cmc markets

10 June 2021

CMC MARKETS PLC

Final results for the year ended 31 March 2021

Net operating income up 63% to £409.8 million

Record performance, with continued investment in technology supporting sustainable growth

Year ended 31 March £ million (unless otherwise stated)	2021	2020	Change %
Net operating income	409.8	252.0	63%
Profit before tax	224.0	98.7	127%
Earnings per share (pence)	61.5	30.1	104%
Ordinary dividend per share (pence)	30.6	15.0	104%
CFD gross client income	335.3	240.6	39%
CFD net trading revenue	349.2	214.5	63%
CFD active clients (numbers)	76,591	57,202	34%
CFD revenue per active client (£)	4,560	3,750	22%
Stockbroking active clients (numbers)	232,053	181,630	28%
Stockbroking net trading revenue	54.8	31.8	72%

Notes:
- *Net operating income represents total revenue net of introducing partners commissions and levies*
- *CFD gross client income represents spreads, financing and commissions charged to clients (client transaction costs)*
- *CFD net trading revenue represents CFD and spread bet gross client income net of rebates, levies and risk management gains or losses*
- *CFD and stockbroking active clients represent those individual clients who have traded with or held a CFD or spread bet position with CMC Markets or traded on the stockbroking platform on at least one occasion during the twelve-month period*
- *CFD revenue per active client represents total trading revenue from CFD and spread bet active clients after deducting rebates and levies*

Highlights

- Net operating income increased to £409.8 million, up £157.8 million (63%).
- CFD revenue per active client up 22% to £4,560, driven by improved CFD client income retention.
- CFD active clients increased by 19,389 (34%) driven by our ongoing focus on high value, sophisticated, experienced global clients, and increased levels of interest in the financial markets from a new wave of clients.
- Stockbroking net trading revenue up 72% to £54.8m driven by higher client numbers (up 28%) and the increasing appeal of the international shares offering.
- Continued to offer clients highly resilient and performant platforms, which allowed clients to trade, and new clients to onboard, throughout periods of extremely high trading volumes and market volatility.
- Investment continued in proprietary technology platforms to diversify the offering, with new Dynamic Trading and Spot FX offerings launched in May and June 2021 respectively, along with a native mobile app for Stockbroking in March 2021.
- Operating expenses increased by 22% to £184.0 million, predominantly due to higher personnel costs as a result of recruitment to support ongoing strategic initiatives, increased marketing costs to capitalise on market opportunities, and trading related variable costs.
- Profit before tax up 127% to £224.0 million (2020: £98.7 million).
- Regulatory total capital ratio of 20.5% and net available liquidity of £210.6 million

Outlook and dividend

- The Group believes that existing active client levels are likely to be sustainable as the characteristics of clients onboarded during the year are comparable to our current high value client base, with longevity and trading activity at similar levels to prior cohorts.
- The monthly active client base has remained strong at the start of 2022 representing ongoing trading appetite, however client trading activity has moderated from prior elevated levels. Nevertheless, the Group continues to have confidence in the robust underlying performance of the business and in conjunction with further progress on its strategic initiatives, looks forward to continuing to generate long term business growth and value. As a result, the Board remains confident in achieving net operating income in excess of £330 million for 2022.
- The Group's significant investment in technology development, including the build of a non-leveraged trading platform for UK clients, is expected to lead to a moderate increase in operating costs in the coming financial year.
- Final dividend of 21.43 pence per share (total dividend of 30.63 pence per share), in line with the dividend policy. The Board remains committed to paying a total dividend of 50% of profit after tax, balancing investing in long-term success and providing shareholders with superior returns.

Lord Cruddas, Chief Executive Officer commented:

"I am delighted with our record performance, which vindicates our strategy of continuing focus on high value clients and technology investment. I am tremendously proud of the resilience, flexibility and capability displayed by all of my colleagues at CMC and would like to personally thank them all for the commitment and passion with which they continue to deliver high levels of service to our clients.

The performance in 2021, building on a strong performance in 2020, is a result of the Group's unwavering focus on our strategic initiatives. This has delivered increased diversification of Group revenues and improved CFD client income retention. Active client numbers have also increased substantially, primarily as a result of COVID-19 related volatility and heightened levels of interest in the financial markets, but our strategy allows us to attract and retain these new clients. The growing contribution of B2B revenues is also particularly pleasing and will continue to be an important part of our strategy going forward.

During the period we continued to recruit new staff and we did not request to participate in any Government financial support schemes. Our Digital Transformation Programme, led by our new Chief Technology Officer, Brendan Foxen, was initiated during the year and has started to make fantastic progress with the first 'lighthouse' project, our Dynamic Trading product, having launched in May 2021.

CMC continues to provide clients with market leading trading platforms and client service, even during periods of extreme volatility and trading activity, holding true to our values. This technological excellence provides the Group with a solid foundation on which to serve current and future clients, along with the expertise to continue to invest in new products that will deliver sustainable growth."

Analyst and Investor Presentation

A presentation will be held for equity analysts and investors today at 10.00 a.m. (BST), note questions will only be taken over the conference call line.

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

https://webcasts.cmcmarkets.com/results/2021fullyear

Alternatively, you can dial into the presentation by registering via the following link:

https://webcasts.cmcmarkets.com/results/2021fullyear/vip_connect

Annual Report and Financial Statements

A copy of the CMC Markets plc (the "Company") Annual Report and Financial Statements for the year ending 31 March 2021 (the "2021 Annual Report and Financial Statements") is available within the Investor Relations section of the Company website http://www.cmcmarkets.com/group/results/annual-reports

Pursuant to Listing Rule 9.6.1 the Company has submitted the 2021 Annual Report and Financial Statements to the National Storage Mechanism and will shortly be available for inspection at: https://data.fca.org.uk/#/nsm/nationalstoragemechanism

In compliance with The Disclosure and Transparency Rules (DTR) 6.3.5, the information in the document below is extracted from the Company's 2021 Annual Report and Financial Statements. This material is not a substitute for reading the 2021 Annual Report and Financial Statements in full and any page numbers and cross references in the extracted information below refer to page numbers and cross-references in the 2021 Annual Report and Financial Statements.

Forthcoming announcement dates

Thursday 29 July 2021	Q1 2021 trading update
Thursday 7 October 2021	H1 2021 pre-close trading update

Enquiries

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Notes to Editors

CMC Markets plc ("CMC"), whose shares are listed on the London Stock Exchange under the ticker CMCX (LEI: 213800VB75KAZBFH5U07), was established in 1989 and is now one of the world's leading online financial trading businesses. The company serves retail and institutional clients through regulated offices and branches in 12 countries, with a significant presence in the UK, Australia, Germany and Singapore. The Group offers an award-winning, online and mobile trading platform, enabling clients to trade over 10,000 financial instruments across shares, indices, foreign currencies, commodities and treasuries through contracts for difference ("CFDs") and financial spread bets (in the UK and Ireland only). Clients can also place financial binary bets through Countdowns and, in Australia, access stockbroking services. More information is available at http://www.cmcmarkets.com/group/

Forward Looking Statements

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

CHAIRMAN'S STATEMENT

2021 has been an excellent year for the Group, building on the momentum gained in 2020. Our strategic investments in technology, client service, professional and institutional clients and income diversification through new products has led to further improvements in the Group's financial performance in 2021. This provides the Group a strong base from which we can focus on innovation, and agile and responsive technology development.

The Group's ongoing focus on medium to long-term value generation continues to be successful. In particular, the Australian stockbroking and the institutional B2B businesses provided further diversification in addition to ongoing strong growth in the core retail B2C business. This is complemented by a roadmap of strategic innovation that the Board is confident will generate further value over the coming years.

The Board's clear vision of the Group's purpose, values and strategy, supported by its culture and engagement with staff, has enabled CMC to build a robust yet agile business. This, combined with an ambitious technology transformation programme that will enable and facilitate quick and robust development of new products and services, provides an excellent platform for the Group to grow.

The COVID-19 pandemic continued to increase in effect and disruption throughout the financial year, with our staff showing incredible resilience and flexibility when faced with travel and work restrictions. The Group did not require nor seek any assistance from the various government COVID-19 support schemes. No staff were furloughed. Staff were able to work effectively from home and the Group provided assistance for them to be able to do so.

The Group has continued to perform extremely well during the pandemic, with client services and platform availability remaining largely unaffected throughout. Global markets have been volatile, and this has benefitted the Group, driving new client acquisition and higher-than-normal levels of trading. I would like to thank staff for the dedication and resilience they have shown during this difficult time. It is that commitment to delivery that gives me great confidence in the future success of the Group.

Results and dividend

The Group's financial performance has been extremely strong throughout the financial year with net operating income increasing 63% to £409.8 million. This has resulted in a consecutive year of record profits after tax of £178.1 million. The Board recommends a final dividend payment of 21.43 pence per share, which results in a total dividend payment of 50% of profit after tax.

Regulation

The Australian Securities and Investments Commission ("ASIC") announced new regulatory measures in October 2020 that came into effect on 29 March 2021. We are supportive of the regulatory change, as we have always operated to the highest standards, and our experience with the European Securities and Markets Authority ("ESMA") measures show that they are, in the medium to long term, positive for CMC.

We are glad that the regulatory conditions are now more harmonised globally and that we can continue to focus on growing our business in an industry where regulatory arbitrage is being reduced.

Board and governance

As set out in more detail on page 48 in the Annual Report and Financial Statements, the Board conducted an internal governance review during the financial year which resulted in the appointment of the external governance adviser Independent Audit in January 2021. Their review and implementation of recommendations are still ongoing and I look forward to reporting fully on it in next year's report. We will also further develop our governance and control arrangements over the coming years, to support the Group in achieving our diverse and ambitious strategic objectives.

It was also decided at the end of the financial year, as part of the governance review, that with effect from the start of the new financial year, Clare Salmon would relinquish her Chairmanship of the Remuneration Committee and take on the Chairmanship of the Group Risk Committee and Sarah Ing would relinquish her Chairmanship of the Group Risk Committee and take on the Chairmanship of the Remuneration Committee. I am very grateful for their sterling efforts with their respective committees over the last three and a half years.

