cmc markets

7 June 2018

**CMC MARKETS PLC**

Final results for the year ended 31 March 2018

**Strong growth driven by high value and institutional clients**

| Year ended<br>£ million (unless otherwise stated) | 31 March 2018 | 31 March 2017 | Variance % |
|---|---|---|---|
| Net operating income | 187.1 | 160.8 | 16% |
| Profit before tax | 60.1 | 48.5 | 24% |
| Earnings per share (pence) | 17.3p | 13.7p | 26% |
| Ordinary dividend per share (pence) | 8.9p | 8.9p | - |
| Number of trades (million) | 68.4 | 62.7 | 9% |
| Value of trades (£ billion) | 2,587 | 2,016 | 28% |
| Active CFD and Spread bet clients (numbers) | 59,165 | 60,082 | (2%) |
| Revenue per active client (£) | 2,964 | 2,517 | 18% |

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

**Highlights**

- Increased client activity increasing net operating income to £187.1 million up £26.3 million (16%)
- Growth in premium client numbers to 10% of active clients, overall active clients decreased 2%
- Institutional business revenues increased by £8.7 million (38%) to £31.4 million
- ANZ white label stockbroking transaction on track for delivery in September 2018
- Proposed final ordinary dividend of 5.95 pence, maintaining prior full year ordinary dividend of 8.93p
- Financial performance at the start of 2019 is broadly in line with prior year equivalent period

**Regulatory update**

- European regulatory changes to retail CFDs to take effect from 1 August with the prohibition on sale of binary products in Europe from 2 July; this product generated £4.5 million of revenue in UK and Europe in FY18
- Impact partially mitigated by ANZ white label stockbroking transaction and elective professional client opt up (on track to represent in excess of 40% of UK and European revenue)

**Progress made on strategic initiatives**

- Established markets: maintained market leading position in Germany, grew market share in Australia and led the UK for client satisfaction
- Geographic expansion: China education office opened in October, Middle East office planned for 2018
- Digital: new framework rolled out targeting greater efficiencies, 59% of marketing spend now through digital channels
- New products: FX Prime launched, CMC Pro released
- Institutional: value of client trades up 50%

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

"The strategy of attracting and retaining experienced, high value and institutional clients through technology and service is delivering strong results for the Group. We have been delivering on our strategic initiatives and these are now clearly coming through in the financial performance, where we have delivered record statutory profit before tax of £60.1 million. Now we have clarity about the regulatory changes in Europe, and with CMC's balanced portfolio of retail, professional and institutional clients across a breadth of growing geographies, we are confident that our technology and service-led strategy will continue to deliver profitable growth."

## Analyst and Investor Presentation

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

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

http://webcasts.cmcmarkets.com/results/2018fullyear

Alternatively, you can dial into the presentation:

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

Please quote "CMC Markets Full Year Results 2018" when prompted.

## Annual Report and Financial Statements

A copy of the CMC Markets plc (the "Company") Annual Report and Financial Statements for the year ending 31 March 2018 (the "2018 Annual Report and Financial statements") is available within the Investor Relations section of the Company website http://www.cmcmarkets.com/group/results/annual-reports

Pursuant to Listing Rule 9.6.1 the "Company" has submitted the 2018 Annual Report to the National Storage Mechanism and will shortly be available for inspection at: www.hemscott.com/nsm.do

In compliance with The Disclosure and Transparency Rules (DTR) 6.3.5, the information in the document below is extracted from the Company's 2018 Annual Report and Financial Statements. This material is not a substitute for reading the 2018 Annual Report and Financial Statements in full and any page numbers and cross references in the extracted information below refer to page numbers and cross-references in the 2018 Annual Report and Financial Statements.

## Forthcoming announcement dates

| | |
|---|---|
| Thursday 26 July | Q1 2019 trading update |
| Thursday 27 September | Q2 2019 pre-close trading update |

## Media enquiries

**Camarco**

Geoffrey Pelham-Lane / Ed Gascoigne-Pees / Jennifer Renwick Tel: 020 3757 4994

## Notes to Editors

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

## Forward Looking Statements

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

## CHAIRMAN'S STATEMENT

In my first report as Chairman, I am pleased to report that, against a backdrop of regulatory uncertainty in Europe, the Group has made strong progress. The Group continues to deliver on its strategic initiatives, including the rollout of our new mobile platform, the opening of our Shanghai office, strong growth in our institutional business and significant progress on the implementation of our white label stockbroking partnership with ANZ Bank in Australia.

### Results and dividend

The Group has performed strongly throughout the financial year. Net operating income for the year was £187.1 million, a 16% improvement on the previous year. Revenue per active client at £2,964 was 18% higher than the previous year, reflecting the Group's strategic focus on generating higher quality earnings through higher value business.

The Group continues to be highly cash generative, with a strong balance sheet and total regulatory capital position.

The Board recommends a final dividend payment of 5.95 pence per share, which represents a total ordinary dividend per share of 8.93 pence.

### Regulation

The Group believes in strong regulation and is supportive of regulatory change to ensure that all providers operate to the highest standards, ensuring fair client outcomes. The European Securities and Markets Authority ("ESMA") published temporary product intervention measures on the provision of CFDs and binary options to retail clients in March 2018, 15 months after the Financial Conduct Authority ("FCA") issued consultation paper 16/40 (Enhancing conduct of business rules for firms providing contracts for difference products to retail clients).

The Group welcomes many of the requirements, and is pleased that we now have clarity; many of the ESMA requirements have already been in place throughout the Group for some time. Whilst these changes are likely to have some short-term adverse effect on the Group as clients adjust their trading behaviour to these new requirements, the Board believes that a stronger and better industry will emerge. In that process the Group will be a clear winner through its focus on high value clients, service and technology.

### Board and governance

During this financial year, we have made a number of changes to our Board. Manjit Wolstenholme and Malcolm McCaig resigned from the Board. Their valuable contribution to the Group in our early days as a listed business was very much appreciated. It is also with great sadness that we learnt of Manjit's passing away in November 2017; our thoughts are with her family.

We have welcomed Sarah Ing, Clare Salmon and Paul Wainscott to our Board; their backgrounds and breadth of experience means they are already proving to be strong additions.

Simon Waugh resigned from the Board at the end of December after ten years, with five years as Chairman. I would like to thank Simon for his significant contribution and I am delighted that Simon continues to be part of the Group, as Chairman of our APAC & Canada businesses at this exciting time as we integrate the ANZ Bank stockbroking partnership.

Given the relatively new composition of the Board, a Board evaluation has not been completed. The Board expects to complete the appropriate evaluations during the course of the next financial year.

### People and values

Our people are core to everything that we do and, on behalf of the Board, I would like to thank them for their efforts for once again delivering strong financial performance against a backdrop of regulatory uncertainty. During the year, the Group refreshed its core values, "the CMC way", reflecting the Group's focus on quality, clients and integrity.

### Outlook

The Group has made a good start to the new financial year and the Group's stockbroking partnership with ANZ Bank in Australia remains on track to go live in September 2018.

We expect the new margin requirements stipulated by ESMA to have some adverse short-term impact on the financial performance once they are in place, which is expected during the summer. However, the Group's strategy of attracting and retaining high value and experienced clients will help to mitigate some of the impact. The Group has a strong professional offering, "CMC Pro", and is in the process of reviewing client requests to be treated as elective professional clients where the eligibility criteria has been satisfied. In addition, the Group's growing institutional business and stockbroking partnership with ANZ Bank further diversifies the Group and helps to mitigate the impact of regulatory change.

Costs remain well controlled, although will be moderately higher in 2019 for planned investments to drive strategic initiatives as the Board believes that it is a time to take advantage of the opportunities that regulatory change will present, ensuring that the Group continues to be a leader in the industry.

**James Richards**
Chairman
6 June 2018

# CEO REPORT

## Financial performance and KPIs

The Group has been delivering on its strategic initiatives and this is now clearly coming through in the financial performance, where we have delivered record statutory profit before tax of £60.1 million, up 24% on the prior year. Profit before tax margin has also increased from 30.1% to 32.1%, highlighting the strong operational leverage in the business. In addition, revenue per active client is up 18% on the prior year as we continue to focus on our high value client proposition. All of this has been against a backdrop of regulatory uncertainty in the UK and Europe. However, our strategy puts us in a strong position to mitigate the impact of the upcoming regulatory changes.

