cmc markets

Annual Report and Financial Statements

For the year ended 31 March 2015


Overview
News
Chart
Margin (£) 389.65
1,238.45
Amount (£)
1,000.00
Regular
Take Profit
1,274.50
Points
20
Cancel
Confirm
Options
Positions (3)
Orders (0)
History
B/S
Price
Margin
Profit/Loss
Stop Loss
Take Profit
Sell
Buy
BUY
50
95.000
5.00%
142.16
BUY
50
91.000
1.00%
85.14
SELL
20
6,830.0
0.20%
256.00
99.590
99.625
6,816.2
6,817.2
Account Value
£9,586.04
Cash:
Profit:
£483.30

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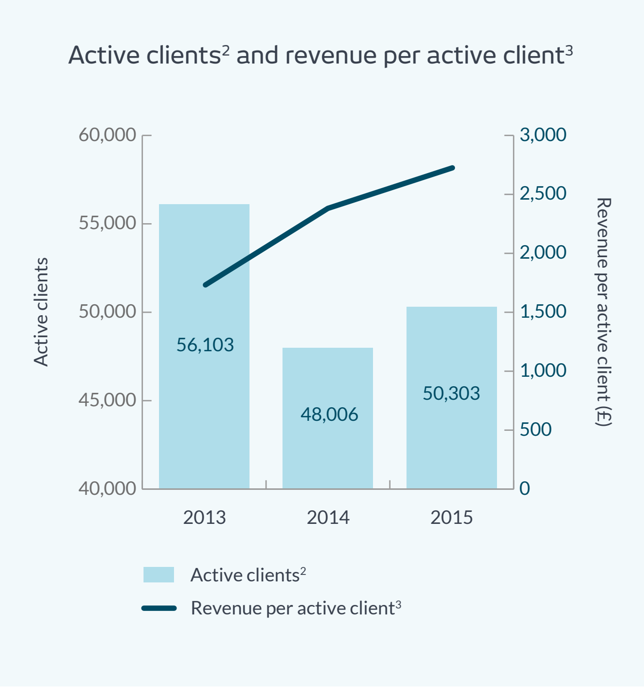
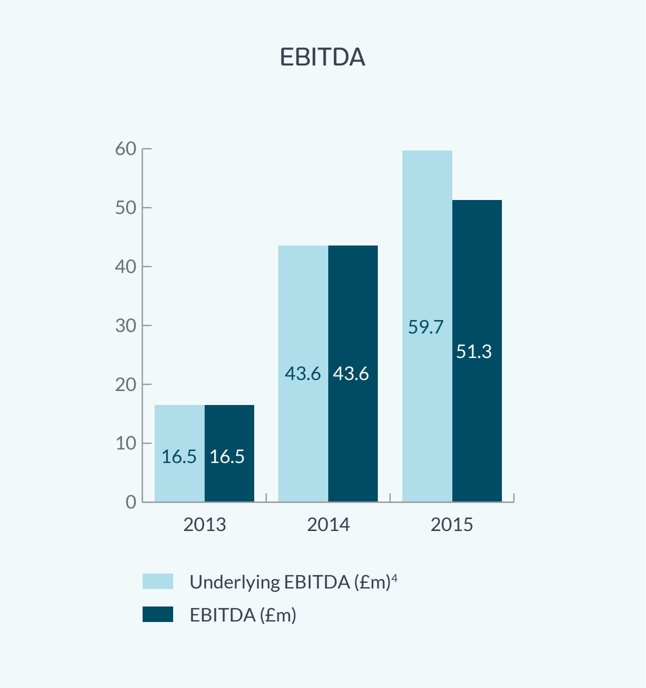
Highlights

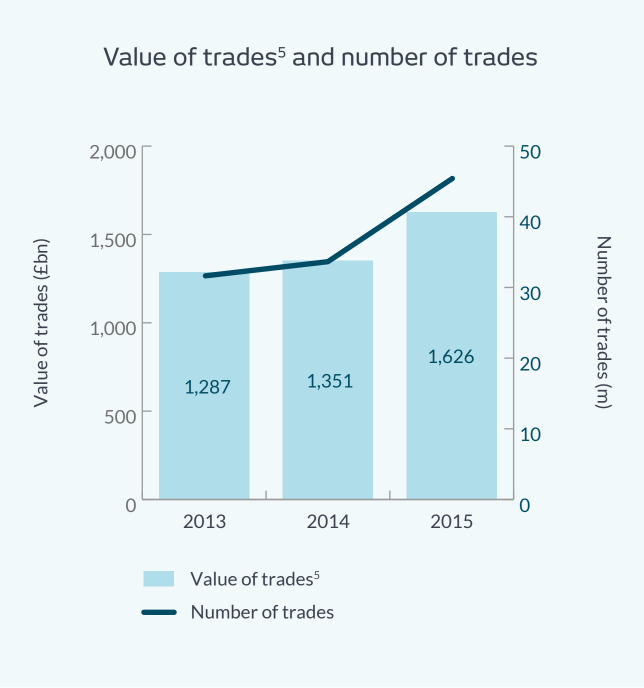
The CMC Markets vision

CMC Markets is a leading global provider of online retail trading.

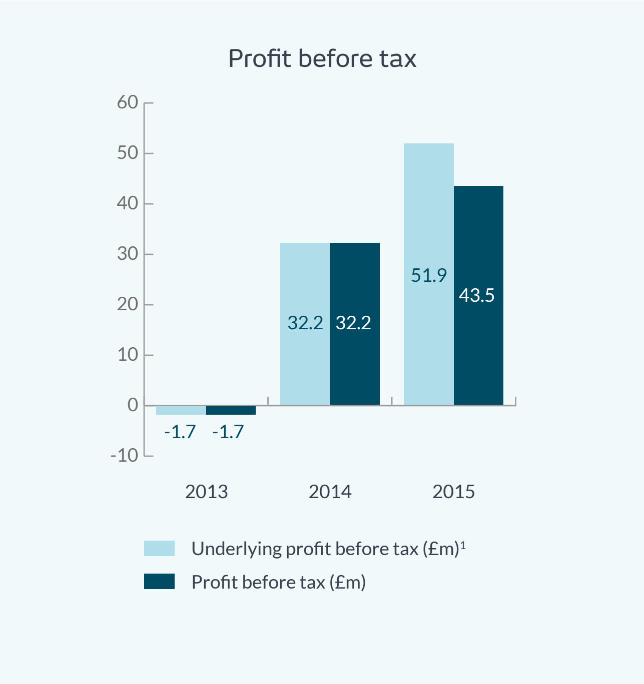
Our goal is to provide the most superior and unrivalled trading experience for our clients.

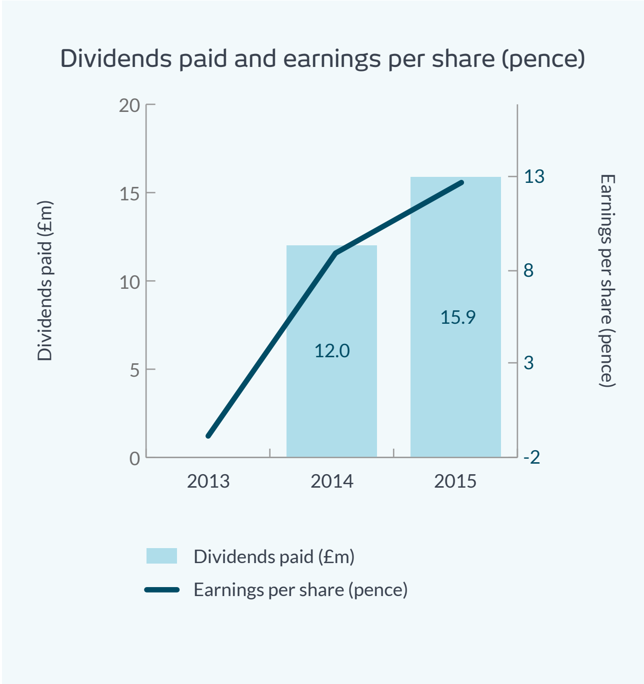






[1] Net operating income represents revenue net of rebates payable to introducing partners who are not themselves trading counterparties less spread betting levies
[2] Active clients represent those individual clients who have traded with or held CFD or Spread bet positions with CMC Markets on at least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





- Own funds of £141 million; own funds generated from operations of £45 million
- Regulatory capital solvency ratio of 24% (301% pre-CRD IV)
- Full segregation of retail client money in all jurisdictions
- Next Generation platform is now live in all countries of operation
- Won 27 awards globally relating to the Next Generation platform and client service

Summary income statement

£m	2015	2014	Variance	Variance %
Net operating income	**143.6**	**122.0**	**21.6**	**18%**
Operating expenses	(92.3)	(78.4)	(13.9)	(18)%
EBITDA	**51.3**	**43.6**	**7.7**	**18%**
Analysed as:				
Underlying EBITDA	59.7	43.6	16.1	37%
Exceptional items	(8.4)	–	(8.4)	–
EBITDA	**51.3**	**43.6**	**7.7**	**18%**
Depreciation and amortisation	(6.9)	(10.7)	3.8	36%
Finance Costs	(0.9)	(0.7)	(0.2)	(29)%
Profit before tax	**43.5**	**32.2**	**11.3**	**35%**
Analysed as:				
Underlying Profit before tax	51.9	32.2	19.7	61%
Exceptional items	(8.4)	–	(8.4)	–
Profit before tax	**43.5**	**32.2**	**11.3**	**35%**

[1] Underlying figures represent EBITDA and PBT before exceptionals


EUR/USD
1.13877
1.13884
10,000
7,489.99
Trailing
1.13657
22
1.15409
99.97
Estimated Margin (£)
Estimated Costs (£)
Place Buy Market Order
History
Insights
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Chairman's statement

I am very pleased to report another successful year for the Group, building on the strong performance with underlying profit before tax increasing by 61% to £51.9 million (£43.5 million after exceptionals), with the total dividend increasing by 33% to £15.9 million.

We continue to invest in our trading platform and client service; Next Generation is an award-winning platform, providing clients with the tools to trade the financial markets and manage their risks accordingly. The platform, combined with our focus on client service is attracting new clients across all areas of the Group, with retail client numbers growing by 11% year on year.

The Group has a highly cash generative business model and is committed to a dividend policy that provides a good return for shareholders, whilst ensuring that cash remains within the Group to meet its growth aspirations and investment requirements. With that in mind the Board will maintain its policy of paying a dividend of 50% of post-tax profits.

The Group operates in 12 locations globally and works collaboratively with the regulators in each of these jurisdictions to ensure that it is compliant at all times and seeks to work with those regulators to ensure that the industry operates to a high regulatory standard.

On 1 April James Richards joined the Board as a Non-Executive Director. He joined the Board having occupied various senior positions within leading law firms and has extensive experience in capital markets. John Jackson stepped down from the Board on 30 June after more than ten years of service and I would like to thank John on behalf of the Board for his contribution to CMC Markets throughout that period. We wish him well for the future. The Board is also looking to add a further Non-Executive Director in the coming six months and this search is well underway.

We recently celebrated our 25 year anniversary and throughout that time the business has always focused on innovation and client service. The Group is performing well in all of its locations but there remain significant opportunities to grow in all of these markets as well as others that the Group is now targeting.

The continuing success of the Group has been achieved through the support of our clients and also the hard work of our colleagues. On behalf of the Board I would like to thank them.

Simon Waugh
Chairman
15 July 2015

The Group is highly cash generative and is committed to a dividend policy that provides a good return for shareholders.

CEO report

Scalability through technology, particularly mobile, has been one of the foundations of our success over the last year and we believe for the future as well. We have invested heavily in our technology over the last five years.

Financial performance

The Group demonstrated the robustness of its technology focused business model with growth in underlying profit before tax of 61% to £51.9 million. Net operating income grew by 18% to £143.6 million with total expenses excluding exceptional items increasing by a modest 2%. After exceptional items, profit before tax was £43.5 million, a 35% improvement on prior year.

The business continues to be highly cash generative allowing the Group to maintain its policy to distribute 50% of post-tax profits. At 31 March 2015 own funds stood at £141 million, and the capital ratio was 24% (301% pre CRD IV).

We continue to focus on our award winning technology through our Next Generation platform as the main driver behind business expansion, complemented by our focus on providing excellent client service. Next Generation mobile trading now accounts for over 41% of total value of clients trades. It is now possible to open and fund your account, trade over 10,000 products, access real time news and charts and execute trades all from your mobile phone. Scalability through technology, particularly mobile, has been one of the foundations of our success over the last year and we believe for the future as well. We have invested heavily in our technology over the last five years, which has driven increased profit margins and provided control over our cost base. This has proved to be the right strategy.

CFD and spread bet regional review

The UK continues to be our largest market and regional growth opportunity given the size of the market and our home base. UK revenue per client grew by 33%, while overall UK revenue grew by 46%. Our ANZ region also grew significantly, resulting in revenues rising by 24%.

European regions have been equally resilient during the year, representing 33% of the Group's revenue. Rest of World (Singapore and Canada) revenue was 13% higher than prior year.

One off events

On 15th January 2015 the Swiss National Bank (SNB) made the unprecedented decision to discontinue its support of the Swiss Franc/Euro peg. Following this decision the Swiss Franc appreciated by over 30% in a matter of minutes; a move of such magnitude in a major currency has not been witnessed in over a generation. Unfortunately given the size of the market gap, some of our clients fell into deficit and this resulted in client debt of £4.5 million. Debt provisions and write-offs at the year-end relating to this event stood at £3.8 million.

During the last financial year the Group received a claim against one of its subsidiaries relating to losses on a CFD trading account over a period in 2007. A settlement was reached in March 2015, and including legal costs, amounted to £4.6 million.

Strategy

- **Product innovation.** Client feedback is the driving force behind the continued evolution of our trading platform. We introduced Morningstar Quantitative Equity Research reports during the year, followed by Guaranteed Stop Loss Orders in March 2015. The Group has received 27 industry awards for our products and services during the last year and over 45 for the last two years.

- **Mobile innovation.** Mobile continues to take a growing share of our Next Generation platform activity, representing 41% of the total value of client trades this financial year (FY14: 36%). This growth is supported by continuous improvements to our mobile offering, including a major upgrade released in December 2014.

- **Client focus.** Our commitment to rewarding and investing in our clients is reflected through the global rollout of our retail rebate scheme which has returned £7.2 million to clients during the year, a 133% increase on FY14.

- **Product launch.** Later this year we plan to launch a mobile centric binaries and options product to appeal to a wider retail market.

Regulation

The Group operates in a number of regulatory jurisdictions including supervision from the Financial Conduct Authority (FCA) in the UK and the Australian Securities and Investments Commission (ASIC) in Australia. The regulatory landscape across all of the Group's jurisdictions is complex and constantly changing. However, we fully support a strong regulatory environment and we have invested to ensure that the Group maintains robust compliance throughout all of its operations.

Looking forward

We remain committed to our ambition of providing an unrivalled trading experience to our clients. Having invested heavily in our Next Generation trading platform, we believe that we have a competitive advantage, in particular through our mobile trading apps. We plan to leverage off the scalability that our technology gives us through increased investment in digital marketing and mobile client onboarding. We also plan to improve our distribution reach through the opening of more overseas offices during the coming year and improve our onboarding capabilities.

In addition, our white label (branded platform for introduced business) offering will be released this year to complement our existing grey label (unbranded platform for introduced business) offering, providing an additional channel through which to offer our Next Generation trading platforms. We will also be expanding our product base by offering binaries and options in some regions. These are not expected to have a material impact on our revenue in FY16, but will form an increasingly important part of our wider business offering in the years ahead.

Following the SNB decision (mentioned above), our strong balance sheet and capital ratio is attracting new clients that see us as a flight to safety, when they look for more secure providers.

Outlook

These strategies and initiatives are expected to improve the Group's performance year on year as we increase our market share. Early trading for FY16 is very encouraging, and significantly up on the prior year. I would like to take this opportunity to thank our clients for their support and valuable feedback, and our staff for their hard work and commitment.

I believe that there are very exciting times ahead for CMC Markets.

Peter Cruddas
Chief Executive Officer
15 July 2015

Company history

CMC Markets was founded by Peter Cruddas in 1989, and since then the company has grown to become a global leader in online trading. There have been numerous significant milestones for the Group over the past 25 years as the company has expanded into new markets around the world and continues to champion innovation and new trading technology.

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

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

In 2002, CMC Markets opened its first overseas office in Sydney, launching into the Australian market as an online CFD and foreign exchange provider. By 2007 the company had expanded its global footprint with additional offices in New Zealand, Germany, Canada, Singapore and Sweden, and had sold a 10% equity stake to Goldman Sachs. Further global growth followed over the next few years, with offices opened in Norway, Spain, Italy and France, taking the number of offices around the world to 12.

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

In 2014 the Group celebrated its 25th anniversary and received a record number of awards in the UK in recognition of the quality of the Next Generation trading platform and associated service.

[1] Awarded Best Online Trading Platform by Shares Magazine in 2014. Awarded 'Best Mobile Trading' in the Investment Trends 2014 UK Leveraged Trading Report based on highest user satisfaction among spread betters, CFD and FX traders.

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 and Canada

2006 Opens New Zealand office

2007 Singapore and Sweden offices opened; Goldman Sachs purchases 10% stake

2008 CMC Markets (Australia) starts offering a stockbroking service following the acquisition of local stockbroker Andrew West & Co.

