RNS Number : 6213T
CMC Markets Plc
16 November 2023

**16 November 2023**

# CMC MARKETS PLC

**("CMC" or the "Company")**

Interim results for the half year ended 30 September 2023

## Operational Highlights

- Continue to execute diversification strategy with the successful launch of CMC Invest Singapore in September 2023.
- Significant development and upgrades delivered across our platforms with US cash equities launched for our B2B clients, mutual funds on CMC Invest UK and cryptocurrencies now live on CMC Invest Australia as at the end of October 2023. Further product upgrades on track for delivery in H2 2024.
- Regional expansion in the Middle East benefiting from a greater presence on the ground in Dubai, where we are enhancing our service for institutional clients.
- Operating cost guidance for FY 2024 remains unchanged at £240 million, excluding variable remuneration. Operating expenses are expected to decline as projects are delivered and we pass the peak of the investment cycle, with a cost review planned for H2 to enhance profitability and margins. A further update will be provided at FY 2024.

## Summary Financials and Core KPIs

| **For the half year ended** | **30 September 2023** | **30 September 2022** | **Change** |
|---|---|---|---|
| Net operating income (£ million) | 122.6 | 153.5 | (20%) |
| *Trading net revenue (£ million)* | *87.4* | *128.4* | *(32%)* |
| *Investing net revenue (£ million)* | *16.8* | *20.8* | *(20%)* |
| *Other income (£ million)* | *18.4* | *4.3* | *338%* |
| (Loss)/Profit before tax (£ million) | (2.0) | 36.6 | - |
| Basic earnings per share (pence) | (0.8) | 10.2 | - |
| Dividend per share (pence) | 1.00 | 3.50 | (71%) |
| Trading gross client income (£ million) | 132.6 | 154.9 | (14%) |
| Trading client income retention | 66% | 83% | - |
| Trading active clients (number) | 46,832 | 50,199 | (7%) |
| Trading revenue per active client (£) | 1,867 | 2,558 | (27%) |
| Investing active clients (number) | 152,192 | 164,632 | (8%) |

*Notes:*

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

**Financial Highlights**

- Net operating income of £122.6 million, down 20% year-on-year (H1 2023: £153.5 million).
- H1 2024 trading net revenue was £87.4 million, down 32% year-on-year (H1 2023: £128.4 million) and investing net revenue was £16.8 million, down 20% year-on-year (H1 2023: £20.8 million), impacted by lower client activity and the uncertain market conditions stemming from the inflationary and higher interest rate environment.
- Other income increased substantially in the period by 338% to £18.4 million (H1 2023: £4.3 million) and is predominately driven by increases in global interest rates and resulting income from client and own cash balances.
- Operating costs for H1 2024, excluding variable remuneration, were £121.9 million (H1 2023: £106.3 million), including a £5.3 million impairment relating to internally developed trading platforms for the UK Invest and cash equities offerings due to unfavourable equity market conditions and operational delays.
- Client trading assets under management ended the period at c. £501 million, marginally below the HY 2023 number of c. £506 million. H1 2024 active trading clients were lower compared to H1 2023 (down 7% to 46,832).
- Regulatory total Own Funds Requirements (OFR) ratio of 360% (FY 2023: 369%) and net available liquidity of £237.2 million (FY 2023: £239.2 million).
- Loss before tax of £2.0 million (H1 2023: profit before tax £36.6 million).
- Interim dividend of 1.00 pence per share (H1 2023: 3.50 pence).

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

"I am pleased with the resilience the business has demonstrated in the first six months of the year in what has been a tough market environment, with low volatility offering fewer opportunities for clients of our trading business. Despite the subdued market conditions, we have seen continued commitment from our existing clients and positive engagement in our institutional business.

Our diversification strategy continues to progress and is on track with major releases in the period and several others planned for the coming months. This was punctuated by the successful launch of CMC Invest Singapore in September 2023, which is attracting new clients to the business and expanding our footprint in the southeast Asia region. In the UK, our Invest platform continues to demonstrate good progress with the recent release of mutual funds and SIPP accounts soon to follow, helping our clients achieve their long-term financial goals.

We continue to widen our trading offering which will be bolstered by the upcoming rollout of our options products, whilst the addition of cash equities to our institutional offering will allow us to expand the services available to this valuable segment and help us attract new business. Our geographical diversification has also continued with the recent expansion of our Dubai subsidiary in the DIFC providing us a strong foothold in one of the most exciting financial centres in the world.

The power of our technology platform has been central to our ability to expand our offering and provide new products and capabilities for our clients. As these new products come online, we are well positioned to increase synergies across our suite of businesses and drive operational efficiencies. Our technology remains our competitive advantage and we are committed to a disciplined level of continuous investment, however with all that has been achieved over recent years the level of capital investment has now peaked.

I am very excited about the future of the company and the opportunities that our diversification strategy has opened up for us in many parts of the world."

**An analyst and investor presentation will be held on 16 November 2023 9:00am UK time. Participants need to register using the links below to access the webcast.**

Webcast:
https://www.lsegissuerservices.com/spark/CMCMarkets/events/24162867-b376-44fb-b34c-985177ae8578

**Forthcoming announcement dates**

| | |
|---|---|
| 6 February 2024 | Q3 2024 trading update |
| 9 April 2024 | FY 2024 pre-close update |

**Forward looking statements**

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

**Enquiries**

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**Notes to Editors**

CMC Markets Plc ("CMC"), whose shares are listed on the London Stock Exchange under the ticker CMCX (LEI: 213800VB75KAZBFH5U07), was established in 1989 and is now one of the world's leading online financial trading businesses. The Company serves retail and institutional clients through regulated offices and branches in 12 countries with a significant presence in the UK, Australia, Germany and Singapore. CMC Markets offers an award-winning, online and mobile trading platform, enabling clients to trade over 12,000 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, Singapore and the UK, access stockbroking services. More information is available at http://www.cmcmarketsplc.com.

## CHIEF EXECUTIVE OFFICER'S REVIEW

Our strategy to expand and diversify the business into new asset classes, including the expansion of our investment platform in the UK and Singapore, is on track. These new business additions are complemented by continued investment in our established CFD and spread bet trading businesses and widen the capability we have to offer on our B2B business.

### Financial performance

The first six months of the year were categorised by a reduction in market volatility and client trading volumes resulting in a decline in net operating income versus the same period last year. H1 2024 trading net revenue was £87.4 million (H1 2023: £128.4 million), down 32% year-on-year. H1 2024 investing net revenue was £16.8 million (H1 2023: £20.8 million), down 20% year-on-year, driven by lower activity and unfavourable market conditions resulting from the uncertainty around the global economic outlook, inflationary pressures and the resultant impact on interest rates.

Client trading assets under management finished the period at £501 million, marginally below the HY 2023 number of £506 million. H1 2024 active trading clients were lower compared to H1 2023 (down 7% to 46,832), with an associated decrease in revenue per client. Our continued focus on positioning ourselves and our platforms towards the premium customer segment is something that plays to the businesses strengths and puts us in a position to capitalise on the long-term growth opportunity.

Invest Australia net operating income decreased 2% (£0.5m) year-on-year primarily driven by unfavourable movements in the GBP/AUD exchange rate, partially offset by a 7% (£1.5m) growth in underlying local currency performance. We have increased our market share against our direct competitors, up 0.4% year-on-year to 16.4%. Assets under administration ("AuA") of A$71.5bn were also up 1% (A$0.8bn) year-on-year.

### Operating costs

Operating costs for H1 2024, excluding variable remuneration, were £121.9 million (H1 2023: £106.3 million). This includes an impairment relating to internally developed trading platforms for the UK Invest and cash equities offerings.

We continue to review our operating model and cost structures to deliver efficiencies across our business and drive down costs. The strong progress we have made on our strategic initiatives with major projects coming online and others soon to follow, means that we have reached the peak in our investment cycle and are in a position to rationalise our products and drive operational synergies.