In addition, we have continued to build our presence in our established and developing offices as well as grow our institutional business. This, along with market conditions returning to more normalised levels, resulted in the value of client trades increasing by 28%, contributing to net operating income increasing by 16% to £187.1 million against the prior year. All asset classes contributed to the increase in net operating income.

Operating expenses increased by 13% to £125.9 million mainly due to higher discretionary remuneration and salary costs. In the year ahead, operating costs are expected to increase as we take on more staff and infrastructure cost to service in excess of 250,000 new active stockbroking clients as part of the ANZ Bank white label stockbroking partnership.

It is worth noting that this performance has been achieved without providing a cryptocurrency offering throughout the majority of the year. The interest in cryptocurrencies has undoubtedly added a new wave of clients to the industry. We did not offer any crypto products until February 2018, and the offering is only currently available to professional clients with a minimum margin requirement of 50%.

Cash generation, given the nature of our business, remains strong and own funds generated from operating activities was £55.5 million. During the year, the Group has seen significant fluctuations in margin requirements at our prime brokers due to hedging growing client positions. Although this reduced towards the end of the year, we have increased our revolving credit facility from £40.0 million to £65.0 million; this gives us headroom to continue growing the business and hedge growing client positions. Our total regulatory capital ratio remained high at 31.1% at the year-end. Active clients at 59,165 were down 2% on the previous year and new accounts were also slightly lower than the previous year. These decreases were primarily due to the prior year including a number of new accounts being opened around the EU Referendum and US presidential election, where clients opened accounts and only traded around that event.

Whilst active and new accounts continue to be important measures for the Group, the quality and activity of those clients are more important, and this will become increasingly so once the regulatory changes are implemented. During the year premium clients, our internal measure of high quality clients, increased to 10%.

## Regulation

During the year, the FCA consultation paper did not reach a conclusion due to the impending introduction of ESMA's product intervention powers from 3 January 2018. The ESMA announcement on 15 December 2017 resulted in a short consultation and the final rules were published in March 2018. We expect these to be implemented during the summer.

The main aim of these measures around improving retail client protection can be summarised through:

- reducing the extent of potential losses for retail investors by the imposition of margin close-out levels, minimum margin requirements (leverage limitations) and negative balance protection; and
- confronting conduct issues, such as the use of aggressive marketing practices and marketing to an untargeted audience.

In the short term the imposition of higher minimum margin requirements for retail clients is likely to impact the Group's revenue, but it should be noted that the revenue impact will be partially mitigated through our focus on high value clients and a proportion of these clients that will opt to be treated as elective professional clients, thus exempting them from the retail restrictions. We expect the number of elective professional clients to represent in excess of 40% of current UK and European revenue. The Group has a robust process in place where clients are only opted up once proof of meeting the required criteria are met.

## Regional review

Net revenue has increased across all regions during the year, with a globally aligned focus on acquiring and retaining high value clients.

The UK, as the largest and most mature region as well as servicing most of the Group's institutional business, has a higher concentration of high value business than other regions, and as a result saw the biggest increase in revenue per active client ("RPC") of 25% from £3,558 to £4,451. Active client numbers reduced marginally by 6% to 16,157 from 17,142 as we focused more on the high value and institutional segments. Overall, this resulted in an increase in net revenue of 18% from £61.0 million to £71.9 million.

In Europe, regulatory change in Germany, our largest office in the region, resulted in lower growth than the UK; client numbers decreased by 1% to 22,223 from 22,503, however, net revenue increased by 12%, from £45.3 million to £50.6 million.

In the APAC & Canada region, an education office was opened in Shanghai in October 2017. Client numbers in the region increased by 2% to 20,785 from 20,437. Net revenue increased by 18% from £45.0 million to £52.9 million.

The stockbroking business has delivered another good year of growth, with net revenue increasing 9% to £8.5 million and active client numbers growing by 17% to 38,775. This has been achieved whilst implementing changes to the platform functionality and building tools for the migration of ANZ Bank stockbroking retail clients in September 2018.

## Risk management

Effective risk management is essential to the continuing success of the Group. The Group continually reviews its risk management practices to ensure that they are proportionate and robust.

With the introduction of regulatory changes it is likely that this will impact the trading behaviour of some clients, and as these changes are made the Group will continually review its trading risk management strategies to ensure that they remain efficient and optimal, at all times operating within the Board-approved risk appetite and Risk Management Framework.

## Strategic progress

### Institutional offering

The ANZ Bank white label stockbroking implementation continues to progress on track for delivery. The retail stockbroking migration will take place in September 2018 and a number of intermediaries will be migrated in July 2018. This is a truly transformational deal for the Australian business and the Group, where CMC will become the second largest retail stockbroker in Australia.

In addition to the ANZ Bank stockbroking implementation providing diversification to the business, the institutional and partners channel for our CFD offering, which provides white and grey label and API electronic connectivity, also provides diversification. The net revenue generated by this business has grown by 38% from £22.7 million to £31.4 million during the year and the ongoing rollout of additional functionality to meet client demand continues to be a focus area.

The Group continues to grow its CFD institutional business, launching its FX Prime offering and through its technology, liquidity and strong balance sheet continues to attract new institutional business.

### Geographic expansion

In October 2017, the Group opened its education office in Shanghai. Although the Chinese market remains underdeveloped at the moment, we believe it represents a great future opportunity for the Group as this market matures.

The Polish office continues to perform well and the Group continues to look for new geographies in which to expand.

### Product offering

We have continued to invest in and develop the Group's product offering. This has included completing the rollout of HTML5 with improved functionality, a new mobile platform and the launch of a limited risk account in the UK and Germany.

In the coming year we will launch our MT4/5 offering. This is a popular product within the trading community and will be offered in order to meet the demands of both existing and new clients and also take advantage of opportunities arising from regulatory change. In April 2018, we also launched "CMC Pro", our dedicated offering to meet the needs of professional clients.

**Established markets**

When putting future regulatory change in Europe to one side, I am pleased and encouraged by the ongoing growth and revenue contribution of all three of our established markets, the UK, Germany and Australia. The continuing positive performance in independent surveys in these countries also confirms our status as a leading trading platform provider delivering strong levels of client satisfaction. We have been shown to be leading in client service in the UK as well as maintaining our market leading position in Germany and number one provider for high value CFD clients in Australia.

**Digital initiatives**

During the year, we have continued to invest in our digital marketing area, where we have seen a rise in applications via the mobile channel. A more scientific approach to our marketing spend and improvements in search engine optimisation ("SEO") have contributed to an improved and more focused client acquisition process.

## People and values

Our people are crucial to our success and throughout the year, I have been consistently impressed by the quality and hard work of our employees. During the year, we have refreshed our Group values and are committed to retaining and developing our staff.

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

## Clients

Clients are central to everything we do at CMC. We continually focus on employing and training high quality client services staff, onboarding, education, platform features, and a focus on fair client outcomes. During the year, the Group received many awards in this area and ranked very highly in an independent survey of the sector.

## Dividend

The Board recommends a final dividend payment of £17.2 million. This is 5.95 pence per share (2017: 5.95 pence), resulting in total dividend payment for the year of 8.93 pence per share (2017: 8.93 pence), slightly above the Group's policy of paying 50% of net income.

## Outlook

Key areas of focus for the Group during the first half of the year will be the successful integration of the ANZ Bank stockbroking partnership in Australia, and in the UK and Europe on meeting the new regulatory requirements. Alongside this, we will continue to develop our platforms to ensure that we are well positioned from a product perspective in the new regulatory environment to acquire and retain experienced and valuable clients as well as build our institutional offering.

Regulatory change is likely to impact revenue in the UK and Europe in the short term; however, any Group revenue decrease from retail client trading (expected to be 10% to 15% of 2018 Group CFD and spread bet revenues) will be partially mitigated by the increasing revenue from our stockbroking business. Regulatory change has always helped strengthen our industry and I believe that CMC as a strong and well-capitalised company will benefit.

We have a big year ahead, but we are well positioned to meet the challenges to grow our business, through our own technology and 15 offices globally. Through the opportunities that our proprietary technology provides we are diversifying the business.

