6 June 2019

CMC MARKETS PLC

Final results for the year ended 31 March 2019

Regulatory change and market conditions impact short-term profitability

Continued focus on servicing high value clients and diversifying revenue streams

Year ended £ million (unless otherwise stated)	31 March 2019	31 March 2018	Change %
Net operating income	130.8	187.1	(30%)
Profit before tax	6.3	60.1	(89%)
Earnings per share (pence)	2.0p	17.3p	(88%)
Ordinary dividend per share (pence)	2.0p	8.9p	(77%)
Number of trades (million)	64.5	68.4	(6%)
Value of trades (£ billion)	2,259	2,587	(13%)
Active CFD and Spread bet clients (numbers)	53,308	59,165	(10%)
Revenue per active client (£)	2,068	2,964	(30%)

Notes:
Net operating income represents total revenue after commissions payable to introducing partners and betting levies
Dividend per share paid or proposed relating to the financial year
Active clients represents those individual clients who have traded with or held a CFD or spread bet positions with the Group on at least one occasion during the financial year
Revenue per active client represents total trading revenue from CFD and spread bet active clients after deducting partner commissions and levies

Highlights

- Market conditions and regulatory change driving reduction in net operating income to £130.8 million, down £56.3 million (30%). Operational gearing resulted in this decrease coming through to profit before tax of £6.3 million, down £53.8 million
- ANZ Bank white label stockbroking partnership successfully implemented on time and budget resulting in 81% increase in stockbroking net revenue to £15.5 million
- CFD and Spread bet active clients down 10%, as a result of market conditions and enhancements to the application process
- Proposed final ordinary dividend of 0.68 pence, resulting in a full year ordinary dividend of 2.03 pence
- Financial performance at the start of 2020 is in line with run rate consensus expectations

Regulatory update

- ESMA retail clients trading at in the region of 35% of pre-August 2018 volumes, continue to maintain account balances and are using more of their account balance to cover margin and holding positions for longer
- ESMA professional client numbers remain stable
- Brexit: German subsidiary on track to be operational by October 2019, pending final regulatory approval

Continued progress made on strategic initiatives

- Focusing on three strategic initiatives going forward which will diversify revenue streams through our investment in technology
- Institutional: Equities DMA released during the year and enlarged sales team recruited
- Client journey optimisation: focusing on on-boarding efficiency and high value client proposition
- Established markets: focus on client service means the Group continue to top independent survey feedback regarding client satisfaction and high value client service

Peter Cruddas, Chief Executive Officer commented:

“This has been a difficult period of trading for CMC and our sector, but having now weathered the ESMA transition, we exit this year with renewed confidence in the future. We have learned as our clients adjusted to the imposition of much lower leverage levels at the same time as experiencing range bound markets. As a result, we have adjusted our business to ensure we capture revenue appropriately and manage the net risk we are exposed to from higher client margins against smaller positions being held for longer periods.

Our business is much more balanced today than it has ever been, with a larger stockbroking business and important growth in our institutional business alongside our stabilised CFD and spread bet business all underpinned by our technology platform. We have demonstrated that our ability to use technology to provide a high quality service and access to innovative investment opportunities means we are an attractive partner for a wide array of customers and partners around the world.

As regulatory change continues to be a key positive driver in our markets, we believe that our strong product offering, client service, technology platform and balance sheet will ensure our ongoing success.”

Analyst and Investor Presentation

A presentation will be held for equity analysts and investors today at 9.30 a.m. (BST).

A live audio webcast of the presentation will be available via the following link:

http://webcasts.cmcmarkets.com/results/2019fullyear

Alternatively, you can dial into the presentation:

- United Kingdom: 020 3059 5868
- All other locations: + 44 20 3059 5868

Please quote "CMC Markets Full Year Results 2019" when prompted.

Annual Report and Financial Statements

A copy of the CMC Markets plc (the "Company") Annual Report and Financial Statements for the year ending 31 March 2019 (the "2019 Annual Report and Financial Statements") is available within the Investor Relations section of the Company website http://www.cmcmarkets.com/group/results/annual-reports

Pursuant to Listing Rule 9.6.1 the "Company" has submitted the 2019 Annual Report and Financial Statements to the National Storage Mechanism and will shortly be available for inspection at: www.morningstar.co.uk/uk/nsm

In compliance with The Disclosure and Transparency Rules (DTR) 6.3.5, the information in the document below is extracted from the Company's 2019 Annual Report and Financial Statements. This material is not a substitute for reading the 2019 Annual Report and Financial Statements in full and any page numbers and cross references in the extracted information below refer to page numbers and cross-references in the 2019 Annual Report and Financial Statements.

Forthcoming announcement dates

Thursday 25 July	Q1 2020 trading update
Thursday 3 October	H1 2020 pre-close trading update

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Notes to Editors

CMC Markets plc ("CMC"), whose shares are listed on the London Stock Exchange under the ticker CMCX (LEI: 213800VB75KAZBFH5U07), was established in 1989 and is now one of the world's leading online financial trading businesses. The company serves retail and institutional clients through regulated offices and branches in 14 countries, with a significant presence in the UK, Australia, Germany and Singapore. The Group offers an award-winning, online and mobile trading platform, enabling clients to trade almost 10,000 financial instruments across shares, indices, foreign currencies, commodities and treasuries through contracts for difference ("CFDs") and financial spread bets (in the UK and Ireland only). Clients can also place financial binary bets through Countdowns and, in Australia, access stockbroking services. More information is available at http://www.cmcmarkets.com/group/

Forward Looking Statements

This announcement and Appendix may include statements that are forward looking in nature. Forward looking statements involve known and unknown risks, assumptions, uncertainties and other factors which may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Except as required by the Listing Rules and applicable law, the Group undertakes no obligation to update, revise or change any forward looking statements to reflect events or developments occurring after the date such statements are published.

CHAIRMAN'S STATEMENT

2019 has been a difficult year for the Group with revenue performance affected by the introduction of the European Securities and Markets Authority ("ESMA") measures and prolonged and persistent periods of low market activity.

However, against this backdrop the Group has continued to make progress on its strategic initiatives, continuing to improve our platform, obtaining regulatory approval in principle for our Dubai office and successfully completing the implementation of the ANZ Bank white label stockbroking partnership. Our continuing focus on the medium and long term puts the Group in a strong position to deal with the ongoing change facing the sector.

Results and dividend

Despite a strong first quarter, the Group's financial performance has been weak for much of the financial year. Net operating income for the year was £130.8 million, a 30% reduction on the previous year. Revenue per active client at £2,068 was 30% lower than the previous year reflecting the lower levels of client activity.

The Group continues to have a robust balance sheet and total regulatory capital position, and although performance has been disappointing, the Board recommends a final dividend payment of 0.68 pence per share, which results in a total dividend payment of 100% of profit after tax for the year.

Regulation

The ESMA measures came into effect in July and August 2018 and the Group continues to be supportive of regulatory change to ensure that all providers operate to the highest standards, ensuring fair client outcomes.

The Group's focus over recent years on higher quality, experienced and sophisticated clients ensured that the Group had a significant proportion of elective professional clients when the new rules were implemented, and although these clients were not as active during the year due to market conditions, they remain very valuable, particularly when more normalised markets return.