People and stakeholders

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

The Board remained committed to improving both the engagement and motivation of the workforce throughout the year, and I am pleased to advise that our pulse survey towards the end of the year has shown further improvements on the already greatly improved survey last year. More details of what we have been doing are presented in the People and Sustainability section of the report.

Outlook

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

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

We look forward to the year and remain committed to our mission to "make financial markets truly accessible to investors" and I strongly believe that our recent and future technology and product investment will help us deliver this.

James Richards
Chairman
9 June 2021

CEO REPORT

This year saw a significant increase in trading activity globally which provided a supportive backdrop for all of our businesses. It also presented challenges and I have been delighted with the resilience of our trading platforms as well as the performance of our risk management system during these periods of extreme volatility and activity, highlighting the quality of our technology and people.

The outstanding performance in 2021 supports our long-term strategy of investing in our technology. We have continued to acquire and retain high value, premium clients, who will trade with us for the long term. We also continue to deliver on our other strategic initiatives, driving revenue diversification through very strong growth in our non-leveraged business. However, success this year cannot simply be measured by record profits alone; our market risk management continues to be highly successful, whilst we have continued to make significant investments in and improvements to our technology capability, all of which are building solid foundations for ongoing success and value creation in the future.

COVID-19

The current year has been marked by the continuation, and escalation, of the COVID-19 pandemic and my thoughts remain with all those impacted. Throughout the year our immediate priorities have continued to be protecting the health, safety and wellbeing of our people and supporting our clients. Our CFD trading platform has remained resilient during multiple periods of extremely high levels of trading activity, achieving 99.95% uptime while trade volumes[1] increased 50% year on year. This is further evidence that our continuous focus on, and investment in, technology and infrastructure provide platform stability and scalability. Once again, I am impressed by the dedication our teams have shown in preventing client disruption while working in unprecedented circumstances and would therefore like to thank all of my colleagues for their continued hard work during these tough times.

[1] Average trades per day on CFD platform 2021 vs 2020

Investment in technology

The Group has continued to invest in technology throughout the year and has significantly scaled up the breadth and capability of the technology function. We hired a new Chief Technology Officer ("CTO"), Brendan Foxen, who has set up an ambitious Digital Transformation Programme that will deliver a wide range of benefits, including faster time to market for new products and deeper client engagement. Our commitment to this programme is displayed by the Group hiring 60 additional technology staff throughout the year.

We have also delivered a number of new products during the year, including FX Spot and Dynamic Trading, released native apps for our stockbroking clients and co-located our data centres to reduce latency for both CMC and our clients.

I am excited by the pipeline of technological innovations and new products that we have planned for the years ahead, more details of which I hope to share in due course.

Growth in non-leveraged business

The primary area of non-leveraged business is our stockbroking operation in Australia, which is free of market risk management, as trade execution occurs directly with the exchange and physical settlement is funded from the client's linked bank account. Additionally, our white label stockbroking business (with various banks and brokers) poses less risk and cost to the Group, given client acquisition is the responsibility of the partner. I strongly believe that the ANZ Bank white label agreement is our first true technology deal, as it is a purely technological transaction without risk management and onboarding of clients.

Non-leveraged trading is also the fastest growing client acquisition area of the business; we opened over two times more non-leveraged client accounts in Australia than leveraged business across the whole Group during the year.

As the Group continues to secure these transactions through technology, we continue to diversify the business through increasing non-leveraged revenue streams. In addition, within the next year, we will also be developing additional non-leveraged platforms targeting the investment community. We will provide detail about this later in the year as we continue the journey through the build process, but we are effectively leveraging off our existing platform technology in order to diversify into other markets and target more non-leveraged business. We are able to diversify this way because of the technology we have built and we are constantly looking at ways to enhance the platform technology to launch new products and services.

Market risk management

Market risk management within CMC Markets is automated and managed by our Trade and Risk Data Intelligence System ("TARDIS"). We employ more quantitative analysts and data scientists than we do dealers.

TARDIS was developed in-house as a complete front-to-end architecture and our ongoing investment in technology, combined with our significant trade flows, means we are able to maintain liquidity and platform stability to meet the needs of our clients, especially during volatile market conditions.

TARDIS also allows us to manage institutional trade flows as a liquidity provider and to fulfil the role of a non-bank liquidity provider, offering counterparties access to more than 10,000 different assets, with price construction and market depth supported from our natural internal flow. Continued focus and evolution of our quantitative and data science analytics such as mark out curves, internalisation horizons and static position modelling have optimised the balance of systematic internalisation with automated externalisation per product to maximise client income retention.

Overall, our robust market risk management framework has helped us achieve consistently high client income retention in all four half year periods since we launched TARDIS in late 2019 – never lower than 82% for a half year period, with an average of 96% over the last two years.

The Group saw client income retention of 104% during the year. This arose as CMC's exposure to our clients' significant positive equity market returns was matched with largely complete hedging of the static risk during the period. The profitable net hedge position resulted from the internalisation of a proportion of certain highly liquid instruments during periods of high volatility. Our clients maintain long and short positions across various assets and durations in order to generate net returns, while CMC makes decisions on hedging and internalisation based on individual asset dynamics and their impact on the overall exposure of the firm. As such, certain market conditions can result in CMC's hedging activity producing positive hedge profits at the same time as positive client market returns.

Financial performance

Revenue growth has been exceptional across our leveraged retail ("B2C") CFD and non-leveraged stockbroking businesses, with the leveraged institutional ("B2B") business also continuing to grow. The CFD business has seen exceptional client income (client transaction fees) growth as our ongoing focus on high value, sophisticated, experienced clients, and increased levels of interest in the financial markets from a new wave of clients, have resulted in a step change in client numbers (up 34% to 76,591).

Our new client cohort exhibits similar characteristics to our pre-COVID-19 cohorts and early signs are that retention rates are similar to historical averages, giving us confidence that this new cohort should remain with the Group for the medium term and giving us a permanent and sustainable upwards movement in the active client base.

Client income retention also remained strong, with our data-driven approach to risk management (TARDIS), which I described earlier, continuing to deliver excellent results. The stockbroking business continued to grow and contributed a material level of revenue and profitability for the Group. Overall, Group net operating income increased 63% to £409.8 million.

The Group's cost base excluding variable remuneration increased by 22% to £167.8 million during the year, mainly as a result of the significant investments in people and technology, increased marketing spend to attract new clients and higher variable costs related to increased client trading activity.

Variable remuneration increased by £2.2 million to £16.2 million as a result of higher headcount and ongoing strong financial performance. Overall, total costs increased by 21% to £185.8 million.

As a result of the strong revenue performance and operating leverage in the business, profit before tax at £224.0 million was £125.3 million higher than the previous year and results in a proposed final dividend per share of 21.43 pence, being 50% of profit after tax in line with our dividend policy.

As well as the continued significant improvement in profitability, the underlying fundamentals of the business remain strong. CFD active clients for the year were up 34% to 76,591, and we continue to target and retain higher value, sophisticated clients in order to grow client income. Levels of client money, which is an indicator of future trading potential, increased significantly, up 62% on the prior year. The benefits of the ANZ Bank white label stockbroking partnership and the further expansion of the international shares offering in our stockbroking business have also contributed significantly towards our growth, with stockbroking active clients increasing 28% to 232,053. Of this increase, stockbroking B2C clients increased 47% to 46,375, with B2B increasing by 24% to 185,678.

The balance sheet continues to reflect the strong financial position of the Group. At the end of the year, the Group's net available liquidity was £210.6 million and the regulatory capital ratio was 20.5%.

Strategic update

It has always been my focus to invest in technology which sets us apart from other providers and enables us to scale, adapt and develop our offerings. To date we have built an industry-leading platform which enables us to continue to win business in a highly competitive sector.

In 2019, we refined our strategic priorities, to focus on our established markets, our institutional offering, and how we optimise our client journey. The implementation of this strategy has delivered significant value throughout the financial year. More details are provided below.

Established markets

Our established markets consist of the UK, Germany and Australia, geographies where we still see good opportunities for growth and appetite for our offering.

Our UK region displayed strong growth in the year, with record increase in active clients of 45% to 20,077, with the launch of Dynamic Trading in May 2021 and Spot FX in June 2021 responding directly to client requests and positioning the Group for further growth.

In Germany, the Group saw a record increase in active clients, resulting in strong growth.

Our Australian business continues to perform very well with CFD net trading revenue during the year rising to £100.3 million, which now accounts for 29% of CFD net trading revenue for the Group. The Group is well prepared for, and welcoming of, the ASIC measures and we do not believe they will have a material impact on revenue in the medium term. The stockbroking business also continues to display strong growth.

Optimising our client journey

Throughout the year we have continued to make improvements to our client journey with a focus on user experience and client conversion rates, and the acquisition of higher value clients. The client onboarding process has become more efficient, even during large spikes in client applications driven by market volatility.

We remain focused on providing both our retail and institutional clients with best-in-class platforms that deliver an intuitive and personalised experience, enabling them to efficiently achieve their trading goals.

Institutional offering

The institutional business has continued to grow in the past 12 months, with significant milestones in our strategic road map being achieved. We launched our Spot FX product in June 2021, completed the co-location of our pricing and risk engines to reduce latency for our clients, and became a signatory to the FX Global Code. Our stockbroking business now delivers share trading platforms for two tier one banks and three of the largest tier two banks in the Australian domestic market, which is a testament to our long-term focus on technology, product and service. In 2021, we have retained our ranking as the second largest retail stockbroker in Australia.

This year has also seen the business pivot to an institutional first approach, where we build for our most sophisticated audience and therefore also bolster our retail client proposition. Throughout the period we have invested in our technology and personnel. This investment, combined with our ambitious product road map, positions us well to further attract business from institutional clients including banks and hedge funds as we progress into 2022.