**Peter Cruddas**
Chief Executive Officer
6 June 2018

## FINANCIAL REVIEW

### Summary income statement

| £m | 2018 | 2017 | Variance | Variance % |
|---|---|---|---|---|
| **Net operating income** | **187.1** | **160.8** | **26.3** | **16%** |
| Operating expenses | (125.9) | (111.6) | (14.3) | (13%) |
| **Operating profit** | 61.2 | 49.2 | 12.0 | 24% |
| Finance costs | (1.1) | (0.7) | (0.4) | (60%) |
| **Profit before taxation** | **60.1** | **48.5** | **11.6** | **24%** |

| | | | | |
|---|---|---|---|---|
| PBT margin | 32.1% | 30.1% | 2.0% | |

| | | | | |
|---|---|---|---|---|
| **Profit after tax** | **49.7** | **39.2** | **10.5** | **27%** |

| Pence | 2018 | 2017 | Variance | Variance % |
|---|---|---|---|---|
| **Basic EPS** | **17.3** | **13.7** | **3.6** | **26%** |

### Summary

Net operating income for the year increased by £26.3 million (16%) to £187.1 million, primarily driven by trading conditions returning to more normalised levels and our focus on high value clients, which resulted in the average trade size increasing during the year. Second half net operating income was moderately higher than first half performance at £97.5 million (H1 2018: £89.6 million).

Active client numbers have fallen marginally by 917 (2%) to 59,165, due to fewer event-driven trading opportunities which encourage certain clients to open or reactivate their accounts to trade only around these events. In the prior year, the US election and EU Referendum drove the active client figure higher. However, revenue per active client rose by £447 (18%) to £2,964 due to an increase in the value of client trades by £571 billion (28%) to £2,587 billion despite having fewer active clients. Encouragingly this growth was seen across both of our largest asset classes, Indices and FX. Indices was the biggest driver of this increase with the value of client trades up £393 billion (35%) to £1,518 billion, which equated to 59% of the value of client trades, which is more representative of the historical share of activity that this asset class generates for the Group.

Total costs[1] increased by £14.7 million (13%) to £127.0 million. The increase was predominantly caused by a £8.5 million (17%) increase in net staff costs due to higher average headcount as we continue to invest in the business and higher performance-related pay.

Profit before tax increased by £11.6 million (24%) to £60.1 million, as a result of the £26.3 million increase in net operating income and partly offset by a £14.7 million increase in total costs explained above. As a result, our profit before tax margin[2] increased by 2.0% to 32.1% highlighting the operational gearing present in the business.

### Net operating income overview

| £m | Year ended 31 March 2018 | Year ended 31 March 2017 |
|---|---|---|
| CFD and spread bet (including binaries) net revenue | 175.4 | 151.3 |
| Stockbroking | 8.5 | 7.8 |
| Interest income | 2.1 | 1.7 |
| Other operating income | 1.1 | - |
| **Total** | **187.1** | **160.8** |

[1] Total costs are the sum of operating expenses, depreciation, amortisation and finance costs
[2] Statutory profit before tax as a percentage of net operating income

## Regional performance overview: CFD and spread bet

| | 2018 | | | | 2017 | | | | Variance % | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Net revenue (£m) | Value of trades (£bn) | Active Clients | RPC (£) | Net revenue (£m) | Value of trades (£bn) | Active Clients | RPC (£) | Net revenue (£m) | Value of trades (£bn) | Active Clients | RPC (£) |
| UK | 71.9 | 1,036 | 16,157 | 4,451 | 61.0 | 793 | 17,142 | 3,558 | 18% | 31% | (6%) | 25% |
| Europe | 50.6 | 777 | 22,223 | 2,276 | 45.3 | 632 | 22,503 | 2,012 | 12% | 23% | (1%) | 13% |
| APAC & Canada | 52.9 | 774 | 20,785 | 2,544 | 45.0 | 591 | 20,437 | 2,201 | 18% | 31% | 2% | 16% |
| **Total** | **175.4** | **2,587** | **59,165** | **2,964** | **151.3** | **2,016** | **60,082** | **2,517** | **16%** | **28%** | **(2%)** | **18%** |

### UK

The value of client trades in the UK grew 31% against the prior year to £1,036 billion (2017: £793 billion), driven by retail growth of 29% to £733 billion (2017: £569 billion) as market conditions presented clients with more trading opportunities, whilst the institutional business also continues to grow. Although the number of active clients fell 6% to 16,157 (2017: 17,142), much of this churn was in low value, short-term clients trading around known political events in the prior year such as the UK's EU Referendum in June 2016, which in turn contributed to revenue per active client increasing 25% to £4,451 (2017: £3,558). Our focus on clients was clearly reflected in an independent industry survey carried out during the year[1], with our net promoter score further increasing and the Group continuing to lead in client satisfaction with first place rankings in 14 out of 19 key service areas.

### Europe

Europe comprises offices in Austria, France, Germany, Italy, Norway, Poland, Spain and Sweden. The value of client trades in Europe was 23% higher than the prior year at £777 billion (2017: £632 billion). Whilst active clients were marginally lower than the prior year, the focus on high value clients has yielded strong returns with net revenue up 12% in the region to £50.6 million (2017: £45.3 million), and an increase in net revenue across all offices. Our Scandinavian offices performed particularly well, with the value of client trades in the region 67% higher than the prior year. The largest office in the region, Germany, maintained its market-leading position with a 8% share of primary relationships with CFD/FX active clients[2], and the Polish office continues to grow well with active clients up 52%.

### APAC & Canada

Our APAC & Canada business services clients from our Sydney, Auckland, Singapore, Toronto and Shanghai offices along with other regions where we have no physical presence. The value of client trades was 31% higher at £774 billion (2017: £591 billion). As with other regions, net revenue growth was driven by high value clients trading more compared to prior year, reflected in an RPC increase of 16% to £2,544 (2017: 2,201), whilst active clients were marginally higher at 20,785 (2017: 20,437).

External research highlights the Group's success in appealing to high value traders, with the Group maintaining the position of number one provider for high value CFD clients in Australia[3]. This report also highlighted that the Group had the highest prompted brand awareness in the Australian CFD and FX markets, as the brand continues to strengthen in this area. Client satisfaction remains a key focus for the Group, and CMC was recognised as top for overall satisfaction for Australia CFD[1] and Singapore CFD and FX[1] clients by Investment Trends.

[1] Investment Trends May 2017 UK Leveraged Trading Report
[2] Investment Trends May 2018 Germany CFD and FX Report
[3] Investment Trends May 2017 Australia CFD Report; Investment Trends October 2017 Singapore CFD and FX Report.

**Stockbroking**

The Australian stockbroking business has continued to grow, with revenue up 9% at £8.5 million (2017: £7.8 million), and up 7% in local currency terms. Strong client acquisition has also been maintained during the year (47% increase in new clients[1]), supported by a sustained reduction in client cost per acquisition delivered through ongoing enhancements in digital marketing and overall strong volumes seen across the local market.

The significant stockbroking partnership with ANZ Bank remains on track for delivery. Our existing retail and intermediary client base are also expected to be significant beneficiaries of major platform enhancements required as part of the implementation, encompassing mobile trading, international equities, online options and advisor functionality.

[1] Increase in new opened accounts over the period

## Interest income

The low interest rate environment remained largely the same as the prior year and interest income increased marginally to £2.1 million (2017: £1.7 million). The majority of the Group's interest income is earned through our segregated client deposits in our Australia, New Zealand and stockbroking subsidiaries. However, the Group's interest income is beginning to rise due to the FCA granting the UK business permission to deposit a proportion of UK client funds in term deposit accounts.

## Expenses

Total operating expenses increased £14.3 million (13%) to £125.9 million, driven by higher salary costs and performance-related pay.

| £m | 2018 | 2017 | Variance % |
|---|---|---|---|
| Net staff costs | 57.9 | 49.4 | 17% |
| IT costs | 16.9 | 15.4 | 10% |
| Marketing costs | 18.3 | 20.3 | (10%) |
| Sales-related costs | 2.3 | 1.5 | 48% |
| Premises costs | 6.2 | 5.2 | 19% |
| Legal and professional fees | 4.0 | 3.5 | 14% |
| Regulatory fees | 3.0 | 2.6 | 16% |
| Depreciation and amortisation | 6.8 | 5.8 | 17% |
| Other | 10.5 | 7.9 | 31% |
| **Total operating expenses** | **125.9** | **105.8** | **13%** |
| Interest | 1.1 | 0.7 | 60% |
| **Total costs** | **127.0** | **112.3** | **13%** |

**Staff costs**

Net staff costs increased £8.5 million (17%) to £57.9 million, largely caused by a rise in wages and salaries of £3.5 million (9%) due to the annualised impact of investment in personnel in the prior year and higher performance-related pay, which increased by £7.3 million. These increases were offset by net capitalisation, mainly relating to development costs as part of the ANZ Bank implementation and a decrease of £1.4 million (32%) in share-based payments.

| £m | 2018 | 2017 | Variance % |
|---|---|---|---|
| Wages and salaries | 43.4 | 39.9 | 9% |
| Performance related pay | 10.7 | 3.4 | 213% |
| Share-based payments | 3.0 | 4.4 | (32%) |
| **Total employee costs** | **57.1** | **47.7** | **20%** |
| Contract staff costs | 3.5 | 1.7 | 104% |
| Capitalised internal software development costs | (2.7) | - | - |
| **Net staff costs** | **57.9** | **49.4** | **17%** |

**Marketing costs**

Marketing costs decreased by £2.0 million (10%) to £18.3 million during the year due to a reduction in brand and sponsorship activity. However, digital marketing spend increased year on year and also from the first half to the second half of the year. The Group continues to sponsor the New South Wales Waratahs rugby team in Australia.