The Board continues to believe that a stronger and better industry will emerge from these changes, and that CMC will be a clear winner through its focus on client service and technology.

Board and governance

Following the Board changes that were made in 2018, this has been the first full year with the new Board. As anticipated the backgrounds and breadth of experiences that these Non-Executives bring to the Board is proving valuable.

After six years with the Group, Grant Foley, Chief Operating and Financial Officer, has decided to leave CMC Markets and pursue other opportunities. On behalf of the Board I would like to thank Grant for the significant contribution he has made to the Group.

Reflecting the growing importance of our Asia Pacific business, I am delighted that Matthew Lewis, Head of Asia Pacific and Canada, will be joining the Board once we receive regulatory approval.

Finally, reflecting the continued expansion of his role and responsibilities, David Fineberg has recently been appointed as Deputy Chief Executive Officer from his previous role as Group Commercial Director.

A Board evaluation has been completed relying on the processes provided by 'Thinking Board', a leader in board evaluations. The results of the Board and Committee evaluations have been very beneficial.

People

Against difficult trading conditions and the implementation of regulatory change, our people have once again worked hard to deliver against the Group's strategic initiatives. On behalf of the Board, I would like to thank them all for their efforts.

The Group completed an engagement survey in February 2019 and is committed to ensuring that staff are motivated and engaged across the organisation. A plan is being developed to address the survey findings in the coming year.

Outlook

The Group has made a profitable start to the new financial year as it continues to understand the impact of and adapt to the regulatory changes and market conditions.

The Group continues to diversify through its growing stockbroking and institutional business, whilst remaining focused on attracting and retaining high value and experienced clients, which has become increasingly important in the new regulatory environment.

The Group expects these initiatives to drive revenue improvement in the coming year.

Costs remain well controlled, although the Board believes that this is not a time to reduce costs but take advantage of the opportunities that regulatory change will present and ensuring that CMC Markets continues to be a leader in the industry. As a result, costs are expected to be marginally higher than the prior year excluding discretionary bonus.

James Richards
Chairman
5 June 2019

CEO REPORT

Financial performance

2019 was a challenging year for the Group. Despite a strong first quarter, the impact of weak market conditions and regulatory change following the implementation of the ESMA measures has resulted in net operating income being significantly lower than the previous year.

Cost control has been a focus throughout the year, so despite the Group incurring the additional costs to support the ANZ Bank white label stockbroking transaction, total operating expenses have decreased by 2%.

The Group's cost base is predominantly fixed, meaning much of the decrease in net operating income has come through to the bottom line. As a result, profit before tax at £6.3 million was £53.8 million lower than the previous year.

Whilst this performance is disappointing, the underlying fundamentals of the business remain strong. Active clients for the year were down 5,857 (10%) at 53,308, however, levels of client money, which are an indicator of future trading potential, remain robust at £332.4 million (up 9%).

In addition, the Group's balance sheet remains strong. At the end of the year, the Group's net available liquidity was £103.3 million and the regulatory capital ratio was 17.4%.

Although the number of active clients continues to be an important measure, the Group's strategy of targeting and retaining higher value clients leaves the Group well-placed for future periods.

Regulation

The ESMA regulations came into effect from 1 August 2018, and as anticipated these measures did have a significant impact on the value of trades placed by ESMA affected retail clients. However, trading levels for these clients has now stabilised indicating that there remains a demand from these clients to trade.

The Group's strategy of focusing on high value and experienced clients has helped the Group partially mitigate the impact of the ESMA measures where clients choose to be categorised as elective professional. The Group has adopted a robust and rigorous approach to this, ensuring that only clients that meet the criteria are treated as such.

We believe that increased regulation of the sector is a good thing for the industry and we are seeing clients adapt to the new margin requirements, using more of their cash on account to trade and trading for longer periods. This is an encouraging measure for the medium and long-term success of the Group.

Looking outside of Europe, it is likely that further regulatory changes will be made. In Singapore, which contributes under 10% of Group CFD net revenue, margin rates for foreign exchange will increase in October 2019 and the Australian regulator, ASIC, is likely to implement changes at some point in the future.

Any further changes will create a more level playing field globally and remove some of the practices that we have seen during this period, with providers based in jurisdictions outside of the ESMA region targeting European clients by offering them lower margin requirements.

Regional review

The performance of both the UK and Europe regions were impacted by ESMA changes which were in place for eight months of the financial year as well as difficult market conditions. Given that the value of client trades of retail clients was materially impacted from August onwards, in conjunction with weak market conditions, this fed through to lower revenue per active client, which were down 19% and 38% in the UK and Europe respectively. The UK was less impacted than Europe due to both the higher proportion of professional to retail clients and also its larger institutional business. Active client numbers also reduced 18% and 14% respectively during the year to 13,181 and 19,159, with market conditions causing more clients to stop trading in comparison to the prior year, in addition to enhancements to the application process impacting client acquisition. This resulted in UK and Europe net revenue down 34% and 46% respectively to £47.3 million and £27.1 million.

The APAC & Canada region had a strong year where the value of client trades increased, both in the retail and institutional businesses. Active client numbers remained broadly consistent against the prior year, up 1% to 20,968. Net revenue decreased by 32% to £35.8 million.

The Australian stockbroking business had a year of significant growth, with net revenue up 81% to £15.5 million as a result of the implementation of the ANZ Bank white label partnership at the end of H1 2019. Client numbers in the core business increased 2% to 39,400 during the year and ANZ Bank active clients since go-live in July and September 2018 were 84,132 including intermediaries.

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. With the introduction of regulatory change we have seen a change in client behaviour, with a material change for ESMA retail clients being an increase in their trade duration; this, in conjunction with weak market conditions and decreasing spread revenue, has led us to further refine our risk management strategies during the final months of the financial year. This change has seen the Group internalise more client flow than previously, particularly in the more highly traded and liquid instruments which has resulted in lower hedge costs. It has also increased daily revenue ranges and market risk exposure, however the Group continues to maintain a strong regulatory capital ratio and over the medium term we expect the changes to yield higher revenue.

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

Brexit

In order to guarantee the Group's permission to operate in the European Union on an uninterrupted basis, the Group has established a new subsidiary in Germany. The necessary staff have been recruited in anticipation of starting to onboard new clients in the region later in the financial year. The Group's headquarters will remain in the UK.

Strategic progress

The Group has continued to make strategic progress during the year; however, both the challenging market conditions and changing client trading behaviour have caused the Board to thoroughly consider the priorities of each of the existing five strategic initiatives and also how they are delivered.

As a result there will be a focus on three initiatives going forward, being established markets, our institutional offering and optimising our client journey. These are discussed more below.

Institutional offering

The ANZ Bank white label stockbroking transaction was completed in September 2018, on time and on budget. This 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 deal makes our stockbroking business a more significant part of the Group.

Our CFD Institutional business continues to grow; throughout the year we have invested in the technology and personnel, including expanding our focus outside of the UK and Europe, to ensure that this becomes an increasing part of the Group.

