Setting the standards in trading

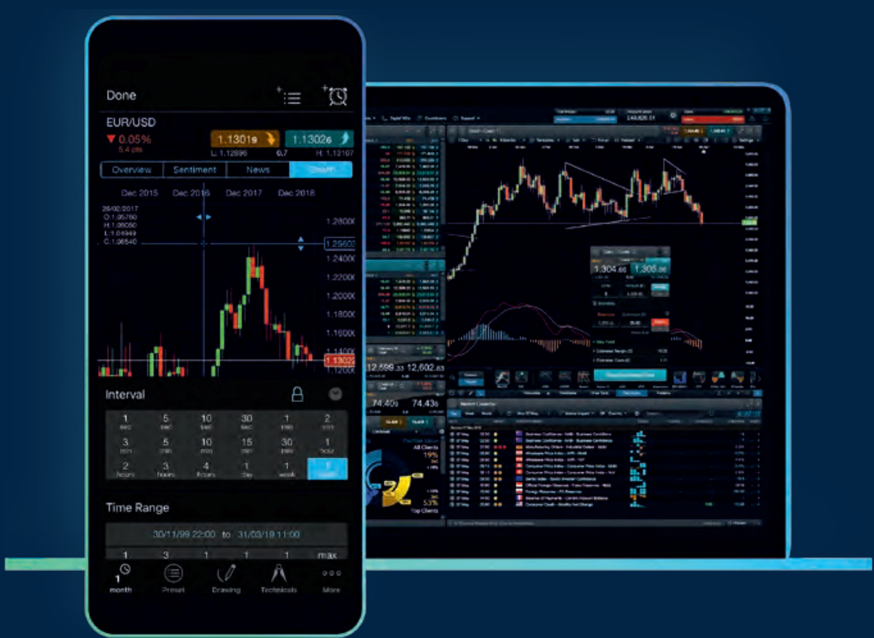
CMC Markets plc
Annual Report and Financial Statements 2020

cmc markets

As a leading global provider of online financial trading and institutional ("B2B") technology solutions, CMC Group offers clients the opportunity to trade a broad range of financial instruments through our award-winning Next Generation and stockbroking trading platforms.

OUR MISSION

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



> Our goal is to constantly provide a superior and unrivalled online trading experience for our clients."

Peter Cruddas
Founder and CEO

OUR VALUES

Put clients first

Read more on **page 6**

Lead with quality

Read more on **page 12**

Set the standards

Read more on **page 24**

Read more at
cmcmarkets.com/group

Strategic report

Corporate governance

Financial statements

Shareholder information

Our client offering

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

OUR TECHNOLOGY

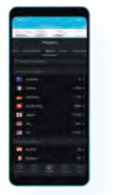
Our superior platform, technology and client service deliver a best-in-class trading experience for our clients. The platform also provides CMC with real-time visibility of client and hedge-trading activity and generates operational efficiencies through the integration of various middle and back office systems.

Professional clients

- Dedicated service
- Value add products
- Rebates
- Higher leverage

Institutional

- White label offerings
- Grey label offerings
- API
- DMA



Retail clients

- Competitive pricing
- Customisable platform
- Feature rich
- Excellent client service

Stockbroking

- International shares
- Mobile app available
- White label offerings
- Online exchange-traded options

THE PRODUCTS WE PROVIDE

Contracts for difference (“CFDs”)

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

Spread betting

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

Prime derivatives

An advanced trading system enabling institutional clients to trade over 9,000 single stock CFDs across 20 countries, with trades smart order routed to a wide range of liquidity venues.

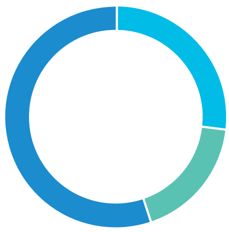
Stockbroking

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

OUR GEOGRAPHICAL REACH

CMC Markets has operations in 13 offices across many of the world's leading financial centres. The Group operates a hub-and-spoke model, with London being the Group's headquarters and the primary hub to European operations, and Sydney being the secondary hub to support the Asia Pacific ("APAC") & Canada region. This approach enables the Group to achieve the optimum balance between operational gearing and efficiency.

Net trading revenue[1] by region



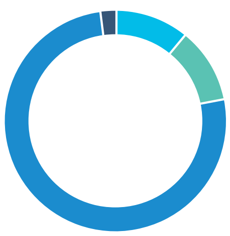
UK	27%
Europe	18%
APAC & Canada	55%

Continents	Countries	Offices	Clients
4	12	13	57,202

OUR CLIENT BASE

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

Net trading revenue by client base



CFD and spread bet B2B[2]	11%
Stockbroking B2B	11%
CFD and spread bet B2C[3]	76%
Stockbroking B2C	2%

Read more about net trading revenue on **page 38**

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

2 Business to business ("B2B") – revenue from institutional clients

3 Business to consumer ("B2C") – revenue from retail and professional clients

Focusing on high value clients and diversifying the business

OPERATIONAL HIGHLIGHTS

- Gross CFD client income up 11% to £240.6 million
- Retention of CFD client income[6] of 89% from 51%
- CFD platform uptime of 99.95%, despite exceptionally high trading activity in Q4
- Revenue per active client up £1,682 (81%) to £3,750 and active clients up 3,894 (7%) to 57,202
- B2B net trading revenue represents £53.7 million of net trading revenue from £32.3 million (up 66%)
- Stockbroking delivered £31.8 million (13%) of net trading revenue, compared to £15.5 million (12%) in FY19

→ Read more about our net trading revenue and our financial measures on **page 38**

Net operating income[1]

£252.0m

20	£252.0m
19	£130.8m
18	£187.1m

Statutory profit before tax

£98.7m

20	£98.7m
19	£6.3m
18	£60.1m

Active clients[2]

57,202

20	57,202
19	53,308
18	59,165

Revenue per active client[3]

£3,750

20	£3,750
19	£2,068
18	£2,964

Basic earnings per share

30.1p

20	30.1p
19	2.0p
18	17.3p

Gross CFD client income[4]

£240.6m

20	£240.6m
19	£216.1m
18	£241.1m

Ordinary dividend per share[5]

15.03p

20	15.03p
19	2.03p
18	8.93p

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

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

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

4 Spreads, financing and commissions on CFD client trades.

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

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

Investment case

We believe CMC is an attractive investment for the following reasons:

Our diverse product offering

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

17% share of Australian stockbroking market[1]

Read more about our product offering on **page 30**

Our geographical reach

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

55% of net trading revenue generated outside the ESMA region

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

Our award-winning platform

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

10,000+ financial instruments traded across the platform

Read more about our technology on **page 32**

Our client focus

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

57,202 active clients

Read more about our client service on **page 28**

Our risk management

Our systems are developed and refined by our experienced market professionals. Strong regulation is a benefit to us and our industry. Our strong capital and liquidity position means we have the ability to invest in growth without destabilising the business.

89% client income retained

Read more about our risk management framework on **page 44**

1 ASX and Chi-X Combined Trading Statistics – IRESS

Our values

Put clients first

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

WHY

We organise our operations around client experience. This forms the *why* of our existence.

Read more on **page 28**

HOW

By educating our clients in best practices for trading and getting the most out of our platform.

Read more on **page 28**

WHAT

Providing clients with a broad range of instruments based on demand and research and by keeping them informed with opportunities in the market place.

Read more on **page 28**

Excellent online and mobile trading platforms. A helpful and prompt customer relations team, and an excellent suite of educational material and services."

Thomas, Trustpilot review

Trustpilot

Everything we do and everything we build is with our clients in mind. We listen to their pain points and work to provide the best user experience possible."

Chris South, Head of Client Management

78%

client satisfaction, the highest rated in the industry

Investment Trends 2019
UK Leverage Trading Report[1]

4.5/5

excellent rating on Trustpilot

March 2020

200+

awards won globally

1 Composite score: Weighted average using Very good=100%, Good=67%, Average=50%, Poor=17%, Very poor=0%.

James Richards
Chairman

A successful year for the Group

2020 has been an excellent year for the Group. The investment in improving the Group’s technology, client service, professional and institutional client base and income diversification has led to a significantly improved financial performance in 2020 and provided a stronger platform for sustaining growth over the longer term.

The Group’s ongoing focus on medium to long-term value generation has delivered a significant improvement in performance in 2020, with revenue diversification increased through both the institutional B2B and Australian stockbroking businesses, complemented by strong growth in the core retail B2C business.

The Board’s clear vision of the Group’s purpose, values and strategy, supported by its culture and engagement with staff, has enabled CMC to build a robust yet agile business.

In March 2020, many countries implemented lockdown measures to mitigate the impact of the COVID-19 outbreak. Our first priority was to support our staff and clients during this unprecedented time.

The Group has performed extremely well during the outbreak, with client services and CFD platform availability being largely unaffected, despite all of our staff working remotely. I would like to thank staff for the dedication and resilience they have shown in this difficult time: a commitment to delivery that gives me great confidence in the future success of the Group.

Results and dividend

The Group’s financial performance has been strong throughout the financial year with net operating income increasing 93% to £252.0 million. This has resulted in record profit after tax of £86.9 million. The Board recommends a final dividend payment of 12.18 pence per share, which results in a total dividend payment of 50% of profit after tax.

Regulation

2020 was the Group’s first full financial year since the introduction of the European Securities and Markets Authority (“ESMA”) measures in August 2018. CMC is supportive of the regulatory change, as we have always operated to the highest standards, and our results for the year show that as a Group we have adapted to these measures and subsequently emerged as a stronger business. This, combined with our focus on higher value, sophisticated clients, many of whom are elective professional clients, has allowed us to benefit from market conditions seen during the latter part of the financial year.

There remains a regulatory overhang with the Australian Securities and Investments Commission (“ASIC”) measures, which are not expected to have a material impact in this financial year. We believe we are well placed to be ready to implement these new measures when we are required to do so and with minimal disruption through utilising experience gained from our implementation of ESMA intervention measures in 2018. We look forward to the overhang being lifted so that we can focus on growing the business in an industry with more closely harmonised regulations in our major markets.

Board and governance

As commented on in last year’s Annual Report, Grant Foley, Chief Operating and Financial Officer, stepped down from the Board to pursue other interests in June 2019. Euan Marshall, Grant’s deputy in Finance, was asked by the Board to fulfil the role of Chief Financial Officer on an interim basis whilst due consideration was given to a permanent successor. Several of the other operating responsibilities of a non-finance nature within Grant’s remit were re-allocated amongst the other Executive Directors. After due consideration, the Board concluded that Euan Marshall should be appointed as the Group's Chief Financial Officer as an Executive Director of the Company.

Further, as also advised in last year's Annual Report, it was decided, due to the increased importance of the APAC & Canada region to the Group, to appoint Matthew Lewis, Head of Asia Pacific & Canada, as an Executive Director of the Company. I am very pleased to report that the appropriate regulatory approvals resulted in both appointments to the Board being approved on 15 October 2019 and effective 1 November 2019.

Our Company Secretary, Jonathan Bradshaw, resigned during the year taking effect on 27 February 2020. On behalf of the Board I would like to thank Jonathan for his considerable and considerate assistance over many years. I am also pleased to add that Jonathan was succeeded by Patrick Davis, an external appointment. Patrick joined the Company on 5 February 2020 and was appointed as Company Secretary on 27 February 2020.

People and stakeholders

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

Last year I highlighted that a plan was being developed to address engagement survey findings. There has been a huge commitment across senior management in improving both the engagement and motivation of the workforce during the year. I am happy to advise that a pulse survey towards the end of the financial year has shown that we are moving in the right direction. This is a continuous journey and we remain committed to delivering improved engagement across the business. More details of what we have been doing are presented in the People section on page 34 in the report.

Our stakeholders are an important consideration in our decision making processes at the Board level and in the way we operate our business. Details of our various stakeholders and our associated engagement strategies and outcomes can be found on pages 10 to 11.

Outlook

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

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

James Richards

James Richards
Chairman
10 June 2020

Section 172

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

Read more about:

- how the views and interests of all our stakeholders were considered and acted on throughout the year on pages 10 to 11;
- the Group's goals, strategy and business model in the Strategic report on pages 20 to 21 and 26 to 27
- our non-financial information on page 92;
- how we manage risks on pages 44 to 53; and
- corporate governance on pages 54 to 95.

Our values

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

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

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

Responding to stakeholders' needs

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

	Clients	People	Regulators
Why we engage	Our clients are at the heart of everything we do, which means we continually strive to engage with them across multiple touch points to ensure the Group remains aware of, and therefore develops, products that solve their problems and satisfy their needs.	At CMC we recognise that having a fully engaged workforce is of mutual benefit to both the Group and the employee. A highly engaged team is not only willing to advocate for the business but to exceed expectations in achieving business objectives.	Engagement with regulators is key to ensuring that CMC is fully compliant across all jurisdictions it operates within, whilst also allowing the Group to be involved in shaping future regulations within the sector.
How we engage	The Group actively engages with clients across a range of channels such as our customer service and sales operations, product teams and client events. We have also increased our investment in user experience research, involving engagement with clients who directly input into improvements that can be made to our product and proposition.	Employee engagement at CMC is driven in a number of ways, for example informally by ensuring our line managers gather feedback from the employees at every opportunity, whether in team meetings or one on ones. It is addressed formally through the appointment of the designated Non-Executive Director with responsibility for employee engagement, a twice yearly global survey with follow-up focus groups to better understand the results and "town hall" style forums to enable purposeful engagement between management and employees.	We engage in open and active dialogue with regulators, seeking opportunities to share the wealth of data we have available to help inform them in their decision making.
Outcomes	Through constant engagement with clients, the Group is able to build and distribute best-in-class products that meet our client demands, drive client retention and increase client lifetime value as a result.	Our engagement activities feed into a number of processes to ensure we are reflecting the needs of our employees. This has resulted in a rollout of a formal senior management communication calendar and a formalised People Plan. The result has been a material improvement in the Group's engagement score.	Through constant engagement with regulators, along with our commitment to upholding high standards of regulatory compliance and aligning our interests with clients', we believe we have forged a strong relationship with regulators and differentiated ourselves from other firms within the sector.

Suppliers	Shareholders	Local community	Environment
CMC requires a range of services from third parties to support its business, making it essential for the Group to have close engagement with suppliers. This allows CMC to enhance its service offering and to put clients first.	We maintain regular and constructive dialogue with shareholders to communicate our strategy and performance in order to promote shareholder confidence and ensure our continued access to capital.	CMC recognises that the Group has a duty to help improve the prospects and living environment of the local community.	The Group is committed to minimising its environmental impact and recognises the need to minimise any material impact from the business on the climate.
When engaging with suppliers, business owners follow a mandatory procurement process to review the external market and complete a robust evaluation of all available options. Once a supplier is engaged, regular direct engagement between the business owner and supplier is maintained through our Supplier Relationship Programme.	CMC Markets communicates to shareholders through a number of channels to ensure relevant information is made available to them in a timely manner. This includes the AGM and an active schedule of shareholder meetings and roadshows, which includes access to the investor relations and management teams.	CMC actively engages with charities across all of its offices, both through its partnerships with Action for Children in London and Learning Links in Sydney where, in addition to a guaranteed donation, employees are given one day each year to either take part in fundraising events or to become directly involved in the charities' activities. CMC also sponsors the annual Making the Leap Social Mobility Careers Fair in London.	The Group takes its responsibility towards the environment seriously and has introduced many initiatives focused on reducing waste, improving energy efficiency and reducing its overall carbon footprint. The Group's Environment Working Group recently launched an intranet page that aims to increase employee engagement and garner ideas for future environmental initiatives.
The robust governance process allows the Group to select the best supplier for the business and ultimately our clients. The considered approach also allows CMC to treat vendors with respect and prioritise collaboration and value generation to mutually benefit all parties.	The ongoing constructive dialogue with investors promotes confidence in the Group strategy, resulting in a strong shareholder register, whilst also ensuring our continued access to potential capital and liquidity.	Through its long term support of the Making the Leap scheme, CMC has provided a further three internships to students from disadvantaged backgrounds in the London area during the year along with offering several apprenticeships. The partnerships with Action for Children and Learning Links have resulted in the charities raising funds, whilst also gaining access to highly motivated employees to help across a wide range of their activities.	Examples of recent improvements made to the Group's environmental impact include installing state of the art video conferencing to reduce business travel and removing all disposable cups from our UK, Australia, Germany and Austria offices, saving over 300,000 cups from going to landfill each year.

Lead with quality

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

WHY

We organise our operations around client experience. This forms the *why* of our existence.

Read more on **page 28**

HOW

Hiring the right talent and organising ourselves efficiently in order to prioritise research, testing and feedback.

Read more on **page 34**

WHAT

We never stop looking for opportunities to improve the quality of our work. The output could be product, service or process based. We track objectives and key results across all parts of the business.

Read more on **page 34**

"At CMC we design products and services with a focus on customer success. This culture of quality comes from our people, through our hiring practices and the environment we create."

Luke Welch, Global Head of Marketing

"By miles the best broker in the UK. Fast transactions, executions, and a platform on par with Bloomberg."

Michael, Trustpilot review

99.95%

CFD platform core uptime

0.0045

seconds median order execution time

(2019 0.0075)

100%

automated execution with no dealer intervention

Peter Cruddas
Chief Executive Officer

Chief Executive Officer's statement

Ongoing focus on strategic initiatives delivers record profits

CMC is becoming a more diversified Group. This is due to an ongoing focus on high value clients and on the growth of our institutional and stockbroking businesses.

Financial performance

The Group's performance in 2020 improved significantly. I see this as a vindication of our long-term strategy of acquiring and retaining high value, sophisticated clients as well as the result of us delivering on our strategic initiatives. As we continue to provide and develop superior technology for our clients and partners, I believe that our business will further diversify and grow.

All of our thoughts are with those impacted by the current COVID-19 pandemic. During the rapid acceleration of the crisis in the first half of this calendar year, our first priority was, and continues to be, to protect the health, safety and wellbeing of our employees and support our clients. Our continuous investment in technology and infrastructure has meant that our CFD trading platform has remained resilient during these times of extremely high trading activity. I am impressed by the dedication our teams have shown in preventing client disruption while working in unprecedented circumstances, and would therefore like to thank all of my colleagues for their continued hard work during these tough times.

Revenue growth has been strong across our B2C and institutional B2B businesses as well as in our stockbroking business. The CFD business has seen significant revenue growth as a result of our ongoing focus on our high value, sophisticated global client base and improvements and changes to our business model which have resulted in retaining more net trading revenue from client income (client trading costs). The stockbroking business also contributed material revenue and profitability in the first full year since the implementation of the ANZ Bank stockbroking partnership. This resulted in an 93% increase in net operating income to £252.0 million.

While we continued to manage the cost base tightly we have still invested in growth. The Group's cost base excluding variable remuneration increased by 14% to £137.3 million during the year, mainly as a result of the significantly enlarged Australian stockbroking business, but also due to increasing investment in our strategic initiatives. Variable remuneration increased by £11.4 million to £14.0 million as a result of the improvement in financial performance meaning that total operating costs increased by 23% to £151.3 million.

As a result, profit before tax at £98.7 million was £92.4 million higher than the previous year.

As well as the significant improvement in profitability, the underlying fundamentals of the business remain strong. CFD active clients for the year were up 7% to 57,202; and we continue to target and retain higher value, sophisticated clients in order to grow client income. Levels of client money, which are an indicator of future trading potential, remain robust. The benefits of the ANZ Bank white label partnership and the rollout of international shares and online traded options in our stockbroking business have also assisted growth, with stockbroking active clients increasing 47% to 181,630. Of this increase, stockbroking B2C clients increased 25% to 31,541, with B2B increasing by 53% to 150,089.

The balance sheet continues to reflect the strong financial position of the Group. At the end of the year, the Group's net available liquidity was £189.1 million and the regulatory capital ratio was 23.3%.

Risk management

Strong and robust risk management is crucial to the ongoing success of the Group, and the Group's risk management is constantly reviewed to ensure it is as effective as possible. Our continued focus on quantitative analytics and data driven decisions allowed the Group to offer very competitive spreads and liquidity versus the underlying market. Our analytics continued to evolve throughout the year, yielding higher internalisation ratios. Intelligent hedging strategies helped keep execution hedge costs low and we successfully managed arbitrage driven client trading activity by identifying trades generated through third party software programmes that exploit latency in pricing from exchanges.

Following implementation of ESMA regulations, which resulted in a material change in client trade duration, the Group refined its risk management strategies in the final months of our prior financial year. As a consequence, this year the Group internalised more client flow than previously, particularly in the more highly traded and liquid instruments, which resulted in lower hedge costs.

The change increased the daily revenue ranges and market risk exposure, which was supported by the Group's strong regulatory capital ratio, and yielded higher net trading revenue.

Having made this change in 2019, the Group made no further changes to its risk management policy throughout 2020, even during the volatile periods in February and March.

The Group continues to operate at all times within the Board-approved risk appetite and Risk Management Framework.

Regional review

The performance of all regions benefited from a globally aligned focus on acquiring and retaining high value clients as well as the increased market activity which we saw in Q4 2020.

The UK and Europe regions performed strongly, with higher revenue per active client, up 34% and 68% in the UK and Europe respectively. This was a result of UK and Europe CFD net trading revenue increasing by 42% and 61% to £67.1 million and £43.5 million respectively, despite the prior year including four months of pre-ESMA trading activity.

The APAC & Canada region also had an exceptionally strong year where active client numbers increased by 19% to 24,972 and revenue per active client increased by 144% to £4,160. CFD net trading revenue therefore increased by 191% to £103.9 million.

The Australian stockbroking business continued to build upon the successes of 2019, with net trading revenue up 106% to £31.8 million, driven both by market volatility in Q4 substantially increasing trade volumes and this being the first full year of revenue since the implementation of the ANZ Bank white label partnership. The release of a wider product offering during calendar year 2019 was also a contributing factor to the revenue increase, in particular in international shares. Net trading revenue for the ANZ Bank stockbroking relationship increased by £13.6 million (157%) to £22.3 million and the core business also increased £2.7 million (40%) to £9.5 million. New client numbers in the core business increased 58% to 25,990 during the year and total shareholdings comprised £3.3 billion for domestic shares and £34 million for international. New ANZ Bank client numbers increased 197% to 36,651 during the year and total shareholdings comprised £15.9 billion for domestic shares and £282 million for international.

Regulation

The Group is supportive of regulatory change to ensure that all providers operate to the highest standards, ensuring fair client outcomes. Having seen the impact of the regulatory changes introduced by ESMA, we believe that similar changes implemented by regulators in the major regions will result in a stronger and better industry. Our historical focus on high value clients and high regulatory standards puts us in a great position to remain a leading force in the industry.

The overall regulatory environment was more stable in 2020, with clients in Europe and the UK having adapted to the new margin requirements. It remains likely that further regulatory changes will be made in Australia, although implementation dates remain unknown. The Australian regulator, ASIC, set out its proposals in a consultation paper in August 2019. These proposals included increasing margin requirements for retail clients to a level similar to those required in the ESMA region and cover other requirements such as standardised warning notices, and cost disclosures.

ESMA regulations have now been in place for over 18 months and we continue to see retail clients trading at around 30–40% of their levels pre-regulatory change, whilst using more of their cash on account to trade and holding their trades for longer periods. This is an encouraging sign for the medium and long-term success of the Group as it demonstrates that clients still have an appetite to trade in a more regulated environment.

The continued global standardisation of regulations will create a more level playing field and remove some of the practices that we have seen during this period. However, it has been seen that some providers still seek to circumvent changing regulation by basing themselves in jurisdictions outside highly regulated countries so that they can offer lower margin requirements to existing and new clients.

“

The business continues to diversify through providing and developing superior technology for our clients and partners.”

Peter Cruddas
Chief Executive Officer

Chief Executive Officer's statement continued

Brexit

In order to guarantee the Group's ability to operate in the European Union on an uninterrupted basis, the Group established a new subsidiary in Germany which commenced onboarding German resident clients during the financial year. As previously communicated, the Group's headquarters will remain in the UK.

Strategic progress

In 2020, we refined our strategic priorities, focusing on three established markets, our institutional offering and on how we optimise our client journey. The implementation of this strategy has delivered significant value throughout the financial year. More details are provided below.

Read more on **page 20**

Established markets

Our established markets consist of the UK, Germany and Australia. Our Australian business continues to perform well with growth in CFD net trading revenue during the year rising to £58.0 million, which now accounts for 27% of CFD net trading revenue for the Group. The Group has learnt from the ESMA regulatory experience and is well prepared for any regulatory changes implemented by ASIC in the future. I am especially pleased to see a return to growth in the UK and Germany as our clients adjust to the new regulatory environment. Independent surveys show that we remain a leader in client satisfaction.

Institutional offering

The ANZ Bank white label stockbroking transaction, completed in September 2018, was the largest migration of client accounts in Australian Stock Exchange history and makes CMC the second largest retail stockbroker in Australia. As well as migrating 500,000+ clients, CMC also acquired a further 103 intermediaries. This business continues to grow and the stockbroking business has continued to onboard B2B relationships during 2020.

Our CFD institutional business, which provides B2B API connectivity as both a white and grey label solution and which we expect will become an increasing part of the Group, continues to grow. Throughout the year we have invested in our technology and personnel, including expanding our focus outside the UK and Europe. We also continue to focus on making improvements to the institutional trading experience to optimise client experience.

Optimising our client journey

Throughout the year we have continued to make improvements to our client journey to improve the user experience and the client conversion rates, as well as focusing on acquiring higher value clients. We are now beginning to see these improvements coming through, justifying our marketing spend in this area.

We continue to focus on providing both our retail and institutional clients with best-in-class platforms that deliver an intuitive and personalised experience which they can utilise to achieve their trading goals quickly and efficiently.

Diversification

The new strategic initiatives, supported by our technology and proprietary platform, have allowed, and will continue to allow, us to grow an already geographically diverse client base and revenue stream. In particular, we expect our stockbroking and our other B2B businesses will become a greater proportion of the Group, relative to our B2C CFD business.

People

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

The Board is keen do more to improve staff engagement. As a result of feedback from a global engagement survey in early 2019, a number of initiatives have been implemented in an attempt to enhance engagement and I am happy that they have resulted in an improvement to a number of measures.

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

Clients

Our clients continue to be at the heart of everything we do, and I'd like to thank them for their continued support. We have been

30-YEAR TIMELINE

1989

Peter Cruddas starts CMC Markets in the UK as an FX broker.

1996

CMC Markets launches the world's first online retail FX trading platform.

2000

The Company expands to become a CFD broker.

2002

CMC Markets opens an office in Sydney, Australia.

2005

CMC Group rebrands globally as CMC Markets and expands into Germany and Canada.

ramping up our efforts to make customer input intrinsic to our business processes across product development, marketing, and client services. We have invested in user experience research capacity to facilitate this activity and ensure our customer needs are championed across the business. We believe this will enable us to build and distribute better products that delight our clients and positively drive client retention and lifetime value.

Dividend

The Board recommends a final dividend payment of £35.2 million. This is 12.18 pence per share (2019: 0.68 pence), resulting in a total dividend payment for the year of 15.03 pence per share (2019: 2.03 pence). This represents a payment of 50% of profit after tax, in line with policy. The Board believes that this is an appropriate payment for the year after considering both the Group's capital and liquidity position and forecast requirements in the year ahead to support business growth.

Outlook

CMC is now a much more balanced business than it has ever been. We have a larger stockbroking business, a growing B2B business and a B2C business that has returned to growth. Like others, we continue to adapt to the short-term and potential long-term consequences of the COVID-19 pandemic but we do so from a position of strength. Our technology not only makes us operationally resilient, it also provides our clients with a high quality service and enables the Group to access many innovative investment opportunities. This makes us an attractive choice for a wide array of clients and partners around the world.

I feel that the Group has proven that regulatory change is a positive driver in our markets and for CMC. I strongly believe that, through continuing to invest in our technology, continuing to focus on our strategic initiatives, capitalising on market opportunities as they arise and building engagement across all of our stakeholder groups, the Group will be in the best possible position for success in the next financial year and beyond.

P.A. Cruddas

Peter Cruddas
Chief Executive Officer
10 June 2020

2010

CMC Markets opens offices in Paris and Milan and unveils iPhone app.

2012

CMC upgrades the Next Generation platform and launches a spread betting app for Android devices.

2016

CMC Markets lists on the London Stock Exchange.

2018

CMC Markets completes the successful integration of its stockbroking partnership with the Australia and New Zealand Banking Group (ANZ).

2019

CMC celebrates its 30th year and launches exclusive cryptocurrency, forex and commodity indices.

Adapting to a changing market environment

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

CFD AND SPREAD BET

Key market driver	Our response
Volatility Volatility in the financial markets undoubtedly acts as a call to action for the Group's CFD and spread bet target market. The spread of COVID-19 resulted in significant volatility across all asset classes in the first half of this calendar year.	The Group rapidly scaled up its infrastructure to allow 100% of employees to work from home during the outbreak, whilst maintaining its consistently high availability rate and trade execution times. This higher volatility resulted in increased trading activity from both existing clients trading more frequently and new or previously inactive clients starting to trade or reactivate their accounts. Looking ahead, short bursts of market activity which result in high velocity movements in the products that we offer are not necessarily beneficial to our clients or the Group. Aside from notifying clients of changing levels of market activity in a timely manner through a flexible marketing strategy, the Group can have little influence on capitalising more or less than competitors during short-term periods of raised market volatility.
ASIC The Australian regulator, ASIC, set out proposals for regulatory intervention in the market for binary options and CFDs in August 2019. These proposals are broadly similar to those implemented by ESMA in August 2018. The key changes proposed as part of the intervention notice include: • prohibition of the issue and distribution of OTC binary options to retail clients; • implementation of CFD leverage ratio limits; • protection against negative balances; • standardised approach to the automatic close-out of retail client positions; • prohibition on firms offering monetary and non-monetary benefits to retail investors; and • enhanced transparency of CFD pricing, execution, costs and risks. The implementation dates are unknown, but the measures are not anticipated to have a material impact in the coming financial year.	The Group continues to be supportive of regulatory change that moves towards a globally consistent regulatory environment. The Group is confident that the experience gained from the implementation of ESMA provisions can be utilised to ensure minimal disruption to the Australian business. Furthermore, CMC is already in compliance with a number of the proposed measures as a Group standard. In a similar framework to that of ESMA, ASIC defines two key client groups, wholesale and retail. Clients are able to request to be treated as a wholesale client and, if successful, be exempted from the new restrictions if they meet either the: • wealth criteria by providing proof of net assets of at least AUD 2.5 million or gross income for the last two financial years of at least AUD 0.25 million; or • professional investor criteria by controlling gross assets greater than AUD 10 million. Following the announcement, the Group has engaged with selected clients on the proposed changes, with some electing to opt up in advance to ensure that their leverage limits are not affected. Australian CFD net trading revenue represents 23% of Group net operating income. However, the Group expects the revenue impact to be mitigated by achieving a similar opt-up percentage of retail clients to wholesale as that achieved under ESMA (46%); of the clients not opting up we expect a reduction in their trading of around 30-40% whilst using more of their cash on account to trade and to hold their trades for longer periods.

CFD AND SPREAD BET

Key market driver	Our response
Other regulatory change In addition to the ASIC proposals on the previous page, there continues to be an active regulatory environment globally: • Margin rates for foreign exchange were increased in Singapore from 8 October 2019, tightening from 50:1 to 20:1. • 2020 was the Group's first full year under the new leverage limits for retail clients implemented by ESMA in August 2018. No changes or updates have been announced, and the Group continues to monitor the impact on retail client trading activity.	The Group maintains that regulation brings an overall positive effect in our key markets, with a reduction in nominal trade values being offset by clients increasing both their deposits on account and trade durations.
Brexit The UK currently operates in the European Union ("EU") through its ability to "passport" financial services from the UK using a branch structure. Onboarding new EU clients to the UK may not be permitted once the UK leaves the EU.	The Group has established a new subsidiary in Germany and started onboarding new German resident clients in the region from December 2019. The Group's headquarters will remain in the UK.

STOCKBROKING

Key market driver	Explanation
Market conditions	Retail stockbroking in Australia is heavily influenced by market sentiment and the overall trading environment. The COVID-19 pandemic resulted in historically high trading through the stockbroking platform in the first 5 months of calendar year 2020. Market conditions were also favourable in the first half of the financial year as a result of steadily increasing global indices, which attract higher trading activity.
Seasonality	Earnings season is a major driver of activity and as a result strong months are generally seen in both August and February.
Market size and share	An independent report suggests that the Australian online stockbroking market continued to grow during 2020 and CMC, in combination with the ANZ Bank white label partnership, has a retail market share in the region of 17%[1].

1 Source: ASX and Chi-X Combined Trading Statistics – IRESS.

OUR POSITION

Increasingly diversified business with a focus on high value clients

Increasingly diversified

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

High value clients

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

Platform

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

Products available to trade

10,000+

Net trading revenue generated from B2B relationships

£53.7m

Professional CFD net trading revenue as percentage of ESMA region total

54%

Our focus for 2021

The Group's focus on the three initiatives of established markets, client journey optimisation and institutional offering remains unchanged for the year ahead. The significant achievements made with the initiatives during 2020 place CMC in an excellent position to continue to deliver throughout 2021, thereby deriving future value for, and supporting the diversification of, the Group.

