

## **IMPORTANT NOTICE**

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**IMPORTANT:** You must read the following disclaimer before continuing. This electronic transmission applies to the attached document and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached document (the “Prospectus”) relating to CMC Markets plc (the “Company”) dated 26 January 2016 accessed from this page or otherwise received as a result of such access. In accessing the attached document, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached document is confidential and intended for you only and you agree you will not forward, reproduce or publish this electronic transmission or the attached document to any other person. The Prospectus has been prepared solely in connection with the proposed offer to certain investors (the “Offer”) of ordinary shares (the “Shares”) of the Company. The Prospectus has been published in connection with the admission of the Shares to the Official List of the UK Financial Conduct Authority (the “Financial Conduct Authority”) and to trading on the London Stock Exchange plc’s main market for listed securities (together, “Admission”). The Prospectus has been approved by the Financial Conduct Authority as a prospectus prepared in accordance with the Prospectus Rules made under section 73A of the FSMA. The Prospectus has been published and is available from the Company’s registered office and on the Company’s website at [www.cmcmarkets.com/group/ipo](http://www.cmcmarkets.com/group/ipo). Pricing information and other related disclosures are expected to be published on this website. Prospective investors are advised to access such information prior to making an investment decision.

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**CANADIAN INVESTORS ARE ADVISED THAT THIS EMAIL AND THE DOCUMENT ATTACHED HERETO MAY ONLY BE TRANSMITTED IN THOSE JURISDICTIONS IN CANADA AND TO THOSE PERSONS WHERE AND TO WHOM THEY MAY BE LAWFULLY OFFERED FOR SALE, AND THEREIN ONLY BY PERSONS PERMITTED TO SELL SUCH SECURITIES. THE DOCUMENT ATTACHED HERETO IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSTRUED AS, AN ADVERTISEMENT OR A PUBLIC OFFERING IN CANADA. NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS REVIEWED OR IN ANY WAY PASSED UPON THE DOCUMENT ATTACHED HERETO OR THE MERITS OF THE SECURITIES DESCRIBED THEREIN AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE. THE DISTRIBUTION OF THE SECURITIES CONTAINED IN THE DOCUMENT ATTACHED HERETO IS BEING MADE ON A PRIVATE PLACEMENT BASIS ONLY AND IS EXEMPT FROM THE REQUIREMENT THAT THE COMPANY PREPARE AND FILE A PROSPECTUS WITH THE RELEVANT CANADIAN SECURITIES REGULATORY AUTHORITIES.**

This electronic transmission and the attached document and the Offer when made are only addressed to and directed at persons in member states of the European Economic Area (the “EEA”), other than the United Kingdom, who are “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EU to the extent implemented in a relevant member state of the EEA) (“Qualified Investors”). This electronic transmission and the attached document must not be acted on or relied on in any member state of the EEA, other than the United Kingdom, by persons who are not Qualified Investors. Any investment or investment activity to which this document relates is available only in any member state of the EEA, other than the United Kingdom, to Qualified Investors, and will be engaged in only with such persons.

**Confirmation of Your Representation:** This electronic transmission and the attached document is delivered to you on the basis that you are deemed to have represented to the Company, the Selling Shareholders and Goldman Sachs International, Morgan Stanley & Co. International plc and RBC Europe Limited (collectively, the “Banks”) that: (i) you are (a) a QIB (that is also a QP) acquiring such securities for its own account or for the account of another QIB (that is also a QP), or (b) acting on behalf of, or you are an institutional investor outside the United States (that is not a U.S. Person as defined in Regulation S) acquiring such securities in “offshore transactions”, as defined in, and in reliance on, Regulation S under the US Securities Act; (ii) if you are in any member state of the European Economic Area other than the United Kingdom, you are a Qualified Investor and/or a Qualified Investor acting on behalf of Qualified Investors, to the extent you are acting on behalf of persons or entities in the EEA; (iii) the shares acquired by you in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, any person in circumstances which may give rise to an offer of any securities to the public other than their offer or resale in any member state of the EEA which has implemented the Prospectus Directive to Qualified Investors (as defined in the Prospectus Directive) or the UK; and (iv) if you are not in the United States, the UK or the EEA, you are an institutional investor that is eligible to receive this document and you consent to delivery by electronic transmission.

**For investors resident in Ontario and Quebec (the “Relevant Provinces”):** You acknowledge and agree that: (a) the securities described in the attached document are only being distributed to investors resident in the Relevant Provinces; (b) you are (i) an “accredited investor” as such term is defined in National Instrument 45-106—Prospectus and Registration Exemptions and are receiving this email from a registered Canadian dealer, or (ii) an “accredited investor” who is a “permitted client”, as such term is defined in National Instrument 31-103—Registration Requirements, Exemptions and Ongoing Registrant Obligations, of a dealer relying on the “international dealer exemption”, which dealer has sent this email; and (c) where required by law, you are participating in the offering as principal for your own account and not as agent.

**Restriction:** Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer of securities for sale to persons other than the specified categories of buyers described above and to whom it is directed and access has been limited so that it shall not constitute a general solicitation. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

You are reminded that you have received this electronic transmission and the attached document on the basis that you are a person into whose possession this document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this document, electronically or otherwise, to any other person. This document has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Company, the Selling Shareholders, the Banks nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version. By accessing the attached document, you consent to receiving it in electronic form. None of the Banks nor any of their respective affiliates accepts any responsibility whatsoever for the contents of the attached document or for any statement made or purported to be made by it, or on its behalf, in connection with the Company or the Shares. The Banks and each of their respective affiliates, each accordingly disclaims all and any liability whether arising in tort, contract or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty express or implied, is made by any of the Banks or any of their respective affiliates as to the accuracy, completeness or sufficiency of the information set out in the attached document.

The Banks are acting exclusively for the Company and the Selling Shareholders and no one else in connection with the Offer. They will not regard any other person (whether or not a recipient of this document) as their client in relation to the Offer and will not be responsible to anyone other than the Company and the Selling Shareholders for providing the protections afforded to their respective clients nor for giving advice in relation to the Offer or any transaction or arrangement referred to in the attached document.



**CMC**  
cmc markets

Price range prospectus

January 2016

This document comprises a prospectus (the “**Prospectus**”) relating to CMC Markets plc (the “**Company**”) prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the “**FCA**”) made under section 73A of the Financial Services and Markets Act 2000 (as amended) (the “**FSMA**”). The Prospectus has been filed with the FCA and has been made available to the public in accordance with Section 3.2 of the Prospectus Rules.

Application has been made to the FCA in its capacity as competent authority under the FSMA (the “**UK Listing Authority**”) for all of the ordinary shares in the Company (the “**Shares**”), issued and to be issued in connection with the offer of certain shares to certain institutional and professional investors (the “**Offer**”), to be admitted to the premium segment of the Official List of the FCA (the “**Official List**”) and to trading on the main market of the London Stock Exchange plc (the “**London Stock Exchange**”) for listed securities (together, “**Admission**”). Admission to trading on the London Stock Exchange’s main market for listed securities constitutes admission to trading on a regulated market. Conditional dealings in the Shares are expected to commence on the London Stock Exchange on 5 February 2016. It is expected that Admission will become effective, and that unconditional dealings in the Shares will commence, on 10 February 2016. **All dealings before the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned. No application is currently intended to be made for the Shares to be admitted to listing or trading on any other exchange.**

The directors of the Company, whose names appear on page 97 of this prospectus (the “**Directors**”) and the Company accept responsibility for the information contained in this prospectus. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

**Prospective investors should read the entire document and, in particular, prospective investors are advised to examine all the risks that might be relevant in connection with an investment in the Shares. See Part II (Risk Factors) for a discussion of certain risks and other factors that should be considered prior to any investment in the Shares.**



## CMC MARKETS PLC

*(incorporated under the Companies Act 2006 and registered in England and Wales with registered number 05145017)*

**Offer of up to 90,712,407 Shares of 25 pence each at an Offer Price expected to be between 235 pence and 275 pence per Share and admission to the premium listing segment of the Official List and to trading on the London Stock Exchange**

*Joint Global Co-ordinator and  
Joint Bookrunner*

**Goldman Sachs International**

*Sole Sponsor, Joint Global Co-ordinator  
and Joint Bookrunner*

**Morgan Stanley & Co.  
International plc**

*Joint Bookrunner*

**RBC Europe  
Limited**

**ISSUED SHARE CAPITAL  
IMMEDIATELY FOLLOWING ADMISSION**

(assuming the New Share Offer Size is set at the mid-point of the New Share Offer Size Range)

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Number	Nominal Value
288,492,838	£72,123,210

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## Pricing

The Price Range is indicative only, it may change during the course of the Offer and the Offer Price may be set within, above or below the Price Range. The amount to be raised and the number of Shares to be issued and sold may be increased or decreased during the course of the Offer. A number of factors will be considered in determining the Offer Price, the New Share Offer Size and the Sale Share Offer Size, including the level and nature of demand for the Offer Shares during the bookbuilding process, the level of demand in the Intermediaries Offer, the prevailing market conditions and the objective of establishing an orderly and liquid after-market in the Shares. Unless required to do so by law or regulation, the Company does not envisage publishing a supplementary prospectus or a pricing statement, as the case may be, until announcement of the Offer Price. A pricing statement containing the Offer Price, confirming the number of Shares which are the subject of the Offer and containing any other outstanding information (the **"Pricing Statement"**) is expected to be published on or about 5 February 2016.

## Advisers

Goldman Sachs International has been appointed as Joint Global Co-ordinator and Joint Bookrunner and Morgan Stanley & Co. International plc has been appointed as Sponsor, Joint Global Co-ordinator and Joint Bookrunner (together, the **"Joint Global Co-ordinators"**) and RBC Europe Limited has been appointed as Joint Bookrunner (the **"Joint Bookrunner"**). The Joint Global Co-ordinators and the Joint Bookrunner (collectively, the **"Underwriters"**) are each acting exclusively for the Company and the Selling Shareholders and no one else in connection with the Offer. They will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Offer and will not be responsible to anyone other than the Company and the Selling Shareholders for providing the protections afforded to their respective clients or for giving advice in relation to the Offer or any transaction or arrangement referred to in this Prospectus. Each of the Joint Global Co-ordinators and the Joint Bookrunner are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom.

Apart from the responsibilities and liabilities, if any, which may be imposed on any of the Underwriters by the FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of the Underwriters accepts any responsibility whatsoever for, or makes any representation or warranty, express or implied, as to the contents of this document or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Shares or the Offer and nothing in this Prospectus will be relied upon as a promise or representation in this respect, whether or not to the past or future. Each of the Underwriters accordingly disclaims all and any responsibility or liability, whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of this Prospectus or any such statement.

## Over-allotment and stabilisation

In connection with the Offer, Morgan Stanley & Co. International plc (the **"Stabilising Manager"**), or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Shares or effect other transactions with a view to supporting the market price of the Shares at a higher level than that which might otherwise prevail in the open market. The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional dealings of the Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. However, there will be no obligation on the Stabilising Manager or any of its agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Shares above the Offer Price. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any over-allocations made and/or stabilisation transactions conducted in relation to the Offer.

In connection with the Offer, the Stabilising Manager may, for stabilisation purposes, over-allot Shares up to a maximum of 15 per cent. of the Offer Shares (before exercise of the Over-allotment Option). For the purposes of allowing the Stabilising Manager to cover short positions resulting from any such over-allocations and/or from sales of Shares effected by it during the stabilising period, the Over-allotment Shareholders have granted to it the Over-allotment Option, pursuant to which the Stabilising Manager may purchase or procure purchasers for additional Shares up to a maximum of 15 per cent. of the Offer Shares (before exercise of the Over-allotment Option) (the “**Over-allotment Shares**”) at the Offer Price. The Over-allotment Option is exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before the 30th calendar day after the commencement of conditional dealings of the Shares on the London Stock Exchange. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with the Shares, including for all dividends and other distributions declared, made or paid on the Shares, will be purchased on the same terms and conditions as the Shares being issued or sold in the Offer and will form a single class for all purposes with the other Shares.

## **Prospectus**

Recipients of this Prospectus are authorised solely to use it for the purpose of considering the subscription for or acquisition of the Shares and may not reproduce or distribute this Prospectus, in whole or in part, and may not disclose any of the contents of this Prospectus or use any information herein for any purpose other than considering an investment in the Shares. Such recipients of this Prospectus agree to the foregoing by accepting delivery of this Prospectus. Prior to making any decision as to whether to invest in Shares, prospective investors should read this Prospectus in its entirety.

This Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities other than the securities to which it relates or any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, such securities by any person in any circumstances in which such offer or solicitation is unlawful.

## **Intermediaries Offer**

The Company consents to the use of this Prospectus by the Intermediaries in connection with the Intermediaries Offer in the UK on the following terms: (i) in respect of Intermediaries who are appointed by the Company prior to the date of this Prospectus, from the date of this Prospectus; and (ii) in respect of Intermediaries who are appointed by the Company after the date of this Prospectus, from the date on which they are appointed to participate in the Intermediaries Offer, and agree to adhere to and be bound by the terms of the Intermediaries Terms and Conditions, in each case until the closing of the Intermediaries Offer. The Company accepts responsibility for the information contained in this Prospectus with respect to any purchaser of Shares pursuant to the Offer. **Any Intermediary that hosts this Prospectus on its website must state on its website that it uses this Prospectus in accordance with the Company’s consent. Intermediaries are required to provide, at the time of such offer, the terms and conditions of the Intermediaries Offer to any prospective investor who has expressed an interest to such Intermediary in participating in the Intermediaries Offer. Any application made by investors to any Intermediary is subject to the terms and conditions which apply to the transaction between such investor and such Intermediary.**

## **Notice to overseas shareholders**

The Shares are subject to selling and transfer restrictions in certain jurisdictions. Prospective subscribers or purchasers should read the restrictions described in Paragraph 13 (*Selling and transfer restrictions*) of Part XVII (*The Offer*). Each subscriber or purchaser of the Shares will be deemed to have made the relevant representations described therein.

The distribution of this Prospectus and the offer of the Shares in certain jurisdictions may be restricted by law. Neither the Company nor any of the Underwriters accepts any legal responsibility for any violation by any person, whether or not a prospective investor, of any such restrictions. Other than in the UK, no action has been or will be taken by the Company, the Directors, the Selling Shareholders or the Underwriters to permit a public offering of the Shares or to permit the possession or distribution of this Prospectus (or any other offering or publicity materials relating to the Shares) in any jurisdiction where action for that purpose may be required or doing so is restricted by law. Accordingly, neither this Prospectus nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into

whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

In particular, other than in the UK, no actions have been taken to allow for a public offering of the Shares under the applicable securities laws of any jurisdiction, including Australia, Canada, Japan, South Africa or the United States. This Prospectus does not constitute an offer of, or the solicitation of an offer to subscribe for or buy any of, the Shares in any jurisdiction where it is unlawful to make such offer or solicitation.

#### **Notice to United States shareholders**

The offer, subscription and/or sale of the Shares has not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”) or under the applicable securities laws of any state of the U.S. and, subject to certain exceptions, may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the U.S. Securities Act (“**Regulation S**”)). The Offer is being made: (i) in the U.S. to certain qualified institutional buyers (each a “**QIB**”) as defined in Rule 144A under the U.S. Securities Act (“**Rule 144A**”), that are also Qualified Purchasers (“**QPs**”) (as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the “**U.S. Investment Company Act**”)) in reliance on Rule 144A or another exemption from registration under the U.S. Securities Act; and (ii) outside the U.S. to persons who are not U.S. Persons (as defined in Regulation S) in offshore transactions in reliance on Regulation S. Each prospective subscriber and/or purchaser in the U.S. is hereby notified that the offer and sale of the Shares to it may be made in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A. In addition, until 40 days after the commencement of the Offer, an offer or sale of any of the Shares within the U.S. by any dealer (whether or not participating in the Offer) may violate the registration requirements of the U.S. Securities Act if the offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another applicable exemption from registration under the U.S. Securities Act. The Company has not been and will not be registered under the U.S. Investment Company Act, and investors will not be entitled to the benefits of that Act. U.S. Persons will only be able to participate in the Offer if they are both: (i) QPs; and (ii) QIBs.

Shares acquired by any U.S. Person as provided for in Paragraph 13 (*Selling and transfer restrictions*) of Part XVII (*The Offer*) are not transferable except in compliance with the restrictions described in such paragraph.

**THE SHARES OFFERED BY THIS PROSPECTUS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE “SEC”), ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER UNITED STATES REGULATORY AUTHORITY, NOR HAVE ANY SUCH AUTHORITIES PASSED UPON, OR ENDORSED THE MERITS OF, THE OFFER OR THE ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.**

Dated: 26 January 2016

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## PART I SUMMARY INFORMATION

Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in Sections A to E (A.1 to E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of “not applicable”.

SECTION A—INTRODUCTION AND WARNINGS	
A.1	<p><b>Warning to investors</b></p> <p>This summary should be read as an introduction to this Prospectus. Any decision to invest in the Shares should be based on consideration of this Prospectus as a whole. Where a claim relating to the information contained in this Prospectus is brought before a court, a plaintiff investor might, under the national legislation of the European Economic Area Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to the Directors and the Company, who are responsible for this summary including any translation thereof, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the Shares.</p>
A.2	<p><b>Consent for Intermediaries</b></p> <p>The Company consents to the use of this Prospectus by the Intermediaries in connection with the Intermediaries Offer in the UK on the following terms: (i) in respect of Intermediaries who are appointed by the Company on or prior to the date of this Prospectus, from the date of this Prospectus; and (ii) in respect of Intermediaries who are appointed by the Company after the date of this Prospectus, from the date on which they are appointed to participate in the Intermediaries Offer and agree to adhere and be bound by the terms of the Intermediaries Terms and Conditions, in each case until the closing of the Intermediaries Offer. Each Intermediary has agreed, or will on appointment agree, to the Intermediaries Terms and Conditions, which regulate, <i>inter alia</i>, the conduct of the Intermediaries Offer on market standard terms and provide for payment of commission to any Intermediary that elects to receive commission from the Principal Selling Shareholders. Prospective investors interested in participating in the Intermediaries Offer should apply for Shares through the Intermediaries by following their relevant application procedures.</p> <p><b>Intermediaries are required to provide, at or prior to the time of such offer, the terms and conditions of the Intermediaries Offer to any prospective investor who has expressed an interest in participating in the Intermediaries Offer to such Intermediary. Any application made by investors to any Intermediary is subject to the terms and conditions which apply to the transaction between such investor and such Intermediary. Any Intermediary that hosts this Prospectus on its website must state on its website that it uses this Prospectus in accordance with the Company’s consent.</b></p>

SECTION B—COMPANY	
B.1	<p><b>Legal and commercial name</b></p> <p>CMC Markets plc (the “Company”).</p>
B.2	<p><b>Domicile and legal form of the Company</b></p> <p>The Company is a public limited company, incorporated in England and Wales on 3 June 2004 with company number 05145017 and with its registered office situated in England and Wales. The Company operates under the Companies Act 2006.</p>

SECTION B—COMPANY	
B.3	<p><b>Current operations and principal activities</b></p> <p>The Group is one of the world’s leading online financial trading businesses servicing retail clients and has been a pioneer of the industry since its formation in 1989. Through its Next Generation trading platform, an award-winning, online and mobile trading platform, the Group enables its global client base to trade a range of shares, indices, foreign currencies, commodities and treasuries through contracts for difference (“CFDs”) and financial spread bets (in the UK and Ireland only). CFDs and spread bets are derivative products which allow clients to engage in trading in the financial markets without owning the underlying instruments. The Group also offers its clients the ability to place financial bets through Countdowns, as well as offering stockbroking services in Australia.</p> <p>The Group operates globally through regulated offices and branches in 14 countries, with a significant presence in the UK, Australia, Germany and Singapore; in the aggregate, the Group has retail clients based in more than 70 countries, serviced through direct client relationships and also via its Partner and Institutional Client relationships with banks, brokers, asset managers and other professional and corporate firms.</p> <p>The Group offers its products primarily under the “CMC Markets” brand name<sup>1</sup> and operates its Next Generation trading platform through its website “www.cmcmarkets.com” and related local-language websites, as well as on iPhone, iPad and Android mobile platforms. In the six months ended 30 September 2015, approximately 48 per cent. of the total nominal value of the Group’s client trades were placed on mobile devices (compared with 41 per cent. in the year ended 31 March 2015 and 36 per cent. in the year ended 31 March 2014), with the remainder of trades predominantly executed through the Group’s traditional online platform and a very small number over the phone. In the six months ended 30 September 2015, the Group had 44,017 Active Clients who had traded in the previous six months, and the Group processed approximately 45 million and 34 million trades in the year ended 31 March 2015 and in the six months ended 30 September 2015, respectively.</p> <p>The Group offered one of the world’s first online foreign exchange trading platforms to retail clients in 1996. Since then, the Group has developed and expanded its offering to include derivative trading in approximately 10,000 financial instruments across shares, indices, foreign currencies, commodities and treasuries. The Group provides products and trading features to retail clients that historically were generally only available to institutional investors.</p>
B.4a	<p><b>Significant recent trends affecting the Group and the industry in which the Group operates</b></p> <p>The Group has continued with the expansion of its Next Generation trading platform, which now offers more than 10,000 products. In 2014 and 2015, the number of trades per day on the Next Generation trading platform increased threefold with a more than 50 per cent. increase in Active Clients. In addition, by September 2015, the platform processed an average of more than 160 million prices each day.</p> <p>In 2015, the Group also expanded its product offering in certain jurisdictions to include Countdowns. Countdowns allow clients to place fixed-odd trades relating to price movements during timeframes of as short as 30 seconds. The Group intends to expand its product offering in 2016 to include Binary products. Binaries are CFD products that allow clients the opportunity to place a stake depending on whether they believe a particular instrument’s price will be above or below a certain level at a specific time in the future. The Group has also continued to expand its international presence geographically, opening branch offices in Austria and Poland in 2015.</p> <p>The Group was also named “Best CFD Provider” and “Financial Services Provider of the Year” in 2015 by Shares Awards and has won more than 45 industry awards for products and services in the last two years.</p> <p>The industry in which the Group operates is highly regulated and has come under increased regulatory scrutiny in recent years in several jurisdictions. Regulators in several countries, including the FCA in the UK, the Australian Securities and Investments Commission in Australia, the Monetary Authority of Singapore in Singapore and regulators in Spain, France and Italy, have devoted increasing attention to the industry in which the Group operates. For example, regulators in several jurisdictions have considered instituting (or increasing) restrictions or prohibitions on the ability of retail clients to trade CFDs, make spread bets and trade similar products on margin.</p>

<sup>1</sup> Stockbroking services in Australia are offered through “CMC Markets Stockbroking”.

SECTION B—COMPANY	
	<p>With regard to the competitive landscape, the Directors believe that there is an increasing trend in the UK and Australia towards a greater number of retail brokerages offering CFDs and spread betting to clients and foreign exchange traders (who are increasingly entering the CFD market themselves) that are also providing competition in local markets. In the periods under review, the Directors believe that although competitive pressures have negatively affected certain of the Group’s spreads, more generally the Group has benefitted as clients have demonstrated a “flight to quality” among CFD and spread betting providers, favouring companies such as the Group with financial stability and transparent execution.</p>
B.5	<p><b>Group description</b></p> <p>The Company is the parent company and principal holding company of the Group. The principal activity of the Company and all of the Company’s subsidiaries is the provision of online trading services (with the exception of CMC Markets Overseas Holding Limited, CMC Markets UK Holdings Limited and CMC Markets Group Australia Pty Limited, which are intermediate holding companies). Each of the Company’s subsidiaries is, directly or indirectly, wholly or substantially owned by the Company.</p>
B.6	<p><b>Major shareholders</b></p> <p>Immediately following the Offer, Peter Cruddas (the “<b>Principal Shareholder</b>”) and Fiona Cruddas (the “<b>Second Principal Shareholder</b>”) and, together with the Principal Shareholder, the “<b>Controlling Shareholders</b>”) will hold 57 per cent. and 5 per cent., respectively, of the Issued Share Capital of the Company (assuming no exercise of the over-allotment option granted to Morgan Stanley &amp; Co. International plc by Peter Cruddas and Goldman Sachs Strategic Investments (U.K.) Limited) (the “<b>Over-allotment Shareholders</b>”) (the “<b>Over-allotment Option</b>”).</p> <p>The Controlling Shareholders and the Company have entered into a relationship agreement (the “<b>Relationship Agreement</b>”) which will come into force on Admission, the principal purpose of which is to ensure that the Company is capable of carrying out its business independently of the Controlling Shareholders and their associates, that transactions and relationships with the Controlling Shareholders and their associates are at arm’s length and on normal commercial terms (subject to the rules on related-party transactions in the Listing Rules) and to ensure the Controlling Shareholders do not take any action that would prevent the Company from complying with, or would circumvent, the Listing Rules.</p> <p>Pursuant to the terms of the Relationship Agreement, the Controlling Shareholders have undertaken, <i>inter alia</i>, to ensure that all transactions, relationships, arrangements and agreements between a Controlling Shareholder and the Company or any member of the Group are conducted on arm’s length terms and on a normal commercial basis and not take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules. If at any time the Principal Shareholder ceases to be an Executive Director of the Company, then, for such time as the Controlling Shareholders have an interest of 10 per cent. or more of the Shares in the Company (or an interest which carries 10 per cent. or more of the aggregate voting rights in the Company from time to time), they shall, together, be entitled to appoint one non-executive director to the Board. For such time as the Principal Shareholder is an Executive Director of the Company, the Controlling Shareholders and their associates shall not have a right to appoint any directors to the Board.</p> <p>The Relationship Agreement will terminate if the Shares cease to be listed on the premium listing segment of the Official List and traded on the London Stock Exchange or the Controlling Shareholders cease to retain, in aggregate, an interest of 10 per cent. or more of the Shares in the Company (or an interest which carries 10 per cent. or more of the aggregate voting rights in the Company from time to time).</p> <p>The Shares owned by the Controlling Shareholders after Admission will rank <i>pari passu</i> with the other Shares in all respects.</p>

**SECTION B—COMPANY**

**B.7**

**Historical financial information**

The selected financial information set out below has been extracted without material adjustment from the consolidated historical financial information of the Group as at and for the year ended 31 March 2013, the year ended 31 March 2014, the year ended 31 March 2015, the six months ended 30 September 2015 and the unaudited consolidated interim financial information for the six months ended 30 September 2014:

*Selected Consolidated Income Statement Data*

	<b>Year ended 31 March</b>			<b>Six months ended 30 September</b>	
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>
	<b>(£ million)</b>			<b>(unaudited)</b>	
<b>Revenue</b> . . . . .	125.1	135.4	155.7	63.6	88.2
Interest income . . . . .	3.2	2.1	2.1	1.1	0.9
<b>Total Revenue</b> . . . . .	128.3	137.5	157.9	64.7	89.1
Rebates and levies . . . . .	(21.3)	(15.5)	(14.2)	(5.9)	(10.2)
<b>Net operating income<sup>(1)</sup></b> . . . . .	107.0	122.0	143.6	58.8	78.9
Other income . . . . .	—	—	—	—	1.6
Operating expenses . . . . .	(94.2)	(78.4)	(92.3)	(41.3)	(50.4)
<b>EBITDA</b> . . . . .	12.8	43.6	51.3	17.5	30.1
Depreciation and amortisation . . . . .	(16.8)	(10.7)	(6.9)	(3.2)	(3.2)
<b>Operating profit/(loss)</b> . . . . .	(4.0)	32.9	44.4	14.3	26.9
Finance costs . . . . .	(1.4)	(0.7)	(0.9)	(0.4)	(0.4)
<b>Profit/(loss) before taxation</b> . . . . .	(5.4)	32.2	43.5	13.9	26.5
Taxation . . . . .	1.6	(8.2)	(8.8)	(2.6)	(6.5)
<b>Profit/(loss) for the year attributable to owners</b> . . . . .	(3.8)	24.0	34.7	11.3	20.0
<b>Underlying EBITDA</b> . . . . .	12.8	43.6	59.7	17.5	29.8
Exceptional income . . . . .	—	—	—	—	1.6
Exceptional costs . . . . .	—	—	(8.4)	—	(1.3)
<b>EBITDA</b> . . . . .	12.8	43.6	51.3	17.5	30.1

**Note:**

(1) The table below sets out net operating income by source:

	<b>Year ended 31 March</b>			<b>Six months ended 30 September</b>	
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>
	<b>(£ million)</b>			<b>(unaudited)</b>	
CFD and Spread Bet (including Binaries) . . . . .	96.7	114.0	136.6	55.4	75.1
Stockbroking (excluding interest income) . . . . .	5.8	5.5	5.1	2.5	2.7
Interest income . . . . .	3.2	2.1	2.1	1.1	0.9
Other operating income . . . . .	1.3	0.4	(0.2)	(0.2)	0.2
<b>Net operating income</b> . . . . .	107.0	122.0	143.6	58.8	78.9

**SECTION B—COMPANY**

*Selected Consolidated Statement of Financial Position Data*

	As at 31 March			As at 30 September
	2013	2014	2015	2015
	(\$ million)			
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets . . . . .	10.7	4.1	3.7	2.7
Property, plant and equipment . . . . .	16.1	13.7	17.4	16.3
Deferred tax assets . . . . .	13.9	7.4	7.5	6.4
<b>Total non-current assets . . . . .</b>	<u>40.7</u>	<u>25.2</u>	<u>28.6</u>	<u>25.4</u>
<b>Current assets</b>				
Trade and other receivables . . . . .	25.7	19.7	18.7	24.4
Derivative financial instruments . . . . .	0.6	0.6	3.3	2.6
Current tax recoverable . . . . .	0.4	—	—	—
Amounts due from brokers . . . . .	48.8	65.9	109.8	113.3
Cash and cash equivalents . . . . .	45.9	57.8	38.6	37.5
<b>Total current assets . . . . .</b>	<u>121.4</u>	<u>144.0</u>	<u>170.4</u>	<u>177.8</u>
<b>Total assets . . . . .</b>	<u>162.1</u>	<u>169.2</u>	<u>199.0</u>	<u>203.2</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables . . . . .	43.7	39.7	38.8	35.6
Derivative financial instruments . . . . .	2.2	2.1	0.8	0.6
Long term borrowings . . . . .	1.2	0.6	1.4	1.4
Current tax payable . . . . .	—	1.2	3.5	5.9
Short term provisions . . . . .	3.7	0.3	4.3	0.2
<b>Total current liabilities . . . . .</b>	<u>50.8</u>	<u>43.9</u>	<u>48.8</u>	<u>43.7</u>
<b>Non-current liabilities</b>				
Trade and other payables . . . . .	4.8	4.5	3.9	3.6
Short term borrowings . . . . .	1.0	0.3	2.5	1.8
Deferred tax liabilities . . . . .	1.1	0.6	0.1	0.1
Long term provisions . . . . .	0.1	0.3	1.4	1.4
<b>Total non-current liabilities . . . . .</b>	<u>7.0</u>	<u>5.7</u>	<u>7.9</u>	<u>6.9</u>
<b>Total liabilities . . . . .</b>	<u>57.8</u>	<u>49.6</u>	<u>56.7</u>	<u>50.6</u>
<b>EQUITY</b>				
<b>Equity attributable to owners of the Group</b>				
Share capital . . . . .	70.7	70.7	70.7	70.7
Share premium . . . . .	33.4	33.4	33.4	33.4
Own shares held in trust . . . . .	(2.0)	(2.0)	(2.0)	(2.0)
Other reserves . . . . .	(46.5)	(49.6)	(50.0)	(50.3)
Retained earnings . . . . .	48.7	67.1	90.2	100.8
<b>Total equity . . . . .</b>	<u>104.3</u>	<u>119.6</u>	<u>142.3</u>	<u>152.6</u>
<b>Total equity and liabilities . . . . .</b>	<u>162.1</u>	<u>169.2</u>	<u>199.0</u>	<u>203.2</u>

## SECTION B—COMPANY

### *Selected Consolidated Statement of Cash Flows Data*

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	(£ million)			(unaudited)	
Net cash generated from operating activities . . . . .	3.4	23.6	2.0	2.9	11.6
Net cash used in investment activities . . . . .	(3.6)	(2.0)	(10.3)	(7.2)	(1.2)
Net cash used in financing activities . . . . .	(1.0)	(7.8)	(10.0)	(2.7)	(11.1)
Net (decrease)/increase in cash and cash equivalents . . . . .	(1.2)	13.8	(18.3)	(7.0)	(0.7)
Cash and cash equivalents at period start . . . . .	48.0	45.9	57.8	57.8	38.6
Effect of foreign exchange rates . . . . .	(0.9)	(1.9)	(0.9)	(0.4)	(0.4)
Cash and cash equivalents at period end . . . . .	<u>45.9</u>	<u>57.8</u>	<u>38.6</u>	<u>50.4</u>	<u>37.5</u>

Certain significant changes to the Group's financial condition and results of operations occurred during the year ended 31 March 2013, the year ended 31 March 2014, the year ended 31 March 2015, the six months ended 30 September 2014 and the six months ended 30 September 2015. These changes are set out below:

- During the periods under review, the Group's net operating income increased from £107.0 million in the year ended 31 March 2013 to £122.0 million in the year ended 31 March 2014 and to £143.6 million in the year ended 31 March 2015, and from £58.8 million in the six months ended 30 September 2014 to £78.9 million in the six months ended 30 September 2015.
- During the periods under review, the Group's EBITDA increased from £12.8 million in the year ended 31 March 2013 to £43.6 million in the year ended 31 March 2014 and to £51.3 million in the year ended 31 March 2015, and from £17.5 million in the six months ended 30 September 2014 to £30.1 million in the six months ended 30 September 2015.

Other than as set out above, there has been no significant change in the financial condition or operating results of the Group during the year ended 31 March 2013, the year ended 31 March 2014, the year ended 31 March 2015, the six months ended 30 September 2015 and the period since 30 September 2015, the date to which audited financial information for the Group in Part XVI (*Historical Financial Information*) was prepared.

B.8	<b>Pro forma financial information</b> Not applicable. This Prospectus does not contain <i>pro forma</i> financial information.
B.9	<b>Profit forecast</b> Not applicable. There is no profit forecast or estimate.
B.10	<b>Qualifications in the audit report on the historical financial information</b> Not applicable. There are no qualifications to the audit report on the historical financial information.
B.11	<b>Insufficient working capital</b> Not applicable. In the opinion of the Company, taking into account bank facilities available to the Group, the working capital available to the Group is sufficient for the Group's present requirements, that is for at least the next 12 months following the date of this Prospectus.