Established markets

Our established markets consist of the UK, Germany and Australia. In both the UK and Germany the year has been dominated by regulatory change, however we continue to focus on providing great client service and a superior product offering to our clients as this will continue to deliver value in the high value and professional client space going forward. Independent surveys show that we remain a leader in client satisfaction. Our Australian business continues to be a leader in the high value client space where we have been ranked first in 13 out of 15 service elements measured in another independent survey[1].

[1]Investment Trends 2018 Australia Leverage Trading Report (December 2018).

Optimising our client journey

Throughout the year we have continued to focus and make improvements to our client journey to improve the user experience and conversion rates; we are now beginning to see these improvements coming through. This will ensure that our marketing spend generates the optimal returns.

Our product offering and geographical expansion have now become less of a priority. The major additions to our product offering to facilitate growth in both the institutional and retail segments, at least in the short term, are now complete, with a focus on quickly deployable products on our platform, such as baskets, now the main deliverables.

From a geographical perspective, aside from the opening of our Dubai office which we feel is important to support our institutional ambitions, we have no plans to open further offices in the short term.

Diversification

The focus on our revised strategic initiatives will result in having the ability to grow an already geographically diverse CFD client base and revenue stream, but at the same time continue to diversify our revenue between retail and institutional businesses with the use of our proprietary technology, and also become a little less reliant on CFDs with growth in the stockbroking business.

People

Throughout the year I have been consistently impressed with the quality and dedication of our staff, against the backdrop of regulatory change. I am particularly proud of the huge amount of work that went into the ANZ white label stockbroking transaction. This project involved staff in the UK as well as Australia and was a significant achievement.

On behalf of myself and the Board, I would like to thank our staff for their continued hard work and commitment.

Clients

Our continuing focus on client service and fair client outcomes has meant that once again, CMC has won a number of awards. Acquiring and retaining clients is crucial to the success of the business.

Dividend

The Board recommends a final dividend payment of £2.0 million. This is 0.68 pence per share (2018: 5.95 pence), resulting in a total dividend payment for the year of 2.03 pence per share (2018: 8.93 pence). This represents a payment of 100% of profit after tax, and in excess of the Group’s policy of paying 50% of profit after tax. 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

This has been a difficult period of trading for CMC and our sector, but having now weathered the ESMA transition, we exit this year with renewed confidence in the future. We have learned as our clients adjusted to the imposition of much lower leverage levels at the same time as experiencing range bound markets. As a result, we have adjusted our business to ensure we capture revenue appropriately and manage the net risk we are exposed to from higher client margins against smaller positions being held for longer periods.

Our business is much more balanced today than it has ever been, with a larger stockbroking business and important growth in our institutional business alongside our stabilised CFD and spread bet business all underpinned by our technology platform. We have demonstrated that our ability to use technology to provide a high quality service and access to innovative investment opportunities means we are an attractive partner for a wide array of customers and partners around the world.

As regulatory change continues to be a key positive driver in our markets, we believe that our strong product offering, client service, technology platform and balance sheet will ensure our ongoing success.

Peter Cruddas
Chief Executive Officer
5 June 2019

FINANCIAL REVIEW

Summary income statement

£m	2019	2018	Variance	Variance %
Net operating income	**130.8**	**187.1**	**(56.3)**	**(30%)**
Operating expenses	(123.1)	(125.9)	2.8	2%
Operating profit	**7.7**	**61.2**	**(53.5)**	**(87%)**
Finance costs	(1.4)	(1.1)	(0.3)	(23%)
Profit before taxation	**6.3**	**60.1**	**(53.8)**	**(89%)**
PBT margin[1]	**4.8%**	**32.1%**	**(27.3%)**	
Profit after tax	**5.9**	**49.7**	**(43.8)**	**(88%)**

Pence	2019	2018	Variance	Variance %
Basic EPS	**2.0**	**17.3**	**(15.3)**	**(88%)**

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

Summary

Net operating income for the year decreased by £56.3 million (30%) to £130.8 million, primarily driven by a significant decrease in trading volumes from those clients that were impacted by ESMA regulation, and a further reduction in overall client volumes due to lower levels of market volatility presenting fewer trading opportunities for our clients. This had a particular impact on the second half with net operating income lower than first half performance at £60.2 million (H1 2019: £70.6 million).

Active client numbers have fallen by 5,857 (10%) to 53,308, due to fewer trading opportunities resulting in more clients stopping trading than the prior year. In addition, the Group implemented enhanced appropriateness checks during the year. This contributed to the acquisition of fewer new clients, however, the quality of those new clients has improved, which is encouraging for the future.

Regarding the impact on active clients resulting from the implementation of ESMA measures, during August 2018 there was a rise in clients who stopped trading in the UK and Europe, however, monthly active client numbers have remained broadly stable for the remainder of the financial year and client money levels have remained strong, rising £27.6 million (9%) to £332.4 million.

Lower active client numbers in conjunction with the lower net operating income has resulted in revenue per client falling by £896 (30%) to £2,068.

The value of client trades has decreased by £328 billion (13%) to £2,259 billion, due to lower volumes from ESMA impacted clients and fewer trading opportunities for other clients.

Given the lower revenue performance there has been a significant focus on cost control; as a result, operating costs have decreased slightly to £123.1 million, from £125.9 million. This decrease has been due to lower discretionary bonus costs and reduced marketing spend, partly offset by higher costs associated with the increased size and scale of the Group's stockbroking business as part of the ANZ implementation.

Profit before tax decreased to £6.3 million from to £60.1 million, reflecting the high level of operational gearing in the business whereby much of the decrease in net operating income directly impacts the bottom line.

Net operating income overview

£m	2019	2018
CFD and spread bet (including binaries) net revenue	110.2	175.4
Stockbroking	15.5	8.5
Interest income	3.4	2.1
Other operating income	1.7	1.1
Total	**130.8**	**187.1**

Regional performance overview: CFD and spread bet

	2019				2018				Variance %			
	Net revenue £m	Value of trades £bn	Active Clients	RPC £	Net revenue £m	Value of trades £bn	Active Clients	RPC £	Net revenue	Value of trades	Active Clients	RPC
UK	47.3	882	13,181	3,597	71.9	1,036	16,157	4,451	(34%)	(15%)	(18%)	(19%)
Europe	27.1	527	19,159	1,413	50.6	777	22,223	2,276	(46%)	(32%)	(14%)	(38%)
ESMA region	**74.4**	**1,409**	**32,340**	**2,300**	**122.5**	**1,813**	**38,380**	**3,191**	**(39%)**	**(22%)**	**(16%)**	**(28%)**
APAC & Canada	35.8	850	20,968	1,705	52.9	774	20,785	2,544	(32%)	10%	1%	(33%)
Total	**110.2**	**2,259**	**53,308**	**2,068**	**175.4**	**2,587**	**59,165**	**2,964**	**(37%)**	**(13%)**	**(10%)**	**(30%)**

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 due to leverage restrictions placed on retail clients. This, along with market conditions, has dominated the deterioration in performance in comparison to 2018.

UK

The number of active clients in the region fell, down 18% to 13,181 (2018: 16,157). Consequently, the value of client trades in the UK also fell, down 15% against the prior year to £882 billion (2018: £1,036 billion). These decreases were driven by the retail business, with growth in the number of active institutional clients year on year, and the value of institutional client trades only slightly lower as a result of the lower volatility environment.