Regulation

The Group is, and has always been, supportive of regulatory enhancement which make sure all providers operate to the highest standards, ensuring fair client outcomes.

The Australian regulator, ASIC, announced new regulatory measures in October 2020 that came into effect from 29 March 2021. These measures are aimed at, and affect, CFDs for retail clients onboarded into our Australian entity, which represents 29% of 2021 CFD net trading revenue. Before the effective date, the Group was already compliant with the majority of announced measures, and the client margin requirements are in line with those implemented by ESMA.

We are supportive of these changes and, given the Group's focus on acquiring and retaining high quality, experienced clients, a large proportion of Australian CFD net revenue is generated by clients eligible to qualify as wholesale clients, meaning they are not impacted by the changes. With the lifting of regulatory uncertainty in our core markets, we can continue to focus on driving the business forward in an industry with more closely harmonised regulations.

In addition, in the UK, the FCA imposed a ban on the sale of instruments, such as CFDs, with prices linked to cryptocurrencies to retail clients from 6 January 2021. This contributed less than 1% of the Group's CFD net trading revenue in the financial year. We continue to offer the products to clients outside of the UK and to our professional and institutional clients in the UK.

Brexit

On 31 December 2020 the UK's transitional agreement with the European Union ("EU") ended. This resulted in the UK no longer having specific MiFID passporting rights to offer financial services to EEA clients. Given the uncertainty regarding the inclusion of financial services in any future trade agreement between the UK and EU, in advance of the end of the transitional agreement the Group transferred all European branches to our German subsidiary and all EEA resident clients started to be onboarded into this subsidiary.

The Group's headquarters will remain in the UK.

People

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

The Board is keen to do more to improve staff engagement. As a result of feedback from Group-wide engagement surveys conducted twice yearly since 2019, a number of initiatives have been implemented to enhance employee engagement such as improvements to our flexible working, annual leave and charitable giving polices and an increased emphasis on learning and career development. I am happy this work has resulted in an improvement to a number of measures of employee engagement.

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

Clients

Our clients continue to be at the heart of everything we do, and their input is intrinsic to improving our business processes across product development, marketing and client services as we tailor new developments and target improvements. In Q1 2022, following engagement with our clients, we implemented FX spot and Dynamic Trading.

We have invested in user experience research capacity to facilitate this and ensure our customer needs are championed across the business. We believe this will enable us to build and distribute better products that delight our clients and positively drive client retention and lifetime value.

Dividend

The Board recommends a final dividend payment of £62.3 million. This is 21.43 pence per share (2020: 12.18 pence), resulting in a total dividend payment for the year of 30.63 pence per share (2020: 15.03 pence). This represents a payment of 50% of profit after tax, in line with policy. The Board believes that this is an appropriate payment for the year after considering both the Group's capital and liquidity position and forecast requirements in the year ahead to support business growth.

House of Lords

I was greatly honoured and proud to be elevated to the House of Lords by Prime Minister Boris Johnson earlier in the year. I am a Conservative Peer and I was introduced to the House of Lords on 2 February 2021 as Lord Cruddas of Shoreditch: I was born and bred in the area, so it was an easy choice to select this title.

I have made it clear to my colleagues and investors that my role in the House of Lords will not affect my work at CMC Markets. My focus will remain as full time CEO and will be for the foreseeable future and many years to come.

Outlook

Our strong performance in 2021, following similarly impressive growth in 2020, gives the Group the opportunity to further invest significantly in products and services that will continue to bring diversified growth. This investment enhances our best-in-class technology that not only makes us operationally resilient, but importantly also provides our clients with a high-quality service. We are well placed as an attractive choice for a wide array of clients and partners around the world, who benefit from our in-house capability, track record of stability and delivery, and strong team expertise throughout the business.

It is especially pleasing that we are now winning more non-leveraged business through technology and partnership agreements, demonstrating our ability to move successfully into adjacent markets.

I am confident that the Group's underlying growth in recent years will ensure our growth trajectory continues, especially as we focus on more technology development and transactions and take on more non-leveraged business. We have some exciting plans that will further expand this business, which I hope to share later in the year as we get near to launch.

I strongly believe that, through continuing to invest in our technology, focusing on our strategic initiatives, capitalising on market opportunities as they arise and building engagement across all of our stakeholder groups, the Group will be in the best possible position for success in the next financial year and beyond.

Lord Cruddas
Chief Executive Officer
9 June 2021

FINANCIAL REVIEW

Summary income statement

£m	2021	2020	Change	Change %
Net operating income	**409.8**	**252.0**	**157.8**	**63%**
Operating expenses	(184.0)	(151.3)	(32.7)	(22%)
Operating profit	**225.8**	**100.7**	**125.1**	**124%**
Finance costs	(1.8)	(2.0)	0.2	14%
Profit before taxation	**224.0**	**98.7**	**125.3**	**127%**

PBT margin[1]	**54.7%**	**39.2%**	**15.5%**	**—**

Profit after tax	**178.1**	**86.9**	**91.2**	**105%**

Pence	2021	2020	Change	Change %
Basic EPS	**61.5**	**30.1**	**31.4**	**104%**
Ordinary dividend per share[2]	**30.6**	**15.0**	**15.6**	**104%**

[1]Statutory profit before tax as a percentage of net operating income.
[2]Ordinary dividends paid/proposed relating to the financial year

Summary

Net operating income for the year increased by £157.8 million (63%) to £409.8 million, primarily driven by higher gross client income in our CFD business as a result of significantly increased active clients in addition to higher client income retention resulting from the strength of the risk management strategy. The stockbroking business also went from strength to strength, with elevated market volatility throughout the year acting as a call to action for new clients to onboard onto the platform and for existing clients to increase their trading activity.

CFD active client numbers increased by 19,389 (34%) to 76,591. This had a number of drivers, including high market volatility throughout much of the year and higher marketing spend, which encouraged dormant clients to reactivate and new clients to onboard onto our platform. Early indications are that clients onboarded during the year have characteristics comparable to our current high value client base, with longevity and trading activity at similar levels to prior cohorts.

The increase in CFD net trading revenue has resulted in revenue per active client ("RPC") increasing by £810 (22%) to £4,560.

Gross CFD client income increased by £94.7 million (39%) to £335.3 million, with increased client numbers and heightened trading as a result of market volatility being the main drivers.

Total operating expenses have increased by £32.7 million (22%) to £184.0 million, with the main drivers being higher personnel costs largely as a result of the recruitment of personnel to support ongoing strategic initiatives, increased marketing costs to capitalise on market opportunities, and trading related variable costs such as bank charges and market data costs.

Profit before tax increased to £224.0 million from £98.7 million and PBT margin increased to 54.7% from 39.2%, reflecting the high level of operational gearing in the business.

Net operating income overview

£m	2021	2020	Change %
CFD and spread bet net trading revenue	349.2	214.5	63%
Stockbroking net trading revenue (excl. interest income)	54.8	31.8	72%
Net trading revenue[1]	**404.0**	**246.3**	**64%**
Interest income	0.7	3.3	(78%)
Other operating income	5.1	2.4	113%
Net operating income	**409.8**	**252.0**	**63%**

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

B2B and B2C net trading revenue

£m	2021			2020			Change %		
	B2C	B2B	Total	B2C	B2B	Total	B2C	B2B	Total
CFD and spread bet net trading revenue	307.3	41.9	349.2	186.8	27.7	214.5	65%	51%	63%
Stockbroking net trading revenue	10.4	44.4	54.8	5.8	26.0	31.8	80%	70%	72%
Net trading revenue	**317.7**	**86.3**	**404.0**	**192.6**	**53.7**	**246.3**	**65%**	**61%**	**64%**

The improved performance of the Group was reflected within both our B2C and B2B businesses, with year-on-year increases in net trading revenue of 65% and 61% respectively. The CFD and stockbroking businesses both saw strong growth within B2C and B2B demonstrating the performance of all areas in the business.

Regional performance overview: CFD and spread bet

	2021				2020				Change %			
	Net trading revenue £m	Gross client income £m[1]	Active Clients	RPC £	Net trading revenue £m	Gross client income £m[1]	Active Clients	RPC £	Net trading revenue	Gross client income[1]	Active Clients	RPC
UK	122.0	123.2	20,077	6,078	67.1	86.4	13,883	4,835	82%	42%	45%	26%
Europe	64.8	53.7	20,280	3,197	43.5	43.6	18,347	2,370	49%	23%	11%	35%
UK & Europe	**186.8**	**176.9**	**40,357**	**4,630**	**110.6**	**130.0**	**32,230**	**3,432**	**69%**	**36%**	**25%**	**35%**
APAC & Canada	162.4	158.4	36,234	4,481	103.9	110.6	24,972	4,160	56%	43%	45%	8%
Total	**349.2**	**335.3**	**76,591**	**4,560**	**214.5**	**240.6**	**57,202**	**3,750**	**63%**	**39%**	**34%**	**22%**

[1]Spreads, financing and commissions on CFD client trades.

UK and Europe

Gross client income grew by £46.9 million (36%) and RPC increased by £1,198 (35%), with active clients increasing by 25%.

UK

The number of active clients in the region increased by 45% to 20,077 (2020: 13,883), in turn driving gross client income growth of 42% against the prior year to £123.2 million (2020: £86.4 million). The increases were predominantly driven by the retail business.

Europe

Europe comprises offices in Austria, Germany, Norway, Poland and Spain. Gross client income increased 23% to £53.7 million (2020: £43.6 million) driven by strong growth in the Germany and Poland offices. RPC also grew significantly by 35% to £3,197 (2020: £2,370). The number of active clients increased 11% to 20,280 (2020: 18,347).

APAC & Canada

Our APAC & Canada business services clients from our Sydney, Auckland, Singapore, Toronto and Shanghai offices along with other regions where we have no physical presence. Gross client income increased by 43% to £158.4 million (2020: £110.6 million), primarily driven by increased active clients and heightened market activity throughout the year. Active clients were up 45% to 36,234 (2020: 24,972), with strong increases across the region.