We will always maintain a disciplined level of investment in our business and technology platforms to prioritise our clients and maintain our competitive advantage, but with positive momentum in our operational delivery and increasing opportunities to rationalise the cost base, our ongoing focus is to deliver sustainable cost savings.

### Investing business expansion update

Following the successful integration of ANZ clients earlier in the year, we now have direct access to over 1 million client accounts who we can educate and engage with timely market updates and the latest investing trends. Our customers have access to our award-winning trading and mobile platforms where they can trade equities and options in 16 global markets. More recently, our product offerings expanded to include trading of crypto currencies.

Our strategic expansion is progressing well with the successful launch of Invest Singapore in September 2023, providing customers with access to 15 global equity markets initially, with more to follow. We offer radical price transparency and a value proposition that stands out in what is an attractive market for the business, with Singapore hosting an expanding investor base that is growing in wealth and also importantly serving as a gateway to the wider southeast Asia region.

In the UK our investment platform continues to develop, as we add new products and services for our clients. Mutual funds are now live on the platform and with SIPP accounts due to follow, this will improve our proposition for the larger and longer-term savings market.

Critically, our investment in these areas will further expand our offering within the institutional business by widening our product range to include mutual funds, cash equities and other listed products.

### Trading business expansion update

Our trading business continues to be a leader in key markets in which we operate and is fundamental to our growth strategy. In addition to enabling us to enter into new markets, our diversification strategy will further enhance our trading offering, providing our clients with a wider product set and building deeper relationships.

We see tremendous opportunity in our B2B business and as we expand our product range to meet the demands of this segment for a multi-asset capability we are excited about the opportunities this presents for CMC. Our clients have told us that they demand a wider product offering and we are well positioned to deliver for them and capture a wider share of this market.

**Regulation**

On 31 July 2023, new rules came into effect for financial services firms on Consumer Duty in the UK. These new rules aim to set a high standard of consumer protection when dealing with financial services. The implementation of the Duty within the Group has been successful and CMC continues to enhance its post-implementation processes and measure client outcomes to ensure that clients continue to achieve their financial objectives.

**Dividend**

The Board has declared an interim dividend of 1.00 pence per share for the period (H1 2023: 3.50 pence per share). This is in line with the dividend policy of 50% of profit after tax, whilst the Group made a loss in H1 2023, the interim dividend is being declared in line with full year earnings expectations.

**Outlook**

Full year net operating income is expected to be between £250-£280 million with operating costs at £240 million excluding variable remuneration. Whilst market conditions in October remained subdued, I remain confident in our ability to deliver on our communicated revenue guidance for FY 2024 and, as delivery of new initiatives remains on track, we expect to deliver net operating income in FY 2025 in line with current market consensus, based on more normalised trading conditions.[1]

As we come to the end of our investment cycle, we are taking the opportunity to increase synergies across our multiple product and business lines and drive efficiencies throughout our global operations. A cost review is planned for the second half and we look forward to sharing our progress on this with you at our FY 2024 results.

1 A company compiled analyst consensus, as at November 2023, is available at: https://www.cmcmarkets.com/group/investors/analysts-coverage

## OPERATING REVIEW

**Summary**

Net operating income decreased by £30.9 million (20%) to £122.6 million, with decreases in both trading and investing net revenue being partially offset by increased interest income.

Trading net revenue decreased by £41.0 million (32%) driven by both decreases in client income and client income retention, which fell to 66% (H1 2023: 83%). Trading active client numbers decreased by 7% in comparison to H1 2023, although monthly active clients remain above pre-COVID-19 levels. The combination of these factors resulted in revenue per active client ("RPC") decreasing by £691 (27%) to £1,867.

Investing net revenue was 20% lower at £16.8 million (H1 2023: £20.8 million) driven by lower active clients and unfavourable market conditions resulting from the uncertainty around the global economic outlook, inflationary pressures and the resultant impact on interest rates.

Interest income increased by £13.2m (464%) as a result of the rise in global interest rates. The majority of the Group's interest income is earned through our segregated client deposits, with increases seen across both the trading and investing businesses.

Statutory loss before tax of £2.0 million (H1 2023: profit before tax £36.6 million) with a decrease in net operating income accompanied by higher operating expenses as the Group continues to invest in its strategic growth plans. Loss before tax margin[1] was (1.6)%.

**Net operating income overview**

| **For the half year ended**<br>£ million | **30 September 2023** | **30 September 2022** | **Change** | **Change %** |
|---|---|---|---|---|
| Trading net revenue | 87.4 | 128.4 | (41.0) | (32%) |
| Investing net revenue | 16.8 | 20.8 | (4.0) | (20%) |
| **Total net revenue**[2] | **104.2** | **149.2** | (45.0) | **(30%)** |
| Interest income | 16.1 | 2.9 | 13.2 | 464% |
| Other operating income | 2.3 | 1.4 | 0.9 | 70% |
| **Net operating income** | **122.6** | **153.5** | (30.9) | **(20%)** |

1 Statutory loss before tax as a percentage of net operating income

2 CFD and spread bet gross client income net of rebates, levies and risk management gains or losses and stockbroking revenue net of rebates

**Trading performance overview**

| **For the half year ended** £ million | **30 September 2023** | **30 September 2022** | **Change** | **Change %** |
|---|---|---|---|---|
| Trading gross client income | 132.6 | 154.9 | (22.3) | (14%) |
| Client rebates, introducing partner commissions and levies | (8.6) | (11.5) | 2.9 | 26% |
| Risk management gains / (losses) | (36.6) | (15.0) | (21.6) | (145%) |
| **Trading net revenue** | **87.4** | **128.4** | **(41.0)** | **(32%)** |
| *Client income % retention* | *66%* | *83%* | *(17%) pts* | *n/a* |
| | | | | |
| **Active clients** | **46,832** | **50,199** | **(3,367)** | **(7%)** |
| **Revenue per client (RPC - £)** | **1,867** | **2,558** | **(691)** | **(27%)** |

Gross client income declined by 14%, driven by unfavourable market conditions resulting from a decline in volatility, with trading net revenue declining 32% driven by higher risk management losses in the period resulting in a reduction in client income retention to 66%.

The reduction in active clients in the period, also driven by market conditions presenting fewer opportunities for clients to trade, resulted in a 27% reduction in revenue per client from £2,558 to £1,867.

| **For the half year ended** | **30 September 2023** | | **30 September 2022** | | **Change (%)** | |
|---|---|---|---|---|---|---|
| | **Gross client income[1] (£m)** | **Active Clients** | **Gross client income[1] (£m)** | **Active Clients** | **Gross client income[1]** | **Active Clients** |
| B2C[2] | 100.1 | 43,142 | 114.9 | 45,681 | (13%) | (6%) |
| B2B[3] | 32.5 | 3,690 | 40.0 | 4,518 | (19%) | (18%) |
| **Total** | **132.6** | **46,832** | **154.9** | **50,199** | **(14%)** | **(7%)** |

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

[2] Business to Consumer ("B2C") - revenue from retail and professional clients

[3] Business to Business ("B2B") - revenue from institutional clients

The above presentation of B2C and B2B has been changed to more appropriately reflect the performance of the trading business. As risk management is carried out at Group level to maximise internalisation, revenue is best viewed at a total level whilst client income and active clients can be viewed from the B2C / B2B perspective.

**Investing performance overview**

| **For the half year ended** | **30 September 2023** | | **30 September 2022** | | **Change (%)** | |
|---|---|---|---|---|---|---|
| | **Investing net revenue (£m)** | **Active Clients[1]** | **Investing net revenue (£m)** | **Active Clients[1]** | **Investing net revenue** | **Active Clients** |
| B2C | 12.2 | 120,450 | 4.4 | 45,226 | 176% | 166% |
| B2B | 4.6 | 31,742 | 16.4 | 119,406 | (72%) | (73%) |
| **Total** | **16.8** | **152,192** | **20.8** | **164,632** | **(20%)** | **(8%)** |

*[1] ANZ customers are classified as B2B prior to integration in March 2023. Post integration, they are managed as CMC Retail customers and classified as B2C*

Investing net revenue decreased 20% driven by lower active clients and unfavourable market conditions resulting in fewer investment opportunities for clients.