## SECTION C—SHARES

C.1	<p><b>Type and class of securities</b></p> <p>On Admission, there will be up to 288,851,928 Shares of 25 pence in the Issued Share Capital of the Company (assuming the New Share Offer Size is set at the top of the New Share Offer Size Range).</p> <p>The Offer comprises an offering of up to 90,712,407 Offer Shares, up to 84,445,421 of which are currently in issue as at the date of this Prospectus and are to be sold by the Selling Shareholders, and up to 6,266,986 of which are to be issued as New Shares. The Offer Shares to be sold under the offer represent up to 31 per cent. of the issued shares in the Company immediately following Admission. The Offer Size will be set out in the Pricing Statement expected to be published on or about 5 February 2016 and will be available online at <a href="http://www.cmcmarkets.com/group/ipo">www.cmcmarkets.com/group/ipo</a> and at the Company's registered office at 133 Houndsditch, London EC3A 7BX, United Kingdom. All Shares in issue on Admission will be fully paid.</p>
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SECTION C—SHARES	
	<p>In addition, up to a further 13,606,862 Shares representing 15 per cent. of the total number of Offer Shares (before exercise of the Over-allotment Option) are being made available by the Over-allotment Shareholders to the Stabilising Manager, pursuant to the Over-allotment Option.</p> <p>When admitted to trading, the Shares will be registered with ISIN number GB00B14SKR37 and SEDOL number B14SKR3 and it is expected that the Shares will be traded on the London Stock Exchange under the ticker symbol “CMCX”.</p>
C.2	<p><b>Currency of the issue of securities</b></p> <p>The currency of the Shares is pounds sterling.</p>
C.3	<p><b>Issued share capital</b></p> <p>As at the date of this Prospectus, the Issued Share Capital of the Company is £70,074,216, comprising 280,296,862 Shares of 25 pence each, all of which were fully paid or credited as fully paid.</p>
C.4	<p><b>Description of the rights attaching to the securities</b></p> <p>The Shares being sold pursuant to the Offer will, on Admission, rank <i>pari passu</i> in all respects with the other Shares in the capital of the Company in issue and will rank in full for all dividends and other distributions thereafter declared, made or paid on the share capital of the Company.</p>
C.5	<p><b>Restrictions on the free transferability of the Shares</b></p> <p>Not applicable. There are no restrictions on the free transferability of the Shares.</p>
C.6	<p><b>Admission</b></p> <p>Application will be made to the FCA for all of the Shares, issued and to be issued, to be admitted to the premium listing segment of the Official List of the FCA and to London Stock Exchange for such Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities.</p>
C.7	<p><b>Dividend policy</b></p> <p>In recent years, the Group has consistently paid out annual dividends to its shareholders (including at a level of dividend payout ratio representing approximately 50 per cent. of consolidated annual post-tax profit). For the year ending 31 March 2016 and into the medium term, the Group intends to continue this policy and to pay annual dividends based on a targeted dividend payout ratio of 50 per cent. of the Group’s consolidated annual underlying post-tax profit. For the six months ended 30 September 2015, the Group paid an interim dividend of 3.6p per Share reflecting this dividend policy, together with a special dividend of 1.8p per Share. Following the first full year post Admission, the Group intends to pay a dividend each half year. The first dividend payment post Admission is expected to be the full final dividend in respect of the year ended 31 March 2016, expected to be paid following approval of year end accounts at the annual general meeting of the Company, likely to be held in September 2016. The Group intends to maintain a disciplined approach to capital, in order to balance its current and anticipated liquidity, regulatory capital and investment needs, with a view to returning excess capital to shareholders as appropriate.</p> <p>The ability of the Group to pay dividends is dependent on a number of factors and there is no assurance that the Group will pay dividends, or, if a dividend is paid, what the amount of such dividend will be.</p>

SECTION D—RISKS	
D.1	<p><b>Key information on the key risks that are specific to the Company or its industry</b></p> <ul style="list-style-type: none"> <li>The Group may incur losses as a result of market risk. The Group inherits risk from the positions its clients take. It manages those exposures on an intra-day basis as trading flows naturally aggregate. As such, the Group does not hedge all client positions, and it periodically has large position concentrations in particular currencies, commodities and other financial instruments, which could potentially lead to market losses.</li> <li>The Group may incur losses as a result of liquidity risk. Although the Group monitors its broker, liquidity and regulatory capital requirements in real time, the Group may suffer losses if it is unable to rely on its relationships with prime brokers, banks and other financial institutions to manage its liquidity and regulatory capital requirements.</li> </ul>

SECTION D—RISKS	
	<ul style="list-style-type: none"> <li>• The Group may incur losses as a result of credit risk. To trade in the Group's products, clients are only required to deposit sufficient funds with the Group in order to cover the minimum margin requirements required by applicable regulations and/or established by the Group for the relevant products. This allows the Group's clients to maintain higher leverage in their trading positions. The level of margin posted may not be sufficient to cover losses, resulting in a credit loss to the Group.</li> <li>• The Group could be negatively affected by a significant macroeconomic market event. A sudden or extreme macroeconomic or unexpected world event could significantly increase the Group's market, liquidity or credit risk. In addition, the Group could have a short-term funding requirement to meet its payment obligations to hedging transaction counterparties or to clients who have made gains from trading before payment has been received from clients who have sustained trading losses.</li> <li>• The industry in which the Group operates is highly regulated and has come under increased regulatory scrutiny in recent years in several jurisdictions, and the applicable rules and regulations relating to the Group's products may be subject to significant change. The Group's products could be broadly prohibited or restricted in certain jurisdictions. If the Group's CFD products were to be classified as gaming or wagering contracts, or otherwise banned for any reason (as is already the case in certain jurisdictions, such as the United States), the Group could be subject to civil and criminal sanctions, may be unable to claim sums due from clients or may have to cease or significantly alter its business in those jurisdictions.</li> <li>• Changes in tax law could adversely affect the Group's profitability. The adoption of any reform of or amendment to applicable tax legislation, including applicable tax reporting legislation, such as that relating to the recognition of tax losses, or any other change in the manner in which applicable tax laws are interpreted or enforced could impact clients' demand for the Group's product offerings or reduce its profits (particularly in the UK, where the Group derives a significant amount of revenue from spread betting).</li> <li>• The Group's existing regulatory authorisations for its operations could be withdrawn, and the Group may be unable to obtain the necessary authorisations to expand its business into new jurisdictions. In addition, the Group could fail to obtain regulatory authorisation in a jurisdiction where it wishes to operate, which could prevent the Group from maintaining or expanding its business.</li> <li>• Systems failures could harm the Group's business. Any damage, malfunction, failure or interruption of or to systems, software or networks used by the Group (including the automatic trading limits and other limits built into the trading platform) could result in a lack of confidence in the Group's services and a possible loss of existing clients to its competitors or could expose the Group to higher risk or losses.</li> <li>• The Group must keep pace with rapid technological changes and changes in its clients' requirements and preferences, including to trading platform design and functionality. To remain competitive, the Group must continue to innovate its product and service offerings, for example by further enhancing and improving the responsiveness, functionality, accessibility and other features of its trading platform. There can be no assurance, however, that the Group will be successful in rolling out such products or that these products will be profitable for the Group.</li> <li>• Executing transactions with clients via the internet exposes the Group to a number of risks. Clients of the Group may execute transactions over the internet in jurisdictions in which the Group has no physical or regulated presence and is not specifically authorised to operate. The regulatory and legal framework in these jurisdictions can be complex and varies significantly. In some jurisdictions where the Group has no physical or regulated presence, it is potentially not clear whether laws or regulations are applicable to the relationship the Group has with clients or, if they are applicable, the effect of those laws or regulations may itself be unclear.</li> <li>• The Group depends on its highly-skilled senior management team, and it may be unable to retain its current personnel or hire additional personnel when needed. In particular, the Group is highly dependent on Peter Cruddas, its founder and Chief Executive Officer, and other individual members of the Group's senior management team.</li> </ul>
D.3	<p><b>Key information on the key risks that are specific to the Shares</b></p> <ul style="list-style-type: none"> <li>• The price of the Shares may fluctuate significantly and investors could lose all or part of their investment.</li> <li>• The Controlling Shareholders will retain a significant interest in the Company following Admission and their interests may differ from those of the other shareholders.</li> </ul>

SECTION D—RISKS	
	<ul style="list-style-type: none"> <li>• Sales of Shares by significant shareholders could depress the price of the Shares.</li> <li>• The Company may not pay cash dividends on the Shares in the future. Consequently, investors may not receive any return on investment unless they sell their Shares for a price greater than that which they paid for them.</li> <li>• The Company is a holding company with substantially all of its operations conducted through its subsidiaries. Its ability to pay dividends on the Shares depends on its ability to obtain cash dividends and other cash payments or obtain loans from the Group's subsidiaries.</li> <li>• Future issuances of Shares may dilute the holdings of Shareholders and may depress the price of the Shares.</li> <li>• There has been no prior trading market for the Shares and a liquid market for the Shares may fail to develop.</li> <li>• Holders of the Shares in certain jurisdictions, including the United States, may not be able to exercise their pre-emptive rights or participate in future equity offerings if the Group increases its share capital.</li> </ul>

SECTION E—OFFER	
E.1	<p><b>Net proceeds and expenses of the Offer</b></p> <p>The Company's net proceeds from the Offer of the New Shares are estimated to be £1,929,181 (assuming the Offer Size is set at the mid-point of the Offer Size Range, the Offer Price is set at the mid-point of the Price Range and the Over-allotment Option is not exercised), after deduction of underwriting commissions (excluding any discretionary commissions), other Offer related fees and expenses and applicable taxes in connection with the Offer expected to be approximately £13,306,169.</p> <p>The net proceeds from the sale of the Sale Shares by the Selling Shareholders are estimated to be £210,673,789, after deduction of underwriting commissions (excluding any discretionary commissions), other Offer related fees and expenses and applicable taxes in connection with the Offer expected to be approximately £4,662,035 (assuming the Offer Size is set at the mid-point of the Offer Size Range, the Offer Price is set at the mid-point of the Price Range and the Over-allotment Option is not exercised). The Company will bear fees and expenses of an amount of approximately £13,306,169 (inclusive of amounts in respect of VAT) in connection with Admission and the Offer. The Selling Shareholders will bear approximately £3,585,356 (inclusive of amounts in respect of VAT) in fees and expenses in connection with the Offer and Admission.</p> <p>The Company will not receive any proceeds in respect of any sale of the Sale Shares sold by the Selling Shareholders or the proceeds from the sale of any Over-allotment Shares by the Over-allotment Shareholders pursuant to the Over-allotment Option.</p> <p>No expenses will be directly charged to investors in connection with Admission or the Offer by the Company or the Selling Shareholder.</p>
E.2a	<p><b>Reasons for the Offer and use of proceeds</b></p> <p>The Directors believe the Offer and Admission will position the Company for its next stage of development by:</p> <ul style="list-style-type: none"> <li>(a) providing a platform for the continued growth of the Group's business;</li> <li>(b) enhancing the Group's public profile and brand recognition;</li> <li>(c) creating a liquid market in the Shares for Shareholders;</li> <li>(d) assisting in the incentivisation and retention of key management and employees;</li> <li>(e) providing the Principal Selling Shareholders with a partial realisation of their investment in the Company; and</li> <li>(f) providing increased access to global capital markets.</li> </ul> <p>The Company intends to use the proceeds from the Offer of the New Shares to pay costs associated with the Offer and Admission, as well as costs associated with employee incentives as a result of the Offer.</p>

## SECTION E—OFFER

E.3

### Terms and conditions of the Offer

The Offer is being made by way of:

- (a) the Institutional Offer, under which Offer Shares are being offered: (i) to certain institutional investors in the UK and elsewhere outside the United States in reliance on Regulation S and in accordance with locally applicable laws and regulations; and (ii) in the United States, only to QIBs in reliance on Rule 144A who are also QPs or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act;
- (b) the Client Share Offer, under which Offer Shares are being offered to Eligible Clients of the Group; and
- (c) the Intermediaries Offer, under which the Offer Shares are being offered to intermediaries in the United Kingdom, who will facilitate the participation of their retail investor clients resident in the United Kingdom.

Applications for Shares in the Client Share Offer will be given priority in allocation over applications for Shares in the Intermediaries Offer.

Eligible Clients who acquire Shares under the Client Share Offer directly and hold them for a continuous period of 12 months following Admission will be eligible to receive at the end of that 12 month period (such date being, the “**Bonus Share Record Date**”) one Bonus Share for every ten Shares acquired in the Client Share Offer, held continuously and still retained at the Bonus Share Record Date, subject to certain terms and conditions.

The price at which the Shares are to be issued and sold in the Offer (the “**Offer Price**”) is expected to be between 235 pence and 275 pence per Share (the “**Price Range**”). The number of New Shares to be issued by the Company in the Offer (the “**New Share Offer Size**”) is expected to be between 5,724,829 Shares and 6,266,986 Shares (the “**New Share Offer Size Range**”) and the aggregate number of Sale Shares to be sold by the Selling Shareholders in the Offer (the “**Sale Share Offer Size**”) is expected to be 84,445,421 Shares (the “**Expected Sale Share Offer Size**”).

After the Offer Period has ended, the Offer Price, the New Share Offer Size and the Sale Share Offer Size will be determined by the Controlling Shareholders and the Company, in consultation with the Joint Global Co-ordinators, and is expected to be announced on or about 5 February 2016 in the Pricing Statement. The Pricing Statement, which will contain, among other things, the Offer Price and Offer Size, will be available online at [www.cmcmarkets.com/group/ipo](http://www.cmcmarkets.com/group/ipo) and published in printed form and available free of charge at the Company’s registered office at 133 Houndsditch, London EC3A 7BX, United Kingdom. It is currently expected that the Offer Price and the Offer Size will be within the Price Range and the Offer Size Range, respectively. A number of factors will be considered in deciding the Offer Price, including the level and nature of demand for Shares in the book-building process, the level of demand in the Client Share Offer, the level of demand in the Intermediaries Offer, prevailing market conditions and the objective of encouraging the development of an orderly and liquid after-market in the Shares.

If the Offer Price is set above the Price Range, the number of New Shares to be issued by the Company is set above or below the New Share Offer Size Range (subject to the minimum free float requirements agreed by the Company with the UK Listing Authority) and/or the number of Sale Shares to be sold by the Selling Shareholders is set above or below the Expected Sale Share Offer Size (subject to the minimum free float requirements agreed by the Company with the UK Listing Authority), then an announcement will be made via a Regulatory Information Service and prospective investors will have a statutory right to withdraw their offer to purchase Offer Shares pursuant to section 87Q of the FSMA. The arrangements for withdrawing offers to purchase Offer Shares would be made clear in the announcement.

In addition, Over-allotment Shares (representing up to 15 per cent. of the Offer Shares (before exercise of the Over-allotment Option)) will be made available by the Over-allotment Shareholders to the Stabilising Manager pursuant to the Over-allotment Option.

It is expected that Admission will take place and unconditional dealings in the Shares will commence on the London Stock Exchange at 8.00 a.m. on 10 February 2016. Prior to Admission, it is expected that dealings in the Shares will commence on a conditional basis on the London Stock Exchange at 8.00 a.m. on 5 February 2016. The earliest date for settlement of such dealings will be 10 February 2016. All dealings in the Shares prior to the commencement of unconditional dealings will be on a “when issued” basis and will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned. These dates and times may be changed without further notice.

SECTION E—OFFER																					
	<p>The completion of the Offer will be subject, <i>inter alia</i>, to the determination of the Offer Price and the Offer Size and each of the Company's, the Principal Selling Shareholders' and the Joint Global Co-ordinators' decisions to proceed with the Offer. It will also be subject to the satisfaction of conditions contained in the Underwriting Agreement, including Admission occurring, and to the Underwriting Agreement not having been terminated.</p> <p><b><i>Expected timetable of principal events</i></b></p> <table> <tr> <th>Event</th><th>Time and Date<sup>(1)</sup></th></tr> <tr> <td>Commencement of the application period for the Client Share Offer and the Intermediaries Offer</td><td>26 January 2016</td></tr> <tr> <td>Latest time and date for receipt of completed Online Applications in respect of the Client Share Offer</td><td>10.00 p.m. on 3 February 2016</td></tr> <tr> <td>Latest date for receipt by Intermediaries of applications in respect of the Intermediaries Offer<sup>(2)</sup></td><td>3 February 2016</td></tr> <tr> <td>Latest time and date for receipt by the Receiving Agent of applications from Intermediaries in respect of the Intermediaries Offer</td><td>10:00 a.m. on 4 February 2016</td></tr> <tr> <td>Latest time and date for receipt of indications of interest under the Institutional Offer</td><td>5.00 p.m. on 4 February 2016</td></tr> <tr> <td>Publication of the Pricing Statement containing the Offer Price, New Share Offer Size and Sale Share Offer Size and notifications of allocations<sup>(3)</sup></td><td>7.00 a.m. on 5 February 2016</td></tr> <tr> <td>Commencement of conditional dealings on the London Stock Exchange</td><td>8.00 a.m. on 5 February 2016</td></tr> <tr> <td>Notification of allocations by email to Eligible Clients who submitted an Online Application</td><td>5 February 2016</td></tr> <tr> <td>Admission and commencement of unconditional dealings on the London Stock Exchange</td><td>8.00 a.m. on 10 February 2016</td></tr> </table> <p><b>Notes:</b></p> <p>(1) All references to times are to London times. Each of the times and dates in the above timetable are indicative and subject to change without further notice.</p> <p>(2) Each Intermediary may set a time for latest receipt of applications on this date.</p> <p>(3) The Pricing Statement will not automatically be sent to persons who receive this document but it will be available free of charge at the Company's registered office at 133 Houndsditch, London EC3A 7BX. In addition, the Pricing Statement will (subject to certain restrictions) be published online at <a href="http://www.cmcmarkets.com/group/ipo">www.cmcmarkets.com/group/ipo</a>.</p> <p>None of the Shares may be offered for sale or purchase or be sold or delivered, and this Prospectus and any other offering material in relation to the Shares may not be circulated, in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to any obligation to obtain any consent, approval or permission, or to make any application, filing or registration.</p>	Event	Time and Date <sup>(1)</sup>	Commencement of the application period for the Client Share Offer and the Intermediaries Offer	26 January 2016	Latest time and date for receipt of completed Online Applications in respect of the Client Share Offer	10.00 p.m. on 3 February 2016	Latest date for receipt by Intermediaries of applications in respect of the Intermediaries Offer <sup>(2)</sup>	3 February 2016	Latest time and date for receipt by the Receiving Agent of applications from Intermediaries in respect of the Intermediaries Offer	10:00 a.m. on 4 February 2016	Latest time and date for receipt of indications of interest under the Institutional Offer	5.00 p.m. on 4 February 2016	Publication of the Pricing Statement containing the Offer Price, New Share Offer Size and Sale Share Offer Size and notifications of allocations <sup>(3)</sup>	7.00 a.m. on 5 February 2016	Commencement of conditional dealings on the London Stock Exchange	8.00 a.m. on 5 February 2016	Notification of allocations by email to Eligible Clients who submitted an Online Application	5 February 2016	Admission and commencement of unconditional dealings on the London Stock Exchange	8.00 a.m. on 10 February 2016
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E.4	<p><b>Material interests to the Offer</b></p> <p>The Company considers that the Controlling Shareholders have interests that are material to the Offer by virtue of the size of their existing shareholding in the Company. In addition, Goldman Sachs Strategic Investments (U.K.) Limited, which currently owns 9.12 per cent. of the Company and expects to sell 11,155,816 Shares in the Offer, is advised by affiliates of Goldman Sachs International, which acts as Joint Global Co-ordinator of the Offer.</p> <p>Other than as disclosed above, the Company does not consider that there is a conflicting interest or that there are any other interests that are material to the Offer.</p>																				

SECTION E—OFFER	
E.5	<p><b>Principal Selling Shareholders and lock-ups</b></p> <p>The Controlling Shareholders have agreed to a 730 calendar day lock-up period following Admission for 50 per cent. of their interests in Shares as at Admission, and a 1,095 calendar day lock-up period following Admission for the other 50 per cent. of their interests in Shares as at Admission, during which time they may not dispose of any interests in Shares or any securities of the Company that are substantially similar to Shares, including but not limited to any securities that are convertible into, or exchangeable for, or that represent the right to receive, Shares or any such substantially similar securities.</p> <p>Goldman Sachs Strategic Investments (U.K.) Limited and the Company have agreed to a 180 calendar day lock-up period following Admission, during which time they may not dispose of (and in the case of the Company, issue) any Shares, any interests in Shares or any securities of the Company that are substantially similar to Shares, including but not limited to any securities that are convertible into, or exchangeable for, or that represent the right to receive, Shares or any such substantially similar securities.</p> <p>The Directors (excluding Peter Cruddas) have agreed to a 364 calendar day lock-up period following Admission, during which time they may not dispose of any interests in Shares or any securities of the Company that are substantially similar to Shares, including but not limited to any securities that are convertible into, or exchangeable for, or that represent the right to receive, Shares or any such substantially similar securities.</p> <p>All lock-up arrangements are subject to certain customary exceptions as provided in the Underwriting Agreement.</p>
E.6	<p><b>Dilution resulting from the Offer</b></p> <p>Pursuant to the New Shares issued in connection with the Offer, the existing shareholders will experience a 32 per cent. dilution (assuming the New Share Offer Size is set at the mid-point of the New Share Offer Size Range).</p>
E.7	<p><b>Estimated expenses charged to the investor</b></p> <p>There are no commissions, fees or expenses to be charged to investors by the Company or the Selling Shareholders under the Offer. All expenses incurred by any Intermediary are for its own account. Investors should confirm separately with any Intermediary whether there are any commissions, fees or expenses that will be applied by such Intermediary in connection with any application made through that Intermediary pursuant to the Intermediaries Offer. The Intermediaries Terms and Conditions restrict the level of commission that Intermediaries are able to charge retail investors.</p>

## **PART II RISK FACTORS**

*An investment in the Shares is subject to a number of risks. Prior to investing in the Shares, prospective investors should consider carefully the factors and risks associated with any investment in the Shares and the Group's business, together with all other information contained in this Prospectus, including in particular, the risk factors described below.*

*Prospective investors should note that the risks relating to the Group, its business and the Shares summarised in Part I (Summary Information) are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in Part I (Summary Information) but also, among other things, the risks and uncertainties described below.*

*The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Shares and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that the Group currently deems immaterial, may individually or cumulatively have a material adverse effect on the Group's business, prospects, financial condition and results of operations, and if any one or a combination of these risks should occur, the price of the Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Shares is suitable for them in light of the information in this Prospectus and their personal circumstances.*

### **Risks Relating to the Group's Business and the Markets in which it Operates**

#### ***The Group may incur losses as a result of market risk.***

The Group inherits risk from the positions its clients take. It manages those exposures on an intra-day basis as trading flows naturally aggregate. The Group hedges its residual exposure but does not hedge all client positions. As such, the Group may periodically inherit large position concentrations in particular currencies, commodities and other financial instruments, which could potentially lead to market losses. While the Group can automatically hedge products where there is not a high degree of natural aggregation (i.e., when the number and types of trades the Group handles do not act as a natural hedge against each other), either because of low liquidity or one-way bias (usually equities) and can manually (i.e., performed manually by a dealer at a trading desk) hedge the residual exposure in line with its risk appetite, there can be no assurance that these tools will at all times be able to successfully manage the Group's market risk. Furthermore, hedges that the Group puts in place may not be perfect hedges against the Group's risk exposure, and as a result may not entirely offset its market losses. In addition, client positions which are not hedged mean that if the market moves against the Group, a market loss could be incurred. The Group's Countdowns product and Binary products it will introduce in the future cannot be hedged. Any inability of the Group to manage its market risk could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

#### ***The Group may incur losses as a result of liquidity risk.***

Although the Group monitors its broker, liquidity and regulatory capital requirements in real time, the Group may suffer losses if it is unable to rely on its relationships with prime brokers, banks and other financial institutions to manage its liquidity and regulatory capital requirements. For example, one or more of the Group's banks or prime brokers could increase the margin requirement on the instruments that the Group uses to hedge. If this were to occur, it could impact the available liquidity of the Group, which could lead to the Group becoming unable or restricted in its ability to meet trading or regulatory capital requirements. These risks have become and will become more acute as the Group is increasingly used as a liquidity provider or hedging counterparty and increases the number of financial institutions as clients. To mitigate this risk, the Group works with a number of different prime brokers, which helps to ensure that the Group has a variety of potential liquidity sources to meet its future liquidity needs, but there can be no guarantee that this strategy will be effective.

In addition, the Group could have a short-term funding requirement to meet its payment obligations on hedging transactions to prime brokers or to clients who have made gains from trading due to a time lag between its payment obligation and the receipt of an offsetting payment from clients who have sustained trading losses. Any failure by the Group to meet its payment obligations to counterparties on hedging

transactions (including as a result of an inability to renew its revolving credit facility used for hedging activities (the “**RBS Facilities Agreement**”)) or to clients who have made gains from trading could affect its ability to effectively enter into hedging transactions in the future and could adversely affect the Group’s reputation and its ability to manage risk. Any inability to manage liquidity risk generally could have a material adverse effect on the Group’s business, prospects, financial condition and results of operations.

*The Group may incur losses as a result of credit risk.*

To trade in the Group’s products, clients are required to deposit sufficient funds with the Group in order to cover the minimum margin requirements required by applicable regulations and/or established by the Group for the relevant products. The level of margin posted may not be sufficient to cover losses, in particular where the market moves significantly in a short period of time, resulting in a credit loss to the Group.

The Group has a variety of tools which it uses to manage client credit risk, such as tiered margin requirements (i.e., requiring clients to pay higher margins to take larger positions or to cover higher risk instruments), automated liquidation (i.e., liquidating a client’s account automatically once margin levels drop to pre-determined thresholds) and position limits, however, these may be ineffective, particularly during periods of significant market volatility.

In addition, in order to attract and retain Premium Clients, the Group may (where permitted by regulators) waive or lower margin requirements, as well as temporarily allow negative account balances for certain approved clients. If these or any other clients do not make payments to the Group to cover their losses entirely, the Group would incur bad debt expenses, which could negatively impact the Group’s profitability and have a material adverse effect on the Group’s business, prospects, financial condition and results of operations.

*The Group could be negatively affected by a significant macroeconomic or geopolitical market event.*

A sudden or extreme macroeconomic or unexpected geopolitical event could significantly increase the Group’s market, liquidity or credit risk. For example, in January 2015 when the Swiss National Bank unexpectedly ended its policy of maintaining an artificial minimum exchange rate between the Swiss Franc and Euro, the Swiss Franc significantly appreciated within minutes of the announcement (the “**Swiss Bank Event**”). The Swiss Bank Event precipitated the insolvency of certain foreign exchange trading companies and other competitors of the Group, and it resulted in increased bad debts for the Group and many industry participants. Any extreme market event (whether economic or political in nature) in the future could significantly affect the Group, which could have a material adverse effect on the Group’s business, prospects, financial condition and results of operations.

*The Group derives a significant portion of its revenue from a small number of clients.*

Due in part to its focus on attracting and retaining Premium Clients (i.e., those clients that have an average spreads, net financing and commission (“**SnFC**”) value of £3,000 per month or a total SnFC value of £20,000 for the prior six months), the Group is subject to client concentration risk. For example, in the year ended 31 March 2015, 48 per cent. of the Group’s SnFC was derived from the top 4 per cent. of its Active Clients (individuals or entities who had traded at least once or held an open position in the relevant period (“**Active Clients**”)) and the top Premium Client contributed 3 per cent. to the SnFC of this segment. Relationships with Premium Clients are often maintained by individual sales traders and account executives, and these sales traders and account executives may not be effective in maintaining their client relationships. In addition, the Group relies on a relatively small number of Partners and Institutional Clients to maintain relationships with certain Premium Clients. The Group typically does not have exclusive relationships with its Partners and Institutional Clients, and as a result, Partners and Institutional Clients (some of whom bring significant amounts of business to the Group) could at any time re-direct important Group clients to competitors, or could demand higher fees for their services. The Group experiences a degree of client attrition over time, including in relation to its Premium Clients, and the loss of the Group’s key clients, including those obtained through third-party Partners and Institutional Clients, could have a material adverse effect on the Group’s business, prospects, financial condition and results of operations.

***The Group's risk management policies, procedures and practices may not be effective or may be violated.***

The success of the Group's business is dependent on the Group's risk management policies, including policies in relation to anti-bribery, corruption, financial crime, financial risk, fraud, information technology and security, as well as the amount of risk the Group is willing or able to take. The design and implementation of the Group's policies, procedures and practices used to identify, monitor and control risk may not be effective.

For example, the Group's risk limitation methods rely on a combination of internally developed technical controls, industry standard practices, observation of historical market behaviour and human supervision. These methods may not adequately prevent future losses. In addition, the Group's financial risk mitigation procedures and practices have been, and going forward will be, subject to human error, technological failure and competitive pressures. There can be no assurance that the Group will set financial risk limitation parameters accurately, that its testing and quality control practices will be effective in preventing technical software or hardware failure or that its employees will accurately or appropriately apply the Group's financial risk limitation procedures. In addition, to remain competitive, the Group may adjust its trading and risk management strategies in an effort to achieve optimal outcomes with respect to the Group's risk management and revenue. However, the Group's adjustment of these strategies may not deliver an optimal outcome, and may instead prove detrimental to the performance of the Group.

The Group is also exposed to potential losses due to fraud, misconduct and breaches of the Group's terms of business by its clients, counterparties, employees or third parties. For example, clients or people impersonating clients (for example through the use of a false identity to open an account) may engage in fraudulent activities, including the improper use of legitimate client accounts. Such events have occurred in the past, including clients using their accounts to carry out unauthorised investment schemes, automated trading and funding their accounts with stolen credit cards. In addition, the Group's employees may engage in unapproved trading activity or otherwise attempt to defraud the Group. Such activities may be difficult to prevent or detect, and the Group's internal policies to mitigate these risks may be inadequate or ineffective. As such, the Group may not be able to recover the losses caused by such activities or events, which could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

***The Group's revenue and profitability are dependent on client activity and product demand, which are affected by market volatility and other factors outside of the Group's control.***

The Group's revenue and profitability largely depend on client activity and the demand for the Group's products. Periods of high volatility in financial markets typically increase client demand for the Group's products (although such events can also expose the Group to increased trading loss risk and bad debts). Conversely, in periods of low market volatility, client activity can decrease due to a perceived lack of attractive trading opportunities for clients. Regardless of market volatility, there can be no assurance that demand for the Group's products will grow or continue at current levels. If products other than CFDs and spread betting products become preferred alternatives for clients, for example, due to negative publicity, political factors, changes in law or regulation that impose restrictions on their trading or tax treatment, or for any other reason, the Group's business would be significantly affected. The foregoing and other additional factors outside of the Group's control, such as declines in the disposable income of the Group's clients, may cause a substantial decline in client activity, which could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

***The Group is exposed to certain risks resulting from its relationships with Partners and Institutional Clients, particularly in its Introducing Broker and Market Counterparty offerings.***

The Group utilises third-party Partners and Institutional Clients through its Introducing Broker and Market Counterparty offerings to access certain clients and geographies to whom and in which it otherwise might not offer its products. A small, but growing proportion of the Group's revenue is dependent on Partner and Institutional Client relationships, and these relationships expose the Group to a variety of risks. For example, through its Partners and Institutional Client arrangements, the Group often does not engage directly with end-clients for their day-to-day account services, instead relying on its Partners and Institutional Clients to interact with clients and service their needs. In the case of Market Counterparties, the Group does not conduct its own "know your client" procedures on the end-client. As a result, the Group is exposed to potential reputational and litigation risk resulting from third-party Partner and Institutional Client interactions with clients that the Group may not approve or of which it is unaware. In

addition, the Group has limited authority to audit its Partners and Institutional Clients' regulatory or legal authorisations, and it relies on contractual and other assurances that the Partner or Institutional Client has the necessary authorities and status to conduct its operations in a particular jurisdiction. Furthermore, the Group typically utilises third-party Partners and Institutional Clients in jurisdictions in which it does not otherwise operate, and changes to local law could prohibit the Group from working with local Partners and Institutional Clients, forcing the Group to seek authorisation itself in a particular jurisdiction or risk losing certain clients. Any of these issues or changes in relevant laws or regulations relating to third-party relationships (including changes to rules on inducements stemming from the MiFID II legislation or other sources) in relation to the Group's Partners and Institutional Clients could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

***The Group may be unable to attract new Active Clients or retain current Active Clients.***

The Group's profitability and growth depend on increasing the quantity and value of its Active Client base in a cost-effective manner. The Group spends significant financial resources on marketing, including expenditure on traditional media outlets, as well as on a range of educational and promotional events and tools. In addition, the Group offers significant rebates to both clients and Partners and Institutional Clients to help maintain existing relationships and incentivise additional client activity. However, there can be no guarantee that these efforts will be successful, and any inability to attract or retain clients, including Active Clients, in a cost-effective manner, or at all, could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

***The Group faces risks associated with the implementation of its business strategy.***

The implementation of the Group's strategy is subject to a number of risks, including operational, financial, macroeconomic, market, pricing and technological challenges. For example, the Group's strategy involves potential geographic expansion, the development of new products (such as additional types of Binaries) and an expansion of its partner and institutional client offerings. There can be no guarantee that the Group will be able to achieve these goals within the timescale envisaged, or at all. Implementing the Group's strategy will also require management to make complex judgements, including anticipating client trends and needs across a range of financial products as well as structuring and pricing its products competitively. There also can be no guarantee that the Group's technological infrastructure will be adequate to support its planned growth, or that the Group will be able to successfully augment its systems if required in a timely manner, or at all. The inability of the Group to implement its business strategy for any of these reasons could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

***The Group may receive significant client complaints.***

In the past, the Group has received complaints from clients directly or via regulatory bodies which have resulted in the Group being required to take certain action, including the payment of compensation or remedial action to correct system or operational failures. Client complaints could result in the Group incurring significant costs or could affect the Group's reputation and thus its ability to attract and retain clients.

The Group has a complaints handling policy in place and has target response times for dealing with complaints quickly and in a comprehensive manner. However, if complaints cannot be resolved internally, clients may be referred to an adjudicator service in the applicable jurisdiction; for example, in the UK, to the UK Financial Ombudsman Service ("FOS") for complaints relating to CFDs including Binaries and spread bets, and to the Independent Betting Adjudication Service for complaints relating to Countdowns. The inability of the Group to resolve client complaints, or the escalation of client complaints by regulators could result in negative publicity, fines or other regulatory and legal action against the Group, which could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

***The Group faces significant competition.***

The online retail financial trading business in which the Group operates is very competitive, involving a large number of market participants, and the Group expects competition to continue to intensify in the future. The financial success of companies within the markets in which the Group operates may attract new competitors to the industry, such as banks, software development companies, providers of online financial

information, stock exchanges and others. Certain competitors or potential competitors of the Group may have greater financial, marketing, technological and personnel resources than the Group possesses, or they may be subject to substantially less regulatory oversight and control than the Group. These factors may enable them to:

- develop new products that compete with those of the Group;
- increase their market share through acquisitions of other competitors or organic growth;
- price their products and services more competitively or aggressively;
- provide better execution to their clients;
- provide a more comprehensive and efficient trading platform, including on mobile devices;
- more effectively market, promote and sell their products and services;
- better leverage existing relationships with clients and partners or exploit better recognised brand names to market and sell their services; and
- carry out their business strategies more quickly and effectively than the Group.

The Group's ability to maintain and enhance its competitiveness and respond to existing or new competitors will have a direct impact on the results of its operations. In addition, even if existing or new entrants do not significantly erode the Group's trading volume, the Group may be required to change its pricing policy and spreads significantly to remain competitive, and as a result, its profitability may be pressured by prices on similar products quoted by competitors, which could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

#### **Risks Relating to the Regulatory Environment in Which the Group Operates**

*The industry in which the Group operates is highly regulated and has come under increased regulatory scrutiny in recent years in several jurisdictions, and the applicable rules and regulations relating to the Group's products may be subject to significant change.*

The Group and its products are subject to a wide range of regulations and laws in multiple jurisdictions, and regulators in several countries, including the FCA in the UK, the Australian Securities and Investments Commission ("ASIC") in Australia, the Monetary Authority of Singapore ("MAS") in Singapore and regulators in Spain, France and Italy, have devoted increasing attention to the industry in which the Group operates. For example, regulators in several jurisdictions have considered instituting (or increasing) restrictions or prohibitions on the ability of retail clients to trade CFDs, make spread bets and trade similar products on margin. The implementation or change of minimum margin requirements in any of the jurisdictions in which the Group operates could adversely affect client activity, and consequently, the Group's revenue.

Similar issues are being considered by European-wide regulatory bodies as well, such as the European Securities and Markets Authority, and any changes to related rules will likely be influenced by the implementation of the Markets in Financial Instruments Directive ("MiFID II") and the Markets in Financial Instruments Regulation ("MiFIR" and together with MiFID and related technical standards and other implementing legislation, the "MiFID II legislation").