Stockbroking

The non-leveraged Australian stockbroking business continued to grow significantly during the year, with revenue increasing 72% to £54.8 million (2020: £31.8 million) driven by a combination of higher client trading activity driven by market volatility and increased FX revenue from international shares trading following the introduction of our zero brokerage offering in September 2020. Active clients continued to increase, up 28% to 232,053 (2020: 181,630) with AUM also increasing substantially to AUD$69.4 billion (2020: AUD$46.7 billion).

Interest income

Global interest rates have remained at historically low levels, with interest income decreasing accordingly, down 78% to £0.7 million (2020: £3.3 million). The majority of the Group's interest income is earned through our segregated client deposits in our UK, Australia, New Zealand and stockbroking subsidiaries.

Expenses

Total costs increased by £32.5 million (21%) to £185.8 million.

£m	2021	2020	Change %
Net staff costs – fixed (excluding variable remuneration)	62.5	53.8	(16%)
IT costs	26.2	21.5	(22%)
Marketing costs	24.6	14.9	(65%)
Sales-related costs	5.8	3.2	(83%)
Premises costs	3.8	3.1	(22%)
Legal and professional fees	7.2	5.2	(40%)
Regulatory fees	5.0	5.2	3%
Depreciation and amortisation	11.2	11.0	(3%)
Irrecoverable sales tax	6.5	5.1	(29%)
Other	15.0	14.3	(4%)
Operating expenses excluding variable remuneration	**167.8**	**137.3**	**(22%)**
Variable remuneration	16.2	14.0	(16%)
Operating expenses including variable remuneration	**184.0**	**151.3**	**(22%)**
Interest	1.8	2.0	(14%)
Total costs	**185.8**	**153.3**	**(21%)**

Net staff costs

Net staff costs including variable remuneration increased £10.9 million (16%) to £78.7 million following significant investment across the business, particularly within technology, marketing and product functions, to support the delivery of strategic projects. Variable remuneration increased due to higher headcount within 2021 resulting in higher performance-related pay.

£m	2021	2020	Change %
Wages and salaries	64.4	51.7	(24%)
Performance related pay	13.7	11.7	(17%)
Share-based payments	2.5	2.3	(7%)
Total employee costs	**80.6**	**65.7**	**(23%)**
Contract staff costs	3.2	3.1	5%
Net capitalisation	(5.1)	(1.0)	428%
Net staff costs	**78.7**	**67.8**	**(16%)**

Marketing costs

Marketing costs have increased by £9.7 million (65%) to £24.6 million as the Group capitalised on market opportunities as they arose throughout the year, whilst ensuring that spend was targeted through the most efficient channels to acquire high value clients. The success of this targeted approach is borne out through the increases in both active clients and revenue per active client.

IT costs

IT costs increased £4.7 million (22%) to £26.2 million, with increases due to higher market data costs throughout the year as a result of increased client activity and increased software maintenance.

Other expenses

Sales-related costs increased by £2.6 million (83%) as a result of provisions and payments made during the year for client compensation in addition to stockbroking variable sales related costs.

Legal and professional fees increased £2.0 million (40%) primarily driven by external audit fee increases and external consultants engaged as part of the Group’s preparations for Brexit.

Premises costs increased £0.7 million (22%) due to the rental of additional office space within London to facilitate the growth in headcount and to maintain social distancing requirements, during the year.

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

Taxation

The effective tax rate for the year was 20% (2020: 12%). The increase mainly resulted from the recognition of additional Australian tax credits in 2020 which did not recur in 2021. It is anticipated that the Group’s effective tax rate is likely to remain at a similar level in 2022.

Profit after tax for the year

The increase in profit after tax for the year of £91.2 million (105%) was due to higher net operating income and the operational gearing in the business.

Dividend

Dividends of £62.1 million were paid during the year (2020: £10.2 million), with £35.4 million relating to a final dividend for the prior year paid in September 2020, and a £26.7 million interim dividend paid in December 2020 relating to current year performance. The Group has proposed a final ordinary dividend of 21.43 pence per share (2020: 12.18 pence per share).

Non-Statutory Summary Group Balance Sheet

£m	2021	2020
Intangible assets	10.3	4.6
Property, plant and equipment	14.8	14.6
Net lease liability	(4.0)	(5.7)
Fixed Assets	**21.1**	**13.5**
Cash and cash equivalents	118.9	84.3
Amount due from brokers	253.9	134.3
Financial investments	28.1	25.4
Liquid Assets	**400.9**	**244.0**
Net derivative financial instruments	0.2	3.0
Title transfer funds	(30.7)	(8.7)
Own Funds	**370.4**	**238.3**
Working Capital	**2.6**	**16.0**
Tax receivable	**1.7**	**0.8**
Deferred tax net asset	**4.7**	**14.3**
Net Assets	**400.5**	**282.9**

The table above is a non-statutory view of the Group balance sheet and line names don't necessarily have their statutory meanings.

Fixed assets

The Group dedicated a significant amount of internal resource to the development of new products and functionality in 2021, with Dynamic Trading, FX Spot and the native iOS stockbroking mobile application being the primary focus. This, in addition to software purchases, resulted in an increase of £8.0 million in intangible assets, offset by of amortisation during the year.

Net lease liability decreased by £1.7m million during the year due to the net length of lease contracts being lower at the end of 2021 than prior year.

Own funds

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

Amounts due from brokers relate to cash held at brokers either for initial margin or balances in excess of this for cash management purposes. The elevated client trading exposures throughout the year, particularly in equities, resulted in increases in holdings at brokers for hedging purposes.

Financial investments mainly relate to eligible assets held by the Group as a liquid asset buffer (“LAB”), per Financial Conduct Authority (“FCA”) requirements.

Title transfer funds increased by £22.0 million, reflecting the high levels of account funding by a small population of mainly institutional clients.

Working capital

The decrease year on year is primarily as a result of the increased market volatility in Q4 of the prior year, which significantly increased the value of the stockbroking receivables yet to settle at the prior year end.

Tax receivable

Taxes receivable increased by £0.9 million as a result of overpayments of corporation and service taxes in a number of Group entities.

Deferred tax net asset

Deferred tax assets decreased during the year due to utilisation of Australian tax credits.

Regulatory capital resources

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

The Group's total capital resources increased to £327.9 million (2020: £236.7 million) with retained earnings for the year being partly offset by the interim and proposed final dividend distribution.

At 31 March 2021 the Group had a total capital ratio of 20.5% (2020: 23.3%). The decrease in the total capital ratio resulted from a higher total risk exposure; this was driven mainly by an increase in market risk capital requirement, partially offset by an increase in total capital resources. The following table summarises the Group's capital adequacy position at the year end. The Group's approach to capital management is described in note 30 to the Financial Statements.

	2021	2020
Total capital resources (£m)[1]	327.9	236.7
Total risk exposure (£m)[2]	1,595.5	1,017.9
Total capital ratio (%)	**20.5%**	**23.3%**

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

On 16 April 2019, the European Parliament adopted a new legislative package: the Investment Firm Regulation and Directive ("IFR/IFD"), that will become directly applicable in Member States on 26 June 2021. This framework will alter the licensing basis, capital and remuneration requirements and governance and transparency provisions for a wide range of non-bank financial institutions. The UK played an instrumental role in the introduction of IFR/IFD at EU level, negotiated them as a Member State, and is supportive of their respective intended outcomes. In light of the UK's departure from the EU, HM Treasury has introduced the Investment Firm Prudential regime ("IFPR") that has been designed to achieve similar intended outcomes as those in IFR / IFD albeit tailored where necessary to reflect the structure of the UK market and how it operates. The IFPR is expected to enter into force on 1 January 2022 and will be regulated by the FCA. It is not envisaged that these changes will lead to higher capital requirements for the Group.

The Group and its UK subsidiaries will fall into scope of the IFPR, with the Group's German subsidiary, CMC Markets Germany GmbH, subject to the provisions of IFR/IFD. This will ultimately end the Group's requirement to comply with the existing and incoming CRD/CRR rules in favour of the new regimes.

Liquidity

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

- **Own funds:** The primary source of liquidity for the Group. It represents the funds that the business has generated historically, including any unrealised gains/losses on open hedging positions. All cash held on behalf of segregated clients is excluded. Own funds consist mainly of cash and cash equivalents. They also include investments in UK government securities, of which the majority are held to meet the Group's LAB as set by the FCA. These UK government securities are FCA Prudential sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") 12.7 eligible securities and are available to meet liabilities which fall due in periods of stress.

- **Title transfer funds ("TTFs"):** This represents funds received from professional clients and eligible counterparties (as defined in the FCA Handbook) that are held under a title transfer collateral agreement ("TTCA"), a means by which a professional client or eligible counterparty may agree that full ownership of such funds is unconditionally transferred to the Group. The Group does not require clients to sign a TTCA in order to be treated as a professional client and as a result their funds remain segregated. The Group considers these funds as an ancillary source of liquidity and places no reliance on them for its stability.

- **Available committed facility (off-balance sheet liquidity):** The Group has access to a facility of up to £55.0 million (2020: £40.0 million) in order to fund any potential fluctuations in margins required to be posted at brokers to support the risk management strategy. The facility consists of a one-year term facility of £27.5 million (2020: £20.0 million) and a three-year term facility of £27.5 million (2020: £20.0 million). The maximum amount of the facility available at any one time is dependent upon the initial margin requirements at brokers and margin received from clients. There was no drawdown on the facility at 31 March 2021 (2020: £nil).

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

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

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

At 31 March 2021, the Group held cash balances of £118.9 million (2020: £84.3 million). In addition, £549.4 million (2020: £339.8 million) was held in segregated client money accounts for clients. The movement in Group cash and cash equivalents is set out in the Consolidated Statement of Cash Flows.

Own funds have increased to £370.4 million (2020: £238.3 million). Own funds include short-term financial investments, amounts due from brokers and amounts receivable/payable on the Group's derivative financial instruments. For more details refer to note 29 of the Financial Statements.