Established markets

Opportunity

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

Priorities for 2020/21

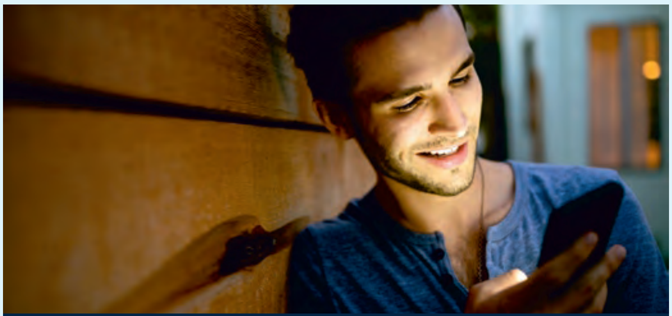
- UK: growth in net trading revenue generated from active professional clients and high value retail clients.
- Australia: continue to grow the high value client base and prepare for regulatory change.
- Continue to maintain market-leading client service levels in all three countries.

Underpinned by technology

- Proprietary technology easily adapted to meet regulatory requirements.
- Developing new products in response to client demand.

Progress against 2019/20 objectives

- Significant growth delivered across all regions within the year in both professional and retail clients.
- The Group continued to win numerous awards for client service and product throughout the year.



Client journey optimisation

Opportunity
Mobile channels present opportunities for the Group to attract new clients and retain existing clients more efficiently by adopting a highly digital and targeted approach to the client journey.

Priorities for 2020/21
- Continue to improve customer experience across all touchpoints with CMC.
- Continue to optimise customer retention and lifetime value.
- Improve customer advocacy to drive greater share of voice.

Underpinned by technology
- In-house development means that we can address pinch points in the onboarding process, and improve customer experience throughout the client journey.
- Increased use of third-party analytical tools to identify gaps in the market and spend efficiencies.

Progress against 2019/20 objectives
- Delivered numerous user experience improvements to our mobile and desktop customer onboarding processes, which has improved conversion rates.
- Delivered premium content, tailored communication processes and notifications covering trading opportunities that help our customers stay abreast of opportunities in the market.
- The high level of service we provide combined with the user experience optimisations have driven our Trustpilot score up to 4.5/5 at the end of March.

Institutional offering

Opportunity
CMC Markets is set to play a key role in pricing and executing trades for an ever-growing number of institutional clients as there is strong opportunity to offer our award-winning platform to other institutions, through our API offering (electronic connectivity to the CMC Markets platform for institutions), white label (branded) and grey label (unbranded) propositions.

Priorities for 2020/21
- Brokerage: strengthen the Group's position as broker of choice for tier 2 banks, hedge funds, family offices and other institutional trading desks.
- API: further optimise both the product and augment sales for what is already a globally recognised CFD liquidity provision solution to the brokerage community.
- White label: expansion of our global B2B FX and CFD sales campaign, along with further deployment of our white labelled equity stockbroking business in Australia.

Underpinned by technology
- Our technology allows us to win business in a highly competitive field.
- Increased focus on development and sale of optimised B2B products across CFD and stockbroking businesses.
- Increased investment in development of technology for FY20/21.

Progress against 2019/20 objectives
- Progress was slower than anticipated during the year; however, significant technology development and infrastructure investment commenced in Q4 to remedy this, with substantial product improvements due to roll out in H2 FY20/21.

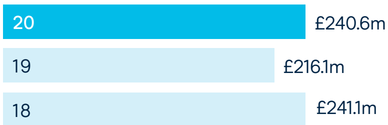
Tracking our progress

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

CLIENT VALUE GENERATION AND CLIENT QUALITY

Gross CFD client income

£240.6m



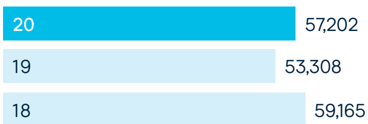
KPI definition
Spread, financing and commission fees charged to CFD and spread bet clients.

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

Link to strategy
- Established markets
- Client journey optimisation
- Institutional offering

Active clients

57,202



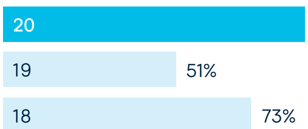
KPI definition
Individual clients who have traded or held CFD or spread bet positions with CMC Markets on at least one occasion during the financial year.

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

Link to strategy
- Established markets
- Client journey optimisation
- Institutional offering

Client income retained

89%



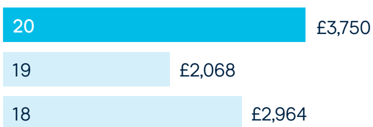
KPI definition
Percentage of gross CFD client income retained after rebates and gains and losses from risk management.

Why we measure
Used to measure the success of the risk management strategy of converting client spread, financing and commissions charges to net operating income.

Link to strategy
- Established markets
- Client journey optimisation
- Institutional offering

Revenue per active client

£3,750



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

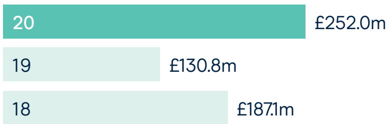
Why we measure
High value clients are central to the Group's strategy and the growth in this figure is indicative of the success in attracting and retaining these clients.

Link to strategy
- Established markets
- Client journey optimisation
- Institutional offering

REVENUE GROWTH AND OPERATING EFFECTIVENESS

Net operating income

£252.0m



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

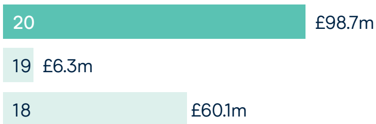
Why we measure
Key operating metric.

Link to strategy

- Established markets
- Client journey optimisation
- Institutional offering

Statutory profit before tax

£98.7m



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

Why we measure
Key operating metric.

Link to strategy

- Established markets
- Client journey optimisation
- Institutional offering

DELIVERY OF VALUE AND RETURNS

Profit after tax

£86.9m

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

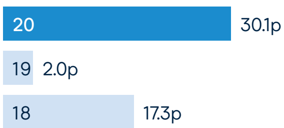
Why we measure
Largest driver of shareholder equity and Board-approved metric for calculating dividend payable.

Link to strategy

- Established markets
- Client journey optimisation
- Institutional offering

Basic earnings per share

30.1p



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

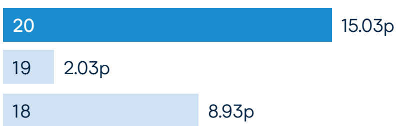
Why we measure
Key shareholder value metric.

Link to strategy

- Established markets
- Client journey optimisation
- Institutional offering

Ordinary dividend per share relating to the financial year

15.03p



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

Why we measure
Key shareholder value metric.

Link to strategy

- Established markets
- Client journey optimisation
- Institutional offering

Set the standards

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

WHY

We organise our operations around client experience. This forms the *why* of our existence.

Read more on **page 28**

HOW

By putting frameworks in place that allow us to test, while continuing to deliver the level of service our clients come to expect.

Read more on **page 32**

WHAT

We are continually iterating and innovating our trading technology in order to build award-winning technology and a client rating of "Excellent".

Read more on **page 32**

Through leading by example, we're setting the standards that we expect all members of staff to uphold. From our charity initiatives to the ambitious goals we set our teams, standards are agreed and lived out both top-down and bottom-up. This translates into successful outcomes for all our stakeholders."

David Fineberg,
Deputy Chief Executive Officer

CMC Markets is rated excellent

based on 688 reviews[1]

10,000+

instruments

115+

technical indicators and drawing tools

70+

chart patterns

1 Source: Trustpilot, March 2020

The best trading experience

OUR CLIENT OFFERING

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

Who they are:

- Sophisticated
- High value
- Experienced

What we offer them:

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

HOW WE MAKE MONEY

CFD

Gross CFD client income

£241m

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

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

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

Rebates

£(17)m

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

Risk management gains/(losses)

£(10)m

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

Retained client income

89%

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

OUR BUSINESS ENABLERS

1. Client service

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

For more information see **page 28**

2. Competitive product offering

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

For more information see **page 30**

3. Technology and operational excellence

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

For more information see **page 32**

Stockbroking

£32m

Net trading revenue, predominantly earned through brokerage charged for the execution of exchange traded products which include domestic and international shares across 11 markets, options, warrants, ETFs, managed funds, interest rate securities and bonds. Further, we earn a number of ancillary fees including interest on deposits, FX revenue and equity capital markets ("ECM") income.

Other income

£6m

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

HOW WE ADD VALUE

Shareholders

15.03p

dividend per share (up 13.00p from 2019)

30.1p

earnings per share (up 28.1p from 2019)

People

84%[1]

employee engagement (2019 79%)

25%

with us for over 5 years

Clients

64%

revenue generated from clients of tenure greater than 2 years

15

awards for service platform and technology

1 Engage internal survey. Percentage of employees with average engagement.

4. People

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

For more information see **page 34**

5. Financial strength

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

For more information see **page 38**

6. Risk management

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

For more information see **page 44**

1. Client service

Providing the best service

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

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

Our staff

All clients have access to our rigorously trained, multilingual and knowledgeable client service team. We offer 24-hour support from our 13 offices across the globe.

New staff on these teams undergo an intensive training scheme designed to give them all the skills and knowledge required to service clients using any of our retail, professional, institutional and stockbroking platforms and the products we provide on the platforms. They must also pass a final examination before they start assisting clients.

Onboarding

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

An appropriateness assessment, which incorporates a multiple-choice test, enables us to assess whether our products are appropriate for prospective clients. Under the current regulatory framework in the UK and Europe, prospective clients scoring low appropriateness must pass a multiple-choice knowledge test before they can place a trade. CMC does not onboard non-appropriate clients in the UK and Europe.

In regions where the professional status exists, clients have the opportunity to request to be treated as an elective professional. Should we be satisfied that they have evidenced they meet the required criteria they receive approval and gain access to lower margin requirements, countdown products and receive cash rebates subject to trading activity.

Education

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

Platform features

We offer our clients access to our products through a feature-rich, user-friendly platform which is accessible on a variety of devices.

From a client protection perspective, our platform offers a number of risk management tools. These include account level close-out when account revaluation values reach 50% of margin requirement, guaranteed stop-loss orders and negative balance protection for European retail clients.

High value client proposition

We have focused on acquiring and retaining high value clients for a number of years, and client service forms a major part of our proposition to this segment. Certain high value and professional clients have access to dedicated relationship managers and sales traders, who provide them with a high touch service. During the year we have also invested in producing a premium content publication, Opto, aimed at both prospective and existing clients.

Fair client outcomes

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

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

Revenue generated from clients of tenure greater than two years

64%

Number of awards for service, platform and technology

15

2. Competitive product offering

Leading the industry

#1

in client satisfaction in 11 of 22 key service areas[1]

1 Investment Trends 2019 UK Leverage Trading Report

Competitive product offering

Number one for satisfaction[1]

We continue to make major investments in our core trading platforms to maintain our competitive advantage.

The Group continues to receive independent commendations for its trading platform across our major regions. In the latest UK Investment Trends report[1] CMC Markets was ranked first in overall satisfaction and for: mobile/tablet app, charting tools, platform features, ease of account funding and trading ideas and strategies.

We continue to use advanced client behaviour analytics, customer feedback and new industry trends to determine our platform development pipeline. This past year brought numerous innovations to both our web and mobile platforms across CFD, spread bet and stockbroking.

Product and desktop platform

After completing the new HTML platform rollout last year, our product team focused on providing clients with a number of new features. Notable upgrades include:

- a range of new index products for forex, commodities and cryptocurrencies;
- a white theme option;
- bespoke fixed layouts, for a more structured display;
- a welcome experience, to help new clients customise their platform;
- window tabbing to help traders optimise layout space;
- a selection of default layouts;
- initial rollout of an improved funding portal; and
- ability for Australian clients to opt up to a professional account via the platform.

Mobile apps

The importance of mobile trading increases every year and, to ensure we continue to provide clients with the best-in-class user experience, we have made some extensive updates to our apps in the last 12 months. Major releases this year include:

- merged CFD and spread bet accounts into one app;
- onboarding improvements including a redesigned application process, improved biometrics and notification prompts;
- implemented major changes to the navigation bar to group the most commonly used features into three main categories for a more intuitive experience;
- enhanced "home" screen with new tiles for watchlists and an improved layout;
- streamlined and simplified the process for clients to switch accounts, add funds, change settings and access education;
- push notification improvements; and
- initial rollout of an improved funding portal, aimed at simplifying payments and withdrawals.

Stockbroking

2020 was a significant year for the stockbroking business; in addition to a strong operating performance we retained the title of the second largest retail stockbroker in Australia[2] and the largest white label provider in the country. In the second half, the business became the number one retail and wholesale options provider in the market[3].

Our ongoing commitment and strategy to continually evolve our platform, product offering and value proposition paid dividends, winning the Money Magazine 2020 award for "Best Feature-Packed Non-Bank Online Broker". In addition, for the tenth consecutive year we have been awarded the Canstar Online Share Trading Broker of the Year.

2020 key highlights include:

- bedded down the ANZ Share Investing, St George Directshares, and intermediary offerings into a business-as-usual state, whilst delivering a number of projects focusing on process re-engineering and automation, leading to increased operational scalability and efficiency, thus preparing the business for future mandates;
- rolled out our proprietary "smart order router" whilst scaling the capacity of our market connectivity infrastructure, delivering improved trading capability to customers via access to dark and lit markets, and setting the framework for adding exciting new trading products in 2021 and beyond;
- Alpha Stockbroking, designed to provide the best possible service for high volume traders who execute over $3,000 in annual brokerage spend or have $2.5 million in holdings, was rolled out to our larger white label partner client base; and
- added single-sign on between our Next Generation CFD and Stockbroking Pro platforms, allowing clients to switch effortlessly between products and enjoy the benefits of consolidating their physical portfolio and shorter-term CFD positions with one provider.

1 Source: Investment Trends 2019 UK Leverage Trading Report (May 2019).
2 As reported by IRESS, in terms of total value of trades executed by both CMC Markets' retail and partner clients.
3 As reported by IRESS, in terms of ranked total value of trades and number of trades executed by both CMC Markets' retail and partner clients.

3. Technology and operational excellence

Delivering growth through technology

Our technology and operations are designed to maintain a best-in-class service for our clients, even during periods of extreme volatility.

Business resilience and continuity combined with platform reliability and stability

At a time when traditional ways of working are being disrupted as a result of global events and many businesses are suffering technology failures and downtime, CMC's focus on operational and business resilience has enabled it to both maintain its platforms and services and continue to meet client needs throughout the year.

During the recent global COVID-19 pandemic, all of our staff have been working remotely, with our core client servicing and dealing teams able to work seamlessly, whether in the office or at home, whilst still meeting all regulatory requirements. Collaboration tools and other technology have allowed all areas of the business to continue to work together to deliver CMC's operational and strategic aims.

The global events have led to very high market volatility, with a subsequent additional demand placed on our infrastructure; despite this, uptime for the core Next Generation trading platform was consistently high throughout the year with an average above 99.95%. The stockbroking platform also had excellent availability within the year, but did experience downtime in March. CMC has invested in technology and processes designed to be highly resilient, with applications built to run across multiple servers and data centres ensuring no single failure will impact the business or its clients. This is a core requirement in everything we do, from investment in new infrastructure to design and architecture of new applications. All of this is combined with the requirement for all changes to be made within a short timeframe to enable the Group to adapt and react to ever-changing client demands, regulations and markets.

Performance and scalability

CMC Markets' infrastructure and Next Generation trading platform continue to be architected to scale in line with business requirements. Despite increasing regulation within the retail market, CMC has seen a general trend of increased client activity and therefore trade volumes compared to the previous financial year. The platform and infrastructure are designed to scale with this growth and continue to improve year on year. Median execution time is nearly half that of the last financial year at 4.5 milliseconds or "ms" (compared to 7.5ms in 2019) and 99% of trades executed in under 100ms.

With the unprecedented levels of volatility in recent months, average daily numbers of trades, payments and client connections have been more than double the typical average and often more than 300% up.

New infrastructure is continually being deployed to further increase capacity and ensure we are able to meet the ever-growing demands of the business and clients, whatever the market conditions.

Cyber security

Cyber risk continues to be one of the biggest threats in the industry, as we see ever-increasing threats in terms of both volume and sophistication of attacks. The importance of strong governance and good employee education is paramount, with staff often on the frontline of cyber defence. CMC is proud of its in-house capabilities in security and the strong global team of experts who are responsible for our security operations. We continue to invest in security and have built up a strong network of partners and vendors to help us to maintain the systems, processes, and monitoring we rely on.

Stockbroking

Our ongoing investment and focus on continuous improvement ensures our stockbroking platform meets the demands of our growing customer base. Scalability, reliability and usability are key metrics used to ensure our teams of software engineers and infrastructure support personnel remain focused and effective. Since the launch of our proprietary built 'smart order router' in Q3, 99% of trades execute in less than half a second, which is a 50% improvement on the prior year.

Low latency and new locations

CMC is investing in new infrastructure and data centre co-location facilities in order to enable it to provide new low latency, high performance trading opportunities for its premium and institutional clients. This is a major strategic project with support from across the business to enable CMC to continue to improve our technology and platforms.

4. People

Employee engagement

84%

increased by 5% in 2020

People

Powered by our people

At CMC we are truly committed to employing the most talented and motivated team in our industry to deliver for our clients.

2020 was a year of significant growth for the Group, with global headcount growing 11%, from 678 FTE to 752 FTE, as we invested in talent to both support our growth initiatives and ensure that our client offering continued to be the best globally.

Throughout our hiring process we strive to ensure we not only hire candidates with the best technical skillsets to deliver our vision but also those aligned to our values.

Our values

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

Reward and benefits

The Group offers a highly competitive reward package and strives to continually review our employee proposition to align it to the external market. This is key to delivering our hiring plans and motivating our existing employees. Changes delivered in 2020 include improvements across flexible working, annual leave and learning and development.

Senior management and critical talent have equity incentives and all UK employees have the opportunity to contribute to an HMRC eligible Share Incentive Plan. Similar equity or cash-equivalent schemes are available globally.

Employee engagement

Aligned to our 'We work as a Team' way of working, the Group operates and encourages a collaborative environment through knowledge sharing and ideas generation with a focus on quality and delivery.

Significant progress has been made this year in the way the business gathers feedback from its employees, clarifies that feedback and then delivers initiatives to support our employees. These initiatives impact all aspects of the employee lifecycle to not only ensure employees feel recognised and supported at CMC but also that they have all the tools and optimal processes to maximise their contribution. There is regular communication to staff at all levels through multiple channels including town halls, results presentations, global emails, focus groups, Director and Non-Executive Director lunches and publications on the intranet, with Clare Salmon as the designated Non-Executive Director with responsibility to both engage with, and oversee engagement with, our employees.

We measure the success of this approach through our twice yearly engagement surveys using the results and associated focus groups to enhance our people proposition. Initiatives have included:

- enhanced learning and development provision;
- improved provision for flexible working;
- introduction of a recruitment referral programme;
- increased transparency around the appraisal and reward processes; and
- further development of all employee communication channels.

As a result of this approach overall employee average engagement has increased to 84% (from 79% in 2019), exceeding the FinTech industry average[1].

1 Engage 2020 FinTech survey.

Emerging talent

The Group has increased the number of apprenticeship and graduate positions that it offers to provide added depth to its internal talent pools and reduce reliance on external recruitment. We currently have 11 graduates in their first substantive role across Technology, Finance, Client Services, Business Operations and Compliance. We also have six apprentices in the Group in their first full-time role since leaving school and have looked to leverage our CSR work with several hires coming through the "Making the Leap" charity.

Employee turnover

17%

(23% in 2019)

People continued

Learning and development
The opportunity to obtain new skills, as well as develop existing skillsets, is crucial to any successful organisation. The Group provides learning and development opportunities for all employees, including the senior management team, through both on-the-job and more formal training methods in order to build critical capabilities to drive business performance and increase engagement. In 2020 the Group increased its overall spend on employee development directly through its learning budget and by improved utilisation of its Apprenticeship Levy fund.

To further improve our learning provision for all employees we increased the number of channels available to access learning by introducing a substantial portfolio of online programmes and developed an internal curriculum of courses and providers aligned to our strategy and ways of working.

Diversity
As a Group, we are committed to having a diverse workforce, and believe that diversity brings valuable experience and skills to the business. We acknowledge that the diversity of the Group can be improved, particularly with respect to female representation at leadership level, and the Board monitors and seeks to address this on an ongoing basis. During the year the Diversity and Inclusion Committee oversaw the ongoing membership with the Everywoman Network, which provides female employees with access to tools to assist their personal development.

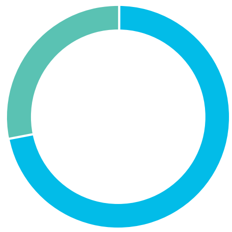
Equal opportunities
The Group highly values the differences and creativity that a diverse workforce brings and is committed to recruiting, developing and retaining a world-class team irrespective of ethnicities, nationalities, sexual orientation, gender identity, beliefs, religions, cultures and physical 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.

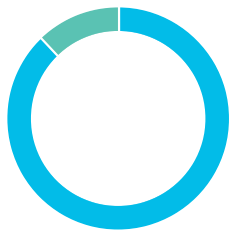
Human rights
CMC Markets conducts business in an ethical manner and adheres to policies which support recognised human rights principles. The Group anti-slavery and human trafficking statement can be found on the Group website (www.cmcmarkets.com/group).

All employees[1]



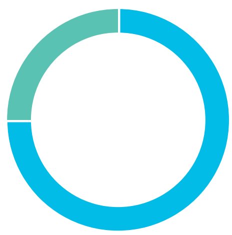
Male	544
Female	208

Senior management team[2]



Male	7
Female	1

Board of Directors



Male	6
Female	2

1 Employees of the Group including contractors as at 31 March 2020.

2 The Executive Committee, excluding Board Directors and including the Company Secretary.

Corporate social responsibility

During the year ended 31 March 2020 the CMC Markets CSR Committee directly engaged with charities and the community in both London and Australia. Highlights include:

- Appointing Action for Children as the CMC Markets London Charity of the Year. Action for Children helps more than 300,000 children, young adults, parents and carers through 650 projects across the UK. It has been helping vulnerable children and young people break through injustice, deprivation and inequality for almost 150 years and it is the leading UK provider of family and community centres, support in rural areas and for those leaving care, and services for disabled children and their families. In addition to a guaranteed donation from CMC Markets, further fundraising events have been planned.
- Through the partnership with Action for Children, CMC is also supporting the London Independent Visitor scheme. The scheme involves CMC employees volunteering to guide, advise, listen to and befriend young people in care, sharing their experiences as well as trying new activities and spending quality time together. CMC staff commit to mentor a child for a period of two years but often the relationship runs for longer.
- CMC Sydney completed the fourth year of partnership with its corporate charity Learning Links, who provide support to children with learning disabilities and difficulties. CMC continued its volunteering commitment through the Counting for Life programme, which saw 12 staff providing one-on-one maths tutoring over a 10 week period during the school term. The significant improvements seen in the children's results is a testament to the benefit of the programme and the impact our staff are having on the development of the children.
- CMC Markets is committed to supporting local talent and, together with the Peter Cruddas Foundation, sponsored Making the Leap for the fourth time to deliver its successful Social Mobility Careers Fair, where 200 students attended on the day. In addition to this CMC provided internships to a further three students this year from this event.

Health and safety

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

Environmental matters

The Group is committed to managing its environmental impact and is fully aware that by considering the environment in its decision making, particularly around technology adoption and office selection, it can have a beneficial impact on its performance. More information on environmental impact can be found on page 94.

Anti-bribery and anti-corruption

The Group does not tolerate any form of bribery or inducements and it has an anti-bribery and corruption policy which is applicable to all global staff. The policy is owned by the Head of Compliance UK and Europe, and is implemented by the financial crime team and compliance officers in offices across the Group. In conjunction with this policy, the Group also provides clear guidance to staff in other policies related to politically exposed persons ("PEPs"), gifts, entertainment and expenses. Should any member of staff like to anonymously raise bribery or corruption concerns they are also able to do this in accordance with the Group whistleblowing policy.

THE THINGS WE LIVE BY

Throughout 2020 we engaged with all employees to capture what it means to work at CMC and how we want our employees to feel whilst at work. We utilised this work to develop a culture pack to underpin our recruitment, and provide quality, authentic content for our web and LinkedIn pages that helps us recruit employees aligned to our ways of working and gives a framework for personal development discussions.

We stand with our clients

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

We are human

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

We take ownership

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

We are bold

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

We work as a team

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

We keep it simple

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

We focus on impact

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

5. Financial strength

Financial strength

Strengthening our position

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

Our focus on maintaining strong levels of capital and liquidity in the Group has enabled us to support client trading activity whilst also investing in opportunities that have arisen throughout the year. The investments have been focused on diversifying the Group's product offering, thereby further expanding its revenue-generating opportunities.

The return to growth is particularly pleasing; the Group recorded a statutory profit before tax of £98.7 million (2019: £6.3 million) with all areas of the business contributing to the significant year-on-year increase.

The higher profitability of the business has resulted in an increase in total capital resources to £236.7 million (2019: £192.6 million). Our total available liquidity also increased to £268.3 million (2019: £197.4 million) primarily due to cash generated from operations.

Summary income statement

	2020 £m	2019 £m	Change £m	Change %
Net operating income	**252.0**	130.8	121.2	93%
Operating expenses	**(151.3)**	(123.1)	(28.2)	(23%)
Operating profit	**100.7**	7.7	93.0	1,196%
Finance costs	**(2.0)**	(1.4)	(0.6)	(42%)
Profit before tax	**98.7**	6.3	92.4	1,459%
Profit before tax margin[1]	**39.2%**	4.8%	34.4%	—
Profit after tax	**86.9**	5.9	81.0	1,379%

	2020 Pence	2019 Pence	Variance Pence	Variance %
Basic EPS	**30.1**	2.0	28.1	1,405%
Ordinary dividend per share[2]	**15.0**	2.0	13.0	640%

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

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

Summary

Net operating income for the year increased by £121.2 million (93%) to £252.0 million, primarily driven by significantly improved CFD trading revenue performance through higher retention of client income throughout the year following changes to the Group's risk management strategy and higher gross client income mainly as a result of high market volatility in the latter part of Q4 2020. This was complemented by significant growth in the stockbroking business, through a combination of a full year of revenues from the ANZ Bank white label stockbroking partnership, higher market volatility in Q4 2020 and successful product launches.

CFD active client numbers increased by 3,894 (7%) to 57,202, predominantly due to high market volatility relating to the COVID-19 pandemic encouraging dormant clients to reactivate and new clients to onboard onto our platform. This increase is particularly pleasing given that 2019 included four months of pre-ESMA client activity. The Group is encouraged by this metric and continues to focus on attracting and retaining high value clients.

The increase in CFD net trading revenue has resulted in revenue per active client ("RPC") increasing by £1,682 (81%) to £3,750.

Gross CFD client income increased by £24.5 million (11%) to £240.6 million, despite 2019 having four months of pre-ESMA trading activity, with increased client numbers and heightened trading as a result of market volatility being the main drivers.

Total operating expenses have increased by £28.2 million (23%) to £151.3 million, mainly as a result of an increase in variable remuneration of £11.4 million due to the significant improvement in financial performance. One-off increases in regulatory fees, volume-driven bank transaction charges and higher bad debt costs also contributed to the year-on-year cost increase.

Profit before tax increased to £98.7 million from £6.3 million, reflecting the high level of operational gearing in the business whereby much of the increase in net operating income directly benefits the bottom line.

Financial strength continued

Net operating income overview

	2020 £m	2019 £m	Change
CFD and spread bet net trading revenue	214.5	110.2	95%
Stockbroking net trading revenue (excl. interest income)	31.8	15.5	106%
Net trading revenue[1]	**246.3**	125.7	96%
Interest income	3.3	3.4	(3%)
Other operating income	2.4	1.7	36%
Net operating income	**252.0**	130.8	93%

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

B2B and B2C net trading revenue

	2020 £m			2019 £m			% change		
	B2C	B2B	Total	B2C	B2B	Total	B2C	B2B	Total
CFD and spread bet net trading revenue	186.8	27.7	214.5	89.3	20.9	110.2	109%	32%	95%
Stockbroking net trading revenue	5.8	26.0	31.8	4.1	11.4	15.5	42%	129%	106%
Net trading revenue	**192.6**	**53.7**	**246.3**	93.4	32.3	125.7	106%	66%	96%

The improved performance of the Group was reflected within both our B2C and B2B businesses, with year-on-year increases in net trading revenue of 106% and 66% respectively. Within stockbroking, B2B net trading revenue increased by 129% mainly due to 2020 having a full year of revenues for the ANZ Bank white label partnership, but also supported by significant growth in the underlying business.

Regional performance overview: CFD and spread bet

	2020				2019				% change			
	Net trading revenue £m	Gross client income[1] £m	Active clients	RPC £	Net trading revenue £m	Gross client income[1] £m	Active clients	RPC £	Net trading revenue	Gross client income[1]	Active clients	RPC
UK	67.1	86.4	13,883	4,835	47.3	83.3	13,181	3,597	42%	4%	5%	34%
Europe	43.5	43.6	18,347	2,370	27.1	43.2	19,159	1,413	61%	1%	(4%)	68%
ESMA region	**110.6**	**130.0**	**32,230**	**3,432**	74.4	126.5	32,340	2,300	49%	3%	—	49%
APAC & Canada	**103.9**	**110.6**	**24,972**	**4,160**	35.8	89.6	20,968	1,705	191%	23%	19%	144%
Total	**214.5**	**240.6**	**57,202**	**3,750**	110.2	216.1	53,308	2,068	95%	11%	7%	81%

1 Spreads, financing and commissions on CFD client trades.

ESMA region

The ESMA region consists of two of our market segments, the UK and Europe. It was impacted by regulatory changes which were implemented on 1 August 2018, placing leverage restrictions on retail clients. Encouragingly, despite the 2019 comparative including four months of pre-ESMA client activity, gross client income grew by £3.5 million (3%) and RPC increased by £1,132 (49%).

UK

The number of active clients in the region increased by 5% to 13,883 (2019: 13,181). Gross client income grew a commensurate amount, up 4% against the prior year to £86.4 million (2019: £83.3 million). The increases were predominantly driven by the retail business, despite 2019 having four months of pre-ESMA client activity.

Europe

Europe comprises offices in Austria, Germany, Norway, Poland and Spain. Gross client income increased 1% to £43.6 million (2019: £43.2 million) driven by strong growth in the Germany and Austria offices. RPC also grew significantly by 68% to £2,370 (2019: £1,413) with the region benefiting from the improved performance in client income retention. The number of active clients decreased 4% to 18,347 (2019: 19,159) due to the prior year comparative benefiting from four months before the introduction of ESMA measures.

APAC & Canada

Our APAC & Canada business services clients from our Sydney, Auckland, Singapore, Toronto and Shanghai offices along with other regions where we have no physical presence. Gross client income increased by 23% to £110.6 million (2019: £89.6 million), primarily driven by increased client activity in the second half in line with market conditions. Active clients were up 19% to 24,972 (2019: 20,968), with strong increases across the region. Despite the increase in active clients, the APAC & Canada region saw the greatest year-on-year increase in RPC, up 144% to £4,160 (2019: £1,705).

Stockbroking

The Australian stockbroking business has grown significantly during the year, building on the successful implementation of the ANZ Bank white label partnership at the end of H1 2019. Revenue increased 106% to £31.8 million (2019: £15.5 million) driven by a combination of product launches, heightened market activity in Q4 2020 and a full year of revenues for the ANZ Bank partnership. Core business revenue was up 40% on prior year predominantly driven by volatility events in Q4 2020.

Interest income

The low interest rate environment remained largely the same as the prior year, with interest income decreasing slightly, down 3% to £3.3 million (2019: £3.4 million). The majority of the Group's interest income is earned through our segregated client deposits in our UK, Australia, New Zealand and stockbroking subsidiaries.

Expenses

Total operating expenses increased by £28.2 million (23%) to £151.3 million.

	2020 £m	2019 £m
Net staff costs – fixed (excluding variable remuneration)	53.8	49.1
IT costs	21.5	20.0
Marketing costs	14.9	14.1
Sales-related costs	3.2	2.2
Premises costs	3.1	7.3
Legal and professional fees	5.2	4.6
Regulatory fees	5.2	2.9
Depreciation and amortisation	11.0	7.3
Irrecoverable sales tax	5.1	5.2
Other	14.3	7.8
Operating expenses excluding variable remuneration	**137.3**	120.5
Variable remuneration	14.0	2.6
Operating expenses including variable remuneration	**151.3**	123.1
Interest	2.0	1.4
Total costs	**153.3**	124.5

Net staff costs

Net staff costs including variable remuneration increased £16.1 million (31%) to £67.8 million due to higher performance-related pay and share-based payments, in addition to costs of restructuring the business during the first half of the year, reinvestment in technology personnel to accelerate delivery of the Group's strategy in Q4 2020, and lower capitalisation of development costs in the current year. Variable remuneration, whilst significantly higher year on year, is in line with comparable prior year awards.

	2020 £m	2019 £m
Wages and salaries	51.7	46.5
Performance-related pay	11.7	1.8
Share-based payments (note 30)	2.3	0.8
Total employee costs	**65.7**	49.1
Contract staff costs	3.1	5.1
Net capitalisation	(1.0)	(2.5)
Net staff costs	**67.8**	51.7

Marketing costs

Marketing costs have increased by £0.8 million (6%) to £14.9 million as the Group looked to capitalise on market opportunities as they arose throughout the year, whilst ensuring that spend was targeted through the most efficient channels. The success of this targeted approach is borne out within the increases in both active clients and revenue per active client.

Other expenses

IT costs increased £1.5 million (7%) to £21.5 million, with increases due to the annualisation of costs in the enlarged stockbroking business, higher software maintenance charges, and higher market data costs, particularly during Q4 2020 as a result of increased client activity.

Premises costs reduced due to a change in accounting standards, resulting in the rental costs of leases in excess of one year being re-categorised from premises costs to depreciation and interest charges.