As the Group's lead regulator, the FCA generally has broad regulatory authority over a wide-range of aspects of the Group's business, such as the format and content of the Group's marketing communications and its terms of business, and the FCA has highlighted strengthening consumer protection as a key priority in its Business Plan for 2015 and 2016. Given the evolving and sometimes ambiguous nature of the rules and regulations that apply to the Group and its products in the UK and other jurisdictions, the Group may occasionally engage in activities that, despite its internal assessment by legal and compliance teams as being permissible, are deemed by regulators as violating applicable legislation. Any non-compliance with laws or regulations in any jurisdiction in which the Group operates or has clients could negatively affect the Group's business and subject the Group or its directors and officers to criminal penalties, civil lawsuits, warning notices, fines or other sanctions from regulators.

In addition, the marketing or distribution of the Group's products could be restricted in certain jurisdictions. Currently, the Group's products are classified as gambling or wagering contracts under US law and therefore the Group's products are not available to US residents and marketing of the Group's platform and products is prohibited in the US. The Group's products are classified as financial instruments

under EU law, although Countdowns are currently regulated by the Gambling Commission in the UK. In the six months ended 30 September 2015, CFDs, spread bets and Countdowns generated 95 per cent. of the Group's net operating income. Consequently, if the Group's products were to be classified as gambling or wagering contracts in other jurisdictions, the Group may have to cease or significantly alter its business in those jurisdictions, which could result in a significant loss of revenue. In addition, the Group may be unable to claim sums due from clients or enforce contracts with clients, and if the Group continued to operate in such jurisdictions, it may be subject to civil or criminal sanctions.

Although the Group does not currently operate in any jurisdictions where its products are prohibited, any changes to laws or regulations, including new requirements in relation to regulatory authorisations, approval or certifications of directors or officers, financial promotions, third-party inducements, taxation, transaction and trade reporting requirements (which have been increasing in recent years and may be prohibitively onerous in jurisdictions where the Group's operations are nascent) and the internet or e-commerce (or a change in the application or interpretation of existing regulations or laws by regulators or other authorities) in any jurisdiction in which the Group operates, could require the Group to cease or significantly modify its operations, any of which could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

***The Group is required to conduct "appropriateness tests" on clients.***

As CFDs and spread bets are viewed as "complex products" from a regulatory perspective in the UK and other jurisdictions, the Group obtains information from prospective clients to enable an assessment of whether they have the knowledge and experience to understand the risks connected with the Group's products. If a client is assessed as lacking in the relevant knowledge and experience, their application will either be rejected or they will be notified of their status and assurance will be sought from the applicant that they explicitly understand the risks involved and that they will familiarise themselves with the products before commencing trading.

Regulatory authorities in multiple jurisdictions have recently shown a particular focus on enhanced requirements for "appropriateness tests" that regulated firms such as the Group must undertake to ensure that clients have the necessary experience and knowledge to understand the risks involved in the products and services they use. For example, the FCA specifically highlighted a need for additional investigation into promotion and appropriateness tests relating to CFDs in the minutes to a July 2015 FCA Board meeting. As a result of increased scrutiny on the Group's industry, and in response to the implementation of MiFID II, future changes to applicable rules may also require the Group to publish enhanced risk disclosures or "warning labels" that disclose the risks associated with its products in greater detail than previously undertaken, as well as impose additional restrictions on the Group's ability to offer its products and services to retail clients for whom such products are deemed to be "non-appropriate".

"Appropriateness test" requirements differ in many of the jurisdictions in which the Group operates, and there can be no guarantee that the Group's (or those by its Partners and Institutional Clients) assessments or tests of a client's appropriateness for its products will be adequate or will not be subject to regulatory scrutiny or challenge, which could lead to a loss of clients and/or restrict the Group's ability to attract future clients and consequently have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

***The introduction of a European financial transaction tax (the "FTT") could adversely affect the Group's profitability.***

In February 2013, the Council of the European Union adopted a decision authorising 11 Member States (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain) to proceed with the introduction of the FTT, a tax which would broadly apply to all transactions in financial instruments, including equities, bonds, derivatives and foreign currency to which a financial institution (which would include banks, investment firms, insurance companies, leasing companies, mutual funds and pension funds) is a party if one or more of the parties is established in a participating member state. The European Commission has published two versions of legislative proposals for the FTT (in September 2011 and February 2013). It is unclear which version or aspects of the draft FTT legislation will be implemented, and neither the scope nor the implementation date of the FTT have been finalised. Both the 2011 and 2013 proposals contemplate that each FTT participating country will set its rate of FTT, with minimum rates for transactions relating to derivatives contracts set at one basis point. It is unclear when the FTT may be implemented by participating Member States, as the FTT proposal remains subject to negotiation and discussion. However, the adoption of the FTT could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

***Changes in tax law could adversely affect the Group's profitability.***

The Group and its clients benefit from spread betting and CFDs' exemption from UK stamp duty and stamp duty reserve tax ("SDRT"), and gains from spread betting are in most cases exempt from capital gains tax in the UK and Ireland. In addition, in the UK, the Group pays a general betting levy on spread betting and Countdowns (at rates that vary depending on the product). The taxation of online activities and the types of products that the Group markets continues to be evaluated and developed by tax authorities in many of the jurisdictions in which the Group has clients, and tax authorities may seek to impose taxation on the Group's activities (either on the Group or its clients) greater than the tax, if any, that has been imposed to date.

The adoption of any reform of or amendment to applicable tax legislation, including applicable tax reporting legislation, such as that relating to the recognition of tax losses, or any other change in the manner in which applicable tax laws are interpreted or enforced could impact clients' demand for the Group's product offerings or reduce its profit (particularly in the UK, where the Group derives a significant amount of revenue from spread betting), which could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

***The Group's existing regulatory authorisations for its operations could be withdrawn, and the Group may be unable to obtain the necessary authorisations to expand its business into new jurisdictions.***

The Group has regulatory authorisation from the FCA in the UK and provides services throughout the EEA in reliance on "passports" granted in accordance with MiFID, as well as being subject to regulation by local authorities in EEA members states. The Group also has relevant regulatory authorisations in Australia, Canada, New Zealand and Singapore, as well as a regulated representative office in China with limited permissions. In relation to its Countdowns product, the Group is currently licensed and regulated by the UK Gambling Commission. The withdrawal of regulatory authorisations by any applicable regulator, or the transfer of regulatory oversight to a new regulator, could require the Group to cease or modify a significant part of its operations. In particular, if the Group's FCA or ASIC authorisations were to be withdrawn, the Group would be unable to operate in the EEA and Australia, jurisdictions that contributed 65 per cent. and 24 per cent., respectively, of the Group's net operating income in the year ended 31 March 2015. In addition, the Group could fail to obtain regulatory authorisation in a jurisdiction where it wishes to operate, which could prevent the Group from maintaining or expanding its business. Any of these risks could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

***A UK exit from the EU could impact the Group's profits.***

Following the UK general election in May 2015, the UK government has committed to hold a referendum by the end of 2017 on whether the UK will remain in the EU, and the Group faces risks associated with a vote to exit the EU. For example, because a significant proportion of the regulatory regime applicable to the Group in the UK and anticipated regulatory reform is derived from EU directives and regulations, a vote in favour of the UK exiting the EU could materially change the regulatory framework applicable to the Group's operations. For example, the Group could be materially affected by changes or limits to the regulatory passporting regime currently in place, and the Group could be required to become re-authorised in multiple European jurisdictions. In addition, a UK exit from the EU could result in restrictions on the movement of capital and the mobility of personnel. Any of these risks could result in higher operating costs and could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

***The Group's prudential capital adequacy and liquidity requirements may affect its ability to distribute profits and/or restrict expansion.***

The Group is required to meet prudential capital adequacy tests in certain jurisdictions in which it operates to ensure that it has sufficient capital to mitigate risks from market movements, client credit and counterparty default as well as operational risk. In the UK, the Group is required by the FCA, in accordance with requirements under the EU Capital Requirements Directive (2013/36/EU) and the Capital Requirements Regulation (575/2013) (together, "CRD IV"), to maintain what are generally described as minimum levels of regulatory capital on a consolidated and solo (i.e., individual-entity) basis, including certain new capital buffers under CRD IV. In addition, and as contemplated by CRD IV, the FCA can, having regard to the specific business of the Group and risks to which it is exposed impose

additional capital requirements on a Group member as well as give capital guidance if it considers the Group's amount and type of capital to be insufficient. Failure to implement the FCA's capital guidance could lead to enforcement action against the Group. The Group's regulated UK subsidiaries are subject to the FCA liquidity regime outlined in the FCA Handbook. The EU subsidiaries of the Group are not currently subject to the prudential liquidity requirements set out in CRD IV. However the EU Commission is expected to publish a report shortly on whether and how aspects of the CRD IV regime should apply to investment firms which may impact the liquidity regime applicable to those firms.

While many of the provisions in CRD IV came into force from 1 January 2014, some provisions are subject to staggered implementation. In addition CRD IV requirements or the way those requirements are currently interpreted or applied may change, including as a result of: binding regulatory or implementing technical standards or guidance to be published by the European Banking Authority; changes to the way in which national regulators interpret and apply these requirements to investment firms; or further changes to CRD IV or other applicable regulation or legislation in this area which affects the Group's regulated entities. These changes, either individually or in aggregate, may lead to further enhanced prudential requirements in relation to the Group's capital and liquidity requirements. The Company recognises that there are a number of initiatives currently underway which, if implemented, could affect prudential capital and liquidity requirements in the future. For, example the Basel Committee is currently considering changes to the market risk framework.

Changes to the Group's prudential capital adequacy and liquidity requirements in any of the jurisdictions in which it operates could negatively affect its hedging strategy, ability to distribute profits, expansion strategy or affect the products that the Group is able to offer in such jurisdictions. Furthermore, there can be no assurance that qualifying third-party financing, if needed to meet capital adequacy requirements, will be available on commercially acceptable terms, if at all.

As a result of the above, any increase in the Group's prudential capital adequacy or liquidity requirements or a failure to meet its capital adequacy or its liquidity requirements could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

***The Group may be affected by a resolution process pursuant to the Banking Act 2009 in the event of the failure of a regulated UK firm.***

As referred to in Paragraph 2.3 (*Resolution and Bail-in Requirements*) of Part XI (*Regulatory Overview*), the UK regulated firms could be subject to a resolution process under the Banking Act 2009 (the "**Banking Act**"). As noted in those provisions, if a Banking Act resolution regime applied to a firm, its loss absorbing capital instruments would be written down or converted before or at the same time as one of the five stabilisation options is implemented. In summary the five stabilisation options allow for the sale or transfer of all or part of the firm to a private sector purchaser, asset management vehicle, or temporary bridge entity, temporary nationalisation or further bail-in, i.e., the writing down or conversion of debt liabilities to equity.

If CMC Spreadbet plc and CMC Markets UK plc or another UK incorporated group subsidiary were to become subject to bail-in or resolution powers, the Company may experience a dilution or cancellation of its holdings and diminution in value of its shareholding. Some provision is made in the Banking Act for compensation orders to be made in certain specified circumstances but the extent of the compensation will be determined having regard to the particular fact matrix and the principles set out in the Banking Act. These essentially require that no shareholder or creditor should be worse off under an SRR process than it would have been under an hypothetical insolvency which means that it is not certain that compensation would be received in a particular case.

***The terms of current and proposed EU directives could restrict the Group's business, and the implementation of these Directives could place a significant demand on the Group's resources.***

In the UK and other Member States of the EU, the financial services regime will be significantly affected in the near and medium-term by the implementation of various EU directives, in particular relating to the MiFID II legislation and a review of the Market Abuse Directive (the "**MAD**"), the Market Abuse Regulation ("**MAR**") and the Directive on Criminal Sanctions for Market Abuse (Market Abuse Directive) ("**MAD II**" and together with MAR, the "**MAD II legislation**").

The MiFID II legislation was passed in July 2014 and was expected to come into effect in EU Member States by 3 January 2017. The European Securities and Markets Authority have suggested to the European

Parliament, Commission and Council that a delay in implementation of one year may be necessary, but this has yet to be confirmed. The MiFID II legislation replaces the existing MiFID regime and introduces several significant changes affecting both the business of the Group and potentially its Partners and Institutional Clients and counterparties. Areas of change include those relating to trading and execution regimes, requirements for enhanced transparency, non-discriminatory access to trading venues and central counterparties, and increased investor protection. The enhanced investor protection regime of the MiFID II legislation may include changes to rules relating to assessing appropriateness of products and services for clients, enhanced information requirements for clients and restrictions on third-party inducements.

The MiFID II legislation is expected to require firms to re-evaluate how they undertake their business, adopt new policies and processes or amend existing policies and processes to ensure compliance with the new regime and in some cases change the way certain business lines are undertaken entirely. Specifically, it is anticipated that the MiFID II legislation could restrict the ability of the Group to offer its products to certain classes of retail clients in certain EU markets or lead to certain classes of clients having margin or leverage (i.e., the use of borrowed funds when making an investment) restrictions imposed on their trading. In addition, the MiFID II legislation may restrict the ability of the Group to advertise and market its products in certain EU markets, and it may lead to increased operating costs arising from enhanced reporting or compliance requirements.

In addition, the complexity and level of detail of the MiFID II legislation, the interpretation thereof by regulators and other parties and the interplay or inconsistency between regulations (both within or across jurisdictions) are likely to make the implementation of the MiFID II legislation resource-intensive and challenging.

These or any other changes in the regulatory environment in which the Group operates could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

***The Group may not adequately discharge its obligations under anti-money laundering, anti-bribery and corruption and financial sanctions laws and regulations.***

The Group, along with other market participants, is subject to increasing scrutiny by regulators of its compliance with global anti-money laundering and financial sanctions laws and regulations. In order to discharge its obligations under the anti-money laundering and counter-terrorist financing laws and regulations of the UK and other jurisdictions, the Group is required to perform adequate due diligence prior to accepting each new client and ensure that it has proper systems and safeguards in place to prevent and detect money laundering and market abuse and comply with international financial sanctions, including maintaining mechanisms to report sanctions matches to Her Majesty's Treasury and suspicious activity and transactions to the FCA and the National Crime Agency (NCA). In addition, the Group is required to engage with third parties in the UK and abroad in a manner compliant with the anti-bribery and corruption laws, guided as a rule by the UK Bribery Act 2010, which has extraterritorial effect. While the Group devotes significant time and resources to remain compliant with all relevant anti-money laundering, anti-bribery and corruption and financial sanctions laws and regulations, and the Directors are not aware of any violations of such laws or regulations having occurred by or within the Group, there can be no assurance that its systems and procedures will be deemed compliant with relevant laws, FCA standards, or the laws or standards of other regulators in the jurisdictions where it operates, or that individuals will not circumvent the Group's systems and procedures to engage in money laundering, market abuse, bribery and corruption or other prohibited activities.

If the Group is deemed to violate applicable anti-money laundering, financial sanctions, market abuse or anti-bribery and corruption laws and regulations, the Group and/or its directors and officers may be subject to financial penalties and criminal sanctions, be required to suspend some or all of its client accounts or cease part or all of its operations, any of which could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

***The Group must comply with data protection and privacy laws and may be targeted by cybercriminals.***

The Group's operations are subject to a number of laws relating to data privacy, including the Data Protection Act 1998 and the Privacy and Electronic Communications (EC Directive) Regulations 2003, as well as relevant non-EEA data protection and privacy laws. The requirements of these laws may affect the Group's ability to collect and use personal data, transfer personal data to countries that do not have adequate data protection laws and also to utilise cookies in a way that is of commercial benefit to the

Group. Enforcement of data privacy legislation has become increasingly frequent and could result in the Group being subjected to claims from its clients that it has infringed their privacy rights, and it could face administrative proceedings (including criminal proceedings) initiated by the Information Commissioner's Office in the UK or similar regulators in the Group's other countries of operation. In addition, any enquiries made, or proceedings initiated by, individuals or any of such regulators may lead to negative publicity and potential liability for the Group. The Group's operations may be subject to any future laws relating to data privacy, such as the General Data Protection Regulation, which is currently being considered by the European Parliament and the Council of Ministers. The General Data Protection Regulation would have direct effect across all current EU Member States and would repeal the Data Protection Act 1998 and other data protection legislation in the EU Member States.

The Group must also comply with the Payment Card Industry Data Security Standards in respect of any data collected, transferred or processed in respect of any client payments from branded payment cards. Non-compliance with these standards may lead to the Group facing fines, increased card handling fees or withdrawal of payment processing services in the future.

The secure transmission of confidential information over the internet and the security of the Group's systems are essential in maintaining client confidence and ensuring compliance with data privacy legislation. If the Group or any of its third-party suppliers fails to transmit client information and payment details online securely, or if they otherwise fail to protect client privacy in online transactions, or if third parties obtain and/or reveal the Group's confidential information, the Group may lose clients and potential clients may be deterred from using the Group's products. In addition, there can be no assurance that the Group's systems will not be subject to disruption by cybercriminals or other security breaches, which could expose the Group to liability and could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

***The Group is subject to rules regulating how it holds client money.***

The FCA and various regulators in the jurisdictions in which the Group operates require regulated entities such as the Group to institute systems for ensuring that client money is segregated from that of the regulated entity. These FCA client money rules have been subject to recent changes requiring firms to re-evaluate the way they deal with client money. The revised rules facilitate different approaches to ensuring the segregation and safekeeping of client money, and there can be no guarantee that the FCA will continue to deem the Group's procedures adequate. For example, in certain jurisdictions outside the UK, the Group (along with other market participants) has been unable to obtain segregated status for bank accounts due to the refusal of certain foreign banks to legally recognise the segregated status. The FCA is aware of the practical difficulties in obtaining the required trust letters for holding client money in certain foreign jurisdictions, but there is a risk that it could nevertheless pursue enforcement actions due to an inability to comply with its client funds segregation regulations. There have been a number of recent enforcement cases relating to FCA client money rule breaches on other grounds that have resulted in large fines. In addition, regulators in other jurisdictions in which the Group operates are also increasingly focused on client money regulation and tightening rules relating to client money segregation. Any fines by the FCA or any other regulator, or the inability of the Group to address future changes to any applicable client money regulations could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

***A reduction in the availability of credit and debit cards as a payment alternative for the Group's clients could damage the Group's business.***

The Group currently allows its clients to use credit and debit cards to fund their accounts, and approximately 21 per cent. and 18 per cent. of all payments were made via credit cards and 31 per cent. and 28 per cent. via debit cards in the year ended 31 March 2015 and the six months ended 30 September 2015, respectively. There is a risk that in the future, due to new regulations, political or other factors, credit and debit card issuing institutions may restrict the use of credit and debit cards as a means to fund accounts used to trade in the Group's products. The elimination or a reduction in the availability of credit and debit cards as a means to fund client accounts could reduce client demand, which could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

## **Risks Relating to the Group's Systems and Operations**

### ***Systems failures could harm the Group's business.***

The Group's operations are highly dependent on technology, communications systems, including telephone and mobile networks, and the internet. While the Group has system uptimes of 99.9 per cent., it has experienced short-term outages in the past. The efficient and uninterrupted operation of the systems and networks on which it relies and its ability to provide clients with reliable, real-time access to its products and services is important to the success of the Group's business. Any damage, malfunction, failure or interruption of or to systems, software or networks used by the Group (including the automatic trading limits and other limits built into the trading platform) could result in a lack of confidence in the Group's services and a possible loss of existing clients to its competitors or could expose the Group to higher risk or losses. In addition, if the Group's connection to telephone or mobile networks or the internet is interrupted or not available, the Group may not be able to provide clients with its products and services or may be unable to mitigate market related risks.

The Group's systems and networks may also fail as a result of other events, including but not limited to:

- fire, flood or natural disasters;
- power or telecommunications failure;
- cybercrimes, including security breaches or denial of service attacks;
- viruses or defects in the Group's software or hardware; or
- acts of war or terrorism.

The Group periodically upgrades its existing systems, and problems implementing these upgrades may lead to delays or loss of service to the Group's clients, as well as an interruption to the Group's business, which could expose the Group to potential liability. The Group also relies on its systems and the security of its network for the secure transmission of confidential information, such as addresses, telephone numbers, occupations or salaries, or the details of the products and services used, which is a critical element of the Group's operations. A network security breach (whether due to systems malfunction, unauthorised access or otherwise) could result in the Group's current clients ceasing to do business with the Group as well as criminal sanction or civil liability for the Group.

The Group has disaster recovery procedures in place designed to mitigate the effects of events such as those mentioned above, but there can be no assurance that these recovery procedures will account for and protect against all eventualities, or that they will be effective in preventing any interruption to the Group's operations and systems. In addition, the Group utilises backup operational sites in the event its primary systems fail, but there can be no assurance that the Group will be able to successfully or promptly migrate the necessary personnel or systems in the event of an emergency or outage. Any system failures could result in reputational damage, including a loss of confidence by clients in the Group's services, a loss of clients and potential liabilities. In addition, a failure of the Group's systems could result in, among other things, regulatory action against the Group, and any of the risks discussed could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

### ***The Group relies on its technology and must keep pace with rapid technological changes as well as changes in its clients' requirements and preferences, including to trading platform design and functionality.***

The Group's success in the recent past has largely been attributable to its technology that has taken many years to develop. The Group believes its technology has provided it with a competitive advantage relative to many market participants and, in order to remain competitive, the Group needs to continuously develop and redesign its technology. If the Group's competitors develop more advanced technologies, the Group may be required to devote substantial resources to the development of more advanced technology to remain competitive. In doing so, there is an ongoing risk that failures may occur and result in service interruptions or other negative consequences, such as slower quote aggregation, slower trade execution, erroneous trades, or mistaken risk management information. Any disruption or corruption of the Group's technology or its inability to remain technologically competitive in the industry (including in relation to the Next Generation trading platform) could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The online trading industry is characterised by rapid technological changes and evolving industry standards. Clients demand increasingly sophisticated products and services and client preferences change rapidly. To remain competitive, the Group must continue to innovate its products and service offerings, for example by further enhancing and improving the responsiveness, functionality, accessibility and other features of its trading platform. The Group also seeks to add additional products to its offering in accordance with client demand and preference, as it did with the introduction of Countdowns in 2015. There can be no assurance, however, that the Group will be successful in rolling out such products or that these products will be profitable for the Group. Furthermore, changes to the Group's offerings must be implemented and presented to clients appropriately, and any technological changes to the Group's products and service may lead to a loss of clients, as occurred when the Group first introduced its Next Generation trading platform as its primary trading platform. In addition, the Group aims to phase out its MarketMaker platform and migrate the remaining clients, which represented approximately 12 per cent. of total Active Clients as at 30 September 2015 to Next Generation by the end of 2016. However, there can be no assurance that the clients subject to this migration will remain with the Group. Failure of the Group to anticipate and respond to technological changes and client preferences could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

***Executing transactions with clients via the internet exposes the Group to a number of risks.***

Clients of the Group may execute transactions over the internet in jurisdictions in which the Group has no physical or regulated presence and is not specifically authorised to operate. The regulatory and legal framework in these jurisdictions can be complex and varies significantly. In some jurisdictions where the Group has no physical or regulated presence, it is potentially not clear whether laws or regulations are applicable to the relationship the Group has with clients or, if they are applicable, the effect of those laws or regulations may itself be unclear.

If the Group decides to accept new clients from a jurisdiction in which it is not specifically authorised, it does so based on its view of: (a) the applicable local legal and regulatory regime and (b) the legal, regulatory and commercial risk in the relevant jurisdiction (including the likelihood of enforcement action being taken against the Group and/or its directors). Although the Group's systems are designed to ensure that its trading platform, website and products are not available to persons located in jurisdictions where its activities are prohibited, and the Group monitors suspicious activities by clients, the Group may not be successful in filtering out all client applications or transactions received from persons located in restricted jurisdictions. It is also possible for existing clients to access the trading platform from jurisdictions where the Group is not authorised to trade if they physically move to such a jurisdiction. There is also a risk that a client could mask their IP address to access the trading platform from a blocked jurisdiction. As a result, the Group may be subject to fines, warnings or other sanctions for operating in jurisdictions without the necessary authorisations or licences as a result of the actions of its clients or otherwise.

Although the Group monitors regulatory developments, it may not learn of all legal or regulatory developments in every jurisdiction in which its clients are physically located, and it is possible that changes to law or regulations (or interpretations thereof) may occur of which the Group is unaware. The regulatory or legal authorities in these jurisdictions may attempt to regulate the Group's products or services, disallow existing third-party Partner and Institutional Client relationships or take enforcement action, which could also result in or contribute to the FCA imposing a sanction on the Group, including the withdrawal of its regulatory authorisation. In addition, the Group or its directors could become liable to administrative, criminal, financial or other penalties in certain jurisdictions in relation to past or future conduct, and the Group could be unable to enforce claims against clients who are nationals or residents of those jurisdictions and/or such clients may be able to claim compensation from the Group for their losses, any of which could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

***The Group is dependent on certain third parties, including prime brokers, counterparties, infrastructure suppliers, data providers and online marketing service providers.***

The Group's operations rely on the products and services of certain third parties. For example, the Group depends on its prime brokers to assist in providing access to liquidity, as well as on banks and clearing systems with respect to its own deposits and the deposits of client funds.

The Group also depends on the capacity and reliability of its network infrastructure, which is to a certain extent provided by a range of third-party suppliers such as power providers and telecommunications operators that transmit the Group's traffic over local and wide area networks and the internet. If any of these suppliers were unable to fulfil the terms of their contracts for any reason, or if they terminated their contracts with the Group and the Group could not replace them with alternative suppliers in a timely fashion and on favourable commercial terms, it could impair the quality of, or make it impossible for the Group to deliver, its own products and services. In addition, the networks of public telecommunications operators may experience capacity constraints causing the Group's clients difficulty in accessing the Group's products and services.

The Group is also dependent upon data providers and stock exchanges to provide real time market prices and other information necessary for the operation of its business. In addition, the Group uses third-party providers such as Experian and Veda to help undertake "know your client" on-boarding (i.e., the review process performed before accepting a client) procedures for new clients. There can be no guarantee that any of these providers will be able to meet the Group's needs or to continue to provide these services in an efficient, cost-effective manner, or at all. The Group pays fees to these and certain providers of information in connection with its business. Whilst the Group has entered into licence agreements with several providers of information for the display of market data, there can be no guarantee that current licence fees are any indication of the future fees that may be levied or that licences may be renewed in the future. Some providers of information may seek to claim database rights and/or further proprietary rights in market data used to create prices which are used by the Group or displayed on the Group's websites.

The Group works with a variety of third-party educational providers and affiliate websites and entities for marketing purposes, and any reputational issues affecting these third parties could also adversely affect the Group. The Group is also reliant on third parties to provide online marketing services, and any increase in the cost of online marketing channels, or the termination of a contract by a key provider of online marketing services to the Group (such as Google), could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

***The Group depends on its experienced senior management team and, in particular, Peter Cruddas, and it may be unable to retain its current personnel or hire additional personnel when needed.***

The Group's future success depends, in part, upon the leadership and performance of its experienced senior management team, many of whom have significant experience with the Group and would be difficult to replace. The Group is highly dependent on Peter Cruddas, its founder and Chief Executive Officer, and the "CMC" brand is strongly connected to both him and his public and professional reputation. If any events or matters were to arise involving Peter Cruddas which were negatively perceived or led to negative publicity or if he ceased to be connected to the "CMC" brand, the brand's popularity with clients may decline and/or the Company's share price may be adversely affected. Although there was no resulting impact on the Group's financial or operational performance, certain statements that Mr Cruddas has made and litigation in which he has been involved have historically (such as with the *Sunday Times* newspaper) attracted publicity, and should the same happen in the future, this could have a material adverse effect on the Group's business, prospects, financial condition and result of operations, and/or adversely affect the Share price. Additionally, the Group does not currently maintain key man insurance.

The Group's continued growth is also dependent upon having a senior management team with the appropriate highly-specialised expertise in the industry in which the Group operates. The Group additionally relies on its employees responsible for maintaining and developing Premium Client and Partner and Institutional Client relationships, as well as those with specific areas of expertise, such as IT know-how. As the Group continues to grow, it will continue to hire and appoint senior managers and other key employees. However, there can be no assurance that the Group will be able to retain its executive officers and key personnel or attract additional qualified members to its management team in the future, and the loss of key senior personnel or the inability to recruit sufficient, qualified personnel, could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

***The Group is exposed to litigation risk.***

Due to the extent and complexity of the regulatory environment in which the Group operates and the products and services the Group offers, many aspects of the Group's business involve significant risks of liability. In recent years, there has been an increasing incidence of litigation involving the financial services industry. The Group also faces potential liability for claims of fraud, negligence, violation of securities laws

and claims based upon the content that the Group distributes online (for example, publishing and distributing incorrect data). Litigation risk also typically increases following large-scale volatility or disruptive events in the financial markets.

The Group's insurance may not be adequate to protect it against all liability that may be imposed. As a result, litigation brought in the future against the Group could have a material adverse effect on its business, prospects, financial condition and results of operations.

***Damage to the Group's reputation and the reputation of the industry could harm the Group's business.***

Damage to the reputation of the Group and its industry as perceived by clients, investors, counterparties and industry regulators could lead to negative publicity, loss of income, litigation, regulatory or legislative action (including the loss or suspension of operating licences), loss of existing and potential business, reduced workforce morale, and difficulties in recruiting talent. The reputation of the Group and its industry could be harmed in many different ways, including by the Group's or other industry participants' actual or perceived regulatory, risk management, governance or technology failures, breaches of client data, inappropriate or unethical behaviour or association with controversial activities, markets or market participants. Events have occurred in the past that attracted negative publicity to the Group's industry, and any such event in the future that adversely affects the reputation of the industry, the Group or other market participants could result in a material adverse effect on the Group's business, prospects, financial condition and results of operations.

***The Group may be unable to protect or continue to use its intellectual property.***

The Group's success and ability to compete in the markets in which it operates depends in part upon its intellectual property, which includes internally developed software. Periodically, "copycat" websites have appeared using the Group's name, design and purporting to offer similar products to those of the Group, and there can be no assurance that the Group will be able to avoid infringement, misappropriation or other violation of its intellectual property. For example, third parties may attempt to reverse engineer or otherwise obtain, use and/or duplicate the Group's intellectual property, particularly the Group's self-developed trading software, without its permission and without its knowledge. In addition, third parties may independently design and exploit software similar to the software developed by the Group without infringing the Group's intellectual property rights, but in a way that negatively affects the Group's business and profitability.

The Group depends upon a combination of contract, copyright, trademark and trade secret laws to protect its proprietary information and its intellectual property rights. While the Group aims to protect its trademarks in all jurisdictions in which it operates, there can be no guarantee that such protections will be granted in all cases. For example, in certain jurisdictions, applications for registration of the Group's trademarks have been rejected due to the alleged descriptive nature of the mark and, in some cases, due to third parties having earlier conflicting registrations. In addition, the Group has not filed any patent applications covering its software, including in relation to the Next Generation trading platform. The Group attempts to ensure that software and other works created by its employees in the course of their employment with the Group are owned by the Group. However, the Group cannot guarantee that its employees will not claim intellectual property rights in the works that such employees create.

Litigation to protect against infringement or misappropriation of intellectual property is generally complex, expensive and unpredictable. Therefore, any such litigation, whether successful or unsuccessful, could result in substantial costs to the Group and diversion of management attention and its resources, and any inability of the Group to protect its intellectual property could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

***The Group may become subject to claims of infringement by third parties of intellectual property rights.***

The Group may from time to time make use of the intellectual property rights held or claimed by others. The Group's competitors as well as other companies and individuals may also obtain and may have obtained patents related to technologies for trading the types of products and providing the type of services the Group offers or plans to offer. There can be no guarantee that the Group's use of such intellectual property will not lead to a claim of infringement by third parties of their intellectual property rights. In addition, the Group is aware of companies that claim rights in certain jurisdictions to names and marks that are similar to those of the Group, which may lead to a claim of infringement by third parties. If the Group were found to have infringed on the intellectual property rights of third parties, it may be liable for

damages, be required to stop developing or marketing certain products or services and/or be required to obtain licences to use the intellectual property in question, any of which could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

***The Group may experience risks associated with future growth or expansion of its operations or acquisitions of businesses, and may never realise the anticipated benefits of such initiatives.***

In the future, the Group may explore and pursue opportunities to strengthen and expand its business. For example, the Group may seek to acquire businesses and introduce institutional partnerships in existing and/or new jurisdictions to expand its international reach. In doing so, management may not realise the anticipated benefits of any such initiatives. Furthermore, these initiatives could require substantial time and attention of management, which could prevent the management team from successfully overseeing other activities. Any future acquisitions, investments or expansion could result in difficulties in assimilating the operations and personnel of acquired entities, maximising the Group's financial and strategic position and maintaining uniform standards, controls, procedures and policies. These investments could also expose the Group to significant liabilities that were not identified at the time of the transaction.

Furthermore, the Group has experienced significant growth in its international business activities in recent years, which has placed, and is expected to continue to place, a significant demand on management and resources. Continued growth will require additional investment in technology and personnel. Although the Group's strategy anticipates further international expansion, the Group may not be able to operate its business successfully in new markets given different legal and regulatory requirements and/or infrastructure restrictions abroad. As a result, the Group may incur high costs in establishing offices in these markets, or attract clients more slowly than has been the case in the markets in which it currently operates. For example, although the Group operates a representative office in China, it does not currently conduct business in the country, and Chinese regulators may not allow the Group to market its products within the country.

There can be no assurance that the Group's current business model will be successful in new countries the Group may target. Further difficulties may arise in relation to the recruitment of qualified local personnel, local competition, lack of or reduced protection for intellectual property rights and potentially adverse international tax consequences. Any of these factors could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

***Fluctuations in currency exchange rates could negatively impact Group earnings.***

The Group's reporting currency is the GBP. However, a significant portion of the Group's net trading income is generated in currencies other than the GBP, and anticipated cash flows from this income are not forward hedged. The Group also holds investments in overseas subsidiaries in non-GBP currencies, which are not fully hedged. Changes in foreign exchange rates relative to the GBP can affect the value of the Group's trading income, non-GBP assets and expenses. The Group may be unable to fully hedge some of its trading positions in certain currencies and may not always obtain funding in all the currencies it requires. As a result, material fluctuations in currencies, to the extent exposures are not hedged, could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

***The Group's insurance coverage may not be adequate.***

While the Group maintains insurance at a level it believes is appropriate against risks commonly insured in the industry, the Group does not maintain full coverage under its insurance policies to cover all losses or damages in respect of the Group's business, facilities, equipment or personnel. In addition, certain risks may be uninsurable or uneconomic to insure, and there can be no guarantee that the Group will be able to obtain the desired levels of insurance coverage on acceptable terms in the future or that claims made are paid out in a timely manner. The Group also has not set aside any amounts to cover any such potential future losses. Any of the foregoing could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

## **Risks Relating to the Offer and the Shares**

***The price of the Shares may fluctuate significantly and investors could lose all or part of their investment.***

The share price of quoted companies can be highly volatile, which may prevent Shareholders from being able to sell their Shares at or above the price they paid for them. The Offer Price may not be indicative of prices that will prevail in the trading market and investors may not be able to resell the Shares at or above the price they paid. The market price for the Shares could fluctuate significantly for various reasons, many of which are outside of the Group's control. These factors could include the performance of the Group, additions or departures of key personnel, large issuances, purchases or sales of the Shares, changes in market valuations of similar companies, legislative changes and general economic, political or regulatory conditions.