**Other expenses**

IT costs increased by £1.5 million (10%) to £16.9 million. We continue to see above-inflation increases in this area, compounded by some IT contracts showing a trend of moving from intangible software licences to software maintenance charges, and increasing charges from market data providers.

Premises costs have increased mainly due to higher rent charges in Australia and the opening of a new office in China.

**Other costs**

The increase in other costs was driven by numerous factors, but mainly irrecoverable sales tax, a lower level of recoverable bank charges as a result of new EU regulation and higher recruitment costs.

## Taxation

The effective tax rate for the year was 17% (2017: 19%). The majority of the Group's profits are taxed in the UK, which had a corporation tax rate of 19% (2017: 20%). The Group also benefited from higher utilisation of Australian corporation tax credits in the year due to higher forecast profitability in the Australian entities. The effective tax rate is expected to be in the region of 12% to 14% in 2019.

## Profit after tax for the year

The increase in profit after tax for the year of £10.5 million (27%) to £49.7 million (2017: £39.2 million) was due to both higher statutory profit before tax and a lower effective tax rate.

## Dividend

Dividends of £25.7 million were paid during the year (2017: £23.9 million), with £17.1 million relating to a final dividend for the prior year paid in August 2017, and a £8.6 million interim dividend paid in December 2017 in relation to the current year performance. The Group has proposed a final ordinary dividend of 5.95 pence per share (2017: 5.95 pence per share).

## Group statement of financial position

| £m | 2018 | 2017 |
|---|---|---|
| Intangible assets | 4.4 | 2.1 |
| Property, plant and equipment | 20.7 | 18.2 |
| Deferred tax assets | 8.8 | 8.1 |
| Financial investments | 10.8 | - |
| Trade and other receivables | 2.2 | - |
| **Total non-current assets** | **46.9** | **28.4** |
| Trade and other receivables | 48.0 | 31.6 |
| Derivative Financial instruments | 7.3 | 1.9 |
| Financial investments | 10.3 | 20.3 |
| Amount due from brokers | 156.9 | 119.4 |
| Cash and cash equivalents | 60.5 | 53.2 |
| **Total current assets** | **283.0** | **226.4** |
| **Total assets** | **329.9** | **254.8** |
| Trade and other payables | 91.8 | 36.3 |
| Derivative Financial instruments | 3.9 | 3.3 |
| Borrowings | 1.3 | 5.8 |
| Current tax payable | 2.3 | 5.5 |
| Short term Provisions | 0.1 | 0.4 |
| **Total current liabilities** | **99.4** | **51.3** |
| Trade and other payables | 5.5 | 3.1 |
| Borrowings | 2.3 | 3.0 |
| Deferred Tax liabilities | 0.7 | 0.0 |
| Long term Provisions | 2.0 | 1.6 |
| **Total non-current liabilities** | **10.5** | **7.7** |
| **Total liabilities** | **109.9** | **59.0** |
| **Total equity** | **220.0** | **195.8** |
| **Total equity and liabilities** | **329.9** | **254.8** |

### Non-current assets

The Group is committed to maintaining its Next Generation trading platform and these costs are expensed as incurred. However, £2.6 million of internal development costs relating to the ANZ Bank implementation have been capitalised as **intangible assets** during the year and this will continue to be the case until the implementation is complete. The majority of the remaining intangible assets relate to the net book value of software licences.

There has also been significant investment in the fit-out of a new property in Australia to accommodate more staff to support the imminent increase in size of the stockbroking business and this has been the main driver of the increase in **property, plant and equipment** over the period along with ongoing investment in IT infrastructure.

**Deferred tax** assets increased during the year due to the recognition of a higher amount of tax losses on the balance sheet relating to Australian tax credits. This has been driven by increasing profitability in the stockbroking business as a result of the ANZ Bank partnership.

**Financial investments** in both non-current and current assets relate to the FCA requirement to hold eligible assets against potential liquidity stress.

### Current assets

**Trade and other receivables** relate mainly to client receivables from stockbroking positions yet to settle, an escrow deposit relating to the ANZ Bank transaction, prepayments, and other client debtors. The year-on-year rise is a result of the escrow deposit. **Amount due from brokers** relates to cash held at brokers either for initial margin or to reduce interest payable on the Group's overall hedge position. **Cash and cash equivalents** have increased during the course of the year with a proportion being deposited with brokers to fund growing margin requirements.

### Current liabilities

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

### Non-current liabilities

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

## Regulatory capital resources

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

The Group's total capital resources increased due to the rise in retained earnings relating to audited 2018 profits, partly offset by higher intangible assets and deferred tax assets on the balance sheet.

At 31 March 2018 the Group had a total capital ratio of 31.1% (31 March 2017: 30.2%). The following table summarises the Group's capital adequacy position at the year-end. The Group's approach to capital management is described in note 28 to the 2018 Annual Report and Financial statements.

| | 2018 | 2017 |
|---|---|---|
| Total capital resources (£m) | 194.9 | 171.9 |
| Total risk exposure (£m) | 627.0 | 569.4 |
| **Total capital ratio (%)** | **31.1%** | **30.2%** |

Note: capital resources include audited reserves and any changes to deferred tax assets resulting from the audit process and proposed dividends.

## Liquidity

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

- **Own funds.** The primary source of liquidity for the Group. It represents the funds that the business has generated historically, including any unrealised gains/losses on open hedging positions. All cash held on behalf of segregated clients is excluded. Own funds consists mainly of cash and cash equivalents and also includes investments in UK government securities, which are held to meet the Group's liquid asset buffer ("LAB") – as set by the FCA. These UK government securities are BIPRU 12.7 eligible securities and are available to meet liabilities which fall due in periods of stress.
- **Title Transfer Funds (TTFs).** This represents funds received from professional clients and eligible counterparties (as defined in the FCA Handbook) that are held under a title transfer collateral agreement ("TTCA"); a means by which a professional client or eligible counterparty may agree that full ownership of such funds is unconditionally transferred to the Group. The Group does not require clients to sign a TTCA in order to be treated a professional client and as a result, their funds remain segregated. The Group considers these funds as an ancillary source of liquidity and places no reliance on its stability. The increase during the year was reflective of the increase in the institutional client base and certain other professional clients, where we require the funds of these clients to be held under a TTCA.
- **Available committed facility (off-balance sheet liquidity).** The Group has access to a facility of up to £65.0 million (2017: £40.0 million) in order to fund any potential fluctuations in margins required to be posted at brokers to support the risk management strategy. The £25.0 million increase during the year was due to the syndication of the existing facility in March 2018. 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 increased in March 2018 from £20.0 million for each term. There was no drawdown on the facility at 31 March 2018 (2017: £nil).

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.

At 31 March 2018, the Group held cash balances of £60.5 million (2017: £49.0 million). In addition, £304.8 million (2017: £310.0 million) was held in segregated client money accounts for clients. The movement in Group cash and cash equivalents is set out in the Consolidated Statement of Cash Flows.

Own funds have increased to £193.9 million (2017: £183.4 million). Own funds include short-term financial investments, amounts due from brokers and amounts receivable/payable on the Group's derivative financial instruments. For more details refer to note 17 of the 2018 Annual Report and Financial statements.

| £m | 2018 | 2017 |
|---|---|---|
| Own funds | 193.9 | 183.4 |
| Title transfer funds | 48.0 | 3.8 |
| Available committed facility | 65.0 | 40.0 |
| **Total available liquidity** | **306.9** | **227.2** |
| *Less:* Blocked cash | (16.6) | (19.8) |
| *Less:* Initial margin requirement at broker | (103.7) | (93.0) |
| **Net available liquidity** | **186.6** | **114.4** |
| *Of which: held as liquid assets buffer* | *21.2* | *20.0* |

## Client money

Total segregated client money held by the Group was £304.8 million at 31 March 2018 (2017: £310.0 million).