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

£m	2021	2020
Own funds	370.4	238.3
Title transfer funds	30.7	8.7
Available committed facility	55.0	21.3
Total available liquidity	**456.1**	**268.3**
Less: blocked cash	(75.4)	(40.2)
Less: initial margin requirement at broker	(170.1)	(39.0)
Net available liquidity	**210.6**	**189.1**
Of which: held as LAB	28.1	25.4

Client money

Total segregated CFD client money held by the Group was £549.4 million at 31 March 2021 (2020: £339.8 million).

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

Client money governance

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

The Group has comprehensive client money processes and procedures in place to ensure client money is identified and protected at the earliest possible point after receipt as well as governance structures which ensure such activities are effective in protecting client money. The Group's governance structure is explained further on pages 48 to 53 of the 2021 Annual Report and Financial Statements.

Euan Marshall
Chief Financial Officer
9 June 2021

PRINCIPAL RISKS

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

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

The Board has put in place a governance structure which is appropriate for the operations of an online retail financial services group and is aligned to the delivery of the Group's strategic objectives. The structure is regularly reviewed and monitored and any changes are subject to Board approval. Furthermore, management regularly considers updates to the processes and procedures to embed good corporate governance throughout the Group. As part of the Group Risk Management Framework, the business is subject to independent assurance by internal audit (third line of defence). The use of independent compliance monitoring, risk reviews (second line of defence) and risk and control self-assessments (first line of defence) provides additional support to the integrated assurance programme and ensures that the Group is effectively identifying, managing and reporting its risks. The Group continues to make enhancements to its Risk Management Framework and governance to provide a more structured approach to identifying and managing the risks to which it is exposed. The Board has undertaken a robust assessment of the principal risks facing the Group. Its top and emerging risks are those that would threaten its business model, future performance, solvency or liquidity. These are outlined below and details of financial risks and their management are set out in note 30 to the Financial Statements. Top and emerging risks during the year, which form either a subset of one or multiple principal risks and continue to be at the forefront of the Group discussions, are:

- **Brexit**: On 31 December 2020 the UK's transitional agreement with the EU ended, meaning UK companies no longer had MiFID passporting rights to offer financial services to EEA clients. The Group established a new German subsidiary during 2019 and started onboarding new German resident clients to the new subsidiary from December 2019 and other EEA clients from December 2020.

  Acting on advice received from one of our panel of regulatory advisors, the Group applied reverse solicitation ("Grandfathering") provisions, leaving certain EEA clients trading with its UK subsidiary after 31 December 2020. Given emerging regulatory uncertainty regarding the application of these provisions and further advice from additional regulatory advisors, the Group informed those EEA clients that they would no longer be permitted to trade with the UK subsidiary and offered them the opportunity to open an account with the new German subsidiary. The majority of EEA clients' activities with the UK subsidiary ceased prior to 31 March 2021.

  The Group is proactively engaging with the regulatory authorities in the EEA markets where the UK subsidiary continued to service clients after 31 December 2020. Whilst it is possible that regulatory censure may result from these matters, they are in their very early stages and such an outcome is not currently considered probable.
- **COVID-19**: The continued spread and deepening of the pandemic throughout the financial year gave rise to multiple risks to the Group. Market and counterparty credit risk resulting from the increased trading activity driven by the pandemic is actively monitored as a course of business. From an operational risk perspective, the Group has put significant measures in place aimed at mitigating specific risks relating to its people and operational activities and continues to actively monitor the situation and closely follow governmental advice.
- **Market risk management:** The Group's risk management is constantly reviewed to ensure it is optimised and as efficient as possible.
- **Regulatory change:** The Australian regulator, ASIC, announced new regulatory measures in October 2020 that came into effect from 29 March 2021. The measures are broadly similar to those implemented by ESMA in August 2018 and include:
  - prohibition of the issue and distribution of OTC binary options to retail clients;

- implementation of CFD leverage ratio limits;
- protection against negative balances;
- standardised approach to the automatic close-out of retail client positions;
- prohibition on firms offering monetary and non-monetary benefits to retail investors; and
- enhanced transparency of CFD pricing, execution, costs and risks.

The Group continues to believe that in the medium to long term these changes present opportunities for the Group and the Group's strong balance sheet and increasing diversification put it in a strong position to deal with, and take advantage of, these changes.

Further information on the structure and workings of Board and Management Committees is included in the Corporate Governance report on page 48 to 53 of the 2021 Annual Report and Financial Statements.

Principal Risk	Risk	Description	Management and mitigation
Business and strategic risks	**Acquisitions and disposals risk**	The risk that mergers, acquisitions, disposals or other partnership arrangements made by the Group do not achieve the stated strategic objectives or that they give rise to ongoing or previously unidentified liabilities.	• Robust corporate governance structure including strong challenge from independent Non-Executive Directors. • Vigorous and independent due diligence process. • Align and manage the businesses to Group strategy as soon as possible after acquisition.
	Strategic / business model risk	The risk of an adverse impact resulting from the Group's strategic decision making as well as failure to exploit strengths or take opportunities. It is a risk which may cause damage or loss, financial or otherwise, to the Group as a whole.	• Strong governance framework established including three independent Non-Executive Directors and the Chairman sitting on the Board. • Robust governance, challenge and oversight from independent Non-Executive Directors. • Managing the Group in line with the agreed strategy, policies and risk appetite.
	Preparedness for regulatory change risk	The risk that changes to the regulatory framework the Group operates in impacts the Group's performance. Such changes could result in the Group's product offering becoming less profitable, more difficult to offer to clients, or an outright ban on the product offering in one or more of the countries where the Group operates.	• Active dialogue with regulators and industry bodies. • Monitoring of market and regulator sentiment towards the product offering. • Monitoring by and advice from compliance department on impact of actual and possible regulatory change. • A business model and proprietary technology that is responsive to changes in regulatory requirements.
	Reputational risk	The risk of damage to the Group's brand or standing with shareholders, regulators, existing and potential clients, the industry and the public at large.	• The Group is conservative in its approach to reputational risk and operates robust controls to ensure significant risks to its brand and standing are appropriately mitigated. • Examples include: - proactive engagement with the Group's regulators and active participation with trade and industry bodies; and positive development of media relations with strictly controlled media contact; and - systems and controls to ensure we continue to offer a good service to clients and quick and effective response to address any potential issues.

Principal Risk	Risk	Description	Management and mitigation
Financial risks	**Credit and counterparty risk**	The risk of losses arising from a counterparty failing to meet its obligations as they fall due.	**Client counterparty risk** The Group's management of client counterparty risk is significantly aided by the automated liquidation functionality. This is where the client positions are reduced should the total equity of the account fall below a predefined percentage of the required margin for the portfolio held. Other platform functionality mitigates risk further: • tiered margin requires clients to hold more collateral against bigger or higher risk positions; • mobile phone access allowing clients to manage their portfolios on the move; • guaranteed stop loss orders allow clients to remove their chance of debt from their position(s); and • position limits can be implemented on an instrument and client level. The instrument level enables the Group to control the total exposure the Group takes on in a single instrument. At a client level this ensures that the client can only reach a pre-defined size in any one instrument. In relevant jurisdictions, CMC offers negative balance protection to retail clients limiting the liability of a retail investor to the funds held in their trading account. However, after mitigations, there is a residual risk that the Group could incur losses relating to clients (excluding negative balance protection accounts) moving into debit balances if there is a market gap. **Financial institution credit risk** Risk management is carried out by a central Liquidity Risk Management ("LRM") team under the Counterparty Concentration Risk Policy. Mitigation is achieved by: • monitoring concentration levels to counterparties and reporting these internally/externally on a monthly/quarterly basis; and • monitoring the credit ratings and credit default swap ("CDS") spreads of counterparties and reporting internally on a weekly basis.
	Insurance risk	The risk that an insurance claim by the Group is declined (in full or in part) or there is insufficient insurance coverage.	• Use of a reputable insurance broker who ensures cover is placed with financially secure insurers. • Comprehensive levels of cover maintained. • Rigorous claim management procedures are in place with the broker. The Board's appetite for uninsured risk is low and as a result the Group has put in place established comprehensive levels of insurance cover.
	Tax and financial reporting risk	The risk that financial, statutory or regulatory reports including VAT and similar taxes are submitted late, incomplete or are inaccurate.	• Robust process of checking and oversight in place to ensure accuracy. • Knowledgeable and experienced staff undertake and overview the relevant processes.

Principal Risk	Risk	Description	Management and mitigation
	Liquidity risk	The risk that there is insufficient available liquidity to meet the liabilities of the Group as they fall due.	• Risk management is carried out by a central LRM team under policies approved by the Board and in line with the FCA's Individual Liquidity Adequacy Standards ("ILAS") regime. The Group utilises a combination of liquidity forecasting and stress testing to identify any potential liquidity risks under both normal and stressed conditions. The forecasting and stress testing fully incorporates the impact of all liquidity regulations in force in each jurisdiction that the Group operates in and any other impediments to the free movement of liquidity around the Group Risk is mitigated by: • the provision of timely daily, weekly and monthly liquidity reporting and real-time broker margin requirements to enable strong management and control of liquidity resources; • maintaining regulatory and Board-approved buffers; • managing liquidity to a series of Board-approved metrics and Key Risk Indicators; • a committed bank facility of up to £55 million (2020: £40 million) to meet short-term liquidity obligations to broker counterparties in the event that the Group does not have sufficient access to its own cash; and • a formal Contingency Funding Plan ("CFP") is in place that is designed to aid senior management to assess and prioritise actions in a liquidity stress scenario. For further information see note 30 to the 2021 Annual Report and Financial Statements.
	Market risk	The risk that the value of our residual portfolio will decrease due to changes in market risk factors. The three standard market risk factors are price moves, interest rates and foreign exchange rates.	• Trading risk management monitors and manages the exposures it inherits from clients on a real-time basis and in accordance with Board-approved appetite. • The Group predominantly acts as a market maker in linear, highly liquid financial instruments in which it can easily reduce market risk exposure through its prime broker ("PB") arrangements. This significantly reduces the Group's revenue sensitivity to individual asset classes and instruments. • The Financial risk management team runs stress scenarios on the residual portfolio, comprising a number of single and combined company-specific and market-wide events in order to assess potential financial and capital adequacy impacts to ensure the Group can withstand severe moves in the risk drivers it is exposed to. For further information see note 30 to the 2021 Annual Report and Financial Statements.
Operational risks	**Business change risk**	The risk that business change projects are ineffective, fail to deliver stated objectives, or result in resources being stretched to the detriment of business-as-usual activities.	• Governance process in place for all business change programmes with Executive and Board oversight and scrutiny. • Key users engaged in development and testing of all key change programmes. • Significant post-implementation support, monitoring and review procedures in place for all change programmes. • Strategic benefits and delivery of change agenda communicated to employees.