***The Controlling Shareholders will retain a significant interest in the Company following Admission and their interests may differ from those of the other shareholders.***

Following Admission and assuming no exercise of the Over-allotment Option, the Controlling Shareholders will hold 62 per cent. of the Company's Issued Share Capital, and Peter Cruddas will remain the Chief Executive Officer of the Group. Although the Controlling Shareholders have entered into the Relationship Agreement, which contains contractual obligations of the Controlling Shareholders to ensure that the Company operates independently after Admission, the interests of the Controlling Shareholders and the shareholders that buy Shares in connection with the Offer may not be aligned. Following Admission, the Controlling Shareholders will be in a position to exercise a significant degree of influence over the Group's management and operations, including the election of Directors and approval of mergers and consolidations.

It is envisaged that following Admission, the Controlling Shareholders also will be "controlling shareholders" of the Company within the meaning of the Listing Rules. The Relationship Agreement moreover does not prevent the Controlling Shareholders from accepting, blocking or making a takeover offer for the Company, or from cancelling the Company's listing after it becomes entitled to do so. The Relationship Agreement specifies neither the price at which any takeover offer for the Company must be made, nor any conditions (including as to the level of acceptances by shareholders) to which such an offer must be subject.

In addition, the Listing Rules set out conditions that must be met before the Company may request the cancellation of its premium listing. In particular, in most circumstances, the voting approval of shareholders other than the Controlling Shareholders must be obtained. However, this voting requirement does not apply to the cancellation of the Company's premium listing in the case of a takeover offer for the Company. If a third party were to make a takeover offer for the Company, the offeror would need to acquire or to have agreed to acquire 75 per cent. of the Shares before the Company may request cancellation of its premium listing. Because the Controlling Shareholders will, following Admission, be interested in 62 per cent. of the Shares assuming no exercise of the Over-allotment Option, any decision by the Controlling Shareholders to accept a takeover offer for the Company from a third party may lead to the cancellation of the Company's premium listing, regardless of whether other shareholders choose to accept the third-party takeover offer. Furthermore, if the Controlling Shareholders were to make a takeover offer for the Company, it would be able to procure that the Company request the cancellation of its premium listing after it had acquired or agreed to acquire 80 per cent. of the Shares, which it may obtain regardless of whether the takeover offer is accepted by a majority of shareholders other than the Controlling Shareholders.

***Sales of Shares by significant shareholders could depress the price of the Shares.***

Subject to or following the expiry of the lock-up undertakings (described in Paragraph 2 (*Book Building, Offer Price, Offer Size and allocation*) of Part XVII (*The Offer*)), the Controlling Shareholders could sell a substantial number of Shares in the public market following the Offer, which could significantly reduce the price of the Shares. The Group is unable to predict whether substantial amounts of Shares (in addition to those which will be available in the Offer) will be sold in the open market following the expiration or waiver of, or under certain exceptions to, the Controlling Shareholders' lock-up undertakings. However, any such sales, or the perception that such sales could occur, may materially adversely affect the market price of the Shares. This may make it more difficult for shareholders to sell the Shares at a time and price that they deem appropriate, and could also impede the Company's ability to issue equity securities in the future, any of which could have a material adverse effect on the trading price of the Shares as well as the Group's operating results, business prospects and financial condition.

***The Company may not pay cash dividends on the Shares in the future. Consequently, investors may not receive any return on investment unless they sell their Shares for a price greater than that which they paid for them.***

While the Directors have adopted a dividend policy aimed at maintaining an appropriate level of dividend cover, there can be no assurance that the Company will pay dividends in the future. Any decision to declare and pay dividends in the future will be made at the discretion of the Board and will depend on, among other things, applicable law, regulations, the result of the Group's operations, capital and cash requirements, contractual restrictions, future projects and plans and other factors that the Board may deem relevant. Consequently, investors may not receive any return on investment unless they sell their Shares for a price greater than that which they paid for them.

***The Company is a holding company with substantially all of its operations conducted through its subsidiaries. Its ability to pay dividends on the Shares depends on its ability to obtain cash dividends and other cash payments or obtain loans from the Group's subsidiaries.***

The Company conducts substantially all of its operations through subsidiaries which generate substantially all of the Group's operating income and cash flow. Because the Company has no direct operations or significant assets other than the capital stock of its subsidiaries, it relies on those entities for cash dividends, investment income, financing proceeds and other cash flows to pay dividends, if any, on the Shares and, in the long-term, to pay other obligations at the holding company level that may arise from time to time. The ability of the Company's subsidiaries to make payments to the Company depends largely on their financial condition and ability to generate profits. In addition, because the Company's subsidiaries are separate and distinct legal entities, they will have no obligation to pay dividends or to lend or advance the Company funds and may be restricted from doing so by contract, including other financing arrangements, charter provisions, other shareholders or the applicable laws and regulations of the countries in which they operate. The Company cannot guarantee that its subsidiaries will generate sufficient profits and cash flows to pay dividends or lend or advance to the Company sufficient funds to enable it to meet its obligations and pay interest, expenses and dividends, if any, on the Shares. Consequently, holders of the Shares may not receive any return on their investment unless they sell their Shares for a price greater than that which they paid for them. The inability of one or more of the Company's subsidiaries to pay dividends or lend or advance funds to the Company could have a material adverse effect on the Group's operating results, business prospects and financial condition.

***Future issuances of Shares may dilute the holdings of Shareholders and may depress the price of the Shares.***

Other than in connection with Admission, the Company has no current plans for an offering of Shares. It is possible that the Company may decide to offer additional Shares in the future. Future sales or the availability for sale of substantial amounts of the Shares in the public market could dilute the holdings of Shareholders, adversely affect the prevailing market price of the Shares and could impair the Group's ability to raise capital through future sales of equity securities.

***There has been no prior trading market for the Shares and a liquid market for the Shares may fail to develop.***

Admission should not be taken as implying that there will be a liquid market for the Shares. Prior to Admission, there has been no public market for the Shares and there can be no guarantee that an active trading market will develop or be sustained after Admission. If an active trading market is not developed or maintained, the liquidity and trading price of the Shares may be adversely affected.

***Holders of the Shares in certain jurisdictions, including the United States, may not be able to exercise their pre-emptive rights or participate in future equity offerings if the Group increases its share capital.***

Under the Articles of Association, holders of the Shares, in exchange for cash consideration, generally have the right to subscribe and pay for a sufficient number of the Group's shares to maintain their relative ownership percentages prior to the issuance of any new shares. U.S. holders of the Shares may not be able to exercise their pre-emptive rights unless a registration statement under the U.S. Securities Act is effective with respect to such rights and the related shares or an exemption from the registration requirements of the U.S. Securities Act is available. Similar restrictions exist in certain other jurisdictions. The Group does not intend to register the Shares under the U.S. Securities Act or the laws of any other jurisdiction, and no assurance can be given that an exemption from registration requirements will be available to U.S. or other holders of the Shares. To the extent that U.S. or other holders of the Shares are not able to exercise their pre-emptive rights, the pre-emptive rights would lapse and their proportional interests would be reduced.

## PART III PRESENTATION OF INFORMATION

### 1 General

*Investors should only rely on the information in this Prospectus. No person has been authorised to give any information or to make any representations in connection with the Offer other than the information and representations contained in this Prospectus and, if any other information or representations is or are given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors, the Selling Shareholders or the Underwriter. No representation or warranty, express or implied, is made by any Underwriter or any selling agent as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Underwriters or any selling agent as to the past, present or future.*

*Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of the FSMA and paragraph 3.4.1 of the Prospectus Rules, neither the delivery of this Prospectus nor any subscription or sale made under this Prospectus shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or of the Group taken as a whole since the date hereof or that the information contained herein is correct as of any time subsequent to its date.*

*The Company does not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding the Offer or the Group. The Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.*

The Company will update the information provided in this document by means of a supplement hereto if a significant new factor that may affect the evaluation by prospective investors of the Offer occurs prior to Admission or if this document contains any material mistake or inaccuracy. The Prospectus and any supplement thereto will be subject to approval by the FCA and will be made public in accordance with the Prospectus Rules. If a supplement to the Prospectus is published prior to Admission, investors shall have the right to withdraw their subscriptions made prior to the publication of the supplement. Such withdrawal must be done within the time limits set out in the supplement (if any) (which shall not be shorter than two days after publication of the supplement).

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial or tax advice in relation to any subscription, purchase or proposed subscription or purchase of Shares. In making an investment decision, each investor must rely on his or her own examination and analysis of the Prospectus.

In connection with the Offer, each of the Underwriters and any of their respective affiliates acting as an investor for its or his or her own account may retain, purchase, sell, offer to sell or otherwise deal for its or his or her own account(s) in the Shares, any other securities of the Company or other related investments in connection with the Offer or otherwise. Accordingly, references in this Prospectus to the Shares being offered or otherwise dealt with should be read as including any offer to, or dealing by, the Underwriters and any of their respective affiliates acting as an investor for its or his or her own account(s). Such persons do not intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.

None of the Company, the Directors, the Selling Shareholders or the Underwriters is making any representation to any offeree or purchaser of the Shares regarding the legality of an investment by such offeree or purchaser.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Underwriters or by the FSMA or the regulatory regime established thereunder or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of the Underwriters accepts any responsibility or liability whatsoever for the contents of this Prospectus, including its accuracy, completeness or verification, or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Group, the Shares or the Offer. The Underwriters accordingly disclaim all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this prospectus or any such statement.

No representation or warranty, express or implied, is made by the Underwriters as to the accuracy or completeness of information contained in this Prospectus, and nothing in this Prospectus is, or shall be relied upon as, a promise or representation by the Underwriters.

The Underwriters and any of their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for, the Company and the Selling Shareholders for which they would have received customary fees.

Prior to making any decision as to whether to subscribe for or purchase Shares, prospective investors should read this Prospectus in its entirety and should not just rely on key information or information summarised within it. In making an investment decision, each investor must rely on his or her own examination and analysis of the Prospectus.

Investors who subscribe for or purchase Shares in the Offer will be deemed to have acknowledged that: (i) they have not relied on any of the Underwriters or any person affiliated with any of them in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; and (ii) they have relied on the information contained in this Prospectus, and no person has been authorised to give any information or to make any representation concerning the Group or the Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Directors, the Selling Shareholders or any of the Underwriters.

In connection with the Offer, the Stabilising Manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Shares or effect other transactions with a view to supporting the market price of the Shares at a higher level than that which might otherwise prevail in the open market. The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional dealings of the Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. However, there will be no obligation on the Stabilising Manager or any of its agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Shares above the Offer Price. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any over-allocations made and/or stabilisation transactions conducted in relation to the Offer.

## **2 Presentation of financial information and non-financial operating data**

### **Historical financial information**

The historical financial information in this Prospectus has been prepared in accordance with the requirements of the Prospectus Directive Regulation, the UK Listing Rules and IFRS as adopted by the EU, IFRS IC interpretations as adopted by EU and the Companies Act 2006 applicable to companies reporting under IFRS. The basis of preparation is further explained in Section B of Part XVI (*Historical Financial Information*). The historical financial information presented in this Prospectus consists of audited consolidated financial information of the Group as at and for the year ended 31 March 2013, the year ended 31 March 2014, the year ended 31 March 2015 and the six months ended 30 September 2015 and unaudited consolidated interim financial information of the Group for the six months ended 30 September 2014.

### **Non-IFRS information**

Parts of this Prospectus contain information on the non-IFRS financial measures described below. There are no generally accepted accounting principles governing the calculation of such non-IFRS measures and the criteria upon which they are based can vary from company to company. The Directors consider certain non-IFRS measures to be useful to better understand the trading performance of the Group. Such measures by themselves do not provide a sufficient basis to compare the Group's performance with that of other companies and should not be considered in isolation, or as a substitute for, or as an alternative to, any other measures of performance under IFRS.

***EBITDA***

EBITDA comprises operating profit for the period before interest, tax, depreciation and amortisation and impairment of intangible assets, but includes interest income classified as trading revenue.

***EBITDA margin***

EBITDA margin represents EBITDA as a percentage of net operating income.

***Underlying EBITDA***

Underlying EBITDA represents EBITDA before exceptional items.

***Underlying EBITDA margin***

Underlying EBITDA margin represents underlying EBITDA as a percentage of net operating income.

***Underlying profit before taxation***

Underlying profit before taxation represents profit before taxation excluding the effect of exceptional items.

***Underlying post-tax profit***

Underlying post-tax profit represents post-tax profit excluding the effect of exceptional items.

***Own funds***

Own funds consist of cash and cash equivalents, amounts due from brokers, amounts receivable / (payable) on the derivative financial instruments, less title transfer funds. Title transfer funds are monies held on behalf of clients.

***Adjusted partner and institutional revenue***

Adjusted partner and institutional revenue represents revenue from Partner and Institutional Clients, net of any increase to and share of the Group's spreads, commissions and financing charges retained by partners and institutions before selected additional rebates.

***SnFC***

SnFC refers to gross spread, and net financing and commission income. It is calculated as gross spread plus financing and commission income and less financing and commission costs that would have been incurred by the Group if it went to the market to fully hedge each client trade.

***Revenue per Active Client***

Revenue per Active Client represents the trading revenue generated from CFDs and spread betting Active Clients for the relevant period divided by the number of Active Clients during the period. Because the calculation is made on a period and not a trailing basis, 12 month and six-month revenue per Active Client figures may not be comparable.

***Non-financial information operating data***

The non-financial operating data included in this Prospectus has been extracted without material adjustment from the management records of the Company and are unaudited.

***Currency presentation***

Unless otherwise indicated, all references in this Prospectus to "pounds sterling", "£" or "pence" are to the lawful currency of the United Kingdom. The Company prepares its financial statements in pounds sterling. All references to the "euro" or "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. All references to "dollars", "\$" or "U.S.\$" are to the lawful currency of the United States. All references to "AUD" are to the lawful currency of Australia.

The Offer Price will be stated in pounds sterling.

The Company prepares its financial statements in pounds sterling.

Unless otherwise indicated, the financial information contained in this Prospectus has been expressed in pounds sterling.

### ***Rounding***

Percentages and certain amounts in this Prospectus, including financial, statistical and operating information, have been rounded. As a result, the figures shown as totals may not be the precise sum of the figures that precede them.

### ***Market, economic and industry data***

Certain information in this Prospectus, in particular the information in Part VIII (*Market Overview*), has been sourced from third parties. The Company confirms that all third-party information contained in this Prospectus has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Where third-party information has been used in this Prospectus, the source of this information has been identified.

## **3 Information regarding forward-looking statements**

Certain information contained in this Prospectus, including any information as to the Group's strategy, market position, plans or future financial or operating performance, constitutes "forward-looking statements". All statements, other than statements of historical fact, are forward-looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intend", "continue", "budget", "project", "aim", "estimate", "may", "will", "could", "should", "schedule" and similar expressions identify forward-looking statements.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to:

- (a) possible or assumed future results of the Group's business, financial position, results of operations, liquidity, plans, objectives, goals or strategies;
- (b) the Group's expectations of demand for its products;
- (c) the evolution of the market for trading in financial products in the UK and elsewhere;
- (d) the assumptions underlying such forward-looking statements;
- (e) regulatory initiatives and changes in tax laws; and
- (f) market volatility.

These forward-looking statements and other statements contained in this Prospectus regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved: actual events or results may differ materially as a result of risks and uncertainties facing the Company. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed or implied in such forward-looking statements. Please refer to Part II (*Risk Factors*) for further confirmation in this regard.

Prospective investors should be aware that a number of important factors could cause actual results, level of activity, performance or achievements to differ materially from the plans, objectives, expectations, estimates and intentions expressed or implied in such forward-looking statements. These factors include:

- (a) the effects of competition;
- (b) the Group's ability to execute successfully its expansion plans;
- (c) the impact of prevailing conditions in the global financial markets on client trading patterns;

- (d) the Group's ability to successfully predict and respond to client preferences and demand;
- (e) changes in consumer preferences and cultural attitudes towards trading in financial products;
- (f) inflation, interest rate and exchange rate fluctuations in the UK;
- (g) increases in personnel costs; and
- (h) various other factors, including those factors discussed in Part II (*Risk Factors*).

Investors are cautioned that forward-looking statements are not guarantees of future performance. Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this Prospectus speak only as at the date of this Prospectus, reflect the Company's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's operations, results of operations, growth strategy, liquidity and the availability of new credit. Investors should specifically consider the factors identified in this Prospectus that could cause actual results to differ before making an investment decision. All of the forward-looking statements made in this Prospectus are qualified by these cautionary statements, although nothing in this Paragraph 3 is intended in any way to qualify or limit the working capital statement in Paragraph 14 (*Working Capital*) of Part XXII (*Additional Information*). Specific reference is made to Part II (*Risk Factors*), Part IX (*Information on the Group*) and Part XIV (*Operating and Financial Review*).

Subject to the requirements of the Prospectus Rules, the Disclosure and Transparency Rules and the Listing Rules, or applicable law, the Company explicitly disclaims any intention or obligation or undertaking publicly to release the result of any revisions to any forward-looking statements in this Prospectus that may occur due to any change in the Company's expectations or to reflect events or circumstances after the date that this prospectus is published.

#### **4 Definitions**

Certain terms used in this Prospectus are defined and explained in Part XXIV (*Definitions and Glossary*) and, in particular, certain technical terms relating to the Group's business and industry are defined and explained in Paragraph 2 (*Glossary*) of Part XXIV (*Definitions and Glossary*).

#### **5 Information not contained in this Prospectus**

No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised. Neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct as at any time subsequent to the date hereof.

#### **6 No incorporation of website information**

The contents of the Company's website, any website mentioned in this Prospectus or any website directly or indirectly linked to these websites have not been verified and do not form part of this Prospectus, and investors should not rely on such information.

**PART IV**  
**DIRECTORS, SECRETARY, REGISTERED AND HEAD OFFICE AND ADVISERS**

<b>Directors</b> . . . . .	Simon Waugh Peter Cruddas Grant Foley David Fineberg James Richards Manjit Wolstenholme Malcolm McCaig
<b>Company Secretary</b> . . . . .	Jonathan Bradshaw
<b>Registered and head office of the Company</b> . . . . .	133 Houndsditch London EC3A 7BX United Kingdom
<b>Sole Sponsor, Joint Global Co-ordinator and Joint Bookrunner</b> . . . . .	Morgan Stanley & Co. International plc 25 Cabot Square Canary Wharf London E14 4QA United Kingdom
<b>Joint Global Co-ordinator and Joint Bookrunner</b> .	Goldman Sachs International Peterborough Court 133 Fleet Street London EC4A 2BB United Kingdom
<b>Joint Bookrunner</b> . . . . .	RBC Europe Limited Riverbank House 2 Swan Lane London EC4R 3BF United Kingdom
<b>English and U.S. legal advisers to the Company</b> . .	Linklaters LLP One Silk Street London EC2Y 8HQ United Kingdom
<b>English and U.S. legal advisers to the Underwriters</b> . . . . .	Allen & Overy LLP One Bishops Square London E1 6AD United Kingdom
<b>Auditors</b> . . . . .	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT United Kingdom
<b>Reporting Accountants</b> . . . . .	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH United Kingdom
<b>Receiving Agent</b> . . . . .	Capita Asset Services Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom

<b>Registrars</b> .....	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom
<b>Retail Offer Adviser</b> .....	Solid Solutions Associates (UK) Limited 5 St John's Lane London EC1M 4BH United Kingdom

**PART V**  
**EXPECTED TIMETABLE OF PRINCIPAL EVENTS**

**Expected timetable of principal events**

<u>Event</u>	<u>Time and Date<sup>(1)</sup></u>
Commencement of the application period for the Client Share Offer and the Intermediaries Offer . . . . .	26 January 2016
Latest time and date for receipt of completed Online Applications in respect of the Client Share Offer . . . . .	10.00 p.m. on 3 February 2016
Latest date for receipt by Intermediaries of applications in respect of the Intermediaries Offer <sup>(2)</sup> . . . . .	3 February 2016
Latest time and date for receipt by the Receiving Agent of applications from Intermediaries in respect of the Intermediaries Offer . . . . .	10:00 a.m. on 4 February 2016
Latest time and date for receipt of indications of interest under the Institutional Offer . . . . .	5.00 p.m. on 4 February 2016
Publication of the Pricing Statement containing the Offer Price, New Share Offer Size and Sale Share Offer Size and notifications of allocations <sup>(3)</sup> . . . . .	7.00 a.m. on 5 February 2016
Commencement of conditional dealings on the London Stock Exchange . . . . .	8.00 a.m. on 5 February 2016
Notification of share allocations by email to Eligible Clients who submitted an Online Application <sup>(4)(5)</sup> . . . . .	5 February 2016
Admission and commencement of unconditional dealings on the London Stock Exchange . . . . .	8.00 a.m. on 10 February 2016
Shares credited to CREST accounts . . . . .	10 February 2016
Payment of any refund (as applicable) to debit card accounts of Eligible Clients . . . . .	Within five business days of 10 February 2016
Bonus Share Record Date . . . . .	10 February 2017

**Notes:**

- (1) All references to times are to London times. Each of the times and dates in the above timetable are indicative and subject to change without further notice.
- (2) Each Intermediary may set a time for latest receipt of applications on this date.
- (3) The Pricing Statement will not automatically be sent to persons who receive this document but it will be available free of charge at the Company's registered office at 133 Houndsditch, London EC3A 7BX. In addition, the Pricing Statement will (subject to certain restrictions) be published online at [www.cmcmarkets.com/group/ipo](http://www.cmcmarkets.com/group/ipo) (the "**Offer Website**").
- (4) Eligible Clients who submitted an Online Application will have their Shares allocated into the CMC Markets Shareholder Account and will be able to deal in Shares on a conditional basis prior to Admission.
- (5) Shareholders who applied for Shares in the Intermediaries Offer should consult their Intermediary as to when they will be sent documents in respect of any Shares they have been allocated and when they may commence dealing in any such Shares.

**It should be noted that, if Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned. Temporary documents of title will not be issued.**

## PART VI OFFER STATISTICS

### Offer Statistics

Price Range (pence per Share) <sup>(1)</sup> . . . . .	235-275
Number of Existing Shares in issue immediately prior to Admission . . . . .	280,296,862
Expected minimum number of New Shares in the Offer . . . . .	5,724,829
Expected maximum number of New Shares in the Offer . . . . .	6,266,986
Expected minimum number of Shares which may be comprised in the Offer <sup>(2)</sup> . . . . .	90,170,250
Expected maximum number of Shares which may be comprised in the Offer <sup>(2)</sup> . . . . .	90,712,407
Percentage of the enlarged Issued Share Capital expected to be issued and sold in the Offer <sup>(3)</sup> . . . . .	31%
Maximum number of Shares expected to be in issue following Admission <sup>(4)</sup> . . . . .	288,851,928
Expected number of Shares in the Offer as a percentage of total number of Shares in existence on Admission <sup>(2)</sup> . . . . .	31.3% – 31.4%
Expected maximum number of Shares subject to the Over-allotment Option <sup>(5)</sup> . . . . .	13,606,862
Estimated net proceeds of the Offer receivable by the Company <sup>(6)</sup> . . . . .	£1,929,181
Estimated gross proceeds of the Offer receivable by the Selling Shareholders <sup>(7)</sup> . . . . .	£215,335,824
Estimated net proceeds of the Offer receivable by the Selling Shareholders <sup>(8)</sup> . . . . .	£210,673,789
Expected market capitalisation of the Company <sup>(9)</sup> . . . . .	£735,656,737

#### Notes:

- (1) It is currently expected that the Offer Price will be within the Price Range. It is expected that the Pricing Statement containing the Offer Price and the number of Shares which are comprised in the Offer will be published on or about 5 February 2016 and will be available (subject to certain restrictions) at the Company's registered office at 133 Houndsditch, London EC3A 7BX, United Kingdom and published online at [www.cmcmarkets.com/group/ipo](http://www.cmcmarkets.com/group/ipo). If the Offer Price is set above the Price Range, the Company would make an announcement via a Regulatory Information Service and prospective investors would have a statutory right to withdraw their application for Offer Shares pursuant to section 87Q of the FSMA.
- (2) Calculated on the basis that: (i) the Offer Size will be set within the Offer Size Range; and (ii) there will be no exercise of the Over-allotment Option. It is currently expected that the Offer Size will be set within the Offer Size Range. However, the number of Shares subject to the Offer may represent a higher or lower percentage than that indicated (subject to meeting the free float requirements set by the UK Listing Authority for Admission). If the Offer Size is set above or below the Offer Size Range, then the Company would make an announcement via a Regulatory Information Service and prospective investors would have a statutory right to withdraw their application for Shares pursuant to section 87Q of the FSMA.
- (3) Calculated on the basis that: (i) the Offer Price is set at the mid-point of the Offer Price Range, (ii) New Share Offer Size is set at the mid-point of the New Share Offer Size Range, (iii) the Sale Share Offer Size is set at the Expected Sale Share Offer Size; and (iv) the Over-allotment Option is not exercised.
- (4) Calculated on the basis that the New Share Offer Size is set at the top of the New Share Offer Size Range.
- (5) Calculated on the basis that the Offer Size is set at the mid-point of the Offer Size Range. The maximum number of Shares subject to the Over-allotment Option is subject at all times to a maximum of 15 per cent. of the number of Offer Shares (before exercise of the Over-allotment Option). In the event that the Offer Size is set outside the Price Range, the maximum number of Shares subject to the Over-allotment Option would correspondingly increase or decrease.
- (6) The estimated net proceeds receivable by the Company are stated after deduction of underwriting commissions (excluding any discretionary commissions), other Offer related fees and expenses and applicable taxes in connection with the Offer expected to be approximately £13,306,169, and assumes the Over-allotment Option is not exercised.
- (7) Calculated on the basis that the Offer Size is set at the mid-point of the Offer Size Range and the Offer Price is set at the mid-point of the Price Range. The estimated aggregate gross proceeds receivable by the Selling Shareholders are stated before taking into account any proceeds which may be receivable by the Over-allotment Shareholders pursuant to any exercise of the Over-allotment Option. The estimated gross proceeds are stated without the deduction of the following amounts incurred by the Selling Shareholders: (i) underwriting commissions payable by the Selling Shareholders to the Underwriters in connection with the Offer (excluding any underwriting commissions payable in connection with any sales of Shares pursuant to the exercise of the Over-allotment Option) (which are estimated to be approximately £3,585,356 (inclusive of amounts in respect of VAT)); and (ii) amounts in respect of United Kingdom stamp duty and SDRT payable by the Selling Shareholders in connection with the Offer (which are estimated to be approximately £1,076,679). The amounts referred to above are calculated on the basis of

the following assumptions: (a) the Offer Size is set at the mid-point of the Offer Size Range; (b) the Offer Price is set at the mid-point of the Price Range; (c) approximately 80 per cent. of the Shares sold in the Offer (excluding pursuant to any exercise of the Over-allotment Option) are sold pursuant to the Institutional Offer, approximately 13 per cent. are sold pursuant to the Intermediaries Offer and approximately 7 per cent. are sold pursuant to the Client Share Offer; and (d) the underwriting commissions payable by the Selling Shareholders to the Underwriters in connection with the Offer are, for the purposes of the deductions set out above, assumed to be the maximum percentage payable by the Selling Shareholders, including discretionary commissions.

- (8) The estimated net proceeds receivable by the Selling Shareholders are stated after deduction of underwriting commissions (excluding any discretionary commissions), other Offer related fees and expenses and applicable taxes of £4,662,035 (and assumes the Over-allotment Option is not exercised).
- (9) Calculated on the basis of the number of Shares in issue at Admission (assuming the Offer Price is set at the mid-point of the Price Range). The market capitalisation of the Company at any given time will depend on the market price of the Shares at that time. There can be no assurance that the market price of a Share will be equal to or exceed the Offer Price.

**PART VII**  
**REASONS FOR THE OFFER, USE OF PROCEEDS AND DIVIDEND POLICY**

**1 Reasons for the Offer and use of proceeds**

The Directors believe the Offer and Admission will position the Group for its next stage of development by:

- (a) providing a platform for the continued growth of the Group's business;
- (b) enhancing the Group's public profile and brand recognition;
- (c) creating a liquid market in the Shares for Shareholders;
- (d) assisting in the incentivisation and retention of key management and employees;
- (e) providing the Principal Selling Shareholders with a partial realisation of their investment in the Group; and
- (f) providing increased access to global capital markets.

The Company expects to receive net proceeds from the Offer of the New Shares of £1,929,181 (assuming the Offer Size is set at the mid-point of the Offer Size Range, the Offer Price is set at the mid-point of the Price Range and the Over-allotment Option is not exercised), after deduction of underwriting commissions (excluding any discretionary commissions), other Offer related fees and expenses and applicable taxes in connection with the Offer expected to be approximately £13,306,169. The Company intends to use the proceeds from the Offer of the New Shares to pay costs associated with the Offer and Admission, as well as costs associated with employee incentives as a result of the Global Offer. No proceeds will be received by the Company in respect of any sale of the Sale Shares (or, as the case may be, any Over-allotment Shares) by any of the Selling Shareholders (or, as the case may be, the Over-allotment Shareholders).

**2 Dividend policy**

In recent years, the Group has consistently paid out annual dividends to its shareholders (including at a level of dividend payout ratio representing approximately 50 per cent. of consolidated annual post-tax profit). For the year ending 31 March 2016 and into the medium term, the Group intends to continue this policy and to pay annual dividends based on a targeted dividend payout ratio of 50 per cent. of the Group's consolidated annual underlying post-tax profit. For the six months ended 30 September 2015, the Group paid an interim dividend of 3.6p per Share reflecting this dividend policy, together with a special dividend of 1.8p per Share. Following the first full year post Admission, the Group intends to pay a dividend each half year. The first dividend payment post Admission is expected to be the full final dividend in respect of the year ended 31 March 2016, expected to be paid following approval of the year end accounts at the annual general meeting of the Company, likely to be held in September 2016. The Group intends to maintain a disciplined approach to capital, in order to balance its current and anticipated liquidity, regulatory capital and investment needs, with a view to returning excess capital to shareholders as appropriate.

The ability of the Group to pay dividends is dependent on a number of factors and there is no assurance that the Group will pay dividends, or, if a dividend is paid, what the amount of such dividend will be. See *"The Group may not pay cash dividends on the Shares in the future. Consequently, investors may not receive any return on investment unless they sell their Shares for a price greater than that which they paid for them"* of Part II (Risk Factors).

## **PART VIII MARKET OVERVIEW**

*The following information relating to the retail leveraged trading industry (encompassing CFDs and financial spread betting) has been provided for background purposes only. Where identified, certain information in this section has been extracted from third-party sources. This information has been accurately reproduced and, as far as the Group is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.*

*Investors should read this section in conjunction with the more detailed information contained in this Prospectus, including Part II (Risk Factors), Part IX (Information on the Group), Part XIV (Operating and Financial Review) and Part XI (Regulatory Overview).*

### **1 Introduction to the Market**

The Directors believe that the retail leveraged trading industry, encompassing CFDs and financial spread betting, is an increasingly important part of the financial trading market across a number of financial asset classes. Leveraged trading provides investors with the opportunity to trade on margin a wide range of assets from a single account.

#### **History**

##### **CFDs**

Initially, CFDs were developed for use by institutions to cost-effectively hedge their equity exposure via certain risk-reducing and market neutral trading strategies. CFD trading represented a cost-effective way to sell short in the market (for example, the London Stock Exchange) with the benefit of leverage, and to benefit from stamp duty exemptions that were not available to outright share transactions. In particular, by using CFDs, institutional traders and hedge funds no longer needed to physically settle their share transactions, which in practice meant that such contracts did not require delivery or acceptance of the underlying instrument. In this way these institutions were also able to avoid the cumbersome and sometimes costly process of borrowing stock when they wanted to sell short.

##### **Financial Spread Betting**

The spread betting market has developed over the last 40 years, offering an effective method of speculating in financial markets, and has also been used increasingly as a method of speculating on sports events.

The introduction of financial spread betting has facilitated increased participation in markets with traditionally significant barriers to entry (e.g. large deposits required to invest in gold). Spread betting has grown to encompass a wide range of financial instruments and is serviced by a growing number of spread betting companies using increasingly sophisticated web based software. Since the expansion of the internet, financial spread betting activity has significantly expanded with the independent trader now able to operate from his or her own home.

##### **Binary Products**

Binary options evolved over time as a simpler way to trade options. While binary options only became a publicly tradable instrument on the CBOE in 2008, they have been in existence in the foreign exchange market as digital options for many years. In recent years, binary options trading has increased in flexibility, and is available across almost all tradable financial instruments. Once limited to specialised brokers, binary options are being offered by an increasing number of brokers in response to their increase in popularity. There is now a wide variety of binary option types with expiration periods ranging from 30 seconds to as long as one year.

### **2 Benefits of Leveraged Trading**

In most countries, leveraged trading is performed using CFDs. In the UK and Ireland, however, due to tax benefits, leveraged trades are performed most frequently through spread betting. Both CFDs and spread betting provide exposure to a wide variety of underlying assets, ranging from those that replicate the composition of a particular equity index, to those that provide investors with exposure to assets in specific sectors or countries, to commodities, or to currencies. Both products allow investors to create and manage

diversified investment portfolios in an efficient manner and facilitate switching exposures at any given moment during trading days. Major categories of CFDs and spread betting include:

- Indices;
- Foreign exchange;
- Shares;
- Commodities; and
- Treasuries.

Historically, those who wished to speculate with leverage on the financial markets were generally limited to trading futures or options on a derivatives exchange. This, however, can now be done online via CFDs through platforms like the Group's Next Generation trading platform. CFDs and spread betting have a number of attractive features over dealing on an exchange that have led to their increasing adoption as investment products by both institutional and retail investors. These include:

- Once a client has received the quotation from the broker, he is then able to execute the offer. If he wishes to accept the quotation, he buys or sells and knows he has dealt on the basis of the price quoted. This contrasts with the situation of a client dealing through a broker on an exchange, when it may turn out that the broker is unable to obtain for the client the price originally quoted to him;
- Clients are able to trade on margin;
- Cost-effective access to trade on a wide range of global financial markets;
- A client may elect to go short or to go long;
- Minimum transaction sizes are often smaller than in underlying futures markets;
- The client may be able to deal when the underlying market is closed;
- No stamp duty is payable on investment products in the UK (the Group and its clients benefit from spread betting and CFDs' exemption from UK stamp duty and SDRT);
- CFDs can be used to hedge an existing portfolio; and
- Additional benefits of spread betting exist in the UK and Ireland, including tax-free profits (given profits are betting profits) and no separate commission charge on non-equity asset classes.

### **3 Market Overview**

#### **Market segmentation**

The Directors believe that the total revenue pool from retail CFD, financial spread betting and retail foreign exchange trading activities was approximately £1.7 billion globally in 2014, and approximately £1.9 billion including institutional investors. Although the market profile for CFD and financial spread betting activity necessarily varies by country, the Directors believe that the underlying dynamics are shaped by the maturity of each market. Consequently, the Directors believe that the global market can be segmented by maturity of the relevant underlying geographies into "Developed Markets" and "Non-developed Markets":

#### ***"Developed Markets"***

Developed Markets are established CFD markets and are home to a number of providers with a good level of penetration of the client base and high volumes traded daily. A regulatory framework generally exists in these developed markets which provides a level of protection for clients. Traders in Developed Markets are more likely to hold multiple accounts, which are commonly kept as a back-up or for trading different instruments with different providers for lower cost, arbitrage, and product access. These markets typically demonstrate some underlying growth in potential clients as a result of the marketing and sales activities conducted in these markets. These markets have shown revenue growth from their existing client base as demonstrated by the improving revenue per client figure. The Directors view the UK, Australia, Germany and Singapore as Developed Markets.

### ***“Non-developed Markets”***

The Directors believe that “Non-developed Markets” can be further subdivided into “Developing Markets”, “Undeveloped Markets” and “Restricted Markets”. The characteristics of each are:

“Developing Markets” are potential growth markets with relatively clear regulatory frameworks, and few exchange or fund controls, but no well-established CFD market, and are therefore, the Directors believe, generally underserved and under-penetrated. Underlying growth in both penetration and the size of potential clients are expected in the future. The Directors view France, the rest of Western Europe (including Scandinavia), the Middle East (comprising Israel, Saudi Arabia, UAE, Kuwait and Qatar) and New Zealand as Developing Markets.