**Operating expenses**

| **For the half year ended** **£m** | **30 September 2023** | **30 September 2022** | **Change %** |
|---|---|---|---|
| Net staff costs - fixed (excluding variable remuneration) | 51.5 | 40.0 | (29%) |
| IT costs | 19.2 | 16.3 | (18%) |

| | | | |
|---|---|---|---|
| Marketing costs | 15.1 | 15.2 | 0% |
| Sales-related costs | 1.5 | 2.1 | 29% |
| Premises costs | 3.4 | 2.1 | (65%) |
| Legal and professional fees | 6.6 | 5.6 | (17%) |
| Regulatory fees | 2.3 | 7.0 | 67% |
| Depreciation, amortisation and impairment | 12.9 | 7.3 | (77%) |
| Other | 9.4 | 10.7 | 13% |
| **Operating expenses excluding variable remuneration** | **121.9** | **106.3** | **(15%)** |
| Variable remuneration | 1.7 | 9.3 | 82% |
| **Operating expenses including variable remuneration** | **123.6** | **115.6** | **(7%)** |
| Share of results of associates and joint ventures | 0.1 | - | - |
| Interest | 0.9 | 1.3 | 34% |
| **Total costs** | **124.6** | **116.9** | **(7%)** |

Operating expenses excluding variable remuneration increased by £15.6 million (15%) to £121.9 million. This was driven by an increase in staff costs (£11.5 million) as a result of significant investment in technology, pricing and marketing staff, an impairment charge of £5.3 million relating to internally developed trading platforms for the UK Invest and cash equities offerings included within depreciation and amortisation, and higher IT costs (£2.9 million) due to higher market data charges and investments in strategic projects.

Regulatory fees decreased by £4.7 million (67%) as a result of a lower FSCS levy.

Premises costs increased by £1.3 million (65%), primarily driven by new leases to drive expansion in key regions, higher utility costs as a result of the global energy crisis and a change in accounting treatment of rates within UK properties.

Other expenses decreased by £1.3m (13%) due to a number of factors, the main drivers being lower bank charges, lower recruitment costs and FX gains on balance sheet revaluation, partially offset by higher irrecoverable VAT.

Variable remuneration decreased by £7.6 million to £1.7 million (H1 2023: £9.3 million), primarily due to a lower discretionary bonus accrual percentage in H1 2024 as a result of weaker revenue performance in the period.

**Taxation**

The effective tax rate for H1 2024 was (18.5)% compared to the H1 2023 effective tax rate, which was 22.7%. The effective tax rate change in the period is due to taxable losses in the lower tax jurisdictions of UK and Singapore, taxable profits in the higher tax jurisdictions of Australia and Germany, and discreet items within H1 2024.

**Balance sheet and own funds**

Intangible assets decreased by £1.8 million to £33.5 million (31 March 2023: £35.3 million) primarily due to a £5.3 million write-off relating to trading platforms built for CMC Invest UK and cash equities offerings and amortisation within the period, partially offset by capitalisation of staff costs related to technology projects.

Investments in associates and JVs was £2.7 million (31 March 2023: nil) as a result of the Group's investment in StrikeX during the period.

Amounts due to or from brokers decreased by £6.2 million to £173.0 million due to a decrease in excess cash held at brokers.

Other assets increased by £0.3 million to £2.2 million due to an increase in client cryptocurrency exposures driving a corresponding increase in assets held at brokers for hedging purposes.

Cash and cash equivalents increased by £30.6 million during the period due to a £58.4m increase in the amount of professional client and eligible counterparty funds being held under a title transfer collateral agreement ("TTCA"), partially offset by payment of the prior year final dividend (£10.9 million).

Title transfer funds increased by £58.4 million, reflecting the onboarding of a small population of high-net-worth clients.

Own funds decreased by £36.9 million to £272.8 million (31 March 2023: £309.7 million) during the six-month period with the decrease largely due to the payment of the final FY 2023 dividend.

**Principal risks and uncertainties**

Details of the Group's approach to risk management and its principal risks and uncertainties were set out on pages 50 to 56 of the 2023 Group Annual Report and Financial Statements (available on the Group website https://www.cmcmarketsplc.com). During the six months to 30 September 2023 and up to the date of approval of the condensed consolidated financial statements, there have been no significant changes to the Group's risk management framework. The Group categorises its principal risks into three categories: business and strategic risks; financial risks; and operational risks. The Group's top and emerging risks, which form either a subset of one or multiple principal risks within the three principal risk categories, and continue to be at the forefront of Group discussions over the remaining six months of the financial year and beyond, are regulatory relations across the Group, people risk, cyber risk and project delivery risk.

**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 financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of information required by DTR 4.2.7R and DTR 4.2.8R, namely:

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

Neither the Group nor the Directors accept any liability to any person in relation to the interim results for the half year ended 30 September 2023, except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with Section 90A and Schedule 10A of the Financial Services and Markets Act 2000.

By order of the Board of Directors

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

16 November 2023

**CMC Markets plc Board of Directors**

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

**Non-Executive Directors**
James Richards (Chairman)
Sarah Ing
Susanne Chishti
Paul Wainscott
Clare Francis

**CONDENSED CONSOLIDATED INCOME STATEMENT**
For the half year ended 30 September 2023

| **£ '000** | **Note** | **30 September 2023** | **30 September 2022** |
|---|---|---|---|
| **Revenue** | **3** | **119,711** | 171,559 |
| Interest income | | 16,090 | 2,851 |
| **Total revenue** | | **135,801** | 174,410 |
| Introducing partner commissions and betting levies | | (13,239) | (20,950) |
| **Net operating income** | 2 | **122,562** | 153,460 |
| Operating expenses | 4 | (118,315) | (115,573) |
| Impairment of intangible assets | | (5,275) | - |
| **Operating (loss) / profit** | | **(1,028)** | 37,887 |
| Share of results of associates and joint ventures | | (91) | - |
| Finance costs | | (876) | (1,330) |
| **(Loss) / profit before taxation** | | **(1,995)** | 36,557 |
| Taxation | 5 | (368) | (7,605) |

| | | | |
|---|---|---|---|
| **(Loss) / profit for the period attributable to owners of the parent** | | **(2,363)** | 28,952 |

| | | | |
|---|---|---|---|
| **(Loss) / Earnings per share** | | | |
| **Basic (loss) / earnings per share (p)** | **6** | **(0.8)** | 10.2 |
| Diluted (loss) / earnings per share (p) | 6 | (0.8) | 10.1 |