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

### Client money governance

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

The Group has comprehensive client money processes and procedures in place to ensure client money is identified and protected at the earliest possible point after receipt as well as governance structures, which ensure such activities are effective in protecting client money. The Group's governance structure is explained further in the 2018 Annual Report and Financial statements.

## PRINCIPAL RISKS

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

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

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

The Board has put in place a governance structure, which is appropriate for the operations of an online retail financial services group and is aligned to the delivery of the Group's strategic objectives. The structure is regularly reviewed and monitored and any changes are subject to Board approval. Furthermore, management regularly considers updates to the processes and procedures to embed good corporate governance throughout the Group.

As part of the Group Risk Management Framework, the business is subject to independent assurance by internal audit (third line of defence). The use of independent compliance monitoring, risk reviews (second line of defence) and risk and control self-assessments (first line of defence) provides additional support to the integrated assurance programme and ensures that the Group is effectively identifying, managing and reporting its risks.

The Group continues to make enhancements to its Risk Management Framework and governance to provide a more structured approach to identifying and managing the risks to which it is exposed.

The Board has undertaken a robust assessment of the principal risks facing the Group. Top and emerging risks are considered those that would threaten its business model, future performance, solvency or liquidity and how these risks are managed or mitigated (Code C.2.1). These are outlined below and details of financial risks and their management are set out in note 28 to the 2018 Annual Report and Financial statements.

Top and emerging risks during the year, which form either a subset of one or multiple principal risks and continue to be at the forefront of the Group discussions, are:

- **Regulatory change:** further to announcements and consultations from national competent authorities ("NCAs") and ESMA, changes will be required to be made to the marketing and distribution of CFDs to retail clients throughout Europe in August 2018. These changes have been regularly discussed at Board, Board Committee and Executive Committee meetings throughout the period, including the Group's readiness and potential impact on the Group's business model. Many of the new requirements are already in place throughout the Group; however, some of the measures will have an impact on client trading behaviour that is not possible to accurately understand until implemented. Once implemented, management will constantly monitor any impact. The Group's strategic focus has been on high value and experienced clients, many of whom may be entitled to become elective professionals, which will help to mitigate the impact of regulatory change. In addition, the Group believes that in the medium to long term these changes present opportunities for the Group and the Group's strong balance sheet and increasing diversification put it in a strong position to deal with, and take advantage of, these changes.
- **UK's exit from the European Union ("Brexit"):** the impact that Brexit has on the Group is closely monitored. Plans are underway to establish a new subsidiary in the European Union. Once implemented this new structure should mitigate any impact that could arise from regulatory change resulting from Brexit.

Further information on the structure and workings of Board and Management Committees is included in the Corporate governance report in the 2018 Annual Report and Financial statements.

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

| Principal Risk | Risk | Description | Management and mitigation |
|---|---|---|---|
| **Financial risks** | **Credit and counterparty risk** | The risk of a client, custodian or counterparty failing to fulfil contractual obligations, including settlement, resulting in financial loss for the Group, specifically:<br>**Client credit risk**<br>Financial losses may be incurred in cases where an adverse price move exceeds the margin that a client holds to maintain their position, followed by the client defaulting against their contractual obligations to pay the deficit.<br>**Counterparty credit risk**<br>A financial institution failing to meet or defaulting on their obligations in accordance with agreed terms. | **Client credit risk**<br>The Group's management of client credit risk is significantly aided by automatic liquidation functionality where margin levels are continuously reviewed. If they fall below pre-agreed levels, the positions held on the account will automatically be closed out.<br>Other platform functionality mitigates risk further:<br>• tiered margin requires clients to hold more collateral against bigger or higher risk positions;<br>• mobile phone access allowing clients to manage their portfolios on the move; and<br>• guaranteed stop loss orders allow clients to remove their chance of debt from their position(s).<br>However, after mitigations, there is a residual risk that the Group could incur losses relating to clients moving into debit balances if there is a market gap.<br>**Counterparty credit risk**<br>Risk management is carried out by a central liquidity risk management ("LRM") team under the Counterparty Concentration Risk Policy, approved by the Board of Directors.<br>Mitigation is achieved by:<br>• monitoring concentration levels to counterparties and reporting these internally/externally on a monthly/quarterly basis; and<br>• monitoring the credit ratings and credit default swap ("CDS") spreads of counterparties and reporting internally on a weekly basis.<br>Further information is available in note 28 to the 2018 Annual Report and Financial statements. |
| | **Financial reporting risk** | The risk that financial, statutory or regulatory reports are submitted late, incomplete or are inaccurate. | • Robust process of checking and oversight in place to ensure accuracy.<br>• Knowledgeable and experienced staff undertake and overview the relevant processes. |
| | **Insurance risk** | The risk that an insurance claim by the Group is declined (in full or in part) or there is insufficient insurance coverage. | • Use of a reputable insurance broker who ensures cover is placed with financially secure insurers.<br>• Comprehensive levels of cover maintained.<br>• Rigorous claim management procedures are in place with the broker.<br>• The Board's appetite for uninsured risk is low and as a result the Group has put in place established comprehensive levels of insurance cover. |

| Principal Risk | Risk | Description | Management and mitigation |
|---|---|---|---|
| | **Liquidity risk** | The risk that there is insufficient available liquidity to meet the liabilities of the Group as they fall due. | Risk management is carried out by a central LRM team under policies approved by the Board and in line with the FCA's individual liquidity adequacy standards ("ILAS") regime. The Group utilises a combination of liquidity forecasting and stress testing to identify any potential liquidity risk both during normal and stressed conditions. The forecasting and stress testing fully incorporates the impact of all liquidity regulations in force in each jurisdiction and other impediments to the free movement of liquidity around the Group.<br>Risk is mitigated by:<br>• the provision of timely daily, weekly and monthly liquidity reporting and real-time broker margin requirements to enable strong management and control of liquidity resources;<br>• a committed bank facility of up to £65 million to meet short-term liquidity obligations to broker counterparties in the event that the Group does not have sufficient access to its own cash; and<br>• a formal Contingency Funding Plan ("CFP") is in place that is designed to aid senior management to assess and prioritise actions in a liquidity stress scenario.<br>For more information see note 28 to the 2018 Annual Report and Financial statements. |
| | **Market risk** | Market risk is defined as the risk that the value of our residual portfolio will decrease due to changes in market risk factors. The three standard market risk factors are price moves, interest rates and foreign exchange rates. | Trading risk management monitors and manages the<br>exposures it inherits from clients on a real-time basis and in accordance with Board-approved appetite.<br>The Group predominantly acts as a market maker in linear, highly liquid financial instruments in which it can easily reduce market risk exposure through its prime broker ("PB") arrangements. This significantly reduces the Group's revenue sensitivity to individual asset classes and instruments.<br>Financial risk management runs stress scenarios on the residual portfolio, comprising a number of single and combined company-specific and market-wide events in order to assess potential financial and capital adequacy impacts to ensure the Group can withstand severe moves in the risk drivers it is exposed to.<br>For further information see note 28 to the 2018 Annual Report and Financial statements. |
| **Operational risks** | **Business change risk** | The risk that business change projects are ineffective, fail to deliver stated objectives, or result in resources being stretched to the detriment of business-as-usual activities. Notable business change risks for the Group are platform upgrades and the implementation of the ANZ Bank stockbroking partnership. | • Governance process in place for all business change programmes with Executive and Board oversight and scrutiny.<br>• Key users engaged in development and testing of all key change programmes.<br>• Significant post-implementation support, monitoring and review procedures in place for all change programmes.<br>• Strategic benefits and delivery of change agenda communicated to employees. |
| | **Business continuity & disaster recovery risk** | The risk that a physical business continuity event or system failure results in a reduced ability or inability to perform core business activities or processes. | • Business continuity oversight provided by operational risk function.<br>• Use of external specialist premises to enhance resilience in the event of a disaster recovery or business continuity requirement.<br>• Periodic testing of business continuity processes and disaster recovery.<br>• Prompt response to significant systems failures or interruptions. |