“Undeveloped Markets” are, the Directors believe, still in the early stages of growth and have low but growing penetration, in addition to low levels of awareness and comprehension of CFDs. The Directors view South Africa and Central and Eastern Europe as Undeveloped Markets.

“Restricted Markets” are markets constrained by regulatory or other hurdles and where demand is limited to clients who can access providers through their international network. However, the Directors believe that these markets have high revenue potential if such restrictions are lifted. Countries the Directors believe are in Restricted Markets include China, Russia and India as well as the majority of countries in the Latin America region.

### **Market size**

In 2014, of the approximately £1.9 billion global revenue pool arising from CFDs, financial spread betting and foreign exchange activities (retail and institutional), the Directors believe that approximately £1.25 billion or approximately 65 per cent. of the total market revenue was generated by five of the largest providers: the Group, IG, FXCM, GAIN (including under the brands City Index, GFT and Forex.com) and Plus500. The Directors estimate that these 5 providers have grown from accounting for £950 million of the revenue pool in 2012 to £1.25 billion in 2014. Looking at the total market in 2014, the Directors estimate that the next 15 largest providers generated approximately £450 million, with a fragmented group of more than 150 providers generating approximately £200 million.

In the Developed Markets together with France, the Directors estimate that the retail revenue generated from CFD, financial spread betting and foreign exchange activities was approximately £970 million in 2014, or 57 per cent. of the total retail global revenue generated, an increase of approximately £160 million from approximately £810 million in 2012. The Directors believe that growth in the Developed Markets and France was driven primarily by increased revenue per client as a result of product and service expansion; the Directors estimate that average revenue per client in these markets increased from approximately £2,700 in 2012 to approximately £3,400 in 2014.

The Directors estimate that total revenue generated in the remaining Developing (excluding France), Undeveloped and Restricted Markets in 2014 was approximately £420 million, with revenue from markets that fall outside the segmentation that the Group applies to the globe totalling approximately £310 million and a further approximately £200 million from Institutional Clients.

### **Market Growth—Historical trends and growth drivers**

Revenue growth across the market is a product of both: (i) the number of Active Clients; and (ii) the average revenue per client. The Directors believe that in Developed Markets and the Developing Market of France, over which they have greatest visibility, both revenue levers have been affected by a mix of cyclical and structural trends in recent years. Moreover, the Directors believe that there have been significant differences by market, where they have noted a strong correlation between market maturity and average revenue per client, with Developed Markets commanding higher revenue per client than Non-developed Markets.

### ***Developed Markets***

Over the last six years, since 2009, the Directors believe that Developed Markets have witnessed a net increase in the number of Active Clients as a result of structural drivers supporting on-going growth, particularly:

- (a) Demographics continue to impact the overall pool of potential clients as both the wealth of and the number of people in the target age bracket continues to grow;

- (b) Improved internet access and smartphone penetration have made it much easier to trade on internet-based platforms; and
- (c) Investor sophistication continues to grow as financial education improves, in part facilitated by internet access.

Since 2009, revenue per client has, on a net basis, been stable, with off-setting trends playing out over the longer-term. Whilst the Directors believe that product and service expansion, and inflation in underlying asset values being traded have positively affected revenue per client, competition between providers resulted in pressure on spreads, which has driven spreads down to current levels.

More recently (between 2012 and 2015), the Directors believe there has been a net reduction in clients in Developed Markets as a result of both weak market conditions, a weak macro environment and certain regulatory issues (e.g., minimum margin requirements in Singapore), as well as specific initiatives taken by a number of providers to close out dormant accounts (including by the Group). Across the same period, however, the Directors believe that the increases in average revenue per client have been rapid, as a result of more volatile market conditions, initiatives undertaken to purge dormant accounts, and developments in product and service offering, with a focus on improvements in client trading experience, including the provision of tools that are better enabling clients to manage their risk.

### ***Non-developed Markets***

#### ***Developing Markets and Undeveloped Markets***

The Directors believe that growth in these markets has primarily been driven by an increase in number of clients, whilst “spread wars” among the providers targeting structural growth in clients has typically constrained the growth in average revenue per client.

#### ***Restricted Markets***

The Directors believe that growth in these markets has been limited both by regulation and by provider risk appetite. However, where there has been growth this has been supported by demographics, with large pools of potential clients with increasing wealth and access to technology.

## **4 Competitive Landscape**

Although the market is highly fragmented, the Directors believe that there are only a limited number of scale-players present globally in the retail CFD, financial spread betting and foreign exchange market space alongside the Group. The Directors believe there are broadly three groupings, within which the focus of the various players differs based on the types of clients focused on.

### **CFD/Financial spread betting specialists**

In the retail CFD and financial spread betting space, the Directors believe that the main players are the Group, IG and Plus500. The Directors believe that IG is the established market-leader in terms of revenue (with £2,900 reported average revenue per client). The Directors believe that the Group (with £2,700 average revenue per client) has a more specific focus on attracting growth in Premium Clients. Whilst operating in the same product space, the Directors believe that Plus500 is a relatively new entrant targeting the “mass-market” in retail CFDs, (with £1,300 reported average revenue per client).

### **Retail Foreign Exchange specialists**

In the retail foreign exchange market, the Directors believe that FXCM is the main pure-play foreign exchange provider, offering the largest platform, by revenue, and serving all types of clients. Average revenue per client for 2014 was \$2,436 for FXCM.

### **Mixed-players**

GAIN and Saxo Bank are, the Directors believe, the two main players who currently provide a mixed product offering. Both have historically been focused on the foreign exchange market, but have broadened their product offering in recent years; GAIN, through the acquisition of City Index (completed in 2015) acquired expertise in the CFD space, across a range of client types, whilst Saxo has expanded its offering (e.g. through the addition of wealth management) and increased the scope of its focus away from just

premium clients. In 2014, GAIN reported average revenue per client of £2,400 (before GAIN's acquisition of City Index).

## Market Shares

The Directors believe that the major global retail CFD, financial spread betting and foreign exchange markets are characterised by a high degree of fragmentation, with few competitors above an approximately five per cent. market share. The table below sets forth the Group's approximate market share and market position as well as the market leader's and top five market participants' approximate market share in the regions noted:

Region	Group share (per cent.)	Group rank#	Market leader share (per cent.)	Top 5 share (per cent.)
UK—Financial Spread Betting . . . . .	7	3=	44	71
UK—CFD . . . . .	6	4	29	60
Australia . . . . .	19	2	38	68
Singapore . . . . .	15	3	26	77
Germany . . . . .	17	1	17	48
France . . . . .	3	7	28	61

### Note:

- (1) Market shares based on number of primary relationships according to the following Investment Trends research: 2015 UK Leveraged Trading Report, 2015 Australia CFD Report, 2015 Singapore CFD and FX Report, 2015 Germany CFD and FX Report and 2015 France CFD and FX Report (collectively, the "Investment Trends Reports").

The Directors note that these statistics are based on the number of primary client relationships per provider. Given the fact that the Group and certain other providers have significantly higher revenue per client, the Directors believe that the Group's market shares based on revenue would be higher.

## Competitive Advantages

The Directors believe that the fragmented nature of the markets in which the Group operates and the relative scarcity of players with global scale is indicative of the challenges to achieve scale and associated market share. In particular, the Directors note the following as differentiating the scale-players:

### Product range and sophistication

Although establishing a basic trading platform is relatively straightforward (for example, using the MetaTrader4 software product which is widely available), offering a range and breadth of products requires significant investment over a period of time and is not achievable simply through using such "off-the-shelf" software. For example, the Directors believe that the Group's continued investment in its Next Generation trading platform has enabled it to continually evolve, innovate and respond quickly to new trends and technology, and allowed it to develop and offer a wide range of sophisticated features including fast and fully automated execution, advanced charting, price depth ladders, module linking, and advanced platform features such as Guaranteed Stop Loss Orders (GLSO) and in-account hedging. The Directors believe that valuable clients typically seek out and prioritise differentiated and tailored product offerings which new entrants typically cannot provide.

### Reputation

Clients and potential clients often seek providers with reputations for reliability and client service to mitigate their personal risk. The Directors believe that establishing the kind of reputation that will attract and retain clients is the product of a consistent and ongoing effort and is not, the Directors believe, something that can be achieved in the short-term. Moreover, the Directors believe that maintaining a reputation for quality, particularly throughout and post "market shock" incidents which result in extreme volatility requires a fundamentally robust, agile and responsive framework and systems, all of which the Directors also believe take time to develop for new entrants.

### Regulation

The Directors believe that the regulatory scrutiny that providers of CFD and financial spread betting products are currently subject to, in addition to the burden, both from a cost and time perspective, that

ongoing compliance with regulation presents particular difficulties for new entrants. Moreover, the Directors expect the regulatory requirements for providers of CFD and financial spread betting products to intensify over time.

### **Balance Sheet**

The Directors believe that size, strength and availability of balance sheet are and will continue to be critical differentiators for and determinants of who the scale players in the market are. Being able to deliver fundamental financial support for the trading activities of clients and potential clients is essential. The Directors expect that an inability to satisfy this requirement will militate against sub scale providers and act as a further barrier to entry.

## **5 Market Outlook**

### **Overview**

The Directors estimate that the developed and non-developed CFD and financial spread betting market should grow at approximately 8 per cent. compound annual growth rate (“**CAGR**”) between 2014 and 2018 by revenue from £1.39 billion to 1.88 billion, with most of the growth (approximately £360 million) due to an increase in the number of users and the rest (approximately £130 million) due to increased revenue per client. Although the Directors believe that the UK is expected to remain the largest overall market, they believe that growth in Non-developed Markets will be higher than Developed Markets.

### **Developed Markets**

Developed Markets are expected to grow in revenue, but at a slower pace than the non-developed markets. The Directors estimate that revenue in Developed Markets should grow at a CAGR of approximately 6 per cent. from 2014 – 18, adding approximately £260 million to the industry revenue pool in these markets. Marginal increases in the total number of clients are expected, as a result of more modest growth in the target demographic client base than compared to Non-developed Markets, whilst penetration is expected to stay flat. The Directors believe the focus will be on targeting “switchers” (i.e. those clients switching from one provider to another). In addition, the Directors expect continued growth in revenue per client (through service expansion and trading asset inflation), albeit at slower than historical levels as the impact from initiatives to close dormant accounts tapers off.

### **Non-developed Markets**

#### ***Developing Markets, Undeveloped Markets and Restricted Markets***

In the Non-developed Markets, the Directors expect growth to be driven primarily by increases in clients as a result of the compound effect of structural growth in target addressable markets (wealth, population etc.) and an increase in penetration as client awareness and accessibility increases. The Directors estimate that revenue in Non-developed Markets should grow at a CAGR of approximately 10 per cent. from 2014 – 2018, adding approximately £230 million to the revenue pool generated from these markets. The Directors estimate that the Middle East (consisting of Israel, Saudi Arabia, UAE, Kuwait and Qatar) could alone generate an extra approximately £60 million of revenue by 2018.

The Directors expect that revenue per client in Non-developed Markets will remain broadly flat as competitive pressures off-set service expansion in early stages of market development (similar to trends observed in Developed Markets at their inception).

Within the Non-developed Markets, the Directors expect that the client base should grow most strongly in Restricted Markets, with China, in particular, expected to grow at a CAGR of approximately 24 per cent. until 2018; the only Restricted Market that is not forecast to increase in potential clients is Latin America, where a small decline is expected driven by fluctuations in wealth. The Directors estimate that increasing wealth in China and India alone could add approximately £100 million to the revenue pool from Restricted Markets. Moreover, the Directors believe that further growth beyond that quantified is possible if changes in regulation facilitate wider adoption of products and/or wider access to these markets.

## **6 Regulatory Outlook**

The Directors believe that across both Developed and Non-developed Markets, the general outlook is for further regulatory scrutiny or continued restriction. As regulatory sophistication increases in Developed

Markets, there will be a greater need for automation and scale to remain efficient, thereby driving market economics towards scale providers; the Directors believe that the Group is well-placed to benefit from these trends.

At present, there is generally little evidence of imminent regulatory reform in Non-developed Markets that would make these opportunities more readily assessable.

Further information on the regulatory frameworks for the markets in which the Group operates is provided in Part XI (*Regulatory Overview*).

## PART IX INFORMATION ON THE GROUP

*Investors should read this Part IX (Information on the Group) in conjunction with the more detailed information contained in this Prospectus, including the financial and other information in Part XIV (Operating and Financial Review). Where stated, financial information in this Part IX (Information on the Group) has been extracted from Part XVI (Historical Financial Information).*

### Overview of the Group

The Group is one of the world's leading online financial trading businesses servicing retail clients and has been a pioneer of the industry since its formation in 1989. Through its Next Generation trading platform, an award-winning, online and mobile trading platform, the Group enables its global client base to trade a range of shares, indices, foreign currencies, commodities and treasuries through CFDs and financial spread bets (in the UK and Ireland only). CFDs and spread bets are derivative products which allow clients to engage in trading in the financial markets without owning the underlying instruments. The Group also offers its clients the ability to place financial bets through Countdowns, as well as offering stockbroking services in Australia.

The Group operates globally through regulated offices and branches in 14 countries, with a significant presence in the UK, Australia, Germany and Singapore; in the aggregate, the Group has retail clients based in more than 70 countries, serviced through direct client relationships and also via its Partner and Institutional Client relationships with banks, brokers, asset managers and other professional and corporate firms.

The Group offers its products primarily under the "CMC Markets" brand name<sup>2</sup> and operates its Next Generation trading platform through its website "www.cmcmarkets.com" and related local-language websites, as well as on iPhone, iPad and Android mobile platforms. In the six months ended 30 September 2015, approximately 48 per cent. of the total nominal value of the Group's client trades were placed on mobile devices (compared with 41 per cent. in the year ended 31 March 2015 and 36 per cent. in the year ended 31 March 2014), with the remainder of trades predominantly executed through the Group's traditional online platform and a very small number over the phone. In the six months ended 30 September 2015, the Group had 44,017 Active Clients who had traded in the previous six months, and the Group processed approximately 45 million and 34 million trades in the year ended 31 March 2015 and in the six months ended 30 September 2015, respectively.

The Group offered one of the world's first online foreign exchange trading platforms to retail clients in 1996. Since then, the Group has developed and expanded its offering to include derivative trading in approximately 10,000 financial instruments across shares, indices, foreign currencies, commodities and treasuries. The Group provides products and trading features to retail clients that historically were generally only available to institutional investors.

The Group offers two primary products: CFDs and spread betting. A CFD is a cash-settled investment product that may be based on foreign currencies, commodities, treasuries, indices and shares. It provides economic benefits similar to an investment in an underlying asset without certain costs and limitations associated with physical ownership. A CFD tracks the market price movements of the chosen instrument, as well as inferring, through price changes, dividends on stocks, interest on positive carry currency positions and coupons on interest-bearing instruments.

Spread betting shares many of the same characteristics and benefits as CFDs except that clients invest a specific stake size per point movement of a product rather than trading a specific number of shares or units. The Group's spread betting products are offered exclusively to residents in the UK and Ireland. Profits from spread betting are currently free from capital gains tax and stamp duty in these jurisdictions.

The Group's CFD and spread bet offerings both allow a client to leverage an investment. This magnifies a client's potential investment returns and losses by reducing the initial capital outlay required to achieve the same market exposure as purchasing the instrument directly. In addition, the products allow clients, subject to underlying market restrictions, to take a short position (i.e., a position in which the client believes the value of the underlying financial instrument will decrease), creating the potential for profit if the underlying instrument declines in value or loss if the underlying instrument increases in value.

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<sup>2</sup> Stockbroking services in Australia are offered through "CMC Markets Stockbroking".

In 2015, the Group expanded its product offering in certain jurisdictions to include Countdowns. Countdowns allow clients to place fixed-odd trades relating to price movements during timeframes of as short as 30 seconds. The Group intends to expand its product offering in 2016 to include Binary products. Binaries are CFD products that allow clients the opportunity to place a stake depending on whether they believe a particular market's price will be above or below a certain level at a specific time in the future. In contrast to CFDs and spread betting, the client's total risk and potential profit when placing a Binary position are determined at the point of trade, and remain fixed at that level once the Binary position has been placed.

The Group generates revenue through spreads (i.e., the difference between the bid and ask price of the Group's products), commissions, financing income and risk management via hedging. The Group generated revenue of £155.7 million and £88.2 million and operating profit of £44.4 million and £26.9 million respectively in the year ended 31 March 2015 and in the six months ended 30 September 2015. In the year ended 31 March 2015, the Group generated 34 per cent. of its net operating income from its United Kingdom and Ireland division, 31 per cent. from its Europe division, 29 per cent. from its Australia and New Zealand division and 6 per cent. from its Rest of World division, and in the six months ended 30 September 2015 it generated 38 per cent., 28 per cent., 25 per cent. and 9 per cent. of its net operating income, respectively, in these divisions. The Group's underlying EBITDA has grown between 31 March 2013 and 31 March 2015 at a compound annual growth rate of 117 per cent. to £59.7 million, with underlying EBITDA margin increasing from 12 per cent. in the year ended 31 March 2013 to 36 per cent. in the year ended 31 March 2014 and 42 per cent. in the year ended 31 March 2015.

## **History of the Group**

### ***Establishment of the Group (1989 – 2002)***

The Group was founded by Peter Cruddas in 1989. After its foundation as "Currency Management Corporation", the Group grew rapidly, and in 1996 it launched one of the world's first online foreign exchange trading platforms to retail clients, allowing retail clients to take advantage of markets that historically were generally only accessible to institutional traders.

In 2000, the Group expanded its business to become a CFD broker and in 2001 launched an online financial spread betting service.

### ***Expansion of the Group (2002 – 2008)***

In 2002, the Group opened its first overseas office in Sydney, launching into the Australian market as an online CFD and foreign exchange provider. In April 2005, a new managing director for the western region of the Group was appointed in addition to the then managing director for the Eastern Region. By 2007, the Group had expanded its global footprint with additional offices in New Zealand, China (representative office) Germany, Canada, Japan, Singapore and Sweden. In the same year, Goldman Sachs Strategic Investments (UK) Limited acquired a 10 per cent. equity stake in the Group. In 2008, the Group expanded its Australian offering with the acquisition of stockbroker Andrew West & Co. and opened further offices in Norway and Spain.

### ***Transition of the Group (2008 – 2012)***

In 2008, the Group's primary trading platform was MarketMaker, offered as a stand-alone, downloadable platform. It had been developed over a number of years but was not adapted to mobile (save for a limited offering for Partners and Institutional Clients) and web interfaces and was thus far less accessible for clients. In addition, certain of its fundamental design specifications and a reliance on manual intervention meant that changes to the platform could not easily be implemented, which in turn complicated the Group's risk management framework.

Although the financial crisis in 2008 was an extreme macroeconomic event, during its early stages, the Group performed well, with high levels of volatility driving increased spread and risk management revenue, despite the challenges with MarketMaker. However, in 2010, as the financial crisis developed the Group responded by reducing the size of its hedged portfolio through the removal of a number of its products (in particular, equities), which led to a reduction in SnFC.

In addition, in response to significant competitive pressures on pricing, the Group decreased spreads, resulting in a significant negative impact on profitability, which was exacerbated by the high levels of fixed costs the Group supported at that time, which could not be reduced as quickly as revenue decreased.

The Group determined that a new trading platform was required, and so the design of Next Generation was initiated in 2010. Mobile functionality was also developed during this period, with the Spread Bet iPhone app launched in 2010 and the iPad and Android apps launched in 2011.

Between 2008 and 2012, the Group further expanded its global offering with offices opened in Italy and France.

#### ***Strategic Repositioning of the Group (2012 – 2014)***

Having been developed between 2010 and 2012, Next Generation was initially launched in 2010 in respect of spread betting and in 2011 in respect of CFDs in selected markets (with a progressive roll out to additional markets in the following years). The Next Generation trading platform addressed a number of issues the Group had identified with MarketMaker that needed to be remedied. These included the lack of automated execution (which was a key feature demanded by clients), and the inability to offer products through native or mobile applications. With a view to unifying its offering, from launch the Group sought to migrate clients from MarketMaker to Next Generation, particularly in the UK. Although the Group forecast a degree of client attrition (which was expected to be offset by cost benefits), a significantly higher number of clients than expected left the Group following the attempt to migrate them to Next Generation.

This period of 2012 to 2014 saw continuous updates to the Next Generation trading platform, including the introduction of price alerts in January 2012, pattern recognition in June 2012, position limits in September 2012, major navigation enhancements in August 2013, one-click trading in January 2014 and snap to grid layouts in April 2014.

During 2012 and early 2013, the Board initiated a number of management changes, including reappointing Peter Cruddas (then the Executive Chairman) as Chief Executive Officer. The changes also resulted in the replacement of the majority of the senior management team with individuals with long-standing experience at the Group and with a number of important external hires. The Group was also restructured, with the number of offices and headcount reduced in order to increase the operating efficiency of the business.

In October 2012, the Group reassessed its risk model, reconfiguring its hedging strategy to lower the amount of risk which the Group was exposed to, particularly overnight. Much more of the portfolio began to be hedged, partly through new auto-hedging (i.e., hedging transactions that are automatically executed by the Group's systems on the basis of pre-determined thresholds) strategies, and partly due to more conservative risk limits set by the Group's risk framework. In addition, the costs of hedging were also reduced through the use of execution algorithms. Since 2012, the Group's risk management strategy has continued to be refined in response to changing market conditions, client base and trading behaviour. As a result of the strategy change, the number and size of loss days suffered by the Group has fallen significantly. Since changing its strategy, the Group has had no losing weeks and cumulative trading losses decreased from £35.8 million in the year ended 31 March 2012 to £7.7 million in the year ended 31 March 2015.

#### ***Growth of the Group (2014 – present)***

Leveraging its operational, risk and management changes, the Group has continued to develop Next Generation, including the introduction of guaranteed stop-loss orders in March 2015 and trade splitting in October 2015. The number of loss days has continued to decrease too and as a result, the distribution of daily revenue has become narrower and there have been no losing weeks since 2012. By the end of 2015, with only an immaterial number of clients remaining on the MarketMaker platform, the Group initiated a plan to end its MarketMaker offering by the end of 2016.

In addition, in 2015, the Group launched Countdowns, as well as opened offices in Austria and Poland. The Group also expanded its digital marketing through the establishment of a dedicated team of specialists, new reporting infrastructure and the implementation of a number of new initiatives, as well as further developed its Partners and Institutional Clients offering through the roll out of the Next Generation "Market Counterparty" trading platform and the release of application programming interface (API) trading.

#### **Strengths**

The Directors believe that the combination of the following key competitive strengths has established the Group as a leader in retail CFD trading and financial spread betting and will be important factors in the Group's planned future expansion.

### ***Highly scalable, advanced technology***

The Group offers its products to its clients through its Next Generation trading platform, innovated, designed, developed in-house and owned by the Group. Next Generation became operational in all markets in which the Group operated in 2014. Since 2010, the Group has invested approximately £65.7 million on designing and developing the platform in-house. As a consequence of this investment, the Next Generation trading platform offers a differentiated client proposition across all financial instruments providing clients with more than 10,000 products on a fast, content-rich, reliable and secure global trading platform, with multi-channel accessibility, an offering that the Directors believe is a significant competitive advantage that would be difficult to be replicated by competitors.

The Next Generation trading platform created an industry-leading platform, with best-in-class products, features, tools, design and execution. In developing it, the Group sought to improve upon existing competitor platform features as well as developing innovative concepts. For example, from launch, the Next Generation trading platform offered fully automated trade execution, while many competitors continued to rely on manual execution. In addition, in 2015, the Group launched a new platform navigation function aimed at dramatically improving usability and reducing the need to frequently access menus to switch products, charts and order tickets, as is common on competitor platforms. Importantly, the investment by the Group in its platform technology has been recognised in its client satisfaction scores.

In addition to its client-centric “front end” features, the Next Generation trading platform’s design also provides significant middle and back-office benefits. The centralised processing of transactions and hedging activities contribute to more effective risk management and enhanced administrative efficiency, in turn resulting in the Group being able to operate at a lower cost. Next Generation’s core systems, located in London, allow the Group to provide its broad range of products to its overseas offices and websites while minimising overhead costs. Trading activities are managed in London during UK and U.S. working hours, with the Group’s Sydney office also providing support to ensure 24-hour coverage, five days a week. This model is applied to all Group middle- and back-office functions as well, helping to support and help ensure the efficient management of the Group.

The Next Generation trading platform is integrated with the Group’s risk management systems to ensure that the Group can see exposures in real time, with trading profits and losses, regulatory capital requirements, prime broker liquidity requirements as well as a number of other risk measures shown on a detailed set of “dashboards” monitored by senior management across desktop and mobile devices.

The Next Generation trading platform comprises over 200 individual pieces of software, or “modules”, an approach that helps manage complexity as the Group’s systems expand. Modules are highly independent, and each in-house software developer can specialise and focus on a small subset of modules so that the development team itself can be efficiently scaled in line with the architecture. This modular architecture helps to “future-proof” the technology because as technologies evolve, individual modules can be replaced or developed in parallel and continue to take advantage of latest design principals, tools and technology frameworks. The Next Generation trading platform is maintained and developed by an in-house team of approximately 70 developers.

The platform has been designed to meet the expected organic and geographical growth of the Group’s business and is therefore capable of being significantly scaled. In 2014 and 2015, the average number of trades per day on the Next Generation trading platform increased threefold with a more than 50 per cent. increase in Active Clients. In addition, by September 2015, the platform processed an average of more than 160 million prices each day. The Directors believe that the powerful distribution capabilities of the Group afforded by the scalability and accessibility of its systems will enable it to process significantly increased trading volume to match future expected demand at relatively little incremental cost. Furthermore, continual enhancement of the platform in anticipation of market trends and clients’ expectations will allow the Group to remain at the forefront of new online trading techniques and technology.

In addition, the Group uses off-the-shelf third party software as part of its client management system (including for “know-your-client” procedures), which are fully integrated with Next Generation, to help ensure that client service teams can review client account details and deliver a market-leading client service experience.

### ***Highly attractive “client-first” proposition***

According to the Investment Trends Reports, the Group had the highest overall client satisfaction level among spread betting clients, ranking highest for satisfaction in twelve out of 18 satisfaction criteria

including overall quality of service, risk management, platform features, reliability of platform, execution speed and consistency of executing trades at quoted prices. The Group was also named “Best CFD Provider” and “Financial Services Provider of the Year” in 2015 by Shares Awards and has won more than 45 industry awards for products and services in the past two and a half years. The Directors believe that the following attributes of the Group’s products and services result in an highly attractive “client-first” proposition, helping it to become a leading provider of CFDs to retail investors globally and attract higher value, more loyal clients, as evidenced by its increase in revenue per Active Client from £1,724 for the year ended 31 March 2013 to £2,716 for the year ended 31 March 2015 and its increase in average Premium Client tenure from 26 months to 34 months for the same periods, respectively.

#### *Platform*

- A fast, content-rich, reliable and secure trading platform that is constantly being developed, refined and enhanced through the implementation of cutting-edge technology;
- a fully integrated, multi-language platform, which allows clients to receive real time prices and to trade all the products and financial instruments offered by the Group from a single account in a single currency, with real-time trade confirmations and position keeping; and
- full, interchangeable trading access via web, mobile and tablet devices.

#### *Client Service*

- Localised client service (e.g., local sales specialists) provided from regional offices strategically established in key markets, as well as local-language websites tailored to clients in: Australia, Austria, Canada, France, Germany, Ireland, Italy, New Zealand, Norway, Poland, Singapore, Spain, Sweden and the UK;
- 24/5 access to dealing, including in some cases when the underlying market is closed;
- a range of free value-added services, including Reuters news, Morningstar research, technical charting packages (including pattern recognition) and client sentiment monitors (which show percentages of Group clients who have taken particular positions on various products updated every minute);
- client education via demonstration accounts, online and in-person seminars and workshops, and access to online member areas;
- an additional layer of service and personal relationship management is provided for Premium Clients in the UK and Australia to include a telephone execution service, manned by experienced client service team members; and
- the allocation of a relationship manager to Premium Clients, who assists with trade execution, dispute resolution and administrative issues.

#### *Product*

- Breadth of product offering, with approximately 10,000 financial instruments, including CFDs and spread bets on underlying indices, treasuries, equities, commodities and currencies, traded through a single trading platform; and
- constant product development as evidenced by the recent introduction of guaranteed stop-loss orders and boundaries, as well as other tools to help clients minimise risk and enhance their trading experience.

#### *Pricing*

- A price-driven service, providing real-time, constantly updated prices of products, and “One-Click” trade execution;
- pricing aimed at being amongst the most competitive on the market, which the Group is able to offer by acting as a market maker; and
- volume based rebates, enabling high-volume traders to benefit from their trading activity.

### ***Strong global footprint with market-leading positions***

In addition to its core UK business, over its 26-year history, the Group has expanded globally, establishing regulated offices and branches in 14 countries, including a significant presence in other key markets of Australia, Germany and Singapore, and currently has a client base in 70 countries. The Group has strong track records and a long-standing presence in a number of the regions, including having operated for approximately 13 and 10 years in Australia and Germany, respectively. According to the Investment Trends Reports, the Group was the largest (by market share<sup>3</sup>) CFD provider in Germany in 2015, the second largest provider in Australia, and the third largest provider in Singapore. In addition, according to the Investment Trends Reports, the Group was the third largest provider of spread betting in the UK.

Most recently, in 2015, the Group expanded into Central and Eastern Europe by opening branch offices in Austria and Poland.

The map below sets out the locations of the Group's offices.



As a result of its global reach, the Group offers its clients the ability to trade 24 hours a day, five days a week (including in some cases when the underlying market is closed).

In addition to building the business globally through direct client acquisition, the Group has also been successful in forming relationships across a number of markets with existing financial institutions, that serve to increase the market reach of the Group by introducing it to clients. These “Partner and Institutional Client” relationships are typically with firms that have established client portfolios offering services in complementary products and markets. As at 31 December 2015, the Group had 46 Partner and Institutional Client relationships in 17 countries.

### ***Robust, comprehensive and effective risk management***

The Group's business is inherently exposed to various risks, including market risk, credit risk, liquidity risk and operational risk. In addition, the Group's risk management strategy is an important component of its revenue generation. The Group has developed a robust risk management framework, with comprehensive policies and procedures that have been established to help effectively manage risk in the business, including market risk. See Part X (*Risk Management and Hedging Policy*).

<sup>3</sup> Market shares based on number of primary relationships according to the Investment Trends Reports.

### *Market risk*

Market risk is the risk that the value of the Group's net exposure will decrease due to a change in market risk factors. The Group benefits from a number of factors and measures which help to reduce the volatility of its revenue and protect it from market risk. For example, the Group predominantly acts as a market maker in highly liquid financial instruments for which it can reduce market risk exposure by hedging with its prime brokers. In addition, in managing risk inherited from clients, the Group benefits from the natural hedging afforded by the scale and aggregation of client flows as long and short positions offset each other. The Group also utilises proactive risk mitigants, such as position exposure limits and auto-hedging on instruments that are less liquid or where trading flows are not balanced and tend to be one-directional. The Directors believe that these measures have helped reduce volatility in the Group's revenue. For example, the Group has had no weeks of trading loss since 2012, and cumulative trading losses have decreased from £35.8 million in the year ended 31 March 2012 to £7.7 million in the year ended 31 March 2015.

In addition to protecting the Group, active risk management through hedging helps to maximise capture of spread revenue. Over the last three years to 31 March 2015, the trading volume and value of trades executed by the Group has increased at a compound annual growth rate of 18 per cent. and 12 per cent., respectively, which has led to increases of 16 per cent. and 117 per cent. in net operating income and underlying EBITDA, respectively, at a compound annual growth rate. The Directors believe that the Group's current hedging policy and exposure limits have demonstrably improved the consistency of the Group's earnings in proportion to client activity.

### *Liquidity risk*

Liquidity risk is the risk that there is insufficient available liquidity to meet the liabilities of the Group as they fall due. Given the importance of liquidity management to its business, the Group manages liquidity in real-time centrally through a liquidity risk management team. The team utilises a combination of liquidity forecasting and stress testing to help ensure that the Group retains access to sufficient liquidity resources in both normal and stressed conditions.

### *Credit risk*

Credit risk is the risk that a counterparty to a transaction will cause the Group financial loss by failing to discharge a contractual obligation. The Group is exposed to credit risk from two channels: credit institutions ("CIs") and clients. The Group manages credit risk through a number of measures, such as weekly reviews of counterparty credit ratings for CIs, and through a combination of tiered margin requirements (i.e. higher margins for large positions), automated liquidation of client positions and position limits. The Directors believe that the Group's credit risk management measures helped minimise its losses from the Swiss Bank Event, and that these losses compared favourably to that of its competitors.

### *Operational risk*

Operational risk is the risk that the Group will suffer financial losses due to a failure in its systems. A dedicated operational risk department is responsible for maintaining the Group's disaster recovery process as well as monitoring the operational risks faced by the Group. The Group maintains two fully operational data centres, with each having sufficient capacity to fully support the business independently. The Group also offers a full suite of remote working applications that allow employees to work away from the office, and also maintains a larger site out of London for more permanent issues with in excess of 100 seats available. Internal audit is outsourced to Grant Thornton to ensure that the Group can call on a deep pool of expertise and ensure it follows industry best practice.

The Group's robust and effective risk management strategy means that it has not had a losing week in the last three years. Furthermore, the Directors believe that the Group's credit losses resulting from the unpegging of the Swiss Franc in January 2015 were significantly lower than many of its peers.

### *Experienced management team*

The Directors believe that the Group has a strong senior management team, as demonstrated by the successful implementation of the strategic repositioning of the Group and the business's 117 per cent. underlying EBITDA CAGR between the financial years ending 31 March 2013 and 31 March 2015. The Directors also believe that the current management team has the ability and credentials to deliver the Group's business plan.

The Group's senior management team has extensive experience in the financial markets in which the Group operates. The Group is led by one of the leading innovators of online trading for retail clients in Europe over the last thirty years, Peter Cruddas.

In addition, the Group's senior management has operated successfully within a well-developed corporate governance framework, with Non-Executive Directors having been part of the wider Board for more than 10 years, providing effective challenge and feedback to the senior management. The recent appointment of two additional, experienced independent Non-Executive Directors serves to further strengthen the Board and, on Admission, provides a majority independent Board<sup>4</sup>.

#### *Attractive financial profile with significant operational gearing*

The Group has a track record of strong, organic net operating income and EBITDA margin growth over the last three years, which the Directors believe demonstrates the strength and stability of the Group's business model.

The Group's financial and operational performance has significantly improved as a result of initiatives introduced in 2012 to make the Group safer, leaner and more profitable. These initiatives included a change to the Group's risk management approach aimed at reducing the number of loss days and increasing the consistency of daily revenues. These initiatives have included optimised hedging to reduce overnight exposures, as well as the introduction of refined automated liquidation and tiered margins to reduce credit risk. Reflecting these initiatives, the Group's daily average revenue grew from approximately £528,000 in the year ended 31 March 2012 to approximately £566,000 in the year ended 31 March 2015, with significantly fewer loss days. In addition, the Group reduced costs through a reduction in average headcount from 770 in the year ended 31 March 2012 to 473 in the year ended 31 March 2015 and a reorientation of the business to focus on more profitable offices, closing underperforming locations, and reducing the number of offices from 16 in 2012 to 14 currently. As a result of these and other initiatives, operating expenses excluding exceptional costs decreased from £121 million in the year ended 31 March 2012 to £84 million in the year ended 31 March 2015. This focus on cost rationalisation, coupled with increased consistency of revenues, has created significant operational leverage for the Group, driving margin expansion and increased Group profitability over the last three years.