Europe

Europe comprises offices in Austria, France, Germany, Italy, Norway, Poland, Spain and Sweden. The value of client trades in the region was 32% lower than the prior year at £527 billion (2018: £777 billion). Regulatory changes in the region drove this decrease, with clients trading lower volumes in all offices except for Poland, which continues to show strong growth. The number of active clients decreased 14% to 19,159 (2018: 22,223).

APAC & Canada

Our APAC & Canada business services clients from our Sydney, Auckland, Singapore, Toronto and Shanghai offices along with other regions where we have no physical presence. The value of client trades increased by 10% to £850 billion (2018: £774 billion), despite the prior period including a record final quarter for client activity. Active clients were up 1% to 20,968 (2018: 20,785).

Stockbroking

The Australian stockbroking business has grown significantly during the year due to the successful implementation of the ANZ Bank white label partnership at the end of H1 2019. This has been the main driver of the 81% increase in revenue to £15.5 million (2018: £8.5 million). Existing business revenue was broadly flat on prior year in a market where direct competitors saw market volumes decrease in the region of 14%*.

The ANZ Bank implementation has also meant that our existing retail and intermediary client base have been the beneficiaries of platform enhancements during the year, including mobile trading, international equities and online exchange-traded options and this should have revenue benefits for the existing business going forward.

*Source: ASX & Chi-X Combined Trading Statistics - IRESS

Interest income

The low interest rate environment remained largely the same as the prior year, however interest income increased 63% to £3.4 million (2018: £2.1 million) driven by the FCA granting the UK business permission to deposit a proportion of UK client funds in term deposit accounts. 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 decreased by £2.8 million (2%) to £123.1 million.

£m	2019	2018
Net staff costs	51.7	57.9
IT costs	20.0	16.9
Marketing costs	14.1	18.3
Sales-related costs	2.2	2.3
Premises costs	7.3	6.2
Legal and professional fees	4.6	4.0
Regulatory fees	2.9	3.0
Depreciation and amortisation	7.3	6.8
Other	13.0	10.5
Total operating expenses	**123.1**	**125.9**
Interest	1.4	1.1
Total costs	**124.5**	**127.0**

Net staff costs

Net staff costs decreased £6.2 million (11%) to £51.7 million due to lower performance related pay and share based payments. This was partly offset by higher wages and salaries predominantly due to higher headcount in the stockbroking business relating to both the ANZ Bank implementation and the ongoing requirements of the larger business post go-live.

£m	2019	2018
Wages and salaries	46.5	43.4
Performance related pay	1.8	10.7
Share-based payments	0.8	3.0
Total employee costs	**49.1**	**57.1**
Contract staff costs	5.1	3.5
Net capitalisation	(2.5)	(2.7)
Net staff costs	**51.7**	**57.9**

Marketing costs

Marketing costs have decreased by £4.2 million (23%) to £14.1 million with a focus during the year on targeting spend towards the most efficient channels.

Other expenses

IT costs increased £3.1 million (18%) to £20.0 million mainly due to higher costs in the stockbroking business, with increases also due to the provision of new software and hardware services.

Premises costs increased mainly due to a move to a new office in Sydney to accommodate the required headcount to support the growing stockbroking business. Note that premises costs will reduce in the next financial year, where changes to accounting standards will result in the rental costs of leases in excess of one year will be recategorised from premises costs to depreciation and interest charges.

Other costs increased due to a number of factors, with the main drivers being higher bank charges, with a full year of lower recoverable bank charges resulting from EU regulation introduced in January 2018 and higher bad debt charges due to an exceptionally low charge in the prior financial year.

Taxation

The effective tax rate for the year was 7% (2018: 17%). The low rate was driven by the Group benefiting from higher utilisation of Australian tax credits in the year due to higher forecast profitability of the Australian entities. The impact was accentuated through the lower overall statutory profit before tax for the year. The effective tax rate for the next year is expected to be 13% to 15%.

Profit after tax for the year

The decrease in profit after tax for the year of £43.8 million (88%) was due to lower net operating income and the operational gearing in the business.

Dividend

Dividends of £21.1 million were paid during the year (2018: £25.7 million), with £17.2 million relating to a final dividend for the prior year paid in August 2018, and £3.9 million interim dividend paid in December 2018 relating to current year performance. The Group has proposed a final ordinary dividend of 0.68 pence per share (2018: 5.95 pence per share).

Group statement of financial position

£m	2019	2018
Intangible assets	5.0	4.4
Property, plant and equipment	18.1	20.7
Deferred tax assets	11.6	8.8
Financial investments	11.3	10.8
Trade and other receivables	2.7	2.2
Total non-current assets	**48.7**	**46.9**
Trade and other receivables	118.0	48.0
Derivative financial instruments	2.9	7.3
Financial investments	10.7	10.3
Current tax recoverable	3.4	-
Amount due from brokers	88.1	156.9
Cash and cash equivalents	48.7	60.5
Total current assets	**271.8**	**283.0**
Total assets	**320.5**	**329.9**
Trade and other payables	100.6	91.8
Derivative financial instruments	4.3	3.9
Borrowings	1.1	1.3
Current tax payable	-	2.3
Short-term provisions	0.2	0.1
Total current liabilities	**106.2**	**99.4**
Trade and other payables	4.8	5.5
Borrowings	1.2	2.3
Deferred tax liabilities	1.2	0.7
Long-term provisions	2.0	2.0
Total non-current liabilities	**9.2**	**10.5**
Total liabilities	**115.4**	**109.9**
Total equity	**205.1**	**220.0**
Total equity and liabilities	**320.5**	**329.9**

Non-current assets

The Group is committed to maintaining its Next Generation trading platform and these costs are expensed as incurred. The increase in intangible assets was caused by £2.7 million of internal development costs relating to the implementation of the ANZ Bank stockbroking white label partnership that were capitalised during the year.

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 FCA requirement to hold eligible assets in order to meet the Group's liquid asset buffer ("LAB").

Current assets

Trade and other receivables largely relate to client receivables from stockbroking positions yet to settle, an escrow deposit and deferred expenses relating to the ANZ Bank transaction, prepayments and other client debtors. The increase year on year is primarily as a result of the ANZ Bank partnership implemented during the first half of the year, which has significantly increased the value of the receivables from stockbroking clients.

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

Cash and cash equivalents have decreased during the year as a result of dividend and bonus payments, as well as a reduction in title transfer funds held, offset by reductions in amounts due from brokers.

Current liabilities

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

Non-current liabilities

Trade and other payables relate mainly to the deferred unwinding of lease incentives on our London and Sydney properties.

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 were broadly unchanged on prior year at £192.6 million (2018: £194.9 million) with retained earnings for the year being offset by the interim and proposed final dividend distribution and an increase in both deferred tax assets and intangible assets.

At 31 March 2019 the Group had a total capital ratio of 17.4% (31 March 2018: 31.1%). The decrease in the total capital ratio resulted from a higher total risk exposure; this was driven mainly by an increase in market risk capital requirement caused by adjustments to the Group's market risk management. The following table summarises the Group's capital adequacy position at the year end. The Group's approach to capital management is described in note 28 to the 2019 Annual Report and Financial statements.