| Principal Risk | Risk | Description | Management and mitigation |
|---|---|---|---|
| | **Financial crime risk** | Financial crime covers a number of unlawful activities including fraud (first and third party), theft, scams, confidence tricks, tax evasion, bribery, embezzlement, identity theft, money laundering, forgery, counterfeiting and acts of terrorism. | • Adoption of the risk-based approach to financial crime, including undertaking formal and regular risk assessments across global operations.<br>• Global reporting procedures and surveillance processes in place using local compliance and legal expertise.<br>• Regular and ongoing training and awareness programme in place for staff at all levels and in all jurisdictions.<br>• Group Whistleblowing Policy provides a clear framework for escalation of issues. |
| | **Information and data security risk** | The risk of unauthorised access to or external disclosure of client or Company information, including those caused by “cyber attacks”. | • Dedicated information security and data protection<br>• resource/expertise within the Group.<br>• Technical and procedural controls implemented to minimise the occurrence of information security and data protection breaches.<br>• Access to information only provided on a “need-to-know” and “least privilege” basis consistent with the user’s role and also requires the appropriate authorisation.<br>• Key data loss prevention initiatives and regular system access reviews implemented across the business. |
| | **Information technology and infrastructure risk** | The risk of loss of technology services due to loss of data, system or data centre or failure of a third party to restore services in a timely manner. | • Continuous investment in increased functionality, capacity and responsiveness of systems and infrastructure, including investment in software that monitors and assists in the detection and prevention of cyber attacks.<br>• Rigorous software design methodologies, project management and testing regimes to minimise implementation and operational risks.<br>• Constant monitoring of systems performance and, in the event of any operational issues, changes to processes are implemented to mitigate future concerns.<br>• Operation of two data centres in the UK.<br>• Systems and data centres designed for high availability and data integrity.<br>• Continuous service available to clients in the event of individual equipment failures or major disaster recovery events. |
| | **Legal (commercial / litigation) risks** | The risk that disputes deteriorate into litigation. | • Compliance with legal and regulatory requirements including relevant codes of practice.<br>• Early engagement with legal advisers and other risk managers.<br>• Appropriately managed complaints which have a legal/litigious aspect.<br>• An early assessment of the impact and implementation of changes in the law. |
| | **Operations (processing) risks** | The risk that the design or execution of business processes is inadequate or fails to deliver an expected level of service and protection to client or Company assets. | • Investment in system development and upgrades to improve process automation.<br>• Enhanced staff training and oversight in key business processing areas.<br>• Monitoring and robust analysis of errors and losses and underlying causes. |

| Principal Risk | Risk | Description | Management and mitigation |
|---|---|---|---|
| | **Outsourcing and procurement risks** | This is the risk of third party organisations inadequately providing or performing or failing to provide or perform the outsourced activities or contractual obligations to the standards required by the Group. | • Outsourcing only employed where there is a tactical gain in resource or experience.<br>• Due diligence performed on service supplier ahead of outsourcing being agreed.<br>• Service level agreements in place and regular monitoring of performance undertaken. |
| | **People risk** | The risk of loss of key staff or having insufficient skilled resources available. | • The Board has directed that the Group maintains an active Succession and Resource Plan for all key individuals and groups/teams, which will mitigate some of the risk of loss of key persons. It will adopt policies and strategies commensurate with its objectives of:<br>• Attracting and nurturing the best staff;<br>• Retaining key individuals;<br>• Developing personnel capabilities;<br>• Optimising continuous professional development; and<br>• Achieving a reputation as a good employer with an equitable remuneration policy. |
| | **Regulatory and compliance risk** | The risk of regulatory sanction or legal proceedings as a result of failure to comply with regulatory, statutory or fiduciary requirements or as a result of a defective transaction. | • Effective compliance function.<br>• Internal audit outsourced to an independent third party professional services firm.<br>• Effective compliance oversight, planning and implementation.<br>• Comprehensive monitoring programmes by compliance and internal audit.<br>• Controls for appointment and approval of staff holding a controlled function and annual declarations to establish ongoing fitness and propriety.<br>• Governance and reporting of regulatory risks through the Risk Management Committee, Group Audit Committee and Group Risk Committee.<br>• Anti-money laundering controls for client due diligence and sanctions checking. |

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

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

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

- the Group Financial Statements contained in the 2018 Annual Report and Financial Statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and results of the Group; and
- the Strategic Report contained in the 2018 Annual Report and Financial Statements includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that they face; and
- the 2018 Annual Report and Financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy

The Directors' statement was approved by the Board of Directors on 6 June 2018 and signed on its behalf by:

**Peter Cruddas**
**Chief Executive Officer**

**Grant Foley**
**Chief Operating and Financial Officer**

**CMC Markets plc Board of Directors**

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

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

## Consolidated income statement
For the year ended 31 March 2018

| £'000 | Note | Year ended 31 March 2018 | Year ended 31 March 2017 |
|---|---|---|---|
| **Revenue** | | **209,128** | **185,927** |
| Interest income | | 2,114 | 1,739 |
| **Total revenue** | 3 | **211,242** | **187,666** |
| Introducing partner commissions and betting levies | | (24,142) | (26,876) |
| **Net operating income** | 2 | **187,100** | **160,790** |
| Operating expenses | 4 | (125,863) | (111,591) |
| **Operating profit** | | **61,237** | **49,199** |
| Finance costs | | (1,173) | (734) |
| **Profit before taxation** | | **60,064** | **48,465** |
| Taxation | 5 | (10,379) | (9,309) |
| **Profit for the year attributable to owners of the parent** | | **49,685** | **39,156** |

## Earnings per share

| | | | |
|---|---|---|---|
| **Basic earnings per share (p)** | **6** | **17.3p** | **13.7p** |
| Diluted earnings per share (p) | 6 | 17.1p | 13.6p |

## Consolidated statement of comprehensive income

For the year ended 31 March 2018

| £'000 | Year ended 31 March 2018 | Year ended 31 March 2017 |
|---|---|---|
| **Profit for the year** | **49,685** | **39,156** |
| *Other comprehensive (expense) / income:* | | |
| **Items that may be subsequently reclassified to income statement** | | |
| Gain / (Loss) on net investment hedges net of tax | 1,755 | (2,950) |
| Amounts recycled from equity to the income statement | - | 159 |
| Currency translation differences | (3,093) | 4,255 |
| Change in value of available-for-sale financial assets | (58) | (7) |
| **Other comprehensive (expense) / income for the year** | **(1,396)** | **1,457** |
| **Total comprehensive income for the year attributable to owners of the parent** | **48,289** | **40,613** |

## Consolidated statement of financial position

At 31 March 2018

Company registration number: 05145017

| £'000 | Note | 31 March 2018 | 31 March 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 8 | 4,365 | 2,115 |
| Property, plant and equipment | 9 | 20,685 | 18,197 |
| Deferred tax assets | | 8,802 | 8,113 |
| Financial investments | 11 | 10,822 | - |
| Trade and other receivables | 10 | 2,237 | - |
| **Total non-current assets** | | **46,911** | **28,425** |
| **Current assets** | | | |
| Trade and other receivables | 10 | 47,940 | 31,542 |
| Derivative financial instruments | | 7,335 | 1,935 |
| Financial investments | 11 | 10,330 | 20,272 |
| Amounts due from brokers | | 156,887 | 119,390 |
| Cash and cash equivalents | 12 | 60,468 | 53,226 |
| **Total current assets** | | **282,960** | **226,365** |
| **TOTAL ASSETS** | | **329,871** | **254,790** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 13 | 91,696 | 36,389 |
| Derivative financial instruments | | 3,922 | 3,340 |
| Borrowings | | 1,274 | 5,760 |
| Current tax payable | | 2,347 | 5,489 |
| Short term provisions | | 145 | 368 |
| **Total current liabilities** | | **99,384** | **51,346** |
| **Non-current liabilities** | | | |
| Trade and other payables | 13 | 5,389 | 3,030 |
| Borrowings | | 2,346 | 3,042 |
| Deferred tax liabilities | | 682 | 24 |
| Long term provisions | | 2,040 | 1,575 |
| **Total non-current liabilities** | | **10,457** | **7,671** |
| **TOTAL LIABILITIES** | | **109,841** | **59,017** |
| **EQUITY** | | | |
| Share capital | | 72,872 | 72,646 |
| Share premium | | 46,236 | 46,236 |
| Own shares held in trust | | (567) | (466) |
| Other reserves | | (49,452) | (48,056) |
| Retained earnings | | 150,941 | 125,413 |
| **Total equity** | | **220,030** | **195,773** |
| **TOTAL EQUITY AND LIABILITIES** | | **329,871** | **254,790** |