The Group's growth is reflected in net operating income and underlying EBITDA increasing at CAGRs of 16 per cent. and 117 per cent., respectively between 31 March 2013 and 31 March 2015. The Group's underlying EBITDA margin increased steadily over this time period, improving from 12 per cent. in the year ended 31 March 2013 to 36 per cent. and 42 per cent. in the years ended 31 March 2014 and 2015, respectively.

In addition, the Directors believe that the scalability of the Group's operating platform and its strong capital base will enable it to increase its trading volume and the range of products it offers to grow its client base with minimal incremental increases in operational costs.

#### **Strategy**

The Directors believe that CFDs and spread betting will continue to be an attractive way for investors to trade in financial instruments and, as a leading provider of these products to the retail market in particular, the Group is in a strong position to benefit from this trend. The Directors have a clear vision for how the Group will continue to deliver future growth and returns, and this vision is predicated on five fundamental strategic pillars, which the Directors believe have been and will continue to be competitive differentiators and keys to the Group's success.

The Group is targeting £250 million of total revenue (before rebates) by the end of the financial year to 31 March 2020 (£157.9 million in the year ended 31 March 2015). The Directors believe that there is strong operational leverage in the business although costs are expected to increase moderately in the medium term driven by an increased focus on digital marketing as part of the Group's growth strategy.

#### *Consolidate a leading position in the Group's key markets*

The Directors intend to consolidate the Group's leading position at the forefront of the market for online trading in financial products by continually striving to deliver best-in-class client service, product and technological innovation, breadth of product offering and quality and speed of execution.

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<sup>4</sup> Includes Non-Executive Chairman, Simon Waugh, who was independent on appointment.

In the Group's core markets there remain significant opportunities to capture market share from other CFD (UK, Germany, Australia and Singapore) and Spread bet (UK) providers.

#### *Attracting new clients*

The Directors believe that the Group's market-leading technology, differentiated client proposition and client-first culture will help drive continued client growth within the Group's key markets. The Group is a market leader in customer satisfaction and is highly regarded within its industry. By continuing to offer a market-leading premium proposition led by innovative technology, products, and customer service, the Directors believe that the Group will continue to attract new clients, win market share from competitors, and the "CMC Markets" brand can become synonymous with online trading in the countries in which it operates.

The Group also sees an opportunity to attract new clients from the broader financial services markets, including from the non-leveraged financial market (i.e. online share trading) and the approximately \$40 billion global betting market. In the UK, Australia and other key markets, the Group intends to increase client acquisition through digital channels and improved online visibility, improved client on-boarding and focused client conversion and engagement.

#### *Reactivating dormant accounts*

As well as expanding its product offering to capture new clients and become a "one stop shop" for all clients, the Group also aims to continue to reduce its level of client attrition and increase the number of dormant accounts that it reactivates through focused reactivation campaigns. In the six months to 30 September 2015, approximately 14 per cent. of the Group's reactivated clients were dormant clients. The Group aims to increase this number by limiting the number of dormant clients in the first instance and improving the Group's ability to restart client trading.

#### *Targeting Premium Clients*

The Group intends to leverage the success of its focus on Premium Clients achieved in the UK, Australia and Singapore into other jurisdictions. The Group aims to attract Premium Clients through several channels including the sales trading offering, its account executive model, as well as through Partners and Institutional Clients and by focusing on providing an unmatched client service experience. For example, in the UK and Australia, the Group intends to expand its equities book and leverage its reputation for service to attract new Premium Clients, as well as consolidate its maturing book of existing Premium Clients. In Europe, the Group will seek to build out its relationship management functions, particularly in its German and Spanish offices, where the Group is consolidating a strong market position and building a reputation for client service. The Group also intends to develop its Premium Client proposition in Singapore, utilising its educator and sales network to on-board and manage new Premium Clients. The Group also has targeted initiatives to increase Premium Client penetration in Canada and the Middle East, where it is working to position itself as a premium brand.

#### *Optimising digital marketing*

Historically the Group has been less effective at digital marketing than a number of its peers, and the Directors believe that digital marketing will be an important driver of the Group's future growth. As a result of changing market trends and in order to increase operating efficiency, in early 2015, the Group reorganised and expanded its marketing team under the leadership of new Chief Commercial Officer David Hodge, who brings significant experience in digital marketing. While there will remain substantial investment in traditional marketing channels, the Group plans to significantly increase the expenditure assigned to digital marketing across search, affiliate and display channels. The Directors believe that enhanced digital marketing will enable the Group to reach clients in markets that have not been focused on previously. This is expected to increase the number of new Active Clients and reduce the marginal acquisition cost of new clients. The Group's cost of acquiring a new approved account was £697, £663 and £612, respectively, in the years ended 31 March 2014 and 2015, and in the six months ended 30 September 2015, respectively. The Group continues to optimise its marketing by exploring new media channels and via the apportionment of investment between channels and messaging, which have led to reductions in the cost of acquiring new approved accounts. Although the Group expects marketing and sales costs to rise modestly as a percentage of net operating income versus historical ratios (to 10 to 12 per cent.) as a result

of this focus, it is aiming to reduce its cost of acquiring a new approved account to approximately £575 in the medium-term.

#### ***Further develop and expand the Group's international reach***

The Directors intend to achieve enhanced growth through the further expansion of the Group's existing international operations, having recently opened two new offices in Poland and Austria and with options for additional sales offices constantly under evaluation. Having reorganised management, introduced the Next Generation trading platform, focused its marketing efforts and rolled out its Premium Client offering, the Directors believe that the Group is well-positioned to improve its performance in existing under-performing geographies such as France and Italy while also quickly building its presence in more recently opened jurisdictions. In addition, the Group has a representative office in China through which the Group provides client education services but does not procure clients directly. The current regulatory landscape in China is uncertain, and the Group does not operate in mainland China. However, as the regulatory position becomes clearer the Group is well-positioned to offer its services in China. The Group also aims to expand its international reach by offering new products, such as Countdowns, in geographies where CFDs and spread betting are not available or not permitted.

In addition to geographical expansion through direct clients, the Group intends to continue to broaden its international reach through further Partner and Institutional Client relationships, leveraging institutional partners' regulatory status to gain initial access to new markets, and thereby to familiarise local investors with its products, without incurring the expenditure and administrative time necessary to become regulated in such markets.

#### ***Continue to deliver product and technological innovation***

The Directors believe that the on-going development of the Group's trading platform will be essential to maintaining its leadership in financial trading technology, and the Directors therefore intend to continue to invest in the enhancement and support of the Group's online technology. The Group employs approximately 70 in-house staff on core Next Generation software development, split between six product teams: web platform, mobile apps, website, trading, CRM and middleware. The Directors understand that developing and distributing reliable products with innovative functionality in response to the needs of clients and institutional partners will be critical differentiators of the Group and will be fundamental to the continued success of the Group's business.

Through the ongoing assimilation of data reflecting trading trends from its platform and the collection of client feedback, the Group's "client-first" culture already prioritises identifying and responding to the needs of its clients and institutional partners. The Directors believe that as the functionality of the platform continues to evolve, ever more data will be available to the Group which will enable it to make better-informed decisions about product innovation that will help to optimise the positioning and range of its offering.

The most significant recent example of such innovation was the introduction of Countdowns in 2015. Having assessed the market potential for such a product in certain markets on the basis of intelligence gathered via the platform and also client feedback, the Group developed its Countdowns product entirely in-house, successfully launching the product on an accelerated nine month timetable and at significantly lower cost than if development had been outsourced to a third party provider. From the release of Countdowns on 20 July 2015 to 30 September 2015, average daily trades exceeded 4,000, with the Group earning approximately £1.1 million in revenue from the product in the same period, despite no external marketing of the product. The Group will continue to seek to provide its clients innovative products and is currently evaluating several products to add to its offering. The Group is targeting £20 million of revenue from Countdowns, Binaries and other new products in the medium-term.

#### ***Grow through Partner and Institutional Client arrangements***

The Directors believe that continuing to form relationships with financial firms offering services in complementary markets will increase the Group's market reach. The Group had 46 Partners and Institutional Clients in 17 countries as at 31 December 2015.

The Directors believe that Partner and Institutional Client arrangements are most attractive to firms that desire the efficiency and product offering of the Group's trading platform software, but do not have the technological capability to offer it on their own. The Directors believe that the mutual benefits to be

achieved from Partner and Institutional Client arrangements are attractive to a large number of firms and present a substantial growth opportunity for the Group. As a result, the Group intends to expand its institutional partnership programmes in all jurisdictions in which it currently has offices, in addition to using the institutional partnerships as a vehicle for initial exposure to new markets. To that end, the Group has dedicated staff promoting its institutional partnership proposal, having recently hired a Head of Partners and Institutional Clients, and it continues to optimise the financial incentives it pays to institutional partners while expanding its institutional partnerships offerings to include increased access to its Next Generation trading platform. While the Group sees a significant growth opportunity in its Partners and Institutional Clients offerings, it remains committed to retaining only high quality clients from a value and risk perspective, and intends to maintain its conservative selection and due diligence processes.

In the year ended 31 March 2015, adjusted partner and institutional revenue was £15 million, compared with £20 million in the year ended 31 March 2012. This decrease was due to the focus during the roll out of Next Generation on the retail offering. In the medium term, the Group is targeting revenue from Partner and Institutional Clients to be in line with historical levels.

### **The Group's Business**

Operationally, the Group is organised by geographic division, with central control maintained from its UK head office and the operation of certain functions, such as trading and business operations, shared between its UK and Australian offices (to ensure 24-hour coverage, 5 days a week). The Group maintains offices in various jurisdictions to market its trading platform and to service clients locally, as well as for local regulatory reasons. In addition to its head office in the UK, the Group has offices in Australia, Austria, Canada, China (representative office), France, Germany, Italy, New Zealand, Norway, Poland, Singapore, Spain and Sweden.

The Directors believe that the Group has all relevant regulatory approvals and permissions for the jurisdictions in which it operates. In addition, the Group has local compliance officers in or aligned to each of the offices it operates (save China), and the Group's regulatory monitoring framework is designed to ensure that it understands the relevant regulations in each jurisdiction and any forthcoming changes. The Group is also subject to regular audit (internal audit, external audit and periodic regulatory audits in certain jurisdictions).

#### ***Next Generation trading platform***

The Group offers its products to its clients through its Next Generation trading platform, which became operational in 2014 to retail clients in all markets in which the Group operates. Having been developed in-house at a cost of approximately £65.7 million and initially launched in 2010 in respect of spread betting and in 2011 in respect of CFDs, with incremental development over the following years, the Group believes that its Next Generation trading platform represents a significant improvement in its offering from its previous MarketMaker platform. (The MarketMaker platform is still being supported by the Group, but only an immaterial number of clients still remain on it and the plan is to migrate all remaining clients to Next Generation during 2016).

Next Generation provides clients with a seamless trading experience across all platforms (web, mobile and tablet) spanning all client activities including opening an account, making payments and placing trades. Next Generation offers a host of distinct benefits to clients, including trading, charting (including pattern recognition scanner) and technical analysis tools, an automated trade execution system, risk management functionality including a guaranteed stop loss order function and access to news, market analysis and Morningstar quantitative equity research reports in an integrated platform optimised for desktops, and all iPhones, iPads and Android devices. In the six months ended 30 September 2015, 52 per cent., 30 per cent., 10 per cent. and 8 per cent. of the Group's trades by value, and 63 per cent., 17 per cent., 13 per cent. and 7 per cent. of the total number of the Group's trades were placed on desktops, iPhones, Android devices and iPads, respectively.

Since its launch, the Group has released regular enhancements to the platform to ensure it meets client and regulatory requirements, averaging three major platform upgrades per year and 70 releases per quarter. This calendar year, the Group delivered three projects, with another three scheduled for next calendar year. The platform is maintained in-house and the Group places minimal reliance on third-party software systems. The Group provides 24-hour telephone and client support for Next Generation throughout the UK working week, and also offers clients an education suite at no charge, which includes

demonstration accounts, live help, client feedback venues, platform tours, trading strategy videos, live education events and the Group's "Trading Smart" series.

The Group, through its Next Generation trading platform, has a deep-rooted technology focus, with trading and risk management integrated from front to back-end. The Group invested approximately £65.7 million between 2010 and 2015 in the platform. Next Generation's median execution time is 0.010 seconds (99 per cent. of trades are executed in under 0.1 seconds). The Group processed over 160 million prices per day via Next Generation in September 2015. Over the past two years, the Group saw a threefold increase in average trades per day on Next Generation, and a more than 50 per cent. increase in Active Clients. With peak connections at approximately 50 per cent. of current capacity, the Directors believe that Next Generation is a highly scalable technology platform, having handled peaks of more than 800,000 trades in one day, 13,000 concurrent client connections and more than 30,000 prices per second.

### ***Product Offerings***

The Group's primary products are CFDs and spread betting (in the UK and Ireland). The Group provides its clients with the ability to trade CFDs and engage in financial spread betting on a range of equity shares, indices, foreign currencies, commodities and treasuries. The Group currently offers products relating to approximately 10,000 underlying financial instruments and frequently adds to its product range, tailoring its products to meet the needs and trading preferences of clients in different countries and localities. The Group also launched Countdowns in 2015, and is aiming to introduce Binary products over the course of 2016. In the year ended 31 March 2015, and in the six months ended 30 September 2015, the Group processed approximately 45 million and 34 million CFD and spread bet trades, respectively. In addition, the Group provides stockbroking services in Australia.

In the year ended 31 March 2015, 48 per cent. of the Group's net operating income was derived from trades and bets on indices, 19 per cent. on foreign exchange instruments, 14 per cent. on commodities, 12 per cent. on equity shares, 1 per cent. on treasuries, with 4 per cent. coming from the stockbroking business and 1 per cent. from non-trading interest income. In the same year, 66 per cent. of the Group's notional turnover in CFD and spread bet products came from trades and bets on indices, 29 per cent. on foreign currencies, 4 per cent. on commodities and 1 per cent. on equity shares.

The table below sets out the range of products available to clients in the Group's key markets. In other markets, the Group's offering consists primarily of CFDs.

<b><u>Products by Region</u></b>	<b><u>UK</u></b>	<b><u>Australia</u></b>	<b><u>Germany</u></b>	<b><u>Singapore</u></b>
CFDs . . . . .	Yes	Yes	Yes	Yes
Financial Spread Bets . . . . .	Yes	No	No	No
Countdowns . . . . .	Yes	Yes	Yes	No
Stockbroking . . . . .	No	Yes	No	No

Most of the Group's products share certain basic features. CFDs and financial spread bets, the Group's core product offerings, are leveraged derivative products linked to the performance of the price of an underlying financial instrument. This allows clients to benefit from certain advantages which are generally not available to retail clients trading the underlying financial instruments directly, such as the ability to trade on margin, to spread bet with reference to fractional units, and the ability to take positions based on whether a client believes the underlying asset will increase or decrease in value. The Directors believe that the cost of the Group's products are significantly below those necessary to execute comparable trades in the underlying market with traditional brokers. Additionally, the Group's products allow clients to use leverage to obtain higher exposures, potentially increasing returns (while also creating the possibility of greater losses than with unleveraged investments).

The Group's CFDs and financial spread betting products reflect economic adjustments for corporate actions (such as dividends, stock split and rights issues) that occur in relation to the underlying security to maintain the economics of the underlying trade. However, the Group's clients do not have voting rights in the underlying financial instruments.

As CFDs and spread bets are viewed as “complex products” from a regulatory perspective in the UK and other jurisdictions, the Group obtains information from prospective clients to enable an assessment of whether they have the knowledge and experience to understand the risks connected with the Group’s products. This is referred to as “appropriateness testing”. If a client is assessed as lacking in the relevant knowledge and experience, their application will either be rejected or they will be notified of their status and assurance will be sought from the applicant that they explicitly understand the risks involved and that they will familiarise themselves with the products before trading commences. The “appropriateness test” requirements differ in certain jurisdictions.

Detailed below is a general description of the products offered by the Group.

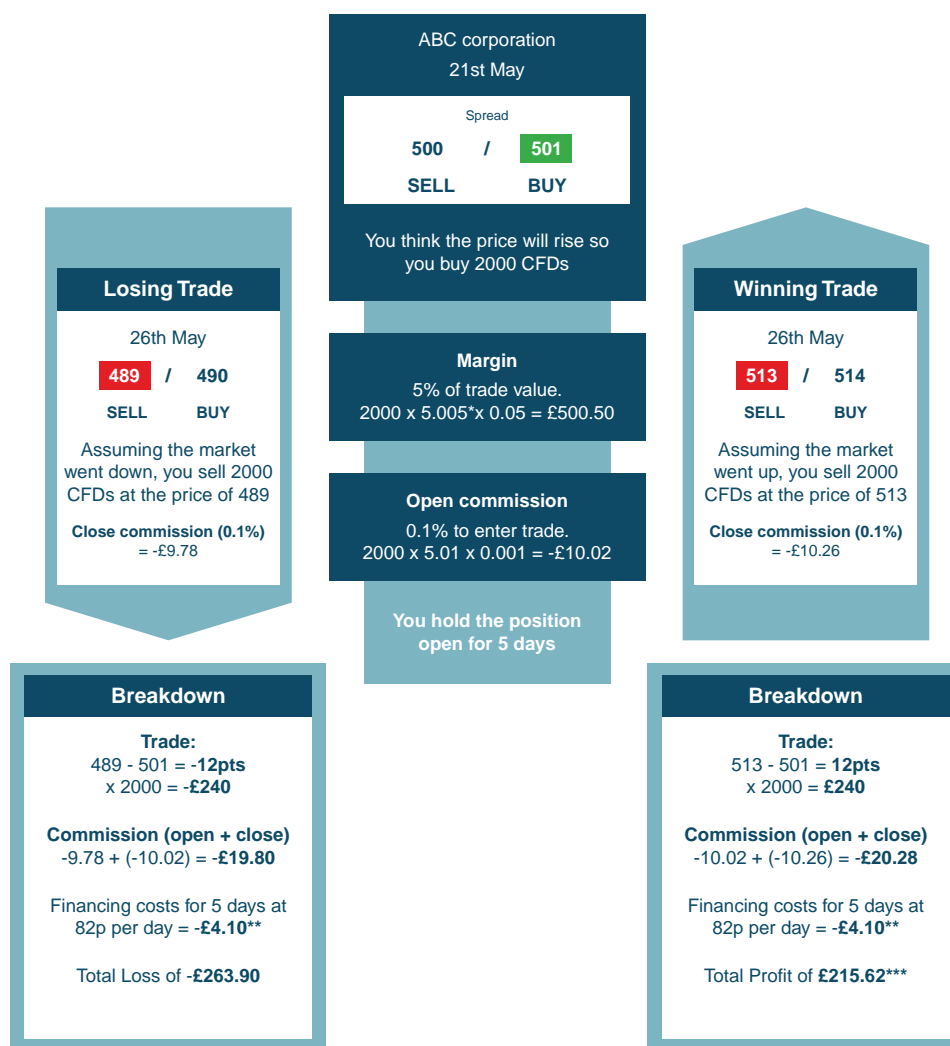
### *CFDs*

A CFD is a cash-settled investment based on currencies, commodities, treasuries, indices and equity shares, providing economic benefits similar to an investment in an underlying asset without certain costs and limitations associated with physical ownership. A CFD is a leveraged product which has the potential to magnify profits as well as losses. In the UK, CFD trades currently do not incur stamp tax duty charges, in contrast to trades in traditional financial investments, such as equity securities.

The Group’s clients can trade fractions of units per CFD, and the Group charges commission on trades of CFDs for equity shares and charges spreads for all other asset classes. As a CFD is a leveraged product, the Group requires varying levels of margin to be posted in respect of the full value of a client’s position. Margins vary depending on a client’s position and the type of instrument in which the client invests. Certain jurisdictions such as Singapore, Canada and Poland have pre-defined margin requirements for various products. In the UK, margin rates are typically between three and five per cent. in respect of CFDs on equity shares, a minimum of one per cent. in respect of commodities CFDs and a minimum of two-tenths of a per cent. in respect of indices, currencies and treasuries CFDs. In addition, under a CFD, at the end of each day, positions held by a client overnight may be subject to a financing cost, which can be positive or negative.

The example on the following page illustrates the operation of a CFD relating to an equity share executed on the Group’s Next Generation trading platform in which a client takes a long position (i.e., a position in which the client believes the value of the financial instrument will increase) in a CFD on a particular equity share in expectation of an increase in its value.

## The CFD Trade



\*Mid-price

The mid-price is 5.005, the mid-point between the buy and sell price

\*\*Financing cost calculation

(No of units x opening trade price x buy financing rate / 365 |  $(2000 \times 5.01 \times 3) / 365 = 82\text{p per day}$  | 5 days = £4.10

\*\*\*Total Profit

Profit gross of potential capital gains tax

### Opening the trade

On 21 May, ABC Corporation is trading at 500p/501p. Believing that the share price will rise, the client buys 2,000 CFD units at 501p (the ask price). With the margin level set at 5 per cent., the margin requirement, calculated on the basis of spread mid-price, is £500.50.

Commission is charged at 0.1 per cent. for share CFDs to open and close positions. Therefore, the client must pay £10.02 in commission to open this position. Commission is always calculated on the executable price i.e. the bid or offer price.

Number of CFD units	2,000	
Offer price per unit	501p	
Margin requirement	£500.50	$(2,000 \times \text{£}5.005 \times 5 \text{ per cent.})$
Commission	£ 10.02	$(2,000 \times \text{£}5.01 \times 0.1 \text{ per cent.})$

### *During the trade*

The client holds the position for five days. With a financing rate for these share CFDs charged at UK LIBOR 1 month + 2.5 per cent. for long positions, the client must pay financing costs of £4.10 over 5 days (82p per day).

Financing costs (per day) . . . . .	£0.82	$(2,000 \times £5.01 \times (0.005 + 0.025)/365)$
Total financing costs . . . . .	£4.10	

### *Closing the trade*

- Scenario 1: ABC Corporation share price goes up and the client makes money.

On 26 May, ABC Corporation is trading at 513p/514p. The client closes the trade by selling 2,000 CFD contracts at 513p (the bid price), resulting in a trade profit of £240.00.

Commission is charged at 0.1 per cent. to close the position. Therefore, the client must pay £10.26 commission to close the position. Taking trading costs (opening commission, financing cost, close commission) into account, the client's net profit is £215.62.

Trade profit . . . . .	£240.00	$((£5.13 - £5.01) \times 2,000)$
Commission . . . . .	£ 10.26	$(2,000 \times £5.13 \times 0.1 \text{ per cent.})$
Net profit for client . . . . .	£215.62	$(£240.00 - £10.02 - £4.10 - £10.26)$

- Scenario 2: ABC Corporation share price goes down and the client loses money.

On 26 May, ABC Corporation is trading at 489p/490p. The client closes the trade by selling 2,000 CFD contracts at 489p, resulting in a trade loss of £240.00.

Commission is charged at 0.1 per cent. to close the position. The client must pay close commission of £9.78. Taking trading costs (opening commission, financing cost, close commission) into account, the total loss on this account is £263.90.

Trade loss . . . . .	£240.00	$(£4.89 - £5.01) \times 2,000$
Commission . . . . .	£ 9.78	$(2,000 \times £4.89 \times 0.1 \text{ per cent.})$
Net loss for client . . . . .	£263.90	$(- £240.00 - £10.02 - £4.10 - £9.78)$

- Scenario 3: ABC Corporation share price goes down further, the client does not close his position, and the trade is automatically closed out.

If the client does not close the position on 26 May, and the shares of ABC corporation trades lower, the Group's automated close-out system will close the trade when the client's account revaluation amount falls below an applicable close-out level, in this case 50 per cent. For the calculation of equity for account revaluation purposes, the mid-price is used. Assuming the client has a GBP denominated trading account, with a starting account balance of £515.00, has no other positions and does not have a guaranteed stop loss order in place when the ABC Corporation share CFD price falls to 487p/488p on 26 May, the client's margin coverage (equity/margin requirement as a percentage) falls below 50 per cent. and the client's position is closed at the next best bid, which in this case is 487p, resulting in a trading loss of £280.00. The client is also charged a close commission of £9.74. The client's total loss on this trade is £303.86.

Equity . . . . .	£230.88	$(£515.00 - 10.02 - £4.10 - £270)$
Margin requirement . . . . .	£487.50	$(2,000 \times £4.875 \times 5 \text{ per cent.})$
Coverage . . . . .	47.4 per cent.	$(£240.88/£488.50 \times 100)$
Net Loss for client . . . . .	£303.86	$(- £280 - £10.02 - £4.10 - £9.74).$

### Binaries

The Group plans to introduce Binaries (a new CFD product) in the first half of 2016 and is considering launching popular Binary products such as Ladders (which allows clients to speculate on whether an instrument will close above a certain price level), One Touch (which allows clients to speculate on whether an instrument will touch or exceed a barrier price level at any time before expiry), Ranges (which allows clients to speculate on whether an instrument will be within a certain price range at a given amount of time) and Up/Downs (which allows clients to speculate on whether an instrument will go up or down in price from its previous close).

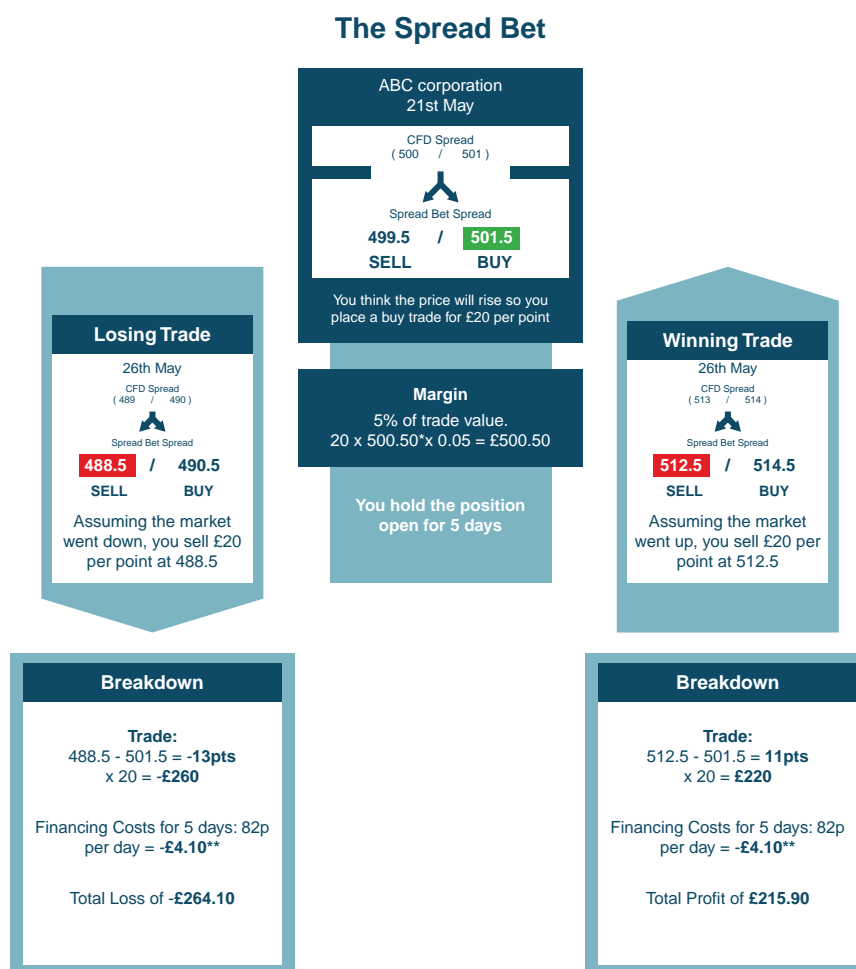
Binaries will offer clients the opportunity to speculate on whether a specified event will or will not occur within or at the end of a specified timeframe. The only two possible outcomes are “yes” or “no”. The client’s risk and potential profits are determined at the point of trade. Binaries can be closed prior to expiry.

The Group believes that a large proportion of potential Binaries clients do not currently trade CFDs or Spread Bets and would be attracted to the Group’s offering due to its position in the market as a trusted, reputable provider with a unique, intuitive, mobile-optimised Binaries interface.

### Financial spread bets

The Group’s spread betting products are offered exclusively in the UK and Ireland. Profits from spread betting are currently free from capital gains tax and stamp duty in these jurisdictions. Spread betting provides similar economic benefits to those experienced when investing in an underlying asset, but without the costs and limitations associated with physical ownership. In contrast to CFDs, in a spread bet a client bets a specific stake size per point movement of a product, rather than trading a specific number of shares or units. The Group’s spread bet products allow a client to trade by reference to fractional units of the underlying financial instrument and to take long or short positions. Because the Group’s spread betting products are leveraged products, they also have the potential to magnify losses as well as profits compared to an unleveraged direct investment in an underlying instrument.

The following example illustrates the operation of a spread bet in which a client places a spread bet on a particular equity in anticipation of an increase in its value:



**\*Mid-price**

The mid-price is 500.5, the mid-point between the buy and sell price.

**\*\*Financing cost calculation**

(Stake x opening trade price x buy financing rate / 365 |  $(20 \times 501.50 \times 3) / 365 = 82\text{p per day}$  | 5 days = £4.10

### *Opening the trade*

On 21 May, the Group is quoting 499.5p/501.5p. Unlike with CFDs, commission is included in the spread. Believing that the share price will rise, the client buys at 501.5p (the ask price) with a bet size of £20 per point. With the margin level set at 5 per cent., the margin requirement to open the trade is £500.50.

Margin requirement . . . . .	£500.50	(20 × 500.5 × 5 per cent.)
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### *During the trade*

The client holds the position for five days. With the financing rate for these spread bets being charged at UK LIBOR + 2.5 per cent., the client must pay financing costs of £4.10 over five days (82p per day).

Financing costs (per day) . . . . .	£0.82	(20 × 501.5 × (0.025+0.05)/365)
Total financing costs . . . . .	£4.10	

### *Closing the trade*

- Scenario 1: ABC Corporation share price goes up and the client makes money.

On 26 May, the Group is quoting 512.5p/514.5p. The client closes the trade by selling at 512.5p (the bid price), giving a trade profit of £220.00. Taking financing costs into account, the client's total profit is £215.90.

Trade profit . . . . .	£220.00	((512.5 – 501.5) × 20)
Net profit for client . . . . .	£215.90	(£220 – £4.10)

- Scenario 2: ABC Corporation share price goes down and the client loses money.

On 26 May, ABC Corporation is trading at 489p/490p in the underlying market and the Group is quoting 488.5p/490.5p. The client closes the trade by selling at 488.5p, resulting in a trading loss of £260.00. Taking financing costs into account, the client's total loss is £264.10.

Trade loss . . . . .	£260.00	(488.5 – 501.5) × 20
Net loss for client . . . . .	£264.10	(£260 + 4.10)

### *Countdowns*

The Group launched a new product, Countdowns, in July 2015 in the UK, Ireland, Australia and New Zealand. Countdowns are now available in all other geographies where the Company operates except Singapore and Canada. Developed and launched by the Group's in-house development team, Countdowns allow clients to place fixed-odd bets relating to price movements during short-term timeframes of as short as 30 seconds, with typical win payouts of 85 per cent. of the original stake. A client cannot close a Countdown trade and must let it run until the end of the agreed timeframe. Countdowns allow for three possible outcomes of the bet: if the client's prediction is correct at the end of the specified timeframe, they will be credited with the amount agreed when the bet was made; if they are wrong, they will forfeit their stake. If the price of the underlying instrument on expiry is equal to the agreed Countdown price, the result is a draw and the client is refunded between 50 per cent. and 60 per cent. of the original stake. From the release of Countdowns on 20 July 2015 to 30 September 2015, average daily trades exceeded 4,000, with the Group earning £1.1 million in revenue from the product in the same period, with no external marketing effort. In the UK, Countdowns are regulated by the Gambling Commission. In Australia, ASIC regulates Countdowns.

### *Stockbroking*

Since 2008, following the acquisition of Andrew West & Co., (now CMC Stockbroking) the Group has offered Australian clients the ability to buy and sell equities, stock and index options, and funds listed on the Australian Securities Exchange (the "ASX") and, since 2014, the Sydney Stock Exchange (the "SSE"). The Group provides its clients with access to live market data and research from Australian stock market analysts. In 2014, the Group also began offering a mFunds settlement service, allowing clients access to "mFunds", which are unlisted managed funds that have been admitted for settlement under ASX rules. In addition, the Group supports fund raises through the ASX on-market bookbuilding service. The Directors believe that there is a cross-selling opportunity to its Australian clients between stockbroking services and

CFD trading, and the Group intends to continue to leverage this opportunity in the future. Australia has 620,000 unique online share trading clients in its stockbroking segment, of which 51,000 are frequent traders (i.e., which Investment Trends defines as those who transact over four share trades per month), according to Investment Trends' 1H2015 Australian Online Broking Report.

### *Sources of revenue*

The Group generates revenue primarily through two distinct streams: trading (from spreads and risk management) and non-trading (from commissions, financing costs and other sources), which are described qualitatively further below (See Part XIV (*Operating and Financial Review*) for an analysis of the Group's historical financial results, as well as its use of rebates to clients).

### *Spreads*

The Group earns revenue by maintaining a transactional spread (the difference between the bid and ask price) on its CFD and spread bet products. The difference between the prices which buyers are willing to pay for the financial instruments the Group sells and the prices which sellers are willing to accept for the financial instruments the Group buys directly affects the Group's results, as compressed bid-ask spreads, if not offset by higher trading volumes, will result in lower profitability. As a market maker, the Group continuously updates prices during the trading day with a bid and ask price depending on the underlying liquidity for each of its CFD products.

For example, if the Group quotes a CFD at 100p/105p, a client may buy the CFD at 105p (the ask price) and later close its position by selling the CFD at 100p (the bid price). The 5p difference represents spread income for the Group. Price fluctuation of the CFD may result in a trading gain or loss for the Group, in addition to the spread income. Volatility in underlying markets can influence the Group's bid-ask spreads in either direction, and spreads can shift in real time due to a number of other factors outside of the Group's control, including market conditions such as the sudden loss of liquidity and the failure of a third-party price information source.

With respect to its foreign exchange CFDs and spread bets, the Group has access to foreign exchange trading prices generally available only to large financial institutions and as a result is able to offer clients more competitive foreign exchange trading prices (i.e., a lower dealing spread between bid and ask prices) than are otherwise generally available to retail clients. At the same time the Group may generate revenue from the difference between the rate available to the Group and the rate offered to clients in circumstances where the client position is hedged by the Group.

For the year ended 31 March 2015, spreads represented £134 million, or 93 per cent., of the Group's net operating income. As a revenue driver, transaction spreads are correlated with client turnover.

### *Commissions*

The Group charges a commission on CFD equity trades. Clients are charged either a minimum commission of £8 or a percentage based on the value of the trade.

For the year ended 31 March 2015, commissions were £17 million, or 12 per cent., of the Group's net operating income. As a revenue driver, commissions are correlated with client turnover in equities.

### *Financing costs*

Positions held in clients' accounts overnight may be subject to a financing cost, which can be positive or negative depending on the direction of their holding and the applicable financing rate. Financing costs for forward contracts in indices, commodities and treasuries are priced into the bid-offer spread of the contract rather than posted as a separate cash adjustment.

For the year ended 31 March 2015, financing fees were £19 million, or 13 per cent., of the Group's net operating income. As a revenue driver, financing revenue is dependent on the overall size of the clients' overnight position and the interest rate environment.

### *Risk management*

The Group generates revenue or losses from its management of the client risk positions it inherits. This consists of two discrete components. The first is the gains or losses which accrue to the Group through

client positions. The second is the gains or losses which accrue to the Group through the hedge positions entered into by the Group.