	2019	2018
Total capital resources (£m)[1]	192.6	194.9
Total risk exposure (£m)[2]	1,108.9	627.0
Total capital ratio (%)	**17.4%**	**31.1%**

[1]Total audited capital resources as at the end of the financial period, less proposed dividends, intangibles and deferred tax assets.
[2]Calculated in accordance with article 92(3) of the CRR.

Liquidity

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

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

reduction in the syndicated facility in March 2019, reflecting that the Group believes that a reduced facility is more representative of its potential requirements going forward. The facility consists of a one-year term facility of £20.0 million (2018: £32.5 million) and a three-year term facility of £20.0 million (2018: £32.5 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 2019 (2018: £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 2019, the Group held cash balances of £48.7 million (2018: £60.5 million). In addition, £332.4 million (2018: £304.8 million) was held in segregated client money accounts for clients. The movement in Group cash and cash equivalents is set out in the Consolidated Statement of Cash Flows.

Own funds have decreased to £149.8 million (2018: £193.9 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 2019 Annual Report and Financial Statements. The fall is predominantly due to dividend payments, bonus payments relating to 2018 performance and corporation tax payments.

£m	2019	2018
Own funds	149.8	193.9
Title transfer funds	7.6	48.0
Available committed facility	40.0	65.0
Total available liquidity	**197.4**	**306.9**
Less: blocked cash	(25.8)	(16.6)
Less: initial margin requirement at broker	(68.3)	(103.7)
Net available liquidity	**103.3**	**186.6**
Of which: held as LAB	22.0	21.2

Client money

Total segregated client money held by the Group was £332.4 million at 31 March 2019 (2018: £304.8 million).

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

Client money governance

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

The Group has comprehensive client money processes and procedures in place to ensure client money is identified and protected at the earliest possible point after receipt as well as governance structures which ensure such activities are effective in protecting client money. The Group's governance structure is explained further on pages 49 to 51 in the 2019 Annual Report and Financial statements.

PRINCIPAL RISKS

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

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

The Board has put in place a governance structure which is appropriate for the operations of an online retail financial services group and is aligned to the delivery of the Group's strategic objectives. The structure is regularly reviewed and monitored and any changes are subject to Board approval. Furthermore, management regularly considers updates to the processes and procedures to embed good corporate governance throughout CMC Markets. As part of the Group Risk Management Framework, the business is subject to independent assurance by internal audit (third line of defence). The use of independent compliance monitoring, risk reviews (second line of defence) and risk and control self-assessments (first line of defence) provides additional support to the integrated assurance programme and ensures that the Group is effectively identifying, managing and reporting its risks. The Group continues to make enhancements to its Risk Management Framework and governance to provide a more structured approach to identifying and managing the risks to which it is exposed. The Board has undertaken a robust assessment of the principal risks facing the Group. Top and emerging risks are considered those that would threaten its business model, future performance, solvency or liquidity and how these risks are managed or mitigated (Code C.2.1). These are outlined below and details of financial risks and their management are set out in note 28 to the 2019 Annual Report and 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:

- **Market risk management:** the Group's risk management is constantly reviewed to ensure it is optimised and as efficient as possible. During the second half of the financial year the Board reviewed and approved a revised approach to market risk with increased limits resulting in higher levels of internalisation in more liquid instruments. For more information on market risk management and mitigation see page 40 of the 2019 Annual Report and Financial Statements.

- **Regulatory change:** on 1 August 2018 the Group implemented ESMA changes relating to the marketing and distribution of CFDs to retail clients throughout Europe. Since then management have been monitoring the impact on the Group. The Group's strategic focus has and continues to be on acquiring and retaining high value and experienced clients, many of whom have successfully requested to become elective professionals. This has helped to mitigate the impact of these regulatory changes. There continues to be a focus on potential for, and readiness for, regulatory change across our client base elsewhere in the Group. 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.

- **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 is on track to start conducting regulated activity before 31 October 2019, pending final regulatory approval.

Further information on the structure and workings of Board and Management Committees is included in the Corporate governance report on page 48 of the 2019 Annual Report and Financial Statements.

Principal Risk	Risk	Description	Management and mitigation
Business and strategic risks	**Regulatory change**	The risk that changes to the regulatory framework the Group operates in impacts the Group performance. Such changes could result in the Group's product offering becoming less profitable, more difficult to offer to clients, or an outright ban on the product offering in one or more of the countries where the Group operates.	• Active dialogue with regulators and industry bodies. • Monitoring of market and regulator sentiment towards the product offering. • Monitoring by and advice from compliance department on impact of actual and possible regulatory change. • A business model and proprietary technology that are responsive to changes in regulatory requirements.
	Acquisitions and disposals	The risk that mergers, acquisitions, disposals or other partnership arrangements made by the Group do not achieve the stated strategic objectives or that they give rise to 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.

	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.

Principal Risk	Risk	Description	Management and mitigation
Financial risks	**Credit and counterparty risk**	The risk of losses arising from a borrower or counterparty failing to meet its obligations as they fall due.	**Client credit risk** The Group's management of client credit risk is significantly aided by automatic liquidation functionality where margin levels are continuously reviewed. If they fall below pre-agreed levels, the positions held on the account will automatically be closed out. Other platform functionality mitigates risk further: • tiered margin requires clients to hold more collateral against bigger or higher risk positions; • mobile phone access allowing clients to manage their portfolios on the move; • guaranteed stop-loss orders allow clients to remove their chance of debt from their position(s); 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. **Counterparty credit risk** Risk management is carried out by a central liquidity risk management ("LRM") team under the Counterparty Concentration Risk Policy, approved by the Policy Steering Group ("PSG") on behalf of the Board. 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. Further information is available in note 28 to the 2019 Annual Report and Financial Statements.
	Tax and financial reporting risk	The risk that financial, statutory or regulatory reports, including corporation tax, VAT and similar taxes, are submitted late or incomplete or are inaccurate.	• Robust process of checking and oversight in place to ensure accuracy. • Knowledgeable and experienced staff undertake and overview the relevant processes.
	Insurance risk	The risk that an insurance claim by the Group is declined (in full or in part) or there is insufficient insurance coverage.	• Use of a reputable insurance broker which 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.