2010 Next Generation platform is launched; offices opened in Italy and France; spread betting iPhone app launched in the UK

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

2012 Spread betting app for Android™ launched

2013 CMC Markets wins 33 industry awards globally

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

2015

Strategic report

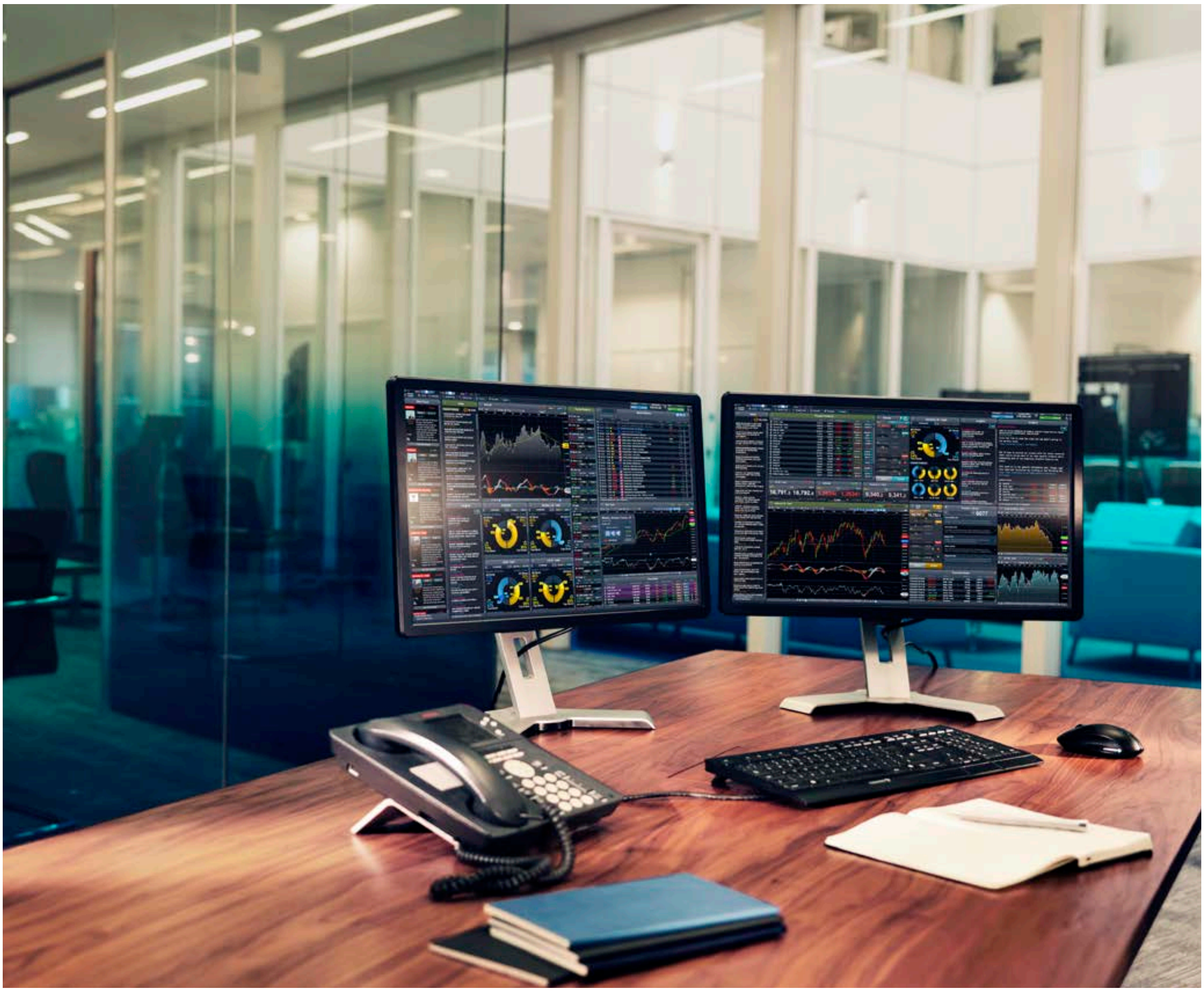
Business review

Our business

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

The award-winning Next Generation trading platform provides traders with access to global financial markets via desktop computer and mobile apps. Clients can trade on a wide range of instruments across shares, indices, currency pairs, commodities and treasuries. The platform provides an array of advanced trading tools and market commentary to support clients' trading.

CMC Markets creates prices on over 10,000 instruments which clients can trade. Revenues are generated through transactional spreads, financing income, commissions and trading income arising from our clients' trading activities. Our risk management strategy is based on highly-automated flow management, dynamically hedging net client exposures and risk. The level of revenue is influenced by the number of clients actively trading and the value of those trades.

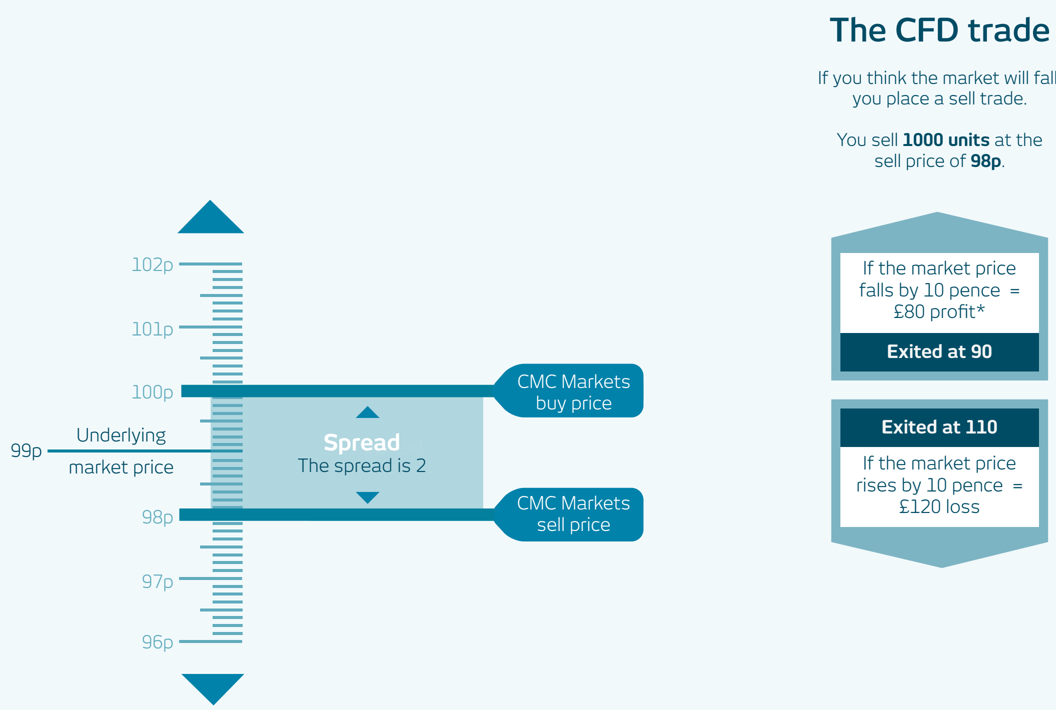


Our products

CFD

A CFD provides economic benefits similar to an investment in an underlying asset without the costs and limitations associated with physical ownership. A CFD is a cash-settled investment in products which are based on currencies, commodities, treasuries, indices and shares. A CFD tracks the price movement of the chosen product, including dividend on stocks, interest on positive carry currency positions, and coupon on interest bearing instruments.

A CFD is a leveraged product, which has the potential to magnify profits as well as losses.



*When placing a sell trade, you enter the trade using the sell price and exit using the buy price. In the profitable scenario above, you entered the trade at 98p (original sell price) and exited at 90p (new buy price), so the price moved 8p in your favour. Multiply 8p by the number of units bought (1000) to get a profit of £80.

Spread betting

Spread betting allows clients to trade on the price movements of financial markets, including currencies, commodities, treasuries, indices and shares. Spread betting with CMC Markets provides similar economic benefits to those experienced when investing in an underlying asset, but without the costs and limitations associated with physical ownership. Spread bets are cash-settled investments in financial products that offer a number of benefits, including dividend on stocks, interest on positive carry currency positions, and coupon on interest bearing instruments.

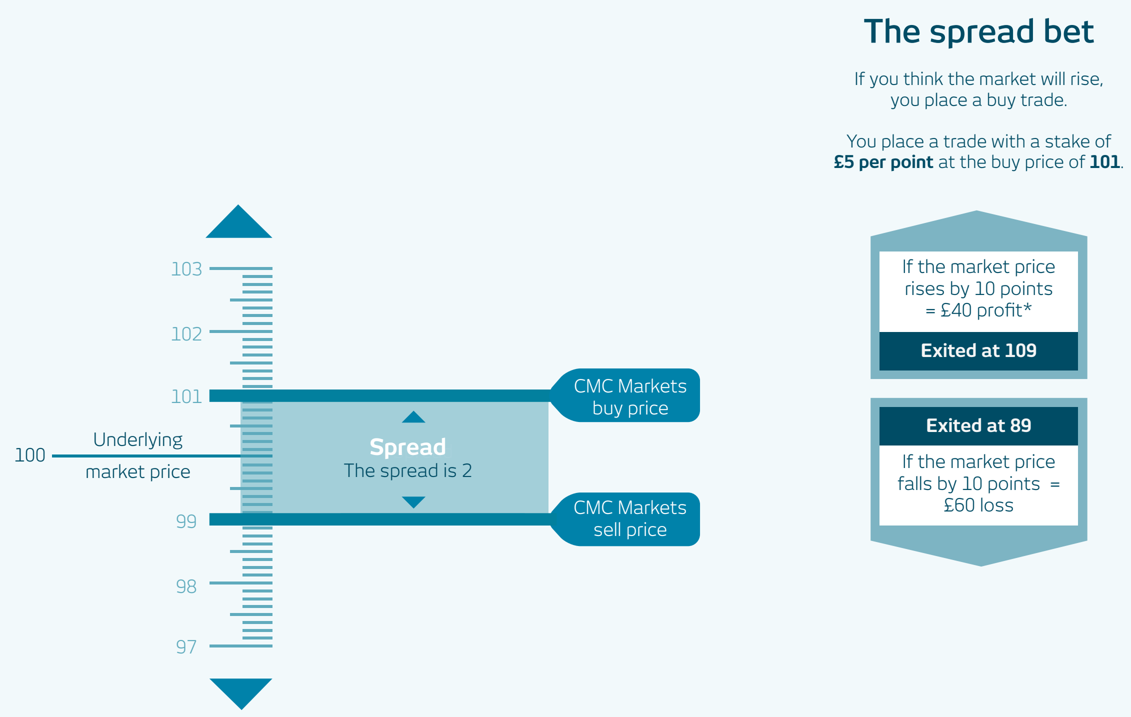
Spread betting has many of the same benefits as a CFD with one important difference; you are betting a specific stake size per point movement of a product rather than trading a specific number of shares or units.

Ordinarily, profits from spread betting are free from capital gains tax and stamp duty in the UK and Ireland, although tax laws are subject to change.

Example

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

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



*When placing a buy trade, you enter the trade using the buy price and exit using the sell price. In this profitable scenario above, you entered the trade at 101 (original buy price) and exited at 109 (new sell price), so the price moved 8 points in your favour. 8 points movement at a stake of £5 per point equals a profit of £40.

Binaries and Countdowns

Binaries will be a new addition to our product range where the client's risk and potential profit are determined at the point of trade. Clients will be offered the opportunity to place a trade depending on whether they believe a particular market's price will be above or below a certain level at a specific time in the future. If their trade is "in the money" at the end of the specified timeframe, they will be credited with the amount agreed at the point of trade; if they are "out of the money" they will forfeit their stake. Clients will also have the opportunity to close a binary product prior to the time of expiry as the odds of the product being above or below a pre-determined level change as the price in the underlying market changes. The product will be released in late 2015.

In Summer 2015 CMC Markets will launch Countdowns, a product which allows clients to place fixed-odds trades over a range of short-term timeframes from as little as 30 seconds. The client decides the timeframe starting from time of trade as opposed to selecting a pre-determined expiry time.

Stockbroking

CMC Markets also offers Australian clients the ability to buy and sell ASX and APX listed equities as well as funds. Clients have access to live market data and research from some of Australia's most respected stock market analysts. During the year CMC Markets started offering an mFunds settlement service allowing clients access to the unlisted managed funds space, and has also supported several fund raises during the year through the ASX on-market bookbuilding service.

Our geographical reach

CMC Markets is a global business with a significant presence in its main hubs in the UK, Australia, Germany and Singapore. It operates across four continents, from 12 offices and with clients located in 70 countries worldwide.

Our strategic objectives

Client service

Our ambition is to deliver an unparalleled client experience to the active trader. This will help maintain a loyal trading community, contributing towards optimal returns for our shareholders and increasing long-term value for the business.

As well as offering competitive pricing, products and trading capabilities that we know our clients want, we will continue to strive to ensure that our clients see us as the most trusted and recommended provider in the industry through excellence in client service.

CMC Markets continues to place the utmost importance on client service and the continuous delivery of fair outcomes to our clients through our behaviour, image, product innovation and internal culture. With this client-centric vision at the core of our business we continue to strive to ensure that CMC Markets will become the brand of choice in all of our global markets.

Progress

Our clients are offered an exceptional service experience and have access to a market-leading, award-winning platform, designed with a trader's needs in mind, offering competitive spreads and costs. Many of the new enhancements to our platform have been developed as a result of feedback gathered face-to-face from clients who regularly attend our London Trader Network events and from those who contribute directly via our Feedback module within the trading platform or respond to our client satisfaction surveys.

We continue to focus on retaining our premium clients and are in the process of onboarding our existing Partners onto the Next Generation platform. Increased recruitment onto our Sales Trading desk has enabled the business to manage and support our top-tier client base and to encourage acquisition of other likeminded high value traders from our competitors. The introduction of Guaranteed Stop Loss Orders, several thousand new stocks and the pending release of binaries and other new products for the Next Generation platform has encouraged a number of new clients to make the switch already. Winning the award for Highest Overall Client Satisfaction[1] from Investment Trends combined with the Best Spread Betting platform from the ADVFN International Financial Awards gives clear confirmation that we are delivering a service that gives clients exactly what they need.

Our Trader Development Programme is now better than ever; offering a wide range of in-platform, on-demand education, tailored market commentary and advanced trading tools to assist our clients every step of the way. In addition to our range of weekly and monthly webinars and seminars hosted by our team of market analysts and the Trading Smart Series (a series of articles designed to cover key trading concepts and analysis techniques), CMC Markets also partnered with Trade With Precision (TWP), a team of professional traders who seek to broaden the skills of our clients with advanced market-focused technical analysis workshops.

A significant success story in our stockbroking business was the revenue contribution our Frequent Trader Program has delivered. Engineered to provide a tailored broking solution for three types of stockbroking trader - 'Classic', 'Active Investor' and 'Premium Trader'. It tailors the appropriate technical features and best-value pricing for each group. By delivering a premium solution alongside low brokerage and advanced features to high volume traders, this focus on the premium category is perfectly aligned with the overall Group strategy and value proposition. This was reinforced through the recognition we received during 2015 including:

- For the fifth consecutive year, CMC Markets Stockbroking secured CANSTAR's national award for 'Outstanding Value Online Share Trading'
- For the second year, we were awarded CANSTAR's five star rating for each investor category (casual investor, active investor and trader)
- Investment Trends –product proven to be 'best in class' offering

[1] Investment Trends 2014 report


Account Value
£10,140
Insights
Product Library
10,000
Place Buy Market Order
Gold
1,254.10
1,254.50
Account
Account Value
£9,586.04
Positions

Product innovation

We continue to invest in our Next Generation technology in order to improve and enhance our platform capabilities while streamlining our user experience for more efficient navigation around our ever-expanding feature list. We constantly review our content, services and products in order to stand out from the competition and we feel our platform technology and trading tools provide us with a significant competitive advantage.

Our deep understanding of what active traders want, combined with our regular platform upgrades, allows CMC Markets to focus on delivering the latest innovations. This is why the Next Generation platform has become so popular with existing and new traders. In March 2015 a survey of CMC Markets' clients showed 92%[2] of respondents were either satisfied or very satisfied with the platform.

Progress

A key milestone was achieved in September 2014 when the Next Generation trading platform was released to the Canadian market. This meant that all regions in which we operate now have access to our latest state-of-the-art trading technology.

The majority of the new services added to the Next Generation platform stem directly from our extensive engagement with our client base and include features such as Morningstar Quantitative Equity Research reports, Guaranteed Stop Loss Orders, the ability to go long and short on the same product simultaneously and Module Linking, for faster platform navigation. We also released a major upgrade to our mobile trading apps in late 2014 that included an all-new design, additional trading features and enriched Android tablet support.

A major highlight of the past year has been the continued growth seen in new users of our Next Generation platform, with mobile trading growth particularly impressive. General platform usage jumped more than 30%[3] from last year, while mobile usage has increased by more than 37%[4]. These numbers justify the significant investment undertaken and we are confident our mobile strategy will continue to be effective and resonate well with active traders.

All of these developments saw CMC Markets win 27 global awards including Best Online Platform and Financial Services Provider of the Year from the Shares Awards and 12 awards from the Investment Trends 2014 UK Leveraged Trading Report, which included Best Platform Features[5], Best Mobile and Tablet App[6] and Best Research Tools[7] based on highest user satisfaction.

Technology and operations

Technology and operations has always been a key to the success of CMC Markets and this has won the business outstanding 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. We are investing in technology and operational processes which will allow us to expand with ease in the future, providing scalability, combined with exceptional dependability and speed, while driving down marginal costs as volumes grow.

Progress

We have invested and continue to invest significantly in our technology infrastructure. Spend on both platform scalability to support business growth and platform responsiveness to improve user experience have been focus points during the year. This has resulted in capital expenditure of £8.6 million in IT infrastructure and software licences during FY15.

[2] March 2015 UK Survey
[3] Unique Next Generation users: March 2014 = 27,419; March 2015 = 35,774
[4] Unique Next Generation users: March 2014 = 20,079; March 2015 = 27,521
[5] According to spread betters, CFD and FX traders
[6] According to spread betters, CFD and FX traders
[7] According to spread betters and CFD traders

Trading risk management

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

We aspire to be a global leader in providing pricing, execution and liquidity to retail clients and this is enabled through fully automated execution and dynamic risk management which is scalable far beyond our current levels of trading activity. Clients are required to place margin in advance of entering into any transaction with CMC Markets, and positions are automatically closed if these margins are materially eroded. We have significant expertise in retail flow and risk management across multi-asset classes and will continue to lead and innovate as we expand our products and services into the future.

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

Progress

Enhancements to our trading tools during the year have further improved the returns of our highly automated transactional based risk management strategy. This has delivered improved daily average revenue and lower revenue variability.

Financial strength

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

Progress

The Group monitors its capital position, which has increased on prior year, on a real time basis (see Financial review, page 25). The Group's liquidity position has improved during the year (see Financial Review, page 25) and the non-utilisation of our credit facility for over two years demonstrates the robust liquidity profile of the Group. The facility provides additional capacity to support the Group's strategy of maintaining excess liquidity to fund both growth and client trading peaks. This commitment to maintaining the facility is demonstrated through the re-negotiation of part of the facility to a tenure of three years.

People

CMC Markets is committed to recruiting, developing, retaining and motivating exceptional people who are smart, innovative and determined to deliver on our promise to our clients. Our team has the knowledge and determination to make this happen.