Principal Risk	Risk	Description	Management and mitigation
	Business continuity and disaster recovery risk	The risk that a business continuity event or system failure results in a reduced ability or inability to perform core business activities or processes.	• Multiple data centres and systems to ensure core business activities and processes are resilient to individual failures. • Dedicated alternate office sites for Tier 1 offices. Remote access systems to enable staff to work from home or other locations in the event of a disaster recovery or business continuity requirement. • Periodic testing of business continuity processes and disaster recovery. • Robust incident management processes and policies to ensure prompt response to significant systems failures or interruptions.
	Financial crime risk	The risk that the Group is not committed to combatting financial crime and ensuring that our platform and products are not used for the purpose of money laundering, sanctions evasion or terrorism financing.	Adherence with applicable laws and regulations regarding Anti-Money Laundering (“AML”), Counter Terrorism Financing (“CTF”), Sanctions and Anti-Bribery & Corruption is mandatory and fundamental to our AML/CTF framework. We have strict and transparent standards and we continuously strengthen our processes to ensure compliance with applicable laws and regulations. CMC Markets reserves the right to reject any client, payment, or business that is not consistent with our risk appetite. This risk is further mitigated by: • establishing and maintaining a risk-based approach towards assessing and managing the money laundering and terrorist financing risks to the Group; • establishing and maintaining risk-based know your customer (“KYC”) procedures, including enhanced due diligence (“EDD”) for those customers presenting higher risk, such as politically exposed persons (“PEPs”); • establishing and maintaining risk-based systems for surveillance and procedures to monitor ongoing customer activity; • procedures for reporting suspicious activity internally and to the relevant law enforcement authorities or regulators as appropriate; • maintenance of appropriate records for the minimum prescribed record keeping periods; • training and awareness for all employees; • provision of appropriate MI and reporting to senior management of the Group’s compliance with the requirements; and • oversight of Group entities for financial crime in line with the Group AML/CTF Oversight Framework.
	Information and data security risk	The risk of unauthorised access to, or external disclosure of, client or Company information, including those caused by cyber attacks.	• Dedicated information security and data protection expertise within the Group. • Technical and procedural controls implemented to minimise the occurrence or impact of information security and data protection breaches. • Access to information and systems only provided on a “need-to-know” and “least privilege” basis consistent with the user’s role and also requires the appropriate authorisation. • Regular system access reviews implemented across the business.

Principal Risk	Risk	Description	Management and mitigation
	Information technology and infrastructure risk	The risk of loss of technology services due to loss of data, system or data centre or failure of a third party to restore services in a timely manner.	• Continuous investment in increased functionality, capacity and responsiveness of systems and infrastructure, including investment in software that monitors and assists in the detection and prevention of cyber attacks. • Software design methodologies, project management and testing regimes to minimise implementation and operational risks. • Constant monitoring of systems performance and, in the event of any operational issues, changes to processes are implemented to mitigate future concerns. • Operation of resilient data centres to support each platform (two in the UK to support Next Generation and two in Australia to support Stockbroking). • Systems and data centres designed for high availability and data integrity enabling continuous service to clients in the event of individual component failure or larger system failures. • Dedicated Support and Infrastructure teams to manage key production systems. Segregation of duties between Development and Production Support teams where possible to limit development access to production systems.
	Legal (commercial / litigation) risks	The risk that disputes deteriorate into litigation.	• Compliance with legal and regulatory requirements including relevant codes of practice. • Early engagement with legal advisers and other risk managers. • Appropriately managed complaints which have a legal/litigious aspect. • An early assessment of the impact and implementation of changes in the law.
	Operations (processing) risks	The risk that the design or execution of business processes is inadequate or fails to deliver an expected level of service and protection to client or Company assets.	• Investment in system development and upgrades to improve process automation. • Enhanced staff training and oversight in key business processing areas. • Monitoring and robust analysis of errors and losses and underlying causes.
	Procurement and outsourcing risks	The risk that third-party organisations inadequately perform, or fail to provide or perform, the outsourced activities or contractual obligations to the standards required by the Group.	• Responsibility for procurement, vendor management and general outsourcing owned by the Chief Financial Officer under the Senior Manager and Certification Regime, with the accountability to ensure compliance to the Group procurement process and completion of key activities, based on the risk profile of the service required by the organisation. • Outsourcing only employed where there is a strategic gain in resource or experience, which is not available in house. • Due diligence performed on service supplier ahead of outsourcing being agreed. • Service level agreements in place and regular monitoring of performance undertaken.

Principal Risk	Risk	Description	Management and mitigation
	People risk	The risk of loss of key staff, having insufficient skilled and motivated resources available or failing to operate people-related processes to an appropriate standard.	• The Board has directed that the Group maintains active People, Succession and Resource Plans for the Group and all key individuals and teams, which will mitigate some of the risk of loss of key persons. It will adopt policies and strategies commensurate with its objectives of: - attracting and nurturing the best staff; - retaining and motivating key individuals; - managing employee-related risks; - achieving a high level of employee engagement; - developing personnel capabilities; - optimising continuous professional development; and - achieving a reputation as a good employer with an equitable remuneration policy.
	Regulatory and compliance risk	The risk of regulatory sanction or legal proceedings as a result of failure to comply with regulatory, statutory or fiduciary requirements or as a result of a defective transaction.	• Internal audit outsourced to an independent third-party professional services firm. • Effective compliance oversight and advisory/technical guidance provided to the business. • Comprehensive monitoring and surveillance programmes, policies and procedures designed by compliance. • Strong regulatory relations and regulatory horizon scanning, planning and implementation. • Controls for appointment and approval of staff holding a senior management or certified function and annual declarations to establish ongoing fitness and propriety. • Governance and reporting of regulatory risks through the Risk Management Committee, Group Audit Committee and Group Risk Committee. • Robust anti-money laundering controls, client due diligence and sanctions checking.
	Conduct risk	The risk that through our culture, behaviours or practices we fail to meet the reasonable expectations of our customers, shareholders or regulators.	• The Treating Customers Fairly ("TCF") and Conduct Committee is comprised of senior management and subject matter experts, it convenes regularly to evaluate and challenge the TCF MI alongside any emerging issues or incidents which could impact client fairness. It reports to the Board via the Risk Management Committee ("RMC") who are also charged with approving the TCF Policy.
	Client money segregation risk	The risk that the Group fails to implement adequate controls and processes to ensure that client money is segregated in accordance with applicable regulations.	• The Client Money Review Group ("CMRG"), which reports into the RMC, is a fundamental part of the Group's client money governance and oversight procedures. The CMRG is chaired by the Chief Financial Officer, an FCA-approved person, who is responsible for overseeing the controls and procedures in place to protect client money. • The Committee is comprised of senior management from across the Group who oversee functions which impact client money. The CMRG forms a key part of the oversight of client money in addition to compliance, internal audit and PricewaterhouseCoopers LLP as external auditors.

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

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

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

- the Group Financial Statements contained in the 2021 Annual Report and Financial Statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and results of the Group; and
- the Strategic Report contained in the 2021 Annual Report and Financial Statements includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that they face; and
- the 2021 Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy

The Directors' statement was approved by the Board of Directors on 9 June 2021 and signed on its behalf by:

Lord Cruddas
Chief Executive Officer

Euan Marshall
Chief Financial Officer

CMC Markets plc Board of Directors

Executive Directors
Lord Cruddas (Chief Executive Officer)
David Fineberg (Deputy Chief Executive Officer)
Euan Marshall (Chief Financial Officer)
Matthew Lewis (Head of Asia Pacific & Canada)

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

Consolidated income statement
For the year ended 31 March 2021

£'000	Note	Year ended 31 March 2021	Year ended 31 March 2020
Revenue		**461,308**	**294,727**
Interest income		746	3,345
Total revenue	3	**462,054**	**298,072**
Introducing partner commissions and betting levies		(52,288)	(46,067)
Net operating income	2	**409,766**	**252,005**
Operating expenses	4	(183,994)	(151,267)
Operating profit		**225,772**	**100,738**
Finance costs		(1,762)	(2,052)
Profit before taxation		**224,010**	**98,686**
Taxation	5	(45,903)	(11,749)
Profit for the year attributable to owners of the parent		**178,107**	**86,937**

Earnings per share

Basic earnings per share (p)	**6**	**61.5p**	**30.1p**
Diluted earnings per share (p)	6	61.2p	29.9p

Consolidated statement of comprehensive income
For the year ended 31 March 2021

£'000	Year ended 31 March 2021	Year ended 31 March 2020
Profit for the year	**178,107**	**86,937**
Other comprehensive income / (expense):		
Items that may be subsequently reclassified to income statement		
(Loss) / gain on net investment hedges net of tax	(2,007)	1,817
Currency translation differences	4,563	(3,828)
Changes in the fair value of debt instruments at fair value through other comprehensive income	(54)	4
Other comprehensive income / (expense) for the year	**2,502**	**(2,007)**
Total comprehensive income for the year attributable to owners of the parent	**180,609**	**84,930**

