cmc markets

22 November 2018

CMC MARKETS PLC

Interim results for the half year ended 30 September 2018

Increased diversification positions CMC for growth despite short-term market challenges

For the half year ended	30 September 2018	30 September 2017	Change
Net operating income (£ million)	70.6	89.6	(21%)
Profit before tax (£ million)	7.2	29.8	(76%)
Earnings per share (pence)	2.7	8.7	(69%)
Number of trades (million)	34.9	30.7	14%
Value of trades (£ billion)	1,226	1,175	4%
Active clients (numbers)	44,697	46,634	(4%)
Client assets (£ million)	341.8	322.5	6%
Revenue per active client (£)	1,413	1,814	(22%)

Notes:

- *Net operating income represents total revenue after rebates payable to clients and introducing partners, and betting levies*
- *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*
- *Client assets represent total amounts due to segregated clients at the period end*
- *Revenue per active client represents total trading revenue from CFD and spread bet active clients after deducting rebates and levies*

Financial and operating highlights

- Net operating income down 21% to £70.6 million (H1 2018: £89.6 million). As previously announced, the second quarter was impacted by a sustained period of low market volatility and range bound markets, as well as two months of ESMA regulatory changes affecting retail trading activity
- Operating expenses up 6% to £62.7 million (H1 2018: £59.3 million), mainly due to investment in the stockbroking business and higher fixed salary costs across the Group
- Profit before tax down 76% to £7.2 million (H1 2018: £29.8 million). Performance expected to be weighted towards H2 and assisted by additional stockbroking revenue
- Revenue per active client down 22% to £1,413; slight decline in active clients, down 4%
- Regulatory total capital ratio of 26.8% and own funds of £192.0 million
- Interim dividend of 1.35 pence (H1 2018: 2.98 pence), 50% of H1 2019 profit after tax

Strategic progress

- ANZ Bank white label stockbroking partnership: 103 intermediaries migrated to CMC's stockbroking platform in July and ANZ Bank's retail stockbroking clients were successfully migrated in September. On an annualised basis, the partnership is expected to deliver c. £7 million statutory profit before tax
- Product offering: Equities DMA launched during H1 2019 and MT4, the foreign exchange platform, launched early in Q3 2019
- Diversification: In addition to the growing contribution from the stockbroking business, the Group continues to pursue diversification through growing its institutional business and geographic expansion; an application to open a new office in Dubai is currently being reviewed by the local regulator
- Brexit: An application to open a regulated subsidiary in Germany is being progressed with the German regulator

Regulatory change

- ESMA intervention measures effective from 1 August 2018
- Over 40% of UK and European revenue is now generated by elective professional clients, in line with previous guidance
- Institutional business increases this percentage to 50%
- UK and Europe retail trading volumes have been improving since August relative to growth in professional trading activity
- Client deposits have not changed materially implying ongoing appetite to trade

Peter Cruddas, Chief Executive Officer, commented:

"Whilst trading in the first quarter outperformed the same period last year, as previously announced, the second quarter was particularly difficult. Volatility was low, and unusually the majority of asset classes traded in tight ranges. This was further compounded by the impact of European regulatory change that came into force on 1st August. As a result, overall profit after tax was significantly lower than the same period last year.

The Group remains focussed on future growth and diversification. In the second quarter we successfully migrated 103 intermediaries, and over 500,000 clients to our stockbroking platform following the migration from ANZ Bank; this makes the stockbroking business a much more meaningful part of the overall Group. This will also provide a springboard for further growth in the APAC region.

Our institutional business continues to improve and enhance its product offering with MT4 and Direct Market Access for Equities added in the period. This business line continues to have a strong pipeline of new client opportunities.

In addition, our core retail business continues to focus on attracting quality clients and seeking new growth areas. Our Dubai office application is awaiting regulatory approval and we are also in the early stages of applying for a licence to operate in South Africa.

I continue to believe that in the medium-term CMC will benefit from the changes made by the European Regulators, as clients move to quality well-regulated providers, and we are beginning to see evidence that average retail client tenure is extending following the implementation.

As we enter the second half, which is typically stronger than the first, we have seen an improvement in market conditions and encouragingly an increase in activity across retail, professional and institutional client categories."

Analyst and Investor Presentation

A presentation will be held for equity analysts and investors today at 09:30 a.m. (GMT).

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

https://webcasts.cmcmarkets.com/results/2019halfyear

Alternatively, you can dial into the presentation:

- United Kingdom: 020 3059 8125
- All other locations: + 44 20 3059 8125

Please quote "CMC Markets plc H1 2019 Results conference" when prompted.

Forthcoming announcement dates

24 January 2019	Q3 2019 trading update
3 April 2019	FY 2019 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.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation ("MAR"). Upon the publication of this announcement via Regulatory Information Service ("RIS"), this inside information is considered to be in the public domain.

Enquiries

CMC Markets Plc +44 (0) 20 7170 8200

Grant Foley, Chief Operating and Financial Officer

Camarco **+44 (**0) 20 3757 4980

Geoffrey Pelham-Lane

Ed Gascoigne-Pees

Jennifer Renwick

Notes to Editors

CMC Markets plc ("CMC"), whose shares are listed on the London Stock Exchange under the ticker CMCX (LEI: 213800VB75KAZBFH5U07), was established in 1989 and is now one of the world's leading online financial trading businesses. The company serves retail and institutional clients through regulated offices and branches in 14 countries, with a significant presence in the UK, Australia, Germany and Singapore. CMC Markets offers an award-winning, online and mobile trading platform, enabling clients to trade up to 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.cmcmarkets.com/group/

CHIEF EXECUTIVE'S REVIEW

H1 2019 performance can be split into two distinct halves. Trading performance in the first quarter relative to the prior year was good, followed by a very challenging second quarter, one of the Group's most difficult quarters in a number of years. The poor second quarter was caused by a deterioration in market volatility and range bound markets, combined with the impact of regulatory change. As a result of a poor second quarter, net operating income fell 21% in comparison to the prior year.

