cmc markets

17 November 2021

# CMC MARKETS PLC

Interim results for the half year ended 30 September 2021

**Reiterating FY guidance; core underlying business trending well above pre-pandemic levels**

| For the half year ended | 30 September 2021 | 30 September 2020 | Change | 30 September 2019 | Change |
|---|---|---|---|---|---|
| Net operating income (£ million) | 126.7 | 230.9 | (45%) | 102.3 | 24% |
| *Leveraged net trading revenue (£ million)* | *101.0* | *200.4* | *(50%)* | *85.1* | *19%* |
| *Non-leveraged net trading revenue (£ million)* | *24.2* | *26.3* | *(8%)* | *14.5* | *67%* |
| *Other income (£ million)* | *1.5* | *4.2* | *(63%)* | *2.7* | *(43%)* |
| Profit before tax (£ million) | 36.0 | 141.1 | (74%) | 30.1 | 20% |
| Basic earnings per share (pence) | 9.6 | 38.3 | (75%) | 9.5 | 1% |
| Dividend per share (pence) | 3.50 | 9.20 | (62%) | 2.85 | 23% |
| Leveraged gross client income (£ million) | 127.0 | 173.6 | (27%) | 103.5 | 23% |
| Leveraged client income retention | 80% | 115% | (35%) | 82% | (2%) |
| Leveraged active clients (numbers) | 53,834 | 59,082 | (9%) | 41,603 | 29% |
| Leveraged revenue per active client (£) | 1,877 | 3,392 | (45%) | 2,047 | (8%) |
| Non-leveraged active clients (numbers) | 185,847 | 168,270 | 10% | 118,468 | 57% |

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

## Key highlights

- H1 2022 leveraged net trading revenue at £101.0 million (H1 2021: £200.4 million) down 50% as a result of a decrease in market volatility resulting in lower client trading activity and client income retention reverting towards guided levels.
- Leveraged client income retention for the period at 80% with 53,834 active clients, down 9% versus H1 2021, and up 29% versus pre-pandemic H1 2020 levels. Total client money ("AUM") in the leveraged business stood at £557 million, a new period-end record high.
- H1 2022 non-leveraged net trading revenue was £24.2 million (H1 2021: £26.3 million) representing 19% of Group net operating income versus 11% in H1 2021. Underlying client numbers increased 10% versus H1 2021, now standing at 185,847 actives.
- H1 2022 net operating income was £126.7 million. FY 2022 net operating income guidance reiterated at £250-280 million.
- Operating costs for H1 2022, excluding variable remuneration, were £83.7 million (H1 2021: £79.1 million). The increase is primarily a result of the Group's continued investment in technology staff. Variable remuneration costs decreased to £6.0 million (H1 2021: £9.8 million).
- Announced the acquisition of approximately 500,000 Share Investing clients currently trading with CMC through our white label arrangement with Australia and New Zealand Banking Group Limited ("ANZ"). The clients bring total assets in excess of AUD$45 billion and the transaction is due to complete in the next 12-18 months.
- Regulatory total capital ratio of 20.0% and net available liquidity of £182.7 million.

- Interim dividend of 3.50 pence (H1 2021: 9.20 pence) with a total dividend for the year expected to be in line with policy at 50% of profit after tax.
- As announced on 15 November 2021, the Board intends to undertake an exploratory review to consider the viability of a managed separation of the Group's non-leveraged and leveraged businesses in the interests of maximising shareholder value.

**Lord Cruddas, Chief Executive Officer, commented:**

"I'm very pleased to see the business is operating well above pre-pandemic levels across all our business lines. This is testament to the resilience and quality of our platform and offering.

Encouragingly for the future, we closed our first half with client money ("AUM") in our leveraged business being maintained close to record highs. It was also encouraging to see active client numbers increase by 10% in our non-leveraged business in support of our diversification strategy. Our non-leveraged business continues to offer the greatest growth potential and now represents approximately 50% of our trading revenue in Australia and nearly 20% of Group net operating income. In line with our aim to diversify and grow our non-leveraged earnings we announced the acquisition of the ANZ Share Investing clients that, when completed over a 12-18 month period, will boost our non-leveraged business with approximately 500,000 clients with total assets in excess of AUD$45bn. We are on a fast track to diversification, using our existing platform technology to win B2B and B2C non-leveraged business. This will be further boosted with the launch of our new UK investment platform planned in the early part of the next financial year, which will offer both B2C and B2B potential.

In line with this strategy, we believe it is right for us to evaluate the viability of separating the businesses in order to unlock the significant value within the current Group structure. The Board is expected to start this review before year end and complete it by June 2022. We will update on progress in due course."

**Analyst and Investor Presentation**

A presentation will be held for equity analysts and investors today, 17 November 2021, at 10:30 a.m. (GMT).

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

https://webcasts.cmcmarkets.com/results/2022halfyear

Should you wish to ask a question, please dial into the presentation on +44 (0)20 3059 5869, and quote "CMC Markets plc H1 2022 Results Conference" when prompted.

**Forthcoming announcement dates**

| | |
|---|---|
| 20 January 2022 | Q3 2022 trading update |
| 8 April 2022 | FY 2022 pre-close update |

**Forward looking statements**

This trading update 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.

**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. CMC Markets 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"), financial spread bets (in the UK and Ireland only) and, in Australia, access stockbroking services. More information is available at http://www.cmcmarketsplc.com

**Leveraged business**

H1 2022 leveraged net trading revenue was £101.0 million (H1 2021: £200.4 million). The reduction is a result of a decrease in market volatility resulting in lower client trading activity throughout the period and lower client income retention. Client income retention for the period stood at 80%, broadly in line with target and is expected to continue to recover through the rest of the year. H1 2022 leveraged active clients are 9% lower compared to H1 2021, but monthly trading client numbers continue to remain close to record highs and importantly are still up 29% versus pre-pandemic H1 2020 levels.

Total AUM in the leveraged business stood at £557 million, a new period-end record high. The Group's strategic initiatives across the leveraged business remain unchanged. We continue to look at ways to grow the business through an increased product offering as well as investing in our institutional business.

**Non-leveraged business**

The Group's non-leveraged net trading revenue was £24.2 million for H1 2022 (H1 2021: £26.3 million). Underlying active client numbers are up 10% versus H1 2021, now standing at 185,847. Client non-leveraged Assets Under Administration ("AUA") reached a new record high at AU$74.8bn, up 30% versus H1 2021 and up 67% versus pre-pandemic H1 2020 levels. Our Australian business recently won the Finder award for best overall Share Trading Platform 2021 as well as winning the Canstar best platform for the 11th year running.

H1 2022 non-leveraged net trading revenue represented some 19% of total Group net operating income. As previously highlighted, this diversification of our earnings is core to our strategic vision to bring enhanced growth, longer client partnerships and reduced volatility in future earnings.

**ANZ Bank client acquisition**

During September 2021 CMC announced the acquisition of Australia and New Zealand Banking Group Limited's ("ANZ") Share Investing client base for a sum of AUD$25 million. The transaction involves the acquisition of approximately 500,000 ANZ Share Investing clients, with total assets in excess of AUD$45 billion. The AUD$25 million consideration will be funded from the Group's existing cash resources.