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

Taxation

The effective tax rate for the year was 12% (2019: 7%). The ongoing low rate resulted from the recognition of additional Australian tax credits in the year due to higher forecast profitability of the Australian entities. It is anticipated that the Group's effective tax rate will rise to in excess of the UK rate of corporation tax in 2021.

Profit after tax for the year

The increase in profit after tax for the year of £81.0 million (1,379%) was due to higher net operating income and the operational gearing in the business.

Dividend

Dividends of £10.2 million were paid during the year (2019: £21.1 million), with £2.0 million relating to a final dividend for the prior year paid in August 2019, and an £8.2 million interim dividend paid in December 2019 relating to current year performance. The Group has proposed a final ordinary dividend of 12.18 pence per share (2019: 0.68 pence per share).

Financial strength continued

Group statement of financial position

	2020 £m	2019 £m
Intangible assets	4.6	5.0
Property, plant and equipment	28.1	18.1
Deferred tax assets	16.5	11.6
Financial investments	—	11.3
Trade and other receivables	2.3	2.7
Total non-current assets	**51.5**	48.7
Trade and other receivables	186.3	118.0
Derivative financial instruments	5.4	2.9
Financial investments	25.4	10.7
Current tax recoverable	0.8	3.4
Amount due from brokers	134.3	88.1
Cash and cash equivalents	84.3	48.7
Total current assets	**436.5**	271.8
Total assets	**488.0**	320.5
Trade and other payables	177.2	100.6
Derivative financial instruments	2.3	4.3
Borrowings	0.9	1.1
Lease liabilities	4.7	—
Short-term provisions	0.5	0.2
Total current liabilities	**185.6**	106.2
Trade and other payables	—	4.8
Borrowings	0.8	1.2
Lease liabilities	14.6	—
Deferred tax liabilities	2.2	1.2
Long-term provisions	1.9	2.0
Total non-current liabilities	**19.5**	9.2
Total liabilities	**205.1**	115.4
Total equity	**282.9**	205.1
Total equity and liabilities	**488.0**	320.5

Non-current assets

The Group is committed to maintaining its Next Generation trading platform and these costs are expensed as incurred. The decrease in intangible assets was a result of amortisation during the year, offset by £1.0 million of internal development costs in developing new functionality of the Next Generation and stockbroking platforms that were capitalised during the year.

Property, plant and equipment increased during the year due to the recognition of right-of-use assets under the newly adopted accounting standard IFRS 16 “Leases”, which was applicable to the Group from 1 April 2019.

Deferred tax assets increased during the year due to the recognition of a higher amount of tax losses on the balance sheet relating to Australian tax credits.

Financial investments both in non-current and current assets mainly relate to the Financial Conduct Authority (“FCA”) requirement to hold eligible assets in order to meet the Group’s liquid asset buffer (“LAB”). The decrease in non-current financial investments and increase in current financial investments is due to a change in the maturity profile of Gilts held by the Group.

Non-current trade and other receivables largely relate to property deposits held by landlords.

Current assets

Trade and other receivables largely relate to client receivables from stockbroking positions yet to settle, an escrow deposit, prepayments and other client debtors. The increase year on year is primarily as a result of the increased market volatility in Q4, which significantly increased the value of the stockbroking receivables yet to settle at the year end.

Amounts due from brokers relate to cash held at brokers either for initial margin or balances in excess of this for cash management purposes.

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

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

The lease liabilities balance is due to the recognition of future lease obligations due to the adoption of IFRS 16 “Leases” within non-current liabilities.

Borrowings relate to lease agreements associated with IT equipment purchases.

Regulatory capital resources

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

The Group’s total capital resources increased to £236.7 million (2019: £192.6 million) with retained earnings for the year being partly offset by the interim and proposed final dividend distribution and an increase in deferred tax assets.

At 31 March 2020 the Group had a total capital ratio of 23.3% (2019: 17.4%). The increase in the total capital ratio resulted from a lower total risk exposure; this was driven mainly by a decrease in market risk capital requirement and an increase in total capital resources. The following table summarises the Group’s capital adequacy position at the year end. The Group’s approach to capital management is described in note 29 to the Financial Statements.

	2020 £m	2019 £m
Core equity Tier 1 capital[1]	**247.6**	203.1
Less: intangibles and deferred tax assets	**(10.9)**	(10.5)
Total capital resources	**236.7**	192.6
Pillar 1 requirement[2]	**81.4**	88.7
Total risk exposure[3]	**1,017.9**	1,108.9
Total capital ratio (%)	**23.3%**	17.4%

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

2 The minimum capital required to adhere to CRD IV.

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

On 16 April 2019, the European Parliament adopted a regulation called the Investment Firms Regulation and Directive ("IFR/IFD"), that will become directly applicable in Member States on 26 June 2021. This framework will alter the licensing basis, capital and remuneration requirements and governance and transparency provisions for a wide range of non-bank financial institutions. These rules are currently expected to be implemented in the UK post-Brexit.

The Group's expectation, at this stage, is that the Group and its subsidiaries will fall into scope of the IFR/IFD regime, which will ultimately end the Group's requirement to comply with the existing and incoming CRD/CRR rules in favour of the new regime.

Liquidity

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

- Own funds: The primary source of liquidity for the Group. It represents the funds that the business has generated historically, including any unrealised gains/losses on open hedging positions. All cash held on behalf of segregated clients is excluded. Own funds consist mainly of cash and cash equivalents. They also include investments in UK government securities, of which the majority are held to meet the Group's LAB as set by the FCA. These UK government securities are FCA Prudential sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") 12.7 eligible securities and are available to meet liabilities which fall due in periods of stress.
- Title transfer funds ("TTFs"): This represents funds received from professional clients and eligible counterparties (as defined in the FCA Handbook) that are held under a title transfer collateral agreement ("TTCA"), a means by which a professional client or eligible counterparty may agree that full ownership of such funds is unconditionally transferred to the Group. The Group does not require clients to sign a TTCA in order to be treated as a professional client and as a result their funds remain segregated. The Group considers these funds as an ancillary source of liquidity and places no reliance on them for its stability.
- Available committed facility (off-balance sheet liquidity): The Group has access to a facility of up to £40.0 million (2019: £40.0 million) in order to fund any potential fluctuations in margins required to be posted at brokers to support the risk management strategy. The facility consists of a one-year term facility of £20.0 million (2019: £20.0 million) and a three-year term facility of £20.0 million (2019: £20.0 million). The maximum amount of the facility available at any one time is dependent upon the initial margin requirements at brokers and margin received from clients. There was no drawdown on the facility at 31 March 2020 (2019: £nil).

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

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

At 31 March 2020, the Group held cash balances of £84.3 million (2019: £48.7 million). In addition, £339.8 million (2019: £332.4 million) was held in segregated client money accounts for clients. The movement in Group cash and cash equivalents is set out in the Consolidated Statement of Cash Flows.

Own funds have increased to £238.3 million (2019: £149.8 million). Own funds include short-term financial investments, amounts due from brokers and amounts receivable/payable on the Group's derivative financial instruments. For more details refer to note 28 of the Financial Statements.

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

	2020 £m	2019 £m
Own funds	**238.3**	149.8
Title transfer funds	**8.7**	7.6
Available committed facility	**21.3**	40.0
Total available liquidity	**268.3**	197.4
Less: blocked cash	**(40.2)**	(25.8)
Less: initial margin requirement at broker	**(39.0)**	(68.3)
Net available liquidity	**189.1**	103.3
Of which: held as LAB	**25.4**	22.0

Client money

Total segregated client money held by the Group was £339.8 million at 31 March 2020 (2019: £332.4 million).

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

Client money governance

The Group segregates all money held by it on behalf of clients excluding a small number of large clients which have entered a TTCA with the firm. This is in accordance with or exceeding applicable client money regulations in countries in which it operates. The majority of client money requirements fall under the Client Assets Sourcebook ("CASS") rules of the FCA. 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 57 to 59.

6. Risk management

Risk management

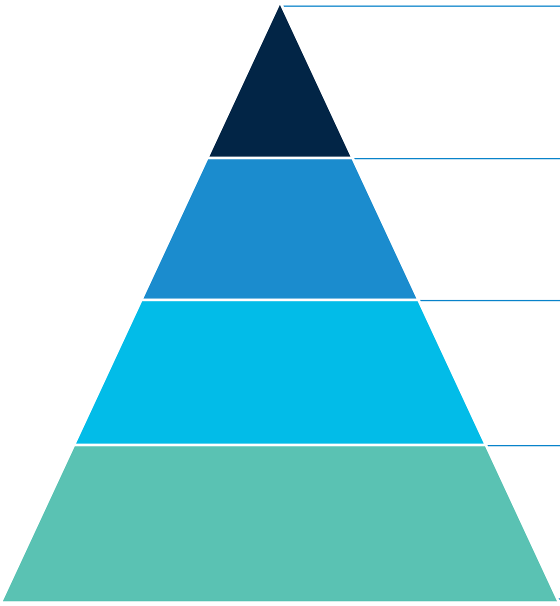
Effective risk management

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

The Group's business activities naturally expose it to strategic, financial and operational risks inherent in the nature of the business it undertakes and the financial, market and regulatory environments in which it operates. The Group recognises the importance of understanding and managing these risks and that it cannot place a cap or limit on all of the risks to which the Group is exposed. However, effective risk management ensures that risks are managed to an acceptable level. The Board, through its Group Risk Committee, is ultimately responsible for the implementation of an appropriate risk strategy, which has been achieved using an integrated Risk Management Framework.

The main areas covered by the Risk Management Framework are:

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



Board

Executive Committees
Execution of Board's risk strategy including risk appetite.

Risk and control functions
Comprise of compliance, financial crime, financial risk (including liquidity risk management) and operational risk. In addition, legal, finance, data privacy and security functions are also considered as part of the control functions within the Group.

Business functions
Identify, own, assess and manage risks. Design, implement and monitor suitable controls, issue management, KRI and risk appetite reporting.

Risk management continued

The Board has put in place a governance structure which is appropriate for the operations of an online retail financial services group and is aligned to the delivery of the Group's strategic objectives. The structure is regularly reviewed and monitored and any changes are subject to Board approval. Furthermore, management regularly considers updates to the processes and procedures to embed good corporate governance throughout CMC Markets. As part of the Group Risk Management Framework, the business is subject to independent assurance by internal audit (third line of defence). The use of independent compliance monitoring, risk reviews (second line of defence) and risk and control self-assessments (first line of defence) provides additional support to the integrated assurance programme and ensures that the Group is effectively identifying, managing and reporting its risks. The Group continues to make enhancements to its Risk Management Framework and governance to provide a more structured approach to identifying and managing the risks to which it is exposed. The Board has undertaken a robust assessment of the principal risks facing the Group. Top and emerging risks are considered those that would threaten its business model, future performance, solvency or liquidity. 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:

- COVID-19: The emergence, rapid spread and unknown ongoing impact of COVID-19 poses a significant, multi-faceted risk to the Group. Given that the business is predominantly online in nature and client trading activity has been heightened as a result of the outbreak, the business is unlikely to suffer deteriorating revenue performance unless financial exchanges close globally for a sustained period of time. However, market and counterparty credit risk resulting from the increased trading activity is actively monitored. From an operational risk perspective, the Group has put significant measures in place aimed at mitigating specific risks relating to its people and operational activities and continues to actively monitor the situation and closely follow governmental advice.
- Market risk management: the Group's risk management is constantly reviewed to ensure it is optimised and as efficient as possible. For more information on market risk management and mitigation see page 49.
- Regulatory change: The Australian regulator, ASIC, set out proposals for regulatory intervention in the market for binary options and CFDs in August 2019. These proposals are broadly similar to those implemented by ESMA in 2018. The key changes proposed as part of the product intervention consultation include:
  - prohibition of the issue and distribution of OTC binary options to retail clients;
  - implementation of CFD leverage ratio limits;
  - protection against negative balances;
  - standardised approach to the automatic close-out of retail client positions;
  - prohibition on firms offering monetary and non-monetary benefits to retail investors; and
  - enhanced transparency of CFD pricing, execution, costs and risks.

  The implementation dates are unknown, but current indications are that the measures will not have a material impact in the coming financial year. The Group continues to believe that in the medium to long term these changes present opportunities for the Group and the Group's strong balance sheet and increasing diversification put it in a strong position to deal with, and take advantage of, these changes.
- The UK's exit from the European Union ("Brexit"): the impact that Brexit has on the Group is closely monitored. A new subsidiary has been set up in Germany which mitigates the impact on client acquisition and revenue generation arising from the potential that the UK could lose its MiFID II passport rights as a result of Brexit. The new subsidiary commenced onboarding German resident clients from December 2019.

Further information on the structure and workings of Board and Management Committees is included in the Corporate Governance report on page 57.

Business and strategic risks

Risk	Description	Management and mitigation
Acquisitions and disposals risk	The risk that mergers, acquisitions, disposals or other partnership arrangements made by the Group do not achieve the stated strategic objectives or that they give rise to ongoing or previously unidentified liabilities.	• 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.
Preparedness for regulatory change risk	The risk that changes to the regulatory framework the Group operates in impacts the Group's 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.

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 and positive development of media relations with strictly controlled media contact; and
		  • systems and controls to ensure we continue to offer a good service to clients and quick and effective response to address any potential issues.

Risk management continued

Financial risks

Risk	Description	Management and mitigation
Credit and counterparty risk	The risk of losses arising from a counterparty failing to meet its obligations as they fall due.	**Client counterparty risk** The Group's management of client counterparty risk is significantly aided by the automated liquidation functionality. This is where the client positions are reduced should the total equity of the account fall below a predefined percentage of the required margin for the portfolio held. 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); and • position limits can be implemented on an instrument and client level. The Instrument level enables the Group to control the total exposure the Group takes on in a single instrument. At a client level this ensures that the client can only reach a pre-defined size in any one instrument. In Europe CMC offers negative balance protection to retail clients limiting the liability of a retail investor to the funds held in their trading account. However, after mitigations, there is a residual risk that the Group could incur losses relating to clients (excluding negative balance protection accounts) moving into debit balances if there is a market gap. **Credit institution credit risk** Risk management is carried out by a central Liquidity Risk Management ("LRM") team under the Counterparty Concentration Risk Policy. Mitigation is achieved by: • monitoring concentration levels to counterparties and reporting these internally/externally on a monthly/quarterly basis; and • monitoring the credit ratings and credit default swap ("CDS") spreads of counterparties and reporting internally on a weekly basis.
Insurance risk	The risk that an insurance claim by the Group is declined (in full or in part) or there is insufficient insurance coverage.	• Use of a reputable insurance broker who ensures cover is placed with financially secure insurers. • Comprehensive levels of cover maintained. • Rigorous claim management procedures are in place with the broker. The Board's appetite for uninsured risk is low and as a result the Group has put in place established comprehensive levels of insurance cover.

Risk	Description	Management and mitigation
Tax and financial reporting risk	The risk that financial, statutory or regulatory reports including VAT and similar taxes 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.
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 LRM team under policies approved by the Board and in line with the FCA's Individual Liquidity Adequacy Standards ("ILAS") regime. The Group utilises a combination of liquidity forecasting and stress testing to identify any potential liquidity risks under both normal and stressed conditions. The forecasting and stress testing fully incorporates the impact of all liquidity regulations in force in each jurisdiction that the Group operates in and any other impediments to the free movement of liquidity around the Group. 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; • maintaining regulatory and Board-approved buffers; • managing liquidity to a series of Board-approved metrics and Key Risk Indicators; • a committed bank facility of up to £40 million to meet short-term liquidity obligations to broker counterparties in the event that the Group does not have sufficient access to its own cash; and • 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.
Market risk	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. • The Group predominantly acts as a market maker in linear, highly liquid financial instruments in which it can easily reduce market risk exposure through its prime broker ("PB") arrangements. This significantly reduces the Group's revenue sensitivity to individual asset classes and instruments. • The Financial Risk Management team 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.

Risk management continued

Operational risks

Risk	Description	Management and mitigation
Business change risk	The risk that business change projects are ineffective, fail to deliver stated objectives, or result in resources being stretched to the detriment of business-as-usual activities.	• Governance process in place for all business change programmes with Executive and Board oversight and scrutiny. • Key users engaged in development and testing of all key change programmes. • Significant post-implementation support, monitoring and review procedures in place for all change programmes. • Strategic benefits and delivery of change agenda communicated to employees.
Business continuity and disaster recovery risk	The risk that a business continuity event or system failure results in a reduced ability or inability to perform core business activities or processes.	• Multiple data centres and systems to ensure core business activities and processes are resilient to individual failures. • Dedicated alternate office sites for Tier 1 offices. Remote access systems to enable staff to work from home or other locations in the event of a disaster recovery or business continuity requirement. • Periodic testing of business continuity processes and disaster recovery. • Robust incident management processes and policies to ensure prompt response to significant systems failures or interruptions.
Financial crime risk	The risk that the Group is not committed to combatting financial crime and ensuring that our platform and products are not used for the purpose of money laundering, sanctions evasion or terrorism financing.	Adherence with applicable laws and regulations regarding Anti-Money Laundering ("AML"), Counter Terrorism Financing ("CTF"), Sanctions and Anti-Bribery & Corruption is mandatory and fundamental to our AML/CTF framework. We have strict and transparent standards and we continuously strengthen our processes to ensure compliance with applicable laws and regulations. CMC Markets reserves the right to reject any client, payment, or business that is not consistent with our risk appetite. This risk is further mitigated by: • Establishing and maintaining a risk based approach towards assessing and managing the money laundering and terrorist financing risks to the Group. • Establishing and maintaining risk- based know your customer ("KYC") procedures, including enhanced due diligence ("EDD") for those customers presenting higher risk, such as politically exposed persons ("PEPs"). • Establishing and maintaining risk-based systems for surveillance and procedures to monitor ongoing customer activity. • Procedures for reporting suspicious activity internally and to the relevant law enforcement authorities or regulators as appropriate. • Maintenance of appropriate records for the minimum prescribed record keeping periods; • Training and awareness for all employees. • Provision of appropriate MI and reporting to senior management of the Group's compliance with the requirements. • Oversight of Group entities for financial crime in line with the Group AML/CTF Oversight Framework.

Risk	Description	Management and mitigation
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 and data protection expertise within the Group. • Technical and procedural controls implemented to minimise the occurrence or impact of information security and data protection breaches. • Access to information and systems only provided on a "need-to-know" and "least privilege" basis consistent with the user's role and also requires the appropriate authorisation.
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. • 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 resilient data centres to support each platform (two in the UK to support Next Generation and two in Australia to support Stockbroking). • Systems and data centres designed for high availability and data integrity enabling continuous service to clients in the event of individual component failure or larger system failures. • Dedicated Support and Infrastructure teams to manage key production systems. Segregation of duties between Development and Production Support teams where possible to limit development access to production systems.
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.

Operational risks continued

Risk	Description	Management and mitigation
Operations (processing) risk	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.
Procurement and outsourcing risk	The risk that third party organisations inadequately perform, or failing to provide or perform the outsourced activities or contractual obligations to the standards required by the Group.	• Responsibility for procurement, vendor management and general outsourcing owned by the Chief Financial Officer and Director of Operations under the Senior Manager and Certification Regime, with the accountability to ensure compliance to the Group procurement process and completion of key activities, based on the risk profile of the service required by the organisation. • Outsourcing only employed where there is a strategic gain in resource or experience, which is not available in house. • Due diligence performed on service supplier ahead of outsourcing being agreed. • Service level agreements in place and regular monitoring of performance undertaken.

People risk	The risk of loss of key staff having insufficient skilled and motivated resources available or failing to operate people-related processes to an appropriate standard.	• The Board has directed that the Group maintains active People, Succession and Resource Plans for the Group and all key individuals and teams, which will mitigate some of the risk of loss of key persons. It will adopt policies and strategies commensurate with its objectives of:
		  • attracting and nurturing the best staff;
		  • retaining and motivating key individuals;
		  • managing employee-related risks;
		  • achieving a high level of employee engagement;
		  • developing personnel capabilities;
		  • optimising continuous professional development; and
		  • achieving a reputation as a good employer with an equitable remuneration policy.

Risk	Description	Management and mitigation
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.	• Internal audit outsourced to an independent third-party professional services firm. • Effective compliance oversight and advisory/technical guidance provided to the business. • Comprehensive monitoring and surveillance programmes, policies and procedures designed by compliance. • Strong regulatory relations and regulatory horizon scanning, planning and implementation. • Controls for appointment and approval of staff holding a senior management or certified 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. • Robust anti-money laundering controls, client due diligence and sanctions checking.
Conduct risk	The risk that through our culture, behaviours or practices we fail to meet the reasonable expectations of our customers, shareholders or regulators.	• The Treating Customers Fairly ("TCF") and Conduct Committee reports into the Risk Management Committee ("RMC"). The Committee is chaired by the TCF Champion, a member of the distribution team. The Committee is comprised of senior management and subject matter experts and meets regularly to review the TCF MI and any emerging issues or incidents which could impact on issues of client fairness. It also reports to the Board via the RMC on TCF matters and reviews and recommends approval of the TCF Policy.
Client money segregation risk	The risk that the firm fails to implement adequate controls and processes to ensure that client money is segregated in accordance with applicable regulations.	• The Client Money Review Group ("CMRG"), which reports into the RMC, is a fundamental part of the Group's client money governance and oversight procedures. The CMRG is chaired by the Director of Operations, an FCA-approved person, who is responsible for overseeing the controls and procedures in place to protect client money. • The Committee is comprised of senior management from across the Group who oversee functions which impact client money. The CMRG forms a key part of the oversight of client money in addition to compliance, internal audit and PricewaterhouseCoopers LLP as external auditors.

The strategic report was approved by the Board on 10 June 2020.

On behalf of the board

Euan Marshall

Euan Marshall
Chief Financial Officer
10 June 2020

Board of Directors

The role of the Board

In promoting the long-term sustainable 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's purpose, values and strategy and for monitoring performance against a set of clear objectives, ensuring that the necessary financial and human resources, cultural expectations and shareholder and stakeholder engagement 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.

James Richards

Chairman

Appointment
1 April 2015

Committee membership
G R N

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

No external appointments

Peter Cruddas

Chief Executive Officer

Appointment
3 June 2004

Committee membership
E

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

Current external appointments

The Peter Cruddas Foundation

Finada Limited

Crudd Investments Limited

Paul Wainscott

Senior Independent Director

Appointment
19 October 2017

Committee membership
A G R N

Skills and experience
Paul joined the Group as an independent Non-Executive Director in October 2017 and acts as the Group's Senior Independent Director. Paul served as finance director at the Peel Group for 27 years until March 2018. During his time at the Peel Group, Paul gained wide experience at both board level and in several different business sectors, including real estate, transport, media and utilities.

No external appointments

Sarah Ing

Independent Non-Executive Director

Appointment
14 September 2017

Committee membership
A G R N

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

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

XPS Pensions Group Plc

The Board delegates the in-depth review and monitoring of internal controls and risk management to the Group Audit Committee and Group Risk Committee respectively.

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

Committee membership

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

Clare Salmon

Independent Non-Executive Director

Appointment
2 October 2017

Committee membership
A G R N

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

Current external appointments
GS Yacht Charters LLP
Animal Magic Limited

David Fineberg

Deputy Chief Executive Officer

Appointment
1 January 2014

Committee membership
E M

Skills and experience
David joined the Group in November 1997 working on the trading desk and developed the Group's multi-asset CFD and spread bet dealing desk. As a senior dealer he was responsible for managing the UK and US equity books. Between April 2007 and September 2012, he was the Group's Western Head of Trading, covering all asset classes for the western region. In September 2012 David was appointed to the role of Group Head of Trading and in January 2014 was appointed as the Group Director of Trading with overall responsibility for the trading and pricing strategies and activities across the Group. In June 2017 his role further expanded when he became Group Commercial Director and then in April 2019 he was promoted to the position of Deputy Chief Executive Officer.

No external appointments

Euan Marshall

Chief Financial Officer

Appointment
1 November 2019

Committee membership
E M

Skills and experience
Euan joined CMC Group in November 2011 and he has held a variety of roles across the finance function, including Group Head of Finance. He was appointed as Chief Financial Officer in November 2019, where he is responsible for the management of all finance functions globally and investor relations. Euan has been a member of the Chartered Institute of Management Accountants since 2005 and has 19 years' experience working in financial services and business consulting including at Barclays, HSBC and Deloitte. Euan holds a BSc in Economics from the University of Nottingham.

No external appointments

Matthew Lewis

Head of Asia Pacific & Canada

Appointment
1 November 2019

Committee membership
E M

Skills and experience
Matthew joined the Group in September 2005 and has held a variety of roles including Senior Dealer, Head of Eastern Equities, Head of Sales Trading ANZ, Head of Trading Eastern Region and Director of Asia. In his current role as the Head of Asia Pacific & Canada, he is responsible for implementing the Group's business strategies across the APAC and Canada region for both the retail and wholesale CFD and foreign exchange business. He is also responsible for the Group's stockbroking business. Prior to joining the Group, Matthew worked for Commonwealth Securities, Australia's largest provider of financial services, dealing in equities, before moving into derivatives as an options trader and warrants representative. Matthew has over 17 years' experience in financial services and holds a Bachelor of Economics from the University of Sydney.

No external appointments

Corporate governance introduction

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

Dear shareholders,

On behalf of the Board, I am pleased to present the Group Corporate governance report for the year ended 31 March 2020. The Board continues to recognise that an effective governance framework is fundamental in ensuring the Group's ability to deliver long-term value for our shareholders and stakeholders.

Compliance statement

As a company listed on the Main Market of the London Stock Exchange, CMC Markets plc has applied the Principles as set out in the 2018 UK Corporate Governance Code published by the Financial Reporting Council ("FRC"), and available at www.frc.org.uk (the "Code") for the financial year ended 31 March 2020.

A full explanation is provided on pages 60 and 72 in respect of the approach adopted by the Company to application of:

- Principle G, and in particular Provision 11, of the Code which requires that the Board should include an appropriate combination of Executive and Non-Executive directors;
- Principle L , and in particular Provision 23, of the Code which deals with Board evaluation; and,
- Principle P, and in particular Provision 36, of the Code which relates to the development of formal policy for post-employment shareholding.

James Richards

James Richards
Chairman
10 June 2020

Board composition

It is critical that the Board has the right composition, so it can provide the best possible leadership for the Group and discharge its duties to shareholders. This includes the right balance of skills and experience, ensuring that all of the Directors have a good working knowledge of the Group's business, and that the Board retains its independence and objectivity.

Succession planning has continued to be a focus for the Board this financial year:

- David Fineberg was appointed Deputy Chief Executive Officer on 3 April 2019;
- Grant Foley resigned as Chief Operating and Financial Officer on 7 June 2019;
- Euan Marshall was appointed to the Board and Chief Financial Officer on 1 November 2019; and
- Matthew Lewis, Head of Asia Pacific & Canada, was appointed to the Board on 1 November 2019.

These appointments, drawn, from the existing workforce, evidence the strength of internal development programmes and have brought fresh perspectives and expertise to governance arrangements.

Board effectiveness

The balance of skills, experience and independence of the Board and individual Directors has been reviewed and is under consideration. All Directors received computer-based training on relevant financial service matters with emphasis on the responsibilities with regard to regulation and compliance.

Stakeholder engagement

Mindful of relevant obligations under the Code, stakeholder engagement has been a further consideration for the Board this year and we will continue to develop relevant relationships for the benefit of the Company.

Shareholder engagement

As Chairman, I am responsible for the effective communication between shareholders and the Company and for ensuring the Board understands the views of major shareholders. A monthly investor relations report is distributed to the Board and considered at each Board meeting.

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

Board leadership and purpose

The Board provides leadership and oversight in relation to the Group's purpose, values and strategy and monitors performance against a set of clear objectives. This also enables the Board to ensure that the necessary financial and human resources, cultural expectations and shareholder and stakeholder engagement are in place to achieve the Group's purpose and strategy.

Matters reserved for the Board

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

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

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

Board composition

Corporate governance: member meeting attendance

Name	Position	Board meetings	Group Audit Committee	Group Risk Committee	Nomination Committee	Remuneration Committee
James Richards	Chairman	13 (13)	—	4 (4)	6 (6)	5 (5)
Paul Wainscott	Senior Independent Director	12 (13)	4 (4)	4 (4)	6 (6)	5 (5)
Sarah Ing	Independent Non-Executive Director	12 (13)	4 (4)	4 (4)	6 (6)	5 (5)
Clare Salmon	Independent Non-Executive Director	11 (13)	4 (4)	4 (4)	6 (6)	5 (5)
Peter Cruddas	Chief Executive Officer	12 (13)	—	—	—	—
David Fineberg	Deputy Chief Executive Officer	11 (13)	—	—	—	—
Grant Foley[1]	Chief Operating and Financial Officer	2 (4)	—	—	—	—
Euan Marshall[2]	Chief Financial Officer	6 (6)	—		—	—
Matthew Lewis[2]	Head of Asia Pacific & Canada	5 (6)	—	—	—	—

1 Grant Foley resigned on 7 June 2019

2 Appointed to the Board on 1 November 2019.

Division of responsibilities

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

Chairman

Responsibilities of the Chairman include:

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

CEO

Responsibilities of the CEO include:

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

Senior Independent Director

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

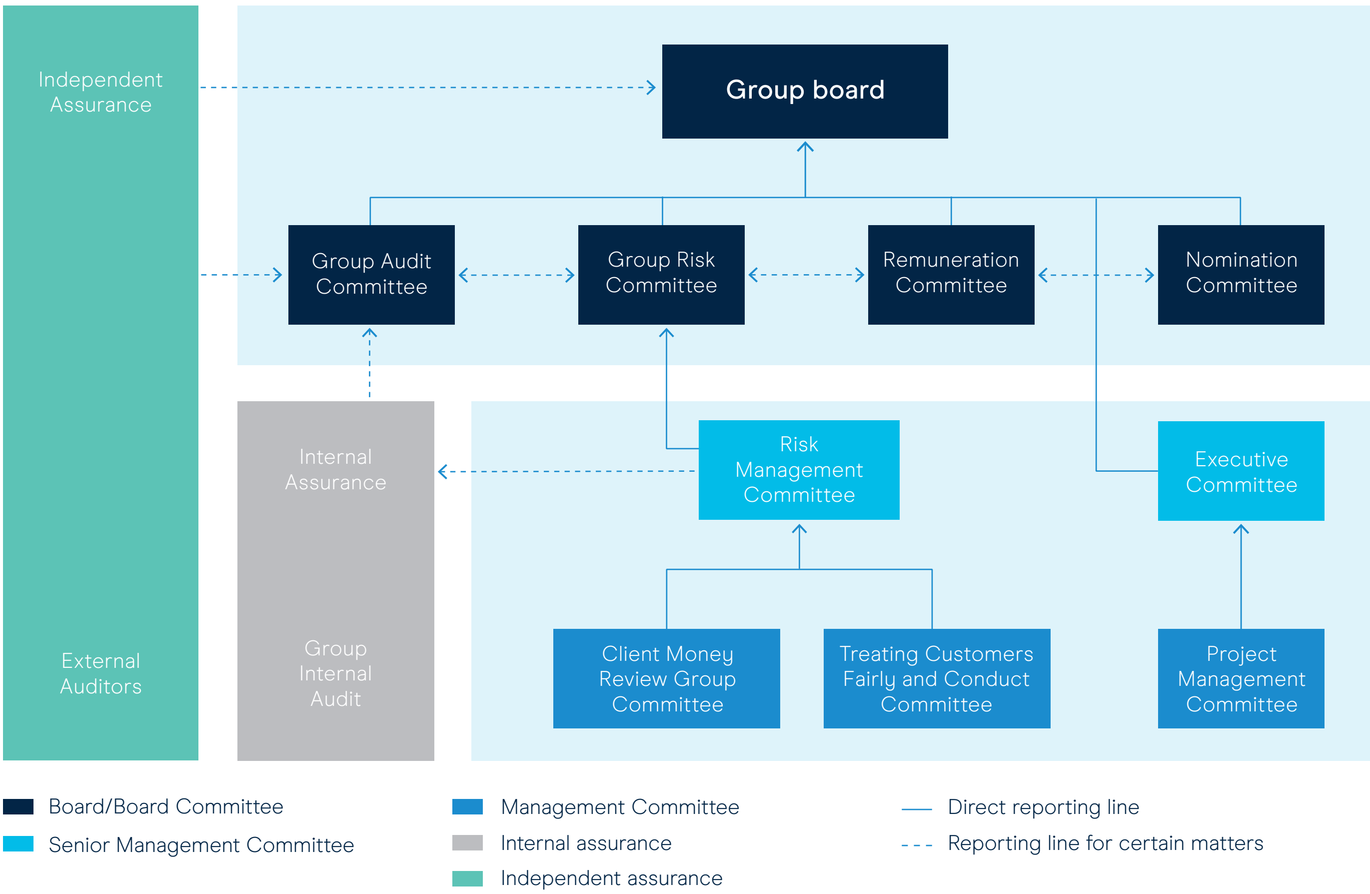
- acting as a sounding board for the Chairman and serving as an intermediary for the other Directors as necessary;
- acting as lead independent Non-Executive Director;
- leading the Non-Executive Directors in the performance evaluation of the Chairman, with input from the Executive Directors; and
- being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

Non-Executive Directors

Responsibilities of the Non-Executive Directors include:

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

GOVERNANCE STRUCTURES AS AT 31 MARCH 2020



ACTIVITIES OF THE BOARD

The Board has a comprehensive meeting planner for the next 12 months that ensures all matters for Board consideration are presented and considered in a timely manner.

Key areas of focus during this financial year were:

- the review and amendment of the rules of relevant incentive arrangements in order to avoid formulaic outcomes;
- regulatory change and potential business impact;
- the ongoing review of Group infrastructure and resources;
- the development and launch of new products;
- risk management and risk appetite;
- the review and approval of ICAAP, ILAA and other regulatory documents; and
- Brexit.