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**
For the half year ended 30 September 2023

| **£ '000** | **30 September 2023** | **30 September 2022** |
|---|---|---|
| **(Loss) / profit for the period** | **(2,363)** | **28,952** |
| *Other comprehensive (expense) / income:* | | |
| **Items that may be subsequently reclassified to income statement** | | |
| (Loss) / Gain on net investment hedges, net of tax | - | (86) |
| Gains recycled from equity to the income statement | - | 269 |
| Currency translation differences | (2,403) | 2,696 |
| Changes in the fair value of debt instruments at fair value through other comprehensive income, net of tax | 202 | (527) |
| **Other comprehensive (expense) / income for the period** | **(2,201)** | **2,352** |
| **Total comprehensive (expense) / income for the period** | **(4,564)** | **31,304** |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
At 30 September 2023

| **£'000** | **Note** | **30 September 2023** | **31 March 2023** |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 8 | 33,471 | 35,342 |
| Property, plant and equipment | 9 | 27,380 | 22,771 |
| Deferred tax assets | | 3,963 | 4,768 |
| Financial investments | 14 | 33 | 34 |
| Trade and other receivables | 10 | 2,601 | 2,666 |
| Investments in associates and joint ventures | 11 | 2,709 | - |
| **Total non-current assets** | | **70,157** | 65,581 |
| **Current assets** | | | |
| Trade and other receivables | 10 | 92,099 | 130,616 |
| Derivative financial instruments | 12 | 16,216 | 14,231 |
| Current tax recoverable | | 10,732 | 9,066 |
| Other assets | 13 | 2,247 | 1,984 |
| Financial investments | 14 | 28,289 | 30,572 |
| Amounts due from brokers | | 184,127 | 188,154 |
| Cash and cash equivalents | 15 | 176,836 | 146,218 |
| **Total current assets** | | **510,546** | **520,841** |
| **TOTAL ASSETS** | | **580,703** | **586,422** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 16 | 185,544 | 182,284 |
| Amounts due to brokers | | 11,120 | 8,927 |
| Derivative financial instruments | 12 | 2,384 | 2,033 |
| Lease liabilities | 17 | 5,006 | 5,590 |
| Current tax payable | | 389 | 431 |
| Provisions | 18 | 1,025 | 815 |
| **Total current liabilities** | | **205.468** | **200.080** |

| | | | |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Lease liabilities | 17 | 12,307 | 6,228 |
| Deferred tax liabilities | | 3,393 | 4,012 |
| Provisions | 18 | 150 | 2,087 |
| **Total non-current liabilities** | | **15,850** | **12,327** |
| **TOTAL LIABILITIES** | | **221,318** | **212,407** |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | | 70,573 | 70,573 |
| Share premium | | 46,236 | 46,236 |
| Capital redemption reserve | | 2,901 | 2,901 |
| Own shares held in trust | | (1,015) | (1,509) |
| Other reserves | | (52,736) | (50,535) |
| Retained earnings | | 293,426 | 306,349 |
| **Total equity** | | **359,385** | **374,015** |
| **TOTAL EQUITY AND LIABILITIES** | | **580,703** | **586,422** |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 30 September 2023

| £'000 | Share capital | Share premium | Capital redem-ption reserve | Own shares held in trust | Other reserves | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|
| **At 31 March 2022 (Restated)** | **73,193** | **46,236** | **281** | **(1,094)** | **(75,980)** | **326,242** | **368,878** |
| Profit for the period | - | - | - | - | - | 28,952 | 28,952 |
| Loss on net investment hedges, net of tax | - | - | - | - | (86) | - | (86) |
| Gains recycled from equity to the income statement | - | - | - | - | 269 | - | 269 |
| Currency translation differences | - | - | - | - | 2,696 | - | 2,696 |
| Changes in the fair value of debt instruments at fair value through other comprehensive income, net of tax | - | - | - | - | (527) | - | (527) |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **2,352** | **28,952** | **31,304** |
| Acquisition of own shares held in trust | - | - | - | (130) | - | - | (130) |
| Utilisation of own shares held in trust | - | - | - | 625 | - | - | 625 |
| Share buyback | (2,361) | - | 2,361 | - | 24,961 | (24,961) | - |
| Share-based payments | - | - | - | - | - | 164 | 164 |
| Dividends | - | - | - | - | - | (25,250) | (25,250) |
| **At 30 September 2022 (Restated)** | **70,832** | **46,236** | **2,642** | **(599)** | **(48,667)** | **305,147** | **375,591** |
| | | | | | | | |
| **At 31 March 2023** | **70,573** | **46,236** | **2,901** | **(1,509)** | **(50,535)** | **306,349** | **374,015** |
| Loss for the period | - | - | - | - | - | (2,363) | (2,363) |
| Currency translation differences | - | - | - | - | (2,403) | - | (2,403) |
| Changes in the fair value of debt instruments at fair value through other comprehensive income, net of tax | - | - | - | - | 202 | - | 202 |
| **Total comprehensive expense for the period** | **-** | **-** | **-** | **-** | **(2,201)** | **(2,363)** | **(4,564)** |
| Acquisition of own shares held in trust | - | - | - | (152) | - | - | (152) |
| Utilisation of own shares held in trust | - | - | - | 646 | - | - | 646 |
| Share-based payments | - | - | - | - | - | 336 | 336 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Dividends | - | - | - | - | - | (10,895) | (10,895) |
| **At 30 September 2023** | **70,573** | **46,236** | **2,901** | **(1,015)** | **(52,736)** | **293,426** | **359,385** |

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the half year ended 30 September 2023

| £ '000 | Note | 30 September 2023 | 30 September 2022 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 19 | 44,077 | 37,437 |
| Interest income | | 14,345 | 3,023 |
| Finance costs | | (876) | (1,330) |
| Tax paid | | (2,001) | (9,294) |
| **Net cash generated from operating activities** | | **55,545** | **29,836** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (2,965) | (2,452) |
| Investment in intangible assets | | (6,800) | (10,118) |
| Purchase of investment in associates and joint ventures | | (2,800) | - |
| Purchase of financial investments | | (25,219) | (14,725) |
| Proceeds from maturity of financial investments and coupon receipts | | 28,121 | 14,414 |
| Outflow on net investment hedges | | - | (7) |
| **Net cash used in investing activities** | | **(9,663)** | **(12,888)** |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | - | (194) |
| Principal elements of lease payments | | (2,824) | (2,919) |
| Acquisition of own shares | | (152) | (130) |
| Payments for share buyback | | - | (24,961) |
| Dividends paid | | (10,895) | (25,250) |
| **Net cash used in financing activities** | | **(13,871)** | **(53,454)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **32,011** | **(36,506)** |
| Cash and cash equivalents at the beginning of the period | | 146,218 | 176,578 |
| Effect of foreign exchange rate changes | | (1,393) | 807 |
| **Cash and cash equivalents at the end of the period** | | **176,836** | **140,879** |

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the half year ended 30 September 2023

## 1. Basis of preparation

### Basis of accounting and accounting policies

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

The Group's statutory financial statements for the year ended 31 March 2023 have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and the disclosure guidance and transparency rules sourcebook of the United Kingdom's Financial Conduct Authority. These financial statements have been delivered to the Registrar of Companies. The auditors' opinion on those financial statements was unqualified and did not contain a statement made under Section 498 of the Companies Act 2006. The 31 March 2023 balances presented in these condensed consolidated financial statements are from those financial statements and are audited.

The accounting policies and methods of computation applied in these condensed consolidated financial statements are consistent with those applied in the Group's statutory financial statements for the year ended 31 March 2023, except for the new accounting policies explained below. The condensed consolidated financial statements should be read in conjunction with the statutory financial statements for the year ended 31 March 2023.

The condensed consolidated 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 accounting policies**

***Investments in associates and joint ventures***

An associate is an undertaking in which the Group has a long-term equity interest and over which it has the power to exercise significant influence. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group's interest in the net assets of associates and joint ventures is reported in investments in the consolidated statement of financial position and its interest in their results is included in the consolidated income statement. Investments in associates and joint ventures are initially recorded at cost. Investments in associates and joint ventures are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Further details are provided in note 11.

***Cryptocurrency assets held as Intangible assets***

The Group holds cryptocurrency assets that are not held for sale in the ordinary course of business and therefore are measured in accordance with IAS 38 "Intangible assets". The assets are originally recognised at cost and are subsequently remeasured at cost under the cost method. These cryptocurrency assets, subject to periodic review, are considered to have indefinite lives and as such are not subject to amortisation. The assets are tested for impairment on a periodic basis with any impairment being recognised in the consolidated income statement.

**Future accounting developments**

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

There is no material impact expected of reference rate reform for the half year ended 30 September 2023 and will not lead to a remeasurement gain or loss.

**Significant accounting judgements and estimates**

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

***Contingent liabilities***

Judgement has been applied in evaluating the accounting treatment of the specific matters described in Note 23 (Contingent Liabilities), notably the probability of any obligation or future payments arising.