The Group does not take its own view on market direction; rather it inherits client positions and actively manages them in real time within pre-determined Board-approved capital limits. Client flows aggregate naturally within the portfolio, as long and short positions offset each other both within and across asset classes. As the market moves either in favour or against clients, the net client portfolio will either have made a profit or made a loss. A net client profit is a loss for the Group and vice versa. The greater the level of natural aggregation within the portfolio, the less volatile this gain or loss will be, as clients profits and losses offset each other.

The second element relates to the hedges which the Group chooses to put in place against the trades its clients make. This decision is either made automatically through auto-hedging (see Paragraph 1 (*Risk Management and Hedging*) of Part X (*Risk Management and Hedging Policy*)) or manually by dealers on the trading desk. If the Group were to auto-hedge all residual exposure, its net risk management revenue would always be negligible (before hedging costs). However, the Group believes that it can generate higher returns by leaving some highly liquid products, such as the German 30 index, unhedged, because the Group receives a high degree of balanced client trades.

Whether the Group makes a profit or a loss from its risk management depends on both the client positions it inherits (including the level of natural aggregation among those positions), and the hedges it chooses to place against them. These can, but do not always, net off against one another. For the year ended 31 March 2015, the Group generated a loss of £11 million from risk management.

### *Countdowns*

The Group earns revenue on Countdowns through the spreads it offers clients on the bet as well as the potential loss of the client's stake. The Group currently offers Countdowns on a wide variety of underlying financial instruments, and the Group seeks to manage its exposure on each side of its spread and maximise profitability on these positions by analysing a variety of historical market trends, along with client behaviour and market sentiment.

The Group's exposure to Countdowns is not externally hedged and the Group manages its exposure generally through pre-defined limits based on market hours, underlying liquidity and market volatility, limiting both the individual and aggregated position size clients can place at any time. The Group's exposure to loss on Countdowns can be significant due to the lack of time available to balance client positions. As a result, the Group typically offers Countdowns only during periods of the trading day that demonstrate relatively higher liquidity and volatility, and only on selected products, and on fewer products on the shorter timeframes.

### *Other income*

Other income includes interest income from client deposits derived mainly from Australia and New Zealand client deposits, due to the higher interest rate environment in the region. Client deposits in the UK and Europe typically represent approximately 60 per cent. of all client deposits, yet only minimal fees are derived from these balances.

During the periods under review, interest rates worldwide have been low. If interest rates increase in the future, this would likely allow the Group to charge its clients higher financing fees, resulting in higher profit (although the financing fees that the Group pays its institutional counterparties through which it engages in hedging operations would also increase). The Directors estimate that a one per cent. increase in global interest rates would potentially increase interest income by £1 to 2 million and financing fees by £1 to 2 million per year.

## **Marketing and Distribution**

### *Overview of marketing operations*

The Group's marketing activities are designed to attract new clients and prospects (those who have opened a non-funded demonstration account) to the Group's platform and to retain its existing client base. The Group devotes resources to increasing trading activity through client education programmes and seminars, and it tracks and develops client "leads" (individuals who have participated in some form of product education but who have not yet opened a funded or demonstration account). The strategy of the Group is

to market its products directly to its clients from its various offices as well as through its Partners and Institutional Clients via branded and unbranded platform offerings.

The majority of the Group's marketing personnel are based in London with smaller teams (usually two to three individuals) based across its regional offices. The Group is moving increasingly towards a centralised, in-house approach for its digital marketing activity based out of the London office. This model enables a high degree of internal specialisation to be developed, facilitates accurate performance benchmarking, greater efficiencies in deployment and delivers a scalable solution. The Group's regional marketing teams are focused on developing country-specific marketing plans and content management and as such use the London office as an "in-house agency" to provide support.

The Group has adopted a targeted marketing approach in the countries in which it operates (other than China). Under this approach, the Group does not focus solely on the cost per new approved account, but rather focuses on attracting higher value clients and on enhancing their lifetime value.

### ***Digital marketing***

Maintaining an online presence is an important part of the Group's marketing strategy. The Group uses its website, emails and social media channels to promote its products and services to existing clients and prospects. In addition, the Group advertises on third-party and affiliate websites and utilises search engines (both search engine optimisation and advertisements on search engines) to attract potential clients.

### ***Offline marketing***

The Group also engages in targeted off-line marketing in more traditional media channels such as the financial press, television (including interviews with Group analysts on outlets such as BBC News), outdoor advertising and sponsorships (including as official partner of the Land Rover BAR America's Cup sailing team and Australian Rugby Union team the NSW Waratahs).

### ***Education***

The Group has made a strategic decision to invest in and develop a comprehensive range of educational tools and services for both its clients and prospects, including live seminars, webinars, e-programmes and a suite of educational videos, which are provided both by third parties (such as Trade with Precision) and by a Group in-house team. The Group also offers a free demonstration account version of Next Generation for potential clients to familiarise themselves with the Group's product and the Next Generation interface. These offerings, combined with regular market updates from the Group's global market analyst team, help to ensure that clients and prospects are provided with support to meet their trading and educational needs.

### ***Marketing investment levels***

The Group's non-personnel marketing spend as a percentage of net operating income was 6 per cent., 8 per cent., 9 per cent. and 9 per cent. in the years ended 31 March 2013, 2014, 2015 and in the six months ended 30 September 2015, respectively.

In the years ended 31 March 2013, 2014 and 2015, online and offline marketing spend was 44 per cent., 44 per cent., and 47 per cent., and 23 per cent., 29 per cent., and 28 per cent., respectively, of the Group's total marketing spend.

### ***Net Promoter Score***

A key metric the Group uses to gauge the product and service appeal of its brand is the Net Promoter Score ("NPS"), which is designed to measure the relative frequency of 'promoters' (people who would recommend the product or service to a friend or colleague) and 'detractors' (people who would not). The Group's NPS is well ahead of sector averages in key markets. In 2015, the Group attained a score of 19 per cent. (compared with 5 per cent. average score and 22 per cent. top score) in the UK spread betting market, 12 per cent. (compared with - 4 per cent. average score and 23 per cent. top score) in the Australian stockbroking market, 6 per cent. (compared with 4 per cent. average score and 52 per cent. top score) in the German CFD market and - 2 per cent. (compared with - 19 per cent. average score and 14 per cent. top score) in the Singaporean CFD market.

## ***Distribution***

The Group maintains a global retail sales team that is responsible for converting leads into new clients and educating clients on the Group's products and services, as well as reactivating inactive client accounts. The Group's client services team provides customer support, managing queries via phone, email and live chat, and is responsible for extending the client lifecycle and encouraging active trading. In addition, the Group also maintains, in the UK and Australia, a dedicated institutional sales team, responsible for growing the Group's Partners and Institutional Clients business, and a sales trading and relationship management team that is responsible for trade execution and which provides a direct point of contact to clients whose business requires a further layer of service.

## **Client Base**

During the year ended 31 March 2015, approximately 50,000 Active Clients traded with the Group. The Group transacted an average total contract value of more than £6 billion per trading day across its product ranges in the year ended 31 March 2015 and more than £8.5 billion per trading day in the six months ended 30 September 2015. Based on the documentation provided by its clients, during the year ended 31 March 2015, 31 per cent. of the Group's clients were located in the UK and Ireland, 39 per cent. in Europe (with 23 per cent. in Germany and 16 per cent. in the rest of Europe), 19 per cent. in Australia and New Zealand, and 11 per cent. in the rest of the world.

The Group has a highly diverse client base with no 'typical client'. The Group's client base is predominately retail clients, but in recent years has included a number of Partners and Institutional clients (including retail broker aggregators, hedge funds, investment managers and proprietary trading houses) who use the Group's products as a source of hedging and liquidity. Clients introduced to the Group under an Introducing Broker ("IB") partnership arrangement are counted as clients of the Group, while the clients of a Market Counterparty partner arrangement are not (although their trades are included in the Group's overall trading volumes).

Within the retail space, the Group distinguishes between Premium Clients and Standard Clients (i.e., all clients who are not Premium Clients).

## ***Standard Clients***

Standard clients comprised approximately 86 per cent. of the Group's Active Clients as of 30 September 2015. The Group aims to attract and retain clients in this segment through its digital and offline marketing channels, client referrals and sales lead conversions. Standard clients provide the Group the benefit of reduced concentration in its client base while being relatively inexpensive to service.

## ***Premium Clients***

The Group particularly seeks to attract Premium Clients. It has restructured its service offering in the past 36 months to better attract, accommodate and retain these accounts, by establishing sales trading and relationship management desks which are focused solely on high value clients. In addition, the Group has also established a rebate scheme which seeks to incentivise and reward high volume business. Rebates are calculated based on notional volume traded in each asset class in a given calendar month according to a tiered system. Clients trading in a higher-volume tier receive a greater rebate per unit of notional value than clients trading in a lower-volume tier.

To date, the Group's focus has been to attract Premium Clients in the UK, Australia, New Zealand and Singapore, the markets where its presence is most established. While it fully intends to continue building on the success that it has had in those markets and expand its market share, the Group will also aim to replicate its Premium Client focus in other regions where it sees the opportunity existing, leveraging the teams in its global offices to copy the model that has been and continues to be successful in the UK, Australia, New Zealand and Singapore.

Specifically, in Europe, the Group is aiming to build its relationship management function in its German and Spanish offices, while mirroring those desks in other European offices. The Group intends to cross-sell its product range to new and existing clients to both enhance client retention and attract new clients and build new revenue streams. In the rest of the world (where permitted), the Group is aiming to leverage its renewed client service focus to drive best in class reputation and position itself as a premium brand in emerging markets such as the Middle East.

Historically, the Directors believe that the Group has predominantly competed with IG Group and Saxo Bank to attract Premium Clients, with other firms more focused on the “mass market” retail space. According to the 2015 UK Leveraged Trading Report, the Group had approximately 9 per cent of the premium client market share in the UK (premium clients are defined by the Investment Trends Reports as clients within the top 20 per cent. of most valuable clients based on self-reported average trade size, trading frequency and initial size of account). Furthermore, the Directors believe that in Australia, New Zealand and Singapore the Group already has the leading market share in Premium Clients, having increased market share by approximately 10 percentage points in Australia and by approximately 6 percentage points in Singapore between 2013 and 2015, taking market share from key peers in these markets, according to the Investment Trends Reports.

### *Partners and Institutional Clients*

The Group offers a global service tailored toward dealers, brokers, banks and other trading companies who would like to expand the product set that they offer to their clients and enhance their technology offering. By leveraging its Partners and Institutional Client relationships around the globe, the Group seeks to increase its own trading volumes with minimal marketing cost, without setting up a new office and without detracting from its ability to service its core retail clients. The Group offers its Partners and Institutional clients access to all of the Group’s financial products, subject to applicable local regulatory requirements. By partnering with the Group, Partners and Institutional Clients can create new business opportunities and broaden their product offerings to include the products offered by the Group, as well as having the benefit of dedicated middle and back office tools and reporting that the Group provides. In return, the Group can obtain access to clients and geographies it may otherwise not be able to reach due to language difficulties, regulation or lack of a local presence and can leverage strong alternative financial branding. The Group had 46 existing Partners and Institutional Clients located in 17 countries as at 31 December 2015.

The Group’s revenue model for its Partners and Institutional Clients business is the same as for its retail business, except that a fixed percentage of revenue is rebated to Partners and Institutional Clients, where permissible by law.

The Group’s Partners and Institutional Clients fall into one of three categories: IBs, Market Counterparty partners and Liquidity Solutions. Adjusted partner and institutional revenue was 11 per cent., 12 per cent., 10 per cent. and 10 per cent. of Group net operating income in the years ended 31 March 2013, 2014, 2015 and in the six months ended 30 September 2015, respectively.

The Group intends to expand its Partners and Institutional Clients business, with a focus on selectively and profitably growing into new geographies where it can leverage pre-existing expertise and access client pools that might not otherwise be available, for example in Asia and the Middle East.

Potential Partners and Institutional Clients undergo extensive due diligence checks by various departments within the Group. For example, the Group undertakes general due diligence on the company/individual, as well as the country where the Partner and Institutional Client operates to better understand the relevant legal and regulatory landscape. In addition, the Group seeks to confirm whether there are any sanctions for the country in which the potential Partner and Institutional Client is based. The Group also seeks to confirm that the potential Partner and Institutional Client has the requisite licences and/or authorisations to provide the proposed services and operate in their relevant jurisdiction (and the contractual arrangements between Partners and Institutional Clients and the Group also typically contain provisions to ensure that the Partners and Institutional Clients remain suitably authorised throughout the term of the agreement). The Group also undertakes an ongoing monitoring programme for Partners and Institutional Clients throughout the life of the relevant relationship.

### *Introducing Broker partnerships (Grey Label)*

An IB partnership is designed to allow regulated banks and brokers to provide a broader offering of financial products to their clients. The Group provides access to its trading platform directly to the clients of the IB (all of whom are regulated by their local regulators), and the IB in turn receives fees in respect of the client introduction. The Group began migrating IB clients to Next Generation in late 2014 and is aiming to phase out the remaining retained IB clients from MarketMaker by the end of 2016.

The IB’s client becomes a client of the Group, and the Group is responsible for carrying out its own client on-boarding procedures.

The Next Generation trading platform enables IB partners to structure their revenue models in a number of different ways. Next Generation also offers middle and back office functionality, providing Partners and Institutional Clients and their clients with information such as account statements and margin requirements. The Group also makes available online account access tools and price feeds on the website for participating companies.

IB partnerships offer Partners and Institutional Clients similar functionality and access to the Group's trading platform as Market Counterparty partnerships, but through an unbranded interface.

#### *Market Counterparty partnerships (White Label)*

A Market Counterparty partnership is for fully regulated brokers who have their own direct client base and the ability to on-board clients and hold and manage client money. The Group's contractual relationship under these arrangements is only with the Market Counterparty, with the underlying client on-boarded and managed by the Market Counterparty.

The Group offers partnership arrangements in which a counterparty rebrands the Group's software, affixing its own name, colours and logo and distributing it as its own to clients. These partnerships are designed to allow Market Counterparty partners to trade the products offered by the Group without having to develop and manage the trading system to support these products.

Such branded partnership enables Market Counterparty partners to access the Group's platform for use with their own clients and provides them with the Group's full internet trading platform equipped with back office functionality, charting and real-time dealing. Additional features such as liquidation of the client's accounts, equity watch and full 24/5 technical and software back-up support, are also included in the service. However, the Market Counterparty partner sets the dealing spread and commission rates applicable to its clients and the system is configured to appear as the Market Counterparty partner's trading system.

All branded partnership trades are currently made using the Group's MarketMaker platform at no cost to the partnering company, except for minimal commissions. The Group is in the process of migrating these accounts to its Next Generation trading platform.

For regulatory purposes, clients remain the clients of the relevant Market Counterparty partner, rather than those of the Group, which generally enables the Group to rely on the Market Counterparty partner's regulatory status to gain access to local markets and to familiarise local clients with its products without incurring the expenditure and administrative time necessary to seek regulated status in these markets.

#### *Liquidity Solutions*

The Group also plans to offer liquidity solutions (which will also be managed within the Group's formal risk framework) to banks, brokers, funds and trading desks globally through its Application Programming Interface ("API"), which enables messaging and trade orders between each counterparty's server.

#### *On-boarding process*

As the Group is primarily an online business, initial contact with prospective clients is generally conducted through the Group's websites, although regional trade shows generate a small percentage of in-person applicants as well. Prospective clients are required to complete an online application. However, local regulations require certain minor variations in the client on-boarding process.

An assessment of the client's appropriateness for an account is made according to the Group's appropriateness test and, depending on the result, the client will be either: (i) categorised as appropriate and will proceed to the identification stage; (ii) categorised as non-appropriate and prompted to acknowledge a further risk warning before proceeding to the identification stage; or (iii) rejected. The assessment of appropriateness of a product for a client or prospective client is based on chapter 10 of the FCA's Conduct of Business sourcebook ("COBS 10") in the UK and similar requirements in other jurisdictions. All assessment procedures are automated, based on a scoring matrix, which has been shared with the FCA.

Where permitted by local regulations (for example, in the UK, Australia and New Zealand), the Group will seek to verify an applicant's identity electronically. Alternatively, identity will be verified based on documentary evidence provided by the applicant. In Germany, the Group is able to perform video

identification of prospective clients via camera for online applications. The Group is considering expanding this capability to additional markets, where allowed by local regulations.

Due diligence procedures are undertaken during a client's on-boarding process using leading vendors including Experian, Veda, IDnow and Kroll for electronic identity verification (and clients are automatically requested to re-confirm or update certain related details annually when using the Next Generation trading platform in order to continue trading), World-Check, Experian and Veda for on-boarding sanctions screening and Bridger Insight Online for ongoing sanctions screening. Internal and external checks are performed to ensure that the client is not restricted from opening an account with the Group due to previous issues with the client's interaction with the Group or due to international sanctions (e.g., OFAC, HMRC etc.). Applicants are also screened to identify Politically Exposed Persons ("PEP"), whose applications are referred to senior management for a decision on whether to accept the applicant as a client.

In addition, the Group undertakes a three stage due diligence process prior to accepting Partners and Institutional Clients, involving a client due diligence questionnaire, a full review by the Group's financial crime team, and a cross departmental review comprising a reputation, credit, financial and trade flow review.

### ***Monitoring***

All funding and withdrawal activity and trading activity are subject to continuous monitoring by the Group for a number of scenarios including money laundering, fraud and market abuse and insider dealing. The Group also subjects all open accounts to screening against sanctions updates. Suspicious activity is reported to the National Crime Agency or equivalent local financial intelligence units, as well as to the FCA or local regulator in the case of suspected market abuse or insider dealing. To protect the Group from client and employee fraud, there are a number of processes and controls in place. In relation to clients, "know your client" and anti-money laundering checks are completed when accounts are opened, and client activity is monitored by the Group's dedicated financial crime team for signs of potential market abuse or fraud. In relation to employees, the Group fully segregates employee duties, and all staff complete fraud awareness training. In addition, the Group has a Fraud Risk Management Policy.

### **Technology and Operations**

The Directors believe that the Group's ability to effectively use technology has been a key factor in the successful development of its business, primarily due to Next Generation's scalability, reliability, resilience and security. The Directors also believe that the Group's success is attributable in part to the efficiency of its operations team, employing a dedicated team of more than 40 specialists for a variety of support services, including trading support, payments, reconciliations, partners and operations delivery.

The Directors believe that the Group benefits from a scalable operational framework, which is built to manage increased volumes and complexity. As a result of significant investments in developing its technology systems, the Next Generation trading platform has a fully-integrated single back office system, and the Group develops its own trading platform software using an in-house development team of approximately 70 staff. The software components developed provide the full front, middle and back office capabilities of the Next Generation trading platform and are built using a range of enterprise level and current technologies (for example: Java, .Net, Oracle, iOS, Android). This technological framework and operational support has allowed Next Generation to increase in complexity and functionality and to process increasing levels of client trading volume as the Group has expanded its product offering.

The Group's IT infrastructure has demonstrated stability and consistent high performance while supporting increasing volumes across the Group's trading systems, with uptimes of 99.9 per cent. and a median trade execution time of 10 milliseconds. Historically, peaks of 800,000 trades in one day, with 13,000 concurrent client connections and more than 30,000 prices per second have been handled without incident. To help ensure reliability and availability of the Group's systems, the Group operates two fully independent, secure "Tier 3" data centres, each with separate power and network connectivity. Either data centre can support the Group's systems in full, and critical data is replicated between the sites in near real time to minimise downtime in the event of a significant failure. Furthermore, the Directors believe that the Group's core trading system has reserve capacity to handle trade volumes significantly higher than the current trade load. Performance testing has shown that the Group's infrastructure is capable of supporting double this rate while maintaining site resilience.

The Group employs a highly specialised in-house IT infrastructure team of more than 60 employees, including IT trading application support, infrastructure support, business application support and IT security. During the year ended 31 March 2015, the Group invested £6.7 million on major improvements to its core technology infrastructure (computer hardware); supporting its dealing software, front-end software, pricing software and the overall performance and capacity of the Group's trading platforms. In addition, the Group views security as being a key part of its IT and overall business strategy, and has tripled the size of its IT security team in the past year. Security spend currently represents more than 15 per cent. of the overall annual IT budget. The Group's core network and infrastructure systems are fully supported by the Group's IT support staff 24 hours a day, 365 days a year (managed globally through an operational split between UK and Australia-based staff). For example, the Next Generation trading platform comprises a number of separate components and is afforded multiple levels of protection. The different components, which interact to provide client trading facilities, use secure encrypted methods of communication. Key client and trade data is stored on the Group's internal systems and network, which is segmented and protected by multiple layers of firewalls and security software.

## **Competition**

The online financial trading industry is competitive and evolving rapidly. The Directors believe that there is an increasing trend in the UK and Australia towards a greater number of retail brokerages offering CFDs and spread betting to clients and foreign exchange traders (who are increasingly entering the CFD market themselves) that are also providing competition in local markets. The Group competes globally with IG Group, Gain (mainly via the City Index brand), Plus 500 and Saxo Bank. In addition, there are competitors at a regional level such as ETX Capital in the UK; Phillip Futures in Singapore, Axi Trader and Macquarie in Australia and .comdirect, flatex and ActivTrades in Germany. The Directors believe that the Group distinguishes itself from many competitors by operating offices only in regulated markets. In the periods under review, the Directors believe that although competitive pressures have negatively affected spreads, more generally the Group has benefitted as clients have demonstrated a "flight to quality" among CFD and spread betting providers, favouring companies such as the Group with financial stability and transparent execution.

The Group believes the key competitive factors affecting its market include:

- quality of the trading platform (including speed and transparency of execution);
- price (commission rates, dealing spreads and financing rates);
- functionality, performance, and transaction cost;
- level of client service;
- sales and marketing efforts;
- range of product offering;
- distribution channel and strategic relationships with dealers, brokers, banks and other trading companies;
- new technology introductions;
- new software development;
- brand recognition and reputation;
- capacity to handle large volumes of client transactions;
- financial stability;
- the ability to offer ancillary services, such as education; and
- degree and quality of regulation.

## **Intellectual Property**

The Group's proprietary intellectual property is a vital part of its business and includes internally developed software utilised in the Next Generation trading platform, registered and unregistered trademarks, unregistered copyrights and domain names. The Group has developed significant intellectual property through its investments in technology in parallel with the development of its business model.

The Group has registered a number of its important trademarks, such as “CMC Markets” and the CMC Markets logo in certain jurisdictions (including the UK), through which the Group markets the majority of its products. The Group also owns registrations for certain domain names including “www.cmcmarkets.com”, “www.cmcworldwide.com”, “www.cmcplc.com” and “www.cmcgroupplc.com”.

The Group regards certain aspects of its internal operations, software and documentation as proprietary, and relies on a combination of contract, copyright, trademark and trade secret laws to protect its proprietary information and its intellectual property rights in its software. The Group has not filed any patent applications covering its software or methodologies. The Group grants royalty-free licences for the use of its proprietary software to its clients and certain of its Partners and Institutional Clients. The Group does not licence its proprietary software to other third parties. Software developers are employed by the Group under standard contracts under which the Group retains the intellectual property rights to developed products.

The Group believes that due to the rapid pace of technological change in the online financial trading industry, trade secret and copyright protection are less significant than factors such as the market and product knowledge, the ability and experience of the Group’s employees and the quality of product offerings and enhancements.

### Property

The Group’s properties are located throughout the UK, Australia, Singapore, Canada, New Zealand and Europe, and are used for the housing of support infrastructure, offices and networks. The Group rents an office and other commercial space in the locations in which it operates. The Directors expect that suitable additional or alternative space will be available on commercially reasonable terms to accommodate further expansion of the Group’s operations.

### Insurance

The Group has insurance cover through well-known providers, including for employer’s liability, professional indemnity, business interruption, property, directors’ and officers’ liability and certain other cover consistent with a company the size of the Group operating within the UK financial services industry. The Directors believe the Group’s insurance coverage to be adequate both as to risks and amounts for the business the Group conducts, and the Group has not had any material claims, nor has it suffered any material losses following any uninsured claim in the last three years.

### Employees

The following table sets out the monthly average number of Directors and employees of the Group during the financial years indicated:

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
<i>By activity:</i>					
Key management . . . . .	4	5	5	5	6
Client acquisition and maintenance . . . . .	236	197	213	211	232
IT development and support . . . . .	111	99	106	106	119
Global support functions <sup>(1)</sup> . . . . .	144	121	133	130	144
Total directors and employees . . . . .	495	422	457	452	501
Contract staff . . . . .	94	28	16	17	17
Total Staff . . . . .	589	450	473	469	518

**Note:**

(1) Approximately 70 per cent. of the Group’s support staff is based in the UK.

The Group is subject to various laws that regulate wages (including minimum wages laws), hours, benefits and other terms and conditions relating to employment in the various jurisdictions in which it operates, and the Group provides benefits to employees as required by applicable law.

The Group uses bonus schemes as a part of employee compensation to incentivise efficiency, with performance-based bonuses representing significant components of the compensation for many management-level employees.

The Group's employees are not unionised and succession plans are in place for senior management roles.

### **Corporate Social Responsibility**

The Group is committed to investing in its employees and wider social practices. The Group strives to employ a diverse workforce and believes that diversity brings valuable experience and skills to the business. The Group provides a number of apprenticeship positions and training to employees that offer them the opportunity to obtain new skills as well as develop existing skillsets.

The Group makes regular contributions to the Peter Cruddas Foundation, a charity for which Peter Cruddas is a trustee, which aims to benefit disadvantaged and disengaged young people in society. In the year ended 31 March 2015, the Group donated £355,000 to the foundation.

## PART X

### RISK MANAGEMENT AND HEDGING POLICY

The Group is exposed to a number of areas of risk, to which it takes a robust and comprehensive approach through its well-developed and stringent risk framework. The primary areas of risk to which the Directors believe the Group is subject are in respect of client on-boarding, operational risk, credit risk (both client and credit institutions), liquidity risk, market risk and regulatory risk.

The Group has a dedicated risk management function, which is led by Grant Foley, as Chief Financial Officer and Head of Risk, and to whom report the Global Head of Compliance, the Group Money Laundering Reporting Officer, the Head of Financial and Liquidity Risk Management and the Head of Operational Risk. Each of the Group's regional offices has a compliance function that advises on the specific requirements of the local market and who ultimately reports into the Global Head of Compliance, based in London.

The Group also has in place various internal risk committees to provide challenge and oversight for risk issues; the Group Audit Committee, the Group Risk Committee and the Risk Management Committee, all of which are overseen by the main Group Board.

#### *Risk Management and Hedging*

The Group's financial risk exposure is calculated and monitored using the Group's proprietary risk management platform. Both client and hedge trades are monitored in real-time to provide the Group with net exposure data across all assets, with the ability to see various in-depth breakdowns of the exposure as well. This exposure is managed in real-time within the Group's approved risk strategy, alongside key risk considerations, including the Group's own funds requirement ("OFR"), broker margins and the Group's net open position. The Group also maintains an Internal Capital Adequacy Assessment Process ("ICAAP"), in line with the requirements set out in the PRA Rulebook in accordance with CRD IV.

Within the Group's general risk management framework, each trading desk also has individual risk parameters governing their operations. For example, foreign exchange and index-based exposure limits are set by instrument (and/or currency), as well as at portfolio levels. Risk limits for these trades are monitored by dealer teams, and the Group seeks to reduce net exposures towards the end of each trading day through hedging to reduce potential volatility on the Group's income statement, as well as to guard against poor liquidity periods. The Group's risk threshold for each asset class varies depending on volatility and liquidity. For example, in general, the Group's threshold for its commodity book is significantly lower than that for foreign exchange, as commodity instruments tend to be more volatile and less liquid than foreign exchange instruments, though this varies product by product.

The Group adopts a differentiated approach to risk management from other market participants, with an adaptive strategy that is influenced by market conditions, performance of the trading book and client activity, as well as by asset class and depending on whether the exposures are being managed on an intra-day or overnight basis. While the Group has a "cap and floor" (meaning that once net exposure reaches a predetermined cap, an order is automatically placed to reduce the exposure to a defined lower ("floor") level) and auto-hedge strategy available to it, these strategies can result in high hedging costs due to daily changes in net client exposures and delays in executing hedge trades in peak times. The Group therefore employs a hybrid strategy, with real-time monitoring and checks and a combination of automated hedging tools and manual hedging, which results in lower hedging costs and a greater percentage of spread retained.

Manual hedging, which is done when the dealers trade via the broker platforms, is preferred for foreign exchange and futures given the smart order routing available. Smart order routing is a process that allows the Group to route orders to specific venues based on a set of rules (e.g. best price). Auto-hedging can be used on all asset classes but is predominantly used on equity shares due to the number of instruments available. The auto-hedge works on a "cap and floor" model. The auto-hedge has a number of built-in checks to ensure that the Group can reasonably hedge an instrument in the underlying market and that, should an error occur with the system, it does not send unnecessary orders (to hedge) repeatedly into the underlying market. At any point, key accountable dealers have full control over the enabling/disabling of automated hedging for all instruments.

Due to the nature of the Group's client trading, the Group benefits from significant natural hedging in the aggregation of its client flows, and it utilises third-party hedging when appropriate. The Group does not hedge at the individual trade level, rather, it hedges its aggregate exposure. Hedging of inherited exposure

can be done both manually and through the Group's purpose-built auto-hedge system (depending on how liquid the instrument is and how one-directional the flow is), which enables the Group to directly access the market to hedge equity trades and place nearly instantaneous orders in the underlying market for futures and foreign exchange instruments, thus automatically managing client exposures to levels commensurate with the Group's pre-determined risk appetite levels.

### ***Market risk***

Market risk is the risk that the value of the Group's net exposure will decrease due to a change in market risk factors. The primary market risk factors to which the Group is exposed are stock prices, interest rates, foreign exchange rates and commodity prices.

### ***Market price risk***

Market price risk is the risk that the fair value of a financial instrument will fluctuate. The Group inherits exposure from client trades on all asset classes, and its risk management approach is primarily based on segmenting intraday and overnight aggregate exposures across the entire client base and determining how much risk the Group wishes to retain in accordance with its risk strategy. The Group's proprietary technology allows its management, trading and risk teams to monitor the Group's exposures throughout the day, with risk management dashboards available on mobile and desktop applications. The dashboard allows for multi-functional, real-time monitoring and control of the risk management system and features pricing alerts and latency, asset class, turnover, exposure and profit and loss monitoring. In addition, next-day monitoring is performed by the risk control function to ensure adherence to risk management guidelines.

### ***Mitigation of market price risk***

The Group benefits from a number of factors which also reduce the volatility of its revenue and protect it from market price risk:

#### Natural mitigation of concentration

The Group acts as a market maker in approximately 10,000 financial instruments, specifically equities, indices, commodities, treasuries and foreign exchange as well as forwards on commodities, treasuries, equity indexes and foreign exchange. Because of the high level of the Group's notional turnover, there is significant internal crossing and natural hedging across financial instruments and asset classes to mitigate significant single instrument concentration risk within the portfolio.

#### Natural aggregation

In the year ending 31 March 2015, the Group traded with more than 50,000 clients. This large international client base has a diverse range of trading strategies, resulting in the Group enjoying a high degree of natural hedging between clients. The Directors believe that this "portfolio effect" leads to a significant reduction in the Group's net market risk exposure.

#### Ease of hedging

The Group predominantly acts as a market maker in highly liquid financial instruments in which it can reduce market risk exposure by hedging with its prime broker arrangements. To avoid over-reliance on one arrangement, the Group has a number of prime broker relationships. In financial instruments for which there is no equivalent underlying market (e.g., Countdowns), the Group seeks to control risk by setting position/exposure limits. In addition, Group dealers can restrict the stakes accepted for these products and, if necessary, restrict the types of bets accepted.

The auto-hedge system allows the Group to hedge its exposure by automatically placing orders in the underlying market. Exposures are calculated twice: once within the Group's primary risk engine, and again within the auto-hedge, ensuring accuracy. The auto-hedging system benefits from low latency of execution and robust controls. Percentages can be set per tier or by instrument and a global maximum order quantity is set so that no single order sent by the system breaches this value. However, hedges that the Group puts in place may not be perfect hedges against the Group's risk exposure, and as a result may not entirely offset its market losses. Please see "*The Group may incur losses as a result of market risk*" of Part II (*Risk Factors*).

### Group Exposure

The table below sets forth the Group's net exposure, calculated as the total client and hedge long positions less client and hedge short positions (and which can vary significantly between short periods, including intra-day), as at 30 September 2015:

Total Portfolio Exposures as at 30 September 2015	£ (million)
<b>Total gross client exposure</b>	<b>1,606.2</b>
Client (long)	906.2
Client (short)	(700.0)
Hedge (long)	395.2
Hedge (short)	(585.2)
<b>Net exposure</b>	<b>16.2</b>

### Market risk limits

Market risk positions are managed in accordance with the Group's Risk Appetite Statement and Group Risk Management Framework. The Group manages this component of capital adequacy with "risk zones"—green, amber and red, which are internally set limits designed to mitigate the risk of breaching capital adequacy requirements. Red and amber zones are put in place to protect capital adequacy and are based on the maximum position size of exposures. The Group's market risk policy requires that the Group's market risk exposure, calculated under the FCA's OFR methodology, should not reach the red zone, which is set according to relevant regulatory requirements. To reduce the likelihood of the Group entering into the red zone, the amber zone provides a large buffer, and if entered, immediate remedial action must be taken to hedge client exposure and reduce the Group's overall market risk exposure back to the green zone.

Overall client exposures can vary significantly over a short period of time and are highly dependent on underlying market conditions.

The table below sets forth the Group's OFR as at 30 September 2015 and 31 March 2015.

Asset class	As at 31 March 2015	As at 30 September 2015
	OFR	OFR
	£ '000	£ '000
Consolidated equities	5,707	2,742
Commodities	2,692	2,370
Treasuries	1,656	492
Foreign exchange	2,464	1,376
Interest rate risk	403	352
	<b>12,922</b>	<b>7,332</b>

### Market price risk—stress testing

The Group conducts market price risk stress testing daily, reviewing and reacting to market conditions and revising position limits when deemed appropriate. The Group conducts stress testing by applying volatility stress factors to net market price risk exposures to assess market price risk impact. Volatility stresses are derived from market price histories for the preceding 12 months. To improve the model, stress factors are tailored for each asset class (consolidated equities, commodities, treasuries and foreign exchange). Furthermore, volatility stress factors for consolidated equities are defined per region, and for commodities, factors are split between oil and other. Gold and silver are measured separately and are given a separate stress factor. Volatility stress factors for foreign exchange are split between major currency pairs and all other currency pairs. Applying regional as well as asset class based stress factors to exposures helps ensure that the Group's stress test results are a fair representation of the potential market price risk that the Group faces. In addition, the Group updates its stress factors and scenarios quarterly. The Group also runs extreme case stress scenarios daily, where the stress factors are broken down as described above.

## Credit risk

Credit risk is the risk that a counterparty to a transaction will cause the Group financial loss by failing to discharge a contractual obligation. The Group is exposed to two channels of credit risk: CIs and clients.

### Credit institution credit risk

CI credit risk is the risk that a CI will default on its contractual obligation to the Group resulting in a loss to the Group. The Group has relationships with a number of counterparties that provide prime brokerage and/or banking services (e.g., cash accounts, foreign exchange trading, credit facilities etc.).

The Group can be affected by CI risk in two ways:

- for CIs used as banks or brokers, the Group may not receive back the funds the CI holds on its behalf; and
- for CIs used as brokers, a default could cause the need to re-hedge at a different broker at a different price.

### Mitigation of credit institution credit risk

To mitigate or avoid a credit loss the Group maintains, where practical, a range of relationships to reduce over-reliance on a single CI.