Progress

CMC Markets' continuing commitment to our people is described in more depth in Corporate social responsibility (page 18).

Corporate social responsibility

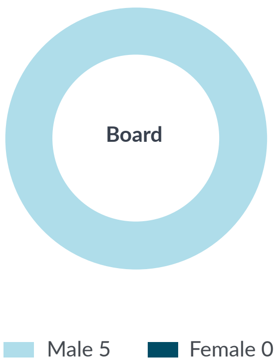
CMC Markets has a responsibility to maximise shareholder returns, and this is aligned with striving to provide clients with the best service and platform, safety of deposits and best execution. This is achieved not only through the company having financial strength but also through investing in our employees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

Our people

474[1] people work for the Group globally and the Group provides a safe, challenging and enjoyable place to work. The quality of our staff is essential to the success of the Group and competitive packages, including appropriate benefits and pensions, are offered to attract and retain the best talent.

Diversity

We are committed to the Group having a diverse workforce, and believe that diversity brings valuable experience and skills to the business. The Group provides a number of apprenticeship positions and training to employees that offer them the opportunity to obtain new skills as well as develop existing skillsets.



Collaboration

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

Equal opportunities

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

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

Health and safety

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

[1] Employees of the Group as at 31 March 2015
[2] Direct reports to CEO excluding Board Directors as at 31 March 2015

Clients

Clients are critical to the success of the business and we strive to deliver a high quality and efficient service to all of them. Client service is central to our strategy and is described in more depth in the Business Review on page 10.

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

CFDs and spread bets are leveraged products and losses can exceed initial deposits. In order to help protect clients from suffering excessive losses, most clients are automatically liquidated once margin has been reduced to agreed levels. Within the platform there are also a number of tools available to clients to effectively manage their risk. We also offer our clients a range of education opportunities through weekly and monthly webinars and seminars, as well as our Trader Development Programme which offers a wide range of in-platform, on-demand education and tailored market commentary.

Charitable donations

During the year ended 31 March 2015 CMC Markets donated £350,000 to The Peter Cruddas Foundation. The Peter Cruddas Foundation's strapline is "Helping Young People Achieve More". Its aims and objectives are to benefit disadvantaged and disengaged young people in our society by ensuring funding reaches those most in need. In order to achieve these aims and objectives, grants are given to charities registered with the Charity Commission for England and Wales working in their area of interest.

During the year ended 31 March 2015 grants were given to 15 charities, including:

- **Great Ormond Street Children's Hospital Charitable Trust**

  The Tick Tock Club was supported with the funding for a Post-Anaesthetic Care Unit. After a surgical procedure, young people are taken to a first stage recovery area next to the operating theatre. As they begin to wake, the patients are moved to the Post-Anaesthetic Care Unit.

  These units are enclosed and include en-suite facilities, and a comfortable chair for a parent to sit with their child as they wake up.

- **University College London Horizons Programme**

  This programme enables up to 100 gifted young people from schools around London to participate, explore their potential, and open their minds to a university course after their A-levels. This has been hugely successful for the students who in most cases improve their A-level results and therefore open up other pathways to education and employment and is inspirational to the student's parents/guardians/carers to witness the capabilities of their child.

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

Financial review

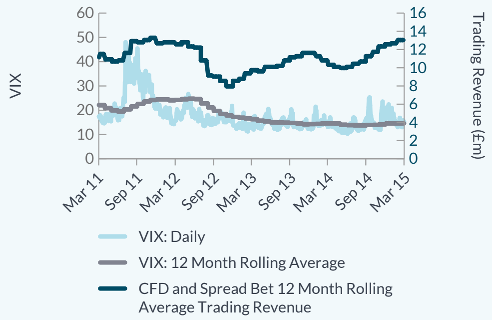
KPIs

- Net operating income: up £21.6 million (18%) to £143.6 million
- Revenue per active client[1]: up £342 (14%) to £2,716
- Active clients: up 2,297 (5%) to 50,303. Active retail clients up 4,355 (11%) to 45,103
- Underlying Profit Before Tax: up £19.7 million (61%) to £51.9 million
- Statutory Profit Before Tax: up £11.3 million (35%) to £43.5 million
- Basic earnings per share: up 3.9 pence (46%) to 12.4 pence
- Own funds generated from operations: £45.2 million

Summary

Net operating income grew £21.6 million (18%) to £143.6 million, mainly driven by a combination of increased client activity and our dynamic risk management strategy. The higher client activity was illustrated through a £275 billion (20%) increase in the value of client trades to £1,626 billion, with all major regions contributing positively. This rise in net operating income came against a backdrop of subdued volatility during the first half of the year followed by a rise in activity from September onwards, with increases in FX and Commodities volatility particularly notable. From a volatility index (VIX) perspective, volatility on a monthly rolling average basis has remained broadly similar over the last two years, although below the long-term average; against this backdrop the Group has grown average monthly revenue during this period.

Active client numbers and revenue per active client (RPC) increased by 2,297 (5%) to 50,303 and £342 (14%) to £2,716 respectively, the latter underlining our continuing focus on, and success in, attracting high value traders. Looking at this figure based on our channels, our retail client base increased by 11% to 45,103 during the year. This was offset by a reduction in our Partners client base due to the focus on delivering a full Next Generation solution before pursuing new business through this channel.



Retail rebates increased by £3.8 million (133%) to £7.2 million. We are committed to our high value traders and our monthly rebate scheme, which is based on the notional value that our clients trade is central to this commitment.

Total costs increased by £10.3 million (12%) to £100.1 million. Once one-off items of £8.4 million are excluded, costs increased by £2.0 million (2%). The increase was driven by investment in personnel and marketing activity, which was partly offset by lower amortisation costs.

Underlying profit before tax increased by £19.7 million (61%) to £51.9 million reflecting the operational scalability of the business as revenue grows. Statutory profit before tax also increased by £11.3 million (35%) to £43.5 million.

As a result of revenue growth and cost control, profit before tax margin[2] improved 4%, rising from 26% to 30% despite the impact of £8.4 million of exceptional items. Excluding exceptional items the margin increased to 36%.

Net operating income overview

£m	2015	2014
CFD and Spread bet	136.6	114.0
Stockbroking (exc interest income)	5.1	5.5
Interest income	2.1	2.1
Other income	(0.2)	0.4
Net operating income	**143.6**	**122.0**

[1] Trading revenue per active CFD and Spread bet client
[2] Statutory profit before tax as a percentage of net operating income

CFD and spread bet regional performance overview

	2015				2014[2]				% change			
	Revenue[1] (£m)	Value of trades (£bn)	Active Clients	RPC (£)	Revenue[1] (£m)	Value of trades (£bn)	Active Clients	RPC (£)	Revenue[1]	Value of trades	Active Clients	RPC
UK	48.6	548	15,417	3,152	33.4	418	14,054	2,373	46%	31%	10%	33%
Europe	45.4	553	20,019	2,269	45.8	532	19,572	2,338	(1)%	4%	2%	(3)%
ANZ	34.4	453	9,527	3,608	27.6	332	9,076	3,045	24%	37%	5%	19%
Rest of World	8.2	72	5,340	1,535	7.2	69	5,304	1,362	13%	6%	1%	13%
Total	**136.6**	**1,626**	**50,303**	**2,716**	**114.0**	**1,351**	**48,006**	**2,374**	**20%**	**20%**	**5%**	**14%**

UK

The value of client trades in the UK was 31% ahead of the prior year at £548 billion (FY14: £418 billion), with quarter on quarter growth. Active client numbers were up 10% during the year to 15,417 (FY14: 14,054), while average revenue per active client increased by 33%. This was achieved despite the annual Investment Trends study released in September 2014 pointing to a 4% decline in the UK spread betting market from 93,000 to 89,000. Client acquisition has improved dramatically throughout the year with new accounts up by 70% from the prior year, and an increasing return on investment from higher marketing expenditure. Client quality and tenure continues to improve, a direct result of the strategy to appeal to high value clients switching from direct competitors and the successful recruitment of experienced sales specialists.

Europe

Europe comprises the German, French, Italian, Spanish, Norwegian and Swedish offices. The value of client trades in Europe was 4% ahead of the prior year at £553 billion (FY14: £532 billion). The region contributed 34% of overall Group value of client trades throughout the year (FY14: 39%), with the decline in the value of the Euro and economic headwinds contributing to this decline. Active client numbers were up 2% in the year at 20,019 (FY14: 19,572).

There was a strong performance from Spain, with the value of client trades 32% ahead of the prior year at £79 billion (FY14: £60 billion), despite the challenging economic landscape. We expect to see further growth across the rest of Europe as migration from our legacy MarketMaker platform to the Next Generation platform nears completion and we actively begin to market our Next Generation Partner offering.

ANZ

Our ANZ business, which services clients from our Sydney and Auckland offices, grew significantly during the year. The value of client trades in ANZ was 37% ahead of the prior year at £453 billion (FY14: £332 billion). Our continuing focus on client activation and engagement, increased education initiatives and platform updates have resulted in an increase in active clients of 5% to 9,527 and revenue per active client up 19% to £3,608. The rise in revenue per client is evidence that our focus on acquiring and supporting our high value client base is succeeding. Results from an independent report[3] showed that CMC had the highest prompted brand awareness in the market, and that CMC's brand profile has been regaining strength in the region.

Rest of World

Our Rest of World region consists of the Singapore and Canada offices. The value of client trades grew by 6% during the year, revenue by 13% and revenue per active client by 13%. Despite showing healthy growth, it has not enjoyed levels similar to those generated by the UK and ANZ regions. Singapore performance was more subdued in the first half of the year due to having more reliance on FX trading, which was low across the industry during this period, but recovered strongly in the second half of the year. The Canada office spent much of the year preparing for the release of the Next Generation platform in September 2014 and since then has been yielding encouraging results.

Stockbroking

The Australian stockbroking business performed broadly in line with the prior year, with trading revenues of £5.1 million (2014: £5.5 million) despite a relatively subdued equities market in Australia and strong adverse currency movements. Similar to the rest of CMC's business, the year consisted of two distinctive halves in the Australian equities market, with subdued trading volumes in the first half offset by improved performance in the second half.

[1] CFD and Spread bet trading revenue
[2] Active client numbers and RPC comparatives have been re-stated
[3] Investment Trends 2014 report

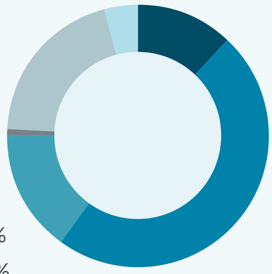
Non-trading interest income

The low interest rate environment has meant that interest income has remained static at £2.1 million (FY14: £2.1 million). This is mainly earned through our segregated client deposits in our Australia, New Zealand and stockbroking subsidiaries.

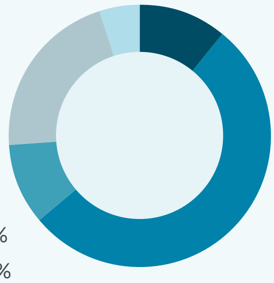
Asset class performance

The asset class split of revenue remains relatively stable on an annual basis, with Indices constituting the major revenue contributor. FX revenue remained robust despite low volatility levels in the first half of the year. The share of revenue provided by Commodities increased significantly year-on-year due to the volatility in oil prices during the second half of the year.

FY15 Revenue by asset class



FY14 Revenue by asset class



Expenses

The Group's underlying operating expenses increased by £5.5 million (7%) to £83.9 million with investment in marketing (£2.3 million increase) and staff costs (£1.6 million increase) the main drivers of the rise. Exceptional costs consist of £4.6 million relating to the settlement of an Australian litigation case and the associated legal costs and £3.8 million relating to provisions and write-offs relating to client debt arising from the SNB release of the Swiss Franc peg.

£m	2015	2014
Net staff costs	40.7	39.1
IT costs	11.4	11.2
Sales and marketing costs	13.7	11.4
Premises costs	5.6	5.1
Legal and professional fees	2.9	3.4
Regulatory fees	2.1	2.4
Other	7.5	5.8
Total operating expenses before exceptional costs	**83.9**	**78.4**
Exceptional costs	8.4	–
Total operating expenses	**92.3**	**78.4**
Depreciation and amortisation	6.9	10.7
Interest	0.9	0.7
Total costs	**100.1**	**89.8**

Net staff costs increased £1.6 million (4%) to £40.7 million, with a rise in average headcount from 450 to 473 being the main driver of the increase. The increase in wages and salaries was more than offset by a reduction in contractors as we converted key contract staff to permanent employees. The introduction of executive and management share option schemes also contributed towards the rise in costs.

£m	2015	2014
Wages and salaries	31.1	29.0
Performance related pay	6.9	7.1
Share based payments	1.0	–
Total employee costs	**39.0**	**36.1**
Contract staff costs	1.7	3.0
Net staff costs	**40.7**	**39.1**

IT costs were broadly flat on the prior year at £11.4 million as we continued to focus on cost efficiencies whilst also investing where necessary.

Sales and marketing costs increased £2.3 million (20%) to £13.7 million during the year as we continue to invest in growing our client base. The main increases in expenditure were seen in the UK, followed by ANZ. Brand expenditure in both of these regions increased during the year with sponsorship of the NSW Waratahs in Australia and the Summer of Sport event in London.

Premises costs were £0.5 million (10%) higher at £5.6 million, mainly due to the dual running of our UK data centre, partly offset by reduced costs from the use of less costly offices in Sydney and more efficient use of office space in Singapore.

Legal and professional fees decreased by £0.5 million (15%) at £2.9 million due to lower expenditure on external legal advice.

Regulatory fees reduced by £0.3 million (14%) to £2.1 million due to a reduced FSCS levy for the year.

Other costs increased by £1.7 million (30%) to £7.5 million, with the major contributor to the rise being the one-off currency benefits from closure of the Japan office recorded in FY14 (£2.3 million credit).

Depreciation and amortisation was lower by £3.8 million (35%) at £6.9 million due to the significantly reduced amortisation of the Next Generation platform in FY15.

Interest costs increased by £0.2 million (£29%) to £0.9 million due to the increase of our broker funding line from £25 million to £40 million as well as additional costs associated with new IT finance leases. The broker funding line was not utilised during the financial year.

Taxation

The effective tax rate for the year was 20% (2014: 26%). The majority of our profits are taxed in the UK and the main driver of the decrease in the effective tax rate was a reduction in the UK corporation tax rate from 23% to 21%.

Profit for the year

The retained profit for the year of £34.7 million (2014: £24.0 million) illustrates the success of the Group's focus on client service, an award winning platform, dynamic risk management and a strong cost control environment.

Dividend

Dividends of £12.0 million were paid during the year, £6.0 million relating to the final dividend relating to the prior year and £6.0 million relating to current year's performance. A further interim dividend of £9.9 million was paid in May 2015, resulting in a total dividend relating to FY15 to date of £15.9 million (FY14: £12.0 million). The Group remains committed to a dividend policy of paying 50% of post-tax profit in the form of dividends.

Own funds

The Group monitors own funds generated from operations in the manner explained in note 4 to the accounts. Own funds generated includes excess funds held with brokers. During the year the Group generated £45.2 million from operating activities, which covered dividend requirements by 2.6 times.

Group Balance Sheet

£m	2015	2014
Intangible assets	3.7	4.1
Property, plant and equipment	17.4	13.7
Deferred tax assets	7.5	7.4
Total non-current assets	**28.6**	**25.2**
Trade and other receivables	18.7	19.6
Derivative financial instruments	3.3	0.6
Amount due from brokers	109.8	65.9
Cash and cash equivalents	38.6	57.8
Total current assets	**170.4**	**143.9**
Total assets	**199.0**	**169.1**
Trade and other payables	38.7	39.7
Derivative financial instruments	0.8	2.1
Borrowings	1.4	0.6
Current tax payable	3.5	1.2
Short term provisions	4.4	0.3
Total current liabilities	48.8	43.9
Trade and other payables	3.9	4.4
Borrowings	2.5	0.3
Deferred tax liabilities	0.1	0.6
Long term provisions	1.4	0.3
Total non-current liabilities	7.9	5.6
Total liabilities	56.7	49.5
Total equity	142.3	119.6
Total equity and liabilities	**199.0**	**169.1**

Non-current assets

The Group is committed to investing in and developing its trading platform and these costs are expensed as incurred, with the majority of intangible assets now relating to the net book value of software licences rather than net capitalised internal development costs. The rise in property, plant and equipment costs mainly relate to investment in IT infrastructure, which is regularly reviewed to ensure its scale and resilience is aligned with anticipated growth in the business. During the year the Group invested £8.6 million in IT equipment and licences (FY14: £1.4 million).

Current assets

Trade and other receivables relate mainly to client receivables relating to Stockbroking positions yet to settle, prepayments, amounts due from our segregated client accounts on the next working day and other client debtors. **Amount due from brokers** relates to cash held at brokers either for initial margin or to reduce interest payable on the Group's overall hedge position. **Cash and cash equivalents** have reduced significantly during the course of the year due to the Group actively holding excess funds at our brokers in preference to cash at bank. This has the effect of both reducing financing costs with brokers and reducing concentration risk. At 31 March 2015 the Group held an excess of £57.0 million with brokers (31 March 2014: £22.6 million).

Current liabilities

Trade and other payables consist mainly of accruals and deferred income, amounts due on Stockbroking trades yet to settle, and amounts due to clients in relation to title transfer funds. **Current tax payable** has increased significantly to £3.5 million (FY14: £1.2 million) due to the increase in Group profits. The rise in **provisions** relates to £4.2 million payable as a result of the Australian litigation settlement. This was paid in April 2015.

Non-current liabilities

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

Regulatory capital

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

The Group's Tier 1 capital increased due to the rise in retained earnings relating to audited 2014 profits, as well as lower intangible assets on the balance sheet. Deduction for deferred tax assets has been taken from the Tier 1 capital through a phased approach in accordance with the Capital Requirements Directive IV (CRD IV).

At 31 March 2015 the capital resources represented 24.1% of the capital resources requirement (31 March 2014 18.6%). The following table summarises the Group's capital adequacy position at the year end. The Group's approach to capital management is described in note 4 to the financial statements.