***Accounting for cryptocurrencies***

The Group has recognised £2,247,000 (31 March 2023: £1,984,000) of cryptocurrency assets and rights to cryptocurrency assets on its Statement of Financial Position as at 30 September 2023. These assets are used for hedging purposes and held for sale in the ordinary course of business. A judgement has been made to apply the measurement principles of IFRS 13 "Fair value measurement" in accounting for these assets. The assets are presented as 'other assets' on the Condensed Consolidated Statement of Financial Position.

The Group has also recognised £200,000 (31 March 2023: £nil) of cryptocurrency assets on its Statement of Financial position as at 30 September 2023. These assets are not held for sale in the ordinary course of business. A judgement has been made to apply the measurement principles of IAS 38 "Intangible assets" in accounting for these assets. The assets are presented within 'Intangible assets' on the Condensed Consolidated Statement of Financial Position.

***Intangible assets***

The Group has recognised £13,182,500 (31 March 2023: £13,550,000) of customer relationship intangible assets on its Statement of Financial Position as at 30 September 2023 relating to the transaction with Australia and New Zealand Banking Group Limited ("ANZ") to transition its portfolio of Share Investing clients to CMC for AUD$25m. A judgement has been made to apply the recognition and measurement principles of IAS 38 "Intangible assets" in accounting for these assets.

**Key financial estimates**

The Group has recognised £9,691,000 (31 March 2023: £12,786,000) of internally generated software in intangible assets on its Statement of Financial Position as at 30 September 2023 relating to the development of platforms for CMC Invest UK and cash equity offerings. In performing the interim impairment assessment, which concluded that an impairment of £5,275,000 was required, it was determined that the recoverable amount of the asset is a source of estimation uncertainty which is sensitive to the estimated future revenues from the cash equities cash-generating unit ('CGU'). We found the recoverable amount of the intangible asset to have been based on reasonable, supportable assumptions. B2B revenue, discount rates, useful economic life, cost per funded customer acquisition, customer retention rates, average portfolio sizes and client trading volumes represent significant source of estimation uncertainty. Relevant disclosures are provided in Note 8.

**Going concern**

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

**Seasonality of operations**

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

## 2. Segmental reporting

The Group's principal business is online trading, providing its clients with the ability to trade a variety of financial products for short-term investment and hedging purposes. These products include contracts for difference (CFD) and financial spread betting on a range of underlying shares, indices, foreign currencies, commodities and treasuries. The Group also makes these services available to institutional partners through white label and introducing broker arrangements. The Group's CFDs are traded worldwide; spread bets only in the UK and Ireland.

In addition to this, the Group provides online stockbroking services to cater for its clients longer term investment needs. These services are provided in Australia, the UK and Singapore.

At the reporting date, management considered the appropriateness of the Group's existing operating segment disclosures and the information which is considered by the Chief Operating Decision Maker

(CODM) in allocating resources and assessing performance. The Group's CODM has been identified as the Board of Directors.

The Group's business is generally managed by product line, given the different economic characteristics and the different purposes for which they are used by clients. As a result, the Group is organised into two segments:

- Trading
- Investing

This presentation is consistent with management information regularly provided to the CODM. Revenues and segment operating expenses are allocated to the segments that originated the transaction, and the Group uses operating profit to assess the financial performance of each segment.

Geographical splits of the Trading business in the prior period have been aggregated into one segment but are not restated.

For the period ending 30 September 2023 an impairment loss of £5,275,000 is included in the operating expenses of the Investing segment.

| **30 September 2023**<br>**£ '000** | **Trading** | **Investing** | **Total** |
|---|---|---|---|
| Revenue | 97,019 | 22,692 | 119,711 |
| Interest income | 10,599 | 5,491 | 16,090 |
| **Total revenue** | **107,618** | **28,183** | **135,801** |
| Introducing partner commissions and betting levies | (7,303) | (5,936) | (13,239) |
| **Net operating income** | **100,315** | **22,247** | **122,562** |
| Operating expenses | (87,886) | (30,429) | (118,315) |
| Impairment of intangible assets | **-** | (5,275) | (5,275) |
| **Operating profit / (loss)** | **12,429** | **(13,457)** | **(1,028)** |
| Share of results of associates and joint ventures | (90) | - | (90) |
| Finance costs | (875) | (1) | (876) |
| **Profit / (loss) before taxation** | **11,463** | **(13,458)** | **(1,995)** |

| **30 September 2022**<br>**£ '000** | **Trading** | **Investing** | **Total** |
|---|---|---|---|
| Revenue | 139,612 | 31,947 | 171,559 |
| Interest income | 1,154 | 1,697 | 2,851 |
| **Total revenue** | **140,766** | **33,644** | **174,410** |
| Introducing partner commissions and betting levies | (9,832) | (11,118) | (20,950) |
| **Net operating income** | **130,934** | **22,526** | **153,460** |
| Operating expenses | (93,389) | (22,184) | (115,573) |
| **Operating profit** | **37,545** | **342** | **37,887** |
| Finance costs | (1,236) | (94) | (1,330) |
| **Profit before taxation** | **36,309** | **248** | **36,557** |

The measurement of net operating income for segmental analysis is consistent with that in the income statement and is broken down by geographic location below.

| **£ '000** | **30 September 2023** | **30 September 2022** |
|---|---|---|
| UK | 34,410 | 55,627 |
| Australia | 47,112 | 45,889 |
| Other countries | 41,040 | 51,944 |
| **Total net operating income** | **122,562** | **153,460** |

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

| **£ '000** | **30 September 2023** | **31 March 2023** |
|---|---|---|
| UK | 35,532 | 30,996 |

| | | |
|---|---|---|
| Australia | 24,336 | 25,348 |
| Other countries | 6,326 | 4,469 |
| **Total non-current assets** | **66,194** | **60,813** |

## 3. Revenue

| **£ '000** | **30 September 2023** | **30 September 2022** |
|---|---|---|
| Trading | 94,735 | 138,258 |
| Investing | 22,689 | 31,952 |
| Other | 2,287 | 1,349 |
| **Revenue** | **119,711** | **171,559** |

Trading revenue represents CFD and Spread bet revenue (net of hedging costs) accounted for in accordance with IFRS 9 "Financial Instruments". Investing revenue represents stockbroking revenue accounted for in accordance with IFRS 15 "Revenue from Contracts with Customers".

## 4. Operating Expenses

| **£ '000** | **30 September 2023** | **30 September 2022** |
|---|---|---|
| Net staff costs | 53,208 | 49,221 |
| IT costs | 19,191 | 16,324 |
| Sales and marketing | 16,664 | 17,325 |
| Premises | 3,414 | 2,061 |
| Legal and Professional fees | 6,581 | 5,601 |
| Regulatory fees | 2,315 | 7,044 |
| Depreciation and amortisation | 7,626 | 7,277 |
| Bank charges | 2,193 | 4,363 |
| Irrecoverable sales tax | 2,513 | 236 |
| Other | 4,623 | 6,271 |
| | **118,328** | **115,723** |
| Capitalised internal software development costs | (13) | (150) |
| **Operating expenses** | **118,315** | **115,573** |

## 5. Taxation

Tax is charged at -18% for the six months ended 30 September 2023 representing (a) the group's best estimate of the average annual effective tax rate expected to apply for the full year, applied to the pre-tax income of the six month period; and (b) the impact of adjustments to prior tax charges which are recognised in full in the half-year.

## 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 vesting of all dilutive potential weighted average Ordinary Shares and that vesting is satisfied by the issue of new Ordinary Shares.

| **£ '000** | **30 September 2023** | **30 September 2022** |
|---|---|---|
| **(Loss) / earnings attributable to ordinary shareholders (£ '000)** | **(2,363)** | **28,952** |
| Weighted average number of shares used in the calculation of basic earnings per share ('000) | 279,199 | 285,048 |
| Dilutive effect of share options ('000) | 5,144 | 1,403 |

| | | |
|---|---|---|
| **Weighted average number of shares used in the calculation of diluted earnings per share ('000)** | **284,343** | **286,451** |

| | | |
|---|---|---|
| **Basic (loss) / earnings per share (p)** | **(0.8)p** | **10.2p** |
| Diluted (loss) / earnings per share (p) | (0.8)p | 10.1p |

For the half year ended 30 September 2023, 5,144,000 (Half year ended 30 September 2022: 1,403,000) potentially dilutive weighted average ordinary shares in respect of share awards and options in issue were included in the calculation of diluted EPS.