Accountability

Election of Directors

The 2020 AGM will be held at 12:00 pm on 30 July 2020 by electronic means.

Following recommendations from the Nomination Committee and review by the Chairman, the Board considers that all Directors continue to be effective, remain committed to their roles and have sufficient time available to perform their duties. In accordance with the Company's Articles of Association all Directors will seek re-election at the Company's 2020 AGM, which will be set out in the Notice of AGM.

Conflicts of interest

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

Independence of Non-Executive Directors and time commitment

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

Board independence

At least half of the Board, excluding the Chairman, is not comprised of Independent Non-Executive Directors. This position does not comply with provision 11 to Principle G of the Code. This position was compliant with the 2016 Combined Code Provisions. The Board continues to keep this position under review. There is currently a balance of Executive and Non-Executive Directors (including the Chairman) with the Chairman discharging his responsibilities with an independent mind-set. The Board feels this is proportionate given the Company's size and operations, but this will be kept under review.

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

Board support

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

Board evaluation

Due to a re-organisation of the Group Company Secretarial function in 2019/20 a formal Board evaluation was not completed. It is also noted that the 2018/19 evaluation was completed towards the end of that financial year. A review of the Company's governance arrangements generally has been initiated by the Board in the first quarter of 2020 and planning agreed for a formal Board evaluation to be completed during the autumn of 2020. This means that for this financial year, the Company did not comply with supporting provision 21 to Principle L of the Code, although expects to comply with this provision in the next financial year.

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

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

Group Audit Committee

The Group Audit Committee has been delegated responsibility for the monitoring and oversight of the external and internal audit of internal controls. The Committee's responsibilities, main activities and priorities for the next reporting cycle are set out on pages 62 to 64.

Group Risk Committee

The Group Risk Committee has been delegated responsibility for the monitoring and oversight of risk management, mitigation and recommendation for and approval of the risk appetite to the Board. The Committee's responsibilities, main activities and priorities for the coming year are set out on pages 66 to 67.

Shareholder engagement

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

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

Stakeholder engagement

The Board recognises its various legal, fiduciary, statutory and governance obligations and duties in relation to stakeholder engagement, including those specified in the Principles and Provisions of the Code and Section 172 of the Companies Act 2006. Please also see the discussion on pages 10 and 11 regarding responding to stakeholders' needs.

Regarding the duties and responsibilities in respect of employee engagement and the related engagement outcomes, Clare Salmon, the Chair of CMC's Remuneration Committee, has been appointed as the designated Non-Executive Director with responsibility to engage with (and oversee engagement with) employees, and involve relevant views and experiences in Board discussion and decision making (the "Designated Director"). The Designated Director shall engage with (and oversee engagement with) employees in ways that are most effective in discerning relevant views and understanding related experiences. Clare's appointment was considered by the Nomination Committee and approved by the Board in respective March 2020 meetings.

In the discharge of their various legal, statutory and governance obligations and duties, the Directors have endeavoured to act to promote the success of the Group for the benefit of its members as a whole, and in doing so have regard for the interests of its various stakeholders. Details of the various stakeholder groups and their associated engagement strategies are provided on pages 10 and 11. The Board ensures, in its discussion of relevant matters, that stakeholder interests are considered in related discussions and decision making processes and inform policies and procedures.

2019/20 KEY SHAREHOLDER ANNOUNCEMENTS

June 2019
FY19 Results

July 2019
Annual General Meeting 2019

Q1 FY20 Trading Update

October 2019
Q2 FY20 Pre-close Trading Update

November 2019
H1 FY20 Interim Results

January 2020
Q3 FY20 Trading Update

March 2020
Trading Update

COVID–19 and Trading Update

April 2020
FY20 Pre-Close Trading Update

Paul Wainscott

Chair of the Group Audit Committee

MEMBERS AND ATTENDANCE

Paul Wainscott, Chair
●●●●

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

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

● Attended meeting
● Did not attend

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.

Paul Wainscott
Senior Independent Director and Chair of the Group Audit Committee
10 June 2020

Principal responsibilities of the Group Audit Committee

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

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

Areas of focus in 2019/20

The main responsibilities during the year, in compliance with the requirements of the Code, were as follows:

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

Composition and advisers

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

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

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

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

The Group Chairman was invited to and attended all meetings.

Committee attendance is presented on page 57.

Statement of internal controls and internal audit

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

External auditors

The Committee considers the reappointment of the external auditors annually and such consideration includes review of the independence of the external auditors and assessment of the auditors' performance. As part of this review, the Committee agreed to recommend to the Board the reappointment of PwC as the Group's external auditors and a resolution to this effect will be put before the shareholders at the 2020 AGM. The current auditors have been in place for 11 years, though from a listed company perspective 4 years from the point of listing in 2016.

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

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

Non-audit services policy

The Group has a number of relationships with independent advisory and assurance firms which provide alternatives to using PwC.

The Group engaged with PwC for a limited number of non-audit services during the year. For each engagement the auditors' independence was considered by both the Group and PwC to ensure auditor independence would not be compromised. Non-audit-related fees provided by PwC are disclosed in note 8 of the Financial Statements.

In order to ensure compliance with the Ethical Standard issued by the FRC regarding the requirement for safeguarding independence of the external auditors, the Committee has in place a formal policy governing the engagement of the auditors to provide non-audit services, which was reviewed and reapproved in November 2019. The Committee received a non-audit services report for review and approval with the nature of expenditure categorised by discretionary/non-discretionary and incurred and proposed fees.

However, following the publication of the revised Ethical Standards by the FRC in December 2019 the Group's approach has changed. As of 15 March 2020 PwC has not provided any non-audit services to the Group, with the exception of those which are expressly permitted under the new Ethical Standards.

Priorities for financial year 2020/21

The Committee's focus will continue to be to ensure that all relevant accounting practices and disclosures are adhered to and that controls around these obligations are successfully embedded with a strong culture of disclosure and transparency.

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

Group Audit Committee continued

MAIN ACTIVITIES DURING THE FINANCIAL YEAR

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

At each meeting the Committee:

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

May 2019

- Considered the year-end audit report presented by the external auditors and discussed the audit with the lead audit partner. In line with the Committee terms of reference the Committee met with the Group auditors without management or the Executive Directors present.
- Reviewed the Annual Report and Financial Statements, including the specific disclosures such as going concern, viability and risk management and internal controls reporting, for recommendation to the Board.
- Discussed significant financial reporting judgements including recoverability of deferred tax assets, going concern and viability statement.
- Having considered the auditor's independence letter, concluded that the auditor remained independent and objective and recommended the auditor's re-appointment to the Board.
- Reviewed the annual report from the Money Laundering Reporting Officer ("MLRO").

November 2019

- Discussed significant financial reporting judgements including:
  - Recoverability of deferred tax assets. This focuses on the estimation and judgement of the future profitability and resulting recognition of the tax credits in the consolidated Australian entities. The outcome impacts the Group's corporation tax provision and effective tax rate; and
  - Going concern and viability statement. The Committee evaluated a report which considered the Group's ability to maintain sufficient liquidity in a base scenario and a number of downside stress scenarios.
- Considered the interim review report presented by the external auditors and discussed the review with the lead audit partner including in relation to the implementation of IFRS 16 accounting standards, and anticipated Australian and German regulatory changes.
- Reviewed the interim results including consideration of going concern, viability and risk management and internal controls reporting, for recommendation to the Board, and agreed the engagement letter, audit fee and audit plan for the external auditors.
- Completed the annual review of Group policy on non-audit services and fees.
- Considered the results of the auditor evaluation process.

March 2020

- Considered the update on year-end audit presented by the external auditors.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Sarah Ing
Chair of the Group Risk Committee

MEMBERS AND ATTENDANCE

Sarah Ing, Chair
●●●●

James Richards, Chairman
●●●●

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

Paul Wainscott, Senior Independent Director
●●●●

● Attended meeting
● Did not attend

Group Risk Committee

Dear shareholders

As the Chair 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 and takes an active role in advising the Board on the Group's risk strategy. The Committee reviews, challenges and recommends, if it sees fit, the Group's key processes and procedures including its Internal Capital Adequacy Assessment Process ("ICAAP"), Individual Liquidity Adequacy Assessment ("ILAA") and Group Contingency Funding Plan ("CFP"), which were reviewed by the Committee and recommended for approval at the Board's September 2019 meeting. A key priority for the Committee is to ensure that a robust risk culture continues to be embedded across the business.

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

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

Sarah Ing
Independent Non-Executive Director and Chair of the Group Risk Committee
10 June 2020

Principal responsibilities of the Group Risk Committee

The main role and responsibilities of the Committee are:

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

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

The Committee has oversight of the Group's risk management processes as detailed on pages 44 to 53.

Composition

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

The Committee held four meetings during the financial year. The Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Group Head of Risk, Head of Compliance UK and Europe and Head of Compliance and Operational Risk Asia Pacific and Canada attend Committee meetings by standing invitation. Representatives from other areas of the business attend the Committee meetings by invitation as appropriate to the matter under consideration.

Committee attendance is presented on page 57.

Main activities during the financial year

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

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

During the year, the Committee discussed and reviewed risk-related reports, including the recommendation to the Board to adopt the Group Risk Management Framework 2019/20.

The Committee reviewed the Risk Appetite Statement, considered proposed changes and recommended the Group's Risk Appetite Statement for Board approval. The Committee also recommends the Group's ICAAP, ILAA, RMF and CFP to the Board for its approval. In addition the Committee reviewed the Group Recovery Plan and the Annual Notional Limits.

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

Risk management and internal controls

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

Following an annual review undertaken in October 2019, the Committee was satisfied that the Group's risk management and internal controls were effective.

Regulatory compliance

The Committee continued to closely monitor global regulatory changes and the impact on the Group, in particular the risks associated with the impact of the European Securities and Markets Authority ("ESMA") measures which came into effect in 2019.

The Group successfully implemented the provisions introduced by the FCA's Senior Managers and Certification Regime ("SMCR") as it extends SMCR to all Financial Services and Markets Act ("FSMA") authorised firms in December 2019.

Priorities for financial year 2020/21

Key priorities for the year ahead remain focused on continued enhancement of risk culture and frameworks across the business. The Committee will continue to take an active role in advising the Board on risk matters, particularly in relation to the current regulatory environment. The Committee closely monitors risks associated with regulatory change in line with the Group's approach as outlined in pages 44 to 53 of the Strategic report.

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

- continue to monitor the risks associated with regulatory change and the impact this could have on the Group's offering;
- review the Group's planning for, and implementation of, actions to mitigate the impact of Brexit during the transitional period and ensure that the Group maintains a robust risk framework post Brexit;
- monitor development and the likely impact on the Company's operations in Australia in relation to ASIC proposals to exercise product intervention power to make certain market-wide product intervention orders to the issue and distribution of over the counter ("OTC") binary options and CFDs; and
- monitor the Group's response to the FCA's Business Plan for the coming year and to its thematic reviews and focus areas, including culture.

James Richards
Chair of the Group Nomination Committee

MEMBERS AND ATTENDANCE

James Richards, Chair
●●●●●●

Paul Wainscott, Senior Independent Director
●●●●●●

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

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

● Attended meeting
● Did not attend

Group Nomination Committee

Dear shareholders

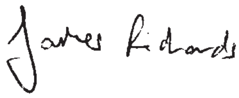
As the Chair of the Nomination Committee (the "Committee"), I am pleased to present the Nomination Committee report.

The principal business of the Committee during the year ended 31 March 2020 related to relevant senior management and Board appointments.

The promotion of David Fineberg to Deputy Chief Executive Officer, Euan Marshall to Chief Financial Officer and Euan's and Matthew Lewis' promotion to the Board are in line with succession plans and the Group's talent development programmes.

Talent development will continue to be a key priority in the succession plan context in the coming year.

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



James Richards
Chairman and Chair of the Group Nomination Committee
10 June 2020

Principal responsibilities of the Nomination Committee

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

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

The main roles and responsibilities of the Committee are:

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

Composition

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

The Committee held six meetings during the financial year.

The Executive Directors attend Committee meetings by invitation.

Committee attendance is presented on page 57.

Board and Board Committee evaluation

Building on the formal Board and Board Committee action plan of 2019 the Board's business was characterised by open debate and constructive challenge and the effective establishing of governance processes consistent with a premium listed London Stock Exchange company. The Board continued to develop opportunities to enhance Director relationships and business interactions.

The Board Committee evaluation process for 2019 had endorsed the effective operation of the Group Audit and Risk Committees and complimented Executive interaction and information flows facilitating informed and open debate. Both Committees sought to maintain and build on these processes and practices.

The Nomination and Remuneration Committees sought to improve their operation and governance processes. Both Committees held more meetings during the year seeking to explore and embed improved practices and develop enhanced information flows and robust discussion.

Board evaluation

Due to Company Secretarial departmental changes in the financial year ended 31 March 2020 a Board evaluation has not been completed for the financial year. A general governance review has been initiated in the first quarter of 2020 overseen by the Nomination Committee. Further, a formal 2020/21 evaluation plan has been approved by the Nomination Committee and is intended to be implemented in the Autumn of 2020. When considering the timeliness of the proposed evaluation process it was noted that the 2018/19 evaluation was held towards the end of that financial year. It is therefore intended that the 2020/2021 evaluation be completed within 18 months of the 2018/19 evaluation.

Succession planning and diversity

The Committee takes an active role in the succession planning of Board members. During the year two Executive Directors were appointed with the Nomination Committee participating fully in the process consistent with its terms of reference.

The Committee retains a focus on diversity, including gender, in its operation and works closely with the Remuneration Committee with regard to issues such as the gender pay gap.

It is committed to addressing diversity through a Board and senior management team comprising individuals from different backgrounds with diverse and relevant skills, knowledge, experience and perspectives.

The Committee carefully considers the benefits of diversity, including gender diversity, whilst ensuring that our obligation to shareholders to recruit the best individual for relevant roles based on merit is fulfilled. The Board's Diversity Policy can be found on the CMC Markets plc Group website and gender diversity statistics are presented on page 36.

Priorities for the financial year 2020/21

The Committee will continue to focus on key themes such as diversity and succession planning and is committed to ensuring that continued improvements to Board and Board Committee effectiveness are made following the evaluation in 2018/19, and the findings of the 2020/21 evaluation.

MAIN ACTIVITIES DURING THE FINANCIAL YEAR

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

April 2019

- Oversight of Executive Director resignation and appointments and related Board accessions.
- Consideration of Board and Board Committee evaluation results.

May 2019

- Individual Director evaluation in respect of time commitment and independence.
- Chief Financial Officer interim appointment consideration and recommendation.
- Determination of annual re-election of Directors.
- Consideration and recommendation of appointment of CMC Markets Group Australia Pty Ltd Chair.

October 2019

- Consideration and recommendation of Chief Financial Officer appointment.
- Consideration and determination of Executive Director appointments.

January 2020

- Succession planning update and planning oversight.

March 2020

- Board evaluation planning.
- Board Diversity Policy review and update.
- Consideration and recommendation of Designated Director for employee engagement.

Clare Salmon

Chair of the Group Remuneration Committee

MEMBERS AND ATTENDANCE

Clare Salmon, Chair
●●●●●

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

James Richards, Chairman
●●●●●

Paul Wainscott, Senior Independent Director
●●●●●

● Attended meeting
● Did not attend

Directors' Remuneration Committee

Principal responsibilities of the Remuneration Committee

The Committee reviews and sets the remuneration of the Executive Directors within the parameters of the Directors Remuneration Policy as approved by shareholders at the 2018 Annual General Meeting. As such the Committee is responsible for determining the remuneration policy and framework, and setting the remuneration for all executive directors, members of the Senior Leadership Team, the Company Secretary and the Chairman of the Board, including pension rights, benefits entitlements and any compensation payments.

The main role and responsibilities of the Remuneration Committee are:

- to review and agree appropriate Remuneration Policies which comply with all relevant regulations;
- to review and determine the remuneration of the Executive Directors and the senior management team having regard to remuneration of the wider CMC workforce;
- to review and ensure that incentive payments to Executive Directors are linked to the achievement of stretching financial performance and both strategic and individual agreed objectives;
- to ensure that remuneration incentivises and retains key employees including the Executive Directors and senior management;
- to ensure that Executive remuneration is linked to the delivery of the long-term success of the Company;
- have oversight of the operation of remuneration arrangements across the CMC group through regular review of 'management' information including gender related
- to review any major changes to employee benefit structures, including new share schemes, and ensure that shareholders are consulted, and the required approval processes followed;
- to review the appropriateness of remuneration against the risk management strategy following advice from the Group Risk Committee; and
- to ensure all relevant regulations relating to Executive Director remuneration are adhered to.

Committee composition, attendance and advisers

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

The Committee held five meetings during the financial year.

Committee attendance is presented on page 57.

The Committee was advised by Willis Towers Watson ("WTW"), whose continued appointment was reviewed by the Committee in September 2018, to advise the Committee on remuneration matters, including independent advice on the information and proposals presented to the Committee by Company Executives. WTW is a member of the Remuneration Consultants Group ("RCG") and is a signatory to the RCG's Code of Conduct. It was confirmed that none of the Committee members had any connection or conflicts of interest in regard to this appointment. Additional legal advice was sought from Tapestry Compliance Limited in respect of the Group's share-based plans, in particular the combined incentive plan ("CIP") approved by shareholders at the 2018 AGM.

During the year, the Committee received support on remuneration matters from the Chief Executive Officer (in regard to Executive Director remuneration), the Deputy CEO and Chief Financial Officer (in regard to members of the Executive Committee) and the Head of HR on both executive and wider workforce remuneration.

Remuneration Policy

The Directors' Remuneration Policy ("Policy") was approved by shareholders at the 2018 AGM as set out on page 88.

During the year Committee continued to monitor the appropriateness of the revised policy both in the light of alignment with the Group's strategic priorities, latest corporate governance developments and, most recently, the impact of COVID-19. Other than an amendment to the rules of the CIP to allow the Committee greater discretion to adjust for formulaic outcomes, as highlighted in last year's report, the Committee has concluded that the Remuneration Policy works well to support delivery of the business strategy.

Priorities for the financial year 2020/21

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 continuing role of the Committee, along with performance-related pay, and relevant remuneration policies that fall under the remit of the Committee.

MAIN ACTIVITIES DURING THE FINANCIAL YEAR

May 2019

- Consideration of Combined Incentive Plan ("CIP") amendments;
- Consideration of Management Equity Plan ("MEP") and CIP Performance Targets and Awards;
- Senior Leadership Team Performance Reviews;
- Senior Leadership Team and Company Secretary Objective Setting;
- Executive Director and Senior Leadership Team base salary proposals;
- Discussion of proposed Company Gender Pay Gap Report;
- Executive Director Performance Review in relation to strategic and personal objectives.

July 2019

- Consideration and approval of Deputy Chief Executive pay increase proposals;
- Senior Leadership Performance Review;
- Ratification of awards under the MEP;
- Consideration of Senior Leadership Team Objective setting and requirements under the Senior Managers and Certification Regime ("SMCR");
- Consideration of Company Gender Pay Gap data;
- Discussion of Bonus Scheme arrangements.

October 2019

- Consideration of AGM shareholder voting analysis
- Consideration of advice relating to Code compliance in relation to remuneration and connected governance, and discussion of related current trends;
- Mid year performance management and remuneration update.

February 2020

- Executive Director Performance Review update;
- Consideration of potential bonus outcomes.

March 2020

- Review of planned 2020 reward timeline;
- Consideration of the Gender Pay Gap Report;
- Consideration and approval of calculation relating to the CEO Pay Ratio regulation;
- Review of proposed 2020 Corporate Bonus Pool and Salary Increase budget.

Directors' Remuneration Committee continued

Dear shareholders

I am pleased to present my Remuneration Committee ("Committee") report as Chair. This independent Board Committee has three key accountabilities. Firstly, it is responsible for assessing and setting Executive Director remuneration, incentives and retention arrangements. Secondly, the Committee reviews and determines senior management, Code staff (individuals whose professional activities have a material impact on the Group's risk profile) and client facing staff remuneration. The Committee also reviews other Group remuneration as required. This report summarises the outcomes of these activities and describes the future focus of the Committee over the coming year.

Remuneration Context

As highlighted, the Committee implemented a revised Remuneration Policy in 2018. The business faced significant commercial and regulatory challenges in 2019, and the Remuneration Committee exercised its discretion under the new policy to make no awards, hence ensuring that shareholder and Director experiences were congruent.

The Remuneration Committee remains of the view that the changes in Policy in 2018 remain appropriate and afford the Committee the flexibility to ensure that incentive arrangements can be aligned with the strategic priorities for the business and the shareholder experience. Indeed, the Group's ongoing focus on medium to long-term value generation has delivered a major improvement in performance in 2020, with revenue diversification increased through both the Australian stockbroking business and the institutional B2B business, complemented by strong growth in the core retail B2C business. This stretching performance is reflected in Remuneration outcomes as described below.

Regarding Provision 36 to Principle P of the UK Corporate Governance Code, the remuneration committee has not developed a formal policy for post-employment shareholding requirements. The Remuneration Committee considered existing shareholding policies and the Company's related malus and clawback rights as supporting alignment with long-term shareholder interests. Further, the Remuneration Committee also noted the challenge of enforcing post-employment shareholding requirements and considered such requirements as potentially inconsistent with a free market in relevant shares.

Board Changes

During the year there were a number of Executive Board changes. Grant Foley resigned in April 2019. In the light of this, the Board took the opportunity to review the Group's structure and to create an operating model better aligned to the business strategy and operations of the business, and with an eye to refining accountabilities in the light of recent SMCR regulatory changes. Matthew Lewis joined the Board in November in order to fully reflect the reach and ambition of the APAC region, following the successful completion of the ANZ Bank transaction. David Fineberg assumed the role of Deputy Chief Executive, and a distinct CFO role was created at Board level, to which Euan Marshall was appointed, following his successful initial interim appointment.

The appointments of Euan and Matthew are a culmination of successful careers with CMC over a number of years, and as a result both have been able to have an immediate impact since joining the Board. This is reflected in the assessment of their performance in the period and the remuneration outcomes.

Details of the leaving arrangements for Grant are described in the Remuneration Report, as are the details of the arrangements applicable to the current executive directors.

Overview of performance in the year ended 31 March 2020

As highlighted, the Group saw a significant performance improvement in 2020 as a result of the long-term focus on acquiring and retaining high value, sophisticated clients and the ongoing success in delivering our strategic initiatives.

Revenue growth has been strong across our retail B2C and institutional B2B businesses and across both our CFD and stockbroking products. The stockbroking business also contributed material revenue and profitability in the first full year since the implementation of the ANZ Bank stockbroking partnership. The result is an increase in net operating income of £121.2 million.

The Group continued to manage the cost base tightly but at the same time has been investing where opportunities have been identified including both in people and in technology and our platform. These investments have enabled us to adapt our ways of working during the current COVID-19 crisis through effective remote working. As a result, profit before tax at £98.7 million was £92.4 million higher than the previous year.

As well as the significant improvement in profitability, the underlying fundamentals of the business remain strong.

Implementation of Remuneration Policy during 2020

This year was the second year of the implementation of the Combined Incentive Plan

The Combined Incentive Plan was assessed against Group financial, strategic and individual performance targets, as approved by the Remuneration Committee as follows:

- 60% based on financial performance (earnings per share – threshold 7.7 pence, target 10.2 pence and maximum 12.8 pence)
- 30% based on strategic performance (a detailed disclosure of strategic objectives is outlined in table on page 83)
- 10% based on achievement of personal objectives (a disclosure of personal objectives is outlined in table on page 83)

Subsequent to the year end, the Committee assessed the performance of participants under the Combined Incentive Plan and determined the total Award of each of the Executive Directors' and the senior leadership team.

As highlighted, the Group has had a strong year as has been reported in a series of trading updates throughout the performance period. This was further enhanced by the increased market activity in the final quarter. Diluted EPS was 29.9 pence against a maximum target of 12.8 pence, resulting in 100% achievement of this element of the Plan, i.e. 60% of the maximum award.

Similarly, against strategic measures the Group performed exceptionally well delivering a comprehensive restructuring of its risk approach, embedding the ANZ Bank relationship and launching a number of technology initiatives which resulted in an overall achievement of 90% of the maximum relating to this element of the Plan i.e. 30%.

Implementation of Remuneration Policy during 2020 continued

In determining translation of performance into the individual awards the Committee additionally considered a range of other factors including; the overall Company performance over the period; individual behaviour aligned to the Group's culture and the Company's risk appetite; time and development in role and if the formulaic outcomes were reflective of shareholders' experience.

In doing so the Committee chose to exercise judgement resulting in awards of 100% of potential award to the CEO; 90% to the Deputy CEO; 50% to the CFO and 100% to the Head of Asia Pacific & Canada.

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

In arriving at these award levels, the Committee has considered the prevailing economic conditions with regard to COVID-19 and whether it should apply any discretion and or deferral of the cash element of the Plan. However, it has concluded that in light of the strong year, unadjusted payments are appropriate. The supporting factors which drove this decision include: CMC's 12 month TSR performance illustrated on page 84, trading conditions in the first quarter of 2021, the current outlook, a strong balance sheet, our approach to remuneration across the Group as whole, including base pay adjustments, the payment of bonuses to 78% of our workforce, and the successful execution of our strategy. The Committee believes such an approach is consistent with its focus on aligning pay with performance.

Share Awards were therefore granted, post the release of the Group's results for the year ending 31 March 2020. The Share Awards will be assessed against a performance underpin after a further three-year period ending 31 March 2023 and, if the underpin is achieved, continue to vest until 2025.

Implementation of Remuneration Policy for 2021

The 2018 Remuneration Policy continues to be applicable for the year ending 31 March 2021.

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

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

In relation to the EPS target, the Committee has ensured that a sufficiently stretching range has been set by taking account of a number of internal and external reference points and the impact of regulatory change. The target range will be disclosed in next year's Annual Report. With regard to the strategic and personal objectives, these will be evaluated based on quantitative measurable objectives in the significant majority of cases. Detailed disclosure of these quantitative performance measures and associated outcomes will be included in the 2021 Annual Report and Accounts.

I hope you find the report helpful in understanding the approach the Committee is taking in endeavouring to strike the right balance with remuneration in a challenging regulatory environment, whilst still aligning remuneration with shareholder outcomes.

Clare Salmon
Independent Non-Executive Director and Chair of the Group Remuneration Committee
10 June 2020

Directors' Remuneration Committee continued

Directors' Remuneration Policy

In 2018 the Board carried out a review of the Company's strategy, and restructured the incentive arrangements to better align with the Group's strategy. These arrangements, which were approved at the Annual General Meeting on 26 July 2018, are unchanged for 2020. The full policy as approved by shareholders in the 2018 annual report, can be found in the investor relations section of the corporate website.

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

Policy table

The below table summarises the key components of the Remuneration Policy for the Executive Directors which was approved at the Annual General Meeting on 26 July 2018.

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary To reflect the market value of the role and individual's experience, responsibility and contribution.	The policy is for base salary to be competitive. In making this assessment the Committee has regard for: • the individual's role, responsibilities and experience; • business performance and the external economic environment; • salary levels for similar roles at relevant comparators; and • salary increases across the Group payable in cash. Salaries are reviewed on an annual basis, with any increase normally taking effect from 1 April.	Executive Director salary increases will normally be in line with those awarded to the wider employee population. Increases may be above this level if (i) there is an increase in scale, scope or market comparability of the role and/or (ii) where an Executive Director has been promoted or has had a change in responsibilities. Where increases are awarded in excess of the wider employee population, the Committee will provide an explanation in the relevant year's Remuneration report.	Business performance is considered in any adjustment to base salary.
Pension To provide competitive retirement benefits.	Executive Directors participate in a defined contribution pension scheme or may receive a cash allowance in lieu.	Up to 15% of salary.	Not applicable.
Share Incentive Plan ("SIP") To encourage broad employee share ownership.	In line with HMRC rules, Executive Directors are entitled to participate in the SIP on the same terms as other employees.	In line with HMRC permitted limits.	Not applicable.
Benefits To provide market competitive benefits.	Benefits include life insurance, permanent health insurance, private medical insurance, dental insurance, health screening/assessment, critical illness, interest-free season ticket loans, gym membership, eye tests, cycle to work, childcare vouchers, dining card, travel insurance, club membership and car allowance. Where appropriate, other benefits may be offered including, but not limited to, allowances for relocation and other expatriate benefits to perform his or her role.	Benefits may vary by role and individual circumstances and are reviewed periodically to ensure they remain competitive. The maximum value of the benefits is unlikely to exceed 10% of salary.	Not applicable.

Directors' Remuneration Policy continued

Policy table continued

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Combined incentive plan To ensure that incentives are fully aligned to the Group's strategy	The value of an award will be determined based on performance achieved in the previous financial year against defined financial and strategic targets. Performance conditions and targets are reviewed prior to the start of the year to ensure they are appropriate and stretching and reinforce the business strategy. At the end of the year the Committee determines the extent to which these were achieved. The award will be delivered as follows: Cash award: 45% of the award will be settled in cash as soon as practicable following the financial year. Deferred Shares: 55% of the award will be deferred into shares for up to five years following the financial year. This portion of the award will vest subject to the achievement of a three-year performance underpin to ensure the deferred portion of the award is warranted based on sustained success. Subject to the achievement of the performance underpin, the Deferred Share portion of the award will vest pro-rata over a period of at least five years. It is anticipated this will be as follows: • 40% after three years; • 30% after four years; and • 30% after five years. Incentive awards are discretionary. Awards under the combined incentive plan are non-pensionable and are subject to malus and clawback for a seven-year period from grant in the event of a material financial misstatement, gross misconduct, calculation error, failure of risk management, or any other circumstance the Committee considers appropriate.	Participants in the new plan will include the Executive Directors. However, the CEO will not participate in the Deferred Share element of the plan in accordance with scheme rules. Executive Directors (excluding CEO): Awards may be up to 300% of salary delivered as follows: • Cash award: 135% salary. • Deferred Shares: 165% salary. CEO: Awards may be made under the cash element of the plan only up to 135% of salary in accordance with the scheme rules.	Performance is assessed against Group and individual performance measures as considered appropriate by the Committee. Financial performance will account for at least 60% of an award. It is anticipated that the performance measures applied in 2018/19 will be: • 60% financial: based on achievement of absolute earnings per share targets; • 30% strategic: based on the achievement of measurable objectives against targets on metrics including net promoter score, premium client growth, etc.; and • 10% personal objectives. The Deferred Share portion will vest subject to a performance underpin measured over a period of at least three years. The Committee will review Group performance over the relevant period, taking into account factors such as a) the Company's TSR performance, b) aggregate profit levels and c) any regulatory breaches during the period.

Directors' Remuneration Committee continued

Directors' Remuneration Policy continued

Policy table continued

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 only be granted by the Remuneration Committee to facilitate external recruitment. 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 the Company's 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's 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.

Further to shareholder approval of the new policy, the final award of the LTIP was granted to Executive Directors in 2018 and no further awards under the LTIP will be awarded to Executive Directors, albeit the Company reserves the right to make awards under the LTIP to facilitate external recruitment.

Notes to the policy table

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

Shareholding guidelines

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

Dividend equivalents

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

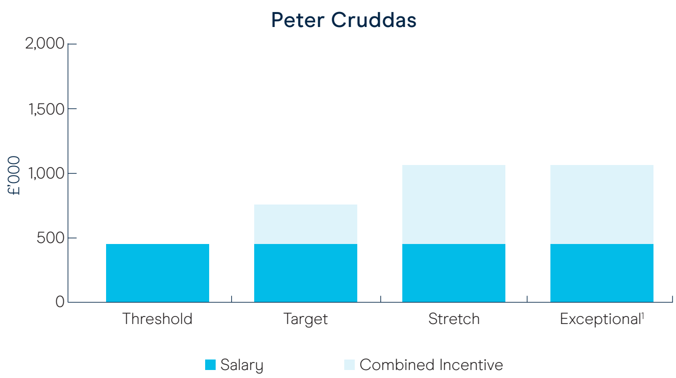
Clawback and malus provisions

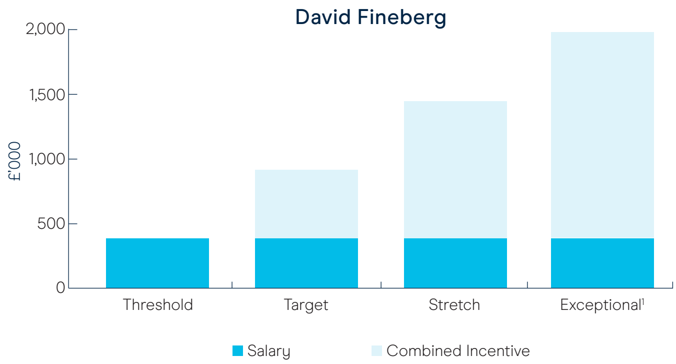
Awards under the plan will be subject to provisions that allow the Committee to withhold, reduce or require the repayment of awards after vesting if there is found to have been (a) material misstatement of the Company's financial results, (b) gross misconduct on the part of the award holder, or (c) any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

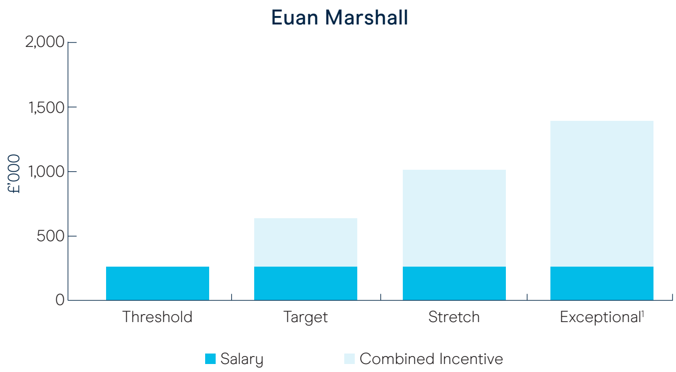
Directors’ Remuneration Policy continued

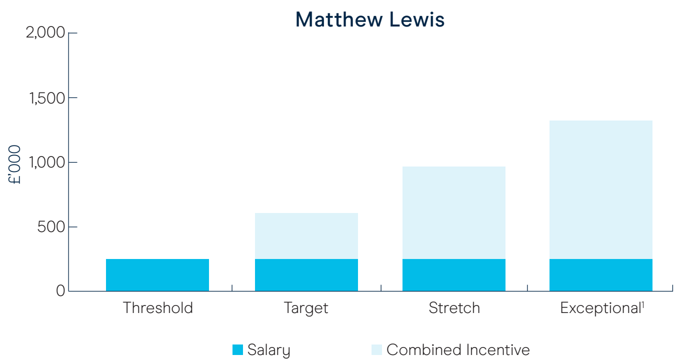
Executive Directors’ remuneration scenarios

The charts below provide estimates of the potential future reward opportunity for each of the four Executive Directors, and the implied split between the different elements of remuneration under three different performance scenarios: “Threshold”, “Target” and “Stretch”. Grant Foley received £155,136 up to 18 August 2019 in line with the notice provisions in his Service Agreement.