The Group continues to invest in its strategic initiatives, driving the diversification of the business, whilst focusing on cost control. As a result, operating expenses have increased only 6%, despite the investment required ahead of the ANZ Bank stockbroking implementation. The operational gearing in the business resulted in a statutory profit before tax of £7.2 million, down 76% on prior year (H1 2018: £29.8 million). Profit after tax was £7.8 million, down 69% against prior year (H1 2018: £25.0 million) and basic earnings per share were 2.7 pence (H1 2018: 8.7 pence).

As previously guided, the increase in operating expenses was primarily due to higher costs in the stockbroking business, as that business upscales to facilitate more trading activity and client support as a result of the stockbroking white label partnership with ANZ Bank. Fixed salary costs were also higher across the Group, offset by a lower discretionary bonus provision. Operating expenses excluding discretionary bonus in H2 are now expected to be just slightly higher than H1 2019 due to higher operating expenses in the stockbroking business, partially offset by lower costs in the CFD business.

Marketing spend during the period has remained broadly stable against H1 2018. The number of client applications has been broadly maintained, however client acquisition when measured by new traded accounts has declined as a result of the implementation of a new appropriateness test and higher wealth hurdles in the UK and Europe during the period. As expected, whilst this has resulted in a decrease in the number of new accounts, there has been an improvement in the value of new traded clients.

Regulatory change

ESMA measures came into effect on 1 August 2018 for the Group's UK and European retail clients. Elective professional clients are exempt from these measures.

The Group has had a strategic focus on high value clients for a number of years. Although this does not directly read through to these clients being eligible to become elective professional clients, it has assisted in reaching a high level of UK and European revenue being generated from these clients. On a twelve-month rolling basis, 40% of UK and European revenue was generated from elective professionals, with an additional 10% from institutional clients who are designated as professional. During the period since January 2018 the Group has received a high volume of applications from clients to become elective professional, and a rigorous approach has been applied by our compliance and client services functions in reviewing these applications, with 39%[1] of the applications being successful.

The new ESMA measures, in particular the changes to minimum margin requirements, are changing retail trading activity. We are less than four months into the new regulation, and as this period has also partially coincided with a period of abnormally range bound markets, it is still too early to understand its impact. In prior announcements the Group has communicated its expectation that the minimum margin changes would result in a combination of changing client behaviours, such as clients reducing their exposures and trading volumes, clients depositing more funds to maintain their level of exposure and some clients potentially exiting the market. The Group has focused on the analysis of these outcomes to understand the impact and the most common behaviour to date has been for clients to continue trading but with lower exposure and trading activity. However, at the start of Q3 2019, we have seen that the increase in retail client activity in periods of higher market volatility is more greatly pronounced than it was previously.

Following the IOSCO report in September 2018, we continue to monitor other regulators globally regarding CFD reform. With respect to published changes in regulation, FX margins in Singapore will move from 2% to 5% in October 2019. As in the UK and Europe, the Group's focus on higher value and sophisticated clients will help to mitigate the impact of any changes.

Finally, regarding the UK's exit from the European Union, the Group has established a subsidiary in Germany and is progressing an application for regulatory approval to provide financial services with the German regulator. This will ensure passporting rights within the European Economic Area are maintained post-March 2019.

[1] The version of this document published on 22 November 2018 stated a percentage of 29%. This has been corrected to 39% due to the original calculation using an incomplete dataset

Strategic initiatives

The Group continues to deliver on strategic initiatives and maintains a healthy pipeline of projects that continue to diversify revenue streams through product, channel and geography.

Stockbroking

In Q2 2019 the Group successfully completed the implementation of the white label stockbroking partnership with ANZ Bank. In July, 103 intermediaries were migrated to CMC's stockbroking platform and, in September, ANZ Bank's retail stockbroking clients were successfully migrated. This has delivered in the region of 125,000 active clients, based on those that have placed a trade in the past year, and over 250,000 active clients based on those that have placed a trade or held shares in the past year. As part of the preparation for the client migration, the largest in ASX history, the stockbroking platform was enhanced to include additional functionality including an international shares offering and online exchange traded options from which all clients will benefit. The annualised uplift in statutory profit before tax as a result of the partnership is expected to be c. £7 million.

New offices

The Middle East has an appealing demographic for the CFD product. The Group already has a longstanding and significant institutional partnership in the region which it wishes to strengthen and as a result, the Group intends to set up an office. An application was submitted to the Dubai regulator in H1 2019 and CMC hopes to gain regulatory approval in H2 2019. The Group is also in the early stages of applying for licence to operate in South Africa.

New products

In order to meet client demand, MT4, the foreign exchange platform, was launched in Q3 2019. MT4 is a popular trading platform for FX traders, particularly in the APAC region, and opens up an opportunity to acquire clients who are familiar with the platform and may wish to switch from smaller providers in the post-ESMA environment.

Institutional

The institutional business maintains a strong client portfolio and future pipeline. It has also recently enhanced its product range to include DMA Equities.

Dividend

In line with our stated dividend policy, the Board has declared an interim dividend of 1.35 pence per share, equating to 50% of the H1 2019 profit after tax. The dividend will be paid on 21 December 2018 to those members on the register at the close of business on 30 November 2018.

Outlook

Market activity and daily ranges have improved at the start of H2 and the Group continues to trade in line with guidance for a c. 20% year-on-year reduction in CFD and Spreadbet net revenue. We continue to expect 2019 operating costs to be just slightly higher year-on-year, with H2 operating expenses marginally higher than H1.

The Group continues to monitor the changes to UK and European retail trading activity and its likely impact on revenue in the medium term, including any impact on the broader competitive landscape.