## Consolidated statement of changes in equity
For the year ended 31 March 2018

| £'000 | Share capital | Share premium | Own shares held in trust | Other reserves | Retained earnings | Total Equity |
|---|---|---|---|---|---|---|
| **At 1 April 2016** | **72,600** | **46,243** | **(984)** | **(49,513)** | **107,981** | **176,327** |
| New shares issued | 46 | (7) | - | - | - | 39 |
| Total comprehensive income for the year | - | - | - | 1,457 | 39,156 | 40,613 |
| Acquisition of own shares held in trust | - | - | (504) | - | - | (504) |
| Utilisation of own shares held in trust | - | - | 1,022 | - | - | 1,022 |
| Share-based payments | - | - | - | - | 2,253 | 2,253 |
| Tax on share-based payments | - | - | - | - | (31) | (31) |
| Dividends | - | - | - | - | (23,946) | (23,946) |
| **At 31 March 2017** | **72,646** | **46,236** | **(466)** | **(48,056)** | **125,413** | **195,773** |
| New shares issued | 226 | - | - | - | - | 226 |
| Total comprehensive income / (expense) for the year | - | - | - | (1,396) | 49,685 | 48,289 |
| Acquisition of own shares held in trust | - | - | (104) | - | - | (104) |
| Utilisation of own shares held in trust | - | - | 3 | - | - | 3 |
| Share-based payments | - | - | - | - | 1,505 | 1,505 |
| Tax on share-based payments | - | - | - | - | 57 | 57 |
| Dividends | - | - | - | - | (25,719) | (25,719) |
| **At 31 March 2018** | **72,872** | **46,236** | **(567)** | **(49,452)** | **150,941** | **220,030** |

## Consolidated statement of cash flows
For the year ended 31 March 2018

| £'000 | Note | Year ended 31 March 2018 | Year ended 31 March 2017 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 14 | 64,242 | 11,865 |
| Net interest income | | 2,114 | 1,739 |
| Tax paid | | (13,787) | (11,372) |
| **Net cash generated from operating activities** | | **52,569** | **2,232** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (8,640) | (3,069) |
| Proceeds from disposal of property, plant and equipment | | 42 | 85 |
| Investment in intangible assets | | (3,518) | (811) |
| Proceeds from disposal of intangible assets | | - | 33 |
| Purchase of financial investments | | (21,426) | (20,562) |
| Proceeds from maturity of financial investments and coupon receipts | | 20,512 | 20,710 |
| Inflow / (Outflow) on net investment hedges | | 2,206 | (4,792) |
| **Net cash used in investing activities** | | **(10,824)** | **(8,406)** |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | (171,686) | (20,204) |
| Proceeds from borrowings | | 170,778 | 19,247 |
| Proceeds from issue of ordinary shares | | 42 | - |
| Acquisition of own shares | | (104) | (465) |
| Dividends paid | | (25,719) | (23,946) |
| Finance costs | | (1,173) | (734) |
| **Net cash used in financing activities** | | **(27,862)** | **(26,102)** |
| **Net increase / (decrease) in cash and cash equivalents** | | **13,883** | **(32,276)** |
| Cash and cash equivalents at the beginning of the year | | 48,952 | 78,280 |
| Effect of foreign exchange rate changes | | (2,367) | 2,948 |
| **Cash and cash equivalents at the end of the year** | | **60,468** | **48,952** |

## 1. Basis of preparation

**Basis of accounting**

The financial information set out herein does not constitute the Group's statutory accounts for the years ended 31 March 2018 and 2017, but is derived from those financial statements. The Annual Report and Financial Statements for the year ended 31 March 2017 have been delivered to the Registrar of Companies and those for the year ended 31 March 2018 will be delivered following the Company's Annual General Meeting to be held on 26 July 2018. The external auditor has reported on those financial statements; its reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

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

The financial statements have been prepared in accordance with the going concern basis, under the historical cost convention, except in the case of "Financial instruments at fair value through profit or loss" and "Available for sale financial assets". The financial information is rounded to the nearest thousand, except where otherwise indicated.

The Group's principal accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year. There were no new or amended standards or interpretations that resulted in a change in accounting policy. These policies have been consistently applied to all years presented. The financial statements presented are at and for the years ending 31 March 2018 and 31 March 2017. Financial annual years are referred to as 2018, and 2017 in the financial statements.

**Use of estimates**

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

*Deferred taxes*

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

## 2. Segmental reporting

The Group's principal business is online retail financial services 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 betting only in UK and Ireland and the Group provides stockbroking services only in Australia. The Group's core business is generally managed on a geographical basis and for management purposes, the Group is organised into three segments:

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

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.

| Year ended 31 March 2018<br>£'000 | UK & IE | Europe | APAC & Canada | Central | Total |
|---|---|---|---|---|---|
| Segment revenue net of introducing partner commissions and betting levies | 73,087 | 50,465 | 61,434 | - | 184,986 |
| Interest income | 593 | - | 1,521 | - | 2,114 |
| **Net operating income** | **73,680** | **50,465** | **62,955** | **-** | **187,100** |
| Segment operating expenses | (16,001) | (9,840) | (14,544) | (85,478) | (125,863) |
| **Segment contribution** | **57,679** | **40,625** | **48,411** | **(85,478)** | **61,237** |
| Allocation of central operating expenses | (25,603) | (26,734) | (33,141) | 85,478 | - |
| **Operating profit** | **32,076** | **13,891** | **15,270** | **-** | **61,237** |
| Finance costs | (62) | - | (1) | (1,110) | (1,173) |
| Allocation of central finance costs | (484) | (320) | (306) | 1,110 | - |
| **Profit before taxation** | **31,530** | **13,571** | **14,963** | **-** | **60,064** |

| Year ended 31 March 2017<br>£'000 | UK & IE | Europe | APAC & Canada | Central | Total |
|---|---|---|---|---|---|
| Segment revenue net of introducing partner commissions and betting levies | 61,091 | 45,194 | 52,766 | - | 159,051 |
| Interest income | 192 | - | 1,547 | - | 1,739 |
| **Net operating income** | **61,283** | **45,194** | **54,313** | **-** | **160,790** |
| Segment operating expenses | (13,603) | (11,916) | (13,217) | (72,855) | (111,591) |
| **Segment contribution** | **47,680** | **33,278** | **41,096** | **(72,855)** | **49,199** |
| Allocation of central operating expenses | (23,050) | (23,355) | (26,450) | 72,855 | - |
| **Operating profit** | **24,630** | **9,923** | **14,646** | **-** | **49,199** |
| Finance costs | (71) | (4) | (2) | (657) | (734) |
| Allocation of central finance costs | (271) | (202) | (184) | 657 | - |
| **Profit before taxation** | **24,288** | **9,717** | **14,460** | **-** | **48,465** |

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

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

## 3. Total revenue

**Revenue**

| £'000 | Year ended 31 March 2018 | Year ended 31 March 2017 |
|---|---|---|
| CFD and spread bet | 197,385 | 175,842 |
| Stockbroking | 10,633 | 10,104 |
| Other | 1,110 | (19) |
| **Total** | **209,128** | **185,927** |

**Interest income**

| £'000 | Year ended 31 March 2018 | Year ended 31 March 2017 |
|---|---|---|
| Bank and broker interest | 2,087 | 1,622 |
| Interest from clients | 3 | 64 |
| Interest on financial investments | 24 | 53 |
| **Total** | **2,114** | **1,739** |

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

## 4. Operating expenses

| £'000 | Year ended 31 March 2018 | Year ended 31 March 2017 |
|---|---|---|
| Net staff costs | 57,936 | 49,380 |
| IT costs | 16,949 | 15,352 |
| Sales and marketing | 20,558 | 21,791 |
| Premises | 6,224 | 5,211 |
| Legal and Professional fees | 4,027 | 3,520 |
| Regulatory fees | 2,951 | 2,550 |
| Depreciation and amortisation | 6,810 | 5,835 |
| Other | 10,645 | 7,952 |
| | **126,100** | **111,591** |
| Capitalised internal software development costs | (237) | - |
| **Operating expenses** | **125,863** | **111,591** |