Regulatory capital	2015	2014
Total capital resources (£m)	114.5	98.4
Total risk exposure (£m)	474.9	528.8
Total capital ratio (%)	**24.1%**	**18.6%**

Note: capital resources are the reported position as at 31 March 2015 and therefore excludes unaudited reserves and any changes to deferred tax assets resulting from the audit process

Liquidity

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

- **Own funds.** The primary source of liquidity for the Group. It represents the cash that the business has generated historically excluding all cash held on behalf of clients.
- **Title transfer client funds (TTCFs).** This represents funds received from professional clients and eligible counterparties (as defined in the FCA Handbook) that are held under a Title Transfer Collateral Agreement (TTCA); a means by which a professional client or eligible counterparty may agree that full ownership of such funds is unconditionally transferred to the Group. The Group considers these funds as an ancillary source of liquidity and places no reliance on its stability.
- **Committed banking facilities.** The Group has a committed banking facility that can be used to support the hedging programme by meeting potential fluctuations in the margin requirements of brokers. The amount available, calculated daily, depends on current broker and client margin positions and is committed up to £40 million (March 2014: £25 million).

The Group's use of liquidity resources consist of:

- **Blocked cash – regulatory purposes.** Amounts held to meet the requirements of local market regulators.
- **Blocked cash – operational purposes.** Amounts held at overseas subsidiaries in excess of local segregated client requirements to meet potential future client requirements.
- **Internal liquidity buffer.** An amount that represents the Group's liquidity risk appetite. This is based on the liquidity requirements of the Group under a number of stress tests (conducted according to the FCA's 'ILAS' regime) and other 'traditional' liquidity measures.

- **Broker margin requirements.** The total GBP equivalent initial margin required by prime brokers to cover the Group's hedge derivative positions.

At 31 March 2015, the Group held cash balances of £38.6 million (2014: £57.8 million). In addition, £232.3 million (2014: £206.1 million) was held in segregated client money accounts for clients. The movement in Group cash and cash equivalents is set out in the Consolidated Cash Flow Statement.

Own funds have increased to £140.6 million (2014: £116.5 million) with the overall net own cash decreasing slightly due to higher year-end broker margin requirements.

£m	2015	2014
Sources of Liquidity		
Own Funds	140.6	116.5
Title Transfer Funds	7.8	7.2
Committed banking facilities	36.8	25.0
Liquid Assets	**185.2**	**148.7**
Uses of Liquidity		
Blocked cash – regulatory purposes	(11.6)	(7.2)
Blocked cash – operational purposes	(3.3)	(2.8)
Available Liquid Assets	**170.3**	**138.7**
Less: Internal Liquidity Buffer	(30.0)	(30.0)
Gross Surplus[1] Liquidity	**140.3**	**108.7**
Less: Broker Margin Requirements	(52.8)	(43.3)
Net Surplus[1] Liquidity	**87.5**	**65.4**

Client money

Total client funds held by the Group on behalf of its retail clients was £233.4 million at 31 March 2015 (2014: £206.1 million) including regulatory buffers held in client money bank accounts where required or permitted. Client money is held by the Group in trust on behalf of its retail clients and is not included in Net Surplus Liquidity.

Client funds represent the latent capacity for our clients to trade and offer an underlying indication to the health of our client base. The year on year increase in retail client money balances is aligned with the growth in Group client numbers.

Client money governance

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

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 providing the maximum protection for client money.

The protection of client money is of fundamental importance to the Group and a governance structure is in place to ensure ongoing compliance and maximum protection is afforded to client money. The Group's governance structure is explained further on pages 32 to 39.

[1] Surplus liquidity is defined as the liquidity in excess of the Group's liquidity risk appetite and is the Group's key liquidity measure. Gross/ Net surplus is pre/ post the deduction of broker margin requirements.

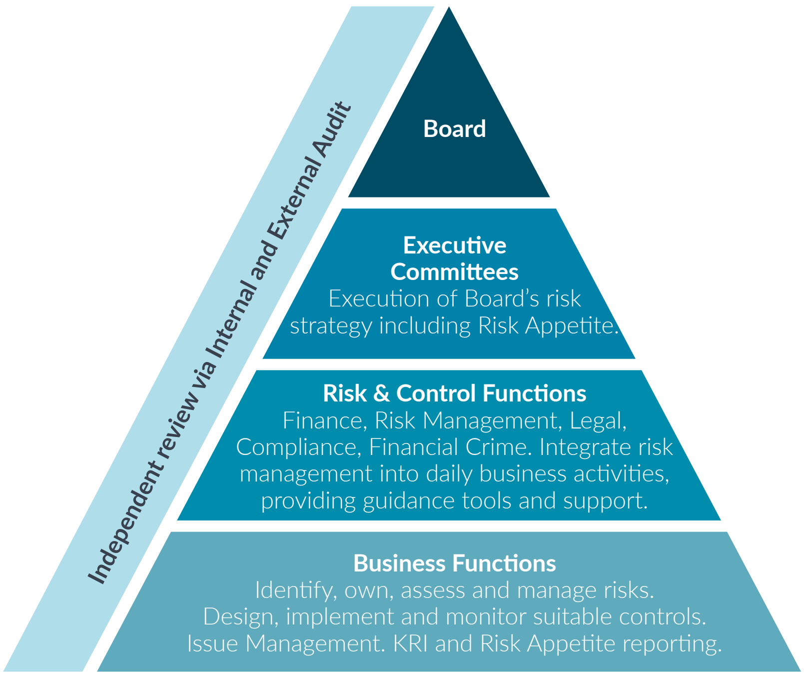
Principal risks and uncertainties

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

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

- Identification, evaluation and monitoring of the principle risks to which the Group is exposed.
- Setting the Risk Appetite of the Board in order to achieve its strategic objectives.
- Establishment and maintenance of governance, policies, systems and controls to ensure the Group is operating within the stated Risk Appetite.

The Board has put in place a governance structure which is appropriate for the operations of an online retail financial services group and is aligned to the delivery of the Groups' strategic objectives. In addition the principles of the "Three Lines of Defence" risk management model, explained below, have been adopted and are being implemented across the Group. The structure is regularly reviewed and monitored and any changes are subject to Board approval. Furthermore, management regularly considers updates to the processes and procedures to embed good corporate governance throughout CMC Markets.



As part of the Group Risk Management Framework, the business is subject to independent assurance by external and internal audit (third line of defence). The use of independent compliance monitoring, risk reviews (second line of defence) and risk and control self-assessments (first line of defence) provide additional support to the integrated assurance programme and ensure that the Group is effectively identifying, managing and reporting its risks. Further details of the Risk Management Framework are set out on pages 28 to 31.

The main risks associated with the Group's financial activities and the key operational risks faced by the Group are outlined below and details of financial risks and their management are set out in note 4 of the financial statements.

The Board has undertaken an assessment of the Principle Risks and how they are managed or mitigated. These are outlined below and details of financial risks and their management are set out in note 4 to the financial statements.

Further information on the structure and workings of Board and Management committees is included in the Corporate Governance report on page 34.

Category	Risk	Description	Management and Mitigation
Strategic risk	**Strategic risk**	The risk of an adverse impact resulting from the Group's strategic decision-making as well as failure to exploit strengths or to take opportunities. It is a risk which may cause damage or loss, financial or otherwise to the Group as a whole.	• Strong governance framework established including three independent Non–Executive Directors 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
Financial risks	**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 four standard market risk factors are stock prices, interest rates, foreign exchange rates, and commodity prices.	Trading risk management monitors and manages the exposures it inherits from clients on a real time basis and in accordance with Board approved appetite. CMC Markets predominantly acts as a market maker in linear, highly liquid financial instruments in which it can easily neutralise all market risk exposure through its prime broker (PB) arrangements. This significantly reduces the Group's revenue sensitivity to individual asset classes and instruments. Financial risk management runs stress scenarios on the residual portfolio, comprising a number of single and combined, company specific and market-wide events in order to assess potential financial and capital adequacy impacts to ensure the Group can withstand severe moves in the risk drivers it is exposed to. For further information see note 4 to the financial statements.
	Credit risk	**Client Credit Risk:** Financial losses may be incurred in cases where the adverse price move exceeds the margin that a client holds to maintain their position, followed by the client defaulting against their contractual obligations to pay the deficit. **Counterparty Credit Risk:** A Financial Institution failing to meet or defaulting on their obligations in accordance with agreed terms.	**Client Credit Risk:** The Group's management of client credit risk is significantly aided by automatic liquidation functionality where margin levels are continuously reviewed and if they fall below pre agreed levels the positions held on the account will automatically be closed out. **Other platform functionality mitigates risk further:** • Tiered margin requires clients to hold more collateral against bigger or higher risk positions. • Mobile phone access allowing clients to manage their portfolios on the move. • Guaranteed Stop Loss Orders allowing a client to remove their chance of debt from their position(s). However, after mitigations, there is a residual risk that the Group could incur losses relating to clients moving into debit balances if there is a market gap. **Counterparty Credit Risk:** Risk management is carried out by a central Liquidity Risk Management (LRM) team under the Counterparty Concentration Risk Policy, approved by the board of Directors. **Mitigation is achieved by:** • Monitoring concentration levels to counterparties and reporting these internally/externally on a monthly/ quarterly basis. • Monitoring the credit ratings and CDS spreads of counterparties and reporting internally on a weekly basis. Further information is available in note 4 to the financial statements.

Category	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 Liquidity Risk Management (LRM) team under policies approved by the Board and in-line with the FCA's ILAS regime. The Group utilises a combination of liquidity forecasting and stress testing to identify any potential liquidity risk both during normal and stressed conditions. The forecasting and stress testing fully incorporates the impact of all liquidity regulations in force in each jurisdiction and other impediments to the free movement of liquidity around the Group. **Risk is mitigated by:** • The provision of timely daily, weekly and monthly liquidity reporting and real-time broker margin requirements to enable strong management and control of liquidity resources. • A £40 million committed bank facility to meet short-term liquidity obligations to broker counterparties in the event that it does not have sufficient access to its own cash. • A formal Contingency Funding Plan (CFP) is in place that is designed to aid senior management to assess and prioritise actions in a liquidity stress scenario. For more information see note 4 to the financial statements.
Operational risks	**Business continuity & disaster recovery risk**	The risk that a physical business continuity event or system failure results in a reduced ability or inability to perform core business activities or processes.	• Dedicated business continuity functional support within Operational Risk Function. • Use of external specialist premises to enhance resilience in the event of a disaster recovery or business continuity requirement. • Periodic testing of business continuity processes and disaster recovery. • Prompt response to significant systems failures or interruptions.
	Financial crime risk	The risk of abuse of services in the form of financial crime including but not limited to fraud, bribery, market abuse and money laundering.	• Adoption of the risk based approach to financial crime, including undertaking formal and regular risk assessments across global operations. • Global reporting procedures and surveillance processes in place using local compliance and legal expertise. • Regular and on-going training and awareness programme in place for staff at all levels and in all jurisdictions. • Group Whistleblowing policy provides a clear framework for escalation of issues.

Category	Risk	Description	Management and Mitigation
	Information and data security risk	The risk of unauthorised access to or external disclosure of client or company information.	• Dedicated Information Security & Data Protection resource/expertise within the Operational Risk Function. • Technical and procedural controls implemented to minimise the occurrence of information security and data protection breaches. • Access to information only provided on a "need to know" and "least privilege" basis consistent with the user's role and requires appropriate authorisation. • Key data loss prevention initiatives and regular system access reviews implemented across the business.
	Technology risk	The risk of system failures exposing the Group to significant commercial, financial, regulatory or reputational damage. In addition, the risk of impact on competitive advantage through inadequate systems development and/or implementation of the enhancements/upgrades.	• Continuous investment in increased functionality, capacity and responsiveness of systems and infrastructure. • Rigorous software design methodologies, project management and testing regimes to minimise implementation and operational risks. • Constant monitoring of systems performance and in the event of any operational issues, changes to processes are implemented to mitigate future concerns. • Operation of two data centres in the UK. • Systems and data centres designed for high availability and data integrity. • Continuous service available to clients in the event of individual equipment failures or major disaster recovery events.
	People risk	The risk of loss of key individuals and skills, inadequate development, succession or resource planning and inappropriate behaviours or actions.	• Retention programmes and succession planning initiatives in place. • Training and skills transfer programmes being undertaken. • Education and training, performance management and associated remuneration policies in place. • Recognition scheme for high performing individuals.

Category	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.	• Effective Compliance Function. • Internal Audit outsourced to a 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 Business Risk Committee and Audit and Risk Committee. • AML controls for client due diligence and sanctions checking.
	Other operational risks	Other operational risks include the Group's exposure to legal and litigation risks, the failure of key third parties, manual errors and any other action or occurrence which may have financial impact or affect its reputation with clients and the business community.	• Compliance with legal and regulatory requirements including relevant codes of practice. • Early engagement with legal advisors and other risk managers. • Appropriately managed complaints that have a legal/litigious aspect. • An early assessment of the impact and implementation of changes in the law. • 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.

Grant Foley
Group Director of Finance, Risk and Compliance

Governance

The Board

Simon Waugh
(Chairman)

Simon was Group Director of Sales, Marketing and Customer service at Centrica. He retained these responsibilities for the seven years he was with the Group, and also held the roles of Deputy CEO of British Gas and CEO of the Centrica Financial Services Company. On leaving Centrica Simon became CEO of AWD Financial Services Group, a leading IFA and consumer financial services business. Simon's final senior executive position was in the role of Chairman/CEO of the National Apprenticeship Service, leading the government's flagship skills programme, reporting to the Secretaries of State for both Education and Business. Simon is also a life fellow of both The Marketing Society and the Institute of Direct Marketing.

John Jackson
(Non-Executive Director; resigned 30 June 2015)

John joined the CMC Markets Board as its first non-executive director in May 2005, having had a 25 year career principally as a corporate lawyer advising UK, public and large private companies in various sectors. During his legal career John was a partner in English and Global Law firms. John has held a number of directorships and consultancy positions in both public and private companies. John currently runs his own advisory business and is also a non-executive director of a UK regulatory and compliance company.

James Richards
(Non-Executive Director; appointed 1 April 2015)

James is a partner at the financial services law firm, Dillon Eustace in Ireland, where he has been in this role since 2012. Prior to this he was a banking and finance partner at Travers Smith LLP for 14 years. Having occupied various senior positions within leading law firms, James has extensive experience in debt capital markets, derivatives and structured finance working with major corporates, central banks and governmental organisations.

Peter Cruddas
(Chief Executive Officer)

Peter founded the Group in 1989. Prior to founding the Group, Peter was Chief Dealer and Group Treasury Advisor at S.C.F. Equity Services, where he was responsible for all the activities of a dealing room whose principal activities were trading in futures and options in currencies, precious metals, commodities and financials and spot forwards on foreign exchange and bullion.

Grant Foley
(Group Director of Finance, Risk and Compliance)

Grant is a Chartered Accountant (FCA) and has held senior finance positions in Financial Services businesses for a number of years. These have included, Coutts & Co, Prudential Bache and Arbuthnot Securities. Grant joined CMC Markets in April 2013 as Group Head of Finance and was appointed to the role of Group Director of Finance, Risk and Compliance in August 2013.

David Fineberg
(Group Director of Trading)

David joined CMC Markets 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 David was 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. In January 2014 David was appointed as the Group Director of Trading.

Corporate governance report

The Directors and senior management of CMC Markets are fully aware of the benefits of robust and effective Corporate Governance. Apart from the evident advantages that clarity and accountability bring to management, the value it adds to commercial activities is acknowledged.

The Board has put in place a governance structure which it believes is appropriate to the operations of an online retail financial services trading group and reflects the size and stage of development of the business. CMC Markets plc is an unlisted public company and is not required to meet the provisions of the Listing Rules of the UK Listing Authority or the Financial Reporting Council's UK Corporate Governance Code. However, the Board is aware of the relevance of these and the Directors support best corporate governance practice and its practical application as considered suitable with regard to the Group's operations. The structure is regularly reviewed and monitored by the Board for effectiveness and adapted as required to fit the needs of the Group's businesses and their management.

The objectives of the governance structure are:

- to satisfy the needs of the business for proper consideration and decision making;
- to provide a clear management support and monitoring framework to add value to the business and identify and control risks;
- to ensure good governance principles are followed including:
  - clear remits and definitions of responsibility, authority, accountability and lines of report;
  - provision of appropriate delegated authority;
  - a framework to facilitate effective checks and balances in management and oversight processes;
- to allow and encourage effective constructive challenge of the executive; and
- to apply best practice governance principles appropriate to the business.

The governance structure is regularly reviewed for effectiveness and adapted as required to fit the needs of the Group's businesses and their management.

Board responsibilities

The Group Board has overall responsibility for the Group's affairs. It comprises three Executive and three independent Non-Executive Directors. The calibre of all the Non-Executive Directors is regarded as more than capable of carrying sufficient weight in the Board's decision-making and to challenge the executive. The Directors believe that the Board has a balance of skills, experience and service to provide effective strategic leadership and proper governance of the Company and Group. The Articles of Association of the Company do not require the Directors to retire by rotation.

The Board is responsible for the management and oversight of the Group, setting strategic aims and determining policy. Any changes to the roles of the Directors during the year and since the year end are set out in the Directors' Report. The role of the CEO is defined in writing and has been approved by the Board. The effectiveness of the Board is the responsibility of the Non-Executive Chairman. Supported by the Executive Directors and senior management, the CEO is responsible for the implementation and execution of strategy and policy. The CEO manages the Group's operations on a day-to-day basis and is in frequent contact with the Executive Directors and senior management in addition to attending formal Board meetings. Key performance indicators are included in the performance evaluation process for CEO, Executive Directors and senior management and are used in determining their remuneration.

The statement regarding the use of the going concern basis for preparation of the financial statements is included in the Directors' Report on page 40. The Statement of Directors' Responsibilities including the disclosure of information to the auditors can be found on page 42.

The Board has a formal schedule of matters specifically reserved to it which includes:

- setting strategic aims, values and standards to promote the Group's best interests;
- control and oversight of business management;
- setting risk parameters and final overall risk management;
- ensuring adequate financial and human resources;
- meeting obligations to shareholders and stakeholders;
- providing guidance and direction to subsidiaries' managements;
- establishment, maintenance and review of effective systems and controls for:
  - compliance with applicable requirements of regulatory systems
  - countering the risk of use of the Group to further financial crime
  - identifying, measuring, managing and controlling risks
  - ensuring business continuity
  - ensuring adequate records are maintained;
- delegation of authority where appropriate, receiving reports and recommendations from Board Committees and monitoring the discharge of delegated authorities; and
- the review of policies, procedures, frameworks, standards and controls required for business operations.