The Group remains well positioned over the longer-term, helped by our focus on revenue diversification. Our Australian stockbroking business, new offices, new products and the institutional business continue to provide exciting future growth opportunities.

OPERATING REVIEW

Summary

Net operating income fell by £19.0 million (21%) to £70.6 million. Despite an increase of £51 billion (4%) in the value of trades to £1,226 billion, a combination of reduced spread revenue due to changes in the mix of products clients traded, increasing institutional flow in products that yield lower revenue, and range bound markets have resulted in lower CFD and Spreadbet revenue. Client trading in Indices, the Group's largest asset class, grew significantly by £115 billion (18%) to £743 billion, however FX fell by £66 billion (14%) to £423 billion.

Statutory profit before tax decreased by £22.6 million (76%) to £7.2 million and profit before tax margin[1] decreased by 23.1% from 33.3% to 10.2%.

Net operating income overview

For the half year ended £ million	30 September 2018	30 September 2017	Change
CFD and Spread bet (including binaries) net revenue	63.1	84.6	(25%)
Stockbroking net revenue (excl. interest income)	5.5	4.1	33%
Interest income	1.6	0.8	96%
Other operating income	0.4	0.1	359%
Net operating income	**70.6**	**89.6**	**(21%)**

Regional performance overview: CFD and Spread bet

For the half year ended	30 September 2018				30 September 2017				Change			
	Net revenue (£m)	Value of trades (£bn)	Active Clients	RPC (£)	Net revenue (£m)	Value of trades (£bn)	Active Clients	RPC (£)	Net revenue	Value of trades	Active Clients	RPC
UK	27.6	476	11,083	2,496	34.8	469	12,164	2,860	(21%)	1%	(9%)	(13%)
Europe	16.3	325	16,617	978	23.6	341	17,909	1,315	(31%)	(5%)	(7%)	(26%)
APAC & Canada	19.2	425	16,997	1,131	26.2	365	16,561	1,584	(27%)	17%	3%	(29%)
Total	**63.1**	**1,226**	**44,697**	**1,413**	**84.6**	**1,175**	**46,634**	**1,814**	**(25%)**	**4%**	**(4%)**	**(22%)**

UK

Despite regulatory changes introduced on 1 August that have impacted retail client activity, the value of client trades remained broadly flat at £476 billion (H1 2018: £469 billion), however this was aided in part by a change in product mix traded by clients this year. Active client numbers were down 9% to 11,083 (H1 2018: 12,164) mainly as a result of lower client acquisition which was impacted by a new appropriateness test and higher wealth hurdles for applicants which was implemented in March 2018. Revenue per active client was also lower by 13% at £2,496 (H1 2018: £2,860), mainly driven by an extended period of less volatile, range bound markets. CMC continues to lead the industry in client satisfaction with first place rankings in 10 out of 16 key service areas, as highlighted in a recent independent industry survey[2].

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

[2] Investment Trends May 2018 UK Leveraged Trading Report

Europe

Europe comprises the German, Austrian, French, Italian, Spanish, Norwegian, Swedish and Polish offices. As with the UK, active client numbers were impacted by the implementation of new appropriateness tests that resulted in an 11% reduction in acquisition numbers which fed through to a 7% decrease in active client numbers. The value of client trades was 5% lower across Europe at £325 billion (H1 2018: £341 billion), with the reduced market volatility in Q2 limiting opportunities for clients to trade. This was particularly true in Germany, where the value of client trades was down 25% and active clients were 9% lower year-on-year. Nonetheless, the office maintained its market leading position with an 8% share of primary CFD active clients[1]. Performance in the region was mixed, with strong growth in the Poland and Sweden offices, where the value of client trades increased by 117% and 43% respectively, and active clients also increased by 34% and 4% respectively.

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. The value of client trades was 17% higher at £425 billion (H1 2018: £365 billion). Active client numbers also increased, up 3% at 16,997 (H1 2018: 16,561). The Canada office in particular showed positive growth during the period across multiple metrics.

Stockbroking

The Australian stockbroking business has benefited from the implementation of the ANZ Bank white label partnership towards the end of H1 2019, with net revenue up 33% at £5.5 million (H1 2018: £4.1 million). The majority of the increase is due to the migration of the ANZ Bank intermediaries business in July, with the benefits of the retail migration only affecting one week of the period. There was also growth in existing business brokerage of 6% during the period.

During H1 2019, as part of the project to implement the ANZ Bank partnership, a number of new products were released, including international shares across 11 different markets and online exchange-traded options. These new products are also available to existing clients and hence provide an additional revenue stream for the business.

Operating expenses

Operating expenses increased by £3.4 million (6%) to £62.7 million. This was driven by a number of factors, including higher costs related to expanding the capacity of the stockbroking business as a result of ANZ Bank white label partnership, including more staff. This was partially offset by capitalisation related to this project, and lower discretionary performance incentives. We continue to expect 2019 operating costs to be just slightly higher year-on-year, with H2 operating expenses marginally higher than H1.

For the half year ended £ million	30 September 2018	30 September 2017	Change
Net staff costs – fixed[2]	24.4	22.6	8%
Staff costs – variable	1.0	3.6	(73%)
Marketing expenses	9.3	9.4	(1%)
Other expenses	28.0	23.7	18%
Operating expenses	**62.7**	**59.3**	**6%**

[1] Investment Trends May 2018 Germany CFD & FX Report

[2] Includes share based payments and net capitalisation

Taxation

The estimated effective tax rate for H1 2019 was a credit of 8%, down from the FY 2018 effective tax rate of 17%. The credit was driven by the impact of higher recognition of Australian deferred tax assets as a proportion of lower Group statutory profit for the period. The effective tax rate is expected to be in the region of 10% to 12% for the full year.