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

Component		Threshold	Target	Stretch	Exceptional[1]
Fixed	Base salary	Latest salary	n/a	n/a	n/a
	Pension	Contribution applies to latest salary	n/a	n/a	n/a
	Other benefits	As presented as a single figure on page 82	n/a	n/a	n/a
Combined incentive		No payment	50% of maximum	100% of maximum	100% of maximum with 50% growth in share price

1 Exceptional performance is a new disclosure requirement for 2020 showing 100% of the maximum award and a 50% growth in share value.

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

In accordance with the scheme rules, Peter Cruddas does not participate in the Deferred Share element of the combined incentive plan, neither does he participate in the pension arrangements and so these elements are not included for him in the above chart.

Remuneration policy for new hires

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

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

Directors' Remuneration Policy continued

Remuneration policy for new hires continued

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

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

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

In the case of hiring or appointing a new Non-Executive Director, the Committee will follow the policy as set out in the table on page 80.

Service contracts

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

Executive Director	Position	Effective date of contract	Notice period from Company	Notice period from Director
Peter Cruddas	Chief Executive Officer	1 February 2016	12 months	12 months
Euan Marshall	Chief Financial Officer	1 November 2019	6 months	6 months
David Fineberg	Deputy Chief Executive Officer	1 February 2016	6 months	6 months
Matthew Lewis	Head of Asia Pacific & Canada	1 November 2019	6 months	6 months

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

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

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

Non-Executive Directors are all on a 3 month notice period, details of the effective date of Non-Executive Directors' letters of appointment are set out below:

Non-Executive Director	Date of initial letter	Date of latest letter	Date of appointment
James Richards	25 January 2016	16 February 2018	1 April 2015
Sarah Ing	7 July 2017	7 July 2017	14 September 2017
Clare Salmon	19 July 2017	19 July 2017	2 October 2017
Paul Wainscott	11 July 2017	11 July 2017	19 October 2017

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.

Directors' Remuneration Policy continued

Exit payment policy continued

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

Event		Timing of vesting/award	Calculation of vesting/payment
Combined incentive	"Good leaver"	On normal vesting date (or earlier at the Committee's discretion).	Unvested awards vest to the extent that any performance conditions have been satisfied and are pro-rated to reflect the proportion of the vesting period served.
	"Bad leaver"	Unvested awards lapse.	Unvested awards lapse on cessation of employment.
	Change of control[1]	On the date of the event.	Unvested awards vest to the extent that any performance conditions have been satisfied and are pro-rated to reflect the proportion of the vesting period served, subject to the Remuneration Committee's discretion otherwise.

Event		Timing of vesting/award	Calculation of vesting/payment
LTIP	"Good leaver"	On normal vesting date (or earlier at the Committee's discretion).	Unvested awards vest to the extent that any performance conditions have been satisfied and are pro-rated to reflect the proportion of the vesting period served.
	"Bad leaver"	Unvested awards lapse.	Unvested awards lapse on cessation of employment.
	Change of control[1]	On the date of the event.	Unvested awards vest to the extent that any performance conditions have been satisfied and are pro-rated to reflect the proportion of the vesting period served.

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

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

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

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

Consideration of conditions elsewhere in the Group

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

Remuneration policy for other employees

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

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

Consideration of shareholder views

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

Directors' Remuneration Policy continued

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

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

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

Performance measurement selection

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

The 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.

The combined plan strengthens the alignment of pay with the measures of performance that are important in creating value for shareholders and also forms a strong retention and motivation mechanism for Executives. The performance measures selected are a combination of financial performance, strategic performance and individual objectives. The achievement of these performance measures will be reviewed by the Committee ahead of any award and the vesting of share awards will be subject to the achievement of a performance underpin over the vesting period.

Risk considerations

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

Directors' Remuneration Policy continued

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.

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

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

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

In addition during May 2019, the Remuneration Committee recommended and the Board adopted amendments to the Combined Incentive Plan to ensure alignment with the 2018 UK Corporate Governance Code by the inclusion of relevant clauses to ensure the Remuneration Committee are able to use their discretion to reduce the value of a Cash Award or the number of Shares to a Share Award or the extent to which a Share Award will Vest, to avoid an otherwise formulaic outcome.

Minor changes

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

Annual Report on Remuneration

The Remuneration Policy operated as intended in the year ending 31 March 2020 and the following section sets out the remuneration arrangements and outcomes for the year ended 31 March 2020, and how the Committee intends the Remuneration Policy to apply during the year ending 31 March 2021.

The following pages have been prepared in accordance with Part 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and Rule 9.8.6 and 9.8.8 of the Listing Rules and will be put to an advisory shareholder vote at the Annual General Meeting on 30 July 2020.

Single total figure of Executive Director remuneration (audited)

The table below sets out the single total figure of the remuneration received by each Executive Director who served during the year ended 31 March 2020 and 31 March 2019. For Euan Marshall and Matthew Lewis the figure represent remuneration since their appointment to the Board on 1st November 2019.

Name	Year ended 31 March	Salary £'000	Benefits[1] £'000	Annual incentives[2] £'000	Long-term incentives[3] £'000	Pension[4] £'000	Share Incentive Plan[5] £'000	Total £'000
Peter Cruddas	**2020**	**443.7**	**2.9**	**601.9**	**—**	**—**	**—**	**1,048.5**
	2019	431.1	3.3	—	—	—	—	434.4
Grant Foley	**2020**	**141.7**	**1.1**	**—**	**—**	**12.1**	**0.2**	**155.1**
	2019	316.5	2.6	—	—	31.6	1.4	352.1
David Fineberg	**2020**	**341.2**	**1.6**	**425.3**	**13.2**	**30.0**	**1.8**	**813.1**
	2019	301.6	1.4	—	—	30.6	1.4	335.0
Euan Marshall	**2020**	**104.2**	**0.7**	**70.3**	**—**	**9.4**	**0.8**	**185.4**
Matthew Lewis	**2020**	**97.5**	**—**	**131.6**	**—**	**9.3**	**—**	**238.4**

1 Benefits: taxable value of benefits received in the year by Executive Directors comprises private health insurance.

2 Annual incentives for the year ending 31 March 2020: the total earned in respect of performance during the relevant financial year.

3 The long-term incentive payment to David Fineberg relates to the vesting of the November 2016 LTIP Performance Award. The EPS and TSR targets were not met but achieved above average for the net promoter score for the period. This yielded a total vesting of 8.4% of the granted shares.

4 Pension: during the year ended 31 March 2020, Grant Foley, David Fineberg and Euan Marshall received a Company pension contribution of 10% of salary. Grant Foley also received pension contributions during his notice period in accordance with his contract of employment. Matthew Lewis received contributions to the Superannuation plan in Australia. Peter Cruddas opted out of the plan and no compensation was provided. None of the Executive Directors have a prospective right to a final salary pension by reference to years of qualifying service.

5 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 2019/20, 1,630 matching shares were allocated to David Fineberg, and 500 matching shares were allocated to Euan Marshall, with their value calculated based on the dates of purchase. In 2018/19, 1,688 matching shares to David Fineberg, and calculated by reference to the share price on 31 March 2019. 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.

Combined incentive plan for the year ended 31 March 2020 (audited)

During the year ended 31 March 2020 the Executive Directors participated in the Combined Incentive Plan with a maximum opportunity of up to 135% of salary for the CEO and up to 300% of salary for the Deputy Chief Executive Officer. The Chief Financial Officer and the Head of Asia Pacific & Canada also participated in the scheme with a maximum opportunity of 125% for the period from their appointment to the Board to the 31 March 2020.

In considering the combined incentive Cash Award and Share Award, together comprising the Award, due to the Executive Directors for the year ended 31 March 2020, the Committee reviewed Group earnings per share ('EPS') against targets over the period.

Group financial performance measure

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

Measure	Threshold	Target	Maximum	Actual
Group earnings per share ("EPS")	7.7 pence	10.2 pence	12.8 pence	29.9 pence

The Committee also considered the Group's strategic achievements during the year, which included the successful implementation of the new risk management strategy, the inception and launch of several significant technology projects to be delivered in H2 2021, the embedding of the ANZ Bank transaction and the review of the firm's geographic coverage. Finally, the Committee reviewed each Executive Directors personal performance over the period. Grant Foley, Chief Operating and Financial Officer having served notice of resignation on the Company in April 2019 was not considered for an Award under the Combined Incentive Plan in accordance with the rules in relation to 2020.

Annual Report on Remuneration continued

Combined incentive plan for the year ended 31 March 2020 (audited) continued

Group strategic performance measures

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

Measure	Proportion of strategic measures %	Attainment %	Weighted outcome %
Revenue and Growth	20	100	20
Risk Management strategy	40	100	40
Technology Projects	20	100	20
Geographic Review	20	50	10
	100		90

Personal performance measures

Personal performance measures account for 10% of the total award.

Measure	Proportion of personal measures %	Attainment %	Weighted outcome %
Develop skills and knowledge	33	50	17
Culture	33	100	33
Talent and capability	34	100	34
	100		84

The table above shows the aggregate view of the combined personal performance of the Executive Directors. Consideration of the above matters determined the total potential award available to the Executive Directors, in accordance with the policy and the terms of the Combined Incentive Plan. Subsequently the Committee also considered:

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

Based on the excellent financial results and significant progress the Executive Directors have made in strengthening the underlying drivers of the business and positioning the firm for future growth the Committee recommend the following awards under the Combined Incentive Plan.

		Combined Incentive Outcomes						
		Total award			Cash award		Share award	
Individual	Pro rata max award % salary	Award (as % max)	Award (% salary)	Award (£'000)	Cash Award (£'000)	(% salary)	(£'000)	Share Award (% salary)
Peter Cruddas (Chief Executive Officer)[1]	300%	100%	300%	1,337.4	601.9	135%	n/a	n/a
Euan Marshall (Chief Financial Officer)	125%	50%	63%	156.2	70.3	28%	85.9	35%
David Fineberg (Deputy CEO)	300%	90%	270%	945.0	425.3	121%	519.8	149%
Matthew Lewis (Head of Asia Pacific & Canada)	125%	100%	125%	292.5	131.6	56%	160.9	69%

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

Long Term Incentive Plan ("LTIP") (audited)

As no payments arose under the CIP in respect of 2019 performance no share awards were made to directors in 2020.

Directors' Remuneration Committee continued

Annual Report on Remuneration continued

Implementation in 2020/21

Salary

The Executive Directors will not receive a pay rise with effect from 1 June 2020.

Name	Role	Previous salary	Adjusted salary	Percentage change
Peter Cruddas	Chief Executive Officer	£445,843	£445,843	0%
David Fineberg	Deputy Chief Executive Officer	£350,000	£350,000	0%
Euan Marshall	Chief Finance Officer	£250,000	£250,000	0%
Matthew Lewis	Head of Asia Pacific & Canada	£234,000	£234,000	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 and the Head of Asia Pacific & Canada who receives Super Annuation in Australia.

Share ownership and share interests (audited)

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

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

Name	Total share interests at 31 March 2020	Total share interests 31 March 2020 as a % salary	Requirement met	Unvested awards not subject to performance condition[2]	Unvested awards subject to performance conditions[3]
Executive Directors					
Peter Cruddas (including shares held by spouse)	174,149,738	70,309	Yes	—	—
Grant Foley[1]	228,878	n/a	n/a	—	—
David Fineberg[2] (including shares held by spouse)	344,657	177	No	4,150	580,593
Euan Marshall[2] (including shares held by spouse)	12,676	9	No	3,020	—
Matthew Lewis (including shares held by spouse)	50,663	39	No	—	188,143

1 Grant Foley – figure reflects holding on date of leaving CMC.

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

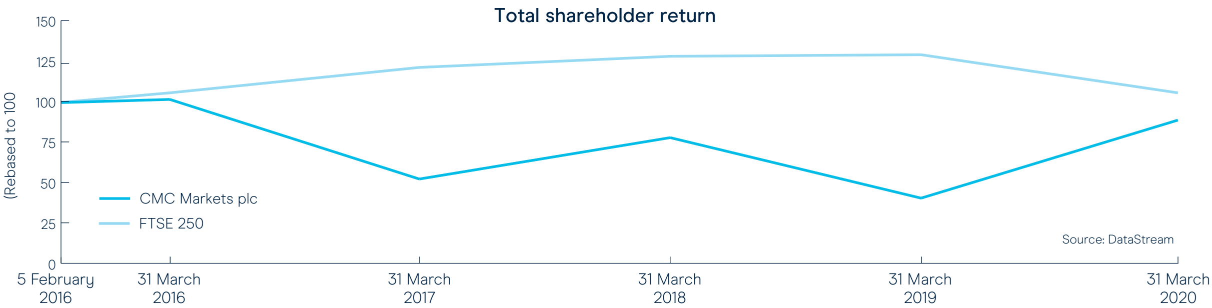
3 Matthew Lewis total share interests and unvested awards relates to share awards made before his appointment to the Board.

David Fineberg and Euan Marshall have continued to participate in the Share Incentive Plan, each acquiring 147 matching shares and 147 partnership shares in total during April and May.

There are no other changes to shareholding between 31 March 2020 and the 1 June 2020.

Total shareholder return ("TSR") performance and CEO single figure

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



Annual Report on Remuneration continued

CEO pay history

Name	Year ended 31 March 2016[1]	Year ended 31 March 2017	Year ended 31 March 2018	Year ended 31 March 2019	**Year ended 31 March 2020**
CEO single figure of remuneration (£'000)	739.9	412.8	845.8	434.4	**1,048.5**
Annual incentive payout (as % of maximum)	100%	0%	83%	0%	**100%**
Long-term incentives (as % of maximum)	Not applicable	Not applicable	Not applicable	Not applicable	**Not applicable**

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

Percentage change in CEO remuneration

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

CEO annual	**Year ended 31 March 2020 £'000**	Year ended 31 March 2019 £'000	Increase/ (decrease)	Average increase across all employees
Salary	**443.7**	431.1	2.9%	3.1%
Taxable benefits	**2.9**	3.3	(9.4)%	—
Annual incentive	**601.9**	—	100.0%	461%

Pay ratio reporting

This reporting year legislation has come into force which requires quoted companies with 250 or more employees to publish information on the pay ratio of the Group Chief Executive to UK employees. In line with the new regulatory requirements, the table below sets out the ratio at median, 25th and 75th percentile of the total remuneration received by the Group Chief Executive compared to the total remuneration received by our UK employees, as well as comparing to base salary only. Total remuneration reflects all remuneration received by an individual in respect of the relevant years, and includes salary, benefits, pension, and value received from incentive plans. Employee pay and benefits were determined on 22 May 2020 using the same approach as used for the Single Total Figure.

		Total remuneration		
Financial year	Methodology	P25 (Lower Quartile)	P50 (Median)	P75 (Upper Quartile)
2020	A	1:26	1:17	1:12

	CEO £'000	P25 (Lower Quartile) £'000	P50 (Median) £'000	P75 (Upper Quartile) £'000
Salary	443.7	35.3	51.9	71.0
Incentives	601.9	3.1	7.8	14.6
Post-employment benefits	0.0	1.3	2.0	2.8
Benefits	2.9	0.6	0.9	1.3
Total Reward	1,048.5	40.3	62.6	89.7

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

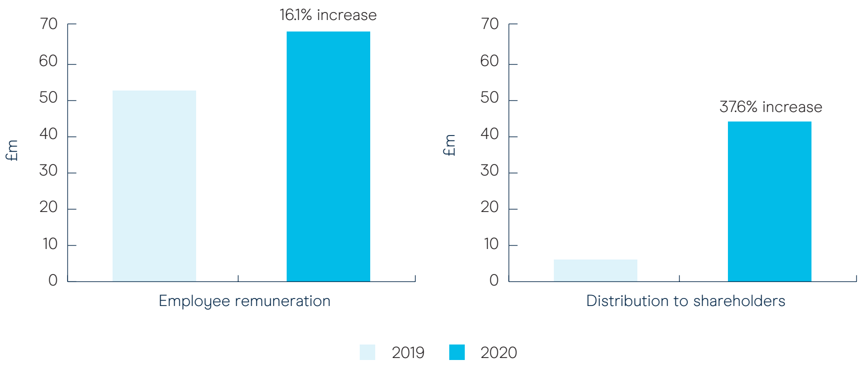
We are satisfied that the median pay ratio voluntarily reported this year is consistent with our wider pay, reward and progression policies for employees. The median reference employee has the opportunity for annual pay increases, annual performance payments and career progression.

Directors’ Remuneration Committee continued

Annual Report on Remuneration continued

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 2019 and 31 March 2020.



Dilution

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

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

As Grant Foley resigned from the Board and worked his notice period, there were no payments to past Directors or for loss of office during the year. All unvested LTIP awarded to Grant Foley were forfeited according to the rules of the scheme.

Board changes

Appointment of Matthew Lewis

Consistent with the April 2019 announcement, Matthew Lewis joined the Company Board on 1st November 2019.

Appointment of Euan Marshall

Following a successful period as interim CFO, Euan Marshall joined the Company Board on 1st November 2019.

Non-Executive Director remuneration

Remuneration for the year ending 31 March 2020 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

Given that Non-Executive Director fees have been unchanged since listing in 2016, it is proposed that the Non-Executive Directors’ remuneration arrangements will be reviewed during the financial year ending 31 March 2021, taking into account changes in the size and complexity of the business, NED time commitment and relevant market remuneration data, and adjusted if appropriate.

External appointments

It is the Board’s policy to allow Executive Directors to take up external Non-Executive positions, subject to the prior approval of the Board. Any fee earned in relation to outside appointments is retained by the Executive Director. Only Peter Cruddas held any external appointments during the year ended 31 March 2019 and received no fees in relation to these appointments.

Annual Report on Remuneration continued

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

The table below sets out the single total figure of the remuneration received by each Non-Executive Director who served during the year ended 31 March 2020 and 31 March 2019.

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

Name	Year ended 31 March	Base fee £'000	Committee fee £'000	SID fee £'000	Benefits[1] £'000	Total[2] £'000
James Richards	**2020**	**160.0**	**—**	**—**	**—**	**160.0**
	2019	160.0	—	—	—	160.0
Paul Wainscott	**2020**	**60.0**	**10.0**	**5.0**	**0.3**	**75.3**
	2019	60.0	10.0	5.0	2.5	77.5
Clare Salmon	**2020**	**60.0**	**10.0**	**—**	**—**	**70.0**
	2019	60.0	10.0	—	—	70.0
Sarah Ing	**2020**	**60.0**	**10.0**	**—**	**—**	**70.0**
	2019	60.0	10.0	—	—	70.0

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

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

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

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

Name	Ordinary Shares held at 31 March 2019	**Ordinary Shares held at 31 March 2020**
James Richards	—	**—**
Paul Wainscott	—	**—**
Clare Salmon	13,051	**13,051**
Sarah Ing	—	**—**

There are no other changes to shareholding between 31 March 2020 and 1 June 2020.

The Remuneration Committee

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

Advisers to the Remuneration Committee

In undertaking its responsibilities, the Committee seeks independent external advice as necessary. Willis Towers Watson ("WTW") have continued to act as advisers to the Committee throughout the year. WTW were appointed in 2017 by the Committee following a review of advisers. WTW are voluntary signatories to the Code of Conduct for Remuneration Consultants, which assures clients of independence and objectivity. Details of the Code can be found at www.remunerationconsultantsgroup.com. During the year, WTW provided independent advice on a range of remuneration matters including current market practice, benchmarking of Executive pay and incentive design. The fees paid to WTW in respect of work carried out, on a time and expenses basis ,for the Committee for the year under review totalled £45,000. The Committee is comfortable that the advice it has received has been objective and independent.

Annual Report on Remuneration continued

Voting outcome for 2018/19 Remuneration Report at AGM

The Company AGM was held on 25 July 2019, where a revised Directors Remuneration Report was tabled

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

	Remuneration Policy (at 2018 AGM when the current policy was approved)		Remuneration report	
	% of votes (excluding withheld)	Number of votes	% of votes (excluding withheld)	Number of votes
For	78.03	201,826,156	91.89	241,509,072
Against	21.97	56,839,473	8.11	21,305,426
Total votes cast		258,665,629		262,814,498
Withheld[1]		1,979		8,514

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.

Implementation of Remuneration Policy for 2020/21

The 2018 Remuneration Policy continues to be applicable for the year ending 31 March 2021.

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

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

In relation to the EPS target, the Committee has ensured that a sufficiently stretching range has been set by taking account of a number of internal and external reference points and the impact of regulatory change. The target range will be disclosed in next year's Annual Report. With regard to the strategic and personal objectives, these will be evaluated based on quantitative measurable objectives in the significant majority of cases. The Directors believe that these performance measures are commercially sensitive therefore detailed disclosure of these quantitative performance measures and associated outcomes will be included in the 2021 Annual Report and Accounts.

Salary

Following recent Executive Director appointments and related promotions, it is proposed that the Executive Directors' salaries will be reviewed during the financial year ending 31 March 2021, taking into account changes in the size and complexity of the business, time commitments and relevant market remuneration data, and adjusted if appropriate.

Regulated entities

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

* Note: Branches of CMC Markets UK plc and CMC Markets Germany GmbH in Sweden were closed in April 2020.

The Branch of CMC Markets UK plc in Italy was closed in June 2019.

The Branch of CMC Markets UK plc in France was closed in September 2019.

Directors' report

The Corporate governance report can be found on pages 54 to 95 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, and risks emerging or becoming more prominent as a result of the global COVID-19 pandemic, the Directors consider that the Company and the Group are going concerns and the Financial Statements are prepared on that basis. This treatment reflects the reasonable expectation that the Group has adequate resources to continue in business for the foreseeable future and the consideration of the various risks set out on pages 44 to 53 and financial risks described in note 29 to the Financial Statements.

Viability statement

The Directors of the Company have considered the Group's current financial position and future prospects and have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment.

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

Prospects

- The Group's current financial position is outlined in the Strategic report (pages 38 to 43).
- The Group's business model: during the year the Group's risk management has continued to be optimised and strategic initiatives have continued to progress well. The ongoing impact of COVID-19 has provided additional opportunities for clients to trade, and the business model and operational resilience has enabled the Group to improve its trading performance during this unprecedented period whilst also keeping staff safe. On this basis, the Group continues to believe that it will continue to demonstrate delivery of sufficient cash generation to support operations.
- Assessment of prospects and assumptions: conservative expectations of future business prospects through delivery of the Group strategy (see pages 20 to 21) as presented to the Board through the budget process. The annual budget process consists of a detailed bottom-up process with a 12-month outlook which involves input from all relevant functional and regional heads. The process includes a collection of resource assumptions required to deliver the Group strategy and associated revenue impacts with consideration of key risks. This is used in conjunction with external assumptions such as a region-by-region review of the regulatory environment and incorporation of any anticipated regulatory changes, as outlined in the Strategic report, to revenue modelling, market volatility, which was a topic of particular focus given the impact of COVID-19, interest rates and industry growth which materially impact the business. The budget is used to set targets across the Group. The budgeting process also covers liquidity and capital planning and, in addition to the granular budget, a three-year outlook is prepared using assumptions on industry growth, the effects of regulatory change, revenue growth from strategic initiatives and cost growth required to support initiatives. The budget was reviewed and approved by the Board at the March and April 2020 Board meetings.
- Ongoing review and monitoring of risks: these have been identified in the Group's Risk Appetite Statement, outlined in the Group's principal risks and uncertainties (pages 44 to 53) and monitored monthly by the Risk Management Committee, with review and challenge from the Group Risk Committee.

Viability

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

The Directors have concluded that three years is an appropriate period over which to provide a viability statement as this is the longest period over which the Board reviews the success of strategic opportunities and this timeline is also aligned with the period over which internal stress testing occurs. The Directors have no reason to believe that the Group will not be viable over a longer period, given existing and known, future changes to relevant regulations.

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

Directors

All Directors will seek re-election at the 2020 AGM on 30 July 2020. 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 70 to 88 and other directorships are disclosed on pages 54 to 55.

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

James Richards	Chairman
Paul Wainscott	Senior Independent Director
Peter Cruddas	Chief Executive Officer
David Fineberg	Deputy Chief Executive Officer
Grant Foley	Chief Operating and Financial Officer – resigned on 7 June 2019
Sarah Ing	Non-Executive Director

Directors continued

Clare Salmon	Non-Executive Director
Euan Marshall	Chief Financial Officer – appointed on 1 November 2019
Matthew Lewis	Head of Asia Pacific & Canada – appointed on 1 November 2019

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 53. 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 28 to the consolidated Financial Statements. The Group's vision is to be a global provider of online retail financial services with a complete professional and institutional offering. Its strategic objective is to provide superior shareholder returns through the consistent and sustainable delivery of growth in revenue and improvement to operating margins through operational excellence including product innovation, technology and service. The strategic objectives to achieve this are also set out in the Strategic report on pages 20 to 21.

Dividends

On 10 June 2020, the Board recommended a final dividend of 12.18 pence per Ordinary Share in respect of the full financial year ended 31 March 2020, subject to shareholder approval at the 2020 AGM. Further information on dividends is shown in note 11 of the Financial Statements and is incorporated into this report by reference.

Share capital

The Company's share capital comprises Ordinary Shares of 25 pence each and Deferred Shares of 25 pence each. At 31 March 2020, there were 289,117,473 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, entitle the holder only to the repayment of the amounts paid upon such shares. The Deferred Shares may be purchased at nominal value at the option of the Company by notice in writing served on the holder of the Deferred Shares. No application has been made or is currently intended to be made for the Deferred Shares to be admitted to the Official List or to trade on the London Stock Exchange or any other investment exchange.

Share capital and Directors' powers

The powers of the Directors, including in relation to the issue or buyback of the Company's shares, are set out in the Companies Act 2006 and the Company's constitution. The Directors were granted authority to issue and allot shares and to buy back shares at the 2019 AGM.

Shareholders will be asked to renew these authorities in line with the latest institutional shareholder guidelines at the 2020 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%.

Directors' report continued

Statutory information contained elsewhere in the report

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

Information	Location in Annual Report
Employees (employment of disabled persons and employee engagement)	Page 35 and 36
Disclosure of overseas branches	Page 89
Employee share schemes	Note 30, Pages 145 to 147
Financial risk management	Note 29, Pages 138 to 145
Likely future developments	Pages 20 to 21
Directors' interests	Page 84
Related party transactions	Note 33, Page 148

Non-financial information statement

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

Reporting requirement	Group Policies and Statements	Commentary, outcomes and KPIs
Environmental matters	Health and Safety Policy Travel and Entertainment Policy	Stakeholder analysis pages 10 to 11 People section pages 34 to 37 Directors' report pages 90 to 95
Employees	Equal Opportunity Policy Anti-Harassment and Bullying Policy Physical Security Policy UK Sabbatical Policy Diversity and Inclusion Statement and Policy Board Diversity Policy Flexible Working Policy	People section pages 34 to 37 Nomination Committee section pages 68 to 69
Social matters	Equal Opportunity Policy UK Sabbatical Policy Diversity and Inclusion Statement and Policy Board Diversity Policy	People section pages 34 to 37
Human Rights	Equal Opportunity Policy Anti-Harassment and Bullying Physical Security Policy UK Sabbatical Policy Diversity and Inclusion Statement and Policy Board Diversity Policy Flexible Working Policy	People section pages 34 to 37
Anti-Corruption and Anti-Bribery matters	Group Anti-Bribery and Corruption Policy Group AML Policy Group Financial Sanctions Policy Group Politically Exposed Persons Policy Group Anti-Slavery Policy Modern Slavery Statement	People section pages 34 to 37
Principal risks		Risk management section pages 44 to 53
Business model		Our business model section pages 26 to 27
Non-Financial Key performance indicators		Key performance indicators section pages 22 to 23

Disclosure table pursuant to Listing Rule LR 9.8.4C

Listing Rule	Information to be included	Disclosure
9.8.4(1)	Interest capitalised by Group.	None.
9.8.4(2)	Unaudited financial information (LR 9.2.18R).	None.
9.8.4(4)	Long-term incentive scheme information involving Board Directors (LR 9.4.3R).	Details can be found on page 76 of the Directors' Remuneration Report.
9.8.4(5)	Waiver of emoluments by a Director.	None.
9.8.4(6)	Waiver of future emoluments by a Director.	None.
9.8.4(7)	Non-pre-emptive issues of equity for cash.	None.
9.8.4(8)	Non-pre-emptive issues of equity for cash in relation to major subsidiary undertakings.	None.
9.8.4(9)	Listed company is a subsidiary of another company.	Not applicable.
9.8.4(10)	Contracts of significance involving a Director or a controlling shareholder.	None, except for Peter Cruddas' service contract.
9.8.4(11)	Contracts for the provision of services by a controlling shareholder.	None, except for Peter Cruddas' service contract.
9.8.4(12)	Shareholder waiver of dividends.	The trustees of the CMC Markets plc Employee Share Trust have a dividend waiver in place in respect of Ordinary Shares which are its beneficial property.
9.8.4(13)	Shareholder waiver of future dividends.	The trustees of the CMC Markets plc Employee Share Trust have a dividend waiver in place in respect of Ordinary Shares which are its beneficial property.
9.8.4(14)	Agreement with controlling shareholder.	See Controlling Shareholder Disclosure on page 91 of the Directors' report.

Substantial shareholdings

Information provided to the Company by substantial shareholders pursuant to the DTR is published via a Regulatory Information Service. As at 29 May 2020, 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 29 May 2020	Ordinary Shares held	% of voting rights
Peter Andrew Cruddas	165,155,374	57.12
Aberforth Partners	19,540,090	6.76
Schroders Investment Mgt	19,120,444	6.61
Premier Milton Investors	12,165,638	4.21
Mrs Fiona Cruddas	8,994,364	3.11

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

Articles of Association

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

Research and development

The Group continues to invest in the development of the Next Generation platforms and stockbroking platforms in addition to maintaining existing infrastructure with considerable effort applied by the technical and software development teams. In addition, the Group has capitalised development costs relating to the ANZ Bank stockbroking implementation. During the year development expenditure amounting to £1.0 million has been capitalised (2018: £2.9 million).

Directors' report continued

Our environmental impact

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

The running of our two UK data centres accounts for the majority of the Group's electricity usage, and we continue to look for opportunities to improve their efficiency and performance. The Group's intensity ratio has decreased significantly due to an increase in net operating income.

We are also mindful of the environmental impact of each of our global offices and have a clear preference for office buildings rated as energy efficient.

In addition, we have well-established waste management initiatives in place to effectively reduce our carbon footprint, including management and reduction of waste, which have been implemented across the organisation. We recently introduced reusable cups for all employees in the UK, Australia, Germany and Austria offices, which eliminated cup usage in those offices, thereby reducing consumption by approximately 300,000 per year. We are continuing to roll out reusable cups across the remainder of the Group offices. In addition, 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 BEIS's "Greenhouse gas reporting: conversion factors 2019" to calculate our Scope 1 emissions and have determined the Scope 2 electricity impacts for electricity from the International Energy Agency ("IEA") emission factors. All emissions required under the Companies Act 2006 are included except where stated and include Scope 1 (direct emissions from gas consumption) and Scope 2 (indirect emissions from purchased electricity) emissions but exclude Scope 3 (other emissions from business travel and waste) emissions. Diesel usage for backup generators at one office location has been excluded from the report given that it is not material to our carbon emissions. The figures include emissions from all global offices.