All the Directors regularly receive full and timely information required to enable them to perform their role. The Board held seven scheduled meetings during the year and also held four ad-hoc meetings when there was business which could not wait until the next scheduled meeting. Board papers, which are distributed to all directors in advance of each meeting, follow a set agenda although further subjects are added for discussion as the need arises. In the months when no Board meeting is scheduled, the Directors receive a Board pack containing updated reports from each function to ensure consistent oversight. In addition to the scheduled Board meetings, Directors' briefings were also held on particular issues requiring their attention. Directors receive appropriate training on appointment and as necessary during their service and also receive regular briefings on proposed developments or changes to the law or regulations that affect the Group. Each Director has access to the advice and services of the Company Secretary. The Directors may take independent professional advice at the Group's expense and Directors and Officers liability insurance is in place as permitted under the 2006 Companies Act.

Board committees

The Board Audit and Risk and the Nomination and Remuneration Committees carry out duties delegated to them by the Board and set out in written terms of reference.

Sub-board committees

The corporate governance structure also includes sub-board committees which together provide a framework to support and monitor the management of the Group.

Two sub-board committees report to the Audit and Risk Committee and the Board, ensuring that the oversight and challenge obligations can more directly be discharged.

The Business Risk Committee monitors the risk areas of the business, including financial risk, compliance, financial crime, and internal audit. This is chaired by the Group Director of Finance, Risk and Compliance with senior managers and specialists attending for each field they cover.

The Client Money Committee is a fundamental part of the Group's client money governance and oversight procedures. The committee 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 Client Money Committee forms a key part of the oversight of client money in addition to Compliance, internal audit and PwC as external auditors.

Each of the sub-board committees outlined above has terms of reference approved by the Audit and Risk Committee. Meetings are formally scheduled at least once a month although should a particular matter require immediate consideration they can be convened quickly to determine any necessary action.

In addition, management meetings are held once a month attended by senior managers from each function across the business and chaired by the CEO. The meetings allow for the communication and discussion of any business developments, on-going projects and new issues that have arisen.

Risks

The on-going process of identifying, assessing and treating the significant risks facing the Group is coordinated by the risk function. This process has been in place for the full year under review and to the date of the approval of the Annual Report and financial statements. The principal risks and uncertainties affecting the Group and the responsibilities for the management of the key risks are set out in the Strategic Report on pages 27 to 31.

Regulation

CMC Markets' worldwide regulated entities and the relevant regulatory authorities are set out on page 39. In order to meet regulatory requirements, they are monitored by specialist executives in the finance, risk, legal and compliance functions globally, supported by the governance structure and processes.

Company meetings

The Executive Directors and the Chairmen of the Audit and Risk and Nomination and Remuneration Committees of the Board will be available to answer questions at the 2015 AGM. Information on the 2015 AGM can be found in the Directors' Report on page 40.

Audit and Risk Committee

The Audit and Risk Committee comprising all independent Non-Executive Directors - Simon Waugh (Chairman), John Jackson (resigned 30 June 2015) and James Richards, meets at least two times a year.

The Committee holds structured meetings two times per year and consults with external auditors, internal auditors, where appropriate, and senior management. The Committee usually requests that executive directors and senior managers attend to provide reports for the meetings in order to reinforce a strong culture of risk management and to keep the Committee up to date with events in the business. The Group Director of Finance, Risk & Compliance attended all of this year's meetings.

The Committee regularly reviews the various types of risk relevant to the CMC Group (the "Group") and has reviewed the key risks (described on pages 27 to 31) and the associating controls and mitigating factors. The Committee receives reports and briefings from internal audit and has reviewed the level of internal audit resource provided by Grant Thornton and believes that it is adequate for the size, structure and business risks of the Group.

The Committee's review of the full year financial statements focussed on the following areas of significance:

- The presentation of the client debt arising from the SNB event as an exceptional cost.
- The presentation of the settlement of a legal dispute as an exceptional cost.

These were discussed and there were no significant differences between the Group Director of Finance, Risk & Compliance and external auditor conclusions.

The operations of the Group are highly reliant on the Group's IT systems. The Committee receives regular briefings covering various aspects of IT and IT security. In this rapidly moving area, there is inevitably a risk that a systems failure or cyber-attack could cause significant business disruption. Significant resources are therefore devoted to the development, maintenance and security of the IT systems.

The Group's internal control functions in areas such as Finance, Risk and Compliance are regularly reviewed by the Committee members. Briefings are received on areas such as Treating Customers Fairly, Financial Crime, Business Continuity as well as Operational, Financial and Liquidity Risk.

The Committee had discussions with the external auditor on audit planning, fees, accounting policies, audit findings and internal control. The external auditor attended both of this year's Committee meetings. Meetings are also held with the external auditor without management present. The effectiveness of the audit was assessed through the review of audit plans, reports and conclusions and through discussions with management and the external auditor. The Committee was satisfied that the audit was effective.

The Committee is responsible for recommending the appointment, re-appointment and removal of the external auditor. Consideration is given each year to an audit tender process, however, a tender was not considered necessary during the current year. PricewaterhouseCoopers ("PwC") has been the Group's auditor for 6 years and the Committee is satisfied that PwC continues to possess the skills and experience required to fulfil its duties effectively and efficiently.

PwC have reported to the Committee that, in their professional judgement, they are independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff is not impaired. The Committee has assessed the independence of PwC and concurs with this statement. The Group's external auditor is prohibited from providing any services that would conflict with their statutory responsibilities or which would otherwise compromise their objectivity or independence. During the year, PwC's audit fee amounted to £585,000 and non-audit fees were £282,000 in total.

The Committee has reviewed its Terms of Reference and composition, and believes that both are appropriate.

Simon Waugh
Chairman of the Audit & Risk Committee
15 July 2015

Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprising the three independent Non-Executive Directors (John Jackson (resigned as Chairman 30 June 2015), Simon Waugh and James Richards (appointed Chairman 1 July 2015)) meets at least two times a year. Attendance may be invited from senior executive management and regular attendees include the Group Director of Finance, Risk and Compliance, and the Group Head of HR. The duties of the committee are set out in written terms of reference approved by the Board which include:

- the regular review of the structure of the Board; to lead the process for making Board appointments and to ensure plans are in place for orderly succession;
- participation with the Board in its periodic review of the performance of Directors and senior management and to make recommendations arising from such review;
- consideration and periodic recommendation to the Board of the remuneration policy (including incentives linked to the Company's performance measured, amongst other things, by financial results adjusted for risks) relating to the Executive Directors and other senior managers that it is designated to consider and ensuring that such policy attracts and retains high calibre Directors and senior management; and
- the review of Group wide annual salary arrangements, performance related pay schemes and incentive plans and to consider and make recommendations in respect of their rationale, structure and aggregate cost.

James Richards
Chairman, Nomination and Remuneration Committee.
15 July 2015

Regulated Entities

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

Directors' report

CMC Markets plc is incorporated as a public limited company and is registered in England and Wales with the registered number 05145017. CMC Markets plc's registered address is 133 Houndsditch, London, EC3A 7BX.

The Directors present their report together with the audited financial statements of CMC Markets plc and its subsidiary companies ("the Group") for the year ended 31 March 2015.

Principal activities

CMC Markets is an online retail financial services business and, through its principal subsidiaries and their branches as set out in the Corporate Governance Report and note 15 to the financial statements , provides its clients the ability to trade contracts for difference (CFD) or financial spread betting on a range of shares, indices, foreign currencies, commodities and treasuries. The Group also provides stock broking services in Australia.

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 85. The Strategic report includes information about the Group's operations and business model, review of the business throughout the year, anticipated future developments, key performance indicators and principal risks and uncertainties. The use of financial instruments is included in the report and further covered under note 20 to the consolidated financial statements on page 76. The Group's vision is to be market leader in global online multi-asset trading. Its strategic objective is to provide superior shareholder returns through the consistent and sustainable delivery of growth in revenue and improvement to operating margins through operational excellence including product innovation, technology and service. The strategic objectives to achieve this are also set out in the Strategic Report.

Summary of results and dividends

The results for the financial year are shown in the Consolidated Income Statement on page 45. The details of dividends are set out in note 30.

General

Capital structure

The Company's share capital comprises ordinary shares of 25 pence each and deferred shares of 25 pence each. At 31 March 2015 there were 280,296,862 ordinary and 2,478,086 deferred shares in issue. Each ordinary share carries one vote. Deferred shares have no voting rights.

During the year:

1. under the CMC Markets Management Equity Plan 2009 ("the MEP"), no ordinary shares were allocated to any employee by the Employee Benefit Trust (EBT) due to exercise of vested share options. Similarly, no ordinary shares were acquired by the EBT from any employee who left the employ of the Group. Due to no transactions during the year, 1,069,282 ordinary shares (0.38% of total issued ordinary shares) remain retained by the EBT at the date of this report and are treated as own shares held in trust for the future benefit of employees of CMC Markets UK plc;

2. under the MEP, 309,000 options over ordinary shares were granted without charge to two Directors;

3. 660,735 options previously granted under the MEP lapsed resulting in 934,300 remaining outstanding at the year-end; and

4. 2,315 ordinary shares were converted to deferred shares.

At the date of this report an aggregate of 934,300 options over ordinary shares in the Company remain outstanding subject to the rules of the MEP. Further details of the authorised and issued capital are disclosed in note 23.

Directors and their responsibilities

Details of the Directors who served throughout or for part of the year and up to the date of signing the financial statements and their executive positions are set out below.

Peter Cruddas	Chief Executive Officer
David Fineberg	Group Director of Trading
Grant Foley	Group Director of Finance, Risk and Compliance
John Jackson	Non-Executive Director (Resigned 30 June 2015)
James Richards	Non-Executive Director (Appointed 01 April 2015)
Simon Waugh	Non-Executive Chairman

Further information on the Board's activities, powers and responsibilities is included in the Corporate Governance Report on page 34. The Statement of Directors' Responsibilities is covered on page 42.

Corporate governance

The Company's report on corporate governance which forms part of this Directors' Report is covered on pages 32 to 39.

Research and development

The Group has continued to invest significantly in the development of the CFD and spread bet Next Generation platform in addition to maintaining existing infrastructure with considerable effort applied by the technical and software development teams. Little expenditure is capitalised and is therefore expensed when it is incurred. £nil of development expenditure has been capitalised during the year (2014: £nil).

Going concern

Having given due consideration to the nature of the Group's business, the Directors consider that the Company and the Group are going concerns and the financial statements are prepared on that basis. This treatment reflects the reasonable expectation that the Group has adequate resources to continue in business for the foreseeable future and the consideration of the various risks set out on pages 27 to 31 and financial risks described in note 4 to the financial statements.

AGM

The 2015 Annual General Meeting of CMC Markets plc (the "2014 AGM") is to be held at 133 Houndsditch, London, EC3A 7BX at 12.00 noon on Wednesday 30 September 2015. The Notice of the 2015 AGM and related papers are sent to shareholders at least 21 clear days before the meeting.

Resolutions are included in the notice of meeting to give Directors the authority for the maximum statutory period of five years to allot the unissued shares of the Company and, subject to the foregoing authority being provided, to permit the Directors to issue such shares wholly for cash on a non pre-emptive basis. These resolutions seek to renew similar authorities given to the Directors by shareholders at the 2014 Annual General Meeting.

Independent auditors

A resolution proposing the re-appointment of PricewaterhouseCoopers LLP as the Company's auditors and authorising the Directors to determine the auditors' remuneration will be put forward at the 2015 annual general meeting.

By order of the Board

Jonathan Bradshaw
Company Secretary
15 July 2015

CMC Markets plc
Registered number: 05145017

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations and those International Financial Reporting Standards (IFRS) as adopted by the European Union.

Under Company law, the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the profit or loss of the Group for that period. The Directors are required to prepare financial statements for each financial year which present fairly the financial position of the Company and of the Group and the results and cash flows of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

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

Disclosure of information to auditor

In accordance with s418 of the Companies Act 2006, each Director in office at the date of approval of this report confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Group's auditors are unaware; and
- each Director has taken all steps a Director might reasonably be expected to have taken, to be aware of relevant audit information and to establish that the Group's auditors are aware of that information.

Directors' responsibility statement

Each of the Directors, whose names and functions are listed on pages 32 to 33 confirm that, to the best of their knowledge:

- the financial statements, 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 for the Company and undertakings included in the consolidation taken as a whole; and
- the Company's Annual Report and financial statements include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces.

The Directors consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's performance, business model and strategy. The Annual Report on pages 1 to 85 was approved by the Board of Directors and authorised for issue on 15 July 2015 and signed on behalf of the Board by:

P.A. Cruddas

Peter Cruddas
Chief Executive Officer

Grant Foley
Group Director of Finance, Risk and Compliance

Independent auditors' report

Report on the financial statements

Our opinion

In our opinion:

- the financial statements, defined below, give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2015 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Group financial statements and parent company financial statements (the "financial statements"), which are prepared by CMC Markets plc, comprise:

- Consolidated and parent company statement of financial position as at 31 March 2015;
- Consolidated income statement and statement of comprehensive income for the year then ended;
- Consolidated statement of cash flows for the year then ended;
- Consolidated and parent company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of:

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

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

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

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

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

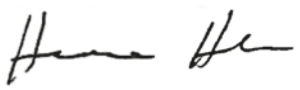
Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 42, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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



Hemione Hudson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
15 July 2015

Financial statements

Consolidated income statement

For the year ended 31 March 2015

GROUP	Note	2015 £'000	2014 Restated £'000
Revenue		**164,797**	**140,618**
Net interest income	6	2,118	2,146
Total revenue		**166,915**	**142,764**
Rebates and levies		(23,263)	(20,754)
Net operating income	**5**	**143,652**	**122,010**
Operating expenses	7	(92,312)	(78,375)
EBITDA(1)		**51,340**	**43,635**
Analysed as:			
EBITDA before exceptional costs		**59,774**	**43,635**
Exceptional costs	7	(8,434)	–
EBITDA(1)		**51,340**	**43,635**
Depreciation and amortisation		(6,934)	(10,698)
Operating profit		**44,406**	**32,937**
Finance costs	9	(896)	(696)
Profit before taxation	**10**	**43,510**	**32,241**
Analysed as:			
Profit before taxation and exceptional costs		**51,944**	**32,241**
Exceptional costs	7	(8,434)	–
Profit before taxation		**43,510**	**32,241**
Taxation	11	(8,770)	(8,285)
Profit for the year attributable to owners of the Company		**34,740**	**23,956**
Earnings per share			
Basic (p)	**12**	**12.4p**	**8.5p**
Diluted (p)	12	12.4p	8.5p

(1) EBITDA represents earnings before interest, tax, depreciation and amortisation and impairment of intangible assets, but includes interest income classified as trading revenue.

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 loss for the year ended 31 March 2015 dealt within the financial statements of the Company was £11,000 (2014: £44,000 Profit). The Company had no other comprehensive income.

Consolidated statement of comprehensive income

For the year ended 31 March 2015

GROUP	2015 £'000	2014 Restated £'000
Profit for the year	**34,740**	**23,956**
Other comprehensive income:		
Items that may be subsequently reclassified to income statement		
Profit on net investment hedges net of tax	1,063	3,941
Profit recycled from equity to the income statement	–	1,212
Currency translation differences	(1,485)	(8,183)
Other comprehensive expense for the year	**(422)**	**(3,030)**
Total comprehensive income for the year attributable to owners of the Company	**34,318**	**20,926**

Consolidated and Parent Company statement of financial position

£'000	Note	GROUP As at 31 March 2015	GROUP As at 31 March 2014 Restated	GROUP As at 1 April 2013 Restated	COMPANY As at 31 March 2015	COMPANY As at 31 March 2014
ASSETS						
Non-current assets						
Intangible assets	13	3,658	4,091	10,667	–	–
Property, plant and equipment	14	17,376	13,733	16,114	–	–
Investment in subsidiary undertakings	15	–	–	–	162,576	162,576
Deferred tax assets	22	7,552	7,380	13,912	–	–
Total non-current assets		**28,586**	**25,204**	**40,693**	**162,576**	**162,576**
Current assets						
Trade and other receivables	16	18,766	19,661	22,456	35,444	36,765
Derivative financial instruments	20	3,275	630	594	–	–
Current tax recoverable		–	–	448	–	–
Amounts due from brokers		109,794	65,864	48,758	–	–
Cash and cash equivalents	17	38,611	57,801	49,102	–	–
Total current assets		**170,446**	**143,956**	**121,358**	**35,444**	**36,765**
Total assets		**199,032**	**169,160**	**162,051**	**198,020**	**199,341**
LIABILITIES						
Current liabilities						
Trade and other payables	18	38,723	39,657	44,160	54,014	43,728
Derivative financial instruments	20	805	2,106	2,192	–	–
Borrowings	19	1,399	635	1,184	–	–
Current tax payable		3,507	1,202	–	3	24
Short term provisions	21	4,345	328	3,715	–	–
Total current liabilities		**48,779**	**43,928**	**51,251**	**54,017**	**43,752**
Non-current liabilities						
Trade and other payables	18	3,926	4,375	4,376	–	–
Borrowings	19	2,453	339	974	–	–
Deferred tax liabilities	22	128	627	1,146	–	–
Long term provisions	21	1,423	310	50	–	–
Total non-current liabilities		**7,930**	**5,651**	**6,546**	**–**	**–**
Total liabilities		**56,709**	**49,579**	**57,797**	**54,017**	**43,752**
EQUITY						
Equity attributable to owners of the Company						
Share capital	23	70,694	70,694	70,694	70,694	70,694
Share premium	23	33,362	33,362	33,362	33,362	33,362
Own shares held in trust	24	(1,983)	(1,983)	(2,000)	–	–
Other reserves	26	(49,969)	(49,547)	(46,517)	–	–
Retained earnings		90,219	67,055	48,715	39,947	51,533
Total equity		**142,323**	**119,581**	**104,254**	**144,003**	**155,589**
Total equity and liabilities		**199,032**	**169,160**	**162,051**	**198,020**	**199,341**

The Financial statements on pages 45 to 85 were approved and authorised for issue by the Board of Directors on 15 July 2015 and signed on its behalf by:

Peter Cruddas, Chief Executive Officer

Grant Foley, Group Director of Finance, Risk and Compliance

Consolidated and Parent Company statement of changes in equity

For the year ended 31 March 2015

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 2013 (As previously reported)	**70,694**	**33,362**	**(2,000)**	**(46,517)**	**46,944**	**102,483**
Effect of changes in accounting policies	–	–	–	–	1,771	1,771
At 1 April 2013 (Restated)	**70,694**	**33,362**	**(2,000)**	**(46,517)**	**48,715**	**104,254**
Total comprehensive income for the year	–	–	–	(3,030)	23,956	20,926
Share-based payments	–	–	–	–	273	273
Dividends	–	–	–	–	(5,889)	(5,889)
Disposal of own shares held in trust	–	–	17	–	–	17
At 31 March 2014 (Restated)	**70,694**	**33,362**	**(1,983)**	**(49,547)**	**67,055**	**119,581**
Total comprehensive income for the year	–	–	–	(422)	34,740	34,318
Share-based payments	–	–	–	–	374	374
Dividends	–	–	–	–	(11,950)	(11,950)
At 31 March 2015	**70,694**	**33,362**	**(1,983)**	**(49,969)**	**90,219**	**142,323**

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 2013	**70,694**	**33,362**	**57,277**	**161,333**
Total comprehensive income for the year	–	–	44	44
Share-based payments	–	–	189	189
Dividends	–	–	(5,977)	(5,977)
At 31 March 2014	**70,694**	**33,362**	**51,533**	**155,589**
Total comprehensive expense for the year	–	–	(10)	(10)
Share-based payments	–	–	374	374
Dividends	–	–	(11,950)	(11,950)
At 31 March 2015	**70,694**	**33,362**	**39,947**	**144,003**

Consolidated statement of cash flows

For the year ended 31 March 2015

GROUP	Note	2015 £'000	2014 Restated £'000
Cash flows from operating activities			
Cash generated from operations	28	6,362	19,571
Net interest income		2,118	2,146
Tax paid		(6,471)	(1,372)
Net cash generated from operating activities		**2,009**	**20,345**
Cash flows from investing activities			
Purchase of property, plant and equipment		(8,584)	(1,606)
Proceeds from disposal of property, plant and equipment		136	137
Investment in intangible assets		(1,866)	(684)
Proceeds from disposal of intangibles		–	65
Proceeds from disposal of subsidiary		–	127
Net cash used in investment activities		**(10,314)**	**(1,961)**
Cash flows from financing activities			
Repayment of borrowings		(1,524)	(1,167)
Proceeds from borrowings		4,402	–
Dividends paid		(11,950)	(5,889)
Finance costs		(896)	(696)
Net cash used in financing activities		**(9,968)**	**(7,752)**
Net (decrease)/increase in cash and cash equivalents		**(18,273)**	**10,632**
Cash and cash equivalents at the beginning of the year		57,801	49,102
Effect of foreign exchange rate changes		(917)	(1,933)
Cash and cash equivalents at the end of the year	**17**	**38,611**	**57,801**

The company had no balance of cash or cash equivalents or transactions involving cash or cash equivalents during the year therefore no cash flow statement has been provided.

Notes to the financial statements

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1. General information

Corporate information

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

Functional and presentation currency

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

2. Basis of preparation

Basis of accounting

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

The financial information has been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, and in accordance with the going concern basis. The financial information is rounded to the nearest thousands, except where otherwise indicated. The principal accounting policies adopted in the preparation of these financial statements are set out in note 3 below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Changes in accounting policy and disclosures

New accounting standards

On 1 April 2014, the Group implemented IFRIC 21, 'Levies' with retrospective effect from 1 April 2013. IFRIC 21, 'Levies', provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.

There are no further IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 April 2014 that would be expected to have a material impact on the Group.

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

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

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Group is yet to assess the full impact of IFRS 15, but intends to adopt the Standard no later than the accounting period beginning 1 April 2017, subject to endorsement by the EU.

Basis of consolidation

The consolidated financial information incorporates the financial information of the Company and its subsidiaries made up to 31 March each year. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally determined by the ownership of more than 50% of the voting rights of an investee enterprise, so as to obtain benefits from its activities.

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

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

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

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

Use of estimates

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

Acquisitions

When acquiring a business, the Directors have to make judgements and best estimates about the fair value allocation of the purchase price and assets and liabilities acquired. Where necessary, the Directors will seek appropriate competent and professional advice before making any such allocations. There were no businesses acquired in the current financial year.

Impairment reviews

The Group tests annually whether goodwill and other intangibles have suffered any impairment in accordance with the accounting policy for "impairment of assets" described in note 3. The recoverable amounts of cash-generating units (CGUs) are determined using value-in-use calculations. These calculations are based on management assumptions and require the use of estimates. Details of the impairment of intangibles calculation and assumptions made are provided in note 13.

Fair value of derivatives and other financial instruments

Details of derivative financial instruments held by the Group and their valuation is provided in note 4.

Income taxes

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

3. Summary of significant accounting policies

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. Revenue is shown net of value added tax, client rebates and discounts and 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 and financing income associated with acting as a market maker to its clients to trade contracts for difference (CFD) and financial spread betting.

CFD and spread betting revenue represents profits and losses, including commissions 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.

Revenue also includes interest receivable on clients' money, broker trading deposits net of interest payable to clients and brokers and client dormancy fees. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Rebates and levies

Revenue rebates payable to clients and introducing partners, who are not themselves trading counterparties, 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.

Divisional reporting

Operating divisions are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating divisions, has been identified as the CMC Markets Board.

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.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

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

Pension scheme contributions to the Group's defined contribution schemes are charged to the income statement in the period to which they relate.

Leases commitments

Leases, where the lessor retains substantially all the risks and benefits of ownership of the asset, are classified as operating leases. The rentals payable under operating leases are charged to the income statement on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are accounted for in accordance with SIC 15 as lease incentives. These are included within deferred income and amortised to the income statement so as to spread the benefit on a straight-line basis over the lease term.

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

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 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.

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

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

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

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

Foreign currencies

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

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

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

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

Intangible assets

Goodwill

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

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

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

Computer software (purchased and developed)

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

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

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

Trademarks and trading licences

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

Client relationships

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

Following initial recognition, Computer software, Trademarks and trading licences and Client relationships are carried at cost or initial fair value less accumulated amortisation. A summary of the amortisation policies applied to the Group's intangible assets is as follows:

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

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

Property, plant and equipment

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

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

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.

Investment in subsidiary undertakings

Investments in subsidiaries are stated at cost less provision for impairment.

Impairment of assets

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

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

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

Financial assets

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

Loans and receivables

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

The Group's loans and receivables comprise 'trade and other receivables' (note 16), 'amounts due from brokers' and 'cash and cash equivalents' (note 17) in the statement of financial position.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Group designates certain derivatives as either hedges of recognised assets and liabilities that are highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Gains and losses deferred in the foreign currency translation reserve are recognised in the income statement on disposal of the foreign operation.

Economic 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 either cash flow hedges or hedges of net investments in foreign operations. Economic hedges are measured at fair value with any resulting gains or losses recognised in the income statement in the period in which they arise.

Trade receivables

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

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

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

Amounts due from brokers

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

Cash and cash equivalents

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

Client money

The Group holds money on behalf of clients in accordance with the Client Asset (CASS) rules of the Financial Conduct Authority and other financial markets regulators in the countries in which the Group operates. Client monies are classified as either client money or cash and cash equivalents in accordance with the relevant regulatory agency's requirements. The amounts held on behalf of clients at the balance sheet date are stated in notes 17 and 18.

Trade payables

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

Borrowings

All 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. Gains and losses are recognised in the income statement when the liabilities are derecognised or impaired, as well as through the amortisation process.

Provisions

Provisions for property and employee benefit trust commitments are 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.

Employee benefit trusts

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

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

Exceptional items

Exceptional items are events or transactions that fall within the 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.

4. Financial risk management

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

The Board sets the strategy and policies for managing these risks and delegates the monitoring and management of these risks to various committees including the Board, Audit and Risk Committee, Operations and Risk Group and the Financial (Business) Risk Group.

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

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

Market risk

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

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

Market price risk

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

The trading risk management team inherit exposure from client trades on all asset classes, the risk management approach is primarily based on segmenting intraday and overnight aggregate exposures across the entire client base and determining how much risk the Group wishes to retain in accordance with risk appetite.

Mitigation of market price risk

CMC Markets 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

  CMC Markets acts as a market maker in over 10,000 cross asset instruments, specifically equities, indices, commodities, treasuries and foreign exchange as well as forwards on commodities, treasuries, equity, indexes and FX. Because of the high level of notional turnover there is a high level of internal crossing and natural hedging across instruments and asset classes to mitigate significant single instrument concentration risk within the portfolio.

- Ease of hedging

  CMC Markets predominantly acts as a market maker in linear, highly liquid financial instruments in which it can easily neutralise market risk exposure through its prime broker (PB) arrangements. In order to avoid over-reliance on one arrangement the Group has five PB relationships.

- Natural aggregation

  In the year ending 31 March 2015, CMC Markets traded with over 50,000 clients. This large international client base has a diverse range of trading strategies resulting in CMC Markets enjoying a high degree of natural hedging between clients. This ‘portfolio effect’ leads to a significant reduction in the Group’s net market risk exposure.

Market risk limits

Market risk positions are managed in accordance with CMC Markets’ Risk Appetite Statement and Group Market Risk Management Framework to ensure that the Group has sufficient capital resources to support the calculated Market Risk Capital Requirement as well as staying within the Risk Appetite. The Group manages this crucial component of capital adequacy with ‘risk zones’ – Green, Amber and Red, which are internally set limits (precluding the red zone which is maximum capital usage) designed to mitigate the risk of breaching Capital Adequacy requirements. The Market Risk policy requires that the Group’s market price risk exposure, calculated under the FCA’s ‘Own funds requirement’ (OFR) methodology, should not reach the red zone, which is set according to relevant regulatory requirements. To reduce the chances of the Group entering into the red zone, the amber zone gives a very large buffer, which if entered, immediate remedial action must be taken to hedge client exposure and reduce the Group’s overall market price risk exposure back to the green zone.

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

	2015			2014		
GROUP	Net exposure £’000	Gross exposure £’000	OFR £’000	Net exposure £’000	Gross exposure £’000	OFR £’000
Asset class						
Consolidated equities	25,309	69,881	5,707	112,273	157,264	12,871
Commodities	(15,696)	17,150	2,692	(4,578)	11,862	2,073
Treasuries	37,223	42,487	1,656	21,216	21,412	929
Foreign exchange	30,802	30,802	2,464	12,877	12,877	1,030
Interest rate risk	–	–	403	–	–	373
	77,638	**160,320**	**12,922**	**141,788**	**203,415**	**17,276**

Market price risk – stress testing

Group Financial Risk conducts market price risk stress testing on a daily basis. The approach to this stress testing is taking volatility stress factors and applying them to net market price risk exposures in order to assess the market price risk impact. Volatility stresses are derived from actual market price histories for 12 months up to 31 March 2015 (31 March 2014 for the previous financial year). In order to make the model more reliable, stress factors are defined for each asset class (consolidated equities, commodities, treasuries and foreign exchange). Furthermore, volatility stress factors for consolidated equities are defined per region and for commodities they are split between oil and other. Gold and silver are measured separately and are given a separate stress factor. Volatility stress factors for foreign exchange are split between major currency pairs and all other currency pairs. Applying regional as well as asset class based stress factors to exposures ensures that the results are a fair representation of the potential market price risk the Group faces. These stress factors and scenarios are updated quarterly by Group Financial Risk. The Group also runs extreme case stress scenarios on a daily basis, where the stress factors are broken down as mentioned above.

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

Non trading book interest-rate risk

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

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

The sensitivity analysis performed is based on a reasonable and possible move in the floating rate by 0.5% upwards and 0.25% downwards (FY14: 1% movement both upwards and downwards). This is summarised in the table below, 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.

	2015		2014	
GROUP	**Absolute increase £'000**	**Absolute decrease £'000**	**Absolute increase £'000**	**Absolute decrease £'000**
Impact of	**0.50% change**	**0.25% change**	**1.00% change**	**1.00% change**
Profit after tax	697	(278)	2,110	(835)
Equity	697	(278)	2,110	(835)

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 has 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. At year ended 31 March 2015 there were no significant unhedged exposures (none greater than £250,000). Given the effectiveness of the hedging program (income statement impact in year ended 31 March 2015: £374,000 gain (2014: £308,000 loss)), no sensitivity analysis has been performed. These 'fair value hedges' are derivative financial instruments and are reported as described in note 3.

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

Credit risk

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

- Credit institution (CI);
- Client.

Credit Institution credit risk

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

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

The above could be felt in two ways:

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

Mitigation of Credit Institution credit risk

To mitigate or avoid a credit loss the Group maintains, where practical, a range of relationships to reduce over-reliance on a single CI.

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

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

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

	2015		2014	
GROUP	**Cash and cash equivalents £'000**	**Amounts due from brokers £'000**	**Cash and cash equivalents £'000**	**Amounts due from brokers £'000**
AA+ to AA-	19,216	–	14,950	65,864
A+ to A-	11,300	73,694	22,291	–
BBB+ to BBB-	7,067	36,100	20,560	–
Unrated	1,028	–	–	–
	38,611	**109,794**	**57,801**	**65,864**

No cash balances or deposits with institutions were considered past due but not impaired or impaired (2014: £nil).

Client credit risk

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

Client counterparty risk capital component captures the risk associated with a client defaulting on their obligations due to the Group. As the Group does not offer most of its retail clients credit terms and has a robust liquidation process, client counterparty credit risk will in general only arise when markets and instruments gap and the movement in the value of a clients leveraged portfolio exceeds the value of equity that the client has held at the Group leaving the client account in deficit.

Mitigation of client credit risk

- Liquidation process

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

The Group Client Liquidation Policy clarifies the Group's approach to liquidation management, detailing the fully automated liquidation process on the Group's Next Generation platform and the semi-automated liquidation order management process on Marketmaker. This policy and process ensure a consistent and timely approach to the processing of liquidation orders and ultimately aims to minimise client credit risk exposure through protecting the client from becoming a debtor.

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

- Tiered margin

Tiered margin was implemented in September 2013 on the Next Generation platform. It enables the Group to set higher margin rates (therefore requiring a client to lodge more collateral) against positions that are deemed to be more risky due to risk profile, which could be due to size relative to the underlying's turn over, the appetite for the business 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 takes on in a single instrument. At a client level this ensures that the client can only reach a pre-defined size in and one instrument.

Client credit risk stress testing

The Group uses the same volatility stress factors as for price risk to shock the client portfolio and assess the total equity post shock. It is deemed a prudent approach as the PCRE calculations do not factor in or give any benefit for the correlations between instruments within a client's portfolio and treat each position separately, summing the losses resulting from the shocks (no sub-additivity). Also the Probability of Default for regions where historically the Group has had a very low debt recovery rate is set at 100% (i.e. will not recover the debt).

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

Client debt history

For the financial year to 31 March 2015, new debt arising was £6,597,000 (2014: £1,309,000). This constituted 4.0% of total trading revenue (2014: 0.9%). The Group establishes specific provisions against debts due from clients where the Group determines that it is probable that it will be unable to collect all amounts owed in accordance with contractual terms of the clients agreement. New debt provided for in the financial year to 31 March 2015 amounted to £4,335,000 (2014: Release of unutilised provisions: £235,000), the provision representing 2.6% of total trading revenue (2014: provision release 0.2%). Bad debt written off in the financial year to 31 March 2015 was £401,000 or 0.2% of revenue (2014: £908,000; 0.7% of revenue).

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

GROUP	2015 £'000	2014 £'000
Opening provision	1,951	3,094
New debt provided for	4,335	(235)
Debt written off	(401)	(908)
Closing provision	**5,885**	**1,951**

Debt ageing analysis

Group Credit Control 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. The following table sets out aging of debts that are past due and the provisions charged against them:

	2015		2014	
GROUP	Debt £'000	Provision £'000	Debt £'000	Provision £'000
Less than one month	118	25	200	8
One to three months	4,362	3,601	48	44
Three to 12 months	391	387	239	232
Over 12 months	1,872	1,872	1,703	1,667
	6,743	**5,885**	**2,190**	**1,951**

Liquidity risk

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

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

Stress testing is undertaken on a quarterly basis upon a range of individual and combined, firm-specific and market-wide, short and long 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 hedging strategy adopted and the changeable scale of the client trading book, the largest and most variable consumer of liquidity is broker counterparty margin requirements. The collateral calls are met in cash from own funds but to ensure liquidity is available for extreme spikes the Group has arranged a committed bank facility of £40m to meet short term liquidity obligations to broker counterparties in the event that it does not have sufficient access to own cash or funds from clients and to leave a sufficient liquidity buffer to cope with a stress event.

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

Own funds

Own funds is a key measure the Group uses to monitor the overall level of liquidity available to the Group. The derivation of Own funds is shown in the table below:

GROUP	2015 £'000	2014 £'000
Cash and cash equivalents	38,611	57,801
Amount due from brokers	109,794	65,864
	148,405	123,665
Less: Title transfer funds	(7,803)	(7,218)
Own funds	**140,602**	**116,447**

The following Own Funds Flow Statement summarises the Group's generation of own funds during the year and excludes all cash flows in relation to monies held on behalf of clients. Additionally, amounts due from brokers have been treated as 'cash equivalents' and included within 'own funds' in order to provide a clear presentation of the Group's cash resources.