Balance sheet and own funds

Trade receivables increased by £56.4 million over the six month period and the main driver of this was a £49.8 million increase in stockbroking trades yet to settle resulting from the increased volumes from the ANZ Bank white label partnership. While this is a relatively variable balance, it is expected to remain significantly above the levels seen prior to September 2018. A similar increase of £46.2 million was seen in stockbroking payables for the same reason, however the overall increase in trade payables was minimal due to a decrease in non-segregated client balances.

Amounts due from brokers decreased by £19.9 million to £137.0 million as less of an excess was held at brokers at period end. During the period, the Group has drawn down at points on its £65.0 million revolving credit facility in order to maintain a comfortable excess with its brokers and the drawn down amount at the end of the period was £27.5 million (31 March 2018: £nil).

Own funds decreased by £1.9 million to £192.0 million (31 March 2018: £193.9 million) during the six month period. Own funds includes syndicated facility utilisation of £27.5 million (31 March 2018: £nil), where this increase was offset by dividend payments, capital expenditure and corporation tax payments during the period.

Principal risks and uncertainties

Details of the Group's approach to risk management and its principal risks and uncertainties were set out on pages 38 to 45 of the 2018 Group Annual Report and Financial Statements (available on the Group website https://www.cmcmarkets.com/group). During the six months to 30 September 2018 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 areas: 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 UK and European regulatory change and the UK's exit from the European Union.

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 IAS 34 as adopted by the European Union 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 half-yearly financial report 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

Peter Cruddas
Chief Executive Officer

Grant Foley
Chief Operating and Financial Officer

21 November 2018

CMC Markets plc Board of Directors

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

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

CONSOLIDATED INTERIM INCOME STATEMENT

For the half year ended 30 September 2018 (Unaudited)

£ '000	Note	30 September 2018	30 September 2017
Revenue	**3**	**82,619**	**101,567**
Interest income		1,575	805
Total revenue		**84,194**	**102,372**
Introducing partner commissions and betting levies		(13,574)	(12,788)
Net operating income	2	**70,620**	**89,584**
Operating expenses	4	(62,728)	(59,328)
Operating profit		**7,892**	**30,256**
Finance costs		(693)	(467)
Profit before taxation		**7,199**	**29,789**
Taxation	5	595	(4,785)
Profit for the period attributable to owners of the parent		**7,794**	**25,004**

Earnings per share

Basic earnings per share (p)	**6**	**2.7p**	**8.7p**
Diluted earnings per share (p)	6	2.7p	8.6p

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the half year ended 30 September 2018 (Unaudited)

£ '000	30 September 2018	30 September 2017
Profit for the period	**7,794**	**25,004**
Other comprehensive income / (expense):		
Items that may be subsequently reclassified to income statement		
(Loss) / profit on net investment hedges	(629)	654
Currency translation differences	779	(1,123)
Change in value of available-for-sale financial assets (Pre IFRS 9)	-	(50)
Change in value of financial assets at fair value through other comprehensive income	31	-
Other comprehensive income / (expense) for the period	**181**	**(519)**
Total comprehensive income for the period	**7,975**	**24,485**

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
At 30 September 2018 (Unaudited)

£ '000	Note	30 September 2018	30 September 2017	31 March 2018
ASSETS				
Non-current assets				
Intangible assets	8	6,383	2,518	4,365
Property, plant and equipment	9	20,380	17,495	20,685
Deferred tax assets		11,228	8,473	8,802
Financial investments	11	10,761	10,559	10,822
Trade and other receivables	10	2,356	-	2,237
Total non-current assets		**51,108**	**39,045**	**46,911**
Current assets				
Trade and other receivables	10	104,340	43,167	47,940
Derivative financial instruments		5,178	1,567	7,335
Financial investments	11	10,143	9,826	10,330
Current tax recoverable		369	-	-
Amounts due from brokers		136,985	136,508	156,887
Cash and cash equivalents	12	47,647	41,921	60,468
Total current assets		**304,662**	**232,989**	**282,960**
TOTAL ASSETS		**355,770**	**272,034**	**329,871**
LIABILITIES				
Current liabilities				
Trade and other payables	13	95,185	33,784	91,696
Derivative financial instruments		10,227	6,736	3,922
Borrowings	14	28,691	16,191	1,274
Current tax payable		-	4,096	2,347
Short term provisions		134	145	145
Total current liabilities		**134,237**	**60,952**	**99,384**
Non-current liabilities				
Trade and other payables	13	5,344	2,805	5,389
Borrowings	14	1,852	2,720	2,346
Deferred tax liabilities		691	33	682
Long term provisions		2,263	1,564	2,040
Total non-current liabilities		**10,150**	**7,122**	**10,457**
TOTAL LIABILITIES		**144,387**	**68,074**	**109,841**
EQUITY				
Equity attributable to owners of the Company				
Share capital		72,872	72,646	72,872
Share premium		46,236	46,236	46,236
Own shares held in trust		(616)	(567)	(567)
Other reserves		(49,271)	(48,575)	(49,452)
Retained earnings		142,162	134,220	150,941
Total equity		**211,383**	**203,960**	**220,030**
TOTAL EQUITY AND LIABILITIES		**355,770**	**272,034**	**329,871**

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the half year ended 30 September 2018 (Unaudited)

£ '000	Share capital	Share premium	Own shares held in trust	Other reserves	Retained earnings	Total Equity
At 1 April 2017	**72,646**	**46,236**	**(466)**	**(48,056)**	**125,413**	**195,773**
Total comprehensive (expense) / income for the period	-	-	-	(519)	25,004	24,485
Acquisition of own shares	-	-	(104)	-	-	(104)
Utilisation of own shares	-	-	3	-	-	3
Share-based payments	-	-	-	-	880	880
Tax on share-based payments	-	-	-	-	60	60
Dividends	-	-	-	-	(17,137)	(17,137)
At 30 September 2017	**72,646**	**46,236**	**(567)**	**(48,575)**	**134,220**	**203,960**
At 1 April 2018	**72,872**	**46,236**	**(567)**	**(49,452)**	**150,941**	**220,030**
Total comprehensive income for the period	-	-	-	181	7,794	7,975
Acquisition of own shares	-	-	(49)	-	-	(49)
Share-based payments	-	-	-	-	675	675
Tax on share-based payments	-	-	-	-	(57)	(57)
Dividends	-	-	-	-	(17,191)	(17,191)
At 30 September 2018	**72,872**	**46,236**	**(616)**	**(49,271)**	**142,162**	**211,383**