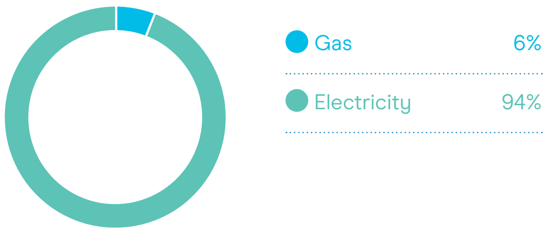
Global Energy consumption by location in kWh

	Year ended 31 March 2020 (In kWh)	Year ended 31 March 2020 Percentage
UK	4,714,638	82.2%
Rest of the World	1,019,255	17.8%
Total	5,733,894	100.0%

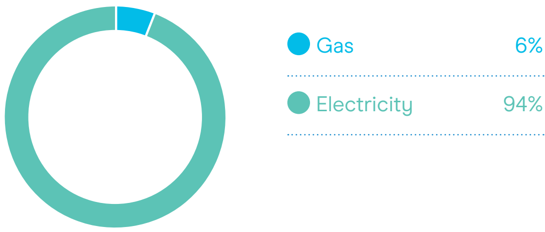
Global Energy consumption by location in tCO_2e

	Year ended 31 March 2020 (In tCO_2e)	Year ended 31 March 2020 Percentage
UK	1,121.5	68.0%
Rest of the World	527.3	32.0%
Total	1,648.8	100.0%

Total emissions (tCO_2e) year ended 31 March 2020



Total emissions (tCO_2e) year ended 31 March 2019



Mandatory greenhouse gas emissions report by scope

GROUP	Unit	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2015 (Base year)
Scope 1				
Gas consumption	tCO_2e	104.7	104.8	108.4
Scope 2				
Electricity consumption	tCO_2e	1,544.1	1,587.8	3,452.0
Total global emissions	tCO_2e	1,648.8	1,692.5	3,560.4
Net operating income	£m	252.0	130.7	143.6
Intensity ratio (total global emissions/net operating income)	tCO_2e/£m	6.5	12.9	24.8

Directors' statement as to disclosure of information to auditors

So far as each person who was a Director at the date of approving needed by the auditors in connection with preparing their report, of which the auditors are unaware. Each Director has taken all the steps that he or she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given pursuant to Section 418 of the Companies Act 2006.

Independent auditors

PwC acted as auditors throughout the year. In accordance with Section 489 and Section 492 of the Companies Act 2006, resolutions proposing the reappointment of PwC as the Company's auditors and authorising the Directors to determine the auditors' remuneration will be put to the 2020 AGM.

Political donations

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

Corporate jet

The Group did not maintain or have use of a corporate jet during year.

Annual General Meeting

The 2020 AGM is to be held by electronic means at 12:00 pm on 30 July 2020.

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

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

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

Directors' confirmations

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and parent company's position and performance, business model and strategy.

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

- the parent company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the company;
- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the group and parent company, together with a description of the principal risks and uncertainties that it faces.

The Annual Report was approved by the Board on 10 June 2020.

By order of the Board

Patrick Davis
Company Secretary
10 June 2020

CMC Markets plc
Registered number: 05145017

Independent auditors' report
To the members of CMC Markets plc and its subsidiaries (collectively the "Group")

Report on the audit of the financial statements
Opinion
In our opinion, CMC Markets plc and its subsidiaries (collectively the "Group") 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 2020 and of the Group's profit and the Group's and the parent company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated statement of financial position and Parent company statement of financial position as at 31 March 2020; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated and parent company Statements of Cash Flows, and the Consolidated and parent company Statements of Changes in Equity for the year then ended; and the notes to the consolidated and parent company financial statements, which include a description of the significant accounting policies.

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

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

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

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

Other than those disclosed in note 8 to the financial statements, we have provided no non-audit services to the Group or the parent company in the period from 1 April 2019 to 31 March 2020.

Our audit approach
Overview

Materiality	• Overall Group materiality: £2.98m (2019: £1.65m), based on 1% of Total revenue. • Overall parent company materiality: £1.67m (2019: £1.50m), based on 1% of Net assets.
Audit scope	**Group:** • The Group consists of a UK holding company with a number of subsidiary entities and branches containing the operating businesses of both the UK and overseas territories. • We determined the appropriate work to perform based on the consolidated balances of the Group. The majority of the audit work was performed by the Group audit team in London, including a full scope audit of the accounts and balances of CMC Markets UK Plc and certain specified audit procedures over large accounts and balances within other UK based subsidiaries. Given the implementation of the ANZ Bank white label stockbroking partnership in the prior year, a full scope audit was also performed by PwC Australia on the following three entities which we have scoped in as significant components: CMC Markets Stockbroking Ltd, CMC Markets Group Australia Pty Ltd, and CMC Markets Asia Pacific Pty Ltd. • Accounts comprising 98% of total revenue and 98% of consolidated net operating income are within the scope of our audit. Balances within the scope of our audit contribute 91% to Group total assets. **Parent:** • The parent company balance sheet consists of investment in subsidiaries, receivables, payables and cash. The audit work thereon was performed by the Group audit team in London.
Key audit matters	• Recoverability of deferred tax asset (Group) • Risk of fraud in revenue recognition related to the commission income from introducing brokers (Group) • Impact of COVID-19 (Group) • Carrying value of investment in subsidiaries (parent).

Report on the audit of the financial statements continued

Our audit approach continued

The scope of our audit

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

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to laws and regulations issued by the Listing Rules of the Financial Conduct Authority ("FCA"), European Securities and Markets Authority ("ESMA") and corporation tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were in respect of the potential for manual journal entries being recorded in order to manipulate financial performance, the potential for management bias when making judgements and setting assumptions in significant accounting estimates and the risk of fraud in revenue recognition related to commission income from introducing brokers. The Group engagement team shared the risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulations and fraud;
- Identifying and testing journal entries;
- Assessing assumptions and judgements made by management in their significant accounting estimates, in particular the recoverability of deferred tax assets. Audit procedures performed over the recoverability of deferred tax assets can be found in the Key Audit Matter section of the report;
- Performing a full reconciliation between all revenue related cash transactions, the trades in NextGen and the accounting entries. Audit procedures performed over revenue recognition related to commission income from introducing brokers can be found in the Key Audit Matter section of the report; and
- Incorporating unpredictability into the nature, timing and/or extent of our testing.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

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

Independent auditors' report continued

To the members of CMC Markets plc and its subsidiaries (collectively the "Group")

Report on the audit of the financial statements continued

Our audit approach continued

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Recoverability of deferred tax asset – Group The recognition of deferred tax assets is complex and often subjective. There are substantial historic tax losses in Australia giving rise to a material deferred tax asset. The extent of recognition of this asset depends on a judgement surrounding forecast profitability. These forecasts include future profits from the ANZ Bank white label stockbroking partnership and the impact of expected regulatory changes; both of these areas are judgemental.	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 rates used to forecast revenue and costs, comparing them to growth rates used for budgeting and historic growth rates; • assessing the accuracy of forecasting processes by comparing the forecast profit for the current year (from the prior year forecast) to actual profit for the current year; • assessing the period over which profits are deemed to be reasonably foreseeable and comparing this period to other forecasting periods used by the Group; and • considering whether current Australian tax legislation could impact the degree to which losses could be recognised in the future. We have also agreed the tax rate used to calculate the deferred tax asset to the substantively enacted rate, and tested the mathematical accuracy of the forecast and the deferred tax calculation. As a result of these procedures, we did not identify any material misstatement.
Risk of fraud in revenue recognition related to the measurement of commission income – Group Where commission income is earned from clients introduced to the Group through introducing brokers, some of the benefit of the commission income is shared with the introducing broker at pre-agreed rates. The rates are inputted manually into the trading platform. The nature of the process, and the limited controls around input of rates, leads to an increased risk of fraud or a manual error which could lead to a material misstatement in revenue. Incorrect charges to clients could further lead to reputational damage or legal exposure. Commission income contributes to the revenue financial statements line item in the Financial Statements.	To address the risk of fraud and material misstatement in revenue recognition, we performed a full reconciliation between all revenue related cash transactions (for the CFD business), trades in NextGen and accounting entries. To address the risk that commission rates could have been incorrectly inputted, we selected a sample of inputs in the trading platform and sought to agree these to supporting evidence such as signed contracts with introducing brokers. Not all such evidence was available. As a result, we performed the following additional procedures: • We obtained a breakdown of commission income by counterparty to identify all counterparties contributing material elements of commission income; • We requested that management obtain specific confirmation of the accuracy of all rates used directly from an introducing broker contributing 68% of total commission income; • We reviewed the Terms of Business for commission income earned from retail clients to determine whether for retail clients (25% of total balance), the company can amend rates at their discretion; • For other material contributors to commission income (4%) we assessed the accuracy of rates used by agreeing them to the contracts or confirming that Terms of Business should apply. As a result of the additional work performed, no material misstatement in revenue was noted. We have discussed the control weaknesses identified in this area with the Audit Committee and have recommended that improvements should be implemented.

Report on the audit of the financial statements continued

Our audit approach continued

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Impact of COVID-19 – Group Management and the board have considered the impact of the events that have been caused by the pandemic, COVID-19, on the current and future operations of the Group. In doing so, management has made estimates and judgements that are critical to the outcomes of these considerations with a particular focus on the Group's ability to continue as a going concern for a period of at least 12 months from the date of approval of these financial statements. As a result of the impact of COVID-19 on the wider financial markets, we have determined management's consideration of the potential impact of COVID-19 to be a key audit matter.	In assessing management's consideration of the potential impact of COVID-19, we have undertaken the following audit procedures: • We requested that management perform an assessment of key controls where performance could be impacted by remote working, and also to inform us of how the design of controls has been amended. For controls that were identified as key controls as part of our audit of the financial statements and that have been updated as a result of remote working, we obtained audit evidence to determine whether the amended controls were designed and operating effectively. • Trading volumes increased in March 2020 as a result of increased market volatility. Coinciding with the increased revenue, the Group also experienced an increase in the number of customer complaints. We therefore requested that management perform an assessment of all open complaints as at 31 March 2020 to understand the wider operational and/or financial impact of COVID-19 on the Group. We noted to management that as the complaints were raised prior to the year end the cost of settling the complaints should be recognised in the FY20 financial statements. Management recorded an additional accrual to recognise this cost. We performed additional procedures to assess the adequacy of the accrual and we have concluded that the amount recorded is reasonable. • We requested that management consider the impact of COVID-19 in their assessments of the carrying values of financial investments and trade and other receivables. We also requested that management consider the impact of COVID-19 in their assessment of the carrying values of the deferred tax asset. We have obtained these assessments and assessed the reasonableness of the assumptions used and obtained corroborating evidence to support material assumptions. • As part of the going concern assessment, we challenged management to model a scenario to take account of a severe but plausible downside impact of COVID-19. To address this, management have modelled a scenario with close to zero revenue for the entire three month period to 31 July 2020. Even in this downside scenario, the Group's available liquidity remains above the liquidity risk appetite for the Group. As a result of these procedures, we concluded that the impact of COVID-19 has been appropriately reflected in the Group's financial statements.

Independent auditors' report continued

To the members of CMC Markets plc and its subsidiaries (collectively the "Group")

Report on the audit of the financial statements continued

Our audit approach continued

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Carrying value of investment in subsidiaries – Parent The parent company has a number of significant investments in subsidiaries. The determination as to whether there are indications that the carrying value of these investments may be impaired depends on judgement. This judgement needs to take account of events or changes which have occurred within the subsidiaries and their affiliates, the industry, or the economy. Any such events could indicate that the carrying value of one or more of the subsidiaries could be impaired. Where impairment indicators are identified, the need to record an impairment must be assessed by comparing the recoverable amount of an investment to its carrying value. The calculation of the recoverable amount is subjective and depends on the exercise of judgement.	To address the risk associated with the carrying value of these investments being incorrectly stated we performed the following procedures: • We assessed the methods used by management to determine the recoverable amount of any investments where impairment indicators existed, which includes any impact from COVID-19; • We compared the assumptions used in determining recoverable amounts to corroborating evidence; • We evaluated the mathematical accuracy of the calculations of those recoverable amounts; and • We compared the carrying value to the recoverable amounts in order to assess management's conclusions that no impairments needed to be recorded. The above procedures were performed and we did not identify any material misstatement as a result of our work.

How we tailored the audit scope

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

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 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 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 a full scope audit of the accounts and balances should be performed for the UK entity CMC Markets UK Plc and certain specified audit procedures over large accounts and balances within other UK based subsidiaries. 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. Given the implementation of the ANZ Bank white label stockbroking partnership in the prior year and the increased levels of stockbroking revenue, a full scope audit was also performed by PwC Australia on the following legal entities: CMC Markets Stockbroking Ltd, CMC Markets Group Australia Pty Ltd and CMC Markets Asia Pacific Pty Ltd.

Report on the audit of the financial statements continued

Our audit approach continued

Materiality

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

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

	Group financial statements	Parent company financial statements
Overall materiality	£2.98m (2019: £1.65m).	£1.67m (2019: £1.50m).
How we determined it	1% of total revenues	1% of net assets.
Rationale for benchmark applied	In the prior year, the Group had an unexpected significant reduction in profits and as a result we reassessed our basis for determining materiality levels and concluded revenue would be an appropriate benchmark. This year we have decided to keep the same approach and use revenue to calculate the materiality levels. We determined that using total revenue would be a better benchmark compared to using other profit indicators as revenue is driven by the volume of trading and gives the best indicator of the "size" of the business.	We have used net assets as the materiality benchmark as the parent company of the Group primarily holds investments in its underlying subsidiaries. This is consistent with the benchmark used in the prior year.

For the significant components in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across the components was between £587k and £2.83m.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £149,800 (Group audit) (2019: £82,500) and £83,800 (Parent company audit) (2019: £75,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

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

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

Independent auditors' report continued
To the members of CMC Markets plc and its subsidiaries (collectively the "Group")

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

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

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

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

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

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

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group
We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 46 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 90 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

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

- The statement given by the directors, on page 95, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and parent company obtained in the course of performing our audit.
- The section of the Annual Report on page 64 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

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

Report on the audit of the financial statements continued

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements set out on page 95, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the members on 29 October 2009 to audit the financial statements for the year ended 31 March 2010 and subsequent financial periods. The period of total uninterrupted engagement is 11 years, covering the years ended 31 March 2010 to 31 March 2020.

Gillian Lord (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
10 June 2020

Consolidated income statement
For the year ended 31 March 2020

GROUP	Note	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Revenue		**294,727**	162,569
Interest income		**3,345**	3,444
Total revenue	4	**298,072**	166,013
Introducing partner commissions and betting levies		**(46,067)**	(35,184)
Net operating income	3	**252,005**	130,829
Operating expenses	5	**(151,267)**	(123,058)
Operating profit		**100,738**	7,771
Finance costs	7	**(2,052)**	(1,442)
Profit before taxation	8	**98,686**	6,329
Taxation	9	**(11,749)**	(451)
Profit for the year attributable to owners of the parent		**86,937**	5,878
Earnings per share			
Basic earnings per share (p)	10	**30.1p**	2.0p
Diluted earnings per share (p)	10	**29.9p**	2.0p

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 2020

GROUP	Note	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Profit for the year		**86,937**	5,878
Other comprehensive (expense)/income:			
Items that may be subsequently reclassified to income statement			
Gain/(loss) on net investment hedges	26	**1,817**	(499)
Currency translation differences	26	**(3,828)**	38
Changes in the fair value of debt instruments at fair value through other comprehensive income	26	**4**	84
Other comprehensive expense for the year		**(2,007)**	(377)
Total comprehensive income for the year attributable to owners of the parent		**84,930**	5,501

Consolidated statement of financial position
At 31 March 2020

GROUP	Note	31 March 2020 £'000	31 March 2019 £'000
ASSETS			
Non-current assets			
Intangible assets	12	**4,588**	4,961
Property, plant and equipment	13	**28,138**	18,105
Deferred tax assets	14	**16,530**	11,649
Financial investments	18	**—**	11,332
Trade and other receivables	16	**2,269**	2,693
Total non-current assets		**51,525**	48,740
Current assets			
Trade and other receivables	16	**186,263**	117,991
Derivative financial instruments	17	**5,353**	2,885
Current tax recoverable		**848**	3,384
Financial investments	18	**25,445**	10,747
Amounts due from brokers		**134,276**	88,035
Cash and cash equivalents	19	**84,307**	48,729
Total current assets		**436,492**	271,771
Total assets		**488,017**	320,511
LIABILITIES			
Current liabilities			
Trade and other payables	20	**177,185**	100,572
Derivative financial instruments	17	**2,369**	4,303
Borrowings	21	**880**	1,088
Lease liabilities	22	**4,686**	—
Short-term provisions	23	**548**	246
Total current liabilities		**185,668**	106,209
Non-current liabilities			
Trade and other payables	20	**—**	4,810
Borrowings	21	**751**	1,247
Lease liabilities	22	**14,587**	—
Deferred tax liabilities	14	**2,206**	1,155
Long-term provisions	23	**1,926**	2,010
Total non-current liabilities		**19,470**	9,222
Total liabilities		**205,138**	115,431
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	**72,899**	72,892
Share premium	24	**46,236**	46,236
Own shares held in trust	25	**(433)**	(604)
Other reserves	26	**(51,836)**	(49,829)
Retained earnings		**216,013**	136,385
Total equity		**282,879**	205,080
Total equity and liabilities		**488,017**	320,511

The Financial Statements on pages 104 to 148 were approved by the Board of Directors on 10 June 2020 and signed on its behalf by:

P.A. Cruddas

Peter Cruddas
Chief Executive Officer

Euan Marshall

Euan Marshall
Chief Financial Officer

Parent company statement of financial position

At 31 March 2020

Company registration number: 05145017

COMPANY	Note	31 March 2020 £'000	31 March 2019 £'000
ASSETS			
Non-current assets			
Investment in subsidiary undertakings	15	**169,023**	167,347
Total non-current assets		**169,023**	167,347
Current assets			
Trade and other receivables	16	**14,572**	14,642
Cash and cash equivalents	19	**110**	138
Total current assets		**14,682**	14,780
Total assets		**183,705**	182,127
LIABILITIES			
Current liabilities			
Trade and other payables	20	**91**	69
Total current liabilities		**91**	69
Non-current liabilities			
Borrowings	21	**15,952**	15,550
Total non-current liabilities		**15,952**	15,550
Total liabilities		**16,043**	15,619
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	**72,899**	72,892
Share premium	24	**46,236**	46,236
Retained earnings			
At 1 April		**47,380**	47,119
Profit for the year attributable to the owners		**9,312**	20,558
Other changes in retained earnings		**(8,165)**	(20,297)
		48,527	47,380
Total equity		**167,662**	166,508
Total equity and liabilities		**183,705**	182,127

The Financial Statements on pages 104 to 148 were approved by the Board of Directors on 10 June 2020 and signed on its behalf by:

P.A. Cruddas

Peter Cruddas
Chief Executive Officer

Euan Marshall

Euan Marshall
Chief Financial Officer

Consolidated and parent company statements of changes in equity

For the year ended 31 March 2020

GROUP	Share capital £'000	Share premium £'000	Own shares held in trust £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 April 2018	72,872	46,236	(567)	(49,452)	150,941	220,030
New shares issued	20	—	—	—	—	20
Profit for the year	—	—	—	—	5,878	5,878
Other comprehensive expense for the year	—	—	—	(377)	—	(377)
Acquisition of own shares held in trust	—	—	(130)	—	—	(130)
Utilisation of own shares held in trust	—	—	93	—	—	93
Share-based payments	—	—	—	—	715	715
Tax on share-based payments	—	—	—	—	(57)	(57)
Dividends	—	—	—	—	(21,092)	(21,092)
At 31 March 2019	**72,892**	**46,236**	**(604)**	**(49,829)**	**136,385**	**205,080**
Change in accounting policy	—	—	—	—	621	621
Adjusted at 1 April 2019	**72,892**	**46,236**	**(604)**	**(49,829)**	**137,006**	**205,701**
New shares issued	7	—	—	—	—	7
Profit for the year	—	—	—	—	86,937	86,937
Other comprehensive expense for the year	—	—	—	(2,007)	—	(2,007)
Acquisition of own shares held in trust	—	—	(32)	—	—	(32)
Utilisation of own shares held in trust	—	—	203	—	—	203
Share-based payments	—	—	—	—	2,130	2,130
Tax on share-based payments	—	—	—	—	141	141
Dividends	—	—	—	—	(10,201)	(10,201)
At 31 March 2020	**72,899**	**46,236**	**(433)**	**(51,836)**	**216,013**	**282,879**

Total equity is attributable to owners of the Company

COMPANY	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 1 April 2018	72,872	46,236	47,119	166,227
New shares issued	20	—	—	20
Profit for the year	—	—	20,558	20,558
Share-based payments	—	—	798	798
Dividends	—	—	(21,095)	(21,095)
At 31 March 2019	**72,892**	**46,236**	**47,380**	**166,508**
New shares issued	7	—	—	7
Profit for the year	—	—	9,312	9,312
Share-based payments	—	—	2,040	2,040
Dividends	—	—	(10,205)	(10,205)
At 31 March 2020	**72,899**	**46,236**	**48,527**	**167,662**

Consolidated and parent company statements of cash flows
For the year ended 31 March 2020

		GROUP		COMPANY	
	Note	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Cash flows from operating activities					
Cash generated from/(used in) operations	27	**74,393**	24,036	**125**	(252)
Interest income		**3,178**	3,444	**178**	267
Tax paid		**(13,079)**	(7,590)	**—**	—
Net cash generated from operating activities		**64,492**	19,890	**303**	15
Cash flows from investing activities					
Purchase of property, plant and equipment		**(2,645)**	(3,804)	**—**	—
Investment in intangible assets		**(1,628)**	(2,907)	**—**	—
Purchase of financial investments		**(14,446)**	(11,353)	**—**	—
Proceeds from maturity of financial investments and coupon receipts		**11,245**	10,613	**—**	—
Inflow/(outflow) on net investment hedges		**1,084**	(341)	**—**	—
Investment in subsidiaries		**—**	—	**(13)**	(149)
Amounts contributed by subsidiaries in relation to share-based payments		**—**	—	**58**	337
Dividends received		**—**	—	**10,170**	21,090
Net cash (used in)/generated from investing activities		**(6,390)**	(7,792)	**10,215**	21,278
Cash flows from financing activities					
Repayment of borrowings		**(11,494)**	(109,946)	**—**	—
Proceeds from borrowings		**10,175**	109,500	**—**	—
Principal elements of lease payments (year ended 31 March 2019: principal elements of finance lease payments)		**(5,746)**	(839)	**—**	—
Proceeds from issue of Ordinary Shares		**—**	—	**7**	20
Acquisition of own shares		**(25)**	(110)	**—**	—
Dividends paid		**(10,201)**	(21,092)	**(10,205)**	(21,095)
Finance costs		**(2,052)**	(1,442)	**(348)**	(360)
Net cash used in financing activities		**(19,343)**	(23,929)	**(10,546)**	(21,435)
Net increase/(decrease) in cash and cash equivalents		**38,759**	(11,831)	**(28)**	(142)
Cash and cash equivalents at the beginning of the year	19	**48,729**	60,468	**138**	280
Effect of foreign exchange rate changes		**(3,181)**	92	**—**	—
Cash and cash equivalents at the end of the year	19	**84,307**	48,729	**110**	138

Notes to the consolidated and parent company financial statements
For the year ended 31 March 2020

1. General information and basis of preparation
Corporate information
CMC Markets plc (the "Company") is a public company limited by shares incorporated in the United Kingdom and domiciled in England and Wales under the Companies Act 2006. The nature of the operations and principal activities of CMC Markets plc and its subsidiaries (collectively the "Group") are set out in note 3.

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

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

The Financial Statements have been prepared in accordance with the going concern basis, under the historical cost convention, except in the case of "Financial instruments at fair value through profit or loss ("FVPL")" and "Financial instruments at fair value through other comprehensive income ("FVOCI")". The financial information is rounded to the nearest thousand except where otherwise indicated.

The Company and Group's principal accounting policies adopted in the preparation of these Financial Statements are set out in note 2 below. These policies have been consistently applied to all years presented, with the exception of the adoption of the new and revised standards as set out below. The Financial Statements presented are at and for the years ended 31 March 2020 and 31 March 2019. Financial annual years are referred to as 2020 and 2019 in the Financial Statements.

Changes in accounting policy and disclosures
Application of new and revised accounting standards
A number of new or amended standards became applicable for the current reporting period and the Company and the Group changed its accounting policies as a result of adopting:

- IFRS 16 "Leases"

The Group adopted IFRS 16 "Leases" from 1 April 2019. IFRS 16 replaced IAS 17 Leases. Whilst lessor accounting is similar to IAS 17, lessee accounting is significantly different. Under IFRS 16, the Group recognised within the statement of financial position a right-of-use asset and a lease liability for future lease payments in respect of all leases, unless the underlying assets are of low value or the lease term is 12 months or less. Within the income statement, operating lease expense on the impacted leases was replaced with depreciation on the right-of-use asset and interest expense on the lease liability.

The Group applied IFRS 16 on a modified retrospective basis without restating prior years and electing for the following exemptions on transition at 1 April 2019. The Company and Group:

- applied IFRS 16 to contracts previously identified as leases by IAS 17;
- used the incremental borrowing rate as the discount rate; and
- did not apply IFRS 16 to operating leases with a remaining lease term of less than 12 months.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed in note 31 below.

Apart from IFRS 16, several other amendments and interpretations, as listed below, applied for the first time, but do not have an impact on the financial statements of the Company and the Group:

- IFRIC 23 "Uncertainty Over Income Tax Treatments"; and
- Annual Improvements to IFRS 2015 – 2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23).

New accounting standards in issue but not yet effective
At the date of authorisation of the Financial Statements, the following new standards and interpretations relevant to the Company and the Group were in issue but not yet effective and have not been applied to the Financial Statements:

IFRS 17	Insurance Contracts
Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards

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

1. General information and basis of preparation continued

Basis of consolidation

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

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

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

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

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

Significant accounting judgements

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

Deferred taxes

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

2. Summary of significant accounting policies

Total revenue

Revenue

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

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

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. Fees on stockbroking transactions are frequently flat fees and the price is determined in relation to the specific transaction type. The fee earned is recorded on the date of transaction, being the date on which services are provided to clients and the Group becomes entitled to the income.

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. In addition, the Group earns interest income on UK Government securities held as financial investments, calculated using the effective interest method.

From 1 April 2019, the Group recognised certain of its sub-lease agreements as finance leases. As a result, finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. This is presented within other interest income.

Introducing partner commissions and betting levies

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

Notes to the consolidated and parent company financial statements continued
For the year ended 31 March 2020

2. Summary of significant accounting policies continued

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.

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.

2. Summary of significant accounting policies continued

Foreign currencies

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

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

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

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

Intangible assets

Goodwill

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

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

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

Computer software (purchased and developed)

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

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

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

Trademarks and trading licences

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

Client relationships

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

Following initial recognition, computer software, trademarks and trading licences and client relationships are carried at cost or initial fair value less accumulated amortisation. Amortisation is provided on all intangible assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the balance sheet date, of each asset on a straight-line basis over its expected useful life as follows:

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

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

2. Summary of significant accounting policies continued

Property, plant and equipment

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

Item	Depreciation policy
Furniture, fixtures and equipment	5 years
Computer hardware	5 years
Leasehold improvements	15 years or life of lease

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

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

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

Right-of-use assets

From 1 April 2019 onwards, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are presented within property, plant and equipment in the statement of financial position and are subject to impairment.

Impairment of assets

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

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

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

Financial instruments

Classification

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

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

Measurement

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

The Group subsequently measures cash and cash equivalents, amounts due from brokers and trade and other receivables at amortised cost. The Group subsequently measures derivative financial instruments and financial investments at fair value.

Cash and cash equivalents

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

2. Summary of significant accounting policies continued

Amounts due from brokers

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

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

Trade and other receivables

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

Trade receivables do not contain a significant financing element and therefore expected credit losses are measured using the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables.

The expected loss model for these trade receivables has been built based on the levels of loss experienced, with due consideration given to forward-looking information.

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

The Group sub-leases some of its leased premises. Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17). The Group, as a lessor, has reclassified certain of its sub-lease agreements as finance leases and recognised a lease receivable equal to the net investment in the sub-lease. This is presented within Other Debtors.

Financial investments

Financial investments are subsequently measured at fair value. Interest income is calculated using the effective interest method on debt securities. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the income statement.

Derivative financial instruments

Derivative financial instruments, comprising index, commodities, foreign exchange and treasury futures and forward foreign exchange contracts, are classified as "fair value through profit or loss" under IFRS 9, unless designated as hedges. Derivatives not designated as hedges are initially recognised at fair value. Subsequent to initial recognition, changes in fair value of such derivatives and gains or losses on their settlement are recognised in the income statement.

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

The Group designates certain derivatives as either:

Held for trading

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

Held as hedges of net investments in foreign operations

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

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

These are derivatives held to mitigate the foreign exchange risk on monetary assets and liabilities, financial commitments or forecast transactions. Where a derivative financial instrument is used as an economic hedge of the foreign exchange exposure of a recognised monetary asset or liability, financial commitment or forecast transaction, but does not meet the criteria to qualify for hedge accounting under IFRS 9, 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.

Notes to the consolidated and parent company financial statements continued
For the year ended 31 March 2020

2. Summary of significant accounting policies continued

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

Borrowings and lease liabilities
From 1 April 2019 onwards, at the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and variable lease payments that depend on an index or a rate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term or a change in the in-substance fixed lease payments. Interest paid on leases is classified as financing cash flows.

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Until 31 March 2019, the leases where the Group has substantially all the risks and rewards of ownership were classified as finance leases. These leases were capitalised at the lease's commencement at the lower of fair value and present value of the minimum lease payments. Each lease payment was allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, were included in borrowings. The interest element was 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 was presented within finance costs. The property, plant and equipment acquired under finance leases were depreciated over the shorter of the useful life of the asset and the lease term.

All other loans and borrowings are initially recognised at cost, being the fair value of the consideration received, net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Operating leases
From 1 April 2019 leases previously classified as operating leases are accounted for as described above. Until 31 March 2019, leases in which substantially all the risks and rewards of ownership are retained by the lessor were classified as operating leases. The rentals payable under operating leases were 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 were 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 became surplus to the Group's foreseeable business requirements, provision was 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.

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

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

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

3. Segmental reporting

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

- CFD and Spread bet – UK and Ireland ("UK & IE");
- CFD – Europe;
- CFD – Australia, New Zealand and Singapore ("APAC") and Canada; and
- Stockbroking – Australia.

Stockbroking was previously reported within the APAC & Canada segment; however, it is now presented as an individual segment due to the growing significance of the business to the Group's performance. These segments are in line with the management information received by the chief operating decision maker ("CODM").

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

	Year ended 31 March 2020					
	CFD and Spread bet			Stockbroking		
GROUP	UK & IE £'000	Europe £'000	APAC & Canada £'000	Australia £'000	Central £'000	Total £'000
Segment revenue net of introducing partner commissions and betting levies	68,577	43,665	104,602	31,816	—	248,660
Interest income	1,631	2	1,499	213	—	3,345
Net operating income	70,208	43,667	106,101	32,029	—	252,005
Segment operating expenses	(15,375)	(9,763)	(15,970)	(6,711)	(103,448)	(151,267)
Segment contribution	54,833	33,904	90,131	25,318	(103,448)	100,738
Allocation of central operating expenses	(30,715)	(26,802)	(30,154)	(15,777)	103,448	—
Operating profit	24,118	7,102	59,977	9,541	—	100,738
Finance costs	(554)	(21)	(529)	(36)	(912)	(2,052)
Allocation of central finance costs	(401)	(168)	(343)	—	912	—
Profit before taxation	23,163	6,913	59,105	9,505	—	98,686

	Year ended 31 March 2019					
	CFD and Spread bet			Stockbroking		
GROUP	UK & IE £'000	Europe £'000	APAC & Canada £'000	Australia £'000	Central £'000	Total £'000
Segment revenue net of introducing partner commissions and betting levies	48,170	27,090	36,369	15,756	—	127,385
Interest income	1,558	1	1,595	290	—	3,444
Net operating income	49,728	27,091	37,964	16,046	—	130,829
Segment operating expenses	(14,001)	(9,521)	(13,599)	(4,875)	(81,062)	(123,058)
Segment contribution	35,727	17,570	24,365	11,171	(81,062)	7,771
Allocation of central operating expenses	(22,889)	(21,738)	(23,853)	(12,582)	81,062	—
Operating profit	12,838	(4,168)	512	(1,411)	—	7,771
Finance costs	(136)	(1)	—	—	(1,305)	(1,442)
Allocation of central finance costs	(565)	(294)	(446)	—	1,305	—
Profit before taxation	12,137	(4,463)	66	(1,411)	—	6,329

Notes to the consolidated and parent company financial statements continued
For the year ended 31 March 2020

3. Segmental reporting continued

The measurement of net operating income for segmental analysis is consistent with that in the income statement and is broken down by geographic location below.

Net operating income by geography	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
UK	70,208	49,728
Australia	91,315	40,205
Other countries	90,482	40,896
Total net operating income	252,005	130,829

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

The measurement of segment assets for segmental analysis is consistent with that in the balance sheet. The total of non-current assets other than deferred tax assets, broken down by location of the assets, is shown below.

£'000	Year ended 31 March 2020	Year ended 31 March 2019
UK	17,841	22,743
Australia	13,568	12,273
Other countries	3,586	2,075
Total non-current assets	34,995	37,091

4. Total revenue

Revenue

GROUP	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
CFD and spread bet	236,866	130,372
Stockbroking revenue from contracts with customers	55,516	30,485
Other revenue from contracts with customers	2,345	1,712
Total	294,727	162,569

Interest income

GROUP	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Bank and broker interest	3,136	3,341
Interest on financial investments	167	103
Other interest income	42	—
Total	3,345	3,444

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

5. Operating expenses

GROUP	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Net staff costs (note 6)	**67,797**	51,659
IT costs	**21,497**	20,017
Sales and marketing	**18,065**	16,320
Premises	**3,108**	7,312
Legal and professional fees	**5,161**	4,612
Regulatory fees	**5,150**	2,925
Depreciation and amortisation	**10,959**	7,325
Irrecoverable sales tax	**5,086**	5,225
Other	**14,477**	7,897
	151,300	123,292
Capitalised internal software development costs	**(33)**	(234)
Operating expenses	**151,267**	123,058

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

6. Employee information

The aggregate employment costs of staff and Directors were:

GROUP	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Wages and salaries	**54,450**	41,293
Social security costs	**7,440**	5,494
Other pension costs	**1,469**	1,465
Share-based payments	**2,334**	817
Total Directors and employee costs	**65,693**	49,069
Contract staff costs	**3,078**	5,068
	68,771	54,137
Capitalised internal software development costs	**(974)**	(2,478)
Net staff costs	**67,797**	51,659

Compensation of key management personnel is disclosed in note 33.