Principal Risk	Risk	Description	Management and mitigation
	Liquidity risk	The risk that there is insufficient available liquidity to meet the liabilities of the Group as they fall due.	• Risk management is carried out by a central LRM team under policies approved by the Board and in line with the FCA's individual liquidity adequacy standards ("ILAS") regime. The Group utilises a combination of liquidity forecasting and stress testing to identify any potential liquidity risk both during normal and stressed conditions. The forecasting and stress testing fully incorporates the impact of all liquidity regulations in force in each jurisdiction and other impediments to the free movement of liquidity around the Group. Risk is mitigated by: • the provision of timely daily, weekly and monthly liquidity reporting and real-time broker margin requirements to enable strong management and control of liquidity resources; • a committed bank facility of up to £40.0 million to meet short-term liquidity obligations to broker counterparties in the event that the Group does not have sufficient access to its own cash; and • a formal Contingency Funding Plan ("CFP") is in place that is designed to aid senior management to assess and prioritise actions in a liquidity stress scenario. For more information see note 28 to the 2019 Annual Report and Financial Statements.
	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. Financial risk management runs stress scenarios on the residual portfolio, comprising a number of single and combined Company-specific and market-wide events in order to assess potential financial and capital adequacy impacts to ensure the Group can withstand severe moves in the risk drivers it is exposed to. For further information see note 28 to the 2019 Annual Report and Financial Statements.
Operational risks	**Business change risk**	The risk that business change projects are ineffective, fail to deliver stated objectives, or result in resources being stretched to the detriment of business-as-usual activities.	• Governance process in place for all business change programmes with Executive and Board oversight and scrutiny. • Key users engaged in development and testing of all key change programmes. • Significant post-implementation support, monitoring and review procedures in place for all change programmes. • Strategic benefits and delivery of change agenda communicated to employees.
	Business continuity and disaster recovery risk	The risk that a physical business continuity event or system failure results in a reduced ability or inability to perform core business activities or processes.	• Use of external specialist premises to enhance resilience in the event of a disaster recovery or business continuity requirement. • Periodic testing of business continuity processes and disaster recovery. • Prompt response to significant systems failures or interruptions.

Principal Risk	Risk	Description	Management and mitigation
	Financial crime risk	The risk that CMC Markets is not committed to combating financial crime and ensuring that our platform and products are not misused for the purpose of money laundering, sanctions evasion and terrorism financing. As such, 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 so as 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.	• 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 for those customers presenting higher risk, such as Potentially 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 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
	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 resource/expertise within the Group. • Technical and procedural controls implemented to minimise the occurrence of information security and data protection breaches. • Access to information only provided on a "need-to-know" and "least privilege" basis consistent with the user's role and also requires the appropriate authorisation. • Key data loss prevention initiatives and regular system access reviews implemented across the business.
	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 Gen and two in Australia to support stockbroking). • Systems and data centres designed for high availability and data integrity. • Continuous service available to clients in the event of individual equipment failures or major disaster recovery events.

Principal Risk	Risk	Description	Management and mitigation
	Legal (commercial / litigation) risks	The risk that disputes deteriorate into litigation.	• Compliance with legal and regulatory requirements including relevant codes of practice. • Early engagement with legal advisers and other risk managers. • Appropriately managed complaints which have a legal/litigious aspect. • An early assessment of the impact and implementation of changes in the law.
	Operations (processing) risks	The risk that the design or execution of business processes is inadequate or fails to deliver an expected level of service and protection to client or Company assets.	• Investment in system development and upgrades to improve process automation. • Enhanced staff training and oversight in key business processing areas. • Monitoring and robust analysis of errors and losses and underlying causes.
	Procurement and outsourcing risks	This is the risk of third-party organisations inadequately providing or performing or failing to provide or perform the outsourced activities or contractual obligations to the standards required by the Group.	• Outsourcing only employed where there is a tactical gain in resource or experience. • Due diligence performed on service supplier ahead of outsourcing being agreed. • Service level agreements in place and regular monitoring of performance undertaken.
	People risk	The risk of loss of key staff or having insufficient skilled resources available.	The Board has directed that the Group maintains an active Succession and Resource Plan for all key individuals and groups/teams, which will mitigate some of the risk of loss of key persons. It will adopt policies and strategies commensurate with its objectives of: • attracting and nurturing the best staff; • retaining key individuals; • developing personnel capabilities; • optimising continuous professional development; and • achieving a reputation as a good employer with an equitable remuneration policy.
	Regulatory and compliance risk	The risk of regulatory sanction or legal proceedings as a result of failure to comply with regulatory, statutory or fiduciary requirements or as a result of a defective transaction.	• Internal audit outsourced to an independent third-party professional services firm. • Effective compliance oversight, planning and implementation. • Comprehensive monitoring programmes by compliance and internal audit. • Controls for appointment and approval of staff holding a controlled function and annual declarations to establish ongoing fitness and propriety. • Governance and reporting of regulatory risks through the Risk Management Committee, Group Audit Committee and Group Risk Committee. • Anti-money laundering controls for client due diligence and sanctions checking.
	Conduct risk	This is 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 Executive Committee ("Exco"). The Committee is comprised of senior management and subject matter experts and meets regularly to review the TCF management information 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.

Principal Risk	Risk	Description	Management and mitigation
	Client money segregation risk	This is 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 CF10a, 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 our external auditors.

DIRECTORS' STATEMENT PURSUANT TO THE FCA'S DISCLOSURE AND TRANSPARENCY RULES

The directors are required by the Disclosure and Transparency Rules to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

The directors listed below (being all the directors of CMC Markets plc) confirm to the best of their knowledge that:

- the Group Financial Statements contained in the 2019 Annual Report and Financial Statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and results of the Group; and
- the Strategic Report contained in the 2019 Annual Report and Financial Statements includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that they face; and
- the 2019 Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy

The Directors' statement was approved by the Board of Directors on 5 June 2019 and signed on its behalf by:

Peter Cruddas
Chief Executive Officer

Grant Foley
Chief Operating and Financial Officer

CMC Markets plc Board of Directors

Executive Directors
Peter Cruddas (Chief Executive Officer)
David Fineberg (Group Commercial Director)
Grant Foley (Chief Operating and Financial Officer)

Non-Executive Directors
James Richards (Chairman)
Paul Wainscott (Senior Independent Director)
Sarah Ing
Clare Salmon

Consolidated income statement
For the year ended 31 March 2019

£'000	Note	Year ended 31 March 2019	Year ended 31 March 2018
Revenue		**162,569**	**209,128**
Interest income		3,444	2,114
Total revenue	3	**166,013**	**211,242**
Introducing partner commissions and betting levies		(35,184)	(24,142)
Net operating income	2	**130,829**	**187,100**
Operating expenses	4	(123,058)	(125,863)
Operating profit		**7,771**	**61,237**
Finance costs		(1,442)	(1,173)
Profit before taxation		**6,329**	**60,064**
Taxation	5	(451)	(10,379)
Profit for the year attributable to owners of the parent		**5,878**	**49,685**

Earnings per share

Basic earnings per share (p)	**6**	**2.0p**	**17.3p**
Diluted earnings per share (p)	6	2.0p	17.1p

Consolidated statement of comprehensive income

For the year ended 31 March 2019

£'000	Year ended 31 March 2019	Year ended 31 March 2018
Profit for the year	**5,878**	**49,685**
Other comprehensive (expense) / income:		
Items that may be subsequently reclassified to income statement		
(Loss) / gain on net investment hedges net of tax	(499)	1,755
Currency translation differences	38	(3,093)
Changes in the fair value of debt instruments at fair value through other comprehensive income	84	-
Change in value of available-for-sale financial assets	-	(58)
Other comprehensive expense for the year	**(377)**	**(1,396)**
Total comprehensive income for the year attributable to owners of the parent	**5,501**	**48,289**