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the half year ended 30 September 2018 (Unaudited)

£ '000	Note	30 September 2018	30 September 2017
Cash flows from operating activities			
Cash (used in) / generated from operations	15	(14,000)	4,285
Net interest income		1,575	805
Tax paid		(4,524)	(6,678)
Net cash used in operating activities		**(16,949)**	**(1,588)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,618)	(1,775)
Investment in intangible assets		(2,502)	(198)
Purchase of financial investments		-	(10,601)
Proceeds from maturity of financial investments and coupon receipts		329	10,451
(Outflow) / inflow on Net investment hedges		(629)	955
Net cash used in investing activities		**(5,420)**	**(1,168)**
Cash flows from financing activities			
Proceeds from borrowings		71,000	105,299
Repayment of borrowings		(44,077)	(90,916)
Acquisition of own shares		(49)	(104)
Dividends paid		(17,191)	(17,137)
Finance costs		(693)	(467)
Net cash generated from / (used in) financing activities		**8,990**	**(3,325)**
Net decrease in cash and cash equivalents		**(13,379)**	**(6,081)**
Cash and cash equivalents at the beginning of the period		60,468	48,952
Effect of foreign exchange rate changes		558	(950)
Cash and cash equivalents at the end of the period		**47,647**	**41,921**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the half year ended 30 September 2018 (unaudited)

1. Basis of preparation

Basis of accounting and accounting policies

The condensed consolidated interim financial statements are unaudited and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory financial statements for the year ended 31 March 2018 and the condensed consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRSs"), IFRS Interpretations Committee ("IFRS ICs") interpretations and the Companies Act 2006 applicable to companies reporting under IFRSs.

The statutory financial statements for the year ended 31 March 2018 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 condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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 2018, with the exception of the adoption of new and amended standards as set out below.

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.

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group changed its accounting policies as a result of adopting:

1. **IFRS 15** Revenue from Contracts with Customers

The adoption of IFRS 15 had no impact on the Group, as the way that the Group's revenue from contracts with customers was recognised under the previous accounting standard, IAS 18, satisfies the requirements of IFRS 15 with no changes required.

2. **IFRS 9** Financial Instruments
   - IFRS 9 incorporates:
     - new classification and measurements requirements for financial assets and liabilities;
     - the introduction of an expected credit loss impairment model;
     - new hedge accounting requirements; and
     - enhanced disclosures in the financial statements.
   - The Group adopted IFRS 9 on 1 April 2018. As a result:
     - certain financial assets and liabilities were reclassified in the statement of financial position; and
     - the provisioning methodology for financial assets not held at fair value through profit and loss changed from an incurred loss to an expected loss basis.

Financial assets and liabilities reclassifications

	Original measurement category under IAS 39	**New measurement category under IFRS 9**
Financial assets		
Cash and cash equivalents	Loans and receivables	Assets at amortised cost
Financial investments	Available for sale	Assets at FVOCI
Amounts due from brokers	Loans and receivables	Assets at amortised cost
Derivative financial instruments – Net investment hedges	Derivatives held for hedging	Assets at FVOCI
Trade and other receivables	Loans and receivables	Assets at amortised cost
Financial liabilities		
Derivative financial instruments – Net investment hedges	Derivatives held for hedging	Liabilities at FVOCI

The derivative financial instruments designated as Net investment hedges under IAS 39 at 31 March 2018 continue to qualify for hedge accounting under IFRS 9 at 1 April 2018 and are therefore treated as continuing hedges.

There were no differences between previous carrying amounts and consequently no adjustment has been made to opening retained earnings.

The accounting policies for financial assets and financial liabilities have been amended to reflect the classification requirements of IFRS 9. However, upon transition to IFRS 9 there was no change to the underlying accounting treatment.

Impairment

Trade receivables do not contain a significant financing element and therefore expected credit losses are measured using the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables.

The expected loss model for these trade receivables has been built based on the levels of loss experienced, with due consideration given to forward-looking information. Upon transition to IFRS 9, the provision determined under the expected credit loss model was consistent with the provision recognised under IAS 39, and as such, no adjustment was made to the opening statement of financial position.

While cash and cash equivalents, amounts due from brokers and other receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Thus, transition to IFRS 9 had no impact on the statement of financial position or the income statement.

IFRS 9 Financial Instruments – accounting policies applied since 1 April 2018

i. Investments and other financial assets

Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI), or through profit or loss); and
- those to be measured at amortised cost.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not measured at fair value through profit or loss or fair value through other comprehensive income, transaction costs that are directly attributable to the acquisition of the financial asset.

The Group subsequently measures cash and cash equivalents, amounts due from brokers and trade and other receivables at amortised cost. The Group subsequently measures derivative financial instruments and financial investments at fair value.

- **Financial investments**

Financial investments are subsequently measured at fair value. Interest income is calculated using the effective interest method. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

- **Derivative financial instruments**

Derivative financial instruments, comprising index, commodities, foreign exchange and treasury futures and forward foreign exchange contracts are classified as “fair value through profit or loss” under IFRS 9, unless designated as hedges. Derivatives not designated as hedges are initially recognised at fair value. Subsequent to initial recognition, changes in fair value of such derivatives and gains or losses on their settlement are recognised in the income statement.