GROUP	2015 £'000	2014 Restated £'000
Operating activities		
Profit before tax	**43,510**	**32,241**
Adjustments for:		
Finance costs	896	696
Depreciation and amortisation	6,934	10,698
Other non-cash adjustments	374	273
Gain on disposal of investment in subsidiaries	–	(127)
Tax paid	(6,471)	(1,372)
Own funds generated from operating activities	**45,243**	**42,409**
Movement in working capital	**111**	**809**
Inflow/(Outflow) from investing activities		
Net Purchase of property, plant and equipment and intangible assets	(10,314)	(2,088)
Proceeds from disposal of subsidiary	–	127
Inflow/(Outflow) from financing activities		
Interest paid	(896)	(696)
Dividends paid	(11,950)	(5,889)
Other Inflow/(Outflow) from financing activities	2,878	(1,167)
Total outflow from investing and financing activities	**(20,282)**	**(9,713)**
Increase in own funds	**25,072**	**33,505**
Own funds at the beginning of the year	116,447	84,875
Effect of foreign exchange rate changes	(917)	(1,933)
Own funds at the end of the year	**140,602**	**116,447**

Maturity analysis

2015	On demand £'000	Less than three months £'000	Three months to one year £'000	After one year £'000	Total £'000
Financial assets					
Cash	38,611	–	–	–	**38,611**
Amounts due from brokers	109,794	–	–	–	**109,794**
Derivative financial instruments	–	3,275	–	–	**3,275**
Trade and other receivables	15,134	–	–	–	**15,134**
	163,539	**3,275**	**–**	**–**	**166,814**
Financial liabilities					
Trade and other payables	37,415	–	–	–	**37,415**
Derivative financial instruments	–	805	–	–	**805**
Borrowings	–	5	17	77	**99**
Finance lease liabilities	–	336	1,041	2,376	**3,753**
	37,415	**1,146**	**1,058**	**2,453**	**42,072**
Net liquidity gap	**126,124**	**2,129**	**(1,058)**	**(2,453)**	**124,742**

2014 (Restated)	On demand £'000	Less than three months £'000	Three months to one year £'000	After one year £'000	Total £'000
Financial assets					
Cash	55,520	2,281	–	–	**57,801**
Amounts due from brokers	65,864	–	–	–	**65,864**
Derivative financial instruments	–	630	–	–	**630**
Trade and other receivables	15,997	–	–	–	**15,997**
	137,381	**2,911**	**–**	**–**	**140,292**
Financial liabilities					
Trade and other payables	39,325	–	–	–	**39,325**
Derivatives	–	2,106	–	–	**2,106**
Finance lease liabilities	–	153	482	339	**974**
	39,325	**2,259**	**482**	**339**	**42,405**
Net liquidity gap	**98,056**	**652**	**(482)**	**(339)**	**97,887**

Analysis of financial instruments by category

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

2015	Assets at fair value through profit and loss £'000	Derivatives held for hedging £'000	Loans and receivables £'000	Total £'000
Financial assets				
Cash and cash equivalents	–	–	38,611	38,611
Amounts due from brokers	–	–	109,794	109,794
Derivative financial instruments	2,982	293	–	3,275
Trade and other receivables	–	–	15,134	15,134
	2,982	**293**	**163,539**	**166,814**

	Liabilities at fair value through profit and loss £'000	Derivatives held for hedging £'000	Financial liabilities at amortised cost £'000	Total £'000
Financial liabilities				
Trade and other payables excluding non-financial liabilities	–	–	41,790	41,790
Derivative financial instruments	624	181	–	805
Borrowings	–	–	99	99
Finance lease liabilities	–	–	3,753	3,753
	624	**181**	**45,642**	**46,447**

2014 (Restated)	Assets at fair value through profit and loss £'000	Derivatives held for hedging £'000	Loans and receivables £'000	Total £'000
Financial assets				
Cash and cash equivalents	–	–	57,801	57,801
Amounts due from brokers	–	–	65,864	65,864
Derivative financial instruments	448	182	–	630
Trade and other receivables	–	–	15,997	15,997
	448	**182**	**139,662**	**140,292**

	Liabilities at fair value through profit and loss £'000	Derivatives held for hedging £'000	Financial liabilities at amortised cost £'000	Total £'000
Financial liabilities				
Trade and other payables excluding non-financial liabilities	–	–	44,251	44,251
Derivative financial instruments	2,066	40	–	2,106
Borrowings	–	–	–	–
Finance lease liabilities	–	–	974	974
	2,066	**40**	**45,225**	**47,331**

Fair value estimation

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

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

	2015				2014			
GROUP	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Derivative financial instruments								
Assets	–	3,275	–	3,275	–	630	–	630
Liabilities	–	(805)	–	(805)	–	(2,106)	–	(2,106)
	–	**2,470**	**–**	**2,470**	**–**	**(1,476)**	**–**	**(1,476)**

Capital management

The Group's objectives for managing capital are as follows:

- to comply with the capital requirements set by the financial market regulators to which the Group is subject;
- to ensure that all Group entities are able to operate as going concerns and satisfy any minimum externally imposed capital requirements; and
- to ensure that the Group maintains a strong capital base to support the development of its business.

The capital resources of the Group consists of equity being share capital, share premium, other reserves and retained earnings, which at 31 March 2015 totalled £142.3m (2014: £119.6m).

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

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

The outcome of the ICAAP is presented as an Internal Capital Assessment (ICA) document covering CMC Markets. The ICA covers all material risks to determine the capital requirement over a three year horizon and includes stressed scenarios to satisfy regulatory requirements. The ICA 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.cmcmarketsplc.com). The Group's country-by-country reporting disclosure is also available in the same location on the website.

5. Divisional analysis

Division structure

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

- UK and Ireland;
- Europe;
- Australia and New Zealand; and
- Rest of World (Singapore and Canada).

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

Division results analysis

2015	UK & IE £'000	Europe £'000	ANZ £'000	Rest of World £'000	Central £'000	Total £'000
Division net trading revenue	48,600	45,429	39,473	8,196	–	141,698
Interest income	359	–	1,601	158	–	2,118
Revenue from external customers	48,959	45,429	41,074	8,354	–	143,816
Other operating income	99	(339)	29	47	–	(164)
Net operating income	**49,058**	**45,090**	**41,103**	**8,401**	**–**	**143,652**
Division contribution	**38,194**	**34,498**	**32,631**	**5,838**	**(59,821)**	**51,340**
Allocation of central income and costs	(19,145)	(17,440)	(17,670)	(5,566)	59,821	–
Depreciation and amortisation	(1,369)	(145)	(266)	(69)	(5,085)	(6,934)
Allocation of central D&A	(1,476)	(1,762)	(1,253)	(594)	5,085	–
Operating profit	**16,204**	**15,151**	**13,442**	**(391)**	**–**	**44,406**
Net finance costs	–	(14)	–	–	(882)	(896)
Allocation of central net finance costs	(305)	(295)	(247)	(35)	882	–
Profit before taxation	**15,899**	**14,842**	**13,195**	**(426)**	**–**	**43,510**

2014	UK & IE £'000	Europe £'000	ANZ £'000	Rest of World £'000	Central £'000	Total £'000
Division net trading revenue	33,354	45,754	33,128	7,225	–	119,461
Interest income	463	6	1,499	178	–	2,146
Revenue from external customers	33,817	45,760	34,627	7,403	–	121,607
Other operating income	391	(167)	119	60	–	403
Net operating income	**34,208**	**45,593**	**34,746**	**7,463**	**–**	**122,010**
Division contribution	**26,245**	**36,593**	**27,858**	**4,903**	**(51,964)**	**43,635**
Allocation of central income and costs	(16,517)	(16,068)	(13,078)	(6,301)	51,964	–
Depreciation and amortisation	(1,202)	(174)	(172)	(78)	(9,072)	(10,698)
Allocation of central D&A	(2,407)	(3,365)	(2,087)	(1,213)	9,072	–
Operating profit	**6,119**	**16,986**	**12,521**	**(2,689)**	**–**	**32,937**
Net finance costs	(435)	(3)	(23)	(24)	(211)	(696)
Allocation of central net finance costs	(67)	(81)	(52)	(11)	211	–
Profit before taxation	**5,617**	**16,902**	**12,446**	**(2,724)**	**–**	**32,241**

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

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

6. Net interest income

GROUP	2015 £'000	2014 Restated £'000
Bank interest	1,984	1,946
Interest from clients	134	200
Total	**2,118**	**2,146**

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

7. Operating expenses

GROUP	2015 £'000	2014 Restated £'000
Net staff costs (note 8)	40,722	39,070
IT costs	11,398	11,168
Sales and marketing	13,652	11,388
Premises	5,594	5,104
Legal and Professional fees	2,925	3,451
Regulatory fees	2,078	2,406
Other	7,509	5,788
Total operating expenses before exceptional costs	**83,878**	**78,375**
Exceptional costs	8,434	–
Total operating expenses	**92,312**	**78,375**

Exceptional costs

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

GROUP	2015 £'000	2014 £'000
Litigation settlement and associated costs	4,584	–
Bad debt provisions and write offs	3,850	–
Exceptional costs	**8,434**	**–**

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

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

8. Employee information

The aggregate employment costs of staff and Directors were:

GROUP	2015 £'000	2014 £'000
Wages and salaries	33,058	30,815
Social security costs	4,951	4,120
Other pension costs	1,031	1,128
Total director and employee costs	**39,040**	**36,063**
Contract staff costs	1,682	3,007
Net staff costs	**40,722**	**39,070**

Compensation of key management personnel is disclosed in note 31.

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

GROUP	2015 Number	2014 Number
By activity:		
Key management	5	5
Client acquisition and maintenance	213	197
IT development and support	106	99
Global support functions	133	121
Total directors and employees	457	422
Contract staff	16	28
Total staff	**473**	**450**

9. Finance costs

GROUP	2015 £'000	2014 £'000
Interest on bank borrowings	896	696

10. Profit before taxation

GROUP	2015 £'000	2014 £'000
Profit before tax is stated after charging/(crediting):		
Depreciation	4,697	3,735
Amortisation of intangible assets	2,237	6,963
Gain on disposal of subsidiary	–	(127)
Net foreign exchange gain	(608)	(1,218)
Operating lease rentals	2,717	2,915
Auditors' remuneration for audit and other services (see below)	867	955

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

GROUP	2015 £'000	2014 £'000
Audit services		
Statutory audit of parent and consolidation	322	296
Statutory audit of subsidiaries	263	221
	585	517
Other services		
Tax services	245	438
Other services	37	–
	282	438
Total	**867**	**955**

11. Taxation

GROUP	2015 £'000	2014 £'000
Analysis of charge for the year:		
Current tax		
Current tax on profit for the year	9,165	4,204
Adjustment in respect of previous years	(76)	(79)
Total current tax	**9,089**	**4,125**
Deferred tax		
Origination and reversal of temporary differences	(944)	2,769
Adjustment in respect of previous years	625	817
Impact of change in tax rate	–	574
Total deferred tax	**(319)**	**4,160**
Tax charge	**8,770**	**8,285**

The tax for the year differs from the standard rate of UK Corporation Tax of 21% (2014: 23%). The differences are explained below:

GROUP	2015 £'000	2014 £'000
Profit before taxation	43,510	32,241
Profit multiplied by the standard rate of corp. tax in the UK of 21% (2014: 23%)	9,137	7,415
Adjustment in respect of foreign tax rates	586	82
Adjustments in respect of previous periods	549	656
Change in tax rate	–	574
Effect of research and development tax concession	195	(18)
Expenses that are not recognised for tax purposes	230	322
Income not subject to tax	(12)	(593)
Irrecoverable foreign tax	(8)	173
Movement to reserves	–	(323)
Recognition of previously unrecognised tax losses	(1,888)	(13)
Other timing differences	(19)	10
Tax charge	**8,770**	**8,285**

The tax credited directly to equity during the year is as follows:

GROUP	2015 £'000	2014 £'000
Tax on loss on net investment hedges	664	(750)

12. Earnings per share (EPS)

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

For diluted earnings per share, the weighted average number of ordinary shares in issue, excluding those held in employee share trusts, is adjusted to assume conversion of all dilutive potential ordinary shares, which consists of share options granted to employees during the year ended 31 March 2015.

GROUP	2015 Earnings £'000	2015 Shares £'000	2015 Earnings per share pence	2014 Restated Earnings £'000	2014 Restated Shares £'000	2014 Restated Earnings per share pence
Basic EPS						
Earnings attributable to ordinary shareholders	34,740	280,298	12.4	23,956	281,706	8.5
Dilutive effect of share options	–	814	–	–	878	–
Diluted EPS	**34,740**	**281,112**	**12.4**	**23,956**	**282,584**	**8.5**

For the year to 31 March 2015, 814,000 potentially dilutive ordinary shares in respect of share options in issue were included in the calculation of diluted EPS for that year. For the year to 31 March 2014, 878,000 potentially dilutive ordinary shares in respect of share options in issue were included in the calculation of diluted EPS for that year.

13. Intangible assets

GROUP	Goodwill £'000	Computer software £'000	Trademarks and trading licences £'000	Client relation-ships £'000	Total £'000
Cost					
At 1 April 2013	11,500	118,844	3,135	4,628	138,107
Additions	–	684	–	–	684
Disposals	–	(302)	–	–	(302)
Foreign currency translation	–	(4,767)	(144)	(707)	(5,618)
At 31 March 2014	11,500	114,459	2,991	3,921	132,871
Additions	–	1,866	–	–	1,866
Disposals	–	–	(1,600)	(900)	(2,500)
Foreign currency translation	–	(1,574)	(89)	(232)	(1,895)
At 31 March 2015	**11,500**	**114,751**	**1,302**	**2,789**	**130,342**
Accumulated amortisation					
At 1 April 2013	(11,500)	(109,986)	(2,658)	(3,296)	(127,440)
Charge for the year	–	(6,564)	(48)	(351)	(6,963)
Disposals	–	237	–	–	237
Foreign currency translation	–	4,765	112	509	5,386
At 31 March 2014	(11,500)	(111,548)	(2,594)	(3,138)	(128,780)
Charge for the year	–	(1,866)	(46)	(325)	(2,237)
Disposals	–	–	1,600	900	2,500
Foreign currency translation	–	1,573	255	5	1,833
At 31 March 2015	**(11,500)**	**(111,841)**	**(785)**	**(2,558)**	**(126,684)**
Carrying amount					
At 31 March 2015	**–**	**2,910**	**517**	**231**	**3,658**
At 31 March 2014	–	2,911	397	783	4,091
At 1 April 2013	–	8,858	477	1,332	10,667

Impairment

Goodwill

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

Other intangibles

Other intangibles are tested for impairment if events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. There was no impairment identified in the year to 31 March 2015.

14. Property, plant and equipment

GROUP	Furniture, fixtures and equipment £'000	Computer hardware £'000	Total £'000
Cost			
At 1 April 2013	21,603	20,647	42,250
Additions	867	739	1,606
Disposals	(470)	(356)	(826)
Foreign currency translation	(546)	(587)	(1,133)
At 31 March 2014	21,454	20,443	41,897
Additions	1,884	6,700	8,584
Disposals	(169)	(321)	(490)
Foreign currency translation	(387)	(245)	(632)
At 31 March 2015	**22,782**	**26,577**	**49,359**
Accumulated depreciation			
At 1 April 2013	(10,207)	(15,929)	(26,136)
Charge for the year	(1,739)	(1,996)	(3,735)
Disposals	407	282	689
Foreign currency translation	467	551	1,018
At 31 March 2014	(11,072)	(17,092)	(28,164)
Charge for the year	(2,170)	(2,527)	(4,697)
Disposals	46	308	354
Foreign currency translation	304	220	524
At 31 March 2015	**(12,892)**	**(19,091)**	**(31,983)**
Carrying amount			
At 31 March 2015	**9,890**	**7,486**	**17,376**
At 31 March 2014	10,382	3,351	13,733
At 1 April 2013	11,396	4,718	16,114

At 31 March 2015, the Group had no material capital commitments in respect of property, plant and equipment (2014: £nil). The net book value amount of property, plant and equipment includes £4,536,000 (2014: £1,507,000) in respect of computer hardware held under finance leases.

15. Investment in subsidiary undertakings

COMPANY	2015 £'000	2014 £'000
At 1 April	162,576	163,652
Capital reduction relating to share based payments	–	(1,076)
At 31 March	**162,576**	**162,576**

The capital reduction relating to share based payments relates to share options granted by the Company to employees of subsidiary undertakings in the Group, reduced by distributions received from those subsidiaries in respect of those share options.

On 24 January 2011, the Company sold its wholly owned subsidiary, Digital Look Limited for an initial cash consideration of £1.4m resulting in a gain of £1.0m for the Company. The net assets of Digital Look Limited on disposal were zero resulting in a gain of £1.4m for the Group. Of the initial consideration, £0.2m was received by 31 March 2011 with the remainder received in June 2012. During the year ended 31 March 2014 a further £0.1m (2013: £0.1m) was recognised in relation to previously unrecognised deferred contingent consideration. No further additional consideration was recognised during year ended 31 March 2015.

Subsidiary undertakings

At 31 March 2015, the following companies were CMC Markets plc's trading subsidiary undertakings and intermediate holding companies:

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

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.

CMC International Financial Consulting (Beijing) Co. Limited was liquidated on 19 May 2015.

16. Trade and other receivables

	GROUP		COMPANY	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Trade receivables	6,613	2,030	–	–
Less: provision for impairment of trade receivables	(5,885)	(1,951)	–	–
Trade receivables – net	728	79	–	–
Amounts due from Group companies	–	–	35,444	36,765
Prepayments and accrued income	3,632	3,664	–	–
Stock broking debtors	12,690	14,603	–	–
Other debtors	1,716	1,315	–	–
Total	**18,766**	**19,661**	**35,444**	**36,765**

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 18).

17. Cash and cash equivalents

GROUP	2015 £'000	2014 £'000
Gross cash and cash equivalents	270,939	263,884
Less: Client monies	(232,328)	(206,083)
Own cash and cash equivalents	**38,611**	**57,801**
Analysed as:		
Cash at bank	38,611	55,520
Short-term deposits	–	2,281

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

18. Trade and other payables

	GROUP		COMPANY	
	2015	2014 Restated	2015	2014
	£'000	£'000	£'000	£'000
Current				
Trade payables	240,131	213,301	–	–
Less: Client monies	(232,328)	(206,083)	–	–
Trade payables – net	7,803	7,218	–	–
Amount owing to Group companies	–	–	53,439	43,728
Tax and social security	859	–	–	–
Stock broking creditors	11,833	14,493	–	–
Accruals and deferred income	18,228	17,946	576	–
	38,723	**39,657**	**54,014**	**43,728**
Non-current				
Accruals and deferred income	3,926	4,375	–	–
Total	**42,649**	**44,032**	**54,014**	**43,728**

19. Borrowings

GROUP	2015 £'000	2014 £'000
Current		
Finance lease liabilities	1,377	635
Other liabilities	22	–
	1,399	**635**
Non-current		
Finance lease liabilities	2,376	339
Other liabilities	77	–
	2,453	**339**
Total	**3,852**	**974**
Finance lease liabilities		
Amounts payable under finance lease:		
Within one year	1,573	709
In the second to fifth years inclusive	2,538	372
After five years	–	–
	4,111	1,081
Less: future finance charges	(358)	(107)
Present value of lease obligations	**3,753**	**974**

The present value of finance lease liabilities is repayable as follows

Within one year	1,377	635
In the second to fifth years inclusive	2,376	339
After five years	–	–
Present value of lease obligations	**3,753**	**974**

The weighted average interest rates paid were as follows:

	GROUP	
	2015 %	2014 %
Finance leases	6.37%	10.49%

The fair value of financial liabilities is approximate to the book value shown above. The carrying amounts of the bank loan and loan notes are both wholly denominated in sterling.