The Group monitors the credit quality of all its CIs by tracking their credit ratings issued by Moody's, Standard & Poor's and Fitch rating agencies and their credit default swap ("CDS") spreads determined in the CDS market. Ratings, rating outlooks and CDS spreads are reported to senior management weekly with any changes highlighted.

The Group does not set minimum credit rating thresholds for its CIs. Instead, the Group reviews negative rating action and large CDS spread widening for CIs on a case by case basis. However, as at the date of this Prospectus, all of the Group's CIs are of investment grade quality, and negative rating action on CIs rated below A3/A- /A- (by Moody's, S&P and Fitch respectively) are escalated directly to the Group's Chief Financial Officer and Head of Risk to decide if any action is appropriate. Possible actions by the Group to reduce exposure to CIs, such as the withdrawal of cash balances, switching a proportion of hedge trading to another CI or ceasing all commercial activity with the CI, depend on the nature of the relationship and the practical availability of substitute CIs.

The tables below set forth the Group's exposure to CIs based on their long-term credit rating as at 31 March 2015 and 30 September 2015.

As at 31 March 2015				
GROUP	Cash and cash equivalents	Amounts due from brokers	Net derivative financial instruments	Total
	£ '000	£ '000	£ '000	£ '000
AA+ to AA- . . . . .	19,216	—	—	19,216
A+ to A- . . . . .	11,300	73,694	—	84,994
BBB+ to BBB- . . . . .	7,067	36,100	2,470	45,637
Unrated . . . . .	1,028	—	—	1,028
	<b>38,611</b>	<b>109,794</b>	<b>2,470</b>	<b>150,875</b>

As at 30 September 2015				
GROUP	Cash and cash equivalents	Amounts due from brokers	Net derivative financial instruments	Total
	£ '000	£ '000	£ '000	£ '000
AA+ to AA- . . . . .	17,983	—	—	17,983
A+ to A- . . . . .	4,767	16,801	(99)	21,469
BBB+ to BBB- . . . . .	14,026	96,494	2,089	112,609
Unrated . . . . .	749	—	—	749
	<b>37,525</b>	<b>113,295</b>	<b>1,990</b>	<b>152,810</b>

### *Client credit risk*

The Group operates a real-time mark-to-market leveraged trading facility where clients are required to maintain margin against positions, and any profits and losses generated by the client are credited and debited automatically to their account. As with any leveraged product offering, there is the potential for a client to lose more than they have deposited in their account.

Client credit risk represents the risk associated with a client defaulting on their obligations due to the Group. Because the Group has adequate controls and has a robust liquidation process, client credit risk will in general only arise when the movement in the value of a client's leveraged portfolio exceeds the value of equity that the client has held with the Group.

### *Mitigation of client credit risk*

#### Liquidation process

Liquidation refers to the process of closing a client's open position if the client's total equity cannot cover a predefined percentage of required margin for the portfolio held.

The Group's client liquidation policy details the Group's approach to liquidation management, covering the fully automated liquidation process on the Group's Next Generation trading platform and the semi-automated liquidation order management process on MarketMaker. This policy and process help to ensure a consistent and timely approach to the processing of liquidation orders and ultimately aims to minimise client credit risk exposure by protecting the client from becoming a debtor.

Pre-emptive processes are also in place when a client's free equity (total equity less total margin requirement) becomes negative, at which time the client is requested to deposit additional funds and is restricted from increasing their position.

#### Tiered margins

The Group's policy of tiered margins was implemented in September 2013 on the Next Generation trading platform. The policy enables the Group to set higher margin rates (therefore requiring a client to provide more collateral) against positions that are deemed to be more risky, for example due to position size relative to the underlying instrument's turnover, the Group's appetite for the business or volatility of the instrument.

Tiered margin percentages are set using conditional value at risk calculations based on historical data. The Group utilises an automated liquidation process for all underlying asset classes except equities (where liquidation can be manual) to liquidate client positions once their losses reach certain pre-determined thresholds.

#### Position limits

Position limits can be implemented against an instrument and at client level on the Next Generation trading platform. Position limits of financial instruments enable the Group to control the total exposure the Group takes on in relation to a single instrument. At a client level, position limits help to ensure that a client can only reach a pre-defined position in a particular instrument.

### *Client credit risk stress testing*

The Group uses the same volatility stress factors for client credit risk stress testing that it does for assessing market price risk.

### *Client debt history*

For the year ended 31 March 2015, new debt arising was £6.6 million (primarily attributable to the Swiss Bank Event). The Group establishes specific provisions against debts due from clients when the Group determines that it is probable that it will be unable to collect all amounts owed in accordance with the contractual terms of the client's agreement. Bad debt written off in the year ended 31 March 2015 was £0.4 million or 0.2 per cent. of revenue (£0.9 million, or 0.7 per cent. of revenue, in the year ended 31 March 2014).

The table below sets forth the movement on the Group's provision for impairment of trade receivables as at 31 March 2015 and 30 September 2015:

<b>GROUP</b>	<b>31 March 2015</b>	<b>30 September 2015</b>
	<b>£ '000</b>	<b>£ '000</b>
Opening provision . . . . .	1,951	5,885
New debt provided for . . . . .	4,335	1,114
Debt written off . . . . .	(401)	(1,032)
<b>Closing provision . . . . .</b>	<b><u>5,885</u></b>	<b><u>5,967</u></b>

**Note:**

On 15 January 2015 the Swiss National Bank made an unprecedented decision to discontinue its support of the Swiss Franc/Euro peg. Following this decision, the Swiss Franc appreciated by more than 30 per cent in a matter of minutes. The Group's debt provisions and write-offs during the year ended 31 March 2015 relating to this event amounted to £3.9 million.

*Debt ageing analysis*

The Group works to minimise the effects of client debts on its income statement. Client debts are managed very early in their life cycle in order to minimise the likelihood of them becoming doubtful debts or of being written off. The following table sets forth the aging of debts that are past due and the provisions charged against them as at 31 March 2015 and 30 September 2015:

<b>GROUP</b>	<b>31 March 2015</b>		<b>30 September 2015</b>	
	<b>Debt</b>	<b>Provision</b>	<b>Debt</b>	<b>Provision</b>
	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>
Less than one month . . . . .	117	25	148	82
One to three months . . . . .	4,223	3,601	2,401	1,203
Three to 12 months . . . . .	391	387	3,246	3,212
Over 12 months . . . . .	1,872	1,872	1,470	1,470
	<b><u>6,603</u></b>	<b><u>5,885</u></b>	<b><u>7,265</u></b>	<b><u>5,967</u></b>

*Non trading book foreign exchange risk*

Non trading book foreign exchange risk is the risk that the Group's results are affected by movements in foreign exchange rates.

The Group has foreign exchange risk in the form of transaction and translation exposure.

The Group's transaction exposure results from holdings of cash and other current assets and liabilities in a currency other than GBP. This risk is hedged each month by the Group according to a policy based on a "cap and floor" model, as non-GBP balances over a predetermined cap/floor threshold are brought down to zero (through foreign exchange forward and swap contracts), with gains/losses recognised in the Group's income statement.

As at 30 September 2015, there were no unhedged foreign exchange exposures greater than £250,000.

Translation exposure occurs when the net assets of a Group entity are denominated in a foreign currency other than GBP. The Group hedges this exposure by using three-month foreign exchange forwards in respect of key currencies.

*Non trading book interest-rate risk*

Non trading book interest rate risk arises from either less interest being earned or more interest being paid on interest-bearing assets and liabilities due to a change in the relevant floating interest rate.

Interest rate risk is experienced by the Group through a limited number of channels, such as income on segregated client and own funds and debits on client balances that are over a pre-defined threshold.

The Group performs a sensitivity analysis based on a move in the floating rate by 0.5 per cent. upwards and 0.25 per cent. downwards. The table below sets forth the impact on the Group's profit after tax and equity

of a change in the floating interest rate by 0.5 per cent. upwards and 0.25 per cent. downwards as at and for the periods indicated.

GROUP	As at and for the year ended 31 March 2015		As at and for the year ended 30 September 2015	
	Absolute increase	Absolute decrease	Absolute increase	Absolute decrease
	£ '000	£ '000	£ '000	£ '000
<b>Impact of</b> . . . . .	<b>0.50 per cent.</b>	<b>0.25 per cent.</b>	<b>0.50 per cent.</b>	<b>0.25 per cent.</b>
	<b>change</b>	<b>change</b>	<b>change</b>	<b>change</b>
Profit after tax . . . . .	697	(278)	488	(197)
Equity . . . . .	697	(278)	488	(197)

### *Liquidity Risk*

Liquidity risk is the risk that there is insufficient available liquidity to meet the liabilities of the Group as they fall due.

The components of liquidity risk to the Group are primarily: the risk that margins could be increased by its prime brokers; the risk that liquidity of hedge products diminishes resulting in positions that cannot be easily exited; and the risk of a period of sustained losses. The Group institutes processes to monitor and mitigate these risks, including real-time calculation and monitoring of prime broker margins on the Group's proprietary risk management system, alternative prime broker arrangements put in place if margins were increased, position limits put in place and constantly monitored, restricting hedges typically to only highly liquid instruments, and preparation of detailed management information including forecasts giving management the ability to take timely action if losses occur.

The Group manages liquidity centrally through a liquidity risk management team. The team utilises a combination of liquidity forecasting and stress testing to help ensure that the Group retains access to sufficient liquidity resources in both normal and stressed conditions. Liquidity forecasting attempts to incorporate the impact of liquidity regulations in force in each jurisdiction in which the Group operates and other impediments to the free movement of liquidity around the Group, including its own policies on minimum liquidity to be retained by trading entities.

The Group undertakes stress testing quarterly using a range of individual and combined, firm-specific and market-wide, short and long term scenarios that represent plausible but severe stress events to help ensure that the Group has appropriate sources of liquidity to meet such events.

Due to the Group's risk hedging strategy and the changing nature of its client trading book, the largest and most variable determinant of the Group's liquidity is broker counterparty margin requirements. The main long term driver of initial margin requirements is growth in the Group's equities book with such an increase likely resulting in an increase in initial margin requirements. Broker requirements are met in cash from the Group's own funds, but the Group also has a committed bank facility of £40 million (split into two tranches of £20 million each, committed until June 2016 and June 2018, respectively) to meet short-term liquidity obligations to broker counterparties in the event that it does not have sufficient access to own cash or funds from clients and to leave a sufficient liquidity buffer to cope with a stress event.

The Group does not engage in maturity transformation as part of its underlying business, and therefore the Directors believe that maturity mismatch of assets and liabilities does not represent a liquidity risk to the Group.

### *Compliance*

The Group's compliance function is fundamental to the successful ongoing operation of the business. The Group has implemented a comprehensive compliance framework, covering financial crime monitoring, business advisory and support, marketing compliance, regulatory change management, compliance monitoring and reporting. The framework is overseen and enforced by a dedicated team of 21 compliance staff across all global offices, matching the Group's global presence with local regulatory expertise. The Directors believe that the Group has a good, open and transparent relationship with each of its regulators, and note that there were no outstanding issues to report following recent regulatory supervisory visits in the UK, Germany and France.

## **PART XI REGULATORY OVERVIEW**

### **1 Introduction**

The Group operates in a highly regulated environment and only operates offices (either as branch offices of the Group or through the Group's various subsidiaries, and in the case of China, a representative office) in regulated markets. The Group operates branch offices in Austria, France, Germany, Italy, Norway, Poland, Spain and Sweden, and a representative office in China, through United Kingdom subsidiary CMC Markets UK plc, which constitutes a tax presence in those jurisdictions. In addition, CMC Markets UK plc has a permanent establishment in Australia for tax purposes. The Group also operates local offices through the following subsidiaries: in the United Kingdom, CMC Spreadbet plc and CMC Markets UK plc; in Australia, CMC Markets Asia Pacific Pty Ltd (which, in turn, owns CMC Markets Pty Ltd); in Canada, CMC Markets Canada Inc; in New Zealand, CMC Markets NZ Limited; and in Singapore, CMC Markets Singapore Pte Ltd.

Please also refer to “*Risks Relating to the Regulatory Environment in Which the Group Operates*” of Part II (*Risk Factors*).

### **2 Regulatory Framework Within The United Kingdom**

In the United Kingdom, firms providing financial services are subject to regulation by the Financial Conduct Authority (the “**FCA**”) and, in some cases, the Prudential Regulation Authority (the “**PRA**”) under the Financial Services and Markets Act 2000 (“**FSMA**”).

Under FSMA, persons carrying on “regulated activities” in the United Kingdom require authorisation by the FCA and, in some cases, the PRA. Carrying on regulated activities without authorisation is a criminal offence and agreements made in the course of the carrying on of regulated activities by unauthorised persons are unenforceable.

The business undertaken by the Group involves the carrying on of regulated activities, for which both CMC Markets UK plc (FCA reference 173730) and CMC Spreadbet plc (FCA reference 170627) are authorised and regulated by the FCA. The FCA has authorised CMC Markets UK plc and CMC Spreadbet plc to carry on, amongst other things, the regulated activities of arranging deals in investments and dealing in investments as principal. Prior to the creation of the FCA on 1 April 2013, both CMC Markets UK plc and CMC Spreadbet plc were regulated by the predecessor regulator, the Financial Services Authority from 1 December 2001 and, prior to this, both entities were regulated by the predecessor regulator, The Securities and Futures Authority.

CMC Markets UK plc is also licensed and regulated by the Gambling Commission (reference 42013) in relation to the provision of Countdowns. However, following a FCA consultation in 2015 it is expected that the regulation of binary options will move from the Gambling Commission to the FCA.

The Group's spread betting business is not governed by the Gambling Act 2005 and it is currently anticipated that this will continue to be regulated by the FCA, not the Gambling Commission. While the Gambling Act does contemplate the possibility that the regulation of spread betting may come within the ambit of the Gambling Commission's control if it ceases to be a regulated activity under FSMA, indications are that derivatives contracts will remain within the remit of pan-European regulation on investment services and activities and consequently within the remit of FSMA.

#### **Regulation by the FCA**

##### **2.1 FCA Authorisation**

In order for a firm to be authorised and regulated by the FCA, the FCA must be satisfied that the firm meets certain threshold conditions prescribed by FSMA. In considering an application for authorisation, the FCA will have regard to: (a) the firm's legal status; (b) the location of its offices; (c) whether it has any close links to other persons which will prevent the firm being effectively supervised; (d) the ability of the FCA to supervise the firm more generally; (e) the appropriateness of the firm's resources; and (f) the firm's suitability (which will include a consideration of whether the firm and the persons and/or legal entities that control or influence it are fit and proper). In order to remain authorised, the firm will need to demonstrate its continuing compliance with the threshold conditions.

A FCA regulated firm also has to ensure that it complies with the Principles for Businesses and the rules made by the FCA (the “**FCA Rules**”). The FCA Rules seek to ensure that authorised and regulated firms satisfy “minimum business standards”, including in relation to appropriate resourcing, adequate senior management arrangements, systems and controls, appropriate safeguards to protect client money and assets, and to ensure that firms comply with certain minimum conduct of business standards, as set out in the FCA’s Conduct of Business sourcebook (the “**Conduct of Business Rules**”). “Investment firms” must also comply with the pan-European regulations established by MiFID on the provision of “investment services and activities” in relation to MiFID financial instruments, which are further outlined below.

## **2.2 Prudential Capital and Liquidity Requirements**

The FCA Rules include requirements that a UK regulated firm maintain adequate financial (both capital and liquidity) resources at all times to ensure that the firm is able to meet its liabilities as they fall due. In addition the Group is also subject to consolidated supervision by the FCA, meaning the Group’s regulated entities are together required to maintain sufficient regulatory capital for the Group as a whole as well as meet their individual requirements.

The main constituents of the regulatory capital resources requirements for a firm are the credit risk capital component, the operational risk capital component and the market risk capital component. These are amounts of capital required under the FCA Rules and, broadly, are calculated by reference to an individual firm’s business profile (including credit risk, revenues and trading positions), though also taking into account group risk. In addition, regulated UK firms are subject to the FCA Individual Capital Adequacy Assessment Process, which applies on a consolidated Group basis. Through this process a further capital charge is calculated and agreed with the FCA. This additional amount is made up of two parts, firstly Individual Capital Guidance, which is determined as a percentage of the capital requirements calculated under the FCA Rules. Secondly, there is a Capital Planning Buffer which is an additional fixed amount of capital that is added to the overall capital charge. Currently, the FCA does not permit firms to disclose their Individual Capital Guidance or Capital Planning Buffer, unless required by law.

Regulated UK firms are currently subject to a liquidity regime under the FCA Rules. This generally applies on an individual entity basis and, analogous to the capital regime, is intended to impose a liquidity requirement on a firm by reference to its business profile. This regime may change in light of a review being undertaken by the EU Commission.

## **2.3 Resolution and Bail-in Requirements**

The Banking Act 2009 (as amended to give effect to Bank Resolution and Recovery Directive 2014/59/EU (the “**BRRD**”)) provides a bespoke framework to facilitate the resolution of financial institutions including certain investment firms such as CMC Spreadbet plc and CMC Markets UK plc. The legislation confers significant powers on HM Treasury, the Bank of England, the PRA and the FCA to deal with and stabilise financial institutions which, broadly, are failing or are likely to fail to meet their regulatory threshold conditions by placing them into what is referred to the special resolution regime (the “**SRR**”). The SRR contains five stabilisation options: (i) transfer of all or part of the business of the relevant entity or the shares of the relevant entity to a third-party private sector purchaser; (ii) transfer of all or part of the business of the relevant entity to a “bridge firm” established and wholly owned by the Bank of England; (iii) transfer of the assets, rights and liabilities of the relevant entity to an asset management vehicle created and part owned by the Bank of England or Treasury; (iv) temporary public ownership of the relevant entity; and (v) bail-in, which includes the power to write down or convert liabilities to equity (the “**general bail-in**” tool). In addition, prior to the implementation of an SRR process the Banking Act requires the mandatory write down or conversion of capital instruments (the “**mandatory bail-in**” tool). While the BRRD provides that bail-in provisions are to come into force from 1 January 2016, the UK chose to apply most of the bail-in provisions from 1 January 2015. Where appropriate the relevant authorities have power to apply the SRR stabilisation options referred to above to certain other UK incorporated group entities subject to various tests being met.

A number of safeguards have been implemented in connection with the implementation of a stabilisation option under the SRR and the application of the bail-in tools.

Full implementation (and interpretation) of the BRRD as reflected in the Banking Act relies on further implementing regulations, regulatory technical standards, implementing technical standards and guidance which are still being produced.

The Bank of England published a report on 23 October 2014 outlining its approach to a resolution of banks, building societies and certain investment firms from 1 January 2015. The report details the key phases to any resolution and the various stabilisation tools to be used at each stage in order to give greater clarity over how the Bank of England is likely to approach a resolution process.

## **2.4 Conduct of Business, Policies and Systems**

The Conduct of Business Rules cover areas such as advertisements and communications, advising and selling, product disclosure, dealing and managing, reporting to clients and the protection of clients' funds and assets. Of particular relevance to the Group's activities are the FCA Rules relating to client classification, which is relevant to determining whether it is necessary to assess whether the products offered are appropriate for a particular client. The FCA Rules require a firm to classify a client as an eligible counterparty, professional client or retail client. The purpose of client classification is to ensure that a particular client will be given the appropriate level of protection under the FCA Rules. The majority of the Group's clients are classified as "retail" and are therefore afforded the maximum level of protection under the FCA Rules.

The financial promotion rules are also of particular relevance to the Group as they determine what the Group may or may not display on its website and in marketing material. In addition, the Conduct of Business Rules require the Group to disclose certain details of the products which it offers, including details as to risk.

All services provided by CMC Markets UK plc and CMC Spreadbet plc are offered on an execution only basis. These companies are not permitted to and do not offer investment advice, and discretionary trading does not take place by any of the Group's entities; therefore the application of, for example, the FCA's rules governing the provision of advice are not relevant. The UK regulatory framework imposes requirements on firms to observe proper standards of market conduct, to ensure that its employees are adequately trained and remain competent, and to ensure that it has proper safeguards to prevent money laundering and market abuse, including systems in place to allow it to confirm identity and make suspicious transaction reports.

The FCA Rules also require a FCA regulated firm to have in place proper systems for dealing with client complaints.

In addition to the FCA Rules, regulated firms must comply with the Principles for Businesses. These broad principles impose various high level obligations on firms, including the duties to act with integrity, due skill and care, and to treat clients fairly.

Members of the management of a FCA regulated firm, including its directors, its compliance officer and certain members of staff are required to be individually registered and approved by the FCA as "approved persons". In order for an individual to become an approved person within a firm, the firm must apply to the FCA on behalf of the individual. Before it approves the individual, the FCA will need to be satisfied that the individual is a fit and proper person to perform the function to which the application relates. An individual who becomes an approved person is required to comply with Statements of Principle and Code of Practice for Approved Persons.

However, under the Financial Services Bill 2015/16, which had its second reading in the House of Lords on 26 October 2015, the Senior Managers and Certification Regime (the "**SMCR**") will be extended to include all authorised firms, including investment firms, during the course of 2018. If the aforementioned bill is enacted in its current form, the SMCR would replace the existing approved persons regime in relation to FCA regulated firms.

A FCA regulated firm is required to implement certain FCA standards and policies when setting pay and bonus awards for staff in a way and to an extent that is appropriate to its size, internal organisation and the nature, scope and complexity of its activities. The rules currently applicable to the relevant regulated entities in the Group can be found in SYSC 19A of the FCA Handbook (the "**Remuneration Code**"). The firm is required to identify individuals whose professional activities have a material impact on its risk profile, to whom the requirements and disclosures set out under the Remuneration Code apply.

A regulated firm with less than £15bn assets, as defined in the FCA's proportionality guidance, is a Proportionality Level 3 firm. Although a Proportionality Level 3 firm can disapply the most onerous remuneration rules (e.g. fixed to variable pay ratio, deferral, payment in non-cash instruments and

performance adjustment), certain other rules under the Remuneration Code pertaining to policy on and governance and disclosure of remuneration continue to apply.

## **2.5 FCA Supervision**

The regulatory requirements described above help ensure that consumers, including clients of CMC Markets UK plc and CMC Spreadbet plc, are provided with an appropriate degree of protection and help maintain confidence in the financial system.

In addition to the power to authorise firms, FSMA gives the FCA the power to monitor and supervise FCA regulated firms, including the power to make supervision visits. As part of the supervision process, FCA regulated firms are required to make regular reports to the FCA.

If a regulated firm breaches a FCA Rule or the Principles for Businesses, the FCA has various powers under FSMA to deal with these breaches. These include the power to impose fines, issue public censures, make restitution orders and to suspend or terminate a firm's authorisation. In addition, the FCA may take action against persons performing certain specified functions for a firm, which includes the issue of orders prohibiting them from working in the financial services industry.

FSMA also created the Financial Ombudsman Scheme (the "**FOS**") to adjudicate disputes between FCA regulated firms and their clients and, where appropriate, award compensation. The FOS is only available to those clients who are "eligible complainants" at the time of a complaint.

The Financial Services Compensation Scheme (the "**FSCS**") can pay compensation to a client if a firm is unable, or likely to be unable, to pay claims against it. This will generally be because the firm has stopped trading and has insufficient assets to meet claims, or is in insolvency.

## **3 Internet Regulation And Data Protection**

Because the Group collects data about its clients and other individuals, it is subject to rules and regulations across the jurisdictions in which it operates concerning the treatment of this information. The European Union adopted a directive on the protection of individuals with regard to the processing of personal data and the free movement of such data on 24 October 1995 (the "**Data Protection Directive**"). The Data Protection Directive applies to companies established in the European Economic Area ("**EEA**") or using equipment in the EEA to process personal data. In the United Kingdom, the Data Protection Directive has been implemented into law by the Data Protection Act 1998 (the "**DPA**"). The DPA guarantees restrictions on the collection, use and processing of personal data and rights to individuals who are the subject of personal data with regards to their personal data. The DPA gives individuals the right to know what personal data is held about them, and it provides a framework to ensure that personal data is handled safely by obligating those who are responsible for processing personal data to comply with key principles relating to the fair handling of such personal data (which includes obtaining, recording, holding, using, blocking, destroying and disclosing). The DPA also restricts the ability of companies falling within their application to send data outside of the EEA unless the country to which such data is sent has adequate data protection measures in place.

The European Commission has issued a proposal for a new regime to regulate the processing of personal data in the form of the General Data Protection Regulation (the "**Draft Regulation**"). While the current proposed wording of the Draft Regulation is broadly similar to the Data Protection Directive, the Draft Regulation would have direct effect in EU Member States and all national implementing legislation of the Data Protection Directive would be repealed, avoiding national differences in interpretation and application of the Data Protection Directive. The stated aims of the proposed new regime are also to modernise the legal framework for personal data and boost the digital economy. A version of the Draft Regulation has been adopted by the European Parliament in March 2014, and the Draft Regulation would now have to be adopted by the Council of Ministers in order to become law. The final text was agreed in December 2015 and it is expected, after the Council formally adopts the text in early 2016, that the Draft Regulation will come into force in 2018.

There is also another European Directive which governs privacy and the processing of personal data specifically in the electronic communications sector (the "**Privacy and Electronic Communications Directive**"). The Privacy and Electronic Communications Directive was adopted by the European Union on 12 July 2002 and covers the processing of personal data on all public electronic communication systems. It specifically addresses the issues of direct marketing by e-mail and therefore affects the way the Group may use the personal data it collects from its clients and other individuals in order to market its business.

The Privacy and Electronic Communications Directive was implemented into law in the United Kingdom by the Privacy and Electronic Communications (EC Directive) Regulations 2003 (the “**PEC Regulations**”). The PEC Regulations restrict the use of automated calling systems, facsimile machines, e-mail and SMS for direct marketing purposes. In particular, companies may not send unsolicited e-mail communications for the purposes of direct marketing unless the recipient has given his/her prior consent. A limited exception applies in relation to the direct marketing of similar products and services to a company’s existing clients, provided that the client is, on each occasion, given the opportunity to refuse the use of his/her contact details for such purposes.

The Group’s clients are able to use credit cards as a payment alternative to fund their accounts. As such, the Group is subject to the Payment Card Industry Data Security Standards (the “**PCI DSS**”) issued by the PCI Security Standards Council. The PCI DSS are security standards for organisations that collect, process or transfer data from branded payment cards and are designed to help companies secure and protect their customer payment data. Specifically, the PCI DSS require companies to protect stored customer data and encrypt transmission of all cardholder data across open, public networks. As the PCI DSS are not direct regulatory obligations but private arrangements between the merchants and the PCI Security Standards Council, the level of sanction for non-compliance may vary but breach can lead to fines, increased card handling fees or withdrawal of payment processing services by the merchant acquirer.

The DPA requires every organisation that processes personal information to register with the Information Commissioner’s Office (“**ICO**”), unless they are exempt. Failure to do so is a criminal offence. Both CMC Markets Plc (ICO reference Z7407158) and CMC Spreadbet plc (ICO reference Z6627097) are registered with the ICO in accordance with the DPA.

#### **4 Financial Regulatory Framework Within The European Economic Area**

In addition to the UK regime described, there is a pan-European regime established by the Markets in Financial Instruments Directive (“**MiFID**”), which regulates the provision of “investment services and activities” in relation to MiFID financial instruments throughout the European Economic Area (the Member States of the European Union plus Norway, Iceland and Liechtenstein—the “**EEA**”). MiFID requires all EEA persons who are “**investment firms**” (i.e. persons whose regular occupation or business is the provision of one or more investment services or activities) to be authorised in their state of incorporation (their “**home member state**”). CMC Markets UK plc and CMC Spreadbet plc are MiFID investment firms and, as set out above, are duly authorised and regulated by the FCA.

MiFID gives investment firms the right to be able to provide investment services and activities on a cross-border basis to clients located in other member states of the EEA (“**host member states**”) without the need for separate authorisation by the competent authorities in those host member states. MiFID also grants MiFID investment firms a right to establish a branch in those host member states without the need for any separate authorisation. These rights to provide cross-border services and activities and to establish branches are commonly referred to as the MiFID “**passport**”.

The Group currently operates branches through CMC Markets UK plc in Austria, France, Germany, Italy, Norway, Poland, Spain and Sweden, which carry on their business in reliance on the MiFID passport. Investment firms conducting investment services through branches are generally subject to host member state conduct of business rules in respect of the activities carried on through each branch.

The Group has also made the required notifications to allow it to provide investment services on a cross-border basis into all other member states of the EEA. Under MiFID, investment firms conducting investment services into EEA countries through a cross-border services “passport” are generally subject to home member state conduct of business rules. It is possible, however, for some host member states to apply some additional consumer protection measures.

MiFID is in the process of being replaced by a revised directive (“**MiFID II**”) and a new regulation (“**MiFIR**”). MiFID II and MiFIR entered into force on 2 July 2014, and the deadline for EEA member states to finalise the laws and regulations implementing MiFID II is stated to be 3 January 2017 (by which the new rules will generally apply). The European Securities and Markets Authority have suggested to the European Parliament, Commission and Council that a delay in implementation of one year may be necessary, but this has yet to be confirmed. The delegated acts and regulated orders which will implement the requirements of MiFID II and MiFIR are still to be finalised and so their detailed provisions remain uncertain. The focus on the changes have been around market infrastructure—in particular, requirements for non-discriminatory access to trading venues and central counterparties, extension of pre- and

post-trade transparency to non-equities markets and transaction reporting, but it is anticipated that investor protection will be increased, with domestic regulators having stronger product intervention powers, prohibitions on inducements between advisors and product providers, enhanced information requirements for clients and tighter client categorisation rules.

See “*the terms of current and proposed EU directives could restrict the Group’s business, and the implementation of these Directives could place a significant demand on the Group’s resources*” of Part II (*Risk Factors*).

## **5 Regulatory Framework In Other Countries Where The Group Carries On Business**

The Group is subject to regulation in a number of other jurisdictions in which it operates. These include the following:

### **5.1 EEA countries (Austria, France, Germany, Italy, Norway, Poland, Sweden and Spain)**

In each of the EEA jurisdictions in which the Group has a physical branch presence, the FCA (as home regulator) is responsible for monitoring the Group’s compliance with regulatory capital requirements and prudential supervision. The EEA branch offices of CMC Markets UK plc are also required to comply with local regulations in relation to conduct matters.

### **5.2 Australia**

The financial services industry in Australia is regulated under the Corporations Act 2001 by the Australian Securities and Investment Commission (“ASIC”); an independent Commonwealth government body set up to regulate Australia’s financial system in order to promote investor confidence through the enforcement of the relevant laws and regulations.

A business providing a financial services activity is required to hold an Australian Financial Services License (“AFSL”) with ASIC. To be assessed successfully for an AFSL, a business must show:

- competency to carry on the type of financial services business applied for;
- adequacy of financial resources to carry on the business proposed;
- adequacy of risk management systems; and
- ability to meet the AFSL License obligations.

The Group’s operations in Australia consists of two licensed corporate entities providing differing financial products and services:

- CFDs provided through CMC Markets Asia Pacific Pty Limited (“**CMC APAC**”)
- Stockbroking products provided through CMC Markets Stockbroking Limited (“**CMC SB**”), including Equities, Interest Rate Securities, Bonds, Options, LICs, A-Reits, ETFs/ETPs, Warrants and mFunds. CMC SB is a participant in the ASX, ASX Clear Pty Limited (“**ASX Clear**”), ASX Settlement Pty Limited (“**ASX Settlement**”), SSE and Chi-X Australia.

CMC APAC and CMC SB were granted AFSLs on 24 February 2004 and 1 March 2004 respectively.

As holders of an AFSL, ongoing conduct obligations include to:

- do all things necessary to ensure that licensed financial services are provided efficiently, honestly and fairly;
- have adequate arrangements in place for managing conflicts of interest;
- comply with financial services laws;
- have adequate financial, technological and human resources to provide licensed financial services and to carry out supervisory arrangements;
- maintain the competence to provide the financial services;
- ensure representatives are adequately trained and competent to provide those financial services;
- have a dispute resolution system; and
- establish and maintain adequate risk management systems.

ASIC has developed and issued reports (“**REPs**”) and regulatory guides (“**RGs**”) to provide guidance on these and other specific ongoing obligations, including:

- REP205: Contracts for Difference and Retail Investors, focussed on monitoring and addressing compliance issues in advertisements, enhancing disclosure and conduct and strengthening client suitability measures. This was issued after ASIC conducted a “health check” of the CFD industry due to rapid growth in the number of CFD issuers and active CFD retail investors in recent years;
- RG227: OTC CFDs: improving disclosure for retail investors, with disclosure benchmarks relating to client qualification, opening collateral, counterparty risk (hedging and financial resources), client money handling and suspended or halted underlying assets;
- RG234: advertising financial products;
- RG146: Licensing: training of financial product advisers;
- RG239: Retail OTC derivatives issuers: financial requirements;
- Future of Financial Advice legislation: dealing primarily with the provision of advice and conflicted remuneration; and
- RG251: derivative transaction reporting, which became mandatory for CFD issuers in December 2015, with a view to enhancing the transparency of derivative transaction information available to relevant authorities and the public, promoting financial stability and supporting the detection and prevention of market abuse.

Aside from ASIC, there are various other regulators overseeing relevant Commonwealth, State and Territory legislation, including:

- ASX—Australia’s financial market exchange and a clearing and settlement house which has established operating and clearing and settlement rules for the ongoing admission, expulsion and ongoing obligations of stockbroking market participants;
- Australian Transaction Reports and Analysis Centre—the anti-money laundering and counter-terrorism financing regulator as well as the specialist financial intelligence unit which oversees compliance with the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 and is responsible for investigating and prosecuting criminal activities, including money laundering and terrorism financing;
- Australian Competition and Consumer Commission—an independent Commonwealth statutory authority which governs the adherence to competition, fair trading and consumer protection laws;
- Australian Communications and Media Authority—a government agency responsible for protecting consumers and other users by ensuring adherence to laws covering marketing and advertising material; and
- Privacy Commissioner—dealing with privacy related matters in accordance with the Privacy Act 1988 and maintaining 10 National Privacy Principles in relation to the collection, disclosure and storage of customer information.

CMC APAC is also a founding member of the Australian CFD & FX Forum (the “**Forum**”), established in August 2013. Representing over 60 per cent. of Australian CFD and FX providers by market share, the Forum is committed to enhancing efficient operations, transparency and overall investor understanding and confidence in CFDs. The Forum has established 16 best practice standards covering disclosure, risk warnings, advertising standards, capital adequacy and client money. Each member must comply with the standards and include a statement of such in their relevant product disclosure statements.

Key financial requirements for CMC APAC include:

- holding client money on trust with a tier 1 Australian bank and not using client money for any purpose, including meeting obligations incurred when hedging with other counterparties or meeting the trading obligations of other clients; and
- maintaining a Net Tangible Asset calculation of over AUD \$2 million or 10 per cent. of the average revenue.

CMC SB has an ongoing core liquid capital requirement of AUD \$5 million.

### 5.3 Canada

In Canada, CFDs are subject to regulation under the separate securities legislation of each Canadian province and territory. CMC Markets Canada Inc. (“**CMC Canada**”) is a registered investment dealer in all of the provinces and territories of Canada, a derivatives dealer in Quebec and a member of the Investment Industry Regulatory Organization of Canada (the “**IIROC**”) and the Canadian Investor Protection Fund (the “**CIPF**”). CMC Canada acts as dealer and agent of CMC Markets UK plc, who is the issuer of CFDs in Canada and acts as principal in CFD trades with Canadian customers.

On 1 October 2013, the Ontario Securities Commission granted CMC Markets UK plc and CMC Canada a four year exemption from the prospectus requirement in respect of the distribution of CFDs to Canadian residents.

Residents of Alberta are permitted to trade with CMC Canada if