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

The Group designates certain derivatives as either:

Held for trading

Derivatives classified as held for trading are included in this category. The Group uses derivative financial instruments in order to hedge derivative exposures arising from open client positions, which are classified as held for trading. All derivatives held for trading are carried in the statement of financial position at fair value with gains or losses recognised in revenue in the income statement.

Held as hedges of net investments in foreign operations

Where a foreign currency derivative financial instrument is a formally designated hedge of a net investment in a foreign operation, foreign exchange differences arising on translation of the financial instrument are recognised in the net investment hedging reserve via other comprehensive income to the extent the hedge is effective. The Group assesses the effectiveness of its net investment hedges based on fair value changes of its net assets and the fair value changes of the relevant financial instrument.

The gain or loss relating to the ineffective portion is recognised immediately in operating costs in the income statement. Accumulated gains and losses recorded in net investment hedging reserve are recognised in operating costs in the income statement on disposal of the foreign operation.

Economic hedges (held as hedges of monetary assets and liabilities, financial commitments or forecast transactions)

These are derivatives held to mitigate the foreign exchange risk on monetary assets and liabilities, financial commitments or forecast transactions. Where a derivative financial instrument is used as an economic hedge of the foreign exchange exposure of a recognised monetary asset or liability, financial commitment or forecast transaction, but does not meet the criteria to qualify for hedge accounting under IFRS 9, no hedge accounting is applied and any gain or loss resulting from changes in fair value of the hedging instrument is recognised in operating costs in the income statement.

Impairment

From 1 April 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

ii. Financial liabilities

There are no changes to the accounting policies in respect of trade and other payables and borrowings, which continue to be measured at amortised cost. Derivative financial instruments continue to be measured at fair value.

Impact of standards issued but not yet adopted by the Group

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

As set out in note 32 of the 2018 statutory financial statements, the Group had operating lease commitments totalling £29.3 million at 31 March 2018 and therefore IFRS 16 will have a material impact on the Group. The implications of the standard are currently under review and the Group has not yet determined which transition option will be applied.

Significant accounting judgements

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 only area involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the condensed consolidated interim 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.

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. 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 and the use of mobile platforms, there is no predictable seasonality to the Group's operations.

2. Segmental reporting

The Group's principal business is online retail financial services and provides its clients with the ability to trade contracts for difference (CFD) and financial spread betting on a range of underlying shares, indices, foreign currencies, commodities and treasuries. 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 UK and Ireland and the Group provides stockbroking services only in Australia. The Group's business is generally managed on a geographical basis and for management purposes, the Group is organised into four segments:

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

These segments are in line with the management information received by the Chief Operating Decision Maker (CODM).

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

	CFD and Spreadbet			Stock-broking		
30 September 2018 **£ '000**	**UK & IE**	**Europe**	**APAC & Canada**	**Australia**	**Central**	**Total**
Segment revenue net of Introducing partner commissions and betting levies	27,800	16,227	19,403	5,615	-	69,045
Interest income	684	1	794	96	-	1,575
Net operating income	**28,484**	**16,228**	**20,197**	**5,711**	**-**	**70,620**
Segment operating expenses	(8,594)	(5,208)	(6,857)	(848)	(41,221)	(62,728)
Segment contribution	**19,890**	**11,020**	**13,340**	**4,863**	**(41,221)**	**7,892**
Allocation of central operating expenses	(11,974)	(11,483)	(11,934)	(5,830)	41,221	-
Operating profit	**7,916**	**(463)**	**1,406**	**(967)**	**-**	**7,892**
Finance costs	(55)	-	-	-	(638)	(693)
Allocation of central finance costs	(272)	(163)	(202)	(1)	638	-
Profit before taxation	**7,589**	**(626)**	**1,204**	**(968)**	**-**	**7,199**

	CFD and Spreadbet			Stock-broking		
30 September 2017 **£ '000**	**UK & IE**	**Europe**	**APAC & Canada**	**Australia**	**Central**	**Total**
Segment revenue net of Introducing partner commissions and betting levies	34,990	23,506	26,169	4,114	-	88,779
Interest income	92	-	640	73	-	805
Net operating income	**35,082**	**23,506**	**26,809**	**4,187**	**-**	**89,584**
Segment operating expenses	(7,680)	(4,176)	(6,496)	(883)	(40,093)	(59,328)
Segment contribution	**27,402**	**19,330**	**20,313**	**3,304**	**(40,093)**	**30,256**
Allocation of central operating expenses	(12,567)	(12,770)	(11,648)	(3,108)	40,093	-
Operating profit	**14,835**	**6,560**	**8,665**	**196**	**-**	**30,256**
Finance costs	(35)	-	-	(1)	(431)	(467)
Allocation of central finance costs	(185)	(121)	(124)	(1)	431	-
Profit before taxation	**14,615**	**6,439**	**8,541**	**194**	**-**	**29,789**

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. EBITDA comprises operating profit for the period before interest expense, taxation, depreciation of property, plant and equipment and amortisation and impairment of intangibles.

3. Revenue

£ '000	30 September 2018	30 September 2017
CFD and spread bet	72,644	96,330
Stockbroking	9,559	5,148
Other	416	89
Revenue	**82,619**	**101,567**

4. Operating Expenses

£ '000	30 September 2018	30 September 2017
Net staff costs	25,425	26,217
IT costs	9,832	8,246
Sales and marketing	9,261	9,368
Premises	3,630	3,080
Legal and Professional fees	2,458	2,114
Regulatory fees	1,649	2,184
Depreciation and amortisation	3,500	2,952
Other	6,973	5,167
Operating expenses	**62,728**	**59,328**

5. Taxation

£ '000	30 September 2018	30 September 2017
Analysis of charge for the period:		
Current tax		
Current tax on profit for the period	1,788	5,309
Adjustments in respect of previous periods	10	(1)
Total current tax	**1,798**	**5,308**
Deferred tax		
Origination and reversal of temporary differences	(2,413)	(523)
Adjustments in respect of prior periods	2	-
Impact of change in tax rate	18	-
Total deferred tax	**(2,393)**	**(523)**
Total tax	**(595)**	**4,785**

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 2018 was -8.27% (Half year ended 30 September 2017: 16.06%), differs from the standard rate of UK corporation tax rate of 19% (Half year ended 30 September 2017: 19%). The differences are explained below:

£ '000	30 September 2018	30 September 2017
Profit before taxation	**7,199**	**29,789**
Profit multiplied by the standard rate of corporation tax in the UK of 19% (30 September 2017: 19%)	1,368	5,660
Adjustment in respect of foreign tax rates	(66)	387
Adjustments in respect of prior periods	12	(1)
Impact of change in tax rate	18	-
Recognition of previously unrecognised tax losses	(2,171)	(1,413)
Expenses not deductible for tax purposes	18	77
Income not subject to tax	3	(13)
Irrecoverable foreign tax	208	51
Share awards	26	23
Other differences	(11)	14
Total tax	**(595)**	**4,785**

£ '000	30 September 2018	30 September 2017
Tax on items recognised directly in Equity		
Tax on Share based payments	(57)	60

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 2018	30 September 2017
Earnings attributable to ordinary shareholders (£ '000)	**7,794**	**25,004**
Weighted average number of shares used in the calculation of basic earnings per share ('000)	288,322	287,451
Dilutive effect of share options ('000)	3,139	2,336
Weighted average number of shares used in the calculation of diluted earnings per share ('000)	**291,461**	**289,787**
Basic earnings per share (p)	**2.7p**	**8.7p**
Diluted earnings per share (p)	**2.7p**	**8.6p**

For the half year ended 30 September 2018, 3,139,000 (Half year ended 30 September 2017: 2,336,000) 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 2018	30 September 2017
Prior year final dividend of 5.95p per share (30 September 2017: 5.95p)	17,191	17,137

An interim dividend for 2019 of 1.35p per share, amounting to £3,902,000 has been approved by the board but has not been included as a liability at 30 September 2018. The dividend will be paid on 21 December 2018 to those members on the register at the close of business on 30 November 2018.

8. Intangible assets

During the half year ended 30 September 2018, additions to intangible assets amounted to £2,502,000 (Half year ended 30 September 2017: £1,001,000; year ended 31 March 2018: £3,518,000) mainly due to the capitalisation of internally developed software relating to the stockbroking business. As at 30 September 2018, the net book value of intangible assets was £6,383,000 (30 September 2017: £2,518,000, 31 March 2018: £4,365,000).

9. Property, plant and equipment

During the half year ended 30 September 2018, additions to property, plant and equipment amounted to £2,618,000 (Half year ended 30 September 2017: £1,775,000; year ended 31 March 2018: £8,640,000). As at 30 September 2018, the net book value of property, plant and equipment was £20,380,000 (30 September 2017: £17,495,000, 31 March 2018: £20,685,000).

10. Trade and other receivables

£ '000	30 September 2018	30 September 2017	31 March 2018
Current			
Gross trade receivables	7,376	6,718	7,455
Less: provision for impairment of trade receivables	(3,426)	(3,040)	(2,964)
Trade receivables	3,950	3,678	4,491
Prepayments and accrued income	15,708	7,601	8,065
Stockbroking debtors	69,155	13,655	19,386
Other debtors	15,527	18,233	15,998
	104,340	**43,167**	**47,940**
Non-current			
Other debtors	2,356	-	2,237
Total	**106,696**	**43,167**	**50,177**

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

11. Financial investments

£ '000	30 September 2018	30 September 2017	31 March 2018
UK Government securities:			
At the beginning of the period / year	21,152	20,272	20,272
Purchase of securities	-	10,601	21,426
Maturity of securities and Coupon receipts	(329)	(10,451)	(20,512)
Accrued interest	50	13	24
Net gains / (losses) transferred to equity	31	(50)	(58)
At the end of the period / year	**20,904**	**20,385**	**21,152**
Less: non-current portion	(10,761)	(10,559)	(10,822)
Current portion	**10,143**	**9,826**	**10,330**

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

12. Cash and cash equivalents

£ '000	30 September 2018	30 September 2017	31 March 2018
Gross cash and cash equivalents	389,485	364,380	365,271
Less: Client monies	(341,838)	(322,459)	(304,803)
Own cash and cash equivalents	**47,647**	**41,921**	**60,468**
Analysed as:			
Cash at bank	47,647	39,022	60,468
Short-term deposits	-	2,899	-

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

13. Trade and other payables

£ '000	30 September 2018	30 September 2017	31 March 2018
Current			
Gross trade payables	350,288	325,804	352,826
Less: Client monies	(341,838)	(322,459)	(304,803)
Trade payables	8,450	3,345	48,023
Tax and social security	63	2	272
Stockbroking creditors	63,233	11,797	16,992
Accruals and deferred income	23,439	18,640	26,409
	95,185	**33,784**	**91,696**
Non-current			
Accruals and deferred income	5,344	2,805	5,389
Total	**100,529**	**36,589**	**97,085**

14. Borrowings

£ '000	30 September 2018	30 September 2017	31 March 2018
Current			
Finance lease liabilities	754	920	839
Bank loans	27,500	15,000	-
Other liabilities	437	271	435
	28,691	**16,191**	**1,274**
Non-current			
Finance lease liabilities	1,260	2,019	1,615
Other liabilities	592	701	731
	1,852	**2,720**	**2,346**
Total	**30,543**	**18,911**	**3,620**

15. Cash generated from operations

£ '000	30 September 2018	30 September 2017
Cash flows from operating activities		
Profit before taxation	7,199	29,789
Adjustments for:		
Net interest income	(1,575)	(805)
Finance costs	693	467
Depreciation	3,028	2,366
Amortisation of intangible assets	472	586
Share-based payment	675	883
Other non-cash movements including exchange rate movements	62	(638)
Changes in working capital:		
Increase in trade and other receivables	(56,569)	(11,638)
(Decrease) / increase in amounts due from brokers	19,902	(17,118)
Increase / (decrease) in trade and other payables	3,444	(2,848)
Decrease in net derivative financial instruments	8,462	3,463
Increase / (decrease) in provisions	207	(222)
Cash (used in) / generated from operations	**(14,000)**	**4,285**

The movement in trade and other receivables for the half year ended 30 September 2018 includes £150,000 (Half year ended 30 September 2017: £150,000) of exceptional litigation income relating to year ended 31 March 2016, received during the period.

16. 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 facility of up to £65.0 million (30 September 2017: £40.0 million; 31 March 2018: £65.0 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 £32.5 million and a three year term facility of £32.5 million, both of which were renewed in March 2018.

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 2018 were £192,037,000 (30 September 2017: £190,300,000; 31 March 2018: £193,897,000). Short-term financial investments, amounts due from brokers and amounts receivable / (payable) on the derivative financial instruments have been included within 'own funds' in order to provide a clear presentation of the Group's potential cash resources.

£ '000	30 September 2018	30 September 2017	31 March 2018
Cash and cash equivalents	47,647	41,921	60,468
Amount due from brokers	136,985	136,508	156,887
Financial investments	20,904	20,385	21,152
Derivative financial instruments (Current Assets)	5,178	1,567	7,335
	210,714	200,381	245,842
Less: Title transfer funds	(8,450)	(3,345)	(48,023)
Less: Derivative financial instruments (Current Liabilities)	(10,227)	(6,736)	(3,922)
Own Funds	**192,037**	**190,300**	**193,897**
Title transfer funds	8,450	3,345	48,023
Available committed facility	36,039	25,000	65,000
Total Available liquidity	**236,526**	**218,645**	**306,920**
Less: Blocked cash	(24,378)	(19,946)	(16,621)
Less: Initial margin requirement at broker	(111,098)	(118,997)	(103,692)
Net available liquidity	**101,050**	**79,702**	**186,607**

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 2018	30 September 2017	31 March 2018
Operating activities			
Profit before tax	**7,199**	**29,789**	**60,064**
Adjustments for:			
Finance costs	693	467	1,173
Depreciation and amortisation	3,500	2,952	6,810
Other non-cash adjustments	768	(106)	1,288
Tax paid	(4,524)	(6,678)	(13,787)
Own funds generated from operating activities	**7,636**	**26,424**	**55,548**
Movement in working capital	**(13,295)**	**(14,201)**	**(4,882)**
(Outflow) / Inflow from investing activities			
Net Purchase of property, plant and equipment and intangible assets	(5,120)	(1,973)	(12,116)
Proceeds from issuance of Ordinary Shares	-	-	42
Other (outflow) / inflow from investing activities	(629)	955	2,206
(Outflow) / Inflow from financing activities			
Interest paid	(693)	(467)	(1,173)
Dividends paid	(17,191)	(17,137)	(25,719)
Other inflow / (outflow) from financing activities	26,874	14,279	(1,012)
Total inflow / (outflow) from investing and financing activities	**3,241**	**(4,343)**	**(37,772)**
(Decrease) / Increase in own funds	**(2,418)**	**7,880**	**12,894**
Own funds at the beginning of the period / year	193,897	183,370	183,370
Effect of foreign exchange rate changes	558	(950)	(2,367)
Own funds at the end of the period / year	**192,037**	**190,300**	**193,897**

As part of the transaction with ANZ Bank, the Group deposited AUD 25,000,000 in escrow in April 2017.

17. 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 2018 £ '000	Level 1	Level 2	Level 3	Total
Financial investments (Non-current assets)	10,761	-	-	10,761
Financial investments (Current assets)	10,143	-	-	10,143
Derivative financial instruments (Current Assets)	-	5,178	-	5,178
Derivative financial instruments (Current Liabilities)	-	(10,227)	-	(10,227)
	20,904	**(5,049)**	**-**	**15,855**

30 September 2017 £ '000	Level 1	Level 2	Level 3	Total
Financial investments (Non-current assets)	10,559	-	-	10,559
Financial investments (Current assets)	9,826	-	-	9,826
Derivative financial instruments (Current Assets)	-	1,567	-	1,567
Derivative financial instruments (Current Liabilities)	-	(6,736)	-	(6,736)
	20,385	**(5,169)**	**-**	**15,216**

31 March 2018 £ '000	Level 1	Level 2	Level 3	Total
Financial investments (Non-current assets)	10,822	-	-	10,822
Financial investments (Current assets)	10,330	-	-	10,330
Derivative financial instruments (Current Assets)	-	7,335	-	7,335
Derivative financial instruments (Current Liabilities)	-	(3,922)	-	(3,922)
	21,152	**3,413**	**-**	**24,565**

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

18. 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 2018.

Directors' transactions

There were no director transactions during the half year ended 30 September 2018 and 30 September 2017.

19. Contingent liabilities

The Group engages in partnership contracts that could result in non-performance claims and from time to time is involved in disputes during the ordinary course of business. 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.

20. 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.

INDEPENDENT REVIEW REPORT TO CMC MARKETS PLC

Report on the consolidated interim financial statements

Our conclusion

We have reviewed CMC Markets plc's consolidated interim financial statements (the "interim financial statements") in the interim results of CMC Markets plc for the half year ended 30 September 2018. 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 International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union 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 2018;
- the consolidated interim income statement and 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 have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of CMC Markets plc is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim results, including the interim financial statements, are the responsibility of, and have 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

21 November 2018