Consolidated statement of financial position

Company registration number: 05145017

At 31 March 2019

£'000	Note	31 March 2019	31 March 2018
ASSETS			
Non-current assets			
Intangible assets	8	4,961	4,365
Property, plant and equipment	9	18,105	20,685
Deferred tax assets		11,649	8,802
Financial investments	11	11,332	10,822
Trade and other receivables	10	2,693	2,237
Total non-current assets		**48,740**	**46,911**
Current assets			
Trade and other receivables	10	117,991	47,940
Derivative financial instruments		2,885	7,335
Current tax recoverable		3,384	-
Financial investments	11	10,747	10,330
Amounts due from brokers		88,035	156,887
Cash and cash equivalents	12	48,729	60,468
Total current assets		**271,771**	**282,960**
TOTAL ASSETS		**320,511**	**329,871**
LIABILITIES			
Current liabilities			
Trade and other payables	13	100,572	91,696
Derivative financial instruments		4,303	3,922
Borrowings		1,088	1,274
Current tax payable		-	2,347
Short term provisions		246	145
Total current liabilities		**106,209**	**99,384**
Non-current liabilities			
Trade and other payables	13	4,810	5,389
Borrowings		1,247	2,346
Deferred tax liabilities		1,155	682
Long term provisions		2,010	2,040
Total non-current liabilities		**9,222**	**10,457**
TOTAL LIABILITIES		**115,431**	**109,841**
EQUITY			
Share capital		72,892	72,872
Share premium		46,236	46,236
Own shares held in trust		(604)	(567)
Other reserves		(49,829)	(49,452)
Retained earnings		136,385	150,941
Total equity		**205,080**	**220,030**
TOTAL EQUITY AND LIABILITIES		**320,511**	**329,871**

Consolidated statement of changes in equity

For the year ended 31 March 2019

£'000	Share capital	Share premium	Own shares held in trust	Other reserves	Retained earnings	Total Equity
At 1 April 2017	**72,646**	**46,236**	**(466)**	**(48,056)**	**125,413**	**195,773**
New shares issued	226	-	-	-	-	226
Total comprehensive (expense) / income for the year	-	-	-	(1,396)	49,685	48,289
Acquisition of own shares held in trust	-	-	(104)	-	-	(104)
Utilisation of own shares held in trust	-	-	3	-	-	3
Share-based payments	-	-	-	-	1,505	1,505
Tax on share-based payments	-	-	-	-	57	57
Dividends	-	-	-	-	(25,719)	(25,719)
At 31 March 2018	**72,872**	**46,236**	**(567)**	**(49,452)**	**150,941**	**220,030**
New shares issued	20	-	-	-	-	20
Total comprehensive (expense) / income for the year	-	-	-	(377)	5,878	5,501
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**

Consolidated statement of cash flows
For the year ended 31 March 2019

£'000	Note	Year ended 31 March 2019	Year ended 31 March 2018
Cash flows from operating activities			
Cash generated from operations	14	24,036	64,242
Interest income		3,444	2,114
Tax paid		(7,590)	(13,787)
Net cash generated from operating activities		**19,890**	**52,569**
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,804)	(8,640)
Proceeds from disposal of property, plant and equipment		-	42
Investment in intangible assets		(2,907)	(3,518)
Purchase of financial investments		(11,353)	(21,426)
Proceeds from maturity of financial investments and coupon receipts		10,613	20,512
(Outflow) / inflow on net investment hedges		(341)	2,206
Net cash used in investing activities		**(7,792)**	**(10,824)**
Cash flows from financing activities			
Repayment of borrowings		(110,785)	(171,686)
Proceeds from borrowings		109,500	170,778
Proceeds from issue of ordinary shares		-	42
Acquisition of own shares		(110)	(104)
Dividends paid		(21,092)	(25,719)
Finance costs		(1,442)	(1,173)
Net cash used in financing activities		**(23,929)**	**(27,862)**
Net (decrease) / increase in cash and cash equivalents		**(11,831)**	**13,883**
Cash and cash equivalents at the beginning of the year		60,468	48,952
Effect of foreign exchange rate changes		92	(2,367)
Cash and cash equivalents at the end of the year		**48,729**	**60,468**

1. Basis of preparation

Basis of accounting

The financial information set out herein does not constitute the Group's statutory accounts for the years ended 31 March 2019 and 2018, but is derived from those financial statements. The Annual Report and Financial Statements for the year ended 31 March 2018 have been delivered to the Registrar of Companies and those for the year ended 31 March 2019 will be delivered following the Company's Annual General Meeting to be held on 25 July 2019. The external auditor has reported on those financial statements; its reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

While the financial information included in this announcement 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, this announcement does not itself contain sufficient information to comply with 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 Group's principal accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year. A number of new or amended standards became applicable for the current reporting period and the Group changed its accounting policies as a result of adopting IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments'. All other policies have been consistently applied to all years presented. The financial statements presented are at and for the years ending 31 March 2019 and 31 March 2018. Financial annual years are referred to as 2019, and 2018 in the financial statements.

Use of estimates

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

Deferred taxes

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

2. 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 Spreadbet - 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 is now presented as an individual segment due to the growing significance of the business to the Group's performance. The comparative information for the year ended 31 March 2018 has been restated. 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.

	CFD and Spreadbet			Stockbroking		
Year ended 31 March 2019 **£'000**	**UK & IE**	**Europe**	**APAC & Canada**	**Australia**	**Central**	**Total**
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**

Year ended 31 March 2018 £'000	CFD and Spreadbet UK & IE	 Europe	 APAC & Canada	Stockbroking Australia	 Central	 Total
Segment revenue net of introducing partner commissions and betting levies	73,087	50,465	52,906	8,528	-	184,986
Interest income	593	-	1,359	162	-	2,114
Net operating income	**73,680**	**50,465**	**54,265**	**8,690**	**-**	**187,100**
Segment operating expenses	(16,001)	(9,840)	(13,632)	(912)	(85,478)	(125,863)
Segment contribution	**57,679**	**40,625**	**40,633**	**7,778**	**(85,478)**	**61,237**
Allocation of central operating expenses	(25,603)	(26,734)	(24,971)	(8,170)	85,478	-
Operating profit	**32,076**	**13,891**	**15,662**	**(392)**	**-**	**61,237**
Finance costs	(62)	-	-	(1)	(1,110)	(1,173)
Allocation of central finance costs	(484)	(320)	(306)	-	1,110	-
Profit before taxation	**31,530**	**13,571**	**15,356**	**(393)**	**-**	**60,064**

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

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

3. Total revenue

Revenue

£'000	Year ended 31 March 2019	Year ended 31 March 2018
CFD and spread bet	130,372	197,385
Stockbroking	30,485	10,633
Other	1,712	1,110
Total	**162,569**	**209,128**

Interest income

£'000	Year ended 31 March 2019	Year ended 31 March 2018
Bank and broker interest	3,341	2,087
Interest from clients	-	3
Interest on financial investments	103	24
Total	**3,444**	**2,114**

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

4. Operating expenses

£'000	Year ended 31 March 2019	Year ended 31 March 2018
Net staff costs	51,659	57,936
IT costs	20,017	16,949
Sales and marketing	16,320	20,558
Premises	7,312	6,224
Legal and Professional fees	4,612	4,027
Regulatory fees	2,925	2,951
Depreciation and amortisation	7,325	6,810
Other	13,122	10,645
	123,292	**126,100**
Capitalised internal software development costs	(234)	(237)
Operating expenses	**123,058**	**125,863**