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

## 5. Taxation

| £'000 | Year ended 31 March 2018 | Year ended 31 March 2017 |
|---|---|---|
| **Analysis of charge for the year:** | | |
| *Current tax* | | |
| Current tax on profit for the year | 10,769 | 9,034 |
| Adjustments in respect of previous years | 201 | (41) |
| **Total current tax** | **10,970** | **8,993** |
| *Deferred tax* | | |
| Origination and reversal of temporary differences | (656) | 414 |
| Adjustments in respect of previous years | (29) | (187) |
| Impact of change in tax rate | 94 | 89 |
| **Total deferred tax** | **(591)** | **316** |
| **Total tax** | **10,379** | **9,309** |

The standard rate of UK corporation tax charged was 19% with effect from 1 April 2017. Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions. The effective tax rate of 17.28% (Year ended 31 March 2017: 19.21%) differs from the standard rate of UK corporation tax rate of 19% (Year ended 31 March 2017: 20%). The differences are explained below:

| £'000 | Year ended 31 March 2018 | Year ended 31 March 2017 |
|---|---|---|
| Profit before taxation | 60,064 | 48,465 |
| Profit multiplied by the standard rate of corp. tax in the UK of 19% (31 March 2017: 20%) | 11,412 | 9,693 |
| Adjustment in respect of foreign tax rates | 591 | 465 |
| Adjustments in respect of previous years | 172 | (228) |
| Impact of change in tax rate | 94 | 89 |
| Expenses not deductible for tax purposes | 180 | 366 |
| Income not subject to tax | 34 | (115) |
| Irrecoverable foreign tax | 357 | 292 |
| Recognition of previously unrecognised tax losses | (2,262) | (1,380) |
| Other differences | (199) | 127 |
| **Total tax** | **10,379** | **9,309** |

For the year ended 31 March 2018, the tax effect of exceptional costs that were not recognised for tax purposes was £nil (Year ended 31 March 2017: £nil)

| £'000 | Year ended 31 March 2018 | Year ended 31 March 2017 |
|---|---|---|
| **Tax on items recognised directly in Equity** | | |
| Tax credit / (charge) on Share based payments | 57 | (31) |

## 6. Earnings per share (EPS)

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

For diluted earnings per share, the weighted average number of ordinary shares in issue, excluding those held in employee share trusts, is adjusted to assume conversion of all dilutive potential weighted average ordinary shares, which consists of share options granted to employees during the year ended 31 March 2018.

| £'000 | Year ended 31 March 2018 | Year ended 31 March 2017 |
|---|---|---|
| **Earnings attributable to ordinary shareholders (£ '000)** | **49,685** | **39,156** |
| Weighted average number of shares used in the calculation of basic earnings per share ('000) | 287,556 | 286,693 |
| Dilutive effect of share options ('000) | 2,629 | 2,072 |
| **Weighted average number of shares used in the calculation of diluted earnings per share ('000)** | **290,185** | **288,765** |

| | | |
|---|---|---|
| **Basic earnings per share (p)** | **17.3p** | **13.7p** |
| Diluted earnings per share (p) | 17.1p | 13.6p |

For the year ended 31 March 2018, 2,629,000 (Year ended 31 March 2017: 2,072,000) potentially dilutive weighted average ordinary shares in respect of share options in issue were included in the calculation of diluted EPS.

## 7. Dividends

| £'000 | Year ended 31 March 2018 | Year ended 31 March 2017 |
|---|---|---|
| ***Declared and paid in each year*** | | |
| Final dividend for 2017 at 5.95p per share (2016: 5.36p) | 17,137 | 15,392 |
| Interim dividend for 2018 at 2.98p per share (2017: 2.98p) | 8,582 | 8,554 |
| **Total** | **25,719** | **23,946** |

The final dividend for 2018 of 5.95p per share, amounting to £17,196,000 was proposed by the board on 6 June 2018 and has not been included as a liability at 31 March 2018. The dividend will be paid on 24 August 2018, following approval at the Company's AGM, to those members on the register at the close of business on 3 August 2018.

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

| pence | Year ended 31 March 2018 | Year ended 31 March 2017 |
|---|---|---|
| ***Declared per share*** | | |
| Interim dividend | 2.98p | 2.98p |
| Final dividend | 5.95p | 5.95p |
| **Total dividend** | **8.93p** | **8.93p** |

## 8. Intangible assets

During the year ended 31 March 2018, additions to intangible assets amounted to £3,518,000 (Year ended 31 March 2017: £811,000). As at 31 March 2018, the net book value of intangible assets was £4,365,000 (31 March 2017: £2,115,000).

## 9. Property, plant and equipment

During the year ended 31 March 2018, additions to property, plant and equipment amounted to £8,640,000 (Year ended 31 March 2017: £6,114,000). As at 31 March 2018, the net book value of property, plant and equipment was £20,685,000 (31 March 2017: £18,197,000).

## 10. Trade and other receivables

| £'000 | 31 March 2018 | 31 March 2017 |
|---|---|---|
| **Current** | | |
| Gross trade receivables | 7,455 | 5,089 |
| Less: provision for impairment of trade receivables | (2,964) | (3,491) |
| Trade receivables | 4,491 | 1,598 |
| Prepayments and accrued income | 8,065 | 7,494 |
| Stock broking debtors | 19,386 | 19,292 |
| Other debtors | 15,998 | 3,158 |
| | **47,940** | **31,542** |
| **Non-current** | | |
| Other debtors | 2,237 | - |
| **Total** | **50,177** | **31,542** |

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

As part of the transaction with ANZ bank, the Group has AUD 25,000,000 (£13,703,000) deposited in escrow, which is included in other debtors above.

## 11. Financial investments

| £'000 | 31 March 2018 | 31 March 2017 |
|---|---|---|
| **UK Government securities:** | | |
| At 1 April | 20,272 | 20,374 |
| Purchase of securities | 21,426 | 20,562 |
| Maturity of securities and coupon receipts | (20,512) | (20,710) |
| Accrued interest | 24 | 53 |
| Net losses transferred to equity | (58) | (7) |
| **At 31 March** | **21,152** | **20,272** |
| Less: Non-current portion | (10,822) | - |
| **Current portion** | **10,330** | **20,272** |

## 12. Cash and cash equivalents

| £'000 | 31 March 2018 | 31 March 2017 |
|---|---|---|
| Gross cash and cash equivalents | 365,271 | 363,258 |
| Less: Client monies | (304,803) | (310,032) |
| **Cash and cash equivalents** | **60,468** | **53,226** |
| *Analysed as:* | | |
| Cash at bank | 60,468 | 50,218 |
| Short-term deposits | - | 3,008 |

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.

Cash and cash equivalents comprise of the following for the purpose of the statement of cash flows:

| £'000 | 31 March 2018 | 31 March 2017 |
|---|---|---|
| Cash and cash equivalents | 60,468 | 53,226 |
| Less: Bank overdrafts | - | (4,274) |
| **Cash and cash equivalents (Net of Bank overdrafts)** | **60,468** | **48,952** |

## 13. Trade and other payables

| £'000 | 31 March 2018 | 31 March 2017 |
|---|---|---|
| **Current** | | |
| Gross trade payables | 352,826 | 313,871 |
| Less: Client monies | (304,803) | (310,032) |
| Trade payables | 48,023 | 3,839 |
| Tax and social security | 272 | 25 |
| Stock broking creditors | 16,992 | 17,079 |
| Accruals and deferred income | 26,409 | 15,446 |
| | **91,696** | **36,389** |
| **Non-current** | | |
| Accruals and deferred income | 5,389 | 3,030 |
| **Total** | **97,085** | **39,419** |

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

## 14. Cash generated from operations

| £'000 | Year ended 31 March 2018 | Year ended 31 March 2017 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before taxation | 60,064 | 48,465 |
| Adjustments for: | | |
| Net interest income | (2,114) | (1,739) |
| Finance costs | 1,173 | 734 |
| Depreciation | 5,628 | 4,498 |
| Amortisation of intangible assets | 1,182 | 1,337 |
| Research and development tax credit | (333) | - |
| Other non-cash movements including exchange rate movements | 357 | 719 |
| Share-based payment | 1,773 | 3,107 |
| ***Changes in working capital:*** | | |
| Increase in trade and other receivables | (18,659) | (10,664) |
| Increase in amounts due from brokers | (37,497) | (35,160) |
| Increase in trade and other payables | 57,666 | 1,180 |
| Increase in net derivative financial instruments | (5,269) | (954) |
| Increase in provisions | 271 | 342 |
| **Cash generated from operations** | **64,242** | **11,865** |

The movement in trade and other receivables for the year ended 31 March 2018 also includes £310,000 (31 March 2017: £490,000) of exceptional litigation income received during the year. This exceptional income was recognised in the year ended 31 March 2016.