Consolidated statement of financial position

At 31 March 2021

Company registration number: 05145017

£'000	Note	31 March 2021	31 March 2020
ASSETS			
Non-current assets			
Intangible assets	8	10,330	4,588
Property, plant and equipment	9	26,105	28,138
Deferred tax assets		6,370	16,530
Trade and other receivables	10	1,800	2,269
Total non-current assets		**44,605**	**51,525**
Current assets			
Trade and other receivables	10	127,119	162,702
Derivative financial instruments		3,241	5,353
Current tax recoverable		1,749	848
Financial investments	11	28,104	25,445
Amounts due from brokers		253,895	134,276
Cash and cash equivalents	12	118,921	84,307
Total current assets		**533,029**	**412,931**
TOTAL ASSETS		**577,634**	**464,456**
LIABILITIES			
Current liabilities			
Trade and other payables	13	152,253	153,624
Derivative financial instruments		3,077	2,369
Borrowings		945	880
Lease liabilities	14	4,599	4,686
Provisions		1,889	548
Total current liabilities		**162,763**	**162,107**
Non-current liabilities			
Borrowings		194	751
Lease liabilities	14	10,727	14,587
Deferred tax liabilities		1,622	2,206
Provisions		1,811	1,926
Total non-current liabilities		**14,354**	**19,470**
TOTAL LIABILITIES		**177,117**	**181,577**
EQUITY			
Share capital		73,299	72,899
Share premium		46,236	46,236
Own shares held in trust		(382)	(433)
Other reserves		(49,334)	(51,836)
Retained earnings		330,698	216,013
Total equity		**400,517**	**282,879**
TOTAL EQUITY AND LIABILITIES		**577,634**	**464,456**

Consolidated statement of changes in equity

For the year ended 31 March 2021

£'000	Share capital	Share premium	Own shares held in trust	Other reserves	Retained earnings	Total Equity
At 1 April 2019	**72,892**	**46,236**	**(604)**	**(49,829)**	**137,006**	**205,701**
New shares issued	7	—	—	—	—	7
Profit for the year	—	—	—	—	86,937	86,937
Other comprehensive expense for the year	—	—	—	(2,007)	—	(2,007)
Acquisition of own shares held in trust	—	—	(32)	—	—	(32)
Utilisation of own shares held in trust	—	—	203	—	—	203
Share-based payments	—	—	—	—	2,130	2,130
Tax on share-based payments	—	—	—	—	141	141
Dividends	—	—	—	—	(10,201)	(10,201)
At 31 March 2020	**72,899**	**46,236**	**(433)**	**(51,836)**	**216,013**	**282,879**
New shares issued	400	—	—	—	—	400
Profit for the year	—	—	—	—	178,107	178,107
Other comprehensive expense for the year	—	—	—	2,502	—	2,502
Acquisition of own shares held in trust	—	—	(364)	—	—	(364)
Utilisation of own shares held in trust	—	—	415	—	—	415
Share-based payments	—	—	—	—	(2,458)	(2,458)
Tax on share-based payments	—	—	—	—	1,164	1,164
Dividends	—	—	—	—	(62,128)	(62,128)
At 31 March 2021	**73,299**	**46,236**	**(382)**	**(49,334)**	**330,698**	**400,517**

Consolidated statement of cash flows

For the year ended 31 March 2021

£'000	Note	Year ended 31 March 2021	Year ended 31 March 2020
Cash flows from operating activities			
Cash generated from operations	15	151,300	74,393
Interest income		1,784	3,178
Tax paid		(33,620)	(13,079)
Net cash generated from operating activities		**119,464**	**64,492**
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,162)	(2,645)
Investment in intangible assets		(8,028)	(1,628)
Purchase of financial investments		(28,933)	(14,446)
Proceeds from maturity of financial investments and coupon receipts		25,176	11,245
(Outflow) / inflow on net investment hedges		(1,761)	1,084
Net cash used in investing activities		**(17,708)**	**(6,390)**
Cash flows from financing activities			
Repayment of borrowings		(51,190)	(11,494)
Proceeds from borrowings		50,000	10,175
Principal elements of lease payments		(6,057)	(5,746)
Proceeds from issue of Ordinary Shares		80	–
Acquisition of own shares		(44)	(25)
Dividends paid		(62,128)	(10,201)
Finance costs		(1,749)	(2,052)
Net cash used in financing activities		**(71,088)**	**(19,343)**
Net increase in cash and cash equivalents		**30,668**	**38,759**
Cash and cash equivalents at the beginning of the year		84,307	48,729
Effect of foreign exchange rate changes		3,946	(3,181)
Cash and cash equivalents at the end of the year		**118,921**	**84,307**

1. Basis of preparation

Basis of accounting

The financial information set out herein does not constitute the Group's statutory accounts for the years ended 31 March 2021 and 2020, but is derived from those financial statements. The Annual Report and Financial Statements for the year ended 31 March 2020 have been delivered to the Registrar of Companies and those for the year ended 31 March 2021 will be delivered following the Company's Annual General Meeting to be held on 29 July 2021. The external auditor has reported on those financial statements; its reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

While the financial information included in this announcement has been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRSs"), IFRS Interpretations Committee ("IFRS IC") interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRSs, this announcement does not itself contain sufficient information to comply with IFRSs.

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

The Group's principal accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year. The financial statements presented are at and for the years ending 31 March 2021 and 31 March 2020. Financial annual years are referred to as 2021, and 2020 in the financial statements.

Changes in accounting policy

As described in Note 32 in the 2021 Annual Report and Financial Statements, the Group has a policy of holding all client monies off balance sheet. As it relates to the stockbroking business in Australia, the accounting treatment of monies deposited by clients in advance of trading has been open to interpretation with judgement required to determine whether risks and rewards are such that the amounts should be on an entity's statement of financial position. Previously, the Group determined that the amounts, and associated payables to clients, should be reflected on the statement of financial position. During the year, and in line with emerging and clarified industry practice, the Group has changed its accounting policy in this regard, concluding that the amounts should be de-recognised. This change in accounting policy has been applied retrospectively, leading to the restatement of the Consolidated statement of financial position as at 31 March 2020, whereby £23,561,000 has been derecognised from the Trade & Other Receivables and Trade & Other Payables balances.

Significant accounting judgements

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

Deferred taxes

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

Contingent liabilities

Judgement has been applied in evaluating the accounting treatment of the specific matters described in Note 35 in the 2021 Annual Report and Financial Statements, notably the probability of any obligation or future payments arising.

2. Segmental reporting

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

- CFD and Spread bet - UK and Ireland ("UK & IE");
- CFD - Europe
- CFD - Australia, New Zealand and Singapore ("APAC") and Canada; and
- Stockbroking - Australia

These segments are in line with the management information received by the chief operating decision maker ("CODM").

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

Year ended 31 March 2021	**CFD and Spread bet**			**Stockbroking**		
£'000	**UK & IE**	**Europe**	**APAC & Canada**	**Australia**	**Central**	**Total**
Segment revenue net of introducing partner commissions and betting levies	125,947	65,035	163,236	54,802	-	409,020
Interest income	(26)	-	533	239	-	746
Net operating income	**125,921**	**65,035**	**163,769**	**55,041**	**-**	**409,766**
Segment operating expenses	(19,909)	(6,574)	(21,950)	(10,039)	(125,522)	(183,994)
Segment contribution	**106,012**	**58,461**	**141,819**	**45,002**	**(125,522)**	**225,772**
Allocation of central operating expenses	(36,336)	(30,393)	(37,320)	(21,473)	125,522	-
Operating profit	**69,676**	**28,068**	**104,499**	**23,529**	**-**	**225,772**
Finance costs	(484)	(36)	(242)	(213)	(787)	(1,762)
Allocation of central finance costs	(331)	(134)	(322)	-	787	-
Profit before taxation	**68,861**	**27,898**	**103,935**	**23,316**	**-**	**224,010**

Year ended 31 March 2020	CFD and Spread bet			Stockbroking		
£'000	**UK & IE**	**Europe**	**APAC & Canada**	**Australia**	**Central**	**Total**
Segment revenue net of introducing partner commissions and betting levies	68,577	43,665	104,602	31,816	—	248,660
Interest income	1,631	2	1,499	213	—	3,345
Net operating income	**70,208**	**43,667**	**106,101**	**32,029**	**—**	**252,005**
Segment operating expenses	(15,375)	(9,763)	(15,970)	(6,711)	(103,448)	(151,267)
Segment contribution	**54,833**	**33,904**	**90,131**	**25,318**	**(103,448)**	**100,738**
Allocation of central operating expenses	(30,715)	(26,802)	(30,154)	(15,777)	103,448	—
Operating profit	**24,118**	**7,102**	**59,977**	**9,541**	**—**	**100,738**
Finance costs	(554)	(21)	(529)	(36)	(912)	(2,052)
Allocation of central finance costs	(401)	(168)	(343)	—	912	—
Profit before taxation	**23,163**	**6,913**	**59,105**	**9,505**	**—**	**98,686**

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

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

3. Total revenue

Revenue

£'000	Year ended 31 March 2021	Year ended 31 March 2020
CFD and spread bet	373,006	236,866
Stockbroking revenue from contracts with customers	83,310	55,516
Other revenue	4,992	2,345
Total	**461,308**	**294,727**

Interest income

£'000	Year ended 31 March 2021	Year ended 31 March 2020
Bank and broker interest	681	3,136
Interest on financial investments	43	167
Other interest income	22	42
Total	**746**	**3,345**

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

4. Operating expenses

£'000	Year ended 31 March 2021	Year ended 31 March 2020
Net staff costs	78,653	67,797
IT costs	26,162	21,497
Sales and marketing	30,399	18,065
Premises	3,794	3,108
Legal and Professional fees	7,234	5,161
Regulatory fees	5,002	5,150
Depreciation and amortisation	11,239	10,959
Irrecoverable sales tax	6,536	5,086
Other	15,017	14,477
	184,036	**151,300**
Capitalised internal software development costs	(42)	(33)
Operating expenses	**183,994**	**151,267**