Notes to the consolidated and parent company financial statements continued
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6. Employee information continued
The monthly average number of Directors and employees of the Group during the year is set out below:

GROUP	Year ended 31 March 2020 Number	Year ended 31 March 2019 Number
By activity:		
Key management	7	7
Client acquisition and maintenance	354	343
IT development and support	160	146
Global support functions	150	149
Total Directors and employees	671	645
Contract staff	26	36
Total staff	697	681

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

7. Finance costs

GROUP	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Interest and fees on bank borrowings	1,034	1,336
Interest on lease liabilities (31 March 2019: interest on finance leases)	1,001	77
Other finance costs	17	29
Total	2,052	1,442

8. Profit before taxation

GROUP	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Profit before tax is stated after charging:		
Depreciation	9,509	5,989
Amortisation of intangible assets	1,450	1,336
Net foreign exchange loss	1,669	160
Operating lease rentals	—	3,948
Auditors' remuneration for audit and other services (see below)	1,612	1,165

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

GROUP	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Audit services		
Audit of CMC Markets plc's financial statements	542	350
Audit of CMC Markets plc's subsidiaries	681	487
Total audit fees	1,223	837
Non-audit services		
Audit-related services	357	263
Other non-audit services	32	65
Total non-audit fees	389	328
Total fees	1,612	1,165

9. Taxation

GROUP	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Analysis of charge for the year		
Current tax:		
Current tax on profit for the year	15,806	2,069
Adjustments in respect of previous years	(107)	(70)
Total current tax	15,699	1,999
Deferred tax:		
Origination and reversal of temporary differences	(3,968)	(1,697)
Adjustments in respect of previous years	181	136
Impact of change in tax rate	(163)	13
Total deferred tax	(3,950)	(1,548)
Total tax	11,749	451

The standard rate of UK corporation tax charged was 19% with effect from 1 April 2017. Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions. The effective tax rate of 11.91% (year ended 31 March 2019: 7.13%) differs from the standard rate of UK corporation tax of 19% (year ended 31 March 2019: 19%). The differences are explained below:

GROUP	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Profit before taxation	98,686	6,329
Profit multiplied by the standard rate of corporation tax in the UK of 19% (31 March 2019: 19%)	18,750	1,203
Adjustment in respect of foreign tax rates	2,394	54
Adjustments in respect of previous years	74	66
Impact of change in tax rate	(163)	13
Expenses not deductible for tax purposes	303	290
Income not subject to tax	—	(9)
Recognition of previously unrecognised tax losses	(10,162)	(1,594)
Other differences	553	428
Total tax	11,749	451

GROUP	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Tax on items recognised directly in equity		
Tax credit/(charge) on share-based payments	141	(57)

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10. Earnings per share ("EPS")
Basic EPS is calculated by dividing the earnings attributable to the equity owners of the Company by the weighted average number of Ordinary Shares in issue during each year excluding those held in employee share trusts which are treated as cancelled.

For diluted earnings per share, the weighted average number of Ordinary Shares in issue, excluding those held in employee share trusts, is adjusted to assume vesting of all dilutive potential weighted average Ordinary Shares and that vesting is satisfied by the issue of new Ordinary shares.

GROUP	Year ended 31 March 2020	Year ended 31 March 2019
Earnings attributable to ordinary shareholders (£'000)	**86,937**	5,878
Weighted average number of shares used in the calculation of basic EPS ('000)	**288,632**	288,353
Dilutive effect of share options ('000)	**2,530**	3,184
Weighted average number of shares used in the calculation of diluted EPS ('000)	**291,162**	291,537
Basic EPS (p)	**30.1p**	2.0p
Diluted EPS (p)	**29.9p**	2.0p

For the year ended 31 March 2020, 2,530,000 (year ended 31 March 2019: 3,184,000) potentially dilutive weighted average Ordinary Shares in respect of share options in issue were included in the calculation of diluted EPS.

11. Dividends

GROUP	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Declared and paid in each year		
Final dividend for 2019 at 0.68p per share (2018: 5.95p)	**1,965**	17,191
Interim dividend for 2020 at 2.85p per share (2019: 1.35p)	**8,236**	3,901
Total	**10,201**	21,092

The final dividend for 2020 of 12.18 pence per share, amounting to £35,215,000, was proposed by the Board on 10 June 2020 and has not been included as a liability at 31 March 2020. The dividend will be paid on 11 September 2020, following approval at the Company's AGM, to those members on the register at the close of business on 7 August 2020.

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

GROUP	Year ended 31 March 2020 Pence	Year ended 31 March 2019 Pence
Declared per share		
Interim dividend	**2.85**	1.35
Final dividend	**12.18**	0.68
Total dividend	**15.03**	2.03

12. Intangible assets

GROUP	Goodwill £'000	Computer software £'000	Trademarks and trading licences £'000	Client relationships £'000	Assets under development £'000	Total £'000
Cost						
At 1 April 2018	11,500	118,717	1,405	2,979	2,561	137,162
Additions	—	130	55	—	2,722	2,907
Transfers	—	5,239	—	—	(5,239)	—
Research and development grant	—	(871)	—	—	—	(871)
Foreign currency translation	—	(205)	(12)	(20)	(35)	(272)
At 31 March 2019	11,500	123,010	1,448	2,959	9	138,926
Additions	—	575	—	—	1,053	1,628
Disposals	—	(9)	—	—	—	(9)
Research and development grant	—	(277)	—	—	—	(277)
Foreign currency translation	—	(2,214)	(39)	(275)	(8)	(2,536)
At 31 March 2020	11,500	121,085	1,409	2,684	1,054	137,732
Accumulated amortisation						
At 1 April 2018	(11,500)	(117,324)	(994)	(2,979)	—	(132,797)
Charge for the year	—	(1,284)	(52)	—	—	(1,336)
Disposals	—	1	—	—	—	1
Foreign currency translation	—	139	8	20	—	167
At 31 March 2019	(11,500)	(118,468)	(1,038)	(2,959)	—	(133,965)
Charge for the year	—	(1,396)	(54)	—	—	(1,450)
Disposals	—	9	—	—	—	9
Foreign currency translation	—	1,948	39	275	—	2,262
At 31 March 2020	(11,500)	(117,907)	(1,053)	(2,684)	—	(133,144)
Carrying amount						
At 1 April 2018	—	1,393	411	—	2,561	4,365
At 31 March 2019	—	4,542	410	—	9	4,961
At 31 March 2020	—	3,178	356	—	1,054	4,588

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

Impairment

Intangibles are tested for impairment if events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. There was no impairment identified in the year ended 31 March 2020 (year ended 31 March 2019: £nil).

At 31 March 2020, the Group had no material capital commitments in respect of intangible assets (31 March 2019: £nil).

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13. Property, plant and equipment

GROUP	Leasehold improvements £'000	Furniture, fixtures and equipment £'000	Computer hardware £'000	Right-of-use asset £'000	Construction in progress £'000	Total £'000
Cost						
At 1 April 2018	17,806	10,496	34,840	—	3,259	66,401
Additions	1,363	293	2,148	—	—	3,804
Transfers	2,576	673	—	—	(3,249)	—
Disposals	(355)	(473)	(13)	—	—	(841)
Foreign currency translation	(51)	(47)	(31)	—	(10)	(139)
At 31 March 2019	**21,339**	**10,942**	**36,944**	**—**	**—**	**69,225**
Change in accounting policy	**(1,984)**	**—**	**(9,598)**	**16,947**	**—**	**5,365**
At 1 April 2019	**19,355**	**10,942**	**27,346**	**16,947**	**—**	**74,590**
Additions	**110**	**323**	**4,442**	**1,646**	**—**	**6,521**
Disposals	**(223)**	**(1,272)**	**(350)**	**(270)**	**—**	**(2,115)**
Foreign currency translation	**(642)**	**(186)**	**(430)**	**(666)**	**—**	**(1,924)**
At 31 March 2020	**18,600**	**9,807**	**31,008**	**17,657**	**—**	**77,072**
Accumulated depreciation						
At 1 April 2018	(9,385)	(9,007)	(27,324)	—	—	(45,716)
Charge for the year	(2,078)	(679)	(3,232)	—	—	(5,989)
Disposals	2	474	13	—	—	489
Foreign currency translation	37	36	23	—	—	96
At 31 March 2019	**(11,424)**	**(9,176)**	**(30,520)**	**—**	**—**	**(51,120)**
Change in accounting policy	**1,124**	**—**	**7,835**	**—**	**—**	**8,959**
At 1 April 2019	**(10,300)**	**(9,176)**	**(22,685)**	**—**	**—**	**(42,161)**
Charge for the year	**(2,416)**	**(639)**	**(2,130)**	**(4,324)**	**—**	**(9,509)**
Disposals	**132**	**1,168**	**348**	**125**	**—**	**1,773**
Foreign currency translation	**428**	**124**	**301**	**110**	**—**	**963**
At 31 March 2020	**(12,156)**	**(8,523)**	**(24,166)**	**(4,089)**	**—**	**(48,934)**
Carrying amount						
At 1 April 2018	8,421	1,489	7,516	—	3,259	20,685
At 31 March 2019	9,915	1,766	6,424	—	—	18,105
At 31 March 2020	**6,444**	**1,284**	**6,842**	**13,568**	**—**	**28,138**

The net book value amount of property, plant and equipment on 31 March 2019 included £1,763,000 in respect of computer hardware held under finance leases.

The carrying amount of recognised right-of-use assets relate to the following types of assets:

GROUP	Computer hardware £'000	Leasehold properties £'000	Total £'000
At 31 March 2019	**—**	**—**	**—**
Change in accounting policy	**1,763**	**15,184**	**16,947**
At 1 April 2019	**1,763**	**15,184**	**16,947**
Additions	**—**	**1,646**	**1,646**
Disposals	**—**	**(145)**	**(145)**
Charge for the year	**(849)**	**(3,475)**	**(4,324)**
Foreign currency translation	**—**	**(556)**	**(556)**
At 31 March 2020	**914**	**12,654**	**13,568**

14. Deferred tax

GROUP	31 March 2020 £'000	31 March 2019 £'000
Deferred tax assets to be recovered within 12 months	6,503	6,651
Deferred tax assets to be recovered after 12 months	10,027	4,998
	16,530	11,649
Deferred tax liabilities to be settled within 12 months	—	(1)
Deferred tax liabilities to be settled after 12 months	(2,206)	(1,154)
	(2,206)	(1,155)
Net deferred tax asset	14,324	10,494

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

GROUP	31 March 2020 £'000	31 March 2019 £'000
At 1 April	10,494	8,120
Change in accounting policy	358	—
Credit to income for the year	3,787	1,561
Credit/(charge) to equity for the year	141	(57)
Change in tax rate	163	(13)
Research and development tax credit	475	948
Foreign currency translation	(1,094)	(65)
At 31 March	14,324	10,494

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

GROUP	Tax losses £'000	Accelerated capital allowances £'000	Other timing differences £'000	Total £'000
At 1 April 2018	4,300	966	2,854	8,120
Credit to income for the year	1,363	162	36	1,561
Charge to equity for the year	—	—	(57)	(57)
Change in tax rate	—	(13)	—	(13)
Research and development tax credit	—	—	948	948
Foreign currency translation	(74)	—	9	(65)
At 31 March 2019	5,589	1,115	3,790	10,494
Change in Accounting policy	—	—	358	358
At 1 April 2019	5,589	1,115	4,148	10,852
Credit to income for the year	1,679	(484)	2,592	3,787
Credit to equity for the year	—	—	141	141
Change in tax rate	—	78	85	163
Research and development tax credit	—	—	475	475
Foreign currency translation	(853)	(20)	(221)	(1,094)
At 31 March 2020	6,415	689	7,220	14,324

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.

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14. Deferred tax continued

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 March 2020 the Group did not recognise deferred tax assets of £1,177,000 (at 31 March 2019: £11,036,000) in respect of losses amounting to £4,075,000 (year ended 31 March 2019: £37,861,000). In respect of these losses, £3,154,000 (year ended 31 March 2019: £36,818,000) relates to the Group's Australian subsidiaries and there are no time limits on their utilisation. £921,000 (year ended 31 March 2019: £1,043,000) of the losses relates to the Group's Information Internet Ltd subsidiary and there are no time limits on their utilisation.

The Group has recognised a deferred tax asset of £6,344,000 (at 31 March 2019: £5,508,000) in respect of losses of £20,926,000 (year ended 31 March 2019: £18,363,000) in the Group's Australian subsidiaries as at 31 March 2020. The Group has recognised a deferred tax asset of £71,000 (at 31 March 2019: £81,000) in respect of losses of £238,000 (year ended 31 March 2019: £323,000) in the Group's Information Internet Ltd subsidiary as at 31 March 2020.

A deferred tax asset of £475,000 (at 31 March 2019: £948,000) has arisen for the Group in respect of Research and Development tax credits arising in Australia which have not been used due to the existence of tax losses. The credits are expected to be utilised in future.

The main rate of UK corporation tax was due to change from 19% to 17%, effective from 1 April 2020. However, the UK Government announced at Budget 2020 that the corporation tax rate would remain at 19%. The Group has assessed the impact of this change in line with accounting policies and all deferred tax balances are recorded at the tax rate expected to apply when the deferred tax will crystallise.

15. Investment in subsidiary undertakings

COMPANY	31 March 2020 £'000	31 March 2019 £'000
At 1 April	**167,347**	166,737
Capital contribution relating to share-based payments	**2,040**	798
Amounts contributed by subsidiaries in relation to share-based payments	**(58)**	(337)
Investment	**13**	149
	169,342	167,347
Impairment	**(319)**	—
At 31 March	**169,023**	167,347

The list below includes all of the Group's direct and indirect subsidiaries as at 31 March 2020:

	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 Group Australia Pty Ltd	Australia	Holding company	Indirectly
CMC Markets Stockbroking Ltd	Australia	Stockbroking	Indirectly
CMC Markets Stockbroking Services Pty Ltd	Australia	Employee services	Indirectly
CMC Markets Stockbroking Nominees Pty Ltd	Australia	Stockbroking nominee	Indirectly
CMC Markets Stockbroking Nominees (No. 2 Account) Pty Ltd	Australia	Dormant	Indirectly
CMC Markets Canada Inc	Canada	Online trading	Indirectly
CMC Markets NZ Ltd	New Zealand	Online trading	Indirectly
CMC Markets Singapore Pte Ltd	Singapore	Online trading	Indirectly
CMC Business Services (Shanghai) Limited	China	Training and education	Indirectly
CMC Markets Germany GmbH	Germany	Online trading	Indirectly
CMC Markets Middle East Ltd	UAE	Online trading	Indirectly

Please refer to pages 152 to 153 for the registered office addresses of the subsidiaries above.

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

15. Investment in subsidiary undertakings continued

The list below includes all of the Group's employee benefit trusts as at 31 March 2020:

	Country of incorporation
CMC Markets plc Employee Share Trust	Jersey
CMC Markets plc UK Share Incentive Plan	England
CMC Markets plc (Discretionary Schemes) Employee Share Trust	England
CMC Employee Share Scheme Trust	Isle of Man

CMC Markets 2007 Employee Benefit Trust was closed during the year.

16. Trade and other receivables

	GROUP		COMPANY	
	31 March 2020 £'000	31 March 2019 £'000	**31 March 2020 £'000**	31 March 2019 £'000
Current				
Gross trade receivables	**10,840**	8,185	**—**	—
Less: provision for impairment of trade receivables	**(5,853)**	(3,528)	**—**	—
Trade receivables	**4,987**	4,657	**—**	—
Amounts due from Group companies	**—**	—	**2,100**	870
Prepayments and accrued income	**8,045**	12,391	**124**	162
Stockbroking debtors	**158,113**	82,510	**—**	—
Other debtors	**15,118**	18,433	**12,348**	13,610
	186,263	117,991	**14,572**	14,642
Non-current				
Other debtors	**2,269**	2,693	**—**	—
Total	**188,532**	120,684	**14,572**	14,642

Stockbroking debtors represent the amount receivable in respect of equity security transactions executed on behalf of clients with a corresponding balance included within trade and other payables (note 20).

As part of the transaction with ANZ Bank, the Group has deposited AUD 25,000,000 (£12,348,000) in escrow, which is included in other debtors above.

17. Derivative financial instruments

Assets

GROUP	**31 March 2020 Notional amount £m**	**31 March 2020 Carrying amount £'000**	31 March 2019 Notional amount £m	31 March 2019 Carrying amount £'000
Held for trading				
Index, commodity, foreign exchange and treasury futures	**112.5**	**2,155**	87.6	627
Forward foreign exchange contracts	**42.4**	**1,487**	98.4	1,902
Held for hedging				
Forward foreign exchange contracts – economic hedges	**36.0**	**1,295**	16.8	356
Forward foreign exchange contracts – net investment hedges	**25.7**	**416**	—	—
Total	**216.6**	**5,353**	202.8	2,885

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17. Derivative financial instruments continued
Liabilities

GROUP	31 March 2020 Notional amount £m	31 March 2020 Carrying amount £'000	31 March 2019 Notional amount £m	31 March 2019 Carrying amount £'000
Held for trading				
Index, commodity, foreign exchange and treasury futures	**25.6**	**(484)**	94.5	(1,624)
Forward foreign exchange contracts	**29.9**	**(1,425)**	149.6	(2,189)
Held for hedging				
Forward foreign exchange contracts – economic hedges	**11.0**	**(460)**	25.0	(173)
Forward foreign exchange contracts – net investment hedges	**—**	**—**	21.8	(317)
Total	**66.5**	**(2,369)**	290.9	(4,303)

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 2020, £1,912,000 of losses net of revaluation gains or losses relating to economic hedges were recognised in the income statement (year ended 31 March 2019: losses of £48,000).

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 2020, £5,566,000 (31 March 2019: £7,383,000) of fair value losses were recorded in net investment hedging reserve within other reserves. At 31 March 2020, £1,503,000 (31 March 2019: £5,331,000) of fair value gains were recorded in translation reserve within other reserves.

During the year ended 31 March 2020, fair value gains of £1,817,000 (year ended 31 March 2019: losses of £499,000) relating to net investment hedges were recognised in other comprehensive income. All changes in the fair value were treated as being effective under IFRS 9 "Financial Instruments"; as a result there was no amount reclassified from the net investment hedging reserve or translation reserve into the income statement.

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

The Group's derivative positions are reported gross on the statement of financial position, as required by IAS 32 where there are no offset rights in place. There are no further netting arrangements or collateral posted which would impact the settlement of these balances.

18. Financial investments

GROUP	31 March 2020 £'000	31 March 2019 £'000
UK government securities		
At 1 April	**22,013**	21,152
Purchase of securities	**14,446**	11,287
Maturity of securities and coupon receipts	**(11,245)**	(10,613)
Accrued interest	**167**	103
Changes in the fair value of debt instruments at fair value through other comprehensive income	**4**	84
At 31 March	**25,385**	22,013
Equity securities		
At 1 April	**66**	—
Purchase of securities	**—**	66
Foreign currency translation	**(6)**	—
At 31 March	**60**	66
Total	**25,445**	22,079

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

The effective interest rates of UK government securities held at the year end range from 0.08% to 1.93%.

18. Financial investments continued

GROUP	31 March 2020 £'000	31 March 2019 £'000
Analysis of financial investments		
Non-current	—	11,332
Current	**25,445**	10,747
Total	**25,445**	22,079

Financial investments are shown as current assets when they have a maturity of less than one year and as non-current when they have a maturity of more than one year.

19. Cash and cash equivalents

	GROUP		COMPANY	
	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
Gross cash and cash equivalents	**424,077**	381,139	**110**	138
Less: client monies	**(339,770)**	(332,410)	**—**	—
Cash and cash equivalents	**84,307**	48,729	**110**	138
Analysed as:				
Cash at bank	**84,307**	48,729	**110**	138
Short-term deposits	**—**	—	**—**	—

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.

Analysis of net cash

GROUP	31 March 2020 £'000	31 March 2019 £'000
Cash and cash equivalents	**84,307**	48,729
Borrowings	**(1,631)**	(2,335)
Lease liabilities	**(19,273)**	—
Net cash	**63,403**	46,394

GROUP	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
At 1 April	**46,394**	56,848
Leases recognised on adoption of IFRS 16	**(22,818)**	—
	23,576	56,848
Increase/(decrease) in cash and cash equivalents	**38,759**	(11,831)
Proceeds from borrowings	**(10,175)**	(109,500)
Repayment of borrowings	**11,494**	109,946
Repayment of principal elements of lease liabilities (31 March 2019: repayment of principal of finance leases)	**5,746**	839
Change in net cash resulting from cash flows	**69,400**	46,302
Inception of leases and non-cash borrowings	**(3,711)**	—
Effect of foreign exchange rate changes	**(2,286)**	92
At 31 March	**63,403**	46,394

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20. Trade and other payables

	GROUP		COMPANY	
	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
Current				
Gross trade payables	348,442	340,042	—	11
Less: client monies	(339,770)	(332,410)	—	—
Trade payables	8,672	7,632	—	11
Amount due to Group companies	—	—	10	—
Tax and social security	112	27	—	—
Stockbroking creditors	139,534	75,752	—	—
Other creditors, accruals and deferred income	28,867	17,161	81	58
	177,185	100,572	91	69
Non-current				
Deferred income	—	4,810	—	—
Total	177,185	105,382	91	69

Stockbroking creditors represent the amount payable in respect of equity and securities transactions executed on behalf of clients with a corresponding balance included within trade and other receivables (note 16).

21. Borrowings

	GROUP		COMPANY	
	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
Current				
Finance lease liabilities	—	663	—	—
Other liabilities	880	425	—	—
	880	1,088	—	—
Non-current				
Finance lease liabilities	—	952	—	—
Other liabilities	751	295	—	—
Amount due to Group companies	—	—	15,952	15,550
	751	1,247	15,952	15,550
Total	1,631	2,335	15,952	15,550

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

GROUP	31 March 2019 £'000
Finance lease liabilities	
Amounts payable under finance lease:	
Within one year	702
In the second to fifth years inclusive	975
After five years	—
	1,677
Less: future finance charges	(62)
Present value of lease obligations	1,615

21. Borrowings continued

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

GROUP	31 March 2019 £'000
Within one year	663
In the second to fifth years inclusive	952
After five years	—
Present value of lease obligations	1,615

The weighted average interest rates paid were as follows:

GROUP	31 March 2019 %
Finance leases	2.93

Bank loans

In March 2020, the syndicated revolving credit facility was renewed at a level of £40,000,000 (31 March 2019: £40,000,000) where £20,000,000 had a maturity date of March 2021 and £20,000,000 had a maturity date of March 2023. This facility can only be used to meet broker margin requirements of the Group. The rate of interest payable on any loans is the aggregate of the applicable margin and LIBOR. Other fees such as commitment fees, legal fees and arrangement fees are also payable on this facility (note 7).

No amount was outstanding on this facility at 31 March 2020 (31 March 2019: £nil).

22. Lease liabilities

The Group leases several assets including leasehold properties and computer hardware. The average lease term is 2.2 years.

The movements in lease liabilities during the year were as follows:

GROUP	£'000
Lease liabilities recognised on adoption of IFRS 16 on 1 April 2019	**24,433**
Additions of new leases during the year	**1,481**
Interest expense	**1,001**
Lease payments made during the year	**(6,747)**
Foreign currency translation	**(895)**
At 31 March 2020	**19,273**

GROUP	**31 March 2020 £'000**
Analysis of lease liabilities	
Non-current	**14,587**
Current	**4,686**
Total	**19,273**

The lease payments for the year ended 31 March 2020 relating to short-term leases amounted to 273,000.

Operating lease commitments

GROUP	Year ended 31 March 2019 £'000
Minimum lease payments under operating leases recognised in expense for the year	3,948

In the year ended 31 March 2019, operating lease payments represented rentals payable by the Group for office space. As on 31 March 2019, leases were negotiated for an average term of 2.7 years and rentals were fixed for an average of 2.5 years.

Notes to the consolidated and parent company financial statements continued
For the year ended 31 March 2020

22. Lease liabilities continued
Operating lease commitments continued

As at 31 March 2019, the Group had outstanding commitments under non-cancellable operating leases as follows:

GROUP	31 March 2019 £'000
Within one year	5,392
Within two to five years	16,464
After five years	3,289
	25,145

Sub-lease payments:

GROUP	31 March 2019 £'000
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	1,367

23. Provisions

GROUP	EBT commitments £'000	Property related £'000	Other £'000	Total £'000
At 1 April 2018	145	2,040	—	2,185
Additional provision	—	330	114	444
Utilisation of provision	(14)	(354)	—	(368)
Currency translation	—	(6)	1	(5)
At 31 March 2019	**131**	**2,010**	**115**	**2,256**
Additional provision	**—**	**—**	**431**	**431**
Utilisation of provision	**(9)**	**—**	**(136)**	**(145)**
Currency translation	**—**	**(52)**	**(16)**	**(68)**
At 31 March 2020	**122**	**1,958**	**394**	**2,474**

The provision relating to EBTs represents the obligation to distribute assets held in EBTs to beneficiaries.

The property-related provisions includes 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 Right-of-use assets and are amortised over the term of the lease. These dilapidation provisions are utilised as and when the Group vacates a property and expenditure is incurred to restore the property to its original condition.

The other provisions balance on 31 March 2020 relates to client compensation payments and payments due under a partner SLA. Client compensation provisions were driven by heightened volumes of trading during the COVID-19 outbreak, all complaints were resolved post year-end. Partner SLA claims are still under legal review.

GROUP	**31 March 2020 £'000**	31 March 2019 £'000
Analysis of total provisions		
Current	**548**	246
Non-current	**1,926**	2,010
Total	**2,474**	2,256

24. Share capital and share premium

GROUP AND COMPANY	Number		£'000	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Authorised				
Ordinary Shares of 25p	400,000,000	400,000,000	100,000	100,000
Allotted, issued and fully paid				
Ordinary Shares of 25p	289,117,473	289,091,700	72,279	72,272
Deferred Shares of 25p	2,478,086	2,478,086	620	620
Total	291,595,559	291,569,786	72,899	72,892

Share class rights

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

GROUP AND COMPANY	Ordinary Shares Number	Deferred Shares Number	Total Number
At 1 April 2018	289,008,354	2,478,086	291,486,440
New shares issued	83,346	—	83,346
At 31 March 2019	289,091,700	2,478,086	291,569,786
New shares issued	25,773	—	25,773
At 31 March 2020	289,117,473	2,478,086	291,595,559

GROUP AND COMPANY	Ordinary Shares £'000	Deferred Shares £'000	Share premium £'000	Total £'000
At 1 April 2018	72,252	620	46,236	119,108
New shares issued	20	—	—	20
At 31 March 2019	72,272	620	46,236	119,128
New shares issued	7	—	—	7
At 31 March 2020	72,279	620	46,236	119,135

Movements in share capital and premium

During the year ended 31 March 2020, 25,773 (year ended 31 March 2019: 83,346) shares with nominal value of 25 pence were issued to EBTs.

During the year ended 31 March 2020, no Ordinary Shares were converted to Deferred Shares in accordance with the terms of grant to employees who have now left the Group (year ended 31 March 2019: nil).

25. Own shares held in trust

GROUP	Number	£'000
Ordinary Shares of 25p		
At 1 April 2018	673,370	567
Acquisition	164,054	130
Utilisation	(329,831)	(93)
At 31 March 2019	507,593	604
Acquisition	56,265	32
Utilisation	(207,954)	(203)
At 31 March 2020	355,904	433

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

Notes to the consolidated and parent company financial statements continued
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26. Other reserves

GROUP	Translation reserve £'000	Net investment hedging reserve £'000	Available-for-sale reserve £'000	FVOCI reserve £'000	Merger reserve £'000	Total £'000
At 1 April 2018	5,293	(6,884)	(61)	—	(47,800)	(49,452)
Reclassification	—	—	61	(61)	—	—
Currency translation differences	38	—	—	—	—	38
Losses on net investment hedges	—	(499)	—	—	—	(499)
Gains on financial investments at FVOCI	—	—	—	84	—	84
At 31 March 2019	**5,331**	**(7,383)**	**—**	**23**	**(47,800)**	**(49,829)**
Currency translation differences	**(3,828)**	**—**	**—**	**—**	**—**	**(3,828)**
Gains on net investment hedges	**—**	**1,817**	**—**	**—**	**—**	**1,817**
Gains on financial investments at FVOCI	**—**	**—**	**—**	**4**	**—**	**4**
At 31 March 2020	**1,503**	**(5,566)**	**—**	**27**	**(47,800)**	**(51,836)**

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

Net investment hedging reserve
Overseas net investments are hedged using forward foreign exchange contracts. Gains and losses on instruments used to hedge these overseas net investments are shown in the net investment hedging reserve. These instruments hedge balance sheet translation risk, which is the risk of changes in reserves due to fluctuations in currency exchange rates. All changes in the fair value of these hedging instruments were treated as being effective under IFRS 9 "Financial Instruments".

Available-for-sale reserve – until 1 April 2018
Changes in the fair value and exchange differences arising on translation of investments that were classified as available-for-sale financial assets (such as debt investments) were recognised in OCI and accumulated in a separate reserve within other reserves. Amounts were reclassified to profit or loss when the associated assets were sold or impaired.

FVOCI reserve
The Group has certain debt investments measured at FVOCI. For these investments, changes in fair value are accumulated within the FVOCI reserve within other reserves. The accumulated changes in fair value are transferred to profit or loss when the investments are derecognised or impaired.

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

27. Cash generated from/(used in) operations

	GROUP		COMPANY	
	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Cash flows from operating activities				
Profit before taxation	98,686	6,329	9,312	20,558
Adjustments for:				
Interest income	(3,345)	(3,444)	(178)	(267)
Dividends received	—	—	(10,170)	(21,090)
Finance costs	2,052	1,442	750	750
Impairment of investment in subsidiaries	—	—	329	—
Depreciation	9,509	—	—	—
Amortisation of intangible assets	1,450	1,336	—	—
Research and development tax credit	(223)	(233)	—	—
Loss on disposal of property, plant and equipment	151	—	—	—
Other non-cash movements including exchange rate movements	666	179	—	—
Share-based payment	2,043	800	—	—
Changes in working capital				
(Increase)/decrease in trade and other receivables	(67,111)	(70,610)	70	(197)
(Increase)/decrease in amounts due from brokers	(46,241)	68,852	—	—
Increase/(decrease) in trade and other payables	80,139	8,297	12	(6)
(Increase)/decrease in net derivative financial instruments	(3,669)	4,673	—	—
Increase in provisions	286	426	—	—
Cash generated from/(used in) operations	74,393	24,036	125	(252)

The movement in trade and other receivables for the year ended 31 March 2020 also includes £180,000 (year ended 31 March 2019: £310,000) of exceptional litigation income received during the year. This exceptional income was recognised in the year ended 31 March 2016.

28. Financial instruments

Analysis of financial instruments by category

The following tables analyse financial assets and liabilities in accordance with the categories of financial instruments on an IFRS 9 basis.

	31 March 2020			
GROUP	Assets at FVOCI £'000	Assets at FVPL £'000	Assets at amortised cost £'000	Total £'000
Financial assets				
Cash and cash equivalents	—	—	84,307	84,307
Financial investments	25,385	60	—	25,445
Amounts due from brokers	—	—	134,276	134,276
Derivative financial instruments	416	4,937	—	5,353
Trade and other receivables excluding non-financial assets	—	—	181,040	181,040
	25,801	4,997	399,623	430,421

	31 March 2020			
	Liabilities at FVOCI £'000	Liabilities at FVPL £'000	Liabilities at amortised cost £'000	Total £'000
Financial liabilities				
Trade and other payables excluding non-financial liabilities	—	—	(177,073)	(177,073)
Derivative financial instruments	—	(2,369)	—	(2,369)
Borrowings	—	—	(1,631)	(1,631)
Lease liabilities	—	—	(19,273)	(19,273)
	—	(2,369)	(197,977)	(200,346)

Notes to the consolidated and parent company financial statements continued
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28. Financial instruments continued
Analysis of financial instruments by category continued

GROUP	31 March 2019 Assets at FVOCI £'000	Assets at FVPL £'000	Assets at amortised cost £'000	Total £'000
Financial assets				
Cash and cash equivalents	—	—	48,729	48,729
Financial investments	22,013	66	—	22,079
Amounts due from brokers	—	—	88,035	88,035
Derivative financial instruments	—	2,885	—	2,885
Trade and other receivables excluding non-financial assets	—	—	108,777	108,777
	22,013	2,951	245,541	270,505

	31 March 2019 Liabilities at FVOCI £'000	Liabilities at FVPL £'000	Liabilities at amortised cost £'000	Total £'000
Financial liabilities				
Trade and other payables excluding non-financial liabilities	—	—	(99,485)	(99,485)
Derivative financial instruments	(317)	(3,986)	—	(4,303)
Borrowings excluding finance lease liabilities	—	—	(720)	(720)
Finance lease liabilities	—	—	(1,615)	(1,615)
	(317)	(3,986)	(101,820)	(106,123)

Maturity analysis

GROUP	31 March 2020 On demand £'000	Less than three months £'000	Three months to one year £'000	After one year £'000	Total £'000
Financial assets					
Cash and cash equivalents	84,307	—	—	—	84,307
Financial investments	60	—	25,095	—	25,155
Amounts due from brokers	134,276	—	—	—	134,276
Derivative financial instruments	—	5,353	—	—	5,353
Trade and other receivables	164,549	579	13,667	2,245	181,040
	383,192	5,932	38,762	2,245	430,131
Financial liabilities					
Trade and other payables	(177,073)	—	—	—	(177,073)
Derivative financial instruments	—	(2,369)	—	—	(2,369)
Borrowings	—	(67)	(819)	(752)	(1,638)
Lease liabilities	—	(1,468)	(4,177)	(15,753)	(21,398)
	(177,073)	(3,904)	(4,996)	(16,505)	(202,478)
Net liquidity gap	206,119	2,028	33,766	(14,260)	227,653

28. Financial instruments continued
Maturity analysis continued

GROUP	On demand £'000	Less than three months £'000	Three months to one year £'000	After one year £'000	Total £'000
	31 March 2019				
Financial assets					
Cash and cash equivalents	48,729	—	—	—	48,729
Financial investments	—	66	10,260	11,095	21,421
Amounts due from brokers	88,035	—	—	—	88,035
Derivative financial instruments	—	2,885	—	—	2,885
Trade and other receivables	91,290	945	13,849	2,693	108,777
	228,054	3,896	24,109	13,788	269,847
Financial liabilities					
Trade and other payables	(99,485)	—	—	—	(99,485)
Derivative financial instruments	—	(4,303)	—	—	(4,303)
Borrowings	—	(67)	(377)	(301)	(745)
Finance lease liabilities	—	(214)	(488)	(975)	(1,677)
	(99,485)	(4,584)	(865)	(1,276)	(106,210)
Net liquidity gap	128,569	(688)	23,244	12,512	163,637

Given that 89% of the Group's financial assets are available on demand, there is no significant maturity risk as at 31 March 2020.