### 7. Dividends

| £ '000 | 30 September 2023 | 30 September 2022 |
|---|---|---|
| Prior year final dividend of 3.90p per share (30 September 2022: 8.88p) | 10,895 | 25,250 |

An interim dividend for 2024 of 1.00p per share, amounting to £2,800,000 has been approved by the board but has not been included as a liability at 30 September 2023. The dividend will be paid on 11 January 2024 to those members on the register at the close of business on 8 December 2023.

### 8. Intangible assets

| £ '000 | Goodwill | Computer software | Trademarks and trading licences | Client relation ships | Crypto currency assets | Assets under development | Total |
|---|---|---|---|---|---|---|---|
| **At 31 March 2023** | | | | | | | |
| Cost | 11,500 | 143,991 | 1,046 | 16,495 | - | 7,707 | 180,739 |
| Accumulated amortisation | (11,500) | (129,304) | (914) | (3,679) | - | - | (145,397) |
| **Carrying amount** | **-** | **14,687** | **132** | **12,816** | - | **7,707** | **35,342** |
| **Half year ended 30 September 2023** | | | | | | | |
| **Carrying amount at the beginning of the period** | - | **14,687** | **132** | **12,816** | **-** | **7,707** | **35,342** |
| Additions | - | 303 | - | - | 200 | 6,297 | 6,800 |
| Transfers | - | 2,303 | - | - | - | (2,303) | - |
| Amortisation charge | - | (2,142) | (17) | (731) | - | - | (2,890) |
| Impairment | - | (4,135) | - | - | - | (1,140) | (5,275) |
| Foreign currency translation | - | (48) | (1) | (350) | - | (107) | (506) |
| **Carrying amount at the end of the period** | **-** | **10,968** | **114** | **11,735** | **200** | **10,454** | **33,471** |
| **At 30 September 2023** | | | | | | | |
| Cost | 11,500 | 145,916 | 1,031 | 16,048 | 200 | 11,594 | 186,289 |
| Accumulated amortisation and impairment | (11,500) | (134,948) | (917) | (4,313) | - | (1,140) | (152,818) |
| **Carrying amount** | - | **10,968** | **114** | **11,735** | **200** | **10,454** | **33,471** |

Computer software includes capital development costs of £26,487,000 relating to the Group's Next Generation trading platform which has been fully amortised.

**Impairment**

Intangible assets are tested for impairment if events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Assets under development are tested annually, with additional testing being carried out when impairment triggers for a CGU could adversely impact the valuation of the CGU.

The cash equities CGU includes assets developed in the UK that provide functionality for clients to buy and sell cash equities products. The CGU consists of assets relating to the UK Invest platform, as well as assets developed to offer cash equities on the Next Generation platform. Previous impairment tests were carried out on these assets individually, however due to the shared infrastructure used across these assets it was deemed appropriate to assess them in aggregate as one CGU.

The assets were previously tested for impairment as at 31 March 2023. As a result of the unfavourable equity market conditions and operational delays in development of products, management revised forecasts downwards for the assets, triggering an impairment review.

The recoverable amount of the CGU is measured by its value in use ("VIU"). The key assumptions used in the projections relate to B2B revenue, cost of acquisition of D2C clients and average portfolio sizes of the UK Invest business, and client trading volumes in the cash equities offering through the Next Generation platform. The most recent five-year board-approved forecast results were used in projecting the VIU of the CGU, with a discount rate of 10.0% and a long-term growth rate (beyond the forecasting period) of 0%. The resulting recoverable amount is £9,691,000. As this is below the carrying value of the CGU of £14,966,000, an impairment loss of £5,275,000 was recognised for the period ended 30 September 2023.

Given the inherent uncertainty in forecasting cashflows for new business lines, there is a risk that the expected levels of income from the new initiatives are not achieved, and as a result the recoverable amount of the CGU may reduce. A 10% reduction in projected revenues would result in the full impairment of the assets.

## 9. Property, Plant and Equipment

| £ '000 | Leasehold improvements | Furniture, fixtures and equipment | Computer hardware | Right-of-use assets | Construction in progress | Total |
|---|---|---|---|---|---|---|
| **At 31 March 2023** | | | | | | |
| Cost | 16,565 | 9,321 | 42,420 | 22,634 | 152 | 91,092 |
| Accumulated depreciation | (14,092) | (8,606) | (31,661) | (13,962) | - | (68,321) |
| **Carrying amount** | **2,473** | **715** | **10,759** | **8,672** | **152** | **22,771** |
| **Half year ended 30 September 2023** | | | | | | |
| **Carrying amount at the beginning of the period** | **2,473** | **715** | **10,759** | **8,672** | 152 | **22,771** |
| Additions | 316 | 229 | 2,364 | 6,614 | 3 | 9,526 |
| Transfers | 482 | 82 | (450) | - | (114) | - |
| Depreciation charge | (490) | (137) | (2,054) | (2,055) | - | (4,736) |
| Foreign currency translation | (9) | (9) | (37) | (122) | (4) | (181) |
| **Carrying amount at the end of the period** | **2,772** | **880** | **10,582** | **13,109** | **37** | **27,380** |
| **At 30 September 2023** | | | | | | |
| Cost | 16,997 | 9,568 | 44,206 | 28,681 | 37 | 99,489 |
| Accumulated depreciation | (14,225) | (8,688) | (33,624) | (15,572) | - | (72,109) |

## 10. Trade and other receivables

| £ '000 | 30 September 2023 | 31 March 2023 |
|---|---|---|
| **Current** | | |
| Gross trade receivables | 7,236 | 8,721 |
| Less: Loss allowance | (4,658) | (4,247) |
| Trade receivables | 2,578 | 4,474 |
| Prepayments | 15,976 | 14,985 |
| Accrued income | 3,682 | 2,335 |
| Stockbroking debtors | 64,313 | 105,103 |
| Other debtors | 5,550 | 3,719 |
| | **92,099** | **130,616** |
| **Non-current** | | |
| Other debtors | 2,601 | 2,666 |
| **Total** | **94,700** | **133,282** |

Stockbroking debtors represent the amount receivable in respect of equity security transactions executed on behalf of clients with a corresponding balance included within trade and other payables (note 16).

## 11. Investments in associates and joint ventures

On 6 June 2023, the Group acquired a 33% stake in Strike X Technologies ("Strike X"), a customer centric blockchain solutions business for a cost of £2,800,000. This investment presents the Group with further opportunity for growth. The partnership will allow the Group access to the latest blockchain related products and services with the opportunity to leverage these for our customers over the longer term.

The Group's share of loss in Strike X for the period ended 30 September 2023 was £91,000 (period ended 30 September 2022: £nil). The investment was adjusted accordingly to £2,709,000 as at 30 September 2023 (31 March 2023: £nil).

Such investments are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. There was no indication of impairment for the period ended 30 September 2023 (Period ended 30 September 2022: £nil).