With this acquisition, the existing white label technology partnership, which has seen CMC's trading technology power ANZ's share investing business since 2018, will come to an end. The existing white label partnership generated £39.5 million in net trading revenue for CMC in FY 2021 and £16.7 million in H1 2022. The CMC platform will offer clients a wide range of additional benefits currently unavailable with ANZ. These include access to enhanced, market-leading mobile apps and complementary education tools and resources. Following transition, the legacy ANZ Share Investing clients will benefit from lower brokerage charges across four major international markets and the local Australian market, and will give CMC the opportunity to drive greater value from its enlarged client base.

The transaction further establishes CMC as a financial technology leader in the Australian market and removes the uncertainty around the finite term of the existing ANZ white label partnership. The transaction is expected to take 12 to 18 months to fully transition clients and is another significant step in the ongoing diversification of the Group's global business. These clients will continue to support multi-year growth in the region and remains core to our non-leveraged growth strategy.

**Operating expenses**

Operating costs for H1 2022, excluding variable remuneration, were £83.7 million (H1 2021: £79.1 million). As previously highlighted, this increase is primarily a result of the Group's continued investment in technology which has resulted in higher personnel costs. Offsetting this, marketing spend was lower over the period although is expected to increase in H2. Given the reduced performance of the Group, variable remuneration decreased to £6.0 million (H1 2021: £9.8 million).

**Marketing and client acquisition**

Reduced market volatility in the period resulted in lower client demand for our leveraged and non-leveraged products. This translated into fewer opportunities to acquire high value clients and, as a result, marketing spend during the period was 10% lower than H1 2021 alongside a reduction in the number of client applications. Marketing spend for H2 2022 is expected to increase to similar levels as spent in FY 2021.

**Regulatory change**

The Australian Securities and Investments Commission ("ASIC") announced new regulatory measures relating to CFDs 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 and our clients.

After the introduction of these new measures, regulatory conditions are now more harmonised globally and we can continue to focus on growing our business in an industry where regulatory arbitrage is reduced. These regulatory changes reduced the notional value of retail client trading in Australia. This, combined with lower market volatility, resulted in less active client trading than in the prior period, in line with our expectations and with that seen in the ESMA region in FY 2019.

**Strategic initiatives**

In June we announced our intention to launch a UK non-leveraged platform. This is an opportunity for CMC to use its industry leading platform and brand to build a significant new business line. It is becoming increasingly apparent that mobile digital delivery will dominate the next generation of investment platforms. For CMC, diversifying our business from a primarily leveraged CFD provider to also include provision of non-leveraged wealth management platforms is a natural evolution. Our 30-year history has already allowed us to build a world class technology-based trading platform. We already own the core building blocks to facilitate this transition through our prime broking relationships and strong relationships with regulators and other stakeholders and are proud to already offer our clients a resilient and dependable platform with first-class user experience. The UK has already seen dramatic growth in direct to customer ("D2C") investment platform AUA over recent years, with data suggesting that the UK's D2C platform AUA currently stands at just below £300 billion and has been growing at 16 % p.a. since 2008.

**Institutional ("B2B")**

Looking at the growth of our Australian non-leveraged business over the past decade, it has been built on B2B partnerships. We now have some 160 B2B partners across the region. We ultimately see a similar opportunity for us to utilise the same strategy in the UK non-leveraged business. On the leveraged side, we continue to pursue leveraged institutional and B2C opportunities and our institutional offering continues to provide great growth potential for both business lines.

**Dividend**

The Group is maintaining its dividend policy at 50% of profit after tax. The Board has declared an interim dividend of 3.50 pence per share (2021: 9.20 pence per share), with a view to paying a final dividend in line with the Group's policy. The interim dividend will be paid on 20 December 2021 to those members on the register at the close of business on 26 November 2021.

**Outlook**

CMC reiterates its prior guidance and expects FY 2022 net operating income to be between £250-280 million. We continue to expect 2022 operating expenses excluding variable remuneration to be moderately higher year-on-year, with H2 2022 operating expenses excluding variable remuneration to be circa 6% higher than H1 2022 due to an expected pickup in marketing spend.

The Group continues to invest in technology and people in both the leveraged and non-leveraged businesses that present significant opportunities to deliver long-term value for shareholders.

## OPERATING REVIEW

### Summary

Net operating income decreased by £104.2 million (45%) to £126.7 million, with a decrease in market volatility resulting in lower client trading activity and lower client income retention throughout the period. This lower volatility and trading activity impacted both the leveraged and non-leveraged businesses.

Leveraged net trading revenue decreased by £99.4 million (50%) driven by decreases in both gross client income and client income retention. The decrease in gross client income was a result of the significant volatility in the market in H1 2021 resulting in exceptionally high client trading activity, with H1 2022 returning to more normalised levels. Client income retention was lower during the period at 80% (H1 2021: 115%) as a result of a change in the mix of asset classes traded by clients and lower natural hedging of flow within indices. This resulted in revenue per active client ("RPC") decreasing by £1,515 (45%) to £1,877.

Leveraged active client numbers decreased by 9% in comparison to H1 2021, however monthly active clients remain significantly above pre-COVID-19 levels, demonstrating the structural shift in the Group's client base.

Non-leveraged net trading revenue was 8% lower at £24.2 million (H1 2021: £26.3 million), with decreased client trading activity during the less volatile market environment offset by an active client base which was 10% larger than H1 2021 and 57% higher than H1 2020.

Statutory profit before tax decreased by £105.1 million (74%) to £36.0 million as a result of the decrease in net operating income, combined with increased operating expenses as the Group continues to invest in technology. Profit before tax margin[1] decreased by 32.7% from 61.1% to 28.4%.

### Net operating income overview

| For the half year ended<br>£ million | 30 September 2021 | 30 September 2020 | Change | Change % |
|---|---|---|---|---|
| Leveraged net trading revenue | 101.0 | 200.4 | (99.4) | (50%) |
| Non-leveraged net trading revenue | 24.2 | 26.3 | (2.1) | (8%) |
| **Net trading revenue[2]** | **125.2** | **226.7** | **(101.5)** | **(45%)** |
| Interest income | 0.3 | 0.5 | (0.2) | (27%) |
| Other operating income | 1.2 | 3.7 | (2.5) | (67%) |
| **Net operating income** | **126.7** | **230.9** | **(104.2)** | **(45%)** |

### B2B and B2C net trading revenue

| For the half year ended | 30 September 2021 | | | 30 September 2020 | | | Change | | |
|---|---|---|---|---|---|---|---|---|---|
| £ million | B2C[3] | B2B[4] | Total | B2C | B2B | Total | B2C | B2B | Total |
| Leveraged net trading revenue | 85.0 | 16.0 | 101.0 | 183.0 | 17.4 | 200.4 | (54%) | (8%) | (50%) |
| Non-leveraged net trading revenue | 4.9 | 19.3 | 24.2 | 4.8 | 21.5 | 26.3 | 1% | (10%) | (8%) |
| **Net trading revenue** | **89.9** | **35.3** | **125.2** | **187.8** | **38.9** | **226.7** | **(52%)** | **(9%)** | **(45%)** |

[1] Statutory profit before tax as a percentage of net operating income
[2] CFD and spread bet gross client income net of rebates, levies and risk management gains or losses and stockbroking revenue net of rebates
[3] Business to Consumer ("B2C") – revenue from retail and professional clients
[4] Business to Business ("B2B") – revenue from institutional clients

## Regional performance overview: Leveraged

| For the half year ended | 30 September 2021 | | | | 30 September 2020 | | | | Change | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Net trading revenue (£m) | Gross client income [1] (£m) | Active Clients | RPC (£) | Net trading revenue (£m) | Gross client income [1] (£m) | Active Clients | RPC (£) | Net trading revenue | Gross client income[1] | Active Clients | RPC |
| UK | 34.5 | 47.6 | 13,590 | 2,543 | 66.4 | 63.3 | 14,871 | 4,468 | (48%) | (25%) | (9%) | (43%) |
| Europe | 18.6 | 20.6 | 13,664 | 1,359 | 38.7 | 28.3 | 17,191 | 2,252 | (52%) | (27%) | (21%) | (40%) |
| UK & Europe | 53.1 | 68.2 | 27,254 | 1,946 | 105.1 | 91.6 | 32,062 | 3,280 | (50%) | (26%) | (15%) | (41%) |
| APAC & Canada | 47.9 | 58.8 | 26,580 | 1,802 | 95.3 | 82.0 | 27,020 | 3,525 | (50%) | (28%) | (2%) | (49%) |
| **Total** | **101.0** | **127.0** | **53,834** | **1,877** | **200.4** | **173.6** | **59,082** | **3,392** | **(50%)** | **(27%)** | **(9%)** | **(45%)** |

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

Given the exceptional volatility in the prior period, all regions saw decreases in revenue per active client, driven by lower gross client income in all regions and reduced client income retention across the Group. Active client figures also reduced in all regions, primarily a result of the lower volatility presenting fewer opportunities for clients to trade.

### UK

Active clients decreased by 9% to 13,590 (H1 2021: 14,871), as a result of a reduction in market volatility, however they remained significantly above pre-COVID-19 levels (H1 2020: 9,259). Gross client income decreased by 25% to £47.6 million (H1 2021: £63.3 million) driven by lower active clients in addition to a reduction in trading activity compared to prior year.

Revenue per active client decreased by 43% to £2,543 (H1 2021: £4,468) due to lower gross client income and a reduction in client income retention leading to lower net trading revenue.

### Europe

Europe comprises offices in Austria, Germany, Norway, Poland and Spain. Active client numbers were 21% lower than prior year, with gross client income decreasing by 27% to £20.6 million as a result.

Revenue per active client also decreased by 40% to £1,359 (H1 2021: £2,252) due to lower gross client income and a reduction in client income retention leading to lower net trading revenue.

### APAC and Canada

Our APAC and Canada business services clients from our Sydney, Auckland, Singapore, Toronto and Shanghai offices along with other regions where we have no physical presence.

Active client numbers decreased by 2% to 26,580 (H1 2021: 27,020), driven by the Australia office, which was impacted both by new regulation and lower market volatility. Gross client income decreased by 28% to £58.8 million (H1 2021: £82.0 million), with regulatory changes implemented by the Australian Securities and Investments Commission ("ASIC") reducing the notional value of retail client trading, combined with lower market volatility, resulting in less active client trading than in the prior period.

### Non-leveraged

*Net trading revenue*

| For the half year ended<br>£ million | 30 September 2021 | 30 September 2020 | Change | Change % |
|---|---|---|---|---|
| B2B net trading revenue | 19.3 | 21.5 | (2.2) | (10%) |
| B2C net trading revenue | 4.9 | 4.8 | 0.1 | 1% |
| **Net trading revenue** | **24.2** | **26.3** | **(2.1)** | **(8%)** |

*Active clients*

| For the half year ended | 30 September 2021 | 30 September 2020 | Change % |
|---|---|---|---|
| B2C active clients | 41,590 | 32,225 | 29% |
| B2B active clients | 144,257 | 136,045 | 6% |
| **Total non-leveraged active clients** | **185,847** | **168,270** | **10%** |

The non-leveraged business continued to display growth in active clients, with a 10% increase compared to H1 2021. Despite the increase in active clients, net trading revenue decreased 8% to £24.2 million, driven by subdued market volatility resulting in fewer opportunities for clients to trade.

**Operating expenses**

| For the half year ended £m | 30 September 2021 | 30 September 2020 | Change % |
|---|---|---|---|
| Net staff costs – fixed (excluding variable remuneration) | 34.1 | 28.8 | (18%) |
| IT costs | 14.2 | 12.7 | (12%) |
| Marketing costs | 10.8 | 12.0 | 10% |
| Sales-related costs | 0.9 | 2.8 | 68% |
| Premises costs | 1.8 | 1.7 | (2%) |
| Legal and professional fees | 4.7 | 3.3 | (40%) |
| Regulatory fees | 3.2 | 2.6 | (23%) |
| Depreciation and amortisation | 6.4 | 5.5 | (17%) |
| Irrecoverable sales tax | 1.0 | 3.3 | 71% |
| Other | 6.6 | 6.4 | (7%) |
| **Operating expenses excluding variable remuneration** | **83.7** | **79.1** | **(6%)** |
| Variable remuneration | 6.0 | 9.8 | 39% |
| **Operating expenses including variable remuneration** | **89.7** | **88.9** | **(1%)** |
| Interest | 1.0 | 0.9 | (11%) |
| **Total costs** | **90.7** | **89.8** | **(1%)** |

Operating expenses excluding variable remuneration increased by £4.6 million (6%) to £83.7 million. This was driven by an increase in staff costs (£5.3 million) driven by significant investment in technology, trading and product staff over the period and increased IT costs (£1.5 million) as a result of higher market data charges and investments in strategic projects.

Irrecoverable sales taxes decreased by £2.3 million (71%) due to a one-off recovery and ongoing lower irrecoverable VAT in the UK. Sales-related costs decreased by £1.9m (68%) driven primarily by release of provisions in H1 2022 that initially arose in H1 2021, and marketing costs decreased by £1.2m (10%) as there were fewer opportunities for targeted marketing in the period due to the lower market volatility.

Variable remuneration decreased to £6.0 million (H1 2021: £9.8 million), due to the strong operating performance in H1 2022, with costs returning to more normalised levels in line with company performance.

## Taxation

The effective tax rate for H1 2022 was 22.7%, up from the H1 2021 effective tax rate, which was 21.5%. The effective tax rate has increased in the period due to a higher proportion of Group PBT being generated in Australia, where the corporation tax rate is higher, and the prior period benefiting from the utilisation of deferred tax credits.

## Balance sheet and own funds

Intangible assets increased by £15.6 million to £25.9 million (31 March 2021: £10.3 million) as a result of the transaction with Australia and New Zealand Banking Group Limited ("ANZ") to transition approximately 500,000 of ANZ's Share Investing clients to CMC (AUD$25m) and the capitalisation of staff costs related to technology projects.

Amounts due from brokers decreased by £73.0 million to £180.9 million due to a decrease in initial margin at brokers. Other assets increased due to cryptocurrency holdings being reported under this new category. The Group held an immaterial balance of cryptocurrencies as at FY 2021, which were reported within amounts due from brokers.

Cash and cash equivalents increased during the period, with a cash outflow for the prior year final dividend of £62.4m being offset by lower IM at brokers in the period, along with cash inflows from the Group's operating performance, resulting in a £12.7 million increase.

Title transfer funds increased by £11.2m, reflecting the ongoing high levels of account funding by a small population of mainly institutional clients.

Own funds decreased by £36.2 million to £334.2 million (31 March 2021: £370.4 million) during the six month period with the decrease largely due to the payment of the final FY21 dividend.

## Principal risks and uncertainties

Details of the Group's approach to risk management and its principal risks and uncertainties were set out on pages 37 to 45 of the 2021 Group Annual Report and Financial Statements (available on the Group website https://www.cmcmarketsplc.com). During the six months to 30 September 2021 and up to the date of approval of the interim financial statements, there have been no significant changes to the Group's risk management framework. The Group categorises its principal risks into three categories: business and strategic risks; financial risks; and operational risks. The Group's top and emerging risks, which form either a subset of one or multiple principal risks within the three principal risk categories, and continue to be at the forefront of Group discussions, are regulatory change across the Group, the Group's approach to the UK's exit from the European Union and the development and release of a UK non-leveraged platform.

## RESPONSIBILITY STATEMENT

The directors listed below (being all the directors of CMC Markets plc) confirm that to the best of our knowledge, these condensed consolidated interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- the interim management report includes a fair review of the important events that have occurred during the first six months of the financial year and their impact on the consolidated interim financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months of the financial year and any material changes in the related-party transactions described in the last annual report.

Neither the Group nor the directors accept any liability to any person in relation to the interim results for the half year ended 30 September 2021, except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with Section 90A and Schedule 10A of the Financial Services and Markets Act 2000.

By order of the board of directors

**Lord Cruddas**
**Chief Executive Officer**

17 November 2021

**CMC Markets plc Board of Directors**

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

**Non-Executive Directors**
James Richards (Chairman)
Sarah Ing
Clare Salmon
Paul Wainscott

## CONSOLIDATED INTERIM INCOME STATEMENT

For the half year ended 30 September 2021

| £ '000 | Note | 30 September 2021 | 30 September 2020 |
|---|---|---|---|
| **Revenue** | **3** | **148,767** | **255,622** |
| Interest income | | 348 | 478 |
| **Total revenue** | | **149,115** | **256,100** |
| Introducing partner commissions and betting levies | | (22,377) | (25,235) |
| **Net operating income** | 2 | **126,738** | **230,865** |
| Operating expenses | 4 | (89,667) | (88,859) |
| Net impairment losses on financial assets | | (21) | - |
| **Operating profit** | | **37,050** | **142,006** |
| Finance costs | | (1,002) | (900) |
| **Profit before taxation** | | **36,048** | **141,106** |
| Taxation | 5 | (8,173) | (30,315) |
| **Profit for the period attributable to owners of the parent** | | **27,875** | **110,791** |

### Earnings per share

| | | | |
|---|---|---|---|
| **Basic earnings per share (p)** | **6** | **9.6p** | **38.3p** |
| Diluted earnings per share (p) | 6 | 9.6p | 38.1p |

## CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the half year ended 30 September 2021

| **£ '000** | **30 September 2021** | **30 September 2020** |
|---|---|---|
| **Profit for the period** | **27,875** | **110,791** |
| *Other comprehensive income/(expense):* | | |
| **Items that may be subsequently reclassified to income statement** | | |
| Gain/(loss) on net investment hedges | 1,179 | (2,572) |
| Currency translation differences | (1,810) | 6,777 |
| Changes in the fair value of debt instruments at fair value through other comprehensive income | (5) | (32) |
| **Other comprehensive (expense)/income for the period** | **(636)** | **4,173** |
| **Total comprehensive income for the period** | **27,239** | **114,964** |

## CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
At 30 September 2021

| £ '000 | Note | 30 September 2021 | 31 March 2021 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 8 | 25,903 | 10,330 |
| Property, plant and equipment | 9 | 26,560 | 26,105 |
| Deferred tax assets | | 5,318 | 6,370 |
| Trade and other receivables | 10 | 1,775 | 1,800 |
| **Total non-current assets** | | **59,556** | **44,605** |
| **Current assets** | | | |
| Trade and other receivables | 10 | 128,567 | 127,119 |
| Derivative financial instruments | | 2,820 | 3,241 |
| Current tax recoverable | | 2,242 | 1,749 |
| Other assets | 11 | 35,544 | - |
| Financial investments | 12 | 28,103 | 28,104 |
| Amounts due from brokers | | 180,919 | 253,895 |
| Cash and cash equivalents | 13 | 131,619 | 118,921 |
| **Total current assets** | | **509,814** | **533,029** |
| **TOTAL ASSETS** | | **569,370** | **577,634** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 14 | 181,647 | 152,253 |
| Derivative financial instruments | | 2,919 | 3,077 |
| Borrowings | | 194 | 945 |
| Lease liabilities | 15 | 4,869 | 4,599 |
| Provisions | | 885 | 1,889 |
| **Total current liabilities** | | **190,514** | **162,763** |
| **Non-current liabilities** | | | |
| Borrowings | | - | 194 |
| Lease liabilities | 15 | 10,653 | 10,727 |
| Deferred tax liabilities | | 1,446 | 1,622 |
| Provisions | | 1,627 | 1,811 |
| **Total non-current liabilities** | | **13,726** | **14,354** |
| **TOTAL LIABILITIES** | | **204,240** | **177,117** |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | | 73,474 | 73,299 |
| Share premium | | 46,236 | 46,236 |
| Own shares held in trust | | (441) | (382) |
| Other reserves | | (49,970) | (49,334) |
| Retained earnings | | 295,831 | 330,698 |
| **Total equity** | | **365,130** | **400,517** |
| **TOTAL EQUITY AND LIABILITIES** | | **569,370** | **577,634** |

**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**
For the half year ended 30 September 2021

| £ '000 | Note | Share capital | Share premium | Own shares held in trust | Other reserves | Retained earnings | Total Equity |
|---|---|---|---|---|---|---|---|
| **At 31 March 2020** | | **72,899** | **46,236** | **(433)** | **(51,836)** | **216,013** | **282,879** |
| New shares issued | | 400 | - | - | - | - | 400 |
| Profit for the period | | - | - | - | - | 110,791 | 110,791 |
| Other comprehensive income for the period | | - | - | - | 4,173 | - | 4,173 |
| Acquisition of own shares held in trusts | | - | - | (319) | - | - | (319) |
| Utilisation of own shares held in trust | | - | - | 370 | - | - | 370 |
| Share-based payments | | - | - | - | - | (3,114) | (3,114) |
| Tax on share-based payments | 5 | - | - | - | - | 790 | 790 |
| Dividends | 7 | - | - | - | - | (35,393) | (35,393) |
| **At 30 September 2020** | | **73,299** | **46,236** | **(382)** | **(47,663)** | **289,087** | **360,577** |
| | | | | | | | |
| **At 31 March 2021** | | **73,299** | **46,236** | **(382)** | **(49,334)** | **330,698** | **400,517** |
| New shares issued | | 175 | - | - | - | - | 175 |
| Profit for the period | | - | - | - | - | 27,875 | 27,875 |
| Other comprehensive expense for the period | | - | - | - | (636) | - | (636) |
| Acquisition of own shares held in trusts | | - | - | (277) | - | - | (277) |
| Utilisation of own shares held in trust | | - | - | 218 | - | - | 218 |
| Share-based payments | | - | - | - | - | (1,107) | (1,107) |
| Tax on share-based payments | 5 | - | - | - | - | 779 | 779 |
| Dividends | 7 | - | - | - | - | (62,414) | (62,414) |
| **At 30 September 2021** | | **73,474** | **46,236** | **(441)** | **(49,970)** | **295,831** | **365,130** |

## CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the half year ended 30 September 2021

| £ '000 | Note | 30 September 2021 | 30 September 2020 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 16 | 105,515 | 123,236 |
| Interest income | | 875 | 921 |
| Tax paid | | (7,051) | (13,640) |
| **Net cash generated from operating activities** | | **99,339** | **110,517** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (2,340) | (2,041) |
| Investment in intangible assets | | (16,910) | (4,389) |
| Purchase of financial investments | | (14,805) | (14,873) |
| Proceeds from maturity of financial investments | | 14,255 | 14,345 |
| Inflow/(Outflow) on net investment hedges | | 1,361 | (1,817) |
| **Net cash used in investing activities** | | **(18,439)** | **(8,775)** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 9,999 | - |
| Repayment of borrowings | | (10,944) | (1,108) |
| Principal elements of lease payments | | (3,038) | (3,093) |
| Proceeds from issue of Ordinary Shares | | - | 81 |
| Acquisition of own shares | | (102) | - |
| Dividends paid | | (62,414) | (35,393) |
| Finance costs | | (985) | (898) |
| **Net cash used in financing activities** | | **(67,484)** | **(40,411)** |
| **Net increase in cash and cash equivalents** | | **13,416** | **61,331** |
| Cash and cash equivalents at the beginning of the period | | 118,921 | 84,307 |
| Effect of foreign exchange rate changes | | (718) | 4,454 |
| **Cash and cash equivalents at the end of the period** | | **131,619** | **150,092** |

## 1. Basis of preparation

**Basis of accounting and accounting policies**

The condensed consolidated interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. The condensed consolidated interim financial statements do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Within the notes to the condensed consolidated interim financial statements, all current and comparative data covering periods to (or as at) 30 September is unaudited.

The Group's statutory financial statements for the year ended 31 March 2021 have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. These financial statements have been delivered to the Registrar of Companies. The auditors' opinion on those financial statements was unqualified and did not contain a statement made under Section 498 of the Companies Act 2006. The 31 March 2021 balances presented in these condensed consolidated interim financial statements are from those financial statements and are audited.

The accounting policies applied in these condensed consolidated interim financial statements are consistent with those applied in the Group's statutory financial statements for the year ended 31 March 2021, except for the change in accounting policy related to cryptocurrency assets explained below. The condensed consolidated interim financial statements should be read in conjunction with the statutory financial statements for the year ended 31 March 2021. In the year ending 31 March 2022 the consolidated financial statements of the Group will be prepared in accordance with IFRS as adopted by the UK Endorsement Board. This change in basis of preparation is required by UK company law for the purpose of financial reporting as a result of the UK's exit from the EU on 31 January 2020 and the cessation of the transition period on 31 December 2020. This change does not constitute a change in accounting policy but rather a change in accounting framework. There is no impact on recognition, measurement or disclosure between the two frameworks in the period reported.

The condensed consolidated interim financial statements have been prepared 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.

**Accounting policy – Other assets**

Other assets represent cryptocurrencies controlled by the Group. The Group offers various cryptocurrency-related products that can be traded on its platform. The Group purchases and sells cryptocurrencies as part of its hedging activity.

The Group holds cryptocurrency assets for trading in the ordinary course of its business, effectively acting as a commodity broker-dealer in respect of the underlying cryptocurrency assets. In the prior period cryptocurrency assets were disclosed within Amount due from brokers (31 March 2021: £1,520,000). The assets will continue to be measured at fair value less cost to sell with changes in valuation being recorded within revenue in the income statement in the period in which they arise. Cryptocurrency assets are not financial instruments, and they are categorised as non-financial assets.

Cryptocurrency assets continue to be held at fair value through profit and loss therefore this accounting policy impacts classification only. Other assets amount to £35,544,000 and are presented as a separate line in the consolidated statement of financial position.

There is no further impact for the half year ended 30 September 2021 and for the year ended 31 March 2021.

**Future accounting developments**

The Group did not implement the requirements of any Standards or Interpretations that were in issue but were not required to be adopted by the Group at the half year. No other Standards or Interpretations have been issued that are expected to have an impact on the Group's financial statements.

There is no material impact expected of reference rate reform for the half year ended 30 September 2021 and will not lead to a remeasurement gain or loss.

**Significant accounting judgements and estimates**

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

***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 20 (Contingent Liabilities), notably the probability of any obligation or future payments arising.

### *Accounting for cryptocurrencies*

The Group has recognised £35,544,000 (31 March 2021: £1,520,000 in ''Amounts due from brokers'') of cryptocurrency assets and rights to cryptocurrency assets on its Statement of Financial Position as at 30 September 2021. These assets are used for hedging purposes and held for sale in the ordinary course of business. A judgement has been made to apply the measurement principles of IFRS 13 Fair value measurement in accounting for these assets. The assets are presented as 'other assets' on the Consolidated Statement of Financial Position. The measurement and disclosure of cryptocurrency assets is considered to be a significant accounting judgement.

### *Intangible assets*

The Group has recognised £13,317,000 of intangible assets under development on its Statement of Financial Position as at 30 September 2021. These assets relate to the transaction with Australia and New Zealand Banking Group Limited ("ANZ") to transition its portfolio of Share Investing clients to CMC for AUD$25m. A judgement has been made to apply the measurement principles of IAS 38 Intangibles in accounting for these assets.

No significant estimates were used in the preparation of the condensed consolidated interim financial statements.

### Going concern

The Group has considerable financial resources, a broad range of products and a geographically diversified business. Consequently, the Directors believe that the Group is well placed to manage its business risks in the context of the current economic outlook. Accordingly, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. They therefore continue to adopt the going concern basis in preparing these condensed consolidated interim financial statements.

### Seasonality of operations

The Directors consider that, given the impact of market volatility, and the growth in overseas business, there is no predictable seasonality to the Group's operations.

## 2. Segmental reporting

The Group's principal business is providing leveraged online retail financial services 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; spread bets only 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:

- Leveraged - CFD and Spreadbet - UK and Ireland ("UK & IE");
- Leveraged - CFD - Europe;
- Leveraged - CFD - Australia, New Zealand and Singapore ("APAC") and Canada; and
- Non-leveraged - 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.

| 30 September 2021<br>£ '000 | Leveraged<br>UK & IE | <br>Europe | <br>APAC & Canada | Non-leveraged<br>Australia | <br>Central | <br>Total |
|---|---|---|---|---|---|---|
| Segment revenue net of Introducing partner commissions and betting levies | 35,117 | 18,622 | 48,393 | 24,258 | - | 126,390 |
| Interest income/(expense) | (253) | (1) | 156 | 446 | - | 348 |
| **Net operating income** | **34,864** | **18,621** | **48,549** | **24,704** | **-** | **126,738** |
| Segment operating expenses | (8,680) | (2,957) | (11,939) | (5,756) | (60,356) | (89,688) |
| **Segment contribution** | **26,184** | **15,664** | **36,610** | **18,948** | **(60,356)** | **37,050** |
| Allocation of central operating expenses | (17,328) | (14,737) | (18,397) | (9,894) | 60,356 | - |
| **Operating profit** | **8,856** | **927** | **18,213** | **9,054** | **-** | **37,050** |
| Finance costs | (250) | (14) | (103) | (87) | (548) | (1,002) |
| Allocation of central finance costs | (237) | (106) | (205) | - | 548 | - |
| **Profit before taxation** | **8,369** | **807** | **17,905** | **8,967** | **-** | **36,048** |

| 30 September 2020<br>£ '000 | Leveraged<br>UK & IE | <br>Europe | <br>APAC & Canada | Non-leveraged<br>Australia | <br>Central | <br>Total |
|---|---|---|---|---|---|---|
| Segment revenue net of Introducing partner commissions and betting levies | 69,506 | 38,796 | 95,733 | 26,352 | - | 230,387 |
| Interest income | 89 | - | 320 | 69 | - | 478 |
| **Net operating income** | **69,595** | **38,796** | **96,053** | **26,421** | **-** | **230,865** |
| Segment operating expenses | (9,970) | (2,924) | (9,565) | (5,253) | (61,147) | (88,859) |
| **Segment contribution** | **59,625** | **35,872** | **86,488** | **21,168** | **(61,147)** | **142,006** |
| Allocation of central operating expenses | (17,907) | (15,732) | (17,483) | (10,025) | 61,147 | - |
| **Operating profit** | **41,718** | **20,140** | **69,005** | **11,143** | **-** | **142,006** |
| Finance costs | (261) | (17) | (119) | (111) | (392) | (900) |
| Allocation of central finance costs | (153) | (67) | (172) | - | 392 | - |
| **Profit before taxation** | **41,304** | **20,056** | **68,714** | **11,032** | **-** | **141,106** |

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 period before finance costs, taxation and an allocation of central operating expenses.

The measurement of segment assets for segmental analysis is consistent with that in the balance sheet. The total non-current assets other than deferred tax assets, broken down by location of the assets, is shown below.

| £ '000 | 30 September 2021 | 31 March 2021 |
|---|---|---|
| UK | 26,638 | 22,662 |
| Australia | 24,953 | 12,693 |
| Other countries | 2,647 | 2,880 |
| **Total non-current assets** | **54,238** | **38,235** |

## 3. Revenue

| £ '000 | 30 September 2021 | 30 September 2020 |
|---|---|---|
| Leveraged | 110,035 | 211,791 |
| Non-leveraged | 37,540 | 40,195 |
| Other | 1,192 | 3,636 |
| **Revenue** | **148,767** | **255,622** |

Leveraged revenue represents CFD and Spread bet revenue. Non leveraged revenue represents Stockbroking revenue.

## 4. Operating Expenses

| £ '000 | 30 September 2021 | 30 September 2020 |
|---|---|---|
| Net staff costs | 40,081 | 38,559 |
| IT costs | 14,156 | 12,676 |
| Sales and marketing | 11,653 | 14,799 |
| Premises | 1,754 | 1,727 |
| Legal and Professional fees | 4,654 | 3,325 |
| Regulatory fees | 3,240 | 2,645 |
| Depreciation and amortisation | 6,429 | 5,493 |
| Irrecoverable sales tax | 970 | 3,337 |
| Other | 6,730 | 6,298 |
| **Operating expenses** | **89,667** | **88,859** |

## 5. Taxation

| £ '000 | 30 September 2021 | 30 September 2020 |
|---|---|---|
| **Analysis of charge for the period:** | | |
| *Current tax* | | |
| Current tax on profit for the period | 7,462 | 21,122 |
| Adjustments in respect of previous periods | - | (116) |
| **Total current tax** | **7,462** | **21,006** |
| *Deferred tax* | | |
| Origination and reversal of temporary differences | 1,049 | 9,311 |
| Adjustments in respect of prior periods | (338) | (2) |
| Impact of change in tax rate | - | - |
| **Total deferred tax** | **711** | **9,309** |
| **Total tax** | **8,173** | **30,315** |

The standard rate of UK corporation tax 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 for the half year ended 30 September 2021 was 22.67% (Half year ended 30 September 2020: 21.48%), differs from the standard rate of UK corporation tax rate of 19% (Half year ended 30 September 2020: 19%). The differences are explained below:

| £ '000 | 30 September 2021 | 30 September 2020 |
|---|---|---|
| **Profit before taxation** | **36,048** | **141,106** |
| Profit multiplied by the standard rate of corporation tax in the UK of 19% (30 September 2020: 19%) | 6,849 | 26,810 |
| Adjustment in respect of foreign tax rates | 1,334 | 3,266 |
| Adjustments in respect of prior periods | (338) | (118) |
| Impact of change in tax rate | 126 | - |
| Expenses not deductible for tax purposes | 142 | 116 |
| Income not subject to tax | (42) | 11 |
| Share awards | 87 | - |
| Other differences | 15 | 230 |
| **Total tax** | **8,173** | **30,315** |

| £ '000 | 30 September 2021 | 30 September 2020 |
|---|---|---|
| **Tax on items recognised directly in Equity** | | |
| Tax on share-based payments | (779) | (790) |

## 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 period excluding those held in employee share trusts which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue, excluding those held in employee share trusts, is adjusted to assume conversion of all dilutive potential weighted average ordinary shares, which consists of share options granted to employees and shares issuable to client investors at IPO.

| £ '000 | 30 September 2021 | 30 September 2020 |
|---|---|---|
| **Earnings attributable to ordinary shareholders (£ '000)** | **27,875** | **110,791** |
| Weighted average number of shares used in the calculation of basic earnings per share ('000) | 290,669 | 288,985 |
| Dilutive effect of share options ('000) | 1,016 | 1,833 |
| **Weighted average number of shares used in the calculation of diluted earnings per share ('000)** | **291,685** | **290,818** |
| | | |
| **Basic earnings per share (p)** | **9.6p** | **38.3p** |
| Diluted earnings per share (p) | 9.6p | 38.1p |

For the half year ended 30 September 2021, 1,016,000 (Half year ended 30 September 2020: 1,833,000) potentially dilutive weighted average ordinary shares in respect of share options in issue were included in the calculation of diluted EPS.

## 7. Dividends

| £ '000 | 30 September 2021 | 30 September 2020 |
|---|---|---|
| Prior year final dividend of 21.43p per share (30 September 2020: 12.18p) | 62,414 | 35,393 |

An interim dividend for 2022 of 3.50p per share, amounting to £10,200,000 has been approved by the board but has not been included as a liability at 30 September 2021. The dividend will be paid on 20 December 2021 to those members on the register at the close of business on 26 November 2021.

## 8. Intangible assets

| £ '000 | Goodwill | Computer software | Trademarks and trading licences | Client relationships | Assets under development | Total |
|---|---|---|---|---|---|---|
| **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** |
| **Half year ended 30 September 2021** | | | | | | |
| **Carrying amount at the beginning of the period** | **-** | **3,920** | **262** | **-** | **6,148** | **10,330** |
| Additions | - | 44 | - | - | 16,866 | 16,910 |
| Transfers | - | 5,210 | - | - | (5,210) | - |
| Amortisation charge | - | (1,322) | (24) | - | - | (1,346) |
| Foreign currency translation | - | (41) | (1) | - | 51 | 9 |
| **Carrying amount at the end of the period** | **-** | **7,811** | **237** | **-** | **17,855** | **25,903** |
| **At 30 September 2021** | | | | | | |
| Cost | 11,500 | 130,611 | 1,385 | 2,915 | 17,855 | 164,266 |
| Accumulated amortisation | (11,500) | (122,800) | (1,148) | (2,915) | - | (138,363) |
| **Carrying amount** | **-** | **7,811** | **237** | **-** | **17,855** | **25,903** |

Additions of £16,866,000 in Assets under development are primarily due to the transaction with Australia and New Zealand Banking Group Limited ("ANZ") to transition ANZ's portfolio of Share Investing clients to CMC for AUD$25m.

## 9. Property, plant and equipment

| £ '000 | Leasehold improvements | Furniture, fixtures and equipment | Computer hardware | Right-of-use assets | Total |
|---|---|---|---|---|---|
| **At 31 March 2021** | | | | | |
| Cost | 19,273 | 9,656 | 36,249 | 19,146 | 84,324 |
| Accumulated depreciation | (14,393) | (8,795) | (27,235) | (7,796) | (58,219) |
| **Carrying amount** | **4,880** | **861** | **9,014** | **11,350** | **26,105** |
| **Half year ended 30 September 2021** | | | | | |
| **Carrying amount at the beginning of the period** | **4,880** | **861** | **9,014** | **11,350** | **26,105** |
| Additions | 106 | 44 | 2,190 | 3,381 | 5,721 |
| Disposals | - | - | (14) | - | (14) |
| Depreciation charge | (849) | (215) | (1,546) | (2,473) | (5,083) |
| Foreign currency translation | (33) | (9) | (35) | (92) | (169) |
| **Carrying amount at the end of the period** | **4,104** | **681** | **9,609** | **12,166** | **26,560** |
| **At 30 September 2021** | | | | | |
| Cost | 19,205 | 9,657 | 38,289 | 22,344 | 89,495 |
| Accumulated depreciation | (15,101) | (8,976) | (28,680) | (10,178) | (62,935) |
| **Carrying amount** | **4,104** | **681** | **9,609** | **12,166** | **26,560** |

## 10. Trade and other receivables

| £ '000 | 30 September 2021 | 31 March 2021 |
|---|---|---|
| **Current** | | |
| Gross trade receivables | 8,799 | 9,103 |
| Less: provision for impairment of trade receivables | (7,626) | (7,762) |
| Trade receivables | 1,173 | 1,341 |
| Prepayments and accrued income | 11,407 | 9,799 |
| Stockbroking debtors | 114,105 | 99,035 |
| Other debtors | 1,882 | 16,944 |
| | **128,567** | **127,119** |
| **Non-current** | | |
| Other debtors | 1,775 | 1,800 |
| **Total** | **130,342** | **128,919** |

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 14).

## 11. Other assets

Other assets are cryptocurrencies, which are owned and controlled by the Group for the purpose of hedging the Group's exposure to clients' cryptocurrency trading positions. The Group holds cryptocurrencies on exchange and in vault as follows:

| £ '000 | 30 September 2021 | 31 March 2021 |
|---|---|---|
| Exchange | 21,087 | - |
| Vaults | 14,457 | - |
| | **35,544** | **-** |

## 12. Financial investments

| £ '000 | 30 September 2021 | 31 March 2021 |
|---|---|---|
| **UK Government securities:** | | |
| At the beginning of the period / year | 28,037 | 25,385 |
| Purchase of securities | 14,805 | 28,933 |
| Maturity of securities and Coupon receipts | (14,782) | (26,256) |
| Accrued interest | (17) | 29 |
| Changes in the fair value of debt instruments at fair value through other comprehensive income | (5) | (54) |
| **At the end of the period / year** | **28,038** | **28,037** |
| **Equity securities:** | | |
| At the beginning of the period / year | 67 | 60 |
| Foreign currency translation | (2) | 7 |
| **At the end of the period / year** | **65** | **67** |
| **Total** | **28,103** | **28,104** |

| £ '000 | 30 September 2021 | 31 March 2021 |
|---|---|---|
| **Analysis of financial investments** | | |
| Non-current | - | - |
| Current | 28,103 | 28,104 |
| **Total** | **28,103** | **28,104** |

Financial investments are shown as current assets when they have a maturity of less than one year and as non-current when they have a maturity of more than one year.

## 13. Cash and cash equivalents

| £ '000 | 30 September 2021 | 31 March 2021 |
|---|---|---|
| Gross cash and cash equivalents | 688,685 | 668,304 |
| Less: Client monies | (557,066) | (549,383) |
| **Cash and cash equivalents** | **131,619** | **118,921** |
| *Analysed as:* | | |
| Cash at bank | 131,619 | 118,921 |

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.

## 14. Trade and other payables

| £ '000 | 30 September 2021 | 31 March 2021 |
|---|---|---|
| **Current** | | |
| Gross trade payables | 598,971 | 580,062 |
| Less: Client monies | (557,066) | (549,383) |
| Trade payables | 41,905 | 30,679 |
| Tax and social security | 904 | 236 |
| Stockbroking creditors | 102,177 | 89,091 |
| Other creditors, accruals and deferred income | 36,661 | 32,247 |
| | **181,647** | **152,253** |

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

## 15. Lease liabilities

| £ '000 | 30 September 2021 | 31 March 2021 |
|---|---|---|
| At the beginning of the period / year | 15,326 | 19,273 |
| Additions / Modifications of new leases during the period / year | 3,399 | 1,181 |
| Interest expense | 372 | 818 |
| Lease payments made during the year | (3,410) | (6,875) |
| Foreign currency translation | (165) | 929 |
| **At the end of the period / year** | **15,522** | **15,326** |

| £ '000 | 30 September 2021 | 31 March 2021 |
|---|---|---|
| **Analysis of lease liabilities** | | |
| Non-current | 10,653 | 10,727 |
| Current | 4,869 | 4,599 |
| **Total** | **15,522** | **15,326** |

## 16. Cash generated from operations

| £ '000 | 30 September 2021 | 30 September 2020 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before taxation | 36,048 | 141,106 |
| ***Adjustments for:*** | | |
| Interest income | (348) | (478) |
| Finance costs | 1,002 | 900 |
| Depreciation | 5,083 | 4,583 |
| Amortisation of intangible assets | 1,346 | 910 |
| Research and development tax credit | - | (97) |
| Profit on disposal of property, plant and equipment | - | (109) |
| Share-based payment | (886) | (2,746) |
| Other non-cash movements including exchange rate movements | (1,101) | 800 |
| ***Changes in working capital:*** | | |
| (Increase)/decrease in trade and other receivables and other assets | (1,391) | 41,740 |
| Decrease/(increase) in amounts due from brokers | 71,456 | (26,688) |
| Increase in other assets | (34,024) | (1,024) |
| Increase/(decrease) in trade and other payables | 29,394 | (37,721) |
| Increase in net derivative financial instruments liabilities | 81 | 1,846 |
| (Decrease)/increase in provisions | (1,145) | 214 |
| **Cash generated from operations** | **105,515** | **123,236** |

## 17. Liquidity

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

- **Own funds.** The primary source of liquidity for the Group. It represents the funds that the business has generated historically, including any unrealised gains / losses on open hedging positions. All cash held on behalf of segregated clients is excluded. Own funds consists mainly of cash and cash equivalents and also includes investments in UK government securities which are held to meet the Group's liquid asset buffer (LAB - as agreed with FCA). These UK government securities are BIPRU 12.7 eligible securities and are available to meet liabilities which fall due in periods of stress.
- **Title Transfer Funds (TTFs).** This represents funds received from professional clients and eligible counterparties (as defined in the FCA Handbook) that are held under a Title Transfer Collateral Agreement (TTCA); a means by which a professional client or eligible counterparty may agree that full ownership of such funds is unconditionally transferred to the Group. The Group considers these funds as an ancillary source of liquidity and places no reliance on its stability.
- **Available committed facility** (off-balance sheet liquidity). The Group has access to a syndicated revolving credit facility of up to £55.0 million (31 March 2021: £55.0 million) in order to fund any potential fluctuations in margins required to be posted at brokers to support our risk management strategy. The maximum amount of the facility available at any one time is dependent upon the initial margin requirements at brokers and margin received from clients. The facility consists of a one year term facility of £27.5 million and a three year term facility of £27.5 million, both of which were renewed in March 2021.

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

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

Own funds on 30 September 2021 were £334,181,000 (31 March 2021: £370,405,000). Short-term financial investments, amounts due from brokers, other assets and amounts receivable / (payable) on the derivative financial instruments have been included within 'own funds' in order to provide a clear presentation of the Group's potential cash resources.

| £ '000 | 30 September 2021 | 31 March 2021 |
|---|---|---|
| Cash and cash equivalents | 131,619 | 118,921 |
| Amount due from brokers | 180,919 | 253,895 |
| Other assets | 35,544 | - |
| Financial investments | 28,103 | 28,104 |
| Derivative financial instruments (Current Assets) | 2,820 | 3,241 |
| | 379,005 | 404,161 |
| *Less*: Title transfer funds | (41,905) | (30,679) |
| *Less:* Derivative financial instruments (Current Liabilities) | (2,919) | (3,077) |
| **Own Funds** | **334,181** | **370,405** |
| Title transfer funds | 41,905 | 30,679 |
| Available committed facility | 55,000 | 55,000 |
| **Total Available liquidity** | **431,086** | **456,084** |
| *Less:* Blocked cash | (67,198) | (75,371) |
| *Less:* Initial margin requirement at broker | (181,148) | (170,093) |
| **Net available liquidity** | **182,740** | **210,620** |

The following Own Funds Flow Statement summarises the Group's generation of own funds during each period and excludes all cash flows in relation to monies held on behalf of clients.

| £ '000 | 30 September 2021 | 31 March 2021 |
|---|---|---|
| **Operating activities** | | |
| **Profit before tax** | **36,048** | **224,010** |
| Adjustments for: | | |
| Finance costs | 1,002 | 1,762 |
| Depreciation and amortisation | 6,429 | 11,239 |
| Other non-cash adjustments | (2,176) | (4,083) |
| Tax paid | (7,051) | (33,620) |
| **Own funds generated from operating activities** | **34,252** | **199,308** |
| **Movement in working capital** | **15,632** | **13,863** |
| **Outflow from investing activities** | | |
| Net Purchase of property, plant and equipment and intangible assets | (19,250) | (12,190) |
| Other outflow from investing activities | 1,361 | (1,761) |
| **Outflow from financing activities** | | |
| Proceeds from issue of Ordinary Shares | - | 80 |
| Interest paid | (1,002) | (1,762) |
| Dividends paid | (62,414) | (62,128) |
| Other outflow from financing activities | (4,085) | (7,291) |
| **Total outflow from investing and financing activities** | **(85,390)** | **(85,052)** |
| **(Decrease)/increase in own funds** | **(35,506)** | **128,119** |
| Own funds at the beginning of the period / year | 370,405 | 238,340 |
| Effect of foreign exchange rate changes | (718) | 3,946 |
| **Own funds at the end of the period / year** | **334,181** | **370,405** |

## 18. Fair value measurement disclosures

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

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

| 30 September 2021<br>£ '000 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial investments | 28,038 | - | 65 | 28,103 |
| Derivative financial instruments (Current Assets) | - | 2,820 | - | 2,820 |
| Derivative financial instruments (Current Liabilities) | - | (2,919) | - | (2,919) |
| | **28,038** | **(99)** | **65** | **28,004** |

| 31 March 2021<br>£ '000 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial investments | 28,037 | - | 67 | 28,104 |
| Derivative financial instruments (Current Assets) | - | 3,241 | - | 3,241 |
| Derivative financial instruments (Current Liabilities) | - | (3,077) | - | (3,077) |
| | **28,037** | **164** | **67** | **28,268** |

**Valuation techniques used to determine fair values**

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments; and
- for foreign currency forwards – present value of future cash flows based on the forward exchange rates at the balance sheet date.

All of the resulting fair value estimates are included in level 2.

**Fair value of financial assets and liabilities measured at amortised cost**

The fair value of the following financial assets and liabilities not held at fair value approximates to their carrying value:

- Cash and cash equivalents
- Amounts due from brokers
- Trade and other receivables
- Trade and other payables
- Borrowings

## 19. Related party transactions

There have been no significant changes to the nature of related parties disclosed in the statutory financial statements for the Group as at and for the year ended 31 March 2021.

**Directors' transactions**

There were no director transactions during the half year ended 30 September 2021 and 30 September 2020.

## 20. Contingent liabilities

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

UK banking surcharge

In the absence of them qualifying for a specific exemption, the Group's regulated companies in the UK would be subject to the Bank Corporation Tax surcharge of 8% on taxable profits over £25m. The group has concluded that the relevant entities meet the exemption requirements and therefore the related tax charge, which would amount to £16m in respect of all relevant periods, has not been provided for.

The Group's position is supported by external advice although it is possible that it could be challenged.

Brexit approach

There is regulatory uncertainty regarding the Group's historical approach to the use of reverse solicitation provisions allowing EEA clients to trade with UK subsidiaries after 31 December 2020. The risk to the approach has been mitigated given 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.

## 21. Forward looking statements

This announcement 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.

## 22. Subsequent events

There are no events after the interim period that have not been reflected in the condensed consolidated interim financial statements.

# Independent review report to CMC Markets plc

## Report on the condensed consolidated interim financial statements

### Our conclusion

We have reviewed CMC Markets plc's condensed consolidated interim financial statements (the "interim financial statements") in the Interim Results of CMC Markets plc for the 6 month period ended 30 September 2021 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

### What we have reviewed

The interim financial statements comprise:

- the consolidated interim statement of financial position as at 30 September 2021;
- the consolidated interim income statement and the consolidated interim statement of comprehensive income for the period then ended;
- the consolidated interim statement of cash flows for the period then ended;
- the consolidated interim statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim results of CMC Markets plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

## Responsibilities for the interim financial statements and the review

### Our responsibilities and those of the directors

The interim results, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the interim results based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

**PricewaterhouseCoopers LLP**
**Chartered Accountants**
London

17 November 2021