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

5. Taxation

£'000	Year ended 31 March 2021	Year ended 31 March 2020
Analysis of charge for the year:		
Current tax		
Current tax on profit for the year	35,124	15,806
Adjustments in respect of previous years	(815)	(107)
Total current tax	**34,309**	**15,699**
Deferred tax		
Origination and reversal of temporary differences	11,508	(3,968)
Adjustments in respect of previous years	86	181
Impact of change in tax rate	—	(163)
Total deferred tax	**11,594**	**(3,950)**
Total tax	**45,903**	**11,749**

The standard rate of UK corporation tax charged was 19% with effect from 1 April 2017. Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions. The effective tax rate of 20.49% (year ended 31 March 2020: 11.91%) differs from the standard rate of UK corporation tax of 19% (year ended 31 March 2020: 19%). The differences are explained below:

£'000	Year ended 31 March 2021	Year ended 31 March 2020
Profit before taxation	**224,010**	**98,686**
Profit multiplied by the standard rate of corp. tax in the UK of 19% (31 March 2020: 19%)	42,562	18,750
Adjustment in respect of foreign tax rates	3,918	2,394
Adjustments in respect of previous years	(729)	74
Impact of change in tax rate	1	(163)
Expenses not deductible for tax purposes	415	303
Recognition of previously unrecognised tax losses	(678)	(10,162)
Other differences	414	553
Total tax	**45,903**	**11,749**

£'000	Year ended 31 March 2021	Year ended 31 March 2020
Tax on items recognised directly in Equity		
Tax credit on Share based payments	1,164	141

6. Earnings per share (EPS)

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

For diluted earnings per share, the weighted average number of Ordinary Shares in issue, excluding those held in employee share trusts, is adjusted to assume vesting of all dilutive potential weighted average Ordinary Shares and that vesting is satisfied by the issue of new Ordinary shares.

£'000	Year ended 31 March 2021	Year ended 31 March 2020
Earnings attributable to ordinary shareholders (£ '000)	**178,107**	**86,937**
Weighted average number of shares used in the calculation of basic earnings per share ('000)	289,677	288,632
Dilutive effect of share options ('000)	1,485	2,530
Weighted average number of shares used in the calculation of diluted earnings per share ('000)	**291,162**	**291,162**
Basic earnings per share (p)	**61.5p**	**30.1p**
Diluted earnings per share (p)	**61.2p**	**29.9p**

For the year ended 31 March 2021, 1,485,000 (Year ended 31 March 2020: 2,530,000) potentially dilutive weighted average Ordinary Shares in respect of share options in issue were included in the calculation of diluted EPS.

7. Dividends

£'000	Year ended 31 March 2021	Year ended 31 March 2020
Declared and paid in each year		
Final dividend for 2020 at 12.18p per share (2019: 0.68p)	35,393	1,965
Interim dividend for 2021 at 9.20p per share (2020: 2.85p)	26,735	8,236
Total	**62,128**	**10,201**

The final dividend for 2021 of 21.43 pence per share, amounting to £62,301,000, was proposed by the Board on 9 June 2021 and has not been included as a liability at 31 March 2021. The dividend will be paid on 9 September 2021, following approval at the Company's AGM, to those members on the register at the close of business on 6 August 2021.

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

pence	Year ended 31 March 2021	Year ended 31 March 2020
Declared per share		
Interim dividend	9.20p	2.85p
Final dividend	21.43p	12.18p
Total dividend	**30.63p**	**15.03p**

8. Intangible assets

£ '000	Goodwill	Computer software	Trademarks and trading licences	Client relationships	Assets under development	Total
At 31 March 2020						
Cost	11,500	121,085	1,409	2,684	1,054	137,732
Accumulated amortisation	(11,500)	(117,907)	(1,053)	(2,684)	—	(133,144)
Carrying amount at 31 March 2020	**—**	**3,178**	**356**	**—**	**1,054**	**4,588**
Additions	—	2,678	—	—	5,350	8,028
Transfers	—	275	—	—	(275)	—
Disposals	—	—	(57)	—	(33)	(90)
Research and development grant	—	(515)	—	—	—	(515)
Amortisation charge	—	(1,945)	(40)	—	—	(1,985)
Foreign currency translation	—	249	3	—	52	304
Carrying amount at 31 March 2021	—	**3,920**	**262**	**—**	**6,148**	**10,330**
At 31 March 2021						
Cost	11,500	125,995	1,397	2,995	6,148	148,035
Accumulated amortisation	(11,500)	(122,075)	(1,135)	(2,995)	—	(137,705)
Carrying amount	**—**	**3,920**	**262**	**—**	**6,148**	**10,330**

9. Property, plant and equipment

£ '000	Leasehold improvements	Furniture, fixtures and equipment	Computer hardware	RIght-of-use assets	Total
At 31 March 2020					
Cost	18,600	9,807	31,008	17,657	77,072
Accumulated amortisation	(12,156)	(8,523)	(24,166)	(4,089)	(48,934)
Carrying amount at 31 March 2020	**6,444**	**1,284**	**6,842**	**13,568**	**28,138**
Additions	—	58	4,805	1,707	6,570
Disposals	—	—	—	(324)	(324)
Depreciation charge	(1,796)	(554)	(2,756)	(4,148)	(9,254)
Foreign currency translation	232	73	123	547	975
Carrying amount at 31 March 2021	**4,880**	**861**	**9,014**	**11,350**	**26,105**
At 31 March 2021					
Cost	19,273	9,656	36,249	19,146	84,324
Accumulated amortisation	(14,393)	(8,795)	(27,235)	(7,796)	(58,219)
Carrying amount	**4,880**	**861**	**9,014**	**11,350**	**26,105**

10. Trade and other receivables

£'000	31 March 2021	31 March 2020
Current		
Gross trade receivables	9,103	10,840
Less: provision for impairment of trade receivables	(7,762)	(5,853)
Trade receivables	1,341	4,987
Prepayments and accrued income	9,799	8,045
Stockbroking debtors	99,035	134,552
Other debtors	16,944	15,118
	127,119	**162,702**
Non-current		
Other debtors	1,800	2,269
Total	**128,919**	**164,971**

Stockbroking debtors represent the amount receivable in respect of equity security transactions executed on behalf of clients with a corresponding balance included within trade and other payables (note 13). As described in note 32 in the 2021 Annual Report and Financial Statements, amounts as at 31 March 2020 have been restated to reflect a change in accounting policy.

As part of the transaction with ANZ bank, the Group has deposited AUD 25,000,000 (£13,780,000) in escrow, which is included in other debtors above.

11. Financial investments

£'000	31 March 2021	31 March 2020
UK Government securities:		
At 1 April	25,385	22,013
Purchase of securities	28,933	14,446
Maturity of securities and coupon receipts	(26,256)	(11,245)
Accrued interest	29	167
Changes in the fair value of debt instruments at fair value through other comprehensive income	(54)	4
At 31 March	**28,037**	**25,385**
Equity securities		
At 1 April	60	66
Foreign currency translation	7	(6)
At 31 March	**67**	**60**
Total	**28,104**	**25,445**
Split as:		
Non-current	—	—
Current	28,104	25,445
Total	**28,104**	**25,445**

12. Cash and cash equivalents

£'000	31 March 2021	31 March 2020
Gross cash and cash equivalents	668,304	424,077
Less: Client monies	(549,383)	(339,770)
Cash and cash equivalents	**118,921**	**84,307**
Analysed as:		
Cash at bank	118,921	84,307

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

13. Trade and other payables

£'000	31 March 2021	31 March 2020
Current		
Gross trade payables	580,062	348,442
Less: Client monies	(549,383)	(339,770)
Trade payables	30,679	8,672
Tax and social security	236	112
Stockbroking creditors	89,091	115,973
Other creditors, accruals and deferred income	32,247	28,867
	152,253	**153,624**
Non-current		
Deferred income	—	—
Total	**152,253**	**153,624**

Stockbroking creditors represent the amount payable in respect of equity security transactions executed on behalf of clients with a corresponding balance included within trade and other receivables (note 10). As described in note 32 in the 2021 Annual Report and Financial Statements, amounts as at 31 March 2020 have been restated to reflect a change in accounting policy.

14. Leases

The Group leases several assets including leasehold properties and computer hardware to meet its operational business requirements. The average lease term is 2 years.

The movements in lease liabilities during the year were as follows:

£'000	31 March 2021	31 March 2020
At 1 April	19,273	—
Lease liabilities recognised on adoption of IFRS 16 on 1 April 2019	—	24,433
Additions / modifications of new leases during the year	1,181	1,481
Interest expense	818	1,001
Lease payments made during the year	(6,875)	(6,747)
Foreign currency translation	929	(895)
At 31 March 2021	**15,326**	**19,273**

£'000	31 March 2021	31 March 2020
Analysis of lease liabilities		
Non-current	10,727	14,587
Current	4,599	4,686
Total	**15,326**	**19,273**

The lease payments for the year ended 31 March 2021 relating to short-term leases amounted to £748,000 (year ended 31 March 2020: £273,000).

15. Cash generated from operations

£'000	Year ended 31 March 2021	Year ended 31 March 2020
Cash flows from operating activities		
Profit before taxation	224,010	98,686
Adjustments for:		
Interest income	(746)	(3,345)
Finance costs	1,762	2,052
Depreciation	9,254	9,509
Amortisation of intangible assets	1,985	1,450
Research and development tax credit	(728)	(223)
Loss on disposal of property, plant and equipment	(109)	151
Other non-cash movements including exchange rate movements	(908)	666
Share-based payment	(2,045)	2,043
Changes in working capital		
Decrease / (Increase) in trade and other receivables	59,616	(43,550)
(Increase) / decrease in amounts due from brokers	(119,619)	(46,241)
(Decrease) / Increase in trade and other payables	(24,932)	56,578
Decrease / (Increase) in net derivative financial instruments	2,574	(3,669)
Increase in provisions	1,186	286
Cash generated from operations	**151,300**	**74,393**