COMPANY	On demand £'000	Less than three months £'000	Three months to one year £'000	After one year £'000	Total £'000
	31 March 2020				
Financial assets					
Cash and cash equivalents	**110**	**—**	**—**	**—**	**110**
Trade and other receivables	**2,100**	**12,348**	**—**	**—**	**14,448**
	2,210	**12,348**	**—**	**—**	**14,558**
Financial liabilities					
Trade and other payables	**(91)**	**—**	**—**	**—**	**(91)**
Borrowings	**—**	**—**	**—**	**(15,952)**	**(15,952)**
	(91)	**—**	**—**	**(15,952)**	**(16,043)**
Net liquidity gap	**2,119**	**12,348**	**—**	**(15,952)**	**(1,485)**

COMPANY	On demand £'000	Less than three months £'000	Three months to one year £'000	After one year £'000	Total £'000
	31 March 2019				
Financial assets					
Cash and cash equivalents	138	—	—	—	138
Trade and other receivables	870	13,610	—	—	14,480
	1,008	13,610	—	—	14,618
Financial liabilities					
Trade and other payables	(69)	—	—	—	(69)
Borrowings	—	—	—	(15,550)	(15,550)
	(69)	—	—	(15,550)	(15,619)
Net liquidity gap	939	13,610	—	(15,550)	(1,001)

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28. Financial instruments continued
Fair value estimation
The Group's assets and liabilities that are measured at fair value are derivative financial instruments, financial investments in UK government securities and equity securities. The table below categorises those financial instruments measured at fair value based on the following fair value measurement hierarchy:

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

	31 March 2020			
GROUP	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial investments	**25,385**	**—**	**60**	**25,445**
Derivative financial instruments (current assets)	**—**	**5,353**	**—**	**5,353**
Derivative financial instruments (current liabilities)	**—**	**(2,369)**	**—**	**(2,369)**
	25,385	**2,984**	**60**	**28,429**

	31 March 2019			
GROUP	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial investments	22,013	—	66	22,079
Derivative financial instruments (current assets)	—	2,885	—	2,885
Derivative financial instruments (current liabilities)	—	(4,303)	—	(4,303)
	22,013	(1,418)	66	20,661

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

The Board sets the strategy and the policies for managing these risks and delegates the monitoring and management of these risks to various Committees including the Risk Management Committee, which in turn reports to the Group Risk Committee.

The Group's ICAAP review document is prepared under the requirements set out in the Financial Conduct Authority ("FCA") Rulebook in accordance with CRD IV[1]. A key purpose of an ICAAP review document is to inform a firm's board of the ongoing assessment of the firm's risks, how the firm intends to mitigate those risks, and how much current and future capital is necessary to hold against those risks. This is achieved by considering potential stresses as well as mitigating factors.

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

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

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

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

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

29. Financial risk management continued

Market risk continued

Mitigation of market risk continued

- Natural aggregation
  In the year ended 31 March 2020, the Group traded with around 57,000 clients. This large international client base has a diverse range of trading strategies resulting in the Group enjoying a high degree of natural aggregation between clients. This "portfolio effect" leads to a significant reduction in the Group's net market risk exposure.

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

Market risk limits

Market risk exposures are managed in accordance with the Group's Risk Appetite Statement and Group Risk Management Framework to ensure that the Group has sufficient capital resources to support the calculated market risk capital requirement as well as staying within 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 decreased against the prior year and remains within the Board-approved risk appetite.

GROUP OFR	31 March 2020 £'000	31 March 2019 £'000
Asset class		
Consolidated equities	**15,676**	26,530
Commodities	**4,340**	4,388
Fixed income and interest rates	**474**	1,740
Foreign exchange	**7,259**	15,139
Cryptocurrencies	**391**	109
	28,140	47,906

Market price risk – stress testing

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

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

Non-trading book interest rate risk

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

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

The sensitivity analysis performed is based on a reasonable and possible move in the floating rate by 0.5% upwards and 0.25% downwards. This is in line with the movement used for the year ended 31 March 2019.

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.

Notes to the consolidated and parent company financial statements continued
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29. Financial risk management continued
Non-trading book interest rate risk continued
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 2020 Absolute increase £'000	 Absolute decrease £'000
Impact of	**0.50% change**	**0.25% change**
Profit after tax	**1,035**	**(428)**
Equity	**1,035**	**(428)**

GROUP	31 March 2019 Absolute increase £'000	 Absolute decrease £'000
Impact of	0.50% change	0.25% change
Profit after tax	905	(570)
Equity	905	(570)

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

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

Transaction exposure is from holdings of cash and other current assets and liabilities in a currency other than the base currency of the entity. This risk is hedged each month by the Liquidity Risk Management team according to a policy based on a cap and floor model, with gains/losses recognised in the income statement. Any foreign exchange transaction exposures are hedged in accordance with Group Foreign Exchange Hedging Policy. Given the effectiveness of the hedging programme (Income statement impact in year ended 31 March 2020: loss of £1,912,000; year ended 31 March 2019: loss of £48,000), no sensitivity analysis has been performed. These "fair value hedges" are derivative financial instruments and are reported as described in note 17.

Translation exposure occurs when the net assets of an entity are denominated in a foreign currency other than GBP, when the Consolidated Statement of Financial Position is prepared. The Group hedges this exposure by using FX spot, forwards and swaps in relation to exposures considered to have a potential material impact on the Group's net assets and regulatory capital. The unhedged portion does not pose a significant risk to the capital adequacy or to the ongoing profitability of the Group. The economic relationship between the hedged item and the hedging instrument is determined using critical terms matching for the purpose of assessing hedge effectiveness. The Group Risk Management Policy outlines the Group's appetite to manage the translation exposure. The Dollar offset method is used to determine ineffectiveness.

At 31 March 2020, £5,566,000 (31 March 2019: £7,383,000) of fair value losses were recorded in net investment hedging reserve within other reserves. At 31 March 2020, £1,503,000 (31 March 2019: £5,331,000) of fair value gains were recorded in translation reserve within other reserves.

During the year ended 31 March 2020, £1,817,000 (year ended 31 March 2019: losses of £499,000) of fair value gains relating to net investment hedges were recognised in other comprehensive income. All changes in the fair value were treated as being effective under IFRS 9 "Financial Instruments"; as a result there was no amount reclassified from the net investment hedging reserve or translation reserve into the income statement. These "net investment hedges" are derivative financial instruments and are reported as described in note 17.

Credit risk
Credit risk is the risk of losses arising from a counterparty failing to meet its obligations as they fall due. Credit risk is divided into credit, counterparty and settlement risk. Below are the channels of credit risk the Group is exposed through:

- Institutions (Credit institution ("CIs") and Cryptocurrency counterparties); and
- 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).

29. Financial risk management continued

Credit risk continued

Cryptocurrency counterparties credit risk

The Group began to offer cryptocurrency CFDs in 2018 and as a result has opened relationships with cryptocurrency providers in order to hedge client exposures. The Group considers these counterparties as institutions as defined in Article 4 (1) of the CRR.

CIs and cryptocurrency counterparties credit risk can be felt in the following ways:

- For CIs used as a bank and those as a broker, the Group does not receive the funds the CIs hold on the Group's account.
- For CIs used as a prime broker, a default will result in a loss of any unrealised profits and could cause the need to re-hedge at a different broker at a different price.
- For Cryptocurrency counterparties, the loss of physical assets (cryptocurrencies).

Mitigation of CIs 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 regularly monitors the credit worthiness of the Institutions that it is exposed to and reviews counterparties at least annually – as detailed in the Group Hedge Counterparty Selection Policy.

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

In order to manage both credit risk and counterparty credit risk within appetite the Group sets limits, articulated in a policy, against the total balance that can be held with each rated CI, each unrated CI and each Cryptocurrency counterparty. These limits are expressed as a maximum percentage of capital, in the case of rated CIs, or a fixed amount for both unrated CIs and Cryptocurrency counterparties. Liquidity Risk Management monitors the credit quality of all CIs and Cryptocurrency counterparties, by tracking the credit ratings issued by Standard & Poor's and Fitch rating agencies, the credit default swap ("CDS") spreads determined in the CDS market, share price, performance against a relevant index, and other relevant metrics. These metrics are reported to senior management on a weekly basis with any changes highlighted.

All rated 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. Should an institution's credit rating fall below investment grade, the Risk Management Committee will be called and options discussed. Possible actions by the Group to reduce exposure to CIs depend on the nature of the relationship and the practical availability of substitute CIs. Possible actions include the withdrawal of cash balances from a CI on a daily basis, switching a proportion of hedge trading to another prime broker CI or ceasing all commercial activity with the CI.

The tables below present CMC Markets' exposure to credit institutions (or similar) based on their long-term credit rating:

	31 March 2020			
GROUP	Cash and cash equivalents £'000	Amounts due from brokers £'000	Net derivative financial instruments £'000	Total £'000
AA+ to AA-	36,237	—	—	36,237
A+ to A-	43,090	66,948	1,090	111,128
BBB+ to BBB-	3,731	62,846	1,894	68,471
Unrated	1,249	4,482	—	5,731
	84,307	134,276	2,984	221,567

Notes to the consolidated and parent company financial statements continued
For the year ended 31 March 2020

29. Financial risk management continued
Credit risk continued
Mitigation of CIs credit risk continued

	31 March 2019			
GROUP	Cash and cash equivalents £'000	Amounts due from brokers £'000	Net derivative financial instruments £'000	Total £'000
AA+ to AA-	33,151	—	—	33,151
A+ to A-	13,721	40,633	(1,068)	53,286
BBB+ to BBB-	1,838	43,416	(350)	44,904
Unrated	19	3,986	—	4,005
	48,729	88,035	(1,418)	135,346

No cash balances or deposits with institutions were considered impaired (year ended 31 March 2019: £nil).

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

Client counterparty risk captures the risk associated with a client defaulting on its obligations due to the Group. As the Group does not offer most of its retail clients credit terms and has a robust liquidation process, client counterparty credit risk will in general only arise when markets and instruments gap and the movement in the value of a client's leveraged portfolio exceeds the value of equity that the client has held at the Group leaving the client account in deficit.

"Negative balance protection" accounts do not pose counterparty risk to the Group as the maximum loss for this account type is limited to their account value.

Further to this the Group operates a designated clearing broker in Australia, where trading is subject to a settlement process for financial products transacted on the Australian Security Exchange. As a result of this clearing process, the Group has settlement risk if a client or counterparty do not fulfil their side of the agreement by failing to deliver the underlying stock or value of the contract.

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.

  Pre-emptive processes are also in place where a client's free equity (total equity less total margin requirement) becomes negative[1]. At this point the client's account is restricted from increasing their position and a notification is sent inviting them to review their account.

1 Clients in some regions may use limited risk accounts, where it is guaranteed that a client cannot move to a negative equity balance.

- Tiered margin
  Tiered margins were implemented in September 2013 on the Next Generation platform. It enables the Group to set higher margin rates (therefore requiring a client to lodge more collateral) against positions that are deemed to be more risky due to risk profile, which could be due to size relative to the underlying turnover, the Group's risk appetite or volatility of the instrument.
- Position limits
  Position limits can be implemented on an instrument and client level on the Next Generation platform. The instrument level enables the Group to control the total exposure the Group acquires in a single instrument. At a client level this ensures that the client can only reach a pre-defined size in any one instrument or asset class.

Client counterparty credit risk stress testing
Group Financial Risk conducts client counterparty credit risk stress testing on a daily basis based on an internal model developed to assess the potential client credit risk exposure. The Group's stress testing is based on scenarios with different severity including stress factors which simulate almost "black swan" type events to assess potential impact.

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

Client debt history
The Group establishes specific provisions against debts due from clients where the Group determines that it is probable that it will be unable to collect all amounts owed in accordance with contractual terms of the client's agreements. Net debt provided for in the year ended 31 March 2020 amounted to £2,917,00 (year ended 31 March 2019: £1,126,000), the provision representing 1.0% of total revenue (year ended 31 March 2019: 0.7%). Bad debt written off during the year ended 31 March 2020 was £592,000 or 0.2% of revenue (year ended 31 March 2019: £562,000, 0.3% of revenue).

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

29. Financial risk management continued

Credit risk continued

Client debt history continued

GROUP	31 March 2020 £'000	31 March 2019 £'000
Opening provision	3,528	2,964
Net debt provided	2,917	1,126
Debt written off	(592)	(562)
Closing provision	**5,853**	3,528

Debt ageing analysis

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

	31 March 2020	
GROUP	Debt £'000	Provision £'000
Less than one month	2,933	663
One to three months	301	192
Three to twelve months	1,433	1,155
Over twelve months	6,173	3,843
	10,840	5,853

	31 March 2019	
GROUP	Debt £'000	Provision £'000
Less than one month	1,406	34
One to three months	286	171
Three to twelve months	294	232
Over twelve months	6,199	3,091
	8,185	3,528

Liquidity risk

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

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

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

Due to the risk management strategy adopted and the changeable scale of the client trading book, the largest and most variable consumer of liquidity is PB margin requirements. The collateral calls are met in cash from own funds but to ensure liquidity is available for extreme spikes, the Group has a committed bank facility of £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 to leave a sufficient liquidity buffer to cope with a stress event.

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

Notes to the consolidated and parent company financial statements continued
For the year ended 31 March 2020

29. Financial risk management continued
Capital management
Own funds
Own funds is a key measure the Group uses to monitor the overall level of liquidity available to the Group. Own funds includes investments in UK government securities, the majority of which are held to meet the Group's liquid asset buffer ("LAB" – as set by the FCA). These UK government securities are BIPRU 12.7 eligible securities and are available to meet liabilities which fall due in periods of stress. The derivation of own funds is shown in the table below:

GROUP	31 March 2020 £'000	31 March 2019 £'000
Cash and cash equivalents (net of bank overdraft)	**84,307**	48,729
Amount due from brokers	**134,276**	88,035
Financial investments	**25,445**	22,079
Derivative financial instruments (current assets)	**5,353**	2,885
	249,381	161,728
Less: title transfer funds	**(8,672)**	(7,632)
Less: derivative financial instruments (current liabilities)	**(2,369)**	(4,303)
Own funds	**238,340**	149,793

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.

Liquidity risk

GROUP	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Operating activities		
Profit before tax	**98,686**	6,329
Adjustments for:		
Finance costs	**2,052**	1,442
Depreciation and amortisation	**10,959**	7,325
Other non-cash adjustments	**3,368**	672
Tax paid	**(13,079)**	(7,590)
Own funds generated from operating activities	**101,986**	8,178
Movement in working capital	**12,274**	(21,393)
(Outflow)/inflow from investing activities		
Net purchase of property, plant and equipment and intangible assets	**(4,273)**	(6,711)
Other inflow/(outflow) from investing activities	**1,084**	(341)
Outflow from financing activities		
Interest paid	**(2,052)**	(1,442)
Dividends paid	**(10,201)**	(21,092)
Other outflow from financing activities	**(7,090)**	(1,395)
Total outflow from investing and financing activities	**(22,532)**	(30,981)
Increase/(decrease) in own funds	**91,728**	(44,196)
Own funds at the beginning of the year	**149,793**	193,897
Effect of foreign exchange rate changes	**(3,181)**	92
Own funds at the end of the year	**238,340**	149,793

The Group's objectives for managing capital are as follows:

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

The capital resources of the Group consist of equity, being share capital reduced by own shares held in trust, share premium, other reserves and retained earnings, which at 31 March 2020 totalled £282,879,000 (31 March 2019: £205,080,000).

29. Financial risk management continued

Liquidity risk continued

The Group is supervised on a consolidated basis by the FCA. The Group has complied with all externally imposed capital requirements at all times during the year ended 31 March 2020.

The Group's ICAAP, prepared under the requirements of the FCA and the Capital Requirements Directive, is an ongoing 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 Group operates both equity and cash settled share options schemes for certain employees including Directors.

Current awards have been granted under the terms of the Management Equity Plan 2015 ("2015 MEP"), the UK Share Incentive Plan ("UK SIP") and the International Share Incentive Plan ("Australian SIP"). Equity settled schemes are offered to certain employees, including Executive Directors in the UK and Australia and automatically vest on vest date subject to conditions described below for each scheme. Cash settled schemes are offered to certain employees outside of the UK and Australia. Equity schemes for UK employees are settled net of employee taxes due. The rights of participants in the various employee share schemes are governed by detailed terms, including in relation to arrangements which would apply in the event of a takeover.

Consolidated Income statement charge for share-based payments

The total costs relating to these schemes for the year ended 31 March 2020 was £2,334,000 (year ended 31 March 2019: £817,000).

For the year ended 31 March 2020 the charge relating to equity settled share-based payments was £2,043,000 (year ended 31 March 2019: £800,000) and the charge relating to cash settled share-based payments was £291,000 (year ended 31 March 2019: £17,000).

No shares were gifted to employees during the year (year ended 31 March 2019: 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. The options have dividend equivalence where additional shares will be awarded in place of dividends on vesting. Equity settled awards made in November 2016, July 2017 and July 2018 are a combination of "market performance" and "non-market performance" awards. The awards are based on three performance conditions: total shareholder return ("TSR"), diluted earnings per share and customer satisfaction measures, and in addition the employee must remain employed by the Group.
- Long Term Incentive Plan: awards to senior management and critical staff, excluding Executive Directors. The options have dividend equivalence where additional shares will be awarded in place of dividends on vesting. Equity settled awards made in November 2016, July 2017, March 2018 and July 2018 are a combination of "market performance" and "non-market performance" awards. The awards are based on up to three performance conditions: total shareholder return ("TSR"), diluted earnings per share and customer satisfaction measures, and in addition the employee must remain employed by the Group. The only vesting condition of the equity settled awards made in June 2019 is that employees remain employed by the Group.

The fair value of awards made under the TSR criteria for the schemes granted above was calculated using an options pricing model and was 29.2 pence per option for the November 2016 scheme, 27.9 pence per option for the July 2017 scheme and 37.8 pence per option for the July 2018 scheme. The significant inputs into the model were share price at grant date of 192.5 pence, volatility of 39%, and an expected option life of three years for the November 2016 scheme, share price at grant date of 147.3 pence, volatility of 48%, and an expected option life of three years for the July 2017 scheme and share price at grant date of 204.7 pence, volatility of 44%, and an expected option life of three years for the July 2018 scheme.

Notes to the consolidated and parent company financial statements continued
For the year ended 31 March 2020

30. Share-based payment continued
Current schemes continued
2015 MEP continued

			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	192.5p	13 September 2019	322,569	—	(313,405)	4,087	(13,251)	—
Executive Retention Scheme	147.3p	27 July 2020	918,316	—	(466,998)	12,040	—	463,358
Executive Retention Scheme	204.7p	5 July 2021	389,259	—	(198,102)	5,099	—	196,256
Long Term Incentive Plan	192.5p	13 September 2019	302,704	—	(281,986)	6,502	(27,220)	—
Long Term Incentive Plan	147.3p	27 July 2020	2,056,003	—	(54,307)	44,719	—	2,046,415
Long Term Incentive Plan	154.3p	1 April 2020	343,880	—	(343,880)	—	—	—
Long Term Incentive Plan	154.3p	1 April 2021	343,880	—	(343,880)	—	—	—
Long Term Incentive Plan	204.7p	5 July 2021	605,985	—	(68,058)	12,499	—	550,426
Long Term Incentive Plan	87.8p	24 June 2021	—	336,862	(22,902)	6,054	—	320,014
Total			5,282,596	336,862	(2,093,518)	91,000	(40,471)	3,576,469

The average share price at exercise of options was 99.6 pence and the weighted average exercise price of exercised awards for UK participants (34,563 shares) was £nil and for Australian participants (5,908 shares) was 25 pence.

In addition, cash settled awards have been granted and vest in periods from April 2020 to June 2022. Balances of 33,977 awards, 152,338 awards, 52,177 awards and 45,121 awards in each of four tranches remained at the end of the period. All of these awards benefit from dividend equivalence. The value of these awards is the share price on the date these awards vest.

UK and Australia SIP awards
Shares awarded under the UK SIP scheme are held in trust in accordance with UK tax authority conditions and all shares awarded under the Australian scheme are held in a UK trust. Employees are entitled to receive dividends in the form of additional shares on the shares held in trust as long as they remain employees.

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

Australian employees are invited to subscribe for up to the equivalent of £1,800 of investment shares with the Company matching on a one-for-one basis. Matching shares for each scheme vest on the third anniversary after award date should the employee remain employed by the Group for the term of the award.

				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	April 2016 to March 2017	285.3p to 112.6p	April 2019 to March 2020	144,633	—	(9,497)	(135,136)	—
UK	April 2017 to March 2018	171.4p to 115.3p	April 2020 to March 2021	113,490	—	(17,533)	(2,468)	93,489
UK	April 2018 to March 2019	85.5p to 204.5p	April 2021 to March 2022	109,741	—	(15,745)	(2,572)	91,424
UK	April 2019 to March 2020	79.3p to 179.2p	April 2022 to March 2023	—	120,486	(9,255)	(1,057)	110,174
Australia	5 July 2016	266.3p	6 April 2019	9,914	—	—	(9,914)	—
Australia	5 April 2017	118.0p	5 April 2020	11,886	—	—	—	11,886
Australia	5 April 2018	178.2p	5 April 2021	6,049	—	—	—	6,049
Australia	5 April 2019	83.5p	5 April 2022	—	8,230	—	—	8,230
Total				395,713	128,716	(52,030)	(151,147)	321,252

The weighted share price at the exercise date of options exercised during the year ended 31 March 2020 was 111.0 pence (year ended 31 March 2019: 117.6 pence).

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

30. Share-based payment continued

Movement in share options

556,577 new share options were granted in the year ended 31 March 2020 (year ended 31 March 2019: 1,347,967) and these are detailed above in the current schemes section. Movements in the number of share options outstanding are as follows:

GROUP	31 March 2020 Number	31 March 2019 Number
At beginning of year	**5,678,309**	5,004,383
Awarded (including dividend equivalents)	**556,578**	1,347,967
Forfeited	**(2,145,548)**	(321,171)
Exercised	**(191,618)**	(352,870)
At end of year	**3,897,721**	5,678,309

31. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 "Leases" on the Group's financial statements adopted on 1 April 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 4.65%.

Adjustments recognised on adoption of IFRS 16

The change in accounting policy affected the following items in the statement of financial position on 1 April 2019:

- Deferred tax assets – increase of £358,000
- Computer hardware – decrease of £1,763,000
- Leasehold improvements – decrease of £860,000
- Right-of-use assets – increase of £16,947,000
- Lease liabilities – increase of £24,433,000
- Finance lease liabilities (current and non-current portion) – decrease of £1,615,000
- Accruals and deferred income – decrease of £8,046,000
- Prepayments and accrued income – decrease of £628,000
- Other debtors – increase of £1,339,000

The net impact on retained earnings on 1 April 2019 was an increase of £621,000.

The table below provides a reconciliation between operating lease commitments disclosed applying IAS 17 at 31 March 2019 and lease liabilities recognised on 1 April 2019:

GROUP	1 April 2019 £'000
Operating lease commitments disclosed as at 31 March 2019	25,145
Further lease commitments identified[1]	892
Impact of short-term recognition exemption	(145)
Discounted using the incremental borrowing rate at the date of initial application	(3,074)
Finance lease liabilities recognised as at 31 March 2019	1,615
Lease liability recognised as at 1 April 2019	**24,433**

1 Following a review of lease data validation during the IFRS 16 transition process, additional lease payments were identified which were previously not part of operating lease commitments.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Notes to the consolidated and parent company financial statements continued
For the year ended 31 March 2020

31. Changes in accounting policies continued
Adjustments recognised on adoption of IFRS 16 continued
The recognised right-of-use assets relate to the following types of assets:

GROUP	1 April 2019 £'000
Computer hardware	1,763
Leasehold properties	15,184
Right-of-use assets	16,947

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

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

The pension charge for these plans for the year ended 31 March 2020 was £1,469,000 (year ended 31 March 2019: £1,465,000).

33. Related party transactions
Company
The amounts outstanding with Group entities at year end were as follows:

COMPANY	31 March 2020 £'000	31 March 2019 £'000
Amounts due from Subsidiaries	2,100	870
Amounts due to Subsidiaries	(15,962)	(15,550)

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

Compensation of key management personnel

GROUP	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Key management compensation:		
Short-term employee benefits	2,739	1,434
Post-employment benefits	61	62
Share-based payments	455	121
	3,255	1,617
Aggregate remuneration of highest paid Director	1,197	434

Key management comprises the Board of CMC Markets plc only.

Directors' transactions

As at 31 March 2019, it was disclosed that an amount was owed to CMC Markets UK plc by Peter Cruddas in relation to payments made to a third-party supplier for services provided to Peter Cruddas in a personal capacity. During the financial year ended 31 March 2020 additional material has come to light which has evidenced that the payments made to the third-party supplier were for services to CMC Markets UK plc. As a result, the costs appear in the income statement for the period to 31 March 2020.

A number of the directors have company credit cards and have, during the course of the year, used the company credits for personal expenses.

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. Sometimes these claims can have a financially significant face value, but the Group's experience is that such claims are usually resolved without any material loss. The Group provides for claims where costs are likely to be incurred and there are no contingent liabilities where the Group considers any material adverse financial impact to be probable.

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

Shareholder information

Group history

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

CMC Markets has since become a global leader in online trading. There have been a number of significant milestones for the Group over the past 30 years, as it has expanded into new markets around the world and continues to promote innovation and new trading technology.

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

The Company successfully listed on the London Stock Exchange in February 2016. In April 2016 CMC Markets successfully introduced Digital 100s. Later in the year it unveiled Knock-Outs in Germany and Austria, as CMC Markets became the first CFD provider to offer the product in Germany, reinforcing its position as a global leader in innovation.

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

The Group also received Best CFD Broker for its burgeoning institutional offering, in line with one of its core strategic objectives.

Timeline

1989 – CMC Markets begins operations in the UK

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

2000 – Starts offering CFDs in the UK

2001 – Launches online spread betting service in the UK

2002 – Opens first non-UK office in Sydney, Australia

2005 – Offices opened in Beijing, Canada and Germany

2006 – Opens New Zealand office

2007 – Singapore and Sweden offices opened; and Goldman Sachs purchases 10% stake

2008 – CMC Markets (Australia) starts offering a stockbroking service following the acquisition of local stockbroker Andrew West & Co.

2010 – Next Generation platform is launched; offices opened in Italy and France; and spread betting iPhone app launched in the UK

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

2012 – Spread betting app for AndroidTM launched

2013 – CMC Markets wins 33 industry awards globally

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

2015 – Countdowns launched; Poland and Austria offices opened; and Stockbroking Pro platform launched

2016 – CMC Markets lists on the London Stock Exchange, trading as CMCX; and Digital 100s and Knock-Outs launched

2018 – CMC Markets (Australia) completes the ANZ Bank white label stockbroking transaction

2019 – CMC Markets celebrates its 30th year and launches exclusive cryptocurrency, forex and commodity indices

Shareholder information continued

Five-year summary

Group income statement

	For the year ended 31 March				
	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Net operating income	**252.0**	130.8	187.1	160.8	169.4
Other income	**—**	—	—	—	3.1
Operating expenses	**(151.3)**	(123.1)	(125.9)	(111.6)	(118.3)
Operating profit	**100.7**	7.7	61.2	49.2	54.2
Analysed as:					
Underlying operating profit	**100.7**	7.7	61.2	49.2	63.2
Net exceptional items	**—**	—	—	—	(9.0)
Operating profit	**100.7**	7.7	61.2	49.2	54.2
Finance costs	**(2.1)**	(1.4)	(1.1)	(0.7)	(0.8)
Profit before tax	**98.6**	6.3	60.1	48.5	53.4
Analysed as:					
Underlying profit before tax	**98.6**	6.3	60.1	48.5	62.4
Net exceptional items	**—**	—	—	—	(9.0)
Profit before tax	**98.6**	6.3	60.1	48.5	53.4
Taxation	**(11.7)**	(0.5)	(10.4)	(9.3)	(10.9)
Profit after tax	**86.9**	5.8	49.7	39.2	42.5

Other metrics

	2020	2019	2018	2017	2016
Own funds generated from operations (£m)	**102.0**	8.2	55.5	49.3	53.5
Profit margin					
Underlying PBT margin (%)	**39.2**	4.8	32.1	30.1	36.8
PBT margin (%)	**39.2**	4.8	32.1	30.1	31.5
Earnings per share (“EPS”)					
Basic EPS (pence)	**30.1**	2.0	17.3	13.7	15.1
Diluted EPS (pence)	**29.9**	2.0	17.1	13.6	15.0
Dividend per share					
Interim dividend per share (pence)	**2.85**	1.35	2.98	2.98	3.57
Final dividend per share (pence)	**12.18**	0.68	5.95	5.95	5.36
Ordinary dividend per share (pence)	**15.03**	2.03	8.93	8.93	8.93
Special dividend per share (pence)	**—**	—	—	—	1.79
Total dividend per share (pence)	**15.03**	2.03	8.93	8.93	10.72

Client metrics

	2020	2019	2018	2017	2016
Revenue per active client (£)	**3,750**	2,068	2,964	2,517	2,828
Number of active clients	**57,202**	53,308	59,165	60,082	57,329

Five-year summary continued
Group statement of financial position

	At 31 March				
	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
ASSETS					
Non-current assets					
Intangible assets	**4.6**	5.0	4.4	2.1	2.6
Property, plant and equipment	**28.1**	18.1	20.7	18.2	16.4
Deferred tax assets	**16.5**	11.6	8.8	8.1	7.7
Financial investments	**—**	11.3	10.8	—	—
Trade and other receivables	**2.3**	2.7	2.2	—	—
	51.5	48.7	46.9	28.4	26.7
Current assets					
Trade and other receivables	**186.3**	118.0	48.0	31.6	20.9
Derivative financial instruments	**5.4**	2.9	7.3	1.9	0.8
Current tax recoverable	**0.8**	3.4	—	—	—
Financial investments	**25.4**	10.7	10.3	20.3	20.4
Amounts due from brokers	**134.3**	88.1	156.9	119.4	84.2
Cash and cash equivalents	**84.3**	48.7	60.5	53.2	78.3
	436.5	271.8	283.0	226.4	204.6
Total assets	**488.0**	320.5	329.9	254.8	231.3
LIABILITIES					
Current liabilities					
Trade and other payables	**177.1**	100.6	91.8	36.3	34.6
Derivative financial instruments	**2.4**	4.3	3.9	3.3	5.0
Borrowings	**0.9**	1.1	1.3	5.8	1.4
Lease liabilities	**4.7**	—	—	—	—
Current tax payable	**—**	—	2.3	5.5	7.8
Short-term provisions	**0.5**	0.2	0.1	0.4	0.2
	185.6	106.2	99.4	51.3	49.0
Non-current liabilities					
Trade and other payables	**—**	4.8	5.5	3.1	3.5
Borrowings	**0.8**	1.2	2.3	3.0	1.1
Lease liabilities	**14.6**	—	—	—	—
Deferred tax liabilities	**2.2**	1.2	0.7	—	—
Long-term provisions	**1.9**	2.0	2.0	1.6	1.4
	19.5	9.2	10.5	7.7	6.0
Total liabilities	**205.1**	115.4	109.9	59.0	55.0
EQUITY					
Total equity	**282.9**	205.1	220.0	195.8	176.3
Total equity and liabilities	**488.0**	320.5	329.9	254.8	231.3

Shareholder information continued

Proposed final dividend for the year ended 31 March 2020

Ex-dividend date: Thursday 6 August 2020
Record date: Friday 7 August 2020
Dividend payment date: Friday 11 September 2020

Annual General Meeting

The 2020 AGM will be held at 12:00 pm on 30 July 2020 by electronic means.

Registrars/shareholder enquiries

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

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enquiries@linkgroup.co.uk

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Beckenham
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Tel: 0871 664 0300

Calls cost 12 pence per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00am and 5.30pm, Monday to Friday excluding public holidays in England and Wales.

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