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

5. Taxation

£'000	Year ended 31 March 2019	Year ended 31 March 2018
Analysis of charge for the year:		
Current tax		
Current tax on profit for the year	2,069	10,769
Adjustments in respect of previous years	(70)	201
Total current tax	**1,999**	**10,970**
Deferred tax		
Origination and reversal of temporary differences	(1,697)	(656)
Adjustments in respect of previous years	136	(29)
Impact of change in tax rate	13	94
Total deferred tax	**(1,548)**	**(591)**
Total tax	**451**	**10,379**

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 7.13% (year ended 31 March 2018: 17.28%) differs from the standard rate of UK corporation tax of 19% (year ended 31 March 2018: 19%). The differences are explained below:

£'000	Year ended 31 March 2019	Year ended 31 March 2018
Profit before taxation	**6,329**	**60,064**
Profit multiplied by the standard rate of corp. tax in the UK of 19% (31 March 2018: 19%)	1,203	11,412
Adjustment in respect of foreign tax rates	54	591
Adjustments in respect of previous years	66	172
Impact of change in tax rate	13	94
Expenses not deductible for tax purposes	290	180
Income not subject to tax	(9)	34
Irrecoverable foreign tax	-	357
Recognition of previously unrecognised tax losses	(1,594)	(2,262)
Other differences	428	(199)
Total tax	**451**	**10,379**

£'000	Year ended 31 March 2019	Year ended 31 March 2018
Tax on items recognised directly in Equity		
Tax (charge) / credit on Share based payments	(57)	57

6. Earnings per share (EPS)

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

For diluted earnings per share, the weighted average number of ordinary shares in issue, excluding those held in employee share trusts, is adjusted to assume conversion of all dilutive potential weighted average ordinary shares, which consists of share options granted to employees during the year ended 31 March 2019.

£'000	Year ended 31 March 2019	Year ended 31 March 2018
Earnings attributable to ordinary shareholders (£ '000)	**5,878**	**49,685**
Weighted average number of shares used in the calculation of basic earnings per share ('000)	288,353	287,556
Dilutive effect of share options ('000)	3,184	2,629
Weighted average number of shares used in the calculation of diluted earnings per share ('000)	**291,537**	**290,185**
Basic earnings per share (p)	**2.0p**	**17.3p**
Diluted earnings per share (p)	2.0p	17.1p

For the year ended 31 March 2019, 3,184,000 (Year ended 31 March 2018: 2,629,000) potentially dilutive weighted average ordinary shares in respect of share options in issue were included in the calculation of diluted EPS.

7. Dividends

£'000	Year ended 31 March 2019	Year ended 31 March 2018
Declared and paid in each year		
Final dividend for 2018 at 5.95p per share (2017: 5.95p)	17,191	17,137
Interim dividend for 2019 at 1.35p per share (2018: 2.98p)	3,901	8,582
Total	**21,092**	**25,719**

The final dividend for 2019 of 0.68p per share, amounting to £1,966,000 was proposed by the board on 5 June 2018 and has not been included as a liability at 31 March 2019. The dividend will be paid on 6 September 2018, following approval at the Company's AGM, to those members on the register at the close of business on 2 August 2019.

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

pence	Year ended 31 March 2019	Year ended 31 March 2018
Declared per share		
Interim dividend	1.35p	2.98p
Final dividend	0.68p	5.95p
Total dividend	**2.03p**	**8.93p**

8. Intangible assets

During the year ended 31 March 2019, additions to intangible assets amounted to £2,907,000 (Year ended 31 March 2018: £3,518,000). As at 31 March 2019, the net book value of intangible assets was £4,961,000 (31 March 2018: £4,365,000).

9. Property, plant and equipment

During the year ended 31 March 2019, additions to property, plant and equipment amounted to £3,804,000 (Year ended 31 March 2018: £8,640,000). As at 31 March 2019, the net book value of property, plant and equipment was £18,105,000 (31 March 2018: £20,685,000).

10. Trade and other receivables

£'000	31 March 2019	31 March 2018
Current		
Gross trade receivables	8,185	7,455
Less: provision for impairment of trade receivables	(3,528)	(2,964)
Trade receivables	4,657	4,491
Prepayments and accrued income	12,391	8,065
Stock broking debtors	82,510	19,386
Other debtors	18,433	15,998
	117,991	**47,940**
Non-current		
Other debtors	2,693	2,237
Total	**120,684**	**50,177**

Stock broking debtors represent the amount receivable in respect of equity security transactions executed on behalf of clients with a corresponding balance included within trade and other payables (note 13).

As part of the transaction with ANZ bank, the Group has deposited AUD 25,000,000 (£13,610,000) in escrow, which is included in other debtors above.

11. Financial investments

£'000	31 March 2019	31 March 2018
UK Government securities:		
At 1 April	21,152	20,272
Purchase of securities	11,287	21,426
Maturity of securities and coupon receipts	(10,613)	(20,512)
Accrued interest	103	24
Net losses transferred to equity	84	(58)
At 31 March	**22,013**	**21,152**
Equity securities		
At 1 April	**-**	-
Purchase of securities	**66**	-
At 31 March	**66**	**-**
Total	**22,079**	**21,152**
Split as:		
Non-current	11,332	10,822
Current	10,747	10,330
Total	**22,079**	**21,152**

12. Cash and cash equivalents

£'000	31 March 2019	31 March 2018
Gross cash and cash equivalents	381,139	365,271
Less: Client monies	(332,410)	(304,803)
Cash and cash equivalents	**48,729**	**60,468**
Analysed as:		
Cash at bank	48,729	60,468
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.

13. Trade and other payables

£'000	31 March 2019	31 March 2018
Current		
Gross trade payables	340,042	352,826
Less: Client monies	(332,410)	(304,803)
Trade payables	7,632	48,023
Tax and social security	27	272
Stock broking creditors	75,752	16,992
Accruals and deferred income	17,161	26,409
	100,572	**91,696**
Non-current		
Accruals and deferred income	4,810	5,389
Total	**105,382**	**97,085**

Stockbroking creditors represent the amount payable in respect of equity security transactions executed on behalf of clients with a corresponding balance included within trade and other receivables (note 10).

14. Cash generated from operations

£'000	Year ended 31 March 2019	Year ended 31 March 2018
Cash flows from operating activities		
Profit before taxation	6,329	60,064
Adjustments for:		
Interest income	(3,444)	(2,114)
Finance costs	1,442	1,173
Depreciation	5,989	5,628
Amortisation of intangible assets	1,336	1,182
Research and development tax credit	(233)	(333)
Other non-cash movements including exchange rate movements	179	357
Share-based payment	800	1,773
Changes in working capital:		
Increase in trade and other receivables	(70,610)	(18,659)
Decrease / (increase) in amounts due from brokers	68,852	(37,497)
Increase in trade and other payables	8,297	57,666
Increase / (decrease) in net derivative financial instruments	4,673	(5,269)
Increase in provisions	426	271
Cash generated from operations	**24,036**	**64,242**

The movement in trade and other receivables for the year ended 31 March 2019 also includes £310,000 (31 March 2018: £310,000) of exceptional litigation income received during the year. This exceptional income was recognised in the year ended 31 March 2016.