## 12. Derivative financial instruments

| Assets | 30 September 2023 Notional amount £m | 30 September 2023 Carrying Amount £ '000 | 31 March 2023 Notional amount £m | 31 March 2023 Carrying amount £'000 |
|---|---|---|---|---|
| **Held for trading** | | | | |
| Client trading positions | 94.1 | 16,057 | 120.9 | 13,125 |
| **Held for hedging** | | | | |
| Forward foreign exchange contracts - economic hedges | 60.6 | 159 | 73.6 | 1,106 |
| **Total** | **154.7** | **16,216** | **194.5** | **14,231** |

| Liabilities | 30 September 2023 Notional amount | 30 September 2023 Carrying Amount | 31 March 2023 Notional amount | 31 March 2023 Carrying amount |
|---|---|---|---|---|

| | £m | £ '000 | £m | £'000 |
|---|---|---|---|---|
| **Held for trading** | | | | |
| Client trading positions | 53.9 | (2,384) | 35.7 | (2,033) |
| **Total** | **53.9** | **(2,384)** | **35.7** | **(2,033)** |

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

## 13. Other assets

Other assets are cryptocurrencies, which are owned and controlled by the Group for the purpose of hedging the Group's exposure to clients' cryptocurrency trading positions. As presented below, the Group holds cryptocurrencies on exchange and in vault. Cryptocurrencies held in vaults are held in wallets that have additional security features. The fair value of cryptocurrencies are based on the market price of these instruments as at the balance sheet date. Other assets are measured at fair value less costs to sell.

| £ '000 | 30 September 2023 | 31 March 2023 |
|---|---|---|
| Exchange | 910 | 1,178 |
| Vaults | 1,337 | 806 |
| **Total** | **2,247** | **1,984** |

## 14. Financial investments

| £ '000 | 30 September 2023 | 31 March 2023 |
|---|---|---|
| **Investment in debt instruments classified at FVOCI** | | |
| UK Government securities | 27,881 | 30,572 |
| **Financial assets mandatorily measured at FVTPL** | | |
| Equity securities | 441 | 34 |
| **Total** | **28,322** | **30,606** |

| £ '000 | 30 September 2023 | 31 March 2023 |
|---|---|---|
| **Analysis of financial investments** | | |
| Non-current | 33 | 34 |
| Current | 28,289 | 30,572 |
| **Total** | **28,322** | **30,606** |

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

## 15. Cash and cash equivalents

| £ '000 | 30 September 2023 | 31 March 2023 |
|---|---|---|
| **Cash and cash equivalents** | **176,836** | **146,218** |
| *Analysed as:* | | |
| Cash at bank | 176,836 | 146,218 |

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

### 16. Trade and other payables

| £ '000 | 30 September 2023 | 31 March 2023 |
|---|---|---|
| Client payables | 107,772 | 49,409 |
| Tax and social security | 737 | 1,272 |
| Stockbroking creditors | 55,058 | 98,428 |
| Accruals and other creditors | 21,977 | 33,175 |
| Total | **185,544** | **182,284** |

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

### 17. Lease liabilities

| £ '000 | 30 September 2023 | 31 March 2023 |
|---|---|---|
| At the beginning of the period / year | 11,818 | 14,251 |
| Additions / modifications of new leases during the period / year | 8,495 | 3,223 |
| Interest expense | 266 | 658 |
| Lease payments made during the year | (3,090) | (6,112) |
| Foreign currency translation | (176) | (202) |
| **At the end of the period / year** | **17,313** | **11,818** |

| £ '000 | 30 September 2023 | 31 March 2023 |
|---|---|---|
| **Analysis of lease liabilities** | | |
| Non-current | 12,307 | 6,228 |
| Current | 5,006 | 5,590 |
| **Total** | **17,313** | **11,818** |

### 18. Provisions

| £ '000 | Restructuring costs | Property related | Other | Total |
|---|---|---|---|---|
| At 1 April 2023 | - | 2,348 | 553 | 2,901 |
| Additional provision | 715 | - | 79 | 794 |
| Utilisation of provision | - | - | (398) | (398) |
| Unutilised provision reversed | - | (1,955) | (144) | (2,099) |
| Translation | - | (13) | (10) | (23) |
| **At 30 September 2023** | **715** | **380** | **80** | **1,175** |

The restructuring provision is for costs relating to redundancies announced within the period ended 30 September 2023.

The property related provision includes dilapidation provisions. During the period ended 30 September 2023, the Group entered into reversionary leases for some of its leased properties. The Group was relieved of its obligation to restore the properties to its original condition as part of this agreement. Provisions amounting to £1,955,000 were released with the corresponding impact recorded to the right of use asset.

### 19. Cash generated from operations

| £ '000 | 30 September 2023 | 30 September 2022 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before taxation | (1,995) | 36,557 |

| | | |
|---|---|---|
| ***Adjustments for:*** | | |
| Interest income | (16,090) | (2,851) |
| Finance costs | 876 | 1,330 |
| Depreciation | 4,736 | 5,176 |
| Amortisation of intangible assets | 2,890 | 2,101 |
| Impairment of intangible assets | 5,275 | - |
| Profit on disposal of property, plant and equipment | - | 54 |
| Share of after tax results of associates and joint ventures | 91 | - |
| Share-based payment | 975 | 790 |
| Other non-cash movements including exchange rate movements | (409) | 2,014 |
| ***Changes in working capital:*** | | |
| Decrease in trade and other receivables and other assets | 39,956 | 27,980 |
| Decrease/(increase) in amounts due from brokers | 4,027 | (8,385) |
| (Increase)/decrease in other assets | (263) | 9,378 |
| Increase/(decrease) in trade and other payables | 3,198 | (34,553) |
| Increase in amounts due to brokers | 2,193 | - |
| Decrease in net derivative financial instruments liabilities | (1,634) | (2,058) |
| Increase/(decrease) in provisions | 251 | (96) |
| **Cash generated from operations** | **44,077** | **37,437** |

## 20. Liquidity

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

- **Own funds**. Own funds are calculated in order to provide a clear presentation of the Group's potential cash resources. Own funds consist of cash and cash equivalents, amounts due from brokers, other assets and also includes investments in UK government securities, of which the majority are held to meet the Group's regulatory liquidity requirements. Own funds also include any unrealised gains / losses on open hedging positions and all cash in the form of title transfer funds is excluded. Own funds on 30 September 2023 were £272,800,000 (31 March 2023: £309,732,000).
- **Title Transfer Funds (TTFs)**. This represents funds received from professional clients and eligible counterparties (as defined in the FCA Handbook) that are held under a Title Transfer Collateral Agreement (TTCA); a means by which a professional client or eligible counterparty may agree that full ownership of such funds is unconditionally transferred to the Group. The Group considers these funds as an ancillary source of liquidity and places no reliance on its stability.
- **Available committed facility** (off-balance sheet liquidity). The Group has access to a syndicated revolving credit facility of up to £55.0 million (31 March 2023: £55.0 million) in order to fund any potential fluctuations in margins required to be posted at brokers to support our risk management strategy. The maximum amount of the facility available at any one time is dependent upon the initial margin requirements at brokers and margin received from clients. The facility consists of a one year term facility of £27.5 million and a three year term facility of £27.5 million, both of which were renewed in March 2023. Under the terms of the syndicated revolving credit facility agreement, the Group is required to comply with financial covenants covering minimum Tangible net worth and a minimum EBITDA: Interest expense ratio for the Group at a consolidated level. The Group has complied with all covenants throughout the reporting period.

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.