Bank loans

In June 2014, the 364 day revolving credit facility was renewed at a level of £40m for one year to June 2015. This was renewed again in June 2015 where £20m had a maturity date of June 2016 and £20m had a maturity date of June 2018. This facility can only be used to meet broker margin requirements of the Group. The rate of interest payable on any loans is the aggregate of the applicable margin, LIBOR, and mandatory cost.

Undrawn borrowing facilities

The Group has an undrawn multi-currency overdraft facility with NatWest Bank plc of £7.5m, which is repayable on demand. The facility is available in Sterling, Canadian Dollars, Euros, Japanese Yen, Swedish Kronor, Swiss Francs, US Dollars, Australian Dollars and Hong Kong Dollars. The interest rate for the Sterling overdraft is NatWest Bank's Base Rate plus 2% per annum and, for all other currencies, the relevant NatWest Bank currency lending rate.

20. Derivative financial instruments

	2015			2014		
GROUP	**Assets £'000**	**Liabilities £'000**	**Total £'000**	**Assets £'000**	**Liabilities £'000**	**Total £'000**
Held for trading						
Index, Commodities and Treasuries futures	199	(624)	(425)	448	(446)	2
Forward foreign exchange contracts	2,783	–	2,783	–	(1,620)	(1,620)
Held for hedging						
Forward foreign exchange contracts – economic hedges	34	(151)	(117)	102	(38)	64
Forward foreign exchange contracts – net investment hedges	259	(30)	229	80	(2)	78
Total	**3,275**	**(805)**	**2,470**	**630**	**(2,106)**	**(1,476)**

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

Held for trading

As described in note 4, the Group enters derivative contracts in order to hedge its market price risk exposure arising from clients trading and spread betting.

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 cash flow hedges in accordance with the Group's accounting policies (note 3). The Group has designated a number of foreign exchange derivative contracts as hedges of the net investment in the Group's non-UK subsidiaries. At 31 March 2015, £2,348,000 of fair value gains were recorded in other reserves within equity (2014: £3,833,000).

During the year £374,000 of gains (2014 Loss: £308,000) relating to economic hedges were recognised in 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.

21. Provisions

GROUP	EBT commitments £'000	Property related £'000	Other £'000	Total £'000
At 1 April 2014	177	461	–	638
Additional provision	3	1,226	4,157	5,386
Utilisation of provision	–	(198)	–	(198)
Currency translation	–	(60)	–	(60)
At 31 March 2015	**180**	**1,431**	**4,157**	**5,768**

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

The property related provision represents discounted obligations under onerous lease contracts less any amounts considered recoverable by management.

Other provisions relate to litigation provisions.

GROUP	2015 £'000	2014 £'000
Analysis of total provisions		
Current	4,345	328
Non-current	1,423	310
Total	**5,768**	**638**

22. Deferred tax

	GROUP		COMPANY	
	2015 £'000	2014 Restated £'000	2015 £'000	2014 £'000
Deferred tax assets to be recovered within 12 months	2,278	1,910	–	–
Deferred tax assets to be recovered after 12 months	5,274	5,470	–	–
	7,552	**7,380**	**–**	**–**
Deferred tax liabilities to be settled within 12 months	(108)	(607)	–	–
Deferred tax liabilities to be settled after 12 months	(20)	(20)	–	–
	(128)	**(627)**	**–**	**–**
Net deferred tax asset	**7,424**	**6,753**	**–**	**–**

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 20% (2014: 20%). The gross movement on deferred tax is as follows:

	GROUP		COMPANY	
	2015 £'000	2014 Restated £'000	2015 £'000	2014 £'000
At 1 April	6,753	12,759	–	–
Charge to income for the year	(303)	(6,790)	–	–
Credit/(Charge) to equity for the year	664	(750)	–	–
Change in tax rate	–	459	–	–
Foreign currency translation	310	1,075	–	–
At 31 March	**7,424**	**6,753**	**–**	**–**

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 2013 (Restated)	7,977	4,188	594	12,759
(Charge)/Credit to income for the year	(5,631)	(1,648)	489	(6,790)
Credit to equity for the year	–	–	(750)	(750)
Change in tax rate	150	153	156	459
Foreign currency translation	751	119	205	1,075
At 31 March 2014 (Restated)	3,247	2,812	694	6,753
(Charge)/Credit to income for the year	(673)	(42)	412	(303)
Credit to equity for the year	–	–	664	664
Foreign currency translation	234	25	51	310
At 31 March 2015	**2,808**	**2,795**	**1,821**	**7,424**

COMPANY	Tax losses £'000
At 1 April 2013	–
At 31 March 2014	–
At 31 March 2015	**–**

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

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of £16.9m in respect of losses amounting to £56.3m. In respect of these losses, there is no time limit on their utilisation.

The change in the main rate of corporation tax from 23 per cent to 21 per cent passed into legislation in July 2013 and was effective from 1 April 2014. As part of the Finance Bill 2013, it was announced that the main rate of corporation tax will reduce to 20% from 1 April 2015. This rate became substantively enacted in July 2013. All deferred tax balances are recorded at 20%, as they were at 31 March 2014.

23. Share capital and premium

GROUP AND COMPANY	2015 Number	2014 Number	2015 £'000	2014 £'000
Authorised				
Ordinary shares of 25p	400,000,000	400,000,000	100,000	100,000
Allotted, issued and fully paid				
Ordinary shares of 25p	280,296,862	280,299,177	70,074	70,075
Deferred shares of 25p	2,478,086	2,475,771	620	619
Total	**282,774,948**	**282,774,948**	**70,694**	**70,694**

Share class rights

The Company has two classes of shares, Ordinary and Deferred, neither of which carries a right to fixed income. Deferred shares have no voting or dividend rights. In the event of a winding-up, ordinary shares shall be repaid at nominal value plus £0.5m each in priority to deferred shares.

GROUP AND COMPANY	Ordinary shares Number	Deferred shares Number	Total Number
At 1 April 2013	280,397,178	2,377,770	282,774,948
Conversion of ordinary shares to deferred shares	(98,001)	98,001	–
At 31 March 2014	280,299,177	2,475,771	282,774,948
Conversion of ordinary shares to deferred shares	(2,315)	2,315	–
At 31 March 2015	**280,296,862**	**2,478,086**	**282,774,948**

GROUP AND COMPANY	Ordinary shares £'000	Deferred shares £'000	Share premium £'000	Total £'000
At 1 April 2013	70,099	595	33,362	104,056
At 31 March 2014	70,075	619	33,362	104,056
At 31 March 2015	**70,074**	**620**	**33,362**	**104,056**

Movements in share capital and premium

During the year 2,315 (2014: 98,001) ordinary shares were converted to deferred shares in accordance with the terms of grant to employees who have now left the Group.

24. Own shares held in trust

GROUP	2015 Number	2014 Number	2015 £'000	2014 £'000
Ordinary shares of 25p				
At 1 April	1,069,282	1,069,282	1,983	1,983
At 31 March	**1,069,282**	**1,069,282**	**1,983**	**1,983**

The shares are held by the CMC Markets 2007 Employee Benefit Trust for the purpose of encouraging or facilitating the holding of shares in the Company for the benefit of employees and the trustees will apply the whole or part of the trust's funds to facilitate dealing in shares by such beneficiaries.

25. Share-based payment

The total charge for the year relating to employee share-based payment plans was £1.0m (2014: £nil). A £0.4m (2014: £Nil) charge relates to equity-settled share-based payments and a £0.6m charge (2014: £Nil) relates to cash-settled share-based payments.

The CMC Markets plc Management Equity Plan 2009 ('2009 MEP') was the only share scheme available to the Group's employees during the current year and no shares were gifted to employees during the year.

Share options

Share options granted under the 2009 MEP have been in the form of 'market performance' and 'non-market performance' based awards.

Market performance based options are exercisable at nil cost subject to the Group achieving certain market valuation targets within defined time scales. There are no individually based performance criteria attached to these awards, other than continued employment within the Group.

Non-market performance based options are exercisable at nil cost subject to the Group achieving certain profit targets. There are no individually based performance criteria attached to these awards, other than continued employment within the Group.

The fair value of non-market performance based options granted prior to 2013 were calculated by reference to a share price of £0.80 and an expected dividend yield of 3%, which resulted in a weighted average fair value per award granted of £0.77.

Share options granted during 2014 had no performance conditions attached. They are exercisable at £0.40 per share and have no individually based performance criteria attached. The fair value of awards made during the year has been calculated using a Black Scholes option pricing model. The significant inputs into the model were the share price of £1.46 at the grant date, volatility of 47.6%, and the annual risk-free interest rate of 0.9%, which resulted in a weighted average fair value per award granted of £1.082. Volatility was calculated by reference to a number of comparable quoted companies.

Share options granted during 2015 had no performance conditions attached. They are exercisable at £Nil per share and have no individually based performance criteria attached. The fair value of the awards made during the year has been calculated using quoted comparable groups. This resulted in a fair value per award granted of £1.74. Movements in the number of share options outstanding are as follows:

GROUP	2015 Number	2014 Number
At 1 April	911,035	1,145,867
Granted	309,000	562,500
Lapsed	(285,735)	(797,332)
At 31 March	**934,300**	**911,035**

The vesting and expiry dates of outstanding options are shown below:

Year of grant	Exercise period commencing	Exercise period ending	2015 Number	2014 Number
2010	30 September 2014	22 December 2019	–	285,735
2013	2 April 2014	30 September 2017	62,800	62,800
2014	2 October 2016	30 October 2021	562,500	562,500
2015	2 April 2017	30 April 2022	309,000	–
			934,300	**911,035**

Matched options

Under the terms of the 2009 MEP, certain employees were able to invest up to a specified amount to purchase ordinary shares in the Company (the 'bought' shares) in order to receive a further 1 ½ free 'matched' options on the 'matching' date, being 1 October 2011. There are no performance conditions attached to the matched options other than continued employment within the Group and ownership of the bought shares. There were no new bought shares in the year (2014: Nil) and all matched options have now lapsed.

The respective matched options for the bought shares are as follows:

GROUP	2015 Number	2014 Number
At 1 April	375,000	375,000
Lapsed	(375,000)	–
At 31 March	**–**	**375,000**

26. Other reserves

GROUP	Translation reserve £'000	Net investment hedging reserve £'000	Merger reserve £'000	Total £'000
At 1 April 2013	13,577	(12,294)	(47,800)	(46,517)
Currency translation differences	(8,183)	–	–	(8,183)
Profit on net investment hedges	–	4,997	–	4,997
Tax on profit on net investment hedges	–	(1,056)	–	(1,056)
(Losses)/Gains recycled to Income statement	(1,561)	2,773	–	1,212
At 31 March 2014	3,833	(5,580)	(47,800)	(49,547)
Currency translation differences	(1,485)	–	–	(1,485)
Profit on net investment hedges	–	399	–	399
Tax on profit on net investment hedges	–	664	–	664
At 31 March 2015	**2,348**	**(4,517)**	**(47,800)**	**(49,969)**

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 were treated as being effective under IAS 39 – *Financial Instruments: Recognition and Measurement and Eligible Hedged Items*.

Merger reserve

The merger reserve arose following a corporate restructure in 2005 when a new holding company, CMC Markets plc, was created to bring all CMC companies into the same corporate structure. The merger reserve represents the difference between the nominal value of the holding company's share capital and that of the acquired companies.

27. Operating lease commitments

GROUP	2015 £'000	2014 £'000
Minimum lease payments under operating leases recognised in expense for the year	2,717	2,915

Operating lease payments represent rentals payable by the Group for office space. Leases are negotiated for an average term of 3.7 years (2014: 3.7 years) and rentals are fixed for an average of 2.7 years (2014: 2.3 years).

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

GROUP	2015 £'000	2014 £'000
Within one year	3,134	4,412
Within two to five years	10,043	10,689
After five years	9,418	11,260
	22,595	**26,361**

28. Cash generated from operations

GROUP	2015 £'000	2014 Restated £'000
Cash flows from operating activities		
Profit before taxation	43,510	32,241
Adjustments for:		
Net interest income	(2,118)	(2,146)
Finance costs	896	696
Depreciation	4,697	3,735
Amortisation of intangible assets	2,237	6,963
Gain on disposal of investment in subsidiaries	–	(127)
Share-based payment	374	273
Changes in working capital:		
(Increase)/decrease in trade and other receivables	(1,750)	2,759
Increase in amounts due from brokers	(43,930)	(17,106)
Decrease in trade and other payables	(2,684)	(4,590)
Increase/(decrease) in provisions	5,130	(3,127)
Cash generated from operations	**6,362**	**19,571**

29. Retirement benefit plans

The Group operates defined contribution retirement benefit plans for all qualifying employees. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Where employees leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of the forfeited contributions. The pension charge for these plans for the year was £1,031,000 (2014: £1,128,000).

30. Dividend per share

GROUP and COMPANY	2015 £'000	2014 £'000
Declared and paid during the years		
Final Dividend for 2014 at 2.14p per share (2013: nil)	5,975	–
Interim Dividend for 2015 at 2.14p per share (2014: 2.14p)	5,975	5,977
Total	**11,950**	**5,977**

The further interim dividend of 3.57p per share, amounting to £9,968,000 was approved on 29 April 2015 and was paid on 1 May 2015. This dividend has not been included as a liability at 31 March 2015.

31. Related party transactions

Group transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this section of the note.

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

Compensation of key management personnel

GROUP	2015 £'000	2014 £'000
Key management compensation:		
Short-term employee benefits	1,338	1,003
Post-employment benefits	31	9
Share based payments	374	54
	1,743	**1,066**
Remuneration of highest paid director:		
Wages, salaries, bonuses and incentive payments	500	500

Key management comprise the Board of CMC Markets plc only.

Directors' transactions

During the financial year, £77,261 (2014: £97,933) was paid to Astre Associates Limited in respect of non-executive director fees payable to John Jackson.

Company transactions

The Company entered into the following transactions with other CMC Markets Group entities during the year:

COMPANY	2015 £'000	2014 £'000
Amounts borrowed	11,406	5,071
Recharge in respect of share options issued to subsidiary's employees	(374)	(189)

The Company had the following amounts outstanding with subsidiaries at year end:

COMPANY	2015 £'000	2014 £'000
Amounts due from subsidiaries	35,444	36,765
Amounts due to subsidiaries	53,439	43,728

Amounts due to Group undertakings are unsecured, interest free and repayable on demand.

32. Contingent liabilities

Guarantee

The Company is a joint and several guarantor to the bank loan facility described in note 19. Under the terms of the loan agreement, CMC Markets UK plc can draw down on this facility.

Letters of support

The Company has issued letters of support to several of its subsidiary undertakings confirming its intention to provide such financial support as is necessary to settle creditors as they fall due and to be able to continue operations on a going concern basis.

33. Ultimate controlling party

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

34. Impact of adopting new accounting standards and re-allocations

During the year ended 31 March 2015, the Group adopted IFRIC 21 'Levies' and has accordingly restated the prior periods. The tax charge has also been restated to take account of this. Certain prior year balances have been re-allocated to reflect current year presentation.

The following tables set out the impact of IFRIC 21 'Levies' and re-allocations:

a) Consolidated Income statement

GROUP	2014 Reported £'000	IFRIC21 Levies £'000	Re-allocation £'000	2014 Restated £'000
Revenue	**142,028**	**–**	**(1,410)**	**140,618**
Net interest income	736	–	1,410	2,146
Operating expenses	(77,801)	(574)	–	(78,375)
Profit/(Loss) before taxation	**32,815**	**(574)**	**–**	**32,241**
Taxation	(8,452)	167	–	(8,285)
Profit/(Loss) for the year attributable to owners of the Company	**24,363**	**(407)**	**–**	**23,956**

b) Consolidated statement of financial position

As at 31 March 2014

GROUP	31 March 2014 Reported £'000	IFRIC21 Levies £'000	Re-allocation £'000	31 March 2014 Restated £'000
LIABILITIES				
Current liabilities				
Trade and other payables	43,003	(1,727)	(1,619)	39,657
Derivative financial instruments	487	–	1,619	2,106
Short term Provisions	638	–	(310)	328
Non-Current liabilities				
Deferred Tax Liabilities	264	363	–	627
Long term Provisions	–	–	310	310
EQUITY				
Retained earnings	**65,691**	**1,364**	**–**	**67,055**

As at 1 April 2013

GROUP	1 April 2013 Reported £'000	IFRIC21 Levies £'000	Re-allocation £'000	1 April 2013 Restated £'000
LIABILITIES				
Current liabilities				
Trade and other payables	46,948	(2,301)	(487)	44,160
Derivative financial instruments	1,705	–	487	2,192
Short term Provisions	3,765	–	(50)	3,715
Non-Current liabilities				
Deferred Tax Liabilities	616	530	–	1,146
Long term Provisions	–	–	50	50
EQUITY				
Retained earnings	**46,944**	**1,771**	**–**	**48,715**

c) Consolidated statement of changes in equity

GROUP	Retained Earnings £'000
At 1 April 2013 (Reported)	**46,944**
Effect of changes in accounting policies	1,771
At 1 April 2013 (Restated)	**48,715**
Total comprehensive income for the year (Reported)	24,363
Effect of changes in accounting policies	(407)
Total comprehensive income for the year (Restated)	**23,956**
Share-based payments	273
Dividends	(5,889)
At 31 March 2014 (Reported)	**65,691**
Effect of changes in accounting policies	1,364
At 31 March 2014 (Restated)	67,055

d) Consolidated statement of cashflows

GROUP	2014 Reported £'000	IFRIC21 Levies £'000	Re-allocation £'000	2014 Restated £'000
Cashflow from operating activities				
Profit before taxation	32,815	(574)	–	32,241
Net interest income	(736)	–	(1,410)	(2,146)
Changes in Working Capital				
(Decrease)/increase in trade and other payables	(5,164)	574	–	(4,590)
Cash generated from operations	**20,981**	**–**	**(1,410)**	**19,571**
Net interest income	736	–	1,410	2,146
Net cash generated from operating activities	**20,345**	**–**	**–**	**20,345**

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David Fineberg	Group Director of Trading
Simon Waugh	Non-Executive Chairman
James Richards	Non-Executive Director

Company Secretary

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