number one CFD provider to high value clients in Australia according to independent Investment Trends research.

Strategic progress

Despite the regulatory uncertainty, we continue to focus on our clear strategy to grow the business in the future around five strategic initiatives, and underpinning each of these is our continuing focus on client service, innovation and technology.

When looking solely at financial performance, it has been a mixed year for the initiatives, but we are continuing to make progress across each of them, and will continue to refine them as the regulatory outlook becomes clear.

In our established markets, the lacklustre market activity has been the main driver of lower revenue by reducing the number of trading opportunities for existing and returning business. In addition, our increasing marketing spend has also not had the expected impact on new accounts, with cost per acquisition flat on the prior year.

Regarding new markets and developing regions, our Poland office has shown good growth since its launch in October 2015, but in size it remains immaterial to the Group at present with a contribution of 1% of net revenue. Despite regulatory change in France, another year of growth has been achieved. We have also incorporated an education entity in China in readiness to open an office in Shanghai in the first few months of the new financial year.

From a digital perspective we have focussed on our mobile marketing capabilities, whilst also continuing to improve websites and the client journey.

Our institutional business, where we offer white and grey label and API[1] connectivity to banks and brokers worldwide, continues to grow and CMC Markets had 154 active institutional relationships during the year, an increase of 43% against the prior year. This growth in clients contributed to a 38% increase in net revenue to £22.7 million.

Throughout the year we have continued to make improvements and enhance our award winning Next Generation technology. Innovation is core to the Group and during the year we successfully launched our full binary offering, the 'Knock-Out' product in Germany and continued to improve our API[1] offering to institutional clients. In the coming months the platform will be upgraded to HTML5 which will help to provide additional flexibility in the future, as well as maintain our leading position in technology against our peers.

Having returned as the Group's full time CEO in 2013, the hard work in developing our technology, platform and premium client strategy is giving us a clear advantage. Our technology innovation is hugely valuable and important to our clients and our business. It is key to our future growth and scalability and we continue to invest in technology as a platform for our success. Owning and developing the key components of our platform software means we are able to innovate rapidly, driving our business forward and responding to the needs of our clients and our regulators.

In the last year or so I have visited our offices in Australia, New Zealand, Singapore, Germany, Austria, Dubai (major partner) and there continue to be many opportunities around the world for us as a business.

I would like to thank our staff for their continued hard work and dedication throughout the year. We have very talented people across all areas of the Group and their commitment is key to our future success.

I would also like to thank our clients for their continued support. We strive to provide the best levels of service and a great trading experience to our clients, and during the year I have met many of our clients from across the globe. The feedback we get is invaluable and vital to our ongoing success, ensuring we meet or exceed our clients' needs.

I believe that becoming a public company in 2016 was the right decision for the business, as there is no doubt that being listed provides us with additional opportunities. Some of the institutions and clients we are speaking to would only work with us if we were a public company.

It has been a transitional year and I am looking forward to our future. Over the coming year the regulatory uncertainty will reduce and we can continue to move forward. These are exciting times for the Group as we progress our diversification across different continents, products and technology. For now the sector is shrouded in uncertainty around regulatory change, but for CMC Markets development and innovation continue as they have done for 27 years and I firmly believe that the Group will be a long term beneficiary of the expected improvements in the industry in the future.

Peter Cruddas
Chief Executive Officer
7 June 2017

[1] Electronic connectivity to the CMC Markets trading platform

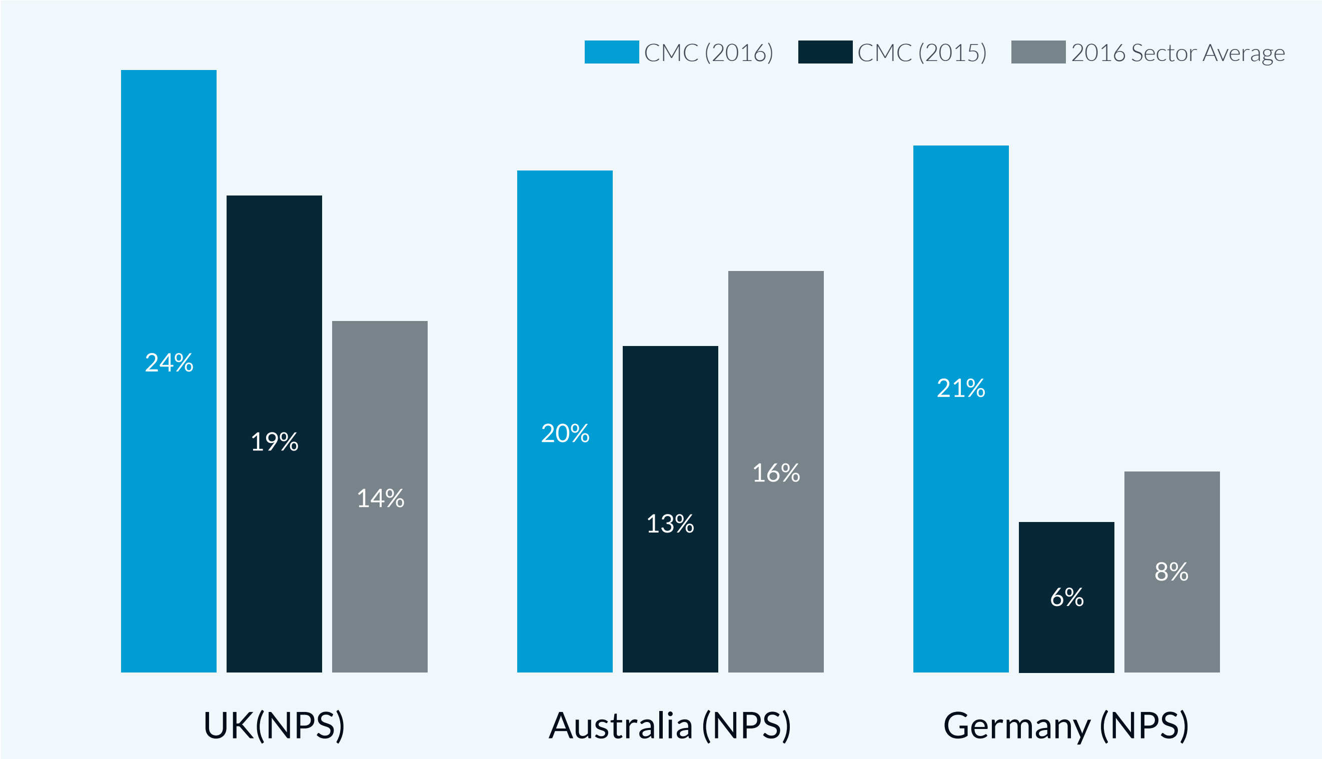
Customer satisfaction drivers

UK financial spread betting

Key selection driver criteria	Top three providers against satisfaction: First	Second	Third
Overall satisfaction	CMC Markets		
Platform features	CMC Markets		
Value for money	CMC Markets		
Customer service		CMC Markets	
Quality of trade execution		CMC Markets	
Trading ideas and strategies		CMC Markets	
Charting	CMC Markets		
Spreads	CMC Markets		
Ease of platform navigation		CMC Markets	
Reporting of positions and transactions	CMC Markets		
Platform reliability			CMC Markets
Risk management		CMC Markets	
Education materials/programmes			
Research tools	CMC Markets		
Mobile phone/tablet platform/app	CMC Markets		
Range of tradable products/markets		CMC Markets	

Ranked in order of importance from Contribution and effectiveness modelling (CEM) analysis
Source: Investment Trends UK Leveraged Derivative Trading Report 2016

Net promoter score in established markets



Source: Investment Trends 2015 & 2016

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. The Group also offers a stockbroking service in Australia.

Revenues are generated through a combination of 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 predominantly influenced by the number of clients actively trading and the value of those trades.

Trade over 10,000 financial instruments

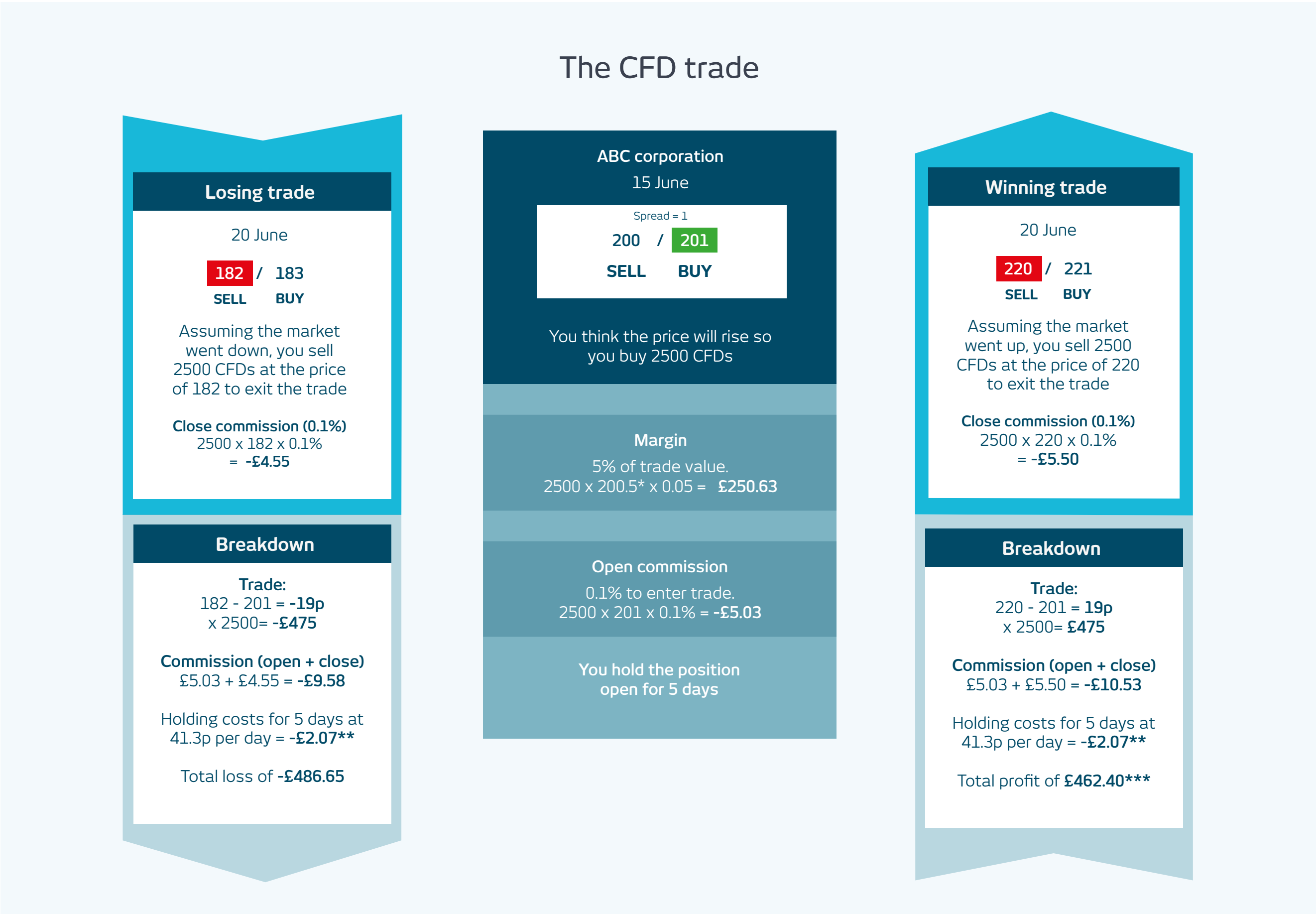
FX				
339	**93**	**9369**	**129**	**87**
Forex products	Indices	Shares & ETFs	Commodities	Treasuries

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 duty tax charges, in contrast to trades in traditional financial investments, such as equity securities. Our clients can trade in fractions of units per CFD, and we charge commission on CFD trades for equity shares while there is a spread charge for all other asset classes. Our CFD instruments 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 make a loss.



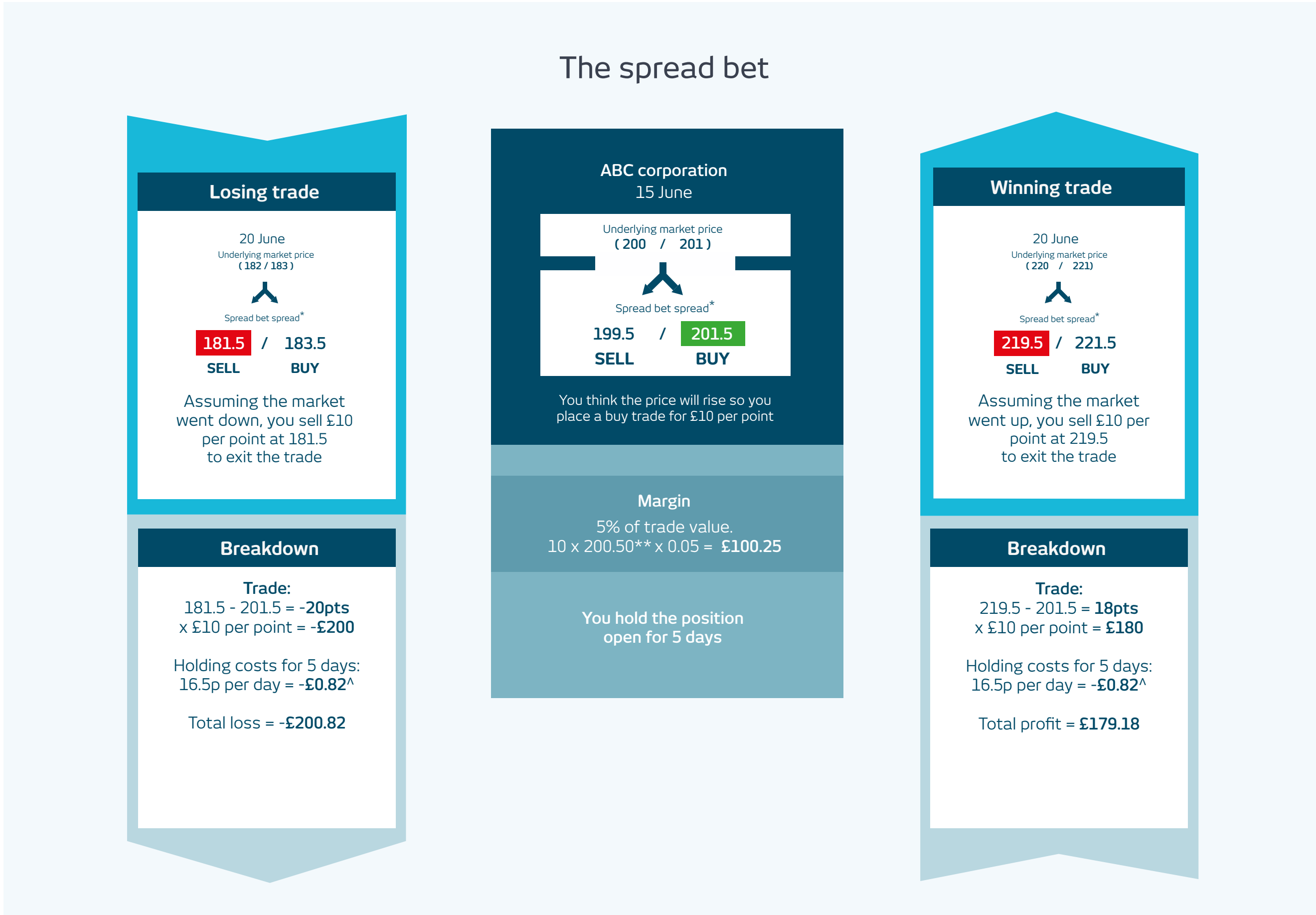
*** Mid-price**
The mid-price is 200.5, the mid-point between the buy and sell price
**** Holding cost calculation**
No. of units x opening trade price x buy holding rate / 365 | (2,500 x £2.01 x 3) / 365 = 41.3p per day | 5 days = £2.07
***** Total profit**
Profit gross of potential capital gains tax

Spread bet

The Group's spread betting product is 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 an instrument, rather than trading a specific number of shares or units. Our spread betting instruments allow a client to take long or short positions. As spread betting is a leveraged product, losses can exceed deposits.

Example
If a client feels that the price of a particular instrument is likely to fall, they can place a sell bet or 'go short'. Conversely, if they believed that the price will go up, they can place a buy bet, or 'go long'. If the market moved in the direction they predicted, they make a profit. If the market moves in the opposite direction to what they predicted, they 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 instrument'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.



*There are no separate commissions to pay on spread bets on company shares. This cost is built into our slightly wider spread.
****Mid-price**
The mid-price is 200.5, the mid-point between the buy and sell price.
^Holding cost calculation
Stake x opening trade price x buy financing rate / 365 | (10 x 201.50 x 3) / 365 = 16.5p per day | 5 days = £0.82

Binaries and Countdowns

Countdowns is a limited risk 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 internationally to the majority of markets where the Group has an office and has proven popular with both new and existing clients.

The Group also offers binaries in the majority of its international markets. With binaries, the client's risk and potential profit are determined at the point of trade entry. 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 entry; 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 instrument being above or below a pre-determined level change when the price in the underlying market changes. The Group offers four types of binaries: Ladder, One Touch, Up/Down and Range across 22 instruments including certain indices, commodities and FX pairs.

The Countdowns trade

Losing trade

Settlement price finishes below the Countdown price at the end of the expiry

Loss = £20 stake

Gold

Current settlement price

1,200

Will the settlement price be 'Above' or 'Below' the Countdown price at the end of the Countdown expiry?*

Countdown price at 11:30:25

1,200

10 minute expiry

PAYOUT **80%**

You think the settlement price will finish higher than the Countdown price so you place an '**Above**'^ trade for £20 (your stake)

Countdown expiry

11:40:25

Winning trade

Settlement price finishes above the Countdown price at the end of the expiry.

Payout = (£20 x 80%) + £20 stake

Payout = £36

* If the Countdowns price finishes equal with the settlement price at the end of the expiry, the trade 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.

^ If you believe the settlement price will finish below the Countdowns 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 £36 ((£20 x 80%) + £20 initial stake). If it finished above then your loss would be limited to your stake size of £20.

The Binary 'Ladder' trade

Losing trade

If a binary event does not occur the price settles at 0.

The settlement price at 11:40:00 is 1,201, therefore the binary finished below the strike price and settles at 0

Loss = (0 – 27.4) x £5

= -£137

Gold

Current settlement price

1,200

Will the settlement price be at or above a specified strike price at the end of the binary expiry

Strike price

1,209

Current binary price* for this strike

18.5^ SELL

27.4 BUY

You think the event will occur so you place a buy trade for £5 at 27.4

Binary expiry**

11:40:00

Winning trade

If a binary event occurs the price settles at 100.

The settlement price at 11:40:00 is 1,240, therefore the binary finished above the strike price and settles at 100

Profit = (100 – 27.4) x £5

= £363

Stockbroking (Australia only)

CMC Markets offers Australian clients the opportunity to trade Australian shares on the ASX and SSX. Clients can choose from a wide variety of investment instruments, including shares, managed funds, warrants and ETFs. The Group offers two stockbroking platforms: the Standard platform, which provides everyday self-directed investors with advanced tools and research; and the Pro platform, which gives frequent traders integrated access to institutional-like trading tools and professional charting.

* 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 18.5 and if the event does not happen your profit is equal to (18.5 – 0) x £5 = £92.50. If the event did occur then your loss is equal to (18.5 – 100) x £5 = -£407.50.

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


Unpresidented volatility?
Take a position on the US 30 with our Next Generation platform
President-elect Donald Trump is already commenting on the decisions of major companies through Twitter. What effect will his unique leadership style have on his first 100 days in office? Whichever direction the markets move, you can trade the US 30 and take advantage of any volatility.
Switch today at cmcmarkets.co.uk
Spread betting | CFDs | FX | Binaries
EST. 1989
FTSE 250 LISTED
Spread betting and CFD trading can result in losses that exceed your deposits. All trading involves risk.
cmc markets
Take a better position


The ultimate trading experience
cmc markets
Take a better position


Four the record
Trade with a leading global provider


Dedicated support to help you navigate the markets
Explore your trading potential with a range of resources to suit all levels of experience
Access platform guides and trading videos, live webinars and seminars, plus a dedicated Client Services team that's available whenever the markets are open.
Switch today at cmcmarkets.co.uk
Spread betting | CFDs | FX | Binaries
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Spread betting and CFD trading can result in losses that exceed your deposits. All trading involves risk.
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Take a better position


Prisad plattform
Framröstad till "Bästa Handelsplattform" vid 2016 års Shares Awards
"Vi är mycket hedrade över att Shares Magazines läsare har röstat fram oss som vinnare."
– Joakim Sandblom, chef för CMC Markets Sverige.
Under de senaste dagarna har vi tilldelats en mängd fina utmärkelser där Financial Times läsare har röstat fram oss till "Bästa CFD-aktör" och analysföretaget Investment Trends resultat visar att vi har "Högst kundnöjdhet*" och den bästa finans-appen.
Välkommen att testa själv på cmcmarkets.se
Investera i aktier, index, råvaror och valutor via CFD-kontrakt.
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*En rapport från oberoende Investment Trends 2016 UK 2016 om hävstångsprodukter. Det finns en risk att förluster överstiger insättningar.
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Enklare Snabbare Bättre


Wie überwinde ich den Zertifikate-Dschungel?
Treffen Sie bessere Entscheidungen mit Knock-Out-CFDs.
Im Bereich der Zertifikate und Hebelprodukte gibt es weltweit Millionen Produkte. Bei uns können Sie sich Ihr gewünschtes Knock-Out einfach selbst erstellen. Mit flexiblem Hebel und das zu weltweit wettbewerbsfähigen Preisen. Entdecken Sie die neue Generation von Knock-Outs!
Wechseln Sie zu cmcmarkets.de
Die von CMC angebotenen Knock-Outs sind eine Form von CFDs. Diese ermöglichen Ihnen eine überproportionale Partizipation an der Kursentwicklung bei einem geringeren Kapitaleinsatz, abhängig von dem von Ihnen gewählten Strike-Kurs. Sie riskieren den mit uns investierten Betrag zu verlieren. CFD Knock-Outs eignen sich nicht für alle Investoren. Stellen Sie daher bitte sicher, dass Sie die damit verbundenen Risiken verstehen und investieren Sie nur Kapital, dessen Verlust Sie sich leisten können.
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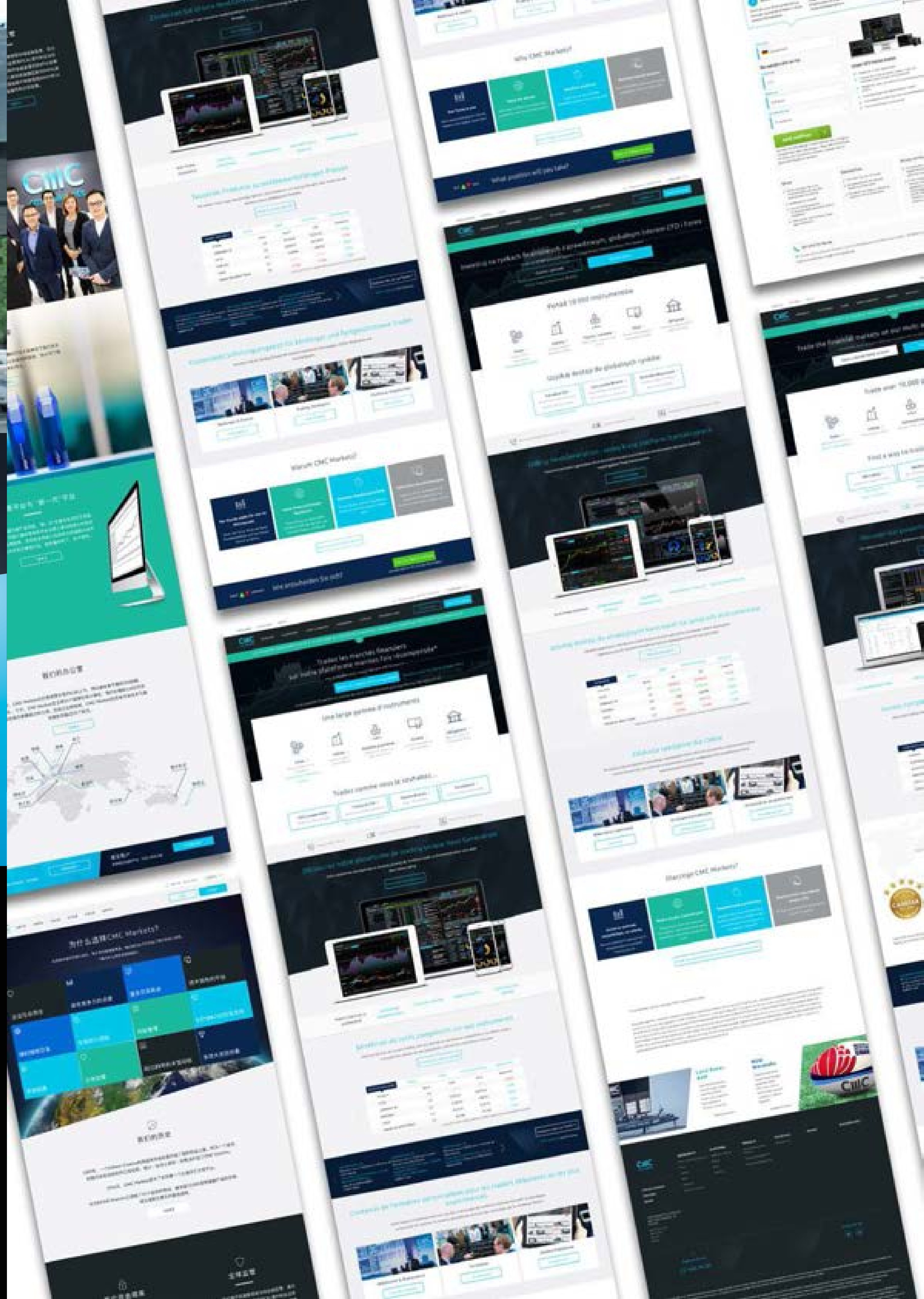
Die bessere Entscheidung



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

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

Progress

- Although marketing expenditure increased for the year, the impact of the higher spend was lower than anticipated with active and new client numbers broadly flat in established markets
- Increase in primary market share in the UK
- Maintained number one market position in Germany
- Number one provider to high value clients in Australia

Priorities for 2017/18

- Develop platform further to maintain regulatory compliance in the UK and Germany
- Continue to focus on excellent client service
- Continue to attract high value business

Expand into new markets and grow developing regions

Opportunity

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.

Progress

- Strong performance from our Polish office in its first full year
- Continuing improvements in the performance of the French office
- China education entity incorporated

Priorities for 2017/18

- Open Shanghai office during the first half of 2017/18
- Continue to invest in Polish office
- Continue to investigate opportunities in new regions

Maintain a strong product offering

Opportunity

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

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

Progress

- Full binary offering released in April 2016
- Knock-Outs launched in October 2016 in Germany
- New account type launched in France in response to regulatory change

Priorities for 2017/18

- Release HTML5 platform to enable better flexibility in the future
- Deliver platform changes to facilitate ongoing regulatory compliance in our regions of operation

Implement digital solutions to improve efficiencies across the client journey

Opportunity

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

Progress

- Strong focus on mobile marketing efforts
- Continuing improvements to websites and client journey
- Initiatives have yet to feed through to improving cost per acquisition

Priorities for 2017/18

- Focus on acquisition of experienced clients
- Improve the Group's marketing capabilities through enhanced data analytics
- Develop and refine the client journey, including accommodating regulatory change

Establish the business as a key player in the institutional sector

Opportunity

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

Progress

- First full year of the institutional team
- 82% growth in the value of client trades derived from institutional business and 38% growth in net revenue
- Continued development of API offering
- Signed stockbroking agreement with ANZ Bank

Priorities for 2017/18

- Release FX Direct Market Access
- Develop the Australian stockbroking offering in readiness to migrate ANZ Bank clients

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 they 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 as well as changing regulatory requirements.

Winning 34 awards globally last year including Highest Overall Client Satisfaction from UK Investment Trends and Best Online Trading Platform for the Shares Awards provides reassurance that we are delivering a service that offers clients exactly what they want.

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

A number of platform upgrades have been released throughout the year along with the release of a full binaries offering, Knock-Outs in Germany and a new account type in France.

This continual investment into enhancing our Next Generation technology on both web and mobile to deliver a competitive product offering is a driver on our continuing industry recognition.

-Best Online Trading Platform, Shares Awards 2016

-Best Forex Trading Platform, UK Forex Awards 2016

-Best Mobile/Tablet Application, Online Personal Wealth Awards 2016

-Best Trading Platform Features, Investment Trends 2016 UK Leveraged Trading Report

Technology and operational excellence

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

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 grows, including capital expenditure of £3.5m on new data storage hardware and software.

Protection from cyber-attacks continues to be a key area for the Group with a continual focus on protection for the business, our 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 active clients and trading volumes grow.

Trading risk management

Part of CMC Markets' success 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

Continuing enhancements to our trading tools during the year have further improved our highly automated transactional based risk management strategy. The annual trends of lower revenue variability and a lower percentage of loss days have continued.

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 45). The Group's total available liquidity position has improved again during the year (see Financial Review, page 47) 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 focussed on delivering excellence.

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

Progress

Our people are central to our business and we aim to ensure that we attract and retain the best talent available; through competitive remuneration and a challenging and rewarding work environment. Our commitment to our people is described in more depth in Corporate Social Responsibility (page 30).

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. Whilst doing this the Group also takes account of the needs of key stakeholder groups, including our employees, our suppliers and our local communities. This is achieved not only through the company having financial strength but also through investing in our employees and wider social practices.

Our people

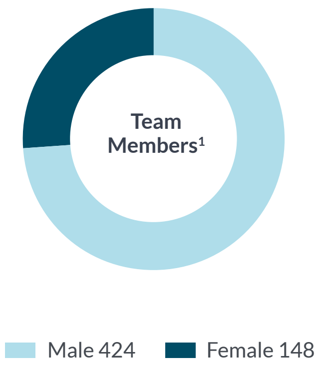
572[1] (2016: 576) people work for the Group globally and the Group is committed to providing a safe, challenging, progressive and innovative place to work. The quality of our staff is essential to the success of the Group. We offer competitive employment packages, including a flexible benefit scheme 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 on-going opportunity to contribute to an HMRC eligible Share Incentive Plan and during the latest financial year, similar equity or cash-equivalent schemes have been rolled out globally.

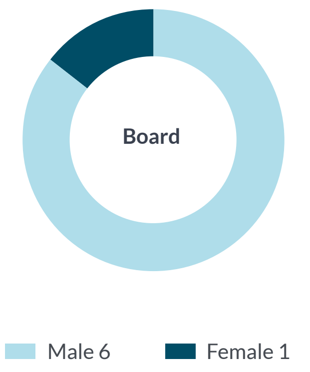
There is regular communication to staff at all levels through multiple channels including town halls, global e-mails and publications on the intranet. These communications raise awareness of the latest developments and factors affecting the Group. In addition, senior management encourage dialogue with 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, 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 for all employees, both on-the-job and through more formal training methods, including the senior management team, in order to build critical capabilities across the Group by specifically developing our high-potential talent and driving business performance. We acknowledge that the diversity of the Group can be improved, particularly with respect to female representation at leadership level, and the Board monitors this on an on-going basis.

Another example of CMC Markets championing diversity is our partnership with Leonard Cheshire Disability (LCD) and their Change 100 programme. A graduate student with a disability will be matched with opportunities within the business and they will be given a London living wage for three months work experience. This commitment clearly demonstrates the value CMC Markets place in young talent and especially those young people who have to overcome difficulties each and every day. The LCD Change 100 team provide support to CMC Markets and the candidate throughout the three months.





[1] Employees of the Group including contractors as at 31 March 2017
[2] Direct reports to CEO and subsidiary Directors excluding Board Directors as at 31 March 2017

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 Markets 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 14.

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.

CFD's 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 range of tools and functionality available to clients, such as stop losses, guaranteed stop losses and shield mode, allowing 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 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, covering trading experience, income and savings.

Custom-built trading app supporting multiple languages.

Charities and the community

During the year ended 31 March 2017 CMC Markets developed a CSR Committee which directly engages with charities and the community in both London and Australia. Highlights include:

- Nomination of The Princes Trust 40th Anniversary Appeal as the CMC Markets inaugural London Charity of the Year. Various staff fundraising initiatives were undertaken and this together with a donation from CMC Markets resulted in a total donation of £100,000;
- CMC Markets London held a 'Dragons' Den' where 30 charities were nominated by staff to be considered for a donation;
- CMC Markets is committed to supporting local talent and together with the Peter Cruddas Foundation, sponsored 'Making The Leap' for the first time to deliver their highly successful Social Mobility Careers Fair. 15 employers attended and offered positions, while over 200 students attended on the day from across 24 London boroughs; and
- The Sydney office selected its first charity of the year from an extensive review of local, grassroots charities that focused on youth, education, illness and environment. The Sydney CSR Committee then undertook a rigorous process of due diligence and assessment to decide on Learning Links as the charity of the year. In addition to a donation of £40,000 to Learning Links, the Sydney office will be organising a variety of fundraising events through the year ahead to support Learning Links

In addition to contributing to specific charities, CMC Markets staff are encouraged to support charities through a company matching scheme, with CMC Markets matching every pound raised through employee sponsorship.

Our environmental impact

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

The running of our two UK data centres accounts for the majority of the Group's electricity usage, and we continue to look for opportunities to improve their efficiency and performance and the infrastructure within them. Building on the work done in prior years, including moving the primary site to a new state-of-the-art facility outside of London during 2015 and installing cold aisle containment in our secondary data centre, we have continued to make considerable investment in our IT infrastructure over the past year. The purchase of new storage infrastructure for £3.5 million has reduced the footprint of this hardware by more than 75% and the expected power usage by half. 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 strives to increase sustainability.

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

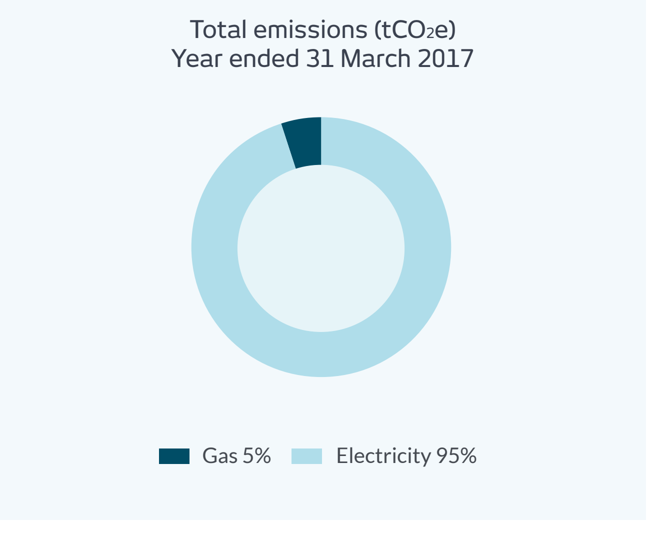
Basis of preparation

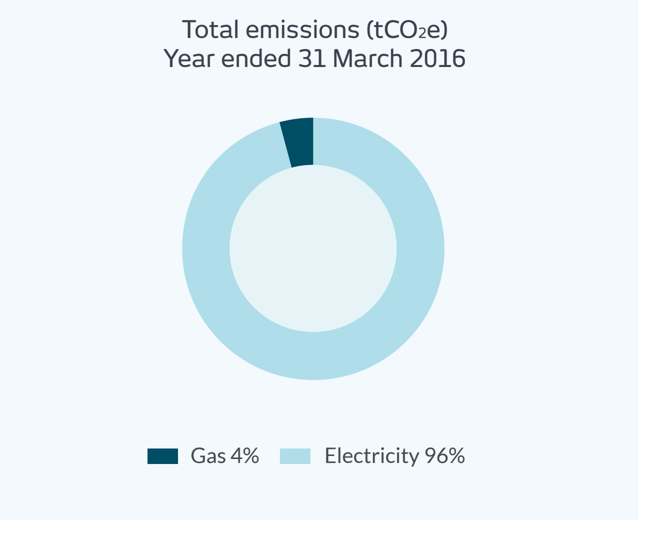
Greenhouse gas emissions are calculated in alignment with records used for the production of the consolidated financial statements for the relevant accounting period. We have used emission factors from Defra's Greenhouse Gas conversion factors for Company Reporting 2016 and have determined the Scope 2 electricity impacts for non-UK electricity from the International Energy Agency (IEA). All emissions required under the Companies Act 2006 are included except where stated and include Scope 1 (direct emissions from gas consumption) and Scope 2 (indirect emissions from purchased electricity) emissions, but exclude Scope 3 (other emissions from business travel and waste) emissions. Global diesel usage for backup generators at one office location has been excluded from the report given that it is not material to our carbon emissions. The figures include emissions from all global offices.

Mandatory Greenhouse Gas emissions report by scope

GROUP	Unit	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2015 (Base year)
Scope 1				
Natural Gas consumption	tCO_2e	104.8	105.9	108.4
Scope 2				
Electricity consumption	tCO_2e	2,052.0	2,518.8	3,452.0
Total global emissions	tCO_2e	2,156.8	2,624.7	3,560.4
Net operating income	£m	160.8	169.4	143.6
Intensity ratio (total global emissions / net operating income)	**tCO_2e / £m**	**13.4**	**15.5**	**24.8**

The majority of the reduction in electricity consumption is mainly due to efficiencies achieved in our UK data centres during the year as well as reduced office floor space usage in the UK.





KPIs

Revenue growth and operating effectiveness

Net operating income[1]

down £8.6 million (5%) to £160.8 million

▼ 5%

2016	169.4M
2017	160.8M

Underlying profit before tax[2]

down £13.9 million (22%) to £48.5 million

▼ 22%

2016	£62.4M
2017	£48.5M

Statutory profit before tax

down £4.9 million (9%) to £48.5 million

▼ 9%

2016	£53.4M
2017	£48.5M

Client value generation and client quality

Revenue per active client[3]

down £311 (11%) to £2,517

▼ 11%

2016	£2,828
2017	£2,517

Active clients[4]

up 2,753 (5%) to 60,082

▲ 5%

2016	57,329
2017	60,082

Delivery of shareholder value and returns

Profit after tax

down £3.3 million (8%) to £39.2 million

▼ 8%

2016	£42.5M
2017	£39.2M

Basic earnings per share

down 1.4 pence (9%) to 13.7 pence

▼ 9%

2016	15.1p
2017	13.7p

Ordinary dividend[6] per share relating to the financial year

8.9 pence (same as prior year)

► 0%

2016	8.9p
2017	8.9p

Client value generation and client quality

Value of client trades[5]

down £55 billion (3%) to £2,016 billion

▼ 3%

2016	£2,071Bn
2017	£2,016Bn

Number of trades

down 4.1 million (6%) to 62.7 million

▼ 6%

2016	66.8M
2017	62.7M

[1] Net operating income represents total revenue net of introducing partner commissions and spread betting levies
[2] Underlying figures represent PBT before exceptional items
[3] Net revenue generated from CFD and spread bet active clients
[4] 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
[5] Value of client trades represents the notional value of trades
[6] Dividends paid/proposed relating to the financial year

Financial review

Summary income statement

£m	2017	2016	Variance	Variance %
Net operating income	**160.8**	**169.4**	**(8.6)**	**(5)%**
Other income	**–**	**3.1**	**(3.1)**	**–**
Operating expenses	(105.8)	(112.3)	6.5	6%
EBITDA	**55.0**	**60.2**	**(5.2)**	**(9)%**
Analysed as:				
Underlying EBITDA	55.0	69.2	(14.2)	(20)%
Net exceptional items[1]	–	(9.0)	9.0	–
EBITDA	**55.0**	**60.2**	**(5.2)**	**(9)%**
Depreciation and amortisation	(5.8)	(6.0)	0.2	4%
Finance costs	(0.7)	(0.8)	0.1	5%
Profit before tax	**48.5**	**53.4**	**(4.9)**	**(9)%**
Analysed as:				
Underlying profit before tax	48.5	62.4	(13.9)	(22)%
Net exceptional items[1]	–	(9.0)	9.0	–
Profit before tax	**48.5**	**53.4**	**(4.9)**	**(9)%**
Underlying PBT margin	30.1%	36.8%	(6.7)%	–
PBT margin	30.1%	31.5%	(1.4)%	–
Profit after tax	**39.2**	**42.5**	**(3.3)**	**(8)%**
Underlying profit after tax[2]	**39.2**	**50.7**	**(11.5)**	**(23)%**

Pence	2017	2016	Variance	Variance %
Basic EPS	**13.7**	**15.1**	**(1.4)**	**(9)%**
Underlying Basic EPS	**13.7**	**18.0**	**(4.3)**	**(24)%**

[1] Consists of £3.1m exceptional income and £12.1m exceptional costs in 2016
[2] Based on implied tax payable should exceptional items not have been incurred

Summary

Net operating income for the year reduced by £8.6 million (5%) to £160.8 million, primarily driven by subdued markets during the year presenting fewer trading opportunities for our clients. Second half performance was higher than in the first half, assisted by growing active client numbers and improved trading opportunities for our clients, including the November US presidential election and January's inauguration.

Active client numbers have risen by 2,753 (5%) to 60,082, mainly as a result of higher marketing spend during the year driving retail client acquisition, as well as the expansion of the institutional offering. However, revenue per active client fell by £311 (11%) to £2,517 due to a fall in the value of client trades, which was £55 billion (3%) lower than prior year at £2,016 billion. Our major asset class indices, was the driver of this decrease with the value of client trades down £244 billion (18%) to £1,124 billion. Equity indices were generally trading within narrow bands during the period, resulting in clients having more limited trading opportunities. The value of client trades in other asset classes grew during the period, offsetting much of the decrease.

Total costs[2] decreased by £6.8 million (6%) to £112.3 million. Excluding exceptional costs of £12.1 million in the prior year, total costs increased by £5.3 million (5%). The underlying increase was driven by higher personnel costs, caused by the annualised cost increase associated with investment in personnel during the prior year, increased marketing activity, and higher share based payments. These increases were partially mitigated by lower performance related pay.

EBITDA and underlying EBITDA decreased by £5.2 million (9%) and £14.2 million (20%) respectively to £55.0 million.

Underlying profit before tax decreased by £13.9 million (22%) to £48.5 million, as a result of the £8.6 million decrease in net operating income and £5.3 million increase in underlying total costs explained above, and as a result our underlying profit before tax margin decreased by 6.7% to 30.1%.

Statutory profit before tax decreased by £4.9 million (9%) to £48.5 million and profit before tax margin[1] decreased by 1.4% from 31.5% to 30.1%.

It is anticipated that regulatory change is likely to take place in two of our three established markets during the next financial year, although this has had no impact on client activity in the current period.

Net operating income overview

£m	2017	2016
CFD and spread bet (including binaries) net revenue	151.3	162.2
Stockbroking	7.8	5.2
Interest income	1.7	1.8
Other operating income	–	0.2
Net operating income	**160.8**	**169.4**

Retail client rebates, included within net operating income, decreased by £0.7 million (6%) to £9.9 million.

Partner and institutional commissions have grown against the prior year, as the Next Generation institutional offering continued to expand.

[1] Statutory profit before tax as a percentage of net operating income
[2] Total costs are the sum of operating expenses, depreciation, amortisation and finance costs

Regional performance overview: CFD and spread bet

	2017			
	Net revenue (£m)	Value of trades (£bn)	Active Clients	RPC (£)
UK	61.0	793	17,142	3,558
Europe	45.3	632	22,503	2,012
APAC & Canada	45.0	591	20,437	2,201
Total	**151.3**	**2,016**	**60,082**	**2,517**

	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**

	% change			
	Net revenue (£m)	Value of trades	Active Clients	RPC
UK	(3)%	6%	(1)%	(3)%
Europe	(7)%	(6)%	4%	(10)%
APAC & Canada	(11)%	(10)%	11%	(20)%
Total	**(7)%**	**(3)%**	**5%**	**(11)%**

UK
The value of client trades in the UK was 6% ahead of the prior year at £793 billion (2016: £746 billion), driven by the institutional business which rose by 76% to £224 billion (2016: £127 billion) following strong growth across all delivery channels, most noticeably API. However the value of client trades in the retail business was down 8% at £569 billion (2016: £619 billion) through reduced trading opportunities. The annual Investment Trends study[1] highlighted an increase in primary market share for CMC Markets to 8%, although active clients were broadly flat for the year at 17,142 (2016: 17,268). Revenue per active client was 3% lower than the prior year at £3,558 (2016: £3,652).

Europe
Europe comprises offices in Austria, France, Germany, Italy, Norway, Poland, Spain and Sweden. The value of client trades in Europe was 6% lower than the prior year at £632 billion (2016: £672 billion). While active clients were 4% higher at 22,503 (2016: 21,714), revenue per active client was 10% lower than the prior year at £2,012 (2016: £2,234) due to lower client trading and an increase in active clients in the latter part of the year. A market leading position was maintained in Germany with a 16% share of primary accounts according to the Investment Trends survey[2] published in June 2016. There was also a strong performance from France with the value of client trades up 26% from the prior year and active clients up 10% over the same period. The Poland office continues to grow with results ahead of expectation.

APAC & Canada
Our APAC & Canada business services clients from our Sydney, Auckland, Singapore and Toronto offices along with other regions where we have no physical presence. The value of client trades was 10% lower at £591 billion (2016: £653 billion). Despite the decrease in overall trading activity, active client numbers were up 11% at 20,437 (2016: 18,347).

CMC increased its primary market share and doubled its net promoter score to remain the number two FX provider in Australia as well as maintaining the position of number one CFD provider for high value clients[3]. In addition, the Group retained the number one position as CFD provider to high value clients in Singapore[3]. This demonstrates success in the Group's strategy goal to acquire and support a high value client base. These independent reports also showed that CMC Markets had the highest prompted brand awareness in the Australian market, demonstrating that the brand profile is continuing to build strength in the region.

[1] Investment Trends October 2016 UK Leveraged Trading Report
[2] Investment Trends June 2016 Germany CFD & FX Report
[3] Investment Trends 2016 Australia CFD Report; Investment Trends 2016 Singapore Report

Stockbroking
The Australian stockbroking business has again significantly improved on the prior year's performance, with revenue up 49% at £7.8 million (2016: £5.2 million), aided by a lower central bank rate, continued supportive market conditions and the benefit of a strengthening Australian dollar. Positive performance was also evidenced through both strong client acquisition (20% increase in new clients[1] year-on-year) and improved cross-sell delivered from fundamental improvements in on-boarding and digital marketing. In particular, the latest release of our award winning[2] HTML 5 'Pro Platform' helped contribute to a 43% improvement in volumes.

In addition to the numerous intermediary and broader wholesale deals executed in the year, the business signed a major stockbroking partnership with ANZ Bank to service the entire ANZ Share Investing ("ANZSI") client base. CMC will provide these clients with leading technology, customer service and execution via an ANZ-branded stockbroking platform with revenue being shared between CMC and ANZ Bank from September 2018 onwards when clients are migrated. CMC are developing additional stockbroking platform functionality and will be investing in property and IT infrastructure in order to support the rise in trading activity.

Interest income
The low interest rate environment remained largely the same as the prior year and interest income remained stable at £1.7 million (2016: £1.8 million). The majority of the Group's interest income is mainly earned through our segregated client deposits in our Australia, New Zealand and stockbroking subsidiaries.

Other income
All other income in the prior year of £3.1 million relates to a litigation settlement and given its one-off nature, the Group classed the income as exceptional.

Expenses

Total operating costs before exceptional items increased £5.6 million (6%) to £105.8 million, driven by higher salary costs, share based payment charges, sales and marketing expenditure and IT costs, offset by lower performance related pay.

Exceptional costs of £12.1 million in the prior year relate to the London Stock Exchange listing in February 2016.

£m	2017	2016
Staff costs	49.4	46.1
IT costs	15.4	12.7
Sales and marketing costs	21.8	18.3
Premises costs	5.2	4.8
Legal and professional fees	3.5	3.1
Regulatory fees[3]	2.6	3.2
Other	7.9	12.0
Total operating expenses before exceptional items	**105.8**	**100.2**
Exceptional costs	–	12.1
Total operating expenses	**105.8**	**112.3**
Depreciation and amortisation	5.8	6.0
Interest	0.7	0.8
Total costs	**112.3**	**119.1**

[1] New stockbroking accounts net of one-off migrations
[2] Canstar 2017 Broker of the Year
[3] Includes regulatory transaction fees

Staff costs

Staff costs increased £3.3 million (7%) to £49.4 million, largely caused by a rise in wages and salaries of £5.4 million (15%) due to the annualised impact of investment in personnel in the prior year, and higher share based payments which increased by £3.3 million. These increases were offset by a decrease of £5.3 million (60%) in performance related pay and decrease of £0.1 million in contract staff costs.

£m	2017	2016
Wages and salaries	39.9	34.5
Performance related pay	3.4	8.7
Share-based payments (note 30)	4.4	1.1
Total employee costs	**47.7**	**44.3**
Contract staff costs	1.7	1.8
Staff costs	**49.4**	**46.1**

Sales and marketing costs

Sales and marketing costs increased £3.5 million (19%) to £21.8 million during the year as the Group continued to invest in its brand profile and growing the client base through higher expenditure across digital channels. Brand activity included the continuing sponsorship of both the Land Rover BAR America's Cup sailing team and the New South Wales Waratahs rugby team in Australia.

Aside from the brand spend, the main increases in expenditure were seen in our established markets of the UK, Germany and Australia.

Other expenses

IT costs increased £2.7 million (21%) to £15.4 million, due to additional expenditure in new services, including the cyber security area, increased market data costs and inflationary pressures caused mainly by Sterling depreciation.

Other costs decreased by £4.1 million (34%) to £7.9 million, with the main contributors being lower bad debt expenses due to more benign market conditions, lower irrecoverable sales tax and the effect of favourable balance sheet revaluation.

Taxation

The effective tax rate for the year was 19% (2016: 20%). The majority of the Group's profits are taxed in the UK, which had a corporation tax rate of 20% (2016: 20%). The Group benefited from higher utilisation of Australian corporation tax credits in the year, and in the prior year the effective tax rate was impacted by disallowable exceptional costs associated with the listing.

Profit after tax for the year

The decrease in profit after tax for the year of £3.3 million (8%) to £39.2 million (2016: £42.5 million) was due to both lower net operating income and higher underlying operating costs, explained earlier in the financial review.

Dividend

Dividends of £23.9 million were paid during the year (2016: £24.9 million), £15.4 million relating to a final dividend for the prior year paid in September 2016, with a £8.5 million interim dividend paid in December 2016 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, however has proposed maintaining the year ended 31 March 2016 ordinary dividend for the year ended 31 March 2017.

Group statement of financial position

£m	2017	2016
Intangible assets	2.1	2.6
Property, plant and equipment	18.2	16.4
Deferred tax assets	8.1	7.7
Total non-current assets	**28.4**	**26.7**
Trade and other receivables	31.6	20.9
Derivative Financial instruments	1.9	0.8
Financial investments	20.3	20.4
Amount due from brokers	119.4	84.2
Cash and cash equivalents	53.2	78.3
Total current assets	**226.4**	**204.6**
Total assets	**254.8**	**231.3**
Trade and other payables	36.3	34.6
Derivative Financial instruments	3.3	5.0
Borrowings	5.8	1.4
Current tax payable	5.5	7.8
Short term Provisions	0.4	0.2
Total current liabilities	**51.3**	**49.0**
Trade and other payables	3.1	3.5
Borrowings	3.0	1.1
Deferred Tax liabilities	0.0	0.0
Long term Provisions	1.6	1.4
Total non-current liabilities	**7.7**	**6.0**
Total liabilities	**59.0**	**55.0**
Total equity	**195.8**	**176.3**
Total equity and liabilities	**254.8**	**231.3**

Non-current assets

The Group is committed to maintaining its Next Generation 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. Expenditure on the trading platform goes hand-in-hand with the hardware required to support trading activity and this has been the main driver of the increase in property, plant and equipment over the period.

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. The year-on-year rise is as a result of higher stockbroking positions yet to settle. **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 decreased during the course of the year with a proportion being deposited with brokers to fund growing margin requirements. **Financial investments** relate to the FCA BIPRU12 requirement to hold eligible assets against potential liquidity stress.

Current liabilities

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

Non-current liabilities

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

Regulatory capital resources

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

The Group's total capital resources increased due to the rise in retained earnings relating to audited 2017 profits and lower intangible assets on the balance sheet.

At 31 March 2017 the Group had a total capital ratio of 30.2% (31 March 2016 31.2%). The following table summarises the Group's capital adequacy position at the year end. The Group's approach to capital management is described in note 29 to the financial statements.

Regulatory Capital	2017	2016
Core Equity Tier 1 Capital [1]	178.6	160.9
Less: intangibles and deferred tax assets	(6.7)	(6.6)
Total capital resources (£m)	**171.9**	**154.3**
Pillar 1 requirement [2]	45.6	39.6
Total risk exposure (£m) [3]	569.4	494.9
Total capital ratio (%)	**30.2%**	**31.2%**

[1] Core Equity Tier 1 capital – total audited capital resources as at the end of the financial period, less proposed dividends.
[2] Pillar 1 requirement – the minimum capital requirement required to adhere to CRD IV.
[3] Total risk exposure – calculated in accordance with article 92(3) of the CRR.

Liquidity

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

- **Own funds.** The primary source of liquidity for the Group. It represents the funds that the business has generated historically, including any unrealised gains / losses on open hedging positions. All cash held on behalf of segregated clients is excluded. Own funds consists mainly of cash and cash equivalents and also includes investments in UK government securities which are held to meet the Group's liquid asset buffer (LAB – as set by the FCA). These UK government securities are BIPRU 12.7 eligible securities and are available to meet liabilities which fall due in periods of stress.

- **Title Transfer Funds (TTFs).** This represents funds received from professional clients and eligible counterparties (as defined in the FCA Handbook) that are held under a Title Transfer Collateral Agreement (TTCA); a means by which a professional client or eligible counterparty may agree that full ownership of such funds is unconditionally transferred to the Group. The Group 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 £40.0 million (2016: £40.0 million) in order to fund any potential fluctuations in margins required to be posted at brokers to support the risk management strategy. The 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 2017. There was no drawdown on the facility at 31 March 2017 (2016: £nil).

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

- **Blocked cash.** Amounts held to meet the requirements of local market regulators and amounts held at overseas subsidiaries in excess of local segregated client requirements to meet potential future client requirements.

- **Initial margin requirement at broker.** The total GBP equivalent initial margin required by prime brokers to cover the Group's hedge derivative positions.

At 31 March 2017, the Group held cash balances of £49.0 million (2016: £78.3 million). In addition, £310.0 million (2016: £226.1 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 £183.4 million (2016: £176.4 million). Own funds include short-term financial investments, amounts due from brokers and amounts receivable/payable on the Group's derivative financial instruments. For more details refer to note 29 of the financial statements.

£m	2017	2016
Own funds	183.4	176.4
Title transfer funds	3.8	2.2
Available committed facility	40.0	25.5
Total available liquidity	**227.2**	**204.1**
Less: Blocked cash	(19.8)	(14.9)
Less: Initial margin requirement at broker	(93.0)	(54.7)
Net available liquidity	**114.4**	**134.5**
Of which: held as liquid assets buffer	*20.0*	*20.0*

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 £317.5 million at 31 March 2017 (2016: £230.7 million). Client money is held by the Group in trust for its retail clients and is not included in total available liquidity.

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

Client money governance

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

The Group has comprehensive client money processes and procedures in place to ensure client money is identified and protected at the earliest possible point after receipt as well as governance structures which ensure such activities are effective in protecting client money. The Group's governance structure is explained further on pages 56 to 66.

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.

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

- 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; and
- 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 Group's strategic objectives. The structure is regularly reviewed and monitored and any changes are subject to Board approval. Furthermore, management regularly considers updates to the processes and procedures to embed good corporate governance throughout CMC Markets.

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

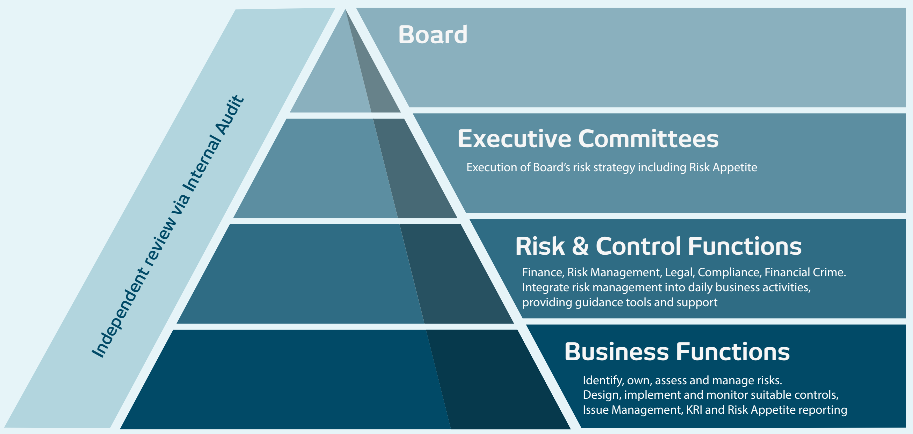
The Group continues to make enhancements to its Risk Framework and governance to provide a more structured approach to identifying and managing the risks to which it is exposed.

The Board has undertaken a robust assessment of the principal risks facing the Group. Top and emerging risks are considered 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 29 to the financial statements.

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

- **UK and Germany regulatory change:** there have been significant developments in this area during the financial year which could materially affect the Group's profitability, in particular consultation papers issued by the UK's FCA and Germany's BaFin, with the outcome of the latter recently communicated. The change in regulatory sentiment has been regularly discussed at Board, Board Committee and Executive Committees throughout the year and is actively monitored.
- **UK's exit from the European Union (Brexit):** the potential impact of Brexit is being closely monitored and contingencies discussed and planned which would mitigate regulatory change and strategic/business model risk of operating in the European Union.

Further information on the structure and workings of Board and Management committees is included in the Corporate Governance report on page 58.



Category	Risk	Description	Management and mitigation
Business and strategic risks	**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.	• Active dialogue with regulators and industry bodies. • Monitoring of market and regulator sentiment towards the product offering. • Monitoring by and advice from Compliance department on impact of actual and possible regulatory change. • A business model and proprietary technology that is responsive to changes in regulatory requirements.
	Acquisitions and disposals	The risk that mergers, acquisitions, disposals or other partnership arrangements made by the Group do not achieve the stated strategic objectives or that they give rise to 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 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.
	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 allow clients 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 29 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 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 committed bank facility of up to £40 million (page 46) to meet short-term liquidity obligations to broker counterparties in the event that the Group 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 29 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 29 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. Notable business change risks for the Group are platform upgrades and the implementation of the ANZ Bank stockbroking partnership.	• 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.	• Business continuity oversight provided by Operational Risk Function. • Use of external specialist premises to enhance resilience in the event of a disaster recovery or business continuity requirement. • Periodic testing of business continuity processes and disaster recovery. • Prompt response to significant systems failures or interruptions.
	Financial crime risk	Financial crime covers a number of unlawful activities including fraud (first and third party), theft, scams, confidence tricks, tax evasion, bribery, embezzlement, identity theft, money laundering, forgery, counterfeiting and acts of terrorism.	• 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, including those caused by "cyber attacks".	• 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, including investment in software that monitors and assists in the detection and prevention of cyber attacks. • Rigorous software design methodologies, project management and testing regimes to minimise implementation and operational risks. • Constant monitoring of systems performance and in the event of any operational issues, changes to processes are implemented to mitigate future concerns. • Operation of two data centres in the UK. • Systems and data centres designed for high availability and data integrity. • Continuous service available to clients in the event of individual equipment failures or major disaster recovery events.
	Legal (commercial / litigation) risks	The risk that disputes deteriorate into litigation.	• Compliance with legal and regulatory requirements including relevant codes of practice. • Early engagement with legal advisers and other risk managers. • Appropriately managed complaints which have a legal/litigious aspect. • An early assessment of the impact and implementation of changes in the law.
	Operations (processing) risks	The risk that the design or execution of business processes is inadequate or fails to deliver an expected level of service and protection to client or company assets.	• Investment in system development and upgrades to improve process automation. • Enhanced staff training and oversight in key business processing areas. • Monitoring and robust analysis of errors and losses and underlying causes.
	Outsourcing and procurement risks	This is the risk of third party organisations inadequately 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 Operating and Financial Officer
7 June 2017

Governance report

Chairman's letter

Dear Shareholders,

On behalf of the Board, I am pleased to present your 2017 Group Corporate Governance report. The Board continues to recognise that an effective governance framework is fundamental in ensuring that the Group remains profitable and all Directors are committed to achieving high standards of corporate governance.

As the Group enters its second year as a listed company it has applied the principles and is compliant with all provisions of the UK Corporate Governance Code (the "Code").

Board composition

The knowledge, skills and experience of the Board Directors has been key to the management of the Company as it grows as a listed business. A short biography of all Directors can be found on pages 59 to 61.

After completing a formal performance evaluation of the individual Board Directors, and in adherence to section B of the Code, I can confirm that the Board is deemed to be effective. During the evaluation, and on an ongoing basis, the training needs of the Directors are considered and each Director continues to develop their understanding and knowledge of the industry and regulatory developments.

Following a review of my performance as Chairman (led by Manjit Wolstenholme, as Senior Independent Non-Executive Director, and involving Malcolm McCaig and James Richards in their capacity as Independent Non-Executive Directors) the Board has asked me to remain as Group Chairman notwithstanding my service since December 2007, in order to maintain continuity throughout this period of regulatory uncertainty. However, succession planning for the role of Chair of the Board is and will continue to be a priority in the coming year.

Manjit Wolstenholme will be stepping down at the Group's Annual General Meeting on 27 July 2017 ("2017 AGM"), and a thorough search has begun for a successor.

Board effectiveness

The balance of skills, experience and independence of the Board and individual Directors was reviewed as part of the annual effectiveness process. All Directors received computer based training in 2016 on relevant financial service matters with emphasis on the Company's responsibilities with regard to regulation and compliance, as well as attending a seminar on the Approved Persons regime.

A formal evaluation of the effectiveness and structure of the Board and Board Committees was conducted in the autumn of 2016 in accordance with principle B6 of the Code. As Chairman of the Board and of the Nomination Committee I will oversee that the actions arising from the evaluation process are completed. It is intended that an independent, externally facilitated evaluation of the Board will be conducted in 2017.

Shareholder engagement

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

I look forward to listening to the views of our shareholders at the Company's 2017 AGM. Board Directors regularly meet with a cross section of the Company's shareholders to ensure an ongoing dialogue is maintained and report to the Board on the feedback received from shareholders. I will also always make myself available to meet any of our shareholders who wish to discuss matters regarding the Company.

A monthly investor relations report is distributed to the Board and considered at each Board meeting. The Group is also assessing the appointment of an independent shareholder engagement company to ensure the views of shareholders are clearly and effectively communicated to the Board.

Simon Waugh
Chairman
7 June 2017

The Next Generation trading platform.

The Board

The role of the Board

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

The Board has ultimate responsibility to prepare the annual report and financial statements and to ensure that appropriate internal controls and risk management systems are in place in order to manage and mitigate risk. The Board delegates the in depth review and monitoring of internal controls and risk management to the Group Audit Committee and Group Risk Committee respectively. The terms of reference of these Board Committees are available on the CMC Markets plc Group website (https://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
Swaines Limited
BMLL Technologies Limited
Ingenuity Holdings Limited
Gallagher Risk & Reward Limited
Gallagher Benefit Services (Holdings) Limited
Utilitywise PLC

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:

The Peter Cruddas Foundation
Finada 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 Certified 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. He also holds Board positions at 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
Unum European Holdings Company Limited
Unum Limited
City of Glasgow College Foundation
Ageas (UK) Limited
4most Group (Holdings) Ltd

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 was a partner at Dillon Eustace, a law firm specialising in financial services in Ireland, where he was a partner from 2012 to 2016. Prior to this he was a banking and finance partner at Travers Smith LLP for 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.

No current external appointments

Grant Foley
(Chief Operating and Financial Officer)

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

No current external appointments

David Fineberg
(Group Commercial Director)

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. In June 2017 his role further expanded when he became Group Commercial Director.

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 (https://www.cmcmarkets.com/group/committees).

Board and Board Committee attendance

Corporate governance: meeting attendance

DIRECTOR	BOARD	GROUP AUDIT COMMITTEE	GROUP RISK COMMITTEE	REMUNERATION COMMITTEE	NOMINATION COMMITTEE
Peter Cruddas	10 (10)				
David Fineberg	10 (10)				
Grant Foley	10 (10)				
Malcolm McCaig	10 (10)	3 (3)	6 (6)	6 (6)	3 (3)
James Richards	10 (10)	3 (3)	6 (6)	6 (6)	3 (3)
Simon Waugh	10 (10)		5 (6)	6 (6)	3 (3)
Manjit Wolstenholme	10 (10)	3 (3)	6 (6)	6 (6)	3 (3)

Format: Meeting attended (Meetings eligible to attend as members)

Excluding the Chairman, the Board consists of three Executive Directors and three Non-Executive Directors and therefore complies with Provision B.1.2 of the Code. All Non-Executive Directors are considered to be independent.

Division of responsibilities

The roles of the Chairman and Chief Executive Officer 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 Director's induction and ongoing training; and
- leadership of the Board effectiveness process through his role as Chairman of the Nomination Committee

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.

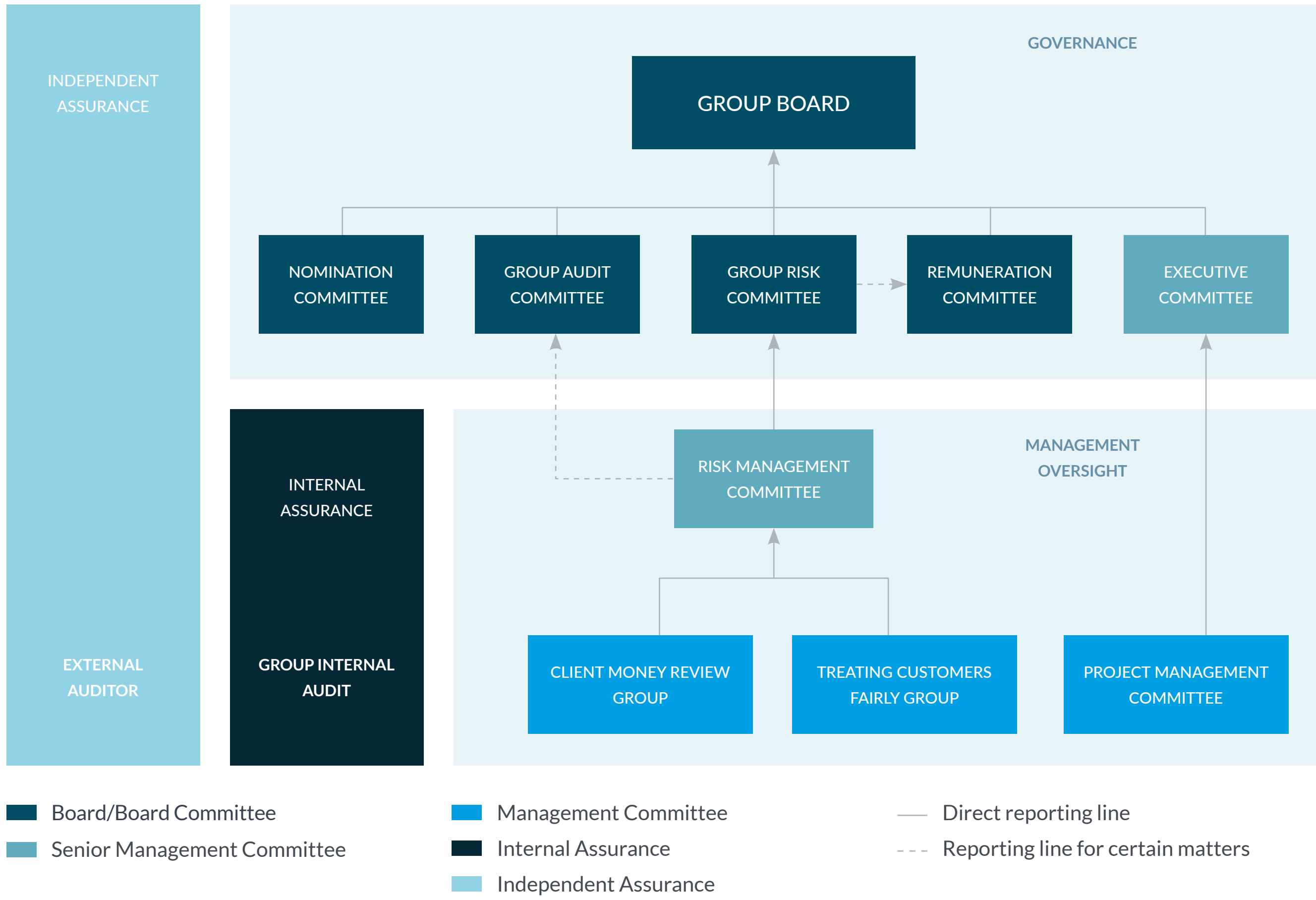
Responsibilities of the Senior Independent Director ("SID") include:

- 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;
- leading the Non-Executive Directors in the performance evaluation of the Chairman, with input from the Executive Directors; and
- being available to shareholders in the event the Chairman, Chief Executive Officer or other Executive Directors are unavailable.

Responsibilities of the Non-Executive Directors include:

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

Governance Structure as on 31 March 2017



Activities of the Board

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

- proposed regulatory change and potential business impact;
- strategic opportunities, annual budget, strategic review and three year plan;
- the development and launch of new products;
- risk management and risk appetite;
- partnership with Australia and New Zealand Bank; and
- challenge and approval of ICAAP and ILAA

Meetings of the Non-Executive Directors

The Chairman has held a number of meetings with the independent Non-Executive Directors without the Executive Directors present in accordance with provision A.4.2 of the Code. The Senior Independent Director and other independent Non-Executive Directors met to appraise the Chairman's performance since listing and sought input from the Executive Directors prior to doing so.

Accountability

A formal effectiveness review was conducted during the period and, as stated previously, an externally hosted Board evaluation is planned in 2017 where the performance of the Board and each Director, including the Chairman, will be evaluated.

Board evaluation

Each Director and Board Committee member completed questionnaires tailored to the role and responsibilities of the Board and its Board committees. The responses to the questionnaires and associated comments were collated and reported on an anonymous basis to a meeting of the Nomination Committee in which the Executive Directors were in attendance.

Following discussion and debate by the Nomination Committee and Board, appropriate actions to address the areas which could be improved upon to increase Board effectiveness were agreed.

Election of Directors

The 2017 AGM will be held on 27 July 2017, at 133 Houndsditch, London EC3A 7BX.

Following recommendations from the Nomination Committee and review by the Chairman, the Board considers that all Directors continue to be effective, remain committed to their roles and have sufficient time available to perform their duties. In accordance with the Company's Articles of Association, and provision B.7.1 of the Code, all Directors will be subject to annual re-election. Accordingly, all Directors with the exception of Manjit Wolstenholme will seek re-election at the Company's 2017 AGM which will be set out in the Notice of AGM along with a short biography for each Director subject to re-election.

Independence of Non-Executive Directors and time commitment

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

Directors' induction

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

Conflicts of interest

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

Board support

Each Director has access to the Company Secretary for 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.

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

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

Group Audit Committee

The Group Audit Committee has been delegated responsibility for the monitoring and oversight of the external and internal audit of internal controls. The Committee's responsibilities, main activities and priorities for the next reporting cycle are set out on pages 68 to 71.

Group Risk Committee

The Group Risk Committee has been delegated responsibility for the monitoring and oversight of risk management, mitigation and approval of risk appetite. The Committee's responsibilities, main activities and priorities for the coming year are set out on pages 72 to 75.

Shareholder engagement

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

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

CMC Markets Head Office.

Group Audit Committee

Dear Shareholders,

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

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

I will be stepping down from the Board at the Annual General Meeting on 27 July 2017; I have enjoyed my time with CMC Markets and have been impressed with the business. Whilst there continues to be regulatory uncertainty, I believe the Group is well placed to deal with it.

Manjit Wolstenholme
Senior Independent Director and
Chair of Group Audit Committee
7 June 2017

Membership and attendance

The Committee is chaired by Manjit Wolstenholme with Malcolm McCaig and James Richards as members. The Committee is considered independent to management and the members are all independent Non-Executive Directors.

The Committee held three scheduled meetings during the financial year. The key activities and discussion points are outlined in the relevant section of this Committee report. The CFO & Head of Risk, the Global Head of Compliance, Lead External Audit Partner and the Internal Audit Manager attended Committee meetings by invitation.

Group Audit Committee attendance

NAME	POSITION	ATTENDED (ELIGIBLE)
Manjit Wolstenholme (Chair)	Senior Independent Director	3 (3)
Malcolm McCaig	Independent Non-Executive Director	3 (3)
James Richards	Independent Non-Executive Director	3 (3)

Group Audit Committee responsibilities

The main role and responsibilities of the 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 Group'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 the performance of the internal audit function;
- to review and make recommendations to the Board on the effectiveness and independence of the Company's external 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.

The Committee's full Terms of Reference can be found on the Group's website (http://www.cmcmarkets.com/group/committees).

Statement of internal controls and internal audit

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

Areas reported on by Internal Audit to the Committee during the period included:

- Group's Australian business;
- change control and project & programme management;
- conduct and culture;
- information security;
- cyber security;
- Australia on-boarding processes;
- UK on-boarding processes*; and
- Marketing review.

The Committee approved the Internal Audit Plan for the year ending 31 March 2018 which includes reviews on:

- business continuity planning, disaster recovery and crisis management;
- corporate governance framework, including strategic planning;
- dealing desk review;
- Gambling Commission Security review;

*As at 31 March 2017 all Internal Audit fieldwork relating to the UK on-boarding process audit had been completed and management responses and action plans were due to be completed imminently.

- General Data Protection Regulation Regime ("GDPR");
- Internal Capital Adequacy Assessment Process ("ICAAP") ;
- Markets in Financial Instruments Derivative ("MiFID II") preparedness (Internal Audit on MiFID II execution and embedding to follow); and
- Senior Manager Certification Regime ("SMCR")

External auditor

The 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. As part of this review, the 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 2017 AGM. The current auditor has been in place for eight years and a tender process is envisaged for 2019. This would comply with the current Code provision and with the CMA Order in the event that the Order applies to the Company at that time.

The Committee, in line with Financial Reporting Council ("FRC") guidance, continues to review the qualification, expertise, resources, effectiveness and independence of the external auditor. Also in line with FRC guidance, the 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 other services fees are disclosed in note 9 of the financial statements. Other services fees include the controls opinion relating to the Group's processes and controls over client money segregation and compliance with The Capital Requirements (country-by-country reporting) Regulations 2015.

Non-audit fees

The Group has a number of relationships with independent advisory and assurance firms which provide alternatives to using PricewaterhouseCoopers. However, the Group has engaged with PricewaterhouseCoopers LLP for a number of non-audit services during the year. For each engagement the auditor's independence has been considered by both the Group and PricewaterhouseCoopers LLP to ensure auditor independence would not be compromised. Non-audit related fees provided by PricewaterhouseCoopers LLP are disclosed in note 9 of the financial statements.

During the financial year, having considered the new Ethical Standard issued by the FRC regarding the requirement for safeguarding independence of the external auditor, two main actions were taken. Firstly, a revised policy for the appointment of external auditors to provide non-audit services was reviewed and approved by the Audit Committee. As a result non-audit services supplied by the external auditor must be approved on a case-by-case basis by the Audit Committee; those with a de minimis fee level are pre-approved by the Committee and authority to approve this expenditure is delegated to management. Secondly, tax services were tendered to other professional services firms and from February 2017 Deloitte LLP became the Group's lead tax advisor.

Main activities during the financial year

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

At each meeting the Committee:

- receives a report from the CFO & Head of Risk on the year to date financial performance of the Group;
- receives an update on current and planned internal audits and any internal audit issues arising; and
- receives an update on significant accounting judgements, including the recoverability of Deferred tax assets.

June 2016

- reviewed the year-end audit report presented by the Group's auditor and discussed the audit with the lead audit partner. In line with the Committee terms of reference the Committee met with the Group Auditor without management or the Executive Directors present;

- reviewed the Annual Report and Financial Statements for the year ended 31 March 2016 including the Going Concern statement, Viability statement and risk management and internal controls reporting. Following due consideration the Committee recommended the 2016 Annual Report to the Board for approval;
- reviewed the annual report from the Money Laundering Reporting Officer ("MLRO") prior to the MLRO report being considered by the Board;
- received a presentation from the Group's Controlled Function 10a ("CF10a"), who is responsible for Client Assets Sourcebook ("CASS") operational oversight.

November 2016

- reviewed the Interim Results for the period to 30 September 2016 providing independent oversight and ensuring that the report was produced in accordance with the requirements of a listed company. The Committee recommended the Interim Results to the Board for formal approval;
- reviewed the completed internal audit reports on the Group's Australian business, Conduct & Culture, Change Control and Project & Programme Management, and Marketing review. In line with the Committee terms of reference the Committee met with the Internal Auditor without management or the Executive Directors present;
- as part of the Board Committee evaluation process, the Committee completed an annual evaluation of its performance and the results of this evaluation were considered at the November Nomination Committee meeting and December Board meeting;
- the Committee reviewed its terms of reference to ensure its role, responsibilities and delegated authority were still relevant and appropriate to meet its regulatory and statutory obligations;
- reviewed the Audit plan from the Group auditor.

March 2017

- the Committee reviewed the draft Annual Report and Financial Statements to 31 March 2017 (the "2017 Annual Report") commenting and advising on areas to be included in the 2017 Annual Report;
- reviewed the completed internal audit reports on Information Security and on-boarding processes in Australia and received an update on the audit fieldwork on the UK on-boarding process and Human resources audits;
- received an update from the Group's auditor on the year-end audit process including Client Assets Sourcebook ("CASS") requirements, summary of non-audit service fees and IT controls.

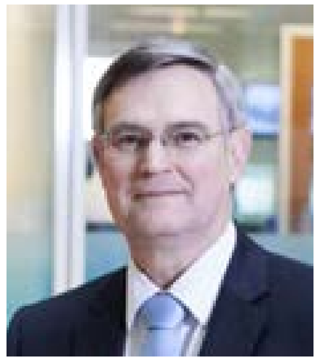
Priorities for financial year 2017/18

During the year, the Committee conducted a review of its effectiveness and it was agreed that the Committee was highly effective and that the quality of information and auditor review provided was of a high standard. The Committee's focus will continue to be to ensure that all relevant accounting practices and disclosures are adhered to and that controls around these obligations are successfully embedded with a strong culture of disclosure and transparency.

There will be continued focus on internal systems of control and particular focus will be paid to the results of upcoming internal audits on MiFID II, Corporate Governance Framework, ICAAP, and the dealing desk.

The impact and implementation of any required process changes and controls associated with the introduction of IFRS9 'Financial Instruments: classification and measurement' and IFRS15 'Revenue from contracts with customers' will be reviewed.

Group Risk Committee



Dear Shareholders,

As Chairman of the Group Risk Committee (the "Committee"), I am pleased to present the Group Risk Committee Report.

The Committee assists the Board by providing oversight of the risk appetite and risk management framework of the Group. The Committee reviews, challenges and recommends, if it sees fit, the Group's key processes and procedures such as its Internal Capital Adequacy Assessment Process ("ICAAP") and Individual Liquidity Adequacy Assessment ("ILAA") and takes an active role in advising the Board on the Group's risk strategy. A key priority for the Committee is to ensure that a robust risk culture continues to be embedded across the business.

The Committee received two "deep dive" presentations in the year on the Group's financial and liquidity risk management procedures including discussions of the ICAAP and ILAA process and on Cyber Risk. Both sessions provided valuable insights into key areas of risk and the Committee will commission further "deep dives" in 2017/18.

The Committee actively monitors and discusses the latest risk and regulatory developments affecting the Group. The Committee regularly considers reports from management on the Group's preparations for the Brexit. In December 2016, the Committee held an ad-hoc meeting dedicated to discussing the implications of the FCA's consultation paper on "Enhancing conduct of business rules for firms providing contracts for difference products to clients" ("FCA CP 16/40") and the Federal Financial Supervisory Authority in Germany ("BaFin")'s consultation on "General Administrative Act pursuant to section 4b (1) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) regarding contracts for difference", the outcome of which was reported to the Board.

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

Malcolm McCaig
Non-Executive Director and Chairman of the Group Risk Committee
7 June 2017

Membership and attendance

The Committee is chaired by Malcolm McCaig with James Richards, Simon Waugh and Manjit Wolstenholme as members. The Committee is considered independent to management and the members are the Group Chairman and the independent Non-Executive Directors.

The Committee held four scheduled meetings and two ad-hoc meetings during the financial year. The key activities and discussion points are outlined in the relevant section of this Committee report. The CEO, CFO & Head of Risk and the Global Head of Compliance attend Committee meetings by invitation.

Group Risk Committee attendance

NAME	POSITION	ATTENDED (ELIGIBLE)
Malcolm McCaig (Chair)	Independent Non-Executive Director	6 (6)
James Richards	Independent Non-Executive Director	6 (6)
Simon Waugh	Group Chairman	5* (6)
Manjit Wolstenholme	Senior Independent Director	6 (6)

*Missed the April 2016 Risk committee due to an engagement which could not be rescheduled.

Group Risk Committee responsibilities

The main role and responsibilities of the Committee are:

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

The Committee's full Terms of Reference can be found on the Group's website (http://www.cmcmarkets.com/group/committees).

The Committee has oversight of the Group's risk management as detailed on page 48. The Group's top and emerging risks are actively reviewed and discussed on a monthly basis by the Risk Management Committee ("RMC"), the Group's risk focused management committee before being presented to the Committee. At each meeting, the Committee reviews the risk reports, providing independent oversight and challenge. The Chairman of the RMC is a regular attendee at Committee meetings.

Main activities during the financial year

Agendas for scheduled Committee meetings are based on pre-agreed forward meeting planners to ensure that the Committee fulfils its responsibilities in line with its Terms of Reference and regulatory obligations.

At each meeting the Committee:

- reviewed the Group's top risks, emerging risks and key risk indicators ("KRIs") in relation to the Board approved risk appetite;
- received an update on key issues and discussion points from the RMC;
- received and discussed management reports from the Group's financial risk management, liquidity risk management, operational risk management, compliance, treating customers fairly ("TCF"), complaints handling, financial crime and legal teams.

April 2016

- discussed the Group's preparations for the Brexit vote;
- reviewed the Group's planning for the annual review of the ICAAP and ILAA documentation;
- reviewed and approved the Group's annual Compliance Plan and approach to Conduct Risk;
- discussed further embedding risk management in remuneration.

June 2016

- reviewed and discussed the emerging risks for the Group;
- discussed the Group's preparations for Brexit vote;
- reviewed and recommended the annual review document for ICAAP, ILAA and Contingency Funding Plan for Board approval;
- reviewed and recommended the Group's Risk Management Framework and Risk Appetite Statement for Board approval;
- reviewed and approved the risk sections of the annual report.

September 2016

- received a "deep dive" presentation on financial and liquidity risk management;
- discussed risks related to subdued client activity;
- received an update on regulatory issues, including updates from the FCA's appropriateness review;
- reviewed and discussed the Group's reputational risks;
- received and reviewed a report on the Group's risk management and internal controls.

November 2016

- Received a "deep dive" presentation on Cyber risk;
- Considered the results of the annual Committee evaluation;
- Considered and recommended amendments to the Committee's Terms of Reference for Board approval;
- Reviewed risk related reports on potential strategic projects.

December 2016

- discussed the FCA CP 16/40 and the Federal Financial Supervisory Authority in Germany ("BaFin") consultation on "General Administrative Act pursuant to section 4b (1) of the German Securities Trading Act" regarding CFDs.

January 2017

- reviewed and approved the Group's annual Risk plan.

Priorities for financial year 2017/2018

During the year, the Committee conducted a review of its effectiveness and it was agreed that the Committee was highly effective with the quality of information provided being of a high standard. Areas for improvement included length of meetings and scheduling of certain agenda items in the year to ensure adequate time for challenge and debate, which has been enacted. This has been taken into consideration while planning meetings for the coming year and the Committee will continue to improve on its performance.

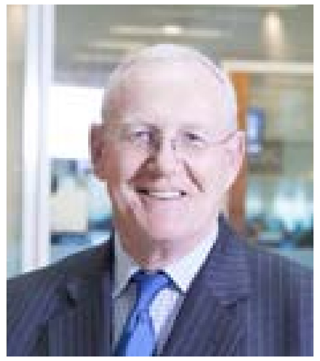
Key priorities for the year ahead remain focussed on continued development and embedding of risk culture and framework across the business. The Committee will continue to take an active role in advising the Board on risk matters, particularly in relation to the current regulatory environment. The deep dive programme will continue to ensure the Committee has an in-depth understanding of the key risks affecting the Group.

Statement of risk management and internal controls

The Group has continued to invest in risk management and internal controls following its listing in February 2016 and much progress has been made in improving and embedding the risk management framework.

Following an annual review undertaken in September 2016, the Committee was satisfied that the Group's risk management and internal control systems were effective in 2016 and work continues to improve risk management and internal controls.

Nomination Committee



Dear Shareholders,

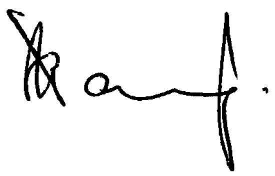
As Chairman of the Nomination Committee (the "Committee"), I am pleased to present the Nomination Committee Report.

Succession planning and talent development was a particular focus for the Committee this year to ensure a strong talent pool is identified and developed, ensuring that the business can continue to deliver its strategy as it adapts to the changing regulatory environment as it becomes clearer. Succession planning will continue to be a key priority in the coming year.

The Committee also oversaw the first Board and Board Committee evaluation process that the Company had undertaken since the listing in February 2016. The evaluation process is detailed in pages 65 and 78 and the Committee will ensure progress is made on the actions in the coming year.

There were no changes to Board or Board Committee appointments in the year.

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



Simon Waugh
Group Chairman and Chairman of the Nomination Committee
7 June 2017

Membership and attendance

The Committee is chaired by Simon Waugh with Malcolm McCaig, James Richards and Manjit Wolstenholme as members. The Committee is considered independent to management and the members are the Group Chairman and the independent Non-Executive Directors.

The Committee held three scheduled meetings during the financial year. The key activities and discussion points are outlined in the relevant section of this Committee report. The Executive Directors and the Group Head of Reward attend Committee meetings by invitation.

Nomination committee

NAME	POSITION	ATTENDED (ELIGIBLE)
Simon Waugh (Chair)	Group Chairman	3 (3)
Manjit Wolstenholme	Senior Independent Director	3 (3)
Malcolm McCaig	Independent Non-Executive Director	3 (3)
James Richards	Independent Non-Executive Director	3 (3)

Nomination committee responsibilities

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

The main role and responsibilities of the Committee are:

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

The Committee's full Terms of Reference are available on the Company's website (http://www.cmcmarkets.com/group/committees).

Main activities during the financial year

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

September 2016

- discussion of employee gender diversity
- succession planning for Executive Directors
- succession planning for senior management
- succession planning for other key talents

November 2016

- review and discussion of Board and Board Committee evaluation results and actions
- review of structure, size and composition of Board and Board Committees

March 2017

- review of Non-Executive Director time commitment
- review of Non-Executive Director independence and re-election to the Board
- annual review of Committee Terms of Reference
- succession and development of Directors and senior management

Following ongoing discussions between the Chairman of the Board (and therefore also the Nomination Committee) and the CEO it was agreed that the structure of the Senior Executive Team and more specifically the roles of the two Executive Directors should be reviewed, the objective being to provide better support to the CEO in the day-to-day operational management of the Company, to provide greater space for the CEO to focus on the core strategic growth initiatives and provide greater support for the APAC region, which is anticipated to grow significantly in the coming years with the implementation of the important and material partner agreement with ANZ Bank to manage their Stockbroking operation and the growth potential in Asia and more specifically China.

It was agreed by the Committee, and subsequently approved by the Board, that Grant Foley would in addition to his existing responsibilities, be appointed to the newly created Chief Operating and Financial Officer role, responsible for all financial, risk, legal, compliance, operations and IT production functions across the Group.

It was further agreed that David Fineberg would become responsible for the "demand side" of the business in addition to his current role of Director of Trading. This newly created role of Group Commercial Director incorporates the sales, marketing and distribution activities across the Group and brings together the key activities and capabilities which drive the revenue side of the business.

These are significant changes in terms of roles and responsibilities for both of the Executive Directors, which the Board fully endorses and believes will give greater support to the CEO and strengthen the management process across the Company.

Board and Board Committee evaluation

The Committee oversaw a formal Board and Board Committee evaluation and discussed the results and the action plan for the coming year with the full Board present. It was agreed that good progress continued to be made on the foundations laid in preparation for the Group's listing in February 2016 and that the Board as a whole operated effectively with open debate and constructive challenge. Areas for improvement for the Board included the need to further evolve and mature, particularly in the context of being a company with a premium listing on the London Stock Exchange; in particular, further embedding the processes required of a listed company, Board ownership and involvement in setting strategy (following the development of the five-year strategic plan prior to listing), and building the interaction and relationships of Board members following the creation of a relatively newly-formed Board prior to the Group's listing.

Each of the Board Committees were evaluated and it was concluded that both the Group Audit and Risk Committees were highly effective with excellent Executive support and very robust and high quality information provided in a timely manner for each Committee, which enabled constructive and open debate. Whilst deemed "fit for purpose", it was concluded that both the Nomination and Remuneration Committees could be more effective with a number of areas of improvement identified, including clarity on the requirements of both Committees in the premium listed environment, the quality and timeliness of information provided to the Committee and ensuring robust processes which enable all the requirements of the Committees to be fulfilled through the annual cycle.

Succession planning

The Committee takes an active role in the succession planning of Board members. During the year, succession plans for the Executive Directors and senior management were reviewed. The Committee received and considered internal reports prepared by the Group Head of Reward and the CEO alongside external analysis conducted by Kiddy & Partners LLP. The Committee also extended succession planning to potential candidates to senior management and other key roles to ensure that the talent pipeline was adequately maintained.

The Committee regularly considers diversity, including those of gender, in its succession planning and works closely with the Remuneration Committee with regard to issues such as gender pay gap. It has been acknowledged that the number of women in senior roles is an area the Company can improve upon.

Diversity statement

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

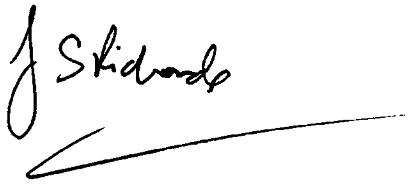
Priorities for the financial year 2017/18

The Committee will continue to focus on key themes such as diversity and succession planning and is committed to ensuring that further improvements to Board and Board Committee effectiveness are made following the evaluation carried out this year. An externally facilitated board evaluation will be conducted in the coming year in accordance with provision B 6.1 of the UK Corporate Governance Code (the "Code"). In addition, the Board will compete a thorough search for a successor to Manjit Wolstenhome.

Remuneration Committee

Dear Shareholders,

As Chairman of the Remuneration Committee (the "Committee") I am pleased to present the Remuneration Committee Report. The Committee is the independent Board Committee that (i) assesses and sets Executive Director remuneration, incentives and retention arrangements, (ii) reviews and, if appropriate, endorses senior management remuneration; and (iii) reviews other Group remuneration matters as required. This report summarises the activities, key responsibilities and future focus of the Committee.



James Richards
Non-Executive Director and Chairman of Remuneration Committee
7 June 2017

Membership and attendance

The Committee is chaired by James Richards with Malcolm McCaig, Simon Waugh and Manjit Wolstenholme as members. The Committee is considered independent to management and the members are the Group Chairman and the independent Non-Executive Directors.

The Committee held six meetings during the financial year. The key activities and discussion points are outlined in the relevant section of this Committee report. The CFO & Head of Risk, Group Head of Reward and remuneration consultants attended Committee meetings by invitation.

Remuneration Committee

NAME	POSITION	ATTENDED (ELIGIBLE)
James Richards (Chair)	Independent Non–Executive Director	6 (6)
Malcolm McCaig	Independent Non–Executive Director	6 (6)
Simon Waugh	Group Chairman	6 (6)
Manjit Wolstenholme	Senior Independent Director	6 (6)

Remuneration committee responsibilities

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

The main role and responsibilities of the Remuneration Committee are:

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

Main activities during the financial year

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

April 2016

- reviewed the draft Committee Report to be included in the Annual Report and Financial Statements to 31 March 2016;
- considered an independent review on the remuneration of the Executive Directors;
- reviewed the draft Remuneration Policy;
- approved the policy for authorising Directors' expense claims;
- received an update on changes to the Group employee benefit structure;
- discussed engagement with principal shareholders on remuneration matters.

June 2016

- reviewed and recommended the Remuneration Report and Remuneration Policy included in the Annual Report and Financial Statements to 31 March 2016;
- reviewed year-end 31 March 2016 bonus payments and long-term incentive plan ("LTIP") targets;
- approval of annual incentive awards under the Committee's remit;
- considered and approved the FCA required Remuneration Policy Statement.

July 2016

- reviewed and approved the objectives of the Executive Directors;
- discussed the principles behind the personal objectives of the senior management.

October 2016

- reviewed the performance of the Group's remuneration consultants;
- reviewed a report on Group gender pay data;
- received an update on feedback from investors and investor advisory groups;
- as part of the Board Committee evaluation process, the Committee completed an annual evaluation of its performance and the results of this evaluation were considered at the November Nomination Committee meeting and December Board meeting.

January 2017

- discussed regulatory developments and their effects on retention, incentives and shareholder value;
- received an update on Executive Director objectives and mid-year performance reviews;
- following a Group employee engagement survey, reviewed a report on the engagement of women employees;
- the Committee discussed its terms of reference, specifically the clarity in which its role and responsibilities were stated and to ensure that the terms of reference were appropriate to meet its regulatory and statutory obligations.

March 2017

- received an update on considerations of Executive Director and Senior Management's remuneration in light of regulatory developments;
- received a report on the Company's remuneration strategy and Group employee retention.

Remuneration consultant

The Committee reviewed the performance of the remuneration consultant during the period and appointed Willis Towers Watson & Co as the Group's new remuneration consultant. It was confirmed that none of the Committee members had any conflicts of interest in regard to this appointment.

Remuneration policy

The Directors' remuneration policy was approved by shareholders at the 2016 AGM and is next due to be reviewed and presented to shareholders at the 2019 AGM. For further details on the Remuneration policy please refer to pages 96 to 106.

Priorities for the financial year 2017/18

The Remuneration Committee will continue to monitor the appropriateness of the Executive Director and senior management remuneration. Shareholder feedback on the Directors' Remuneration report will be considered as part of the ongoing role of the Committee along with performance related pay and relevant remuneration policies that fall under the remit of the Committee. It is also planned for an employee salary benchmarking exercise to be conducted in 2018 and the results of this exercise will be presented to the Committee.

Directors' remuneration report

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 2017, 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.

CMC Markets are proud to support the NSW Waratahs – one of Australia's most iconic rugby teams.

Annual statement by the Chairman of the Remuneration Committee

Dear Shareholders,

On behalf of the Board, I am pleased to present shareholders with our 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 2018. This report is subject to an advisory vote at the Company's 2017 AGM on 27 July 2017.

The Directors' Remuneration Policy describes our forward-looking policy and remains the same as that which was approved by a binding vote at the Company 7 September 2016 Annual General Meeting.

As I said in my Annual Statement last year, remuneration practice is very different in the listed company's environment. As part of the transition from being privately owned to a listed company, the Group has adapted its remuneration arrangements to a more structured framework and longer-term reward horizon for our Directors and employees. At the same time, so as to retain them, our remuneration policy needs to continue to retain and motivate the key personnel who are critical in helping drive and grow the business, and align their interests with the longer-term interests of all our shareholders.

Group performance in the year ended 31 March 2017

The financial and operating performance for the year ended 31 March 2017 is set out in the Strategic Report. During the year, strong progress has been made on growth initiatives, focusing on client service, innovation and technology. We have also signed the largest partnership deal in the Group's history, namely the ANZ Bank stockbroking deal in Australia. However, the full financial benefit of these achievements will lie in future accounting periods and, largely due to reduced client activity, the Group has had a lower financial performance than last year. The financial and operating performance for the year ended 31 March 2017 is set out on pages 38 to 47 in the Strategic Report. Decisions on remuneration outcomes have been made in this performance context.

The regulatory context in the year ended 31 March 2017

The lower than expected financial performance has been compounded by the consequences on the Group's share price of the regulatory backdrop which the CEO refers to in his report. It is against this uncertainty and the consequential short to medium-term challenges this presents, that we have to strike the right balance between retaining key personnel and continuing to align them with the longer-term interests of shareholders.

Implementation of Remuneration Policy for 2016/17

Details of the remuneration policy and the amount paid during the year ended 31 March 2017 are respectively given in the Directors' Remuneration Policy and the Annual Report on Remuneration.

Annual incentive awards for the year were predominantly based on pre-incentive underlying Group profit before tax as well as the Committee's assessment of individual performance (based on the achievement of non-financial/strategic objectives), behaviour and compliance with the Company's risk appetite. The targets and the level of achievement against them are described on page 87. The profit target was not achieved. However, the Group has made significant progress in its first year as a listed company, with a number of significant milestones being delivered to which the CFO & Head of Risk (CFO) and Director of Trading have made major contributions (further details of these and the two individuals' specific contributions are described on page 88). After careful consideration, the Committee has therefore decided that, based on these exceptional individual strategic achievements, bonuses of 10% of salary should be paid to the CFO and Director of Trading respectively. No bonus will be paid to the CEO in respect of the year ended 31 March 2017.

Implementation of Remuneration Policy for 2017/18

Changes in role and base salary adjustments of the two Executive Directors

The CEO, in conjunction with the Nomination Committee, has taken the opportunity to review the executive management structure of the business and, in particular, the roles and responsibilities of both the CFO and Director of Trading to ensure greater cohesion, synergies and productivity between the global teams. These individuals will be taking on significant additional responsibilities, which are described on page 92. To reflect the new roles, job titles will be changed to Chief Operating and Financial Officer and Group Commercial Director, respectively. One-off base salary adjustments have also been made as described later in this report.

LTIP Awards in 2017/18

The CMC Markets Management Equity Plan 2015 provides for the award of shares and/or options of up to 125% of salary in normal circumstances and 200% in exceptional circumstances.

Given the limited retentive value of the current in-flight awards to the two Executive Directors and to assist with aligning their longer terms interests with those of shareholders, the Remuneration Committee has determined that it would be appropriate to make an exceptional one off award of 200% salary to both the CFO and Director of Trading in 2017.

For 2017, the Committee will use the same three metrics as for awards in 2016: earnings per share (EPS) growth will account for 60%, relative total shareholder return (TSR) 30% and Net Promoter Score (NPS) 10% of the award.

In relation to the EPS target, the Committee will ensure once the final FCA proposals are known that a sufficiently stretching range has been set by taking account of a number of internal and external reference points. The target range will be disclosed in next year's annual report.

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

James Richards
Remuneration Committee Chairman
7 June 2017

The following section sets out the remuneration arrangements and outcomes for the year ended 31 March 2017, and how the Committee intends the Remuneration Policy to apply during the year ending 31 March 2018.

Single figure of Executive Director remuneration

The table below sets out the single figure of the total remuneration received by each Executive Director who served during the year ended 31 March 2017 and 31 March 2016.

£'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	**2017**	**410.0**	**2.8**	**–**	**–**	**–**	**–**	**412.8**
	2016	337.5	2.4	400.0	–	–	–	739.9
Grant Foley	**2017**	**276.8**	**1.3**	**27.7**	**–**	**2.1**	**27.7**	**335.6**
	2016	228.3	1.1	270.0	906.9	3.6	22.8	1,432.7
David Fineberg	**2017**	**246.0**	**1.4**	**24.6**	**–**	**2.2**	**24.6**	**298.8**
	2016	206.7	1.1	240.0	1,282.7	3.6	20.7	1,754.8

[1] Benefits: taxable value of benefits received in the year by Executive Directors comprise private health insurance and, in addition for the CEO, dental insurance.
[2] Annual incentives: for the year ending 31 March 2017: exceptional incentive award: the total earned in respect of performance during the relevant financial year.
[3] Long term incentives: for the year ended 31 March 2016, based on the market value of the Pre-IPO Retention Award calculated with reference to the share price at Listing of £2.40 and has been restated to now include the final dividend on unvested awards calculated by reference to the share price at listing. 50% of this Award vested in February 2017; the remainder will vest in February 2018 subject to continued employment and malus and clawback provisions. The first LTIP awards made in November 2016 will not vest until 2019 so there is no LTI figure to show for the year ending 31 March 2017.
[4] Share Incentive Plan: employees, including the Executive Directors, are entitled to participate in the SIP throughout the year; it allows employees and Directors to receive one matching share for every partnership share purchased under the SIP up to the limits defined by HMRC. In 2016/17, 1,748 matching shares were allocated to Grant Foley and 1,813 matching shares to David Fineberg, and calculated by reference to the share price on 31 March 2017. In 2015/16, a one-off award of free shares was granted to employees (including Grant Foley and David Fineberg) with a market value of £3,600. The free and matching shares will be forfeited if within three years from the date of grant, the individual leaves employment in certain circumstances. Peter Cruddas does not currently participate in the plan.
[5] Pension: during the year ended 31 March 2017, 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.

Annual incentive plan for the year ended 31 March 2017

During the year ended 31 March 2017, Executive Directors participated in the annual incentive plan with a maximum opportunity of up to 120% of salary for the CEO and up to 100% of salary for the CFO and the Director of Trading.

Annual incentive awards were predominantly based on pre-incentive underlying Group profit before tax, subject to the Committee's assessment that the outcome is achieved within the risk appetite of the Company. Final determination of actual awards was also subject to the Committee's assessment of individual performance (based on the achievement of non-financial/strategic objectives), and behaviour and compliance with the Company's risk appetite.

For the year ended 31 March 2017, threshold performance for pre-incentive underlying Group profit before tax was £70.4 million, target performance was £75.7 million and the stretch requirement was £81.8 million. Actual performance was £52.4 million.

Whilst 2016/17 has been a challenging year in pure financial performance terms, in many other respects the Group has made significant progress in its first year as a listed company, with a number of significant milestones being delivered.

During the year, the Group has:

- Signed the largest partnership deal in CMC's history, allowing CMC after a transition time to service over 250,000 ANZ Bank retail stockbroking clients under the ANZSI brand, making CMC the second largest stockbroker in Australia;
- Successfully introduced a number of new products;
- Introduced new API connectivity to facilitate the development of the CFD institutional model.

The CFO and Director of Trading have made major contributions to the above strategic achievements and the Committee has judged that these achievements, in addition to performance against stretching individual non-financial objectives set at the start of the financial year described below, represent exceptional individual performance.

The individual strategic objectives set at the start of the year for Grant Foley included ensuring a successful transition to listed company status, including constructive shareholder engagement, management of Group costs, ensuring effective risk and compliance functions, ongoing refinement of the Group's strategy, and fostering a client-focused culture throughout the organisation.

Objectives for David Fineberg included implementing Knock-outs into the risk framework, trading revenue against budget, effective operational management of direct reporting functions, ongoing refinement of the Group's strategy, and fostering a client-focused culture throughout the organisation.

The approved Remuneration Policy provides the Committee with the discretion that in the event of there being no annual incentive payment as a result of the company's financial performance not attaining the primary profit metric, a payment of up to 20% of base salary can be made if there has been exceptional individual performance.

In judging that the personal strategic performance for these two individuals was exceptional, the Committee also considered the following:

- In the case of Grant Foley: major contributions to 1) the delivery of the ANZ Bank stockbroking deal; and 2) the preparation and response of the business following the FCA and other regulatory announcements
- In the case of David Fineberg: major contributions to 1) the continued expansion of the APAC hub with China joining the framework; and, 2) adapting the risk engine to cater for new products

As a result, the Remuneration Committee has approved individual bonus payments of 10% of the annual salary to the CFO and Director of Trading respectively.

No bonus will be paid to the CEO in respect of the year ended 31 March 2017.

Long term incentive plan (LTIP)
Initial LTIP awards to the CFO and Director of Trading were made in November 2016 and amounted to a face value of 125% of salary.

Director name	Date of Award	Number of Shares	Face Value*	% of salary	Performance conditions	Performance Period	% vesting at threshold
Grant Foley	24/11/2016	148,752	£287,091	125%	**60% based on EPS; 30% based on TSR; 10% based on NPS score**	**Three consecutive financial years ending 13 Sept 2019**	**25%**
David Fineberg	24/11/2016	132,224	£255,192	125%			

* Face value calculation is based on the share price of £1.925 on 23 November 2016. Actual value at vesting may be greater or lesser depending on actual share price at vesting and as a result of any dividend equivalent payable on vested shares.

The number of shares contributed to the plan account was based on a three day average share price post AGM. Awards were granted in the form of nil cost options and are subject to continued employment and satisfaction of the performance targets described below.

Performance will be measured over three years based 60% on point-to-point EPS growth, 30% on TSR relative to FTSE 250 constituent companies (excluding investment trusts) and 10% on customer satisfaction, based on Net Promoter Score as assessed by Investment Trends. Net Promoter Score is a measure of how likely clients are to recommend the Company to others. The table below sets out the performance conditions applicable to these awards:

	EPS growth (60% weighting)	TSR relative to FTSE 250 constituents (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.

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

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 2017, with the exception of Peter Cruddas who held one Non–Executive position during the year. He received no fee in respect of this appointment.

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 2017 and 31 March 2016.

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	**2017**	**160.0**	**–**	**–**	**2.9**	**162.9**
	2016	130.4	–	–	2.1	132.5
James Richards	**2017**	**60.0**	**10.0**	**–**	**–**	**70.0**
	2016	52.5	2.5	–	–	55.0
Malcolm McCaig	**2017**	**60.0**	**10.0**	**–**	**–**	**70.0**
	2016	19.6	2.5	–	–	22.1
Manjit Wolstenholme	**2017**	**60.0**	**10.0**	**5.0**	**3.4**	**78.4**
	2016	19.6	2.5	0.8	0.8	23.7

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

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 2016	Total share interests at 31 March 2017	Requirement met	Unvested awards not subject to performance conditions[1]	Unvested awards subject to performance conditions[2]
Executive Directors					
Peter Cruddas (incl. shares held by spouse)	179,929,906	179,929,906	Yes	–	–
Grant Foley[1]	–	104,474	No	196,885	148,752
David Fineberg[1] (incl. shares held by spouse)	21,688	168,794	No	277,259	132,224
Non-Executive Directors					
Simon Waugh	25,000	25,000	Not applicable	–	–
James Richards	–	–	Not applicable	–	–
Malcolm McCaig	12,500	13,139	Not applicable	–	–
Manjit Wolstenholme	12,500	12,500	Not applicable	–	–

[1] Grant Foley and David Fineberg have interests in unvested awards, subject to deferral, granted under the Pre-IPO Retention Plan, of respectively 193,824 and 274,139 conditional rights to shares on vesting and of 3,061 and 3,120 shares under the Share Incentive Plan subject to forfeiture for three years.
[2] Awards under the LTIP as described on page 88.

Total shareholder return (TSR) performance and CEO single figure

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

Source: DataStream

Name	Year ended 31 March 2016[1]	Year ended 31 March 2017
CEO single figure of remuneration (£'000)	739.9	410.0
Annual incentive payout (as % of maximum)	100%	0%
Long term incentives (as % of maximum)	Not applicable	Not applicable

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

Percentage change in CEO remuneration

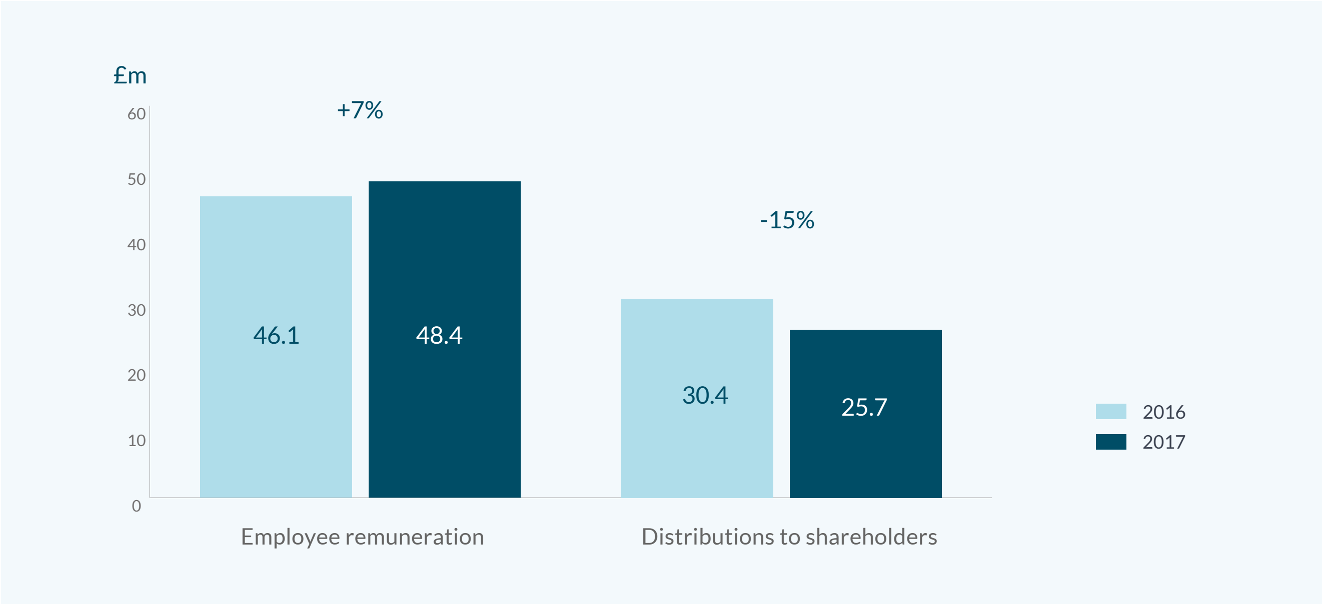
The table below shows the percentage change in salary, taxable benefits and annual incentive for the CEO, and the average for all employees within the Company.

CEO annual	Year ended 31 March 2017	Year ended 31 March 2016	Increase/ (decrease)	Average increase/ (decrease) across all employees
	£'000	£'000		
Salary	410.0	400.0	2.5%	3.2%
Taxable benefits	2.8	2.4	13.0%	30.0%*
Annual incentive	–	400.0	(100.0)%	(57.9)%

* The premium for the health care benefit increased by 30%.

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 2016 and 31 March 2017.



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 10-year period) and executive share plans (5% in any rolling 10-year period). No shares have been issued since Listing except for awards under the HMRC approved Share Incentive Plan.

Payments to past directors and for loss of office

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

Implementation of remuneration policy for year ending 31 March 2018

Salary

In light of the regulatory consultations, lower levels of market volatility and the large white label partners deal in Australia with ANZ Bank, the CEO, in conjunction with the Board, has taken the opportunity to review the executive management structure of the business and, in particular, the roles and responsibilities of both the CFO and Director of Trading to ensure greater cohesion, synergies and productivity between the global teams.

The result of this review is that, with effect from 1 June 2017, in addition to current responsibilities, the CFO, will assume the role of Chief Operating and Financial Officer, leading all the corporate functions at Group level including Finance, Operations, IT Production, Legal, Compliance, Facilities and HR – as well as leading and managing key projects.

In a similar vein, the Director of Trading, with effect from 1 June 2017, will assume the role of Group Commercial Director with responsibility for sales and revenue functions globally beyond Trading, including Marketing and Business Intelligence, Distribution as well as the Stockbroking business. This role will have full accountability over all revenue generation at Group level, and will allow the drive for automation, customer acquisition, retention, reactivation, service and profitability to be under one leader.

As a result of these changes in responsibilities, the Remuneration Committee has reviewed the base salaries of the two incumbents and has implemented the following adjustments with effect from 1 June 2017:

Name	New Role	Previous salary	Adjusted salary	Percentage change
Grant Foley	Chief Operating and Financial Officer	£276,000	£310,000	12.3%
David Fineberg	Group Commercial Director	£246,000	£295,000	19.9%

The Committee intends that these increases will be a one-off adjustment to reflect the changes in responsibilities of these individuals and that any future increases will generally be in line with those awarded to the wider employee population.

The salary of the CEO will increase by 3% in line with the annual salary increase budget with effect from 1 June 2017.

Name	Role	Previous salary	Adjusted salary	Percentage change
Peter Cruddas	CEO	£410,000	£422,300	3.0%

Pension

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

Annual incentive

The annual incentive for the year ending 31 March 2018 will operate in line with the Remuneration Policy. The Company operates an incentive pool approach. The incentive pool is based on Group profit and is 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 objectives, the individual's contribution and behaviour, and compliance with the Company's risk appetite. Annual incentives for the year ending 31 March 2018 will be up to 120% of salary for the CEO and up to 100% of salary for other Executive Directors.

Shareholders will recognise that the Company operates in a very competitive market and the Board considers specific incentive performance objectives and targets to be commercially sensitive on a forward-looking basis. In next year's Directors' 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.

Long term incentive plan (LTIP)

The CMC Markets Management Equity Plan 2009 provides for the award of shares and/or options of up to 125% of salary in normal circumstances and 200% in exceptional circumstances.

Given the limited retentive value of the current in-flight awards to the two Executive Directors and to assist with aligning their longer terms interests with those of shareholders, the Remuneration Committee has determined that it would be appropriate to make an exceptional one-off award of up to 200% salary to both the Chief Operating and Financial Officer and Group Commercial Director during the year ended 31 March 2018.

For 2017, the Committee will use the same three metrics as for awards in 2016: absolute EPS growth will account for 60%, relative TSR 30% and NPS 10% of the award.

In relation to the absolute EPS target, Threshold and Stretch performance levels had not been determined at the date of this report. The Committee will calibrate the range to be appropriately stretching based on available information at the date of grant, taking account of a number of internal and external reference points. However, as highlighted earlier in this report, the outcome of the FCA review and its impact of our future performance expectations will not be known until later this year. The Committee therefore intends to review the target calibration once the impact of the FCA review is known and, if required, will adjust the range so that the condition will reflect on a commensurate basis a position which is neither materially more nor materially less challenging than the original performance targets when set. The original and adjusted target ranges will be disclosed in next year's annual report.

The table below sets out the performance conditions applicable to these awards:

	EPS growth (60% weighting)	TSR relative to FTSE 250 constituents less investment trusts (30% weighting)	Net Promoter Score (10% weighting)
Threshold performance *(25% vesting)*	% growth pa*	Median	Above industry average
Stretch performance *(full vesting)*	% growth pa*	Upper quartile	Upper quartile of industry

*Threshold and Stretch EPS levels to be determined.

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

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

Non-Executive Director remuneration

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

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

The Remuneration Committee

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

Name	Member throughout 2016/17	Attended (Eligible)
James Richards	Yes	6(6)
Simon Waugh	Yes	6(6)
Manjit Wolstenholme	Yes	6(6)
Malcolm McCaig	Yes	6(6)

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

Advisers to the Remuneration Committee

In undertaking its responsibilities, the Committee seeks independent external advice as necessary. Following a competitive tender process during 2015, the Committee appointed Mercer LLC ('Mercer') as the advisors to the Committee. Following a further review in January 2017, Willis Towers Watson were appointed as advisors to the Committee. Both Mercer and Willis Towers Watson are voluntary signatories to the Code of Conduct for Remuneration Consultants, which assures clients of independence and objectivity. Details of the Code can be found at www.remunerationconsultantsgroup.com. During the year, Mercer provided independent advice on various matters including the Directors' Remuneration Report, the 2016 LTIP award and the 2016 AGM. Willis Towers Watson provided independent advice on a range of remuneration matters including current market practice, benchmarking of executive pay and incentive design. They provide no other services to the Company. The fees paid to Mercer in respect of work carried out for the Committee for the year under review totalled £45,660. The fees paid to Willis Towers Watson in respect of work carried out for the Committee for the year under review totalled £12,519. The Committee is comfortable that the advice it has received has been objective and independent.

Voting outcome at AGM

The Company listed on the London Stock Exchange in February 2016. The first AGM since listing was held on 7 September 2016. Our Remuneration Policy and Remuneration Report both received strong support from shareholders. The result of the vote on these resolutions is set out below.

	Remuneration Policy		Remuneration Report	
	% of votes (excluding withheld)	Number of votes	% of votes (excluding withheld)	Number of votes
For	92.78%	231,912,237	99.99%	249,500,137
Against	7.22%	18,038,191	0.01%	36,526
Total votes cast		249,950,428		249,536,663
Withheld[1]		424,564		

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

Policy report

This section of the report sets out our Remuneration Policy for Executive and Non-Executive Directors, approved by shareholders at our September 2016 AGM and applying from that date. Note that there have been no changes of substance to the Policy that was approved last year. However, we have made minor adjustments to the text below for reading clarity (e.g. to remove references to implementation in specific financial years). A copy of the originally approved text is available in the 2016 annual report on our website (www.cmcmarkets.com).

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; - 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 responsibilities 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.	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 individuals based on their individual objectives and behaviour. 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. Dividend 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 that will have an economic value no higher than an award of 125% of salary in performance shares in normal circumstances and up to 200% of salary in exceptional circumstances. Vesting for threshold performance is up to 25% of maximum.	Awards vest subject to Company performance and continued employment. 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 for Executive Directors vest 50% on the first and second anniversaries of listing (5 February 2017 and 5 February 2018), 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. Group profit targets relating to the annual incentive plan are set in relation to the Company's annual budget, which is reviewed and approved by the Board prior to the start of each financial year. In addition, individual performance will be assessed based on the achievement of non-financial/strategic objectives, the individual's contribution and behaviour, and compliance with the Company's risk appetite. Performance objectives and targets are reviewed annually to ensure ongoing alignment with the Company's strategy for the year ahead and to ensure that they remain stretching yet achievable. The annual incentive is discretionary and the Committee considers wider factors in its deliberations at the end of the year, for example the quality of earnings. In determining individual awards, the Committee is not required to award the Group incentive pool (i.e. the sum of the incentive awards may be less than the Group incentive pool).

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

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 were approved by shareholders at our September 2016 AGM.

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

- who participates;
- the timing of grant and/or payment;
- the size of an award and/or payment (within the plan limits approved by shareholders);
- the manner in which awards are settled;
- the choice of (and adjustment of) performance measures and targets in accordance with the Remuneration Policy set out above and the rules of each plan;

- in exceptional circumstances, amendment of any performance conditions applying to an award, provided the new performance conditions are considered fair and reasonable, and are neither materially more nor materially less challenging than the original performance targets when set;
- discretion relating to the measurement of performance in the event of a variation of share capital, change of control, special dividend, distribution or any other corporate event which may affect the current or future value of an award;
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes, based on the rules of each plan and the appropriate treatment under the plan rules;
- 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.

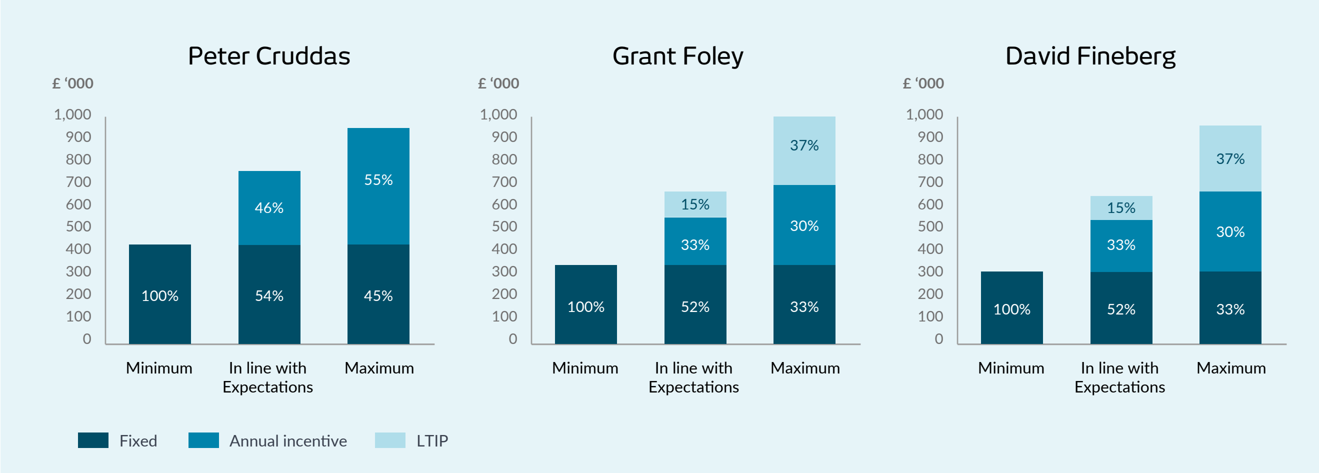
Group's remuneration policy for Chairman and Non-Executive Directors

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 Group's policy is:

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Fees To attract suitable individuals with a broad range of experience and skills to oversee shareholders' interests and company strategy. Fees are set to reflect market value of the role and the individual's time commitment, responsibility, performance and contribution	Annual fee for the Chairman. Annual base fee for the Non-Executive Directors. Additional fees are paid to Non-Executive Directors for additional services such as chairing a Board Committee, performing the role of Senior Independent Director, etc. Fees are reviewed from time to time taking into account time commitment, responsibilities, and fees paid by companies of a similar size and complexity. Fee increases are applied in line with the outcome of the review. 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 87	As presented as a single figure on page 87	As presented as a single figure on page 87
Annual incentive		Up to 20% of salary for exceptional individual performance	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 and so these elements are not included for him in the above chart.

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.

Our experienced global team of market analysts and strategists regularly appear in the media.

In determining appropriate remuneration for a new Executive Director, the Committee will take into consideration all relevant factors (including quantum, nature of remuneration and the jurisdiction from which the candidate was recruited) to ensure that the remuneration arrangements are appropriate and in the interests of the Company and its shareholders. The Committee may consider it appropriate to grant an award under a structure not included in the policy, 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 101.

Service contracts

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

Executive Director	Position	Effective date of contract	Notice period from Company	Notice period from Director
Peter Cruddas	Chief Executive Officer	1 February 2016	12 months	12 months
Grant Foley	Chief Operating and Financial Officer (previously CFO & Head of Risk)	1 February 2016	6 months	6 months
David Fineberg	Group Commercial Director (previously 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 nine months in the case of Executive Directors, except for the CEO service contract which can have a notice period of up to 12 months. All employees including Executive Directors are subject to a six-month probation period.

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

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

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

Non-Executive Director	Date of letter	Date of appointment	Notice period
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.

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

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

[1] In certain circumstances, the Committee may determine that any deferred share awards under the annual incentive and both unvested and any deferred awards under the LTIP 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 56 to 113 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 48 to 55 and financial risks described in note 29 to the financial statements.

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

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

Prospects

- the Group's current financial position as outlined in the Strategic report (pages 38 to 47).
- the Group's business model: despite imminent regulatory change in a number of jurisdictions, the core of the current strategy remains in place and continues to demonstrate delivery of sufficient cash generation to support operations.
- assessment of prospects and assumptions: conservative expectations of future business prospects through delivery of the Group strategy (see pages 24 to 25) as presented to the Board through the budget process. The annual budget process consists of a detailed bottom up process with a 12 month outlook which involves input from all relevant functional and regional heads. The process includes collection of resource assumptions required to deliver the Group strategy and associated revenue impacts with consideration of key risks. This is used in conjunction with external assumptions such as a region-by-region review of the regulatory environment and incorporation of any anticipated regulatory changes into revenue modelling, market volatility, interest rates and industry growth which materially impact the business. The budget is used to set targets across the Group. The budgeting process also covers liquidity and capital planning and in addition to the granular budget a three year outlook is prepared using assumptions on industry growth, the effects of regulatory change, revenue growth from strategic initiatives and cost growth required to support initiatives. The budget was reviewed and approved by the Board in March 2017.
- 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 48 to 55) 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, such as adverse market conditions and adverse regulatory change are therefore considered in the Group's Individual Capital Adequacy Assessment Process and Individual Liquidity Adequacy Assessment documents, which are shared with the FCA on request. The results of the stress testing showed that due to the robustness of the business, the Group would be able to withstand scenarios, including combined scenarios, over the financial planning period by taking management actions that have been identified within the scenario stress tests.

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

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

Directors
All Directors will seek election at the 2017 AGM on 27 July 2017 with the exception of Manjit Wolstenholme who will be stepping down. Following recommendation by the Nomination Committee, a Director may be appointed to the Board by the Board of Directors and will then be put forward at the following AGM for election by the shareholders. The Company's Articles of Association, available on the CMC Markets plc Group website, detail the appointment and removal process for Directors.

Directors interests can be found in the Directors' Remuneration Report on page 90 and other directorships are disclosed on pages 59 to 61.

The Directors of the company who were in office during the year and up to the date of signing the financial statements were:

Simon Waugh	Chairman
Manjit Wolstenholme	Senior Independent Director
Peter Cruddas	Chief Executive Officer
David Fineberg	Group Commercial Director (previously Group Director of Trading)
Grant Foley	Chief Operating and Financial Officer (previously Chief Financial Officer & Head of Risk)
Malcolm McCaig	Non–Executive Director
James Richards	Non–Executive Director

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

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

Strategic report
The Companies Act 2006 requires the Group to prepare a Strategic report, which commences at the start of this Annual Report and Financial Statements up to page 165. The Strategic report includes information on the Group's operations and business model, review of the business throughout the year, anticipated future developments, key performance indicators and principal risks and uncertainties. The use of financial instruments is included in the report and further covered under note 18 to the consolidated financial statements on page 145. The Group's vision is to be the 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 2017, the Board recommended a final dividend of 5.95 pence per Ordinary Share in respect of the full financial year ended 31 March 2017, subject to shareholder approval at the 2017 AGM. Further information on dividends is shown in note 12 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 2017 there were 288,103,959 Ordinary and 2,478,086 Deferred Shares in issue.

Further information about share capital can be found in note 24 of the financial statements.

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

Deferred Shares

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

Share capital and Directors' powers

The powers of the Directors, including in relation to the issue or buy back of the Company's shares, are set out in the Companies Act 2006 and the Company's Constitution. The Directors were granted authority to issue and allot shares and to buy back shares at the 2016 AGM.

Shareholders will be asked to renew these authorities in line with the latest institutional shareholder guidelines at the 2017 AGM.

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

Controlling Shareholder Disclosure

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

Significant contracts and change of control

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

Statutory information contained elsewhere in the report

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

Information	Location in annual report
Greenhouse gas emissions	Page 36
Employees (employment of disabled persons, employee engagement)	Page 30
Disclosure of overseas branches	Page 107
Employee share schemes	Note 30, Page 161
Financial instruments	Note 18, Page 145
Likely future developments	Pages 24 to 25
Directors interests	Page 90
Related party transactions	Page 164

Disclosure table pursuant to Listing rule LR9.8.4C

Listing Rule	Information to be included	Disclosure
9.8.4(1)	Interest capitalised by Group	None
9.8.4(2)	Unaudited financial information (LR 9.2.18)	None
9.8.4(4)	Long term incentive scheme information involving Board Directors (LR 9.4.3)	Details can be found on pages 88 to 89 of the Directors remuneration report
9.8.4(5)	Waiver of emoluments by a Director	None
9.8.4(6)	Waiver of future emoluments by a Director	None
9.8.4(7)	Non pre-emptive issues of equity for cash	None
9.8.4(8)	Non pre-emptive issues of equity for cash in relation to major subsidiary undertakings	None
9.8.4(9)	Listed company is a subsidiary of another company	Not applicable
9.8.4(10)	Contracts of significance involving a director or a controlling shareholder	None
9.8.4(11)	Contracts for the provision of services by a controlling shareholder	None
9.8.4(12)	Shareholder waiver of dividends	The trustees of the CMC Markets plc Employee Share Trust have a dividend waiver in place in respect of Ordinary Shares which are its beneficial property
9.8.4(13)	Shareholder waiver of future dividends	The trustees of the CMC Markets plc Employee Share Trust have a dividend waiver in place in respect of Ordinary Shares which are its beneficial property
9.8.4(14)	Agreement with controlling shareholder	See Controlling Shareholder disclosure on page 110 of the Directors' report

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 2017, the Company has been notified under DTR Rule 5 of the interests as set out below in its issued share capital. All such share capital has the right to vote at general meetings.

Shareholder As at 31 March 2017	Ordinary Shares held	% of voting rights
Peter Andrew Cruddas	165,115,374	57.32
Fiona Jane Cruddas	14,774,532	5.13
Legal & General Investment Management Limited	15,340,545	5.32
Fidelity Mgt Research (UK) Inc	13,245,563	4.60
Goldman Sachs Strategic Investment (UK) Limited	12,630,531	4.38
J O Hambro Capital Management	12,346,111	4.29
Schroder Investment Management	11,283,788	3.92

In the period from 31 March 2017 to the date of this report, the Company has received notifications from Legal & General Investment Management Limited and Norges Bank Investment Management. As at the date of this report, those notifications indicate that a). Legal & General Investment Management Limited shareholding is 14,155,900 Ordinary shares representing 4.91% of the total voting rights attached to the issued share capital and b). Norges Bank Investment Management shareholding being 11,649,087 Ordinary shares representing 4.04% of the total voting rights.

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 (2016: £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. 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 489 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 2017 AGM.

Political donations

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

Corporate jet

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

Annual General Meeting

The 2017 AGM is to be held at 133 Houndsditch, London EC3A 7BX at 10.00 am on Thursday 27 July 2017.

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

Statement of Directors' Responsibilities

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

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

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

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

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

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

Responsibilities statement

We confirm that to the best of our knowledge:

- the Financial Statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and results of the Company and the Group; 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 2017.

By order of the Board

Jonathan Bradshaw
Company Secretary

CMC Markets plc
Registered number: 05145017

Financial statements

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Independent auditors' report to the members of CMC Markets plc

Report on the financial statements

Our opinion

In our opinion:

- CMC Markets plc and its subsidiaries (collectively the "Group") financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2017 and of the Group's profit and the Group's and the parent company's 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 2017;
- the consolidated income statement and the consolidated statement of comprehensive income for the year then ended;
- the consolidated and parent company statements of changes in equity for the year then ended;
- the consolidated and parent company statements of cash flows 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 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

Overview

Materiality	• Overall Group materiality: £2.4 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 the overseas businesses are primarily maintained and controlled by the UK finance team in London. • We determined the appropriate work to perform based on the consolidated balances of the Group. As a result, the majority of the audit work was performed by the Group audit team in London, with certain, specified audit procedures carried out by overseas PwC engagement teams where necessary. • Accounts comprising 91% of consolidated net operating income, 85% of consolidated operating profit and 86% of consolidated profit before tax fell within the scope of our audit procedures. Balances within the scope of our audit contributed 86% of Group total assets.
Areas of focus	• Risk of fraud in revenue recognition, specifically in relation to super user access to systems. • Recoverability of deferred tax assets.

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. 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
Risk of fraud in revenue recognition, specifically in relation to super user access to systems The Group has continued to face profit pressures this year as market volatility remained subdued, with a consequent negative impact on trading performance. We have concluded that the greatest risk of fraud in revenue recognition arises from super user access to systems. Individuals with such access could have the opportunity and incentive to commit fraud, including through inappropriate manipulation of revenue recognition.	To address the risk of inappropriate access to systems which generate CMC Markets plc's financial records we first identified the key systems which contribute to the recognition of revenue in the CMC Markets plc financial statements. For each of these systems, we evaluated the design of, and tested the operation of, the IT general controls in place. Where control exceptions were identified, we tested data integrity reconciliations between downstream systems and upstream systems. These reconciliations mitigate the risk that super user access to systems could result in inappropriate or fraudulent recognition of revenue. No material exceptions were noted in our testing of data integrity reconciliations.
Recoverability of deferred tax assets The recognition of deferred tax assets is complex and often subjective. There are substantial tax losses in relation to the Group's Australia business carried forward and not yet utilised; these give rise to a material deferred tax asset. The extent of recognition of this asset depends on a judgement surrounding forecast profitability. The judgement is subjective, particularly given the downturn in performance in the year and the planned changes to the Australia business.	To address the risk associated with the recoverability of deferred tax assets we identified key assumptions made by management in relation to the future taxable profits to be earned in the Australia business and the period over which these profits could be reasonably foreseen. We evaluated these assumptions by: • assessing the growth rate used to forecast revenue and costs, comparing it to historic growth rates and considering the impact of the planned changes to the Australia business; • considering the period over which profits are deemed to be reasonably foreseeable and comparing this period to other forecasting periods used by the Group; • considering whether current Australian tax legislation could impact the degree to which losses could be recognised in the future. We also agreed the tax rate used to calculate the deferred tax asset to the substantively enacted rate, and checked the mathematical accuracy of the deferred tax calculation. As a result of these procedures, we concluded that the basis on which the tax losses have been recognised is appropriate, although conservative.

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

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

As a result of our scoping, we concluded that two UK legal entities (CMC Markets plc and CMC Markets UK plc) were material components and therefore we have performed a full scope audit of these entities. In addition, the Group audit team in London performed certain substantive testing that covered all spread betting and CFD revenue accounts. As a result, the majority of the audit work was performed by the Group audit team in London. Certain specified audit procedures were carried out by PwC Australia over deferred tax, trade receivable and trade payable balances relating to the CMC Australian subsidiaries.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and 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	£2.4 million (2016: £2.7 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 an important profit metric which takes account of all aspects of trading performance of the Group.
Component materiality	For each component in our audit scope, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £2 million and £2.3 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £121,000 (2016: 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 108, 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 to your attention.

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 and compliance with applicable requirements

Companies Act 2006 opinions

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group, the parent company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Corporate Governance Statement set out on pages 48 to 55 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- the information given in the Corporate Governance Statement set out on pages 56 to 113 with respect to the company's corporate governance code and practices and about its administrative, management and supervisory bodies complies with rules 7.2.2, 7.2.3 and 7.2.7 of the Disclosure Guidance and Transparency Rules sourcebook of the Financial Conduct Authority.

In addition, in light of the knowledge and understanding of the Group, the parent company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the information referred to above in the Corporate Governance Statement. We have nothing to report in this respect.

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 of the Group; 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 65, 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 69, 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 48 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 108 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 113, 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 of the Group 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. With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we consider whether those reports include the disclosures required by applicable legal requirements.

GLord.

Gilly Lord (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 June 2017

Financial statements

Consolidated income statement

For the year ended 31 March 2017

GROUP £'000	Note	Year ended 31 March 2017	Year ended 31 March 2016
Revenue		**185,927**	**186,397**
Interest income		1,739	1,762
Total revenue	4	**187,666**	**188,159**
Introducing partner commissions and betting levies		(26,876)	(18,812)
Net operating income	3	**160,790**	**169,347**
Other income	5	–	3,135
Operating expenses	6	(105,756)	(112,277)
EBITDA[1]		**55,034**	**60,205**
Analysed as:			
EBITDA before exceptional items[2]		**55,034**	**69,168**
Exceptional income	5	–	3,135
Exceptional costs	6	–	(12,098)
EBITDA[1]		**55,034**	**60,205**
Depreciation and amortisation	9	(5,835)	(6,057)
Operating profit		**49,199**	**54,148**
Finance costs	8	(734)	(772)
Profit before taxation	**9**	**48,465**	**53,376**
Analysed as:			
Profit before taxation and exceptional items		**48,465**	**62,339**
Exceptional income	5	–	3,135
Exceptional costs	6	–	(12,098)
Profit before taxation		**48,465**	**53,376**
Taxation	10	(9,309)	(10,915)
Profit for the year attributable to owners of the parent		**39,156**	**42,461**
Earnings per share			
Basic earnings per share (p)	**11**	**13.7p**	**15.1p**
Diluted earnings per share (p)	11	13.6p	15.0p

[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 Company had no other comprehensive income.

Consolidated statement of comprehensive income

For the year ended 31 March 2017

GROUP £'000	Note	Year ended 31 March 2017	Year ended 31 March 2016
Profit for the year		**39,156**	**42,461**
Other comprehensive income/(expense):			
Items that may be subsequently reclassified to income statement			
Loss on net investment hedges	26	(2,950)	(1,172)
Amounts recycled from equity to the income statement	26	159	61
Currency translation differences	26	4,255	1,563
Change in value of available-for-sale financial assets		(7)	4
Other comprehensive income for the year		**1,457**	**456**
Total comprehensive income for the year attributable to owners of the parent		**40,613**	**42,917**

Consolidated statement of financial position

Company registration number: 05145017

At 31 March 2017

GROUP £'000	Note	31 March 2017	31 March 2016
ASSETS			
Non-current assets			
Intangible assets	13	2,115	2,649
Property, plant and equipment	14	18,197	16,350
Deferred tax assets	15	8,113	7,701
Total non-current assets		**28,425**	**26,700**
Current assets			
Trade and other receivables	17	31,542	20,931
Derivative financial instruments	18	1,935	795
Financial investments	19	20,272	20,374
Amounts due from brokers		119,390	84,230
Cash and cash equivalents	20	53,226	78,280
Total current assets		**226,365**	**204,610**
TOTAL ASSETS		**254,790**	**231,310**
LIABILITIES			
Current liabilities			
Trade and other payables	21	36,389	34,738
Derivative financial instruments	18	3,340	4,996
Borrowings	22	5,760	1,355
Current tax payable		5,489	7,758
Short term provisions	23	368	160
Total current liabilities		**51,346**	**49,007**
Non-current liabilities			
Trade and other payables	21	3,030	3,479
Borrowings	22	3,042	1,085
Deferred tax liabilities	15	24	5
Long term provisions	23	1,575	1,407
Total non-current liabilities		**7,671**	**5,976**
TOTAL LIABILITIES		**59,017**	**54,983**
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	72,646	72,600
Share premium	24	46,236	46,243
Own shares held in trust	25	(466)	(984)
Other reserves	26	(48,056)	(49,513)
Retained earnings		125,413	107,981
Total equity		**195,773**	**176,327**
TOTAL EQUITY AND LIABILITIES		**254,790**	**231,310**

The financial statements on pages 121 to 165 were approved by the Board of Directors on 7 June 2017 and signed on its behalf by:

P.A. Cruddas

Peter Cruddas, Chief Executive Officer

Grant Foley, Chief Operating and Financial Officer

Parent company statement of financial position

Company registration number: 05145017

At 31 March 2017

COMPANY £'000	Note	31 March 2017	31 March 2016
ASSETS			
Non-current assets			
Investment in subsidiary undertakings	16	168,906	167,036
Total non-current assets		**168,906**	**167,036**
Current assets			
Trade and other receivables	17	196	–
Cash and cash equivalents	20	149	15,000
Total current assets		**345**	**15,000**
TOTAL ASSETS		**169,251**	**182,036**
LIABILITIES			
Current liabilities			
Trade and other payables	21	21,363	36,970
Total current liabilities		**21,363**	**36,970**
TOTAL LIABILITIES		**21,363**	**36,970**
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	72,646	72,600
Share premium	24	46,236	46,243
Retained earnings			
At 1 April		26,223	39,947
Profit for the year attributable to the owners		23,618	7,708
Other changes in retained earnings		(20,835)	(21,432)
		29,006	26,223
Total equity		**147,888**	**145,066**
TOTAL EQUITY AND LIABILITIES		**169,251**	**182,036**

The financial statements on pages 121 to 165 were approved by the Board of Directors on 7 June 2017 and signed on its behalf by:

Peter Cruddas, Chief Executive Officer

Grant Foley, Chief Operating and Financial Officer

Consolidated and parent company statements of changes in equity

For the year ended 31 March 2017

GROUP £'000	Share capital	Share premium	Own shares held in trust	Other reserves	Retained earnings	Total Equity
At 1 April 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**
New shares issued	46	(7)	–	–	–	39
Total comprehensive income for the year	–	–	–	1,457	39,156	40,613
Acquisition of own shares held in trust	–	–	(504)	–	–	(504)
Utilisation of own shares held in trust	–	–	1,022	–	–	1,022
Share-based payments	–	–	–	–	2,253	2,253
Tax on share-based payments	–	–	–	–	(31)	(31)
Dividends	–	–	–	–	(23,946)	(23,946)
At 31 March 2017	**72,646**	**46,236**	**(466)**	**(48,056)**	**125,413**	**195,773**

Total equity is attributable to owners of the Company

COMPANY £'000	Share capital	Share premium	Retained earnings	Total Equity
At 1 April 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**
New shares issued	46	(7)	–	39
Total comprehensive income for the year	–	–	23,618	23,618
Share-based payments	–	–	3,114	3,114
Dividends	–	–	(23,949)	(23,949)
At 31 March 2017	**72,646**	**46,236**	**29,006**	**147,888**

Consolidated and parent company statements of cash flows

For the year ended 31 March 2017

£'000	Note	GROUP Year ended 31 March 2017	GROUP Year ended 31 March 2016	COMPANY Year ended 31 March 2017	COMPANY Year ended 31 March 2016
Cash flows from operating activities					
Cash generated from / (used in) operations	27	11,865	80,061	(16,235)	14,277
Interest income		1,739	1,762	–	–
Tax paid		(11,372)	(6,872)	–	(3)
Net cash generated from / (used in) operating activities		**2,232**	**74,951**	**(16,235)**	**14,274**
Cash flows from investing activities					
Purchase of property, plant and equipment		(3,069)	(2,900)	–	–
Proceeds from disposal of property, plant and equipment		85	59	–	–
Investment in intangible assets		(811)	(1,092)	–	–
Proceeds from disposal of intangible assets		33	–	–	–
Purchase of financial investments		(20,562)	(20,633)	–	–
Proceeds from maturity of financial investments and coupon receipts		20,710	287	–	–
Outflow on Net investment hedges		(4,792)	–	–	–
Investment in subsidiaries		–	–	1,244	(4,126)
Dividends received		–	–	24,050	15,000
Net cash (used in) / generated from investing activities		**(8,406)**	**(24,279)**	**25,294**	**10,874**
Cash flows from financing activities					
Repayment of borrowings		(20,204)	(1,412)	–	–
Proceeds from borrowings		19,247	–	–	–
Proceeds from issue of ordinary shares		–	14,787	39	14,787
Disposal of own shares		–	999	–	–
Acquisition of own shares		(465)	–	–	–
Dividends paid		(23,946)	(24,935)	(23,949)	(24,935)
Finance costs		(734)	(772)	–	–
Net cash used in financing activities		**(26,102)**	**(11,333)**	**(23,910)**	**(10,148)**
Net (decrease) / increase in cash and cash equivalents		**(32,276)**	**39,339**	**(14,851)**	**15,000**
Cash and cash equivalents at the beginning of the year		78,280	38,611	15,000	–
Effect of foreign exchange rate changes		2,948	330	–	–
Cash and cash equivalents at the end of the year		**48,952**	**78,280**	**149**	**15,000**

Notes to the consolidated and parent company financial statements

For the year ended 31 March 2017

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 3.

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Group's financial statements are presented in Sterling (GBP) which is the Company's functional and the Group's presentation currency. Foreign operations are included in accordance with the policies set out in note 2.

Basis of accounting

The financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("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 2 below. These policies have been consistently applied to all years presented. The financial statements presented are at and for the years ending 31 March 2017 and 31 March 2016. Financial annual years are referred to as 2017, and 2016 in the financial statements.

Changes in accounting policy and disclosures

Application of new and revised accounting standards

The accounting policies adopted by the group are consistent with those of the previous financial year. There were no new or amended standards or interpretations that resulted in a change in accounting policy.

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 full impact of IFRS 9 is being assessed by the management, the group intends to adopt the standard no later than the accounting year beginning 1 April 2018.

- 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 full impact of IFRS 15 is being assessed by the management, the group intends to adopt the standard no later than the accounting year beginning 1 April 2018.

- 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.

Significant accounting judgements

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

Deferred taxes

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

2. Summary of significant accounting policies

Total Revenue

Revenue

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

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

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

Interest Income

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

Introducing partner commissions and betting levies

Commissions payable to introducing partners, and spread betting levies are charged to the income statement when the associated revenue is recognised and is disclosed as a deduction from total revenue in deriving net operating income. Betting levy is payable on net gains generated from clients on spread betting and the Countdowns product. 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 outside the ordinary activities of the Group and which by virtue of their size or incidence have been disclosed in order to improve a reader's understanding of the financial statements.

Taxation

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

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

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

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

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

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

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

Foreign currencies

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

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

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

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

Intangible assets

Goodwill

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

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

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

Computer software (purchased and developed)

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

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

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

Trademarks and trading licences

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

Client relationships

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

Following initial recognition, Computer software, Trademarks and trading licences and Client relationships are carried at cost or initial fair value less accumulated amortisation. Amortisation is provided on all intangible 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 those with maturities greater than 12 months after the end of the reporting year. These are classified as non-current assets. Loans and receivables are recognised initially at cost, being the fair value of the consideration together with any associated issue costs. After initial recognition, loans and receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Group's loans and receivables comprise 'trade and other receivables' (note 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. 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 FCA 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.

3. Segmental reporting

The Group's principal business is online retail financial services and provides its clients with the ability to trade contracts for difference (CFD) and financial spread betting on a range of underlying shares, indices, foreign currencies, commodities and treasuries. The Group also makes these services available to institutional partners through white label and introducing broker arrangements. The Group's CFDs are traded worldwide; 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 2017 £'000	UK & IE	Europe	APAC & Canada	Central	Total
Segment revenue net of introducing partner commissions and betting levies	61,091	45,194	52,766	–	159,051
Interest income	192	–	1,547	–	1,739
Net operating income	**61,283**	**45,194**	**54,313**	**–**	**160,790**
Other income	–	–	–	–	–
Segment operating expenses	(12,689)	(11,679)	(12,582)	(68,806)	(105,756)
Segment EBITDA	**48,594**	**33,515**	**41,731**	**(68,806)**	**55,034**
Allocation of central operating expenses	(21,844)	(21,865)	(25,097)	68,806	–
Depreciation and amortisation	(914)	(237)	(635)	(4,049)	(5,835)
Allocation of central depreciation and amortisation	(1,206)	(1,490)	(1,353)	4,049	–
Operating profit	**24,630**	**9,923**	**14,646**	**–**	**49,199**
Finance costs	(71)	(4)	(2)	(657)	(734)
Allocation of central finance costs	(271)	(202)	(184)	657	–
Profit before taxation	**24,288**	**9,717**	**14,460**	**–**	**48,465**

GROUP Year ended 31 March 2016 £'000	UK & IE	Europe	APAC & Canada	Central	Total
Segment revenue net of introducing partner commissions and betting 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**

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.

4. Total revenue

Revenue

GROUP £'000	Year ended 31 March 2017	Year ended 31 March 2016
CFD and spread bet	175,842	179,345
Stockbroking	10,104	6,826
Other	(19)	226
Total	**185,927**	**186,397**

Interest income

GROUP £'000	Year ended 31 March 2017	Year ended 31 March 2016
Bank and broker interest	1,622	1,587
Interest from clients	64	151
Interest on financial investments	53	24
Total	**1,739**	**1,762**

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

5. 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 2017	Year ended 31 March 2016
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 was treated as exceptional income during the year ended 31 March 2016. As at 31 March 2017 £2,515,000 (31 March 2016: £2,025,000) had been received.

6. Operating expenses

GROUP £'000	Year ended 31 March 2017	Year ended 31 March 2016
Staff costs (note 7)	49,380	46,113
IT costs	15,352	12,698
Sales and marketing	21,791	18,298
Premises	5,211	4,795
Legal and Professional fees	3,520	3,111
Regulatory fees[1]	2,550	3,192
Other	7,952	11,972
Operating expenses before exceptional costs	**105,756**	**100,179**
Exceptional Costs	–	12,098
Operating expenses	**105,756**	**112,277**

[1] Includes regulatory transaction fees

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

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 2017	Year ended 31 March 2016
Listing costs	–	5,884
Share based payments (including social security) to directors and employees	–	6,214
Exceptional costs	**–**	**12,098**

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. In the year ended 31 March 2016 a total of £534,000 of these costs were recognised directly in equity as they are costs that relate to the issue of new shares; £5,884,000 were recognised as exceptional costs.

In the year ended 31 March 2016, share based payments (including social security) to directors and employees related 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.

7. Employee information

The aggregate employment costs of staff and Directors were:

GROUP £'000	Year ended 31 March 2017	Year ended 31 March 2016
Wages and salaries	36,819	36,855
Social security costs	5,102	5,291
Other pension costs	1,348	1,145
Share based payments	4,408	1,059
Total director and employee costs	**47,677**	**44,350**
Contract staff costs	1,703	1,763
Staff costs	**49,380**	**46,113**

Compensation of key management personnel is disclosed in note 32.

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

GROUP Number	Year ended 31 March 2017	Year ended 31 March 2016
By activity:		
Key management	7	6
Client acquisition and maintenance	266	245
IT development and support	120	123
Global support functions	167	147
Total directors and employees	**560**	**521**
Contract staff	18	18
Total staff	**578**	**539**

The company had no employees other than the directors during the current year or prior year.

8. Finance costs

GROUP £'000	Year ended 31 March 2017	Year ended 31 March 2016
Interest and fees on bank borrowings	549	583
Other finance costs	185	189
	734	**772**

9. Profit before taxation

GROUP £'000	Year ended 31 March 2017	Year ended 31 March 2016
Profit before tax is stated after charging / (crediting):		
Depreciation	4,498	3,951
Amortisation of intangible assets	1,337	2,106
Net foreign exchange (gain) / loss	(969)	477
Operating lease rentals	2,538	2,065
Auditors' remuneration for audit and other services (see below)	985	2,665

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

GROUP £'000	Year ended 31 March 2017	Year ended 31 March 2016
Audit services		
Statutory audit of Parent and consolidation	324	348
Statutory audit of subsidiaries	289	269
	613	617
Other services		
Tax compliance services	228	349
Other assurance services	144	1,699
	372	2,048
Total	**985**	**2,665**

The Company incurred expenses of £1,699,000 during the year ended 31 March 2016 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 related to listing costs and were considered to be one-off in nature.

10. Taxation

GROUP £'000	Year ended 31 March 2017	Year ended 31 March 2016
Analysis of charge for the year:		
Current tax		
Current tax on profit for the year	9,034	10,769
Adjustments in respect of previous years	(41)	354
Total current tax	**8,993**	**11,123**
Deferred tax		
Origination and reversal of temporary differences	414	77
Adjustments in respect of previous years	(187)	(436)
Impact of change in tax rate	89	151
Total deferred tax	**316**	**(208)**
Total tax	**9,309**	**10,915**

The standard rate of UK corporation tax charged was 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 19.21% (Year ended 31 March 2016: 20.45%) differs from the standard rate of UK corporation tax rate of 20% (Year ended 31 March 2016: 20%). The differences are explained below:

GROUP £'000	Year ended 31 March 2017	Year ended 31 March 2016
Profit before taxation	48,465	53,376
Profit multiplied by the standard rate of corp. tax in the UK of 20% (31 March 2016: 20%)	9,693	10,675
Adjustment in respect of foreign tax rates	465	469
Adjustments in respect of previous years	(228)	(82)
Impact of change in tax rate	89	151
Effect of research and development tax credits	–	(41)
Expenses not deductible for tax purposes	366	1,440
Income not subject to tax	(115)	(47)
Irrecoverable foreign tax	292	214
Recognition of previously unrecognised tax losses	(1,380)	(1,816)
Other differences	127	(48)
Total tax	**9,309**	**10,915**

For the year ended 31 March 2017, the tax effect of exceptional costs that were not recognised for tax purposes was £nil (Year ended 31 March 2016: £1,177,000).

GROUP £'000	Year ended 31 March 2017	Year ended 31 March 2016
Tax on items recognised directly in Equity		
Tax (credit) / charge on Share based payments	(31)	31

11. Earnings per share (EPS)

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

For diluted earnings per share, the weighted average number of ordinary shares in issue, excluding those held in employee share trusts, is adjusted to assume conversion of all dilutive potential weighted average ordinary shares, which consists of share options granted to employees during the year ended 31 March 2017.

GROUP £'000	Year ended 31 March 2017	Year ended 31 March 2016
Earnings attributable to ordinary shareholders (£ '000)	39,156	42,461
Weighted average number of shares used in the calculation of basic earnings per share ('000)	286,693	281,189
Dilutive effect of share options ('000)	2,072	1,206
Weighted average number of shares used in the calculation of diluted earnings per share ('000)	288,765	282,395
Basic earnings per share (p)	**13.7p**	**15.1p**
Diluted earnings per share (p)	13.6p	15.0p

For the year ended 31 March 2017, 2,072,000 (Year ended 31 March 2016: 1,206,000) potentially dilutive weighted average ordinary shares in respect of share options in issue were included in the calculation of diluted EPS.

12. Dividends

GROUP £'000	Year ended 31 March 2017	Year ended 31 March 2016
Declared and paid in each year		
Final dividend for 2016 at 5.36p per share (2015: 3.57p)	15,392	9,968
Interim dividend for 2017 at 2.98p per share (2016: 3.57p)	8,554	9,978
Special dividend for 2017 at Nil p per share (2016: 1.79p)	–	4,989
Total	**23,946**	**24,935**

The final dividend for 2017 of 5.95p per share, amounting to £17,141,000 was proposed by the board on 7 June 2017 and has not been included as a liability at 31 March 2017. The dividend will be paid on 25 August 2017, following approval at the Company's AGM, to those members on the register at the close of business on 4 August 2017.

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

GROUP pence	Year ended 31 March 2017	Year ended 31 March 2016
Declared per share		
Interim dividend	2.98p	3.57p
Final dividend	5.95p	5.36p
Ordinary dividend	**8.93p**	**8.93p**
Special dividend	–	1.79p
Total dividend	**8.93p**	**10.72p**

13. Intangible assets

GROUP £'000	Goodwill	Computer software	Trademarks and trading licences	Client relationships	Total
Cost					
At 1 April 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
Additions	–	811	–	–	811
Disposals	–	(101)	–	–	(101)
Foreign currency translation	–	2,736	103	405	3,244
At 31 March 2017	**11,500**	**120,028**	**1,455**	**3,303**	**136,286**
Accumulated amortisation					
At 1 April 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)
Charge for the year	–	(1,286)	(51)	–	(1,337)
Disposals	–	68	–	–	68
Foreign currency translation	–	(2,736)	(78)	(405)	(3,219)
At 31 March 2017	**(11,500)**	**(118,377)**	**(991)**	**(3,303)**	**(134,171)**
Carrying amount					
At 1 April 2015	–	2,910	517	231	3,658
At 31 March 2016	–	2,159	490	–	2,649
At 31 March 2017	**–**	**1,651**	**464**	**–**	**2,115**

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 2017. (Carrying amount at 31 March 2016: £nil).

Impairment

Intangibles are tested for impairment if events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. There was no impairment identified in the year ended 31 March 2017 (Year ended 31 March 2016: £nil).

As discussed in the Strategic Report, at 31 March 2017, as a result of the ANZ Bank agreement, the Group is committed to capital expenditure relating to the capitalisation of internal software development costs and the purchase of property, plant and equipment. It is estimated this will total up to £6.0 million over the period to September 2018 (At 31 March 2016: £nil).

14. Property, plant and equipment

GROUP £'000	Leasehold improvements	Furniture, fixtures and equipment	Computer hardware	Total
Cost				
At 1 April 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
Additions	1,982	555	3,577	6,114
Disposals	(136)	(49)	(126)	(311)
Foreign currency translation	372	301	382	1,055
At 31 March 2017	**16,460**	**10,207**	**32,433**	**59,100**
Accumulated depreciation				
At 1 April 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)
Charge for the year	(1,310)	(417)	(2,771)	(4,498)
Disposals	34	149	43	226
Foreign currency translation	(190)	(212)	(337)	(739)
At 31 March 2017	**(7,567)**	**(8,711)**	**(24,625)**	**(40,903)**
Carrying amount				
At 1 April 2015	9,085	805	7,486	17,376
At 31 March 2016	8,141	1,169	7,040	16,350
At 31 March 2017	**8,893**	**1,496**	**7,808**	**18,197**

At 31 March 2017, the Group had capital commitments in respect of property, plant and equipment which are discussed in Note 13 (31 March 2016: £nil).

The net book value amount of property, plant and equipment includes £4,684,000 (31 March 2016: £3,225,000) in respect of computer hardware held under finance leases.

15. Deferred tax

GROUP £'000	31 March 2017	31 March 2016
Deferred tax assets to be recovered within 12 months	2,170	3,303
Deferred tax assets to be recovered after 12 months	5,943	4,398
	8,113	**7,701**
Deferred tax liabilities to be settled within 12 months	(5)	(2)
Deferred tax liabilities to be settled after 12 months	(19)	(3)
	(24)	**(5)**
Net deferred tax asset	**8,089**	**7,696**

Deferred income taxes are calculated on all temporary differences under the liability method at the tax rate expected to apply when the deferred tax will crystallise. The gross movement on deferred tax is as follows:

GROUP £'000	31 March 2017	31 March 2016
At beginning of year	7,696	7,424
(Charge) / Credit to income for the year	(227)	359
(Charge) / Credit to equity for the year	(31)	31
Change in tax rate	(89)	(151)
Foreign currency translation	740	33
At end of year	**8,089**	**7,696**

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 2015	2,808	2,795	1,821	7,424
(Charge) / credit 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
Credit / (Charge) to income for the year	128	(94)	(261)	(227)
Debit to equity for the year	–	–	(31)	(31)
Change in tax rate	(2)	(70)	(17)	(89)
Foreign currency translation	560	48	132	740
At 31 March 2017	**4,654**	**2,067**	**1,368**	**8,089**

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of the temporary differences can be deducted. The recoverability of the Group's deferred tax asset in respect of carry forward losses is based on an assessment of the future levels of taxable profit expected to arise that can be offset against these losses. The Group's expectations as to the level of future taxable profits take into account the Group's long term financial and strategic plans and anticipated future tax adjusting items. In making this assessment account is taken of business plans including the Board-approved Group budget. Key budget assumptions are discussed in the Directors' viability statement.

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As on 31 March 2017 the Group did not recognise deferred tax assets of £16,781,000 (Year ended 31 March 2016: £15,690,000) in respect of losses amounting to £56,454,000 (Year ended 31 March 2016: £52,301,000). In respect of these losses, £55,258,000 relates to the Group's Australian subsidiaries and there are no time limits on their utilisation. £1,196,000 of the losses relates to the Group's Information Internet Limited subsidiary and there are no time limits on their utilisation. There has been an increase in the unrecognised losses due to the impact of foreign exchange on the balance of the unrecognised losses.

The Group has recognised a deferred tax asset of £4,596,000 (Year ended 31 March 2016: £3,968,000) in respect of losses of £15,319,000 (Year ended 31 March 2016: £13,229,000) in the Group's Australian subsidiaries as at 31 March 2017. The Group has recognised a deferred tax asset of £31,000 (Year ended 31 March 2016: £0) in respect of losses of £164,000 (Year ended 31 March 2016: £0) in the Group's Information Internet Limited subsidiary as at 31 March 2017.

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 17 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.

16. Investment in subsidiary undertakings

COMPANY £'000	31 March 2017	31 March 2016
At 1 April	167,036	162,576
Capital contribution relating to share based payments	3,114	1,732
Amounts contributed by subsidiaries in relation to share based payments	(1,244)	–
Investment	–	4,126
	168,906	168,434
Impairment	–	(1,398)
At 31 March	**168,906**	**167,036**

The list below includes all of the Group's direct and indirect subsidiaries as at 31 March 2017:

	Country of incorporation	Principal activities	Held
CMC Markets Holdings Ltd	England	Holding company	Directly
CMC Markets UK Holdings Ltd	England	Holding company	Indirectly
CMC Markets UK plc	England	Online trading	Indirectly
Information Internet Ltd	England	IT development	Indirectly
CMC Spreadbet plc	England	Financial spread betting	Indirectly
CMC Markets Overseas Holdings Ltd	England	Holding company	Indirectly
CMC Markets Asia Pacific Pty Ltd	Australia	Online trading	Indirectly
CMC Markets Pty Ltd	Australia	Training and education	Indirectly
CMC Markets Group Australia Pty Ltd	Australia	Holding company	Indirectly
CMC Markets Stockbroking Ltd	Australia	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
CMC Markets Singapore Pte Ltd	Singapore	Online trading	Indirectly
CMC Business Services (Shanghai) Limited	China	Training and education	Indirectly

Please refer to page 170 for the registered office addresses of the subsidiaries above.

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

The list below includes all of the Group's direct and indirect subsidiaries dissolved since 1 April 2016:

	Country of incorporation	Date of dissolution	Direct parent
CMC Markets Digital Options GmbH	Austria	16 April 2016	Information Internet Ltd
Redmonitor GmbH	Austria	28 April 2016	CMC Markets Overseas Holdings Ltd

The list below includes all of the Group's employee benefit trusts as at 31 March 2017:

	Country of incorporation
CMC Markets Plc Employee Share Trust	Jersey
CMC Markets Plc UK Share Incentive Plan	England
CMC Markets Plc (Discretionary Schemes) Employee share trust	England
CMC Markets 2007 Employee Benefit Trust	Isle of Man
CMC Employee Share Scheme Trust	Isle of Man

17. Trade and other receivables

	GROUP		COMPANY	
£'000	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Gross trade receivables	5,089	4,466	–	–
Less: provision for impairment of trade receivables	(3,491)	(3,990)	–	–
Trade receivables	1,598	476	–	–
Prepayments and accrued income	7,494	7,697	196	–
Stock broking debtors	19,292	7,151	–	–
Other debtors	3,158	5,607	–	–
Total	**31,542**	**20,931**	196	**–**

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).

18. Derivative financial instruments

GROUP Assets £'000	31 March 2017	31 March 2016
Held for trading		
Index, commodity, foreign exchange and treasury futures	480	588
Forward foreign exchange contracts	979	–
Held for hedging		
Forward foreign exchange contracts – economic hedges	184	207
Forward foreign exchange contracts – net investment hedges	292	–
Total	**1,935**	795

GROUP Liabilities £'000	31 March 2017	31 March 2016
Held for trading		
Index, commodity, foreign exchange and treasury futures	(3,007)	(1,708)
Forward foreign exchange contracts	(328)	(1,550)
Held for hedging		
Forward foreign exchange contracts – economic hedges	(5)	(188)
Forward foreign exchange contracts – net investment hedges	–	(1,550)
Total	**(3,340)**	(4,996)

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 29, 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 2017, £1,103,000 of gains net of revaluation gains or losses relating to economic hedges were recognised in the income statement (Year ended 31 March 2016, losses: £267,000).

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 2017, £8,639,000 (31 March 2016: £5,689,000) of fair value losses were recorded in net investment hedging reserve within other reserves. At 31 March 2017, £8,386,000 (31 March 2016: £3,972,000) 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.

The Group's derivative positions are reported gross on the statement of financial position, as required by IAS32 where there are no offset rights in place. There are no further netting arrangements or collateral posted which would impact the settlement of these balances.

19. Financial investments

GROUP £'000	31 March 2017	31 March 2016
UK Government securities:		
At 1 April	20,374	–
Purchase of securities	20,562	20,633
Maturity of securities and coupon receipts	(20,710)	(287)
Accrued interest	53	24
Net (losses) / gains transferred to equity	(7)	4
At 31 March	**20,272**	20,374

The UK Government securities are held by the Group in satisfaction of the FCA requirements to hold a 'liquid assets buffer' against potential liquidity stress under BIPRU12.

The effective interest rates of securities held at the year-end range from 0.02% to 0.14%.

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

	GROUP		COMPANY	
£'000	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Gross cash and cash equivalents	363,258	304,364	149	15,000
Less: Client monies	(310,032)	(226,084)	–	–
Own cash and cash equivalents	**53,226**	**78,280**	**149**	15,000
Analysed as:				
Cash at bank	50,218	75,577	149	15,000
Short-term deposits	3,008	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.

Cash and cash equivalents comprise of the following for the purpose of the statement of cash flows:

	GROUP		COMPANY	
£'000	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Cash and cash equivalents	53,226	78,280	149	15,000
Less: Bank overdrafts (Note 22)	(4,274)	–	–	–
Cash and cash equivalents	**48,952**	**78,280**	**149**	**15,000**

21. Trade and other payables

	GROUP		COMPANY	
£'000	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Current				
Gross trade payables	313,871	228,329	8	–
Less: Client monies	(310,032)	(226,084)	–	–
Trade payables	3,839	2,245	8	–
Amount owing to Group companies	–	–	21,242	35,548
Tax and social security	25	1,035	–	–
Stock broking creditors	17,079	9,186	–	–
Accruals and deferred income	15,446	22,272	113	1,422
	36,389	**34,738**	**21,363**	**36,970**
Non-current				
Accruals and deferred income	3,030	3,479	–	–
Total	**39,419**	**38,217**	**21,363**	**36,970**

22. Borrowings

GROUP £'000	31 March 2017	31 March 2016
Current		
Finance lease liabilities	1,316	1,333
Bank overdrafts	4,274	–
Other liabilities	170	22
	5,760	**1,355**
Non-current		
Finance lease liabilities	2,455	1,030
Other liabilities	587	55
	3,042	**1,085**
Total	**8,802**	**2,440**

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

GROUP £'000	31 March 2017	31 March 2016
Finance lease liabilities		
Amounts payable under finance lease:		
Within one year	1,424	1,441
In the second to fifth years inclusive	2,581	1,079
After five years	–	–
	4,005	2,520
Less: future finance charges	(234)	(157)
Present value of lease obligations	**3,771**	**2,363**

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

GROUP £'000	31 March 2017	31 March 2016
Within one year	1,316	1,333
In the second to fifth years inclusive	2,455	1,030
After five years	–	–
Present value of lease obligations	**3,771**	**2,363**

The weighted average interest rates paid were as follows:

GROUP %	31 March 2017	31 March 2016
Finance Leases	3.67%	6.03%

Bank loans

In June 2016, the revolving credit facility was renewed at a level of £40,000,000, where £20,000,000 had a maturity date of June 2017 and £20,000,000 had a maturity date of June 2019. 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 8).

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, Hong Kong Dollars, Czech Koruna, Danish Krone and South African Rand. 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. Provisions

GROUP £'000	EBT commitments	Property related	Other	Total
At 1 April 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
Additional provision	–	171	208	379
Utilisation of provision	–	(37)	–	(37)
Currency translation	–	34	–	34
At 31 March 2017	**160**	**1,575**	208	**1,943**

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 balance on 31 March 2017 relates to provisions for redundancy payments.

The Other provisions balance on 1 April 2015 was in relation to litigation. The costs relating to these were presented as exceptional costs in the income statement in the year ended 31 March 2015.

GROUP £'000	31 March 2017	31 March 2016
Analysis of Total Provisions		
Current	368	160
Non-current	1,575	1,407
Total	**1,943**	**1,567**

24. Share capital and premium

	Number		£'000	
GROUP AND COMPANY	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Authorised				
Ordinary shares of 25p	400,000,000	400,000,000	100,000	100,000
Allotted, issued and fully paid				
Ordinary shares of 25p	288,103,959	287,923,211	72,026	71,980
Deferred shares of 25p	2,478,086	2,478,086	620	620
Total	**290,582,045**	**290,401,297**	**72,646**	**72,600**

Share class rights

The Company has two classes of shares, Ordinary and Deferred, neither of which carries a right to fixed income. Deferred shares have no voting or dividend rights. In the event of a winding-up, ordinary shares shall be repaid at nominal value plus £500,000 each in priority to deferred shares.

GROUP AND COMPANY Number	Ordinary shares	Deferred shares	Total
At 1 April 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
New shares issued	180,748	–	180,748
At 31 March 2017	**288,103,959**	**2,478,086**	**290,582,045**

GROUP AND COMPANY £'000	Ordinary shares	Deferred shares	Share premium	Total
At 1 April 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
New shares issued	46	–	(7)	39
At 31 March 2017	**72,026**	**620**	**46,236**	**118,882**

Movements in share capital and premium

In February 2017, the company issued 28,861 bonus shares with nominal value of 25p utilising share premium to certain client shareholders as per the terms of the shares subscription at listing. In addition 151,887 shares with nominal value of 25p were issued to Employee benefit trusts.

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 were recognised directly in share premium during the year ended 31 March 2016.

During the year ended 31 March 2017, no (31 March 2016: nil) ordinary shares were converted to deferred shares in accordance with the terms of grant to employees who have now left the Group.

25. Own shares held in trust

GROUP	Number	£'000
Ordinary shares of 25p		
At 1 April 2015	1,069,282	1,983
Acquisition	563,816	141
Disposal	(876,848)	(1,140)
At 31 March 2016	756,250	984
Acquisition	766,054	504
Utilisation	(908,137)	(1,022)
At 31 March 2017	**614,167**	**466**

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

26. Other reserves

GROUP £'000	Translation reserve	Net investment hedging reserve	Available for sale reserve	Merger reserve	Total
At 1 April 2015	2,348	(4,517)	–	(47,800)	(49,969)
Currency translation differences	1,563	–	–	–	1,563
Losses on net investment hedges	–	(1,172)	–	–	(1,172)
Amounts 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)
Currency translation differences	4,255	–	–	–	4,255
Losses on net investment hedges	–	(2,950)	–	–	(2,950)
Amounts recycled to income statement	159	–	–	–	159
Losses on financial investments	–	–	(7)	–	(7)
At 31 March 2017	**8,386**	**(8,639)**	**(3)**	**(47,800)**	**(48,056)**

Translation reserve

The translation reserve is comprised of translation differences on foreign currency net investments held by the Group.

During the year ended 31 March 2017, the Group liquidated two of its Austrian subsidiaries; as a result an amount of £159,000 was recycled to the income statement.

Net investment hedging reserve

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

27. Cash generated from / (used in) operations

	GROUP		COMPANY	
£'000	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016
Cash flows from operating activities				
Profit before taxation	48,465	53,376	23,618	7,708
Adjustments for:				
Interest income	(1,739)	(1,762)		–
Dividends received	–	–	(24,050)	(15,000)
Finance costs	734	772	–	–
Depreciation	4,498	3,951	–	–
Amortisation of intangible assets	1,337	2,106	–	–
Impairment of investment in subsidiaries	–	–	–	1,398
Other non-cash movements including exchange rate movements	719	–	–	–
Share-based payment	3,107	205	–	1,771
Changes in working capital:				
(Increase) / decrease in trade and other receivables	(10,664)	(2,189)	(196)	35,444
(Increase) / Decrease in amounts due from brokers	(35,160)	25,564	–	–
Decrease / (Increase) in trade and other payables	1,180	(4,432)	(15,607)	(17,044)
(Increase) / Decrease in net derivative financial instruments	(954)	6,671	–	–
Increase / (Decrease) in provisions	342	(4,201)	–	–
Cash generated from / (used in) operations	**11,865**	**80,061**	**(16,235)**	**14,277**

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 2017 also includes £490,000 (31 March 2016: £1,110,000) of exceptional litigation income received during the year.

The impact of exchange rate movements on components of working capital is presented as a separate line item within the cash generated from operations for the year ended 31 March 2017. The impact of such presentation is immaterial for the year ended 31 March 2016.

28. Financial instruments

Analysis of financial instruments by category

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

GROUP 31 March 2017 £'000	Assets at FVOCI	Assets at FVPL	Derivatives held for hedging	Loans and receivables	Total
Financial assets					
Cash and cash equivalents	–	–	–	53,226	53,226
Financial investments	20,272	–	–	–	20,272
Amounts due from brokers	–	–	–	119,390	119,390
Derivative financial instruments	–	1,643	292	–	1,935
Trade and other receivables	–	–	–	24,048	24,048
	20,272	**1,643**	**292**	**196,664**	**218,871**

	Liabilities at FVPL	Derivatives held for hedging	Financial liabilities at amortised cost	Total
Financial liabilities				
Trade and other payables excluding non-financial liabilities	–	–	(39,394)	(39,394)
Derivative financial instruments	(3,340)	–	–	(3,340)
Borrowings	–	–	(5,031)	(5,031)
Finance lease liabilities	–	–	(3,771)	(3,771)
	(3,340)	**–**	**(48,196)**	**(51,536)**

GROUP 31 March 2016 £'000	Assets at FVOCI	Assets at FVPL	Derivatives held for hedging	Loans and receivables	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	Financial liabilities at amortised cost	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)**

Maturity analysis

GROUP 31 March 2017 £'000	On demand	Less than three months	Three months to one year	After one year	Total
Financial assets					
Cash and cash equivalents	50,218	–	3,008	–	53,226
Financial investments	–	–	19,757	–	19,757
Amounts due from brokers	119,390	–	–	–	119,390
Derivative financial instruments	–	1,935	–	–	1,935
Trade and other receivables	23,428	195	425	–	24,048
	193,036	**2,130**	**23,190**	**–**	**218,356**
Financial liabilities					
Trade and other payables	(35,776)	–	–	–	(35,776)
Derivative financial instruments	–	(3,340)	–	–	(3,340)
Borrowings	(4,274)	(47)	(142)	(621)	(5,084)
Finance lease liabilities	–	(505)	(919)	(2,581)	(4,005)
	(40,050)	**(3,892)**	**(1,061)**	**(3,202)**	**(48,205)**
Net liquidity gap	**152,986**	**(1,762)**	**22,129**	**(3,202)**	**170,151**

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**

Fair value estimation

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

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

GROUP 31 March 2017 £'000	Level 1	Level 2	Level 3	Total
Financial investments	20,272	–	–	20,272
Derivative financial instruments (Current Assets)	–	1,935	–	1,935
Derivative financial instruments (Current Liabilities)	–	(3,340)	–	(3,340)
	20,272	**(1,405)**	**–**	**18,867**

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**

29. Financial risk management

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

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

The Group's Internal Capital Adequacy Assessment Process (ICAAP) review document 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. This is achieved by considering potential stresses as well as mitigating factors.

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

Market risk

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

Market price risk

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

Mitigation of market risk

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

- Natural mitigation of concentration

The Group acts as a market maker in over 10,000 asset instruments, specifically equities, equity indices, commodities, treasuries and foreign exchange. Due to the high level of notional turnover there is a high level of internal crossing and natural hedging across instruments and asset classes to mitigate significant single instrument concentration risk within the portfolio.

- Natural aggregation

In the year ended 31 March 2017, the Group traded with over 60,000 clients. This large international client base has a diverse range of trading strategies resulting in the Group enjoying a high degree of natural hedging between clients. This 'portfolio effect' leads to a significant reduction in the Group's net market risk exposure.

- Ease of hedging

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

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

Market risk limits

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

Client exposures can vary significantly over a short period of time and are highly dependent on underlying market conditions. The Group's Own funds requirement (OFR) is calculated as per the CRR. It has increased against the prior year but remains well within the Board-approved risk appetite.

GROUP OFR £'000	31 March 2017	31 March 2016
Asset class		
Consolidated equities	6,831	4,838
Commodities	2,561	1,838
Fixed income and interest rates	711	1,175
Foreign exchange	1,124	1,862
Countdowns and binaries	–	1
	11,227	**9,714**

Market price risk – stress testing

Group Financial Risk conducts market price risk stress testing on a daily basis. The stress testing approach is tailored according to the asset class and the client behaviours seen to ensure the most suitable stress testing model is used. For example longer / shorter holding periods, intraday movements or end of day positions, historic volatility or Conditional Value at Risk (CVaR) / Expected Tail Loss (ETL). It should be noted that the Group not only runs likely and probable scenarios but also extreme case stress scenarios on a daily basis, where the stress factors simulate almost black swan type events to ensure capital adequacy is maintained.

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

Non trading book interest-rate risk

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

Interest rate risk is felt by the Group through a limited number of channels: income on segregated client and own funds; debits on client balances that are over a pre-defined threshold; changes to the value of fixed rate UK government securities held.

The sensitivity analysis performed is based on a reasonable and possible move in the floating rate by 0.5% upwards and 0.25% downwards. This is in line with the movement used for the year ended 31 March 2016.

This is summarised in the below table, and reflects the Group's view that in the current economic environment, interest rate volatility is unlikely to have a significant impact on the profits of the Group.

Changes in interest rate variables result in a decrease / increase in the fair value of fixed rate financial assets classified as available for sale. This has no material impact on the Group's equity.

GROUP 31 March 2017 £'000	Absolute increase	Absolute decrease
Impact of	**0.50% change**	**0.25% change**
Profit after tax	842	(529)
Equity	842	(529)

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)

Non trading book foreign exchange risk

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

CMC is exposed to foreign exchange risk in the form of transaction and translation exposure.

Transaction exposure is from holdings of cash and other current assets and liabilities in a currency other than the base currency of the entity. This risk is hedged each month by the Liquidity Risk Management team according to a policy based on a cap and floor model, with gains/losses recognised in the income statement. Any foreign exchange transaction exposures are hedged in accordance with Group Foreign Exchange Hedging Policy. Given the effectiveness of the hedging program (income statement impact in year ended 31 March 2017: Gain of £1,103,000, Year ended 31 March 2016: Loss of £267,000), no sensitivity analysis has been performed. These 'fair value hedges' are derivative financial instruments and are reported as described in note 2.

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 2. The unhedged portion does not pose a significant risk to the capital adequacy or to the ongoing profitability of the Group.

Credit risk

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

- Credit institution (CI);
- Client.

Credit institution credit risk

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

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

The above could be felt in two ways:

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

Mitigation of CI credit risk

To mitigate or avoid a credit loss:

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

Contractual losses can be reduced by the 'close-out netting' conditions in the ISDA and broker agreements. If a specified event of default occurs, all transactions or all of a given type are terminated and netted (i.e. set off against each other) at market value or, if otherwise specified in the contract or if it is not possible to obtain a market value, at an amount equal to the loss suffered by the non-defaulting party in replacing the relevant contract.

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

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

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

GROUP 31 March 2017 £'000	Cash and cash equivalents (Net of Bank Overdraft)	Amounts due from brokers	Net Derivative financial instruments	Total
AA+ to AA-	18,852	–	–	18,852
A+ to A-	7,150	84,600	(1,876)	89,874
BBB+ to BBB-	22,949	34,788	471	58,208
Unrated	1	2	–	3
	48,952	**119,390**	**(1,405)**	**166,937**

GROUP 31 March 2016 £'000	Cash and cash equivalents (Net of Bank Overdraft)	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**

No cash balances or deposits with institutions were considered past due but not impaired or impaired (Year ended 31 March 2016: £nil).

Client credit risk

The Group operates a real-time mark-to-market leveraged trading facility where clients are required to lodge collateral against positions, with any profits and losses generated by the client credited and debited automatically to their account. As with any leveraged product offering, there is the potential for a client to lose more than the collateral lodged.

Client counterparty risk captures the risk associated with a client defaulting on 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 automated process of closing a client's open position if the total equity is not enough to cover a predefined percentage of required margin for the portfolio held.

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

Pre-emptive processes are also in place where a client's free equity (total equity less total margin requirement) becomes 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

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 2017, new debt arising was £2,594,000 (Year ended 31 March 2016: £5,240,000). This constituted 1.4% of total revenue (Year ended 31 March 2016: 2.8%).

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 2017 amounted to £883,000 (Year ended 31 March 2016: £2,384,000), the provision representing 0.5% of total revenue (Year ended 31 March 2016: 1.3%). Bad debt written off during the year ended 31 March 2017 was £1,382,000 or 0.7% of revenue (Year ended 31 March 2016: £4,279,000; 2.3% of revenue).

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

GROUP £'000	31 March 2017	31 March 2016
Opening provision	3,990	5,885
Net debt provided	883	2,384
Debt written off	(1,382)	(4,279)
Closing provision	**3,491**	**3,990**

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 aging of debts that are past due and the provisions charged against them:

GROUP 31 March 2017 £'000	Debt	Provision
Less than one month	682	13
One to three months	63	19
Three to 12 months	483	416
Over 12 months	3,861	3,043
	5,089	**3,491**

GROUP 31 March 2015 £'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**

Liquidity risk

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

Liquidity is managed centrally for the Group by the Liquidity Risk Management team. The Group utilises a combination of liquidity forecasting and stress testing (formally documented in the Individual Liquidity Adequacy Assessment ('ILAA')) to ensure that it retains access to sufficient liquid resources in both normal and stressed conditions to 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 protocols on minimum liquidity to be retained by overseas entities.

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

Due to the risk management strategy adopted and the changeable scale of the client trading book, the largest and most variable consumer of liquidity is PBs margin requirements. The collateral calls are met in cash from own funds but to ensure liquidity is available for extreme spikes the Group has a committed bank facility of £40.0 million to meet short term liquidity obligations to PBs in the event that it does not have sufficient access to own cash and 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 UK government securities which are held to meet the Group's liquid asset buffer (LAB - as set by the FCA). These UK government securities are BIPRU 12.7 eligible securities and are available to meet liabilities which fall due in periods of stress. The derivation of own funds is shown in the table below:

GROUP £'000	31 March 2017	31 March 2016
Cash and cash equivalents (Net of bank overdraft)	48,952	78,280
Amount due from brokers	119,390	84,230
Financial investments	20,272	20,374
Derivative financial instruments (Current Assets)	1,935	795
	190,549	**183,679**
Less: Title transfer funds	(3,839)	(2,245)
Less: Derivative financial instruments (Current Liabilities)	(3,340)	(4,996)
Own Funds	**183,370**	**176,438**

As part of the transaction with ANZ Bank, the Group deposited AUD 25,000,000 (£14,455,000) in escrow post year end.

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 2017	31 March 2016
Operating activities		
Profit before tax	**48,465**	**53,376**
Adjustments for:		
Finance costs	734	772
Depreciation and amortisation	5,835	6,057
Other non-cash adjustments	5,661	209
Tax paid	(11,372)	(6,872)
Own funds generated from operating activities	**49,323**	**53,542**
Movement in working capital	**(10,683)**	**(5,240)**
(Outflow) / Inflow from investing activities		
Net Purchase of property, plant and equipment and intangible assets	(3,762)	(3,933)
Proceeds from issuance of ordinary shares	–	14,787
Other outflow from investing activities	(4,792)	–
Outflow from financing activities		
Interest paid	(734)	(772)
Dividends paid	(23,946)	(24,935)
Other outflow from financing activities	(1,422)	(413)
Total outflow from investing and financing activities	**(34,656)**	**(15,266)**
Increase in own funds	**3,984**	**33,036**
Own funds at the beginning of the year	176,438	143,072
Effect of foreign exchange rate changes	2,948	330
Own funds at the end of the year	**183,370**	**176,438**

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 2017 totalled £195,773,000 (31 March 2016: £176,327,000).

The Group is supervised on a consolidated basis by the 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 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.

30. Share-based payment

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

Current awards have been granted under the terms of the Management Equity Plan 2015 ('2015 MEP'), the UK Share Incentive Plan ('UK SIP') and the International Share Incentive Plan ('Australian SIP'). Equity settled schemes are offered to certain employees, including Executive Directors in the UK and Australia and automatically vest on vest date subject to conditions described below for each scheme. Cash settled schemes are offered to certain employees outside of the UK and Australia. Equity schemes for UK employees are settled net of employee taxes due.

Income statement charge for share-based payments

The total charge costs relating to these schemes for the year ended 31 March 2017 was £4,408,000 (Year ended 31 March 2016: £6,486,000) where prior year charges include exceptional costs detailed in Note 6.

For the year ended 31 March 2017 the charge relating to equity-settled share-based payments was £3,107,000 (Year ended 31 March 2016: £5,254,000) and the charge relating to cash-settled share-based payments was £1,301,000 (Year ended 31 March 2016: £1,232,000).

No shares were gifted to employees during the year (Year ended 31 March 2016: nil).

Current Schemes

2015 MEP

Share options granted under the 2015 MEP have been in the form of 'non-market performance' or a combination of 'non-market performance' and 'market performance' awards. The Remuneration Committee approves any awards made under the 2015 MEP. Current schemes are:

- Executive Retention Scheme: awards to certain Executive Directors which were granted at listing and in November 2016. The only vesting condition of the shares granted at listing is that the Executive Directors remain employed by the Group. The options have dividend equivalence where additional shares will be awarded in place of dividends on vesting. Equity settled awards made in November 2016 are a combination of 'market performance' and 'non-market performance' awards. The awards are based on three performance conditions: Total Shareholder Return (TSR), diluted earnings per share and customer satisfaction measures and in addition the employee must remain employed by the Group.

- Long Term Incentive Plan: awards to senior management and critical staff, excluding Executive Directors, which were granted at listing and in November 2016. The only vesting condition of the awards made at listing is that the employees remain employed by the Group. The options have dividend equivalence where additional shares will be awarded in place of dividends on vesting. Equity settled awards made in November 2016 are a combination of 'market performance' and 'non-market performance' awards. The awards are based on three performance conditions: Total Shareholder Return (TSR), diluted earnings per share and customer satisfaction measuresand in addition the employee must remain employed by the Group.

- The fair value of awards made under the TSR criteria for both the schemes above was calculated using an options pricing model and was 29.2p per option. The significant inputs into the model were share price at grant date of 192.5p, volatility of 39%, and an expected option life of three years.

			Number					
Scheme	Share price at award	Vesting date	At the start of the year	Awarded during the year	Forfeited during the year	Dividend equivalent awarded during the year	Exercised during the year	At the end of the year
Executive Retention Scheme	240.0p	5 February 2017	444,425	–	–	23,537	(467,962)	–
Executive Retention Scheme	240.0p	5 February 2018	444,425	–	–	23,538	–	467,963
Executive Retention Scheme	192.5p	13 September 2019	–	280,976	–	7,503	–	288,479
Long Term Incentive Plan	240.0p	5 February 2017	1,018,863	–	(4,350)	44,765	(1,059,278)	–
Long Term Incentive Plan	240.0p	5 February 2018	1,018,862	–	(19,355)	44,823	–	1,044,330
Long Term Incentive Plan	192.5p	13 September 2019	–	456,402	(52,782)	10,778	–	414,398

The share price at exercise date for the Executive Retention Scheme and the Long Term Incentive Plan awards during the year in the above table was 109.1p.

The weighted average exercise price of all Executive Retention Scheme awards is zero.

The weighted average exercise price of all Long Term Incentive Plan awards for UK participants (1,229,453 awards outstanding at the end of the year) in the Long Term Incentive Plan is zero; for Australian participants, excluding dividend equivalents (229,275 awards outstanding at the end of the year) the exercise price is 25p.

In addition, cash settled awards were granted on listing of which 108,225 vested on 5 February 2017, 108,225 vest on 5 February 2018 and 129,000 on 5 February 2019. All of these awards benefit from dividend equivalence. The only vesting condition is that the employees remain employed by the Group. The value of these awards is the share price on the date these awards vest.

UK and Australia SIP Awards

SIP awards of £3,600 of free shares were made to all eligible UK employees at listing on 11 February 2016. An equivalent of £3,600 of free shares was also made to all eligible Australian employees on 10 May 2016. All free shares will vest three years after listing should the employees remain employed by the Group for the term of the award. Shares awarded under the UK scheme are held in trust in accordance with UK tax authority conditions and all shares awarded under the Australian scheme are held in a UK trust. Employees are entitled to receive dividends in the form of additional shares on the shares held in trust as long as they remain employees.

UK employees were also invited to subscribe for up to £1,800 of partnership shares relating to each of the tax years to 5 April 2016 and 5 April 2017 with the Company matching on a one-for-one basis. All matching shares vest after three years should the employee remain employed by the Group for the term of the award.

Australian employees were invited to subscribe for up to AUD$3,376 of investment shares on 5 July 2016 with the Company matching on a one-for-one basis. All matching shares vest on 6 April 2019 should the employee remain employed by the Group for the term of the award.

				Number				
Country of award	Award date	Share price at award	Vesting period / date	At the start of the year	Awarded during the year	Forfeited during the year	Exercised during the year	At the end of the year
UK	11 February 2016	240.0p	10 February 2019	477,000	–	(73,500)	(4,500)	399,000
UK	May 2016 to March 2017	285.3p to 112.6p	April 2019 to March 2020	–	191,385	(7,581)	–	183,804
Australia	10 May 2016	250.5p	10 February 2019	–	145,137	(21,555)	–	123,582
Australia	5 July 2016	266.3p	6 April 2019	–	13,970	(676)	–	13,294

The share price for all awards exercised during the year in the above table was 163.9p.

The weighted average exercise price of all awards during the year ended 31 March 2017 was nil.

The fair value of SIP awards are determined to be the share price at grant date without making adjustments for dividends as awardees are entitled to dividend equivalents over the vesting period.

Movement in share options

1,242,814 new share options were granted in the year ended 31 March 2017 (2016: 5,391,300) and these are detailed above in the current schemes section. Movements in the number of share options outstanding are as follows:

GROUP Number	31 March 2017	31 March 2016
At beginning of year	3,403,575	934,300
Awarded (including dividend equivalents)	1,242,814	5,391,300
Forfeited	(179,799)	–
Exercised	(1,531,740)	(2,922,025)
At end of year	**2,934,850**	**3,403,575**

31. 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 2017 was £1,338,000 (Year ended 31 March 2016: £1,145,000).

32. Related party transactions

Company

The amounts outstanding with Group entities at year end were as follows:

GROUP £'000	31 March 2017	31 March 2016
Amounts due to group undertakings	21,242	35,548

Group

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

Compensation of key management personnel

GROUP £'000	Year ended 31 March 2017	Year ended 31 March 2016
Key management compensation:		
Short-term employee benefits	1,372	1,942
Post-employment benefits	52	44
Share based payments	1,483	420
	2,907	**2,406**
Aggregate remuneration of highest paid director:	1,165	740

Key management comprise the Board of CMC Markets plc only.

Directors' transactions

During the year ended 31 March 2017, £nil (Year ended 31 March 2016: £34,648) was paid to Astre Associates Limited in respect of non-executive director fees payable to John Jackson.

During the year ended 31 March 2017, the Group donated £nil to The Peter Cruddas Foundation (Year ended 31 March 2016: £450,000), a charity at which Peter Cruddas holds a Trustee position.

33. Operating lease commitments

GROUP £'000	Year ended 31 March 2017	Year ended 31 March 2016
Minimum lease payments under operating leases recognised in expense for the year	2,538	2,065

Operating lease payments represent rentals payable by the Group for office space. As on 31 March 2017, leases are negotiated for an average term of 4.1 years (31 March 2016: 3.2 years) and rentals are fixed for an average of 3.7 years (31 March 2016: 2.7 years).

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

GROUP £'000	31 March 2017	31 March 2016
Within one year	3,725	2,755
Within two to five years	13,272	8,330
After five years	6,692	6,056
	23,689	**17,141**

34. Contingent liabilities

The Group engages in partnership contracts that could result in non-performance claims and from time to time is involved in disputes during the ordinary course of business. The Group provides for claims where costs are likely to be incurred, and there are no contingent liabilities which are expected to have a material adverse financial impact on the Group.

35. Ultimate controlling party

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

Group history

CMC Markets began trading in 1989 as a foreign exchange broker, led by founder Peter Cruddas. In 1996, the Group launched the world's first online retail forex trading platform, offering its clients the opportunity to take advantage of markets previously only accessible to institutional traders.

CMC Markets has since become a global leader in online trading. There have been a number of significant milestones for the Group over the past 28 years, as it has expanded into new markets around the world and continues to promote innovation and new trading technology.

In 2000, CMC Markets expanded its business to become a CFD broker. A year later, the Group launched an online financial spread betting service, becoming the first spread betting company to release the daily Rolling Cash® Bet. The ground-breaking daily Rolling Cash® concept was to become an industry benchmark. In 2002, CMC Markets opened its first overseas office in Sydney, launching into the Australian market as an online CFD and forex provider. By 2007, the Group had expanded its global footprint with offices in New Zealand, Germany, Canada, Singapore and Sweden. Further global growth followed over the next few years, with offices opened across Europe – and most recently in Poland, in 2015. The Group continued to grow its product offering during the year, following the launch of its fixed-odds Countdowns product in 2015.

The Company successfully listed on the London Stock Exchange in February 2016. In April 2016 CMC Markets successfully introduced binary trading. Later in the year it unveiled Knock-Outs in Germany and Austria, as CMC Markets became the first CFD provider to offer the product in Germany, reinforcing its position as a global leader in innovation.

Further cementing its place as one of the industry leaders, the Group were awarded a number of important accolades during the year. In the 2016 Investment Trends UK Leveraged Trading Report, which measures customer satisfaction, CMC Markets ranked first across 17 service categories among CFD traders. The Group achieved the highest rating for overall satisfaction, mobile trading, platform features and charting in all three product segments of spread betting, CFD trading and FX. Additional notable recognition came as the company won Financial Services Provider of the Year for the fourth successive year, an award voted for by the readers of Shares magazine.

The Group also received Best CFD Broker for its burgeoning institutional offering, in line with one of its core strategic objectives, following on from its new CFD API technology which was unveiled earlier in the year.

Double winner at the 2016 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

Five-year Summary

Group Income statement

£m For the year ended 31 March	2017	2016	2015	2014	2013
Net operating income	**160.8**	**169.4**	**143.6**	**122.0**	**107.0**
Other income	**–**	**3.1**	**–**	**–**	**–**
Operating expenses	(105.8)	(112.3)	(92.3)	(78.4)	(94.2)
EBITDA	55.0	60.2	51.3	43.6	12.8
Analysed as:					
Underlying EBITDA	55.0	69.2	59.7	43.6	12.8
Net exceptional items	–	(9.0)	(8.4)	–	–
EBITDA	**55.0**	**60.2**	**51.3**	**43.6**	**12.8**
Depreciation and amortisation	(5.8)	(6.0)	(6.9)	(10.7)	(16.8)
Finance costs	(0.7)	(0.8)	(0.9)	(0.7)	(1.4)
Profit / (Loss) before tax	**48.5**	**53.4**	**43.5**	**32.2**	**(5.4)**
Analysed as:					
Underlying profit / (loss) before tax	48.5	62.4	51.9	32.2	(5.4)
Net exceptional items	–	(9.0)	(8.4)	–	–
Profit / (Loss) before tax	**48.5**	**53.4**	**43.5**	**32.2**	**(5.4)**
Taxation	(9.3)	(10.9)	(8.8)	(8.2)	1.6
Profit / (Loss) after tax	**39.2**	**42.5**	**34.7**	**24.0**	**(3.8)**

Other Metrics

	2017	2016	2015	2014	2013
Own funds generated from operations (£m)	**£49.3m**	**£53.5m**	**£45.2m**	**£42.4m**	**£11.5m**
Profit Margin					
Underlying PBT margin (%)	30.1%	36.8%	36.2%	26.4%	(5.0)%
PBT margin (%)	30.1%	31.5%	30.3%	26.4%	(5.0)%
Earnings per share (EPS)					
Basic earnings per share (pence)	13.7	15.1	12.4	8.6	(1.4)
Diluted earnings per share (pence)	13.6	15.0	12.4	8.5	(1.4)
Dividend per share					
Interim dividend per share (pence)	2.98	3.57	2.14	2.14	–
Final dividend per share (pence)	5.95	5.36	3.57	2.14	–
Ordinary dividend per share (pence)	8.93	8.93	5.71	4.28	–
Special dividend per share (pence)	–	1.79	–	–	–
Total dividend per share (pence)	**8.93**	**10.72**	**5.71**	**4.28**	**–**

Client Metrics

	2017	2016	2015	2014	2013
Revenue per active client (£)	2,517	2,828	2,716	2,374	1,724
Number of active clients	60,082	57,329	50,303	48,006	56,103
Value of trades (£bn)	2,016	2,071	1,626	1,351	1,287
Number of trades (m)	62.7	66.8	44.6	33.0	31.8

Statement of Financial position

£m As at 31 March	2017	2016	2015	2014	2013
ASSETS					
Non-current assets					
Intangible assets	2.1	2.6	3.7	4.1	10.7
Property, plant and equipment	18.2	16.4	17.4	13.7	16.1
Deferred tax assets	8.1	7.7	7.5	7.4	13.9
	28.4	**26.7**	**28.6**	**25.2**	**40.7**
Current assets					
Trade and other receivables	31.6	20.9	18.7	19.7	25.7
Derivative financial instruments	1.9	0.8	3.3	0.6	0.6
Financial investments	20.3	20.4	–	–	–
Current tax recoverable	–	–	–	–	0.4
Amounts due from brokers	119.4	84.2	109.8	65.9	48.8
Cash and cash equivalents	53.2	78.3	38.6	57.8	45.9
	226.4	**204.6**	**170.4**	**144.0**	**121.4**
TOTAL ASSETS	**254.8**	**231.3**	**199.0**	**169.2**	**162.1**
LIABILITIES					
Current liabilities					
Trade and other payables	36.3	34.6	38.8	39.7	43.7
Derivative financial instruments	3.3	5.0	0.8	2.1	2.2
Borrowings	5.8	1.4	1.4	0.6	1.2
Current tax payable	5.5	7.8	3.5	1.2	–
Short term provisions	0.4	0.2	4.3	0.3	3.7
	51.3	**49.0**	**48.8**	**43.9**	**50.8**
Non-current liabilities					
Trade and other payables	3.1	3.5	3.9	4.5	4.8
Borrowings	3.0	1.1	2.5	0.3	1.0
Deferred tax liabilities	–	–	0.1	0.6	1.1
Long term provisions	1.6	1.4	1.4	0.3	0.1
	7.7	**6.0**	**7.9**	**5.7**	**7.0**
TOTAL LIABILITIES	**59.0**	**55.0**	**56.7**	**49.6**	**57.8**
EQUITY					
Total equity	**195.8**	**176.3**	**142.3**	**119.6**	**104.3**
TOTAL EQUITY AND LIABILITIES	**254.8**	**231.3**	**199.0**	**169.2**	**162.1**

Proposed final dividend for the year ended 31 March 2017

Ex-dividend date: Monday 3 August 2017

Record date: Tuesday 4 August 2017

Dividend payment date: Friday 25 August 2017

Annual General Meeting

The 2017 AGM is to be held at 133 Houndsditch, London EC3A 7BX at 10.00am on Thursday 27th July

Registrars / Shareholder enquiries

Capita Asset Services can be contacted to deal with any questions regarding your shareholding using the contact details listed below. Alternatively, you can access www.capitashareportal.com where you can view and manage all aspects of your shareholding securely.

Email

shareholderenquiries@capita.co.uk

Mail

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Phone

Tel: 0871 664 0300

Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.

Registered Office

CMC Markets plc
133 Houndsditch
London EC3A 7BX
United Kingdom
Registered number: 05145017
Tel: 020 7170 8200
Website: www.cmcmarkets.com/group

Company Secretary

Jonathan Bradshaw, ACIS

Investor relations

Email: investor.relations@cmcmarkets.com
Website: http://www.cmcmarkets.com/group/investor-relations

Brokers

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB

RBC Capital Markets
Riverbank House
2 Swan Lane
London EC4R 3BF

Independent auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

Legal advisers

Linklaters LLP
One Silk Street
London EC2Y 8HQ

Media relations advisers

Camarco
107 Cheapside
London EC2V 6DN

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UK – Head Office

CMC Markets plc, CMC Markets UK plc, CMC Spreadbet plc, CMC Markets Holdings Ltd, CMC Markets UK Holdings Ltd, CMC Markets Overseas Holdings Ltd, Information Internet Ltd
133 Houndsditch
London EC3A 7BX
T +44 (0)20 7170 8200
E info@cmcmarkets.co.uk
www.cmcmarkets.co.uk

Australia

CMC Markets Asia Pacific Pty Ltd, CMC Markets Stockbroking Ltd, CMC Markets Group Australia Pty Ltd, CMC Markets Pty Ltd, CMC Markets Stockbroking Nominees Pty Ltd, CMC Markets Stockbroking Nominees (No. 2 Account) Ltd
Level 16
130 Pitt Street
Sydney NSW 2000
T 1300 303 888
T +61 (0)2 8221 2100
E info@cmcmarkets.com.au
www.cmcmarkets.com.au

Austria

CMC Markets Zweigniederlassung Österreich
Millennium Tower
Wehlistraße 66/5. OG
1200 Wien
T +43 (0)1 532 1349 0
E kundenservice@cmcmarkets.at
www.cmcmarkets.at

Canada

CMC Markets Canada Inc.
Suite 1420
120 Adelaide Street West
Toronto
Ontario M5H 1T1
T +1 416 682 5000
E info@cmcmarkets.ca
www.cmcmarkets.ca

China (Shanghai)

CMC Business Service (Shanghai) Limited
Room 3404, Floor 34
Shanghai Tower
Z3-2 Lujiazui Financial Center
Pudong District
Shanghai
T (China toll free) 4008 168 888
E support@cmcmarkets.com.au
www.cmcmarkets.com/zh

China (Beijing)

CMC Markets UK plc
Beijing Representative Office
Unit 22, Room 1901, Tower E2
Oriental Plaza
No1 East Chang An Avenue
Dong Cheng District
Beijing 100738
T +86 (0)10 8520 0021
E info@cmcmarkets.com.cn
www.cmcmarkets.cn

France

CMC Markets UK plc
32 rue de Monceau
75 008 Paris
T +33 (0)1 53 83 14 03
E gestionclients@cmcmarkets.fr
www.cmcmarkets.fr

Germany

CMC Markets Niederlassung Frankfurt am Main der CMC Markets UK Plc
Garden Tower
Neue Mainzer Straße 46-50
60311 Frankfurt am Main
T +49 (0)69 2222 44 000
E kundenservice@cmcmarkets.de
www.cmcmarkets.de

Italy

CMC Markets UK plc Succursale di Milano
Corso di Porta Romana 68
20122 Milano
T +39 02 3600 9604
E info@cmcmarkets.it
www.cmcmarkets.it

New Zealand

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

Norway

CMC Markets UK plc Filial Oslo
Fridtjof Nansens Plass 6
0160 Oslo
T +47 22 01 97 02
E info@cmcmarkets.no
www.cmcmarkets.no

Poland

CMC Markets UK Spółka Akcyjna Oddział w Polsce
Emilii Plater 53
00-113 Warsaw
T +48 22 160 5600
F +48 22 160 5690
E biuro@cmcmarkets.pl
www.cmcmarkets.pl

Singapore

9 Raffles Place #30-02
Republic Plaza Tower 1
Singapore 048619
T 1800 559 6000 (Local)
T +65 6559 6000
E info@cmcmarkets.com.sg
www.cmcmarkets.com.sg

Spain

CMC Markets UK plc
Sucursal en España
Calle Serrano No 21
4th Floor
28001 Madrid
T +34 911 140 700
E info@cmcmarkets.es
www.cmcmarkets.es

Sweden

CMC Markets UK plc Filial Stockholm
Hamngatan 11
111 47 Stockholm
T +46 (0)8 5069 3200
E info@cmcmarkets.se
www.cmcmarkets.se

CMC Markets plc
133 Houndsditch
London EC3A 7BX
United Kingdom
Tel +44 (0)20 7170 8200
Fax +44 (0)20 7170 8499
Email info@cmcmarkets.co.uk
www.cmcmarkets.com/group