### Net available liquidity

| **£ '000** | **30 September 2023** | **31 March 2023** |
|---|---|---|
| Cash and cash equivalents (net of bank overdraft) | 176,836 | 146,218 |
| Amount due from brokers | 184,127 | 188,154 |
| Other assets | 2,247 | 1,984 |
| Financial investments | 28,322 | 30,606 |
| Derivative financial instruments (excluding Client CFD positions) (current assets) | 159 | 1,106 |
| | 391,691 | 368,068 |
| *Less*: Title transfer funds | (107,771) | (49,409) |
| *Less:* Amount due to brokers | (11,120) | (8,927) |
| **Own Funds** | **272,800** | **309,732** |

| | | |
|---|---|---|
| Title transfer funds | 107,771 | 49,409 |
| Available committed facility | 55,000 | 55,000 |
| **Total Available liquidity** | **435,571** | **414,141** |
| *Less:* Blocked cash | (75,699) | (68,857) |
| *Less:* Initial margin requirement at broker | (122,658) | (106,127) |
| **Net available liquidity** | **237,214** | **239,157** |

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 2023 | 31 March 2023 |
|---|---|---|
| **Operating activities** | | |
| **Profit before tax** | **(1,995)** | **52,163** |
| Adjustments for: | | |
| Depreciation, amortisation and impairment | 12,901 | 15,637 |
| Other non-cash adjustments | (532) | 1,629 |
| Tax paid | (2,001) | (17,060) |
| **Own funds generated from operating activities** | **8,373** | **52,369** |
| **Movement in working capital** | **(17,476)** | **(13,995)** |
| **Outflow from investing activities** | | |
| Net purchase of property, plant and equipment and intangible assets | (9,765) | (28,221) |
| Other outflow from investing activities | (2,800) | (8) |
| **Outflow from financing activities** | | |
| Dividends paid | (10,895) | (35,040) |
| Share buyback | - | (27,264) |
| Other outflow from financing activities | (2,976) | (6,754) |
| **Total outflow from investing and financing activities** | **(26,436)** | **(97,287)** |
| **Decrease in own funds** | **(35,539)** | **(58,913)** |
| Own funds at the beginning of the period / year | 309,732 | 369,947 |
| Effect of foreign exchange rate changes | (1,393) | (1,302) |
| **Own funds at the end of the period / year** | **272,800** | **309,732** |

## 21. Fair value measurement disclosures

IFRS 13 "Fair Value Measurement" requires the Group to classify its financial assets and liabilities according to a hierarchy that reflects the observability of significant market inputs. The three levels of the fair value hierarchy are defined below:

- 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 2023<br>£ '000 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial investments | 28,289 | - | 33 | 28,322 |
| Derivative financial instruments (current assets) | - | 16,216 | - | 16,216 |
| Derivative financial instruments (current liabilities) | - | (2,384) | - | (2,384) |

| | | | | |
|---|---|---|---|---|
| | **28,289** | **13,832** | **33** | **42,154** |

| **31 March 2023**<br>**£ '000** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Financial investments | 30,572 | - | 34 | 30,606 |
| Derivative financial instruments (current assets) | - | 14,231 | - | 14,231 |
| Derivative financial instruments (current liabilities) | - | (2,033) | - | (2,033) |
| | **30,572** | **12,198** | **34** | **42,804** |

**Valuation techniques used to determine fair values of Derivative Financial instruments**

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- for foreign currency forwards - forward exchange rates at the balance sheet date.

**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/to brokers
- Trade and other receivables
- Trade and other payables

## 22. 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 2023. The basis of remuneration of key management personnel remains consistent with that disclosed in the statutory financial statements for the Group as at and for the year ended 31 March 2023.

**Directors' transactions**

There were no director transactions during the half year ended 30 September 2023 and 30 September 2022.

## 23. Contingent liabilities

The Group operates in a number of jurisdictions around the world and as a result uncertainties exist regarding the interpretation of regulatory, tax and legal matters in these territories. In addition, 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.

Sometimes legal disputes can have a financially significant face value, but the Group's experience is that such claims are usually resolved without any material loss. The Group provides for claims where costs are likely to be incurred.

Where there are uncertainties regarding regulatory, tax and legal matters and a provision has not been made, there are no contingent liabilities where the Group considers any material adverse financial impact to be probable.

Since the publication of the annual report on 13 June 2023, there have been no significant updates or developments, including to the matter listed within the events after the reporting period note, which would require additional disclosure within the interim financial statements.

**Notice of class action lawsuit**

The Group received notice of a class action lawsuit being brought against one of its operating entities on 31 May 2022. The scope of the claim is still being defined, and there has been no material progress. As a result, an assessment regarding the probability and size of financial outflow cannot be determined.

**Tax authority investigations**

The Group, from time to time, in the normal course of business, is subject to information requests from taxing authorities. The Group complies with those information requests and is not aware of any outcome from such a request that would impact the financial statements.

**UK banking surcharge**

In the absence of them qualifying for a specific exemption, the Group's regulated companies in the UK would be subject to the Bank Corporation Tax surcharge of 8% on profits over £25 million prior to 1 April 2023, and 3% on profits over £100 million from 1 April 2023 onwards. The Group has concluded that the relevant entities meet the exemption requirements and therefore the treated tax charge, would amount to £24.5 million, (31 March 2023 £23.4 million) in respect of all relevant periods, and has not been provided for. The Group's position is supported by external advice although it is possible that it could be challenged. The Group expect for this matter to be resolved by 31 March 2024.

**Brexit approach**

There is regulatory uncertainty regarding the Group's historical approach to the use of reverse solicitation provisions allowing EEA clients to trade with UK subsidiaries after 31 December 2020. The risk to the approach has now been mitigated given the majority of EEA clients' activities with the UK subsidiary ceased prior to 31 March 2021. The Group continues to engage with the regulatory authorities in the EEA markets where the UK subsidiary continued to service clients after 31 December 2020. Whilst it is possible that regulatory censure may result from these matters, they are in early stages and such an outcome is not currently considered probable.

## 24. Alternative performance measures

A reconciliation of revenue alternative performance measures ("APMs) to the Group's primary statements can be found on page 31. APMs monitor the delivery of long-term value through a focus on client quality and operating effectiveness. APMs are not a substitute for statutory measures. They are largely reported in the Group's annual report.

## 25. 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.

## 26. Subsequent events

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

# INDEPENDENT REVIEW REPORT TO CMC MARKETS PLC

**Conclusion**

We have been engaged by CMC Markets plc (the "Group") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2023 which comprises the Consolidated Interim Income Statement and the Consolidated Interim Statement of Comprehensive Income, the Consolidated Interim Statement of Financial Position, the Consolidated Interim Statement of Changes in Equity, the Consolidated Interim Statement of Cash Flows and related notes 1 to 26.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2023 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

**Basis for Conclusion**

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, 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.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with United Kingdom adopted International Accounting Standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

**Conclusion Relating to Going Concern**

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

**Responsibilities of the directors**

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the review of the financial information**

In reviewing the half-yearly financial report, we are responsible for expressing to the Group a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion and our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

**Use of our report**

This report is made solely to the group in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the group those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group, for our review work, for this report, or for the conclusions we have formed.

**Deloitte LLP**
Statutory Auditor
London, United Kingdom
16 November 2023

## Appendix: Alternative performance measures

### a. Reconciliation of trading gross client income to trading net revenue

| £m | 30 September 2023 | 30 September 2022 |
|---|---|---|
| Trading gross client income | 132.6 | 154.9 |
| Client rebates introducing partner commissions and levies | (8.6) | (11.5) |
| Risk management gains / (losses) | (36.6) | (15.0) |
| **Trading net revenue** | **87.4** | **128.4** |

### b. Reconciliation of investing net revenue

| £m | Note | 30 September 2023 | 30 September 2022 |
|---|---|---|---|
| Investing gross revenue | 3 | 22.7 | 31.9 |
| Introducing partner commissions | 2 | (5.9) | (11.1) |
| **Investing net revenue** | | **16.8** | **20.8** |

### c. Reconciliation of trading net revenue, investing net revenue to net operating income

| £m | Note | 30 September 2023 | 30 September 2022 |
|---|---|---|---|
| Trading net revenue (a) | | 87.4 | 128.4 |
| Investing net revenue (b) | | 16.8 | 20.8 |
| Other revenue | 3 | 2.3 | 1.4 |
| Interest income | 2 | 16.1 | 2.9 |
| **Net operating income** | | **122.6** | **153.5** |

**d. Reconciliation of operating expenses including variable remuneration**

| £m | Note | 30 September 2023 | 30 September 2022 |
|---|---|---|---|
| Operating expenses | 4 | (118.3) | (115.6) |
| Impairment of intangible assets | | (5.3) | - |
| **Operating expenses including variable remuneration** | | (123.6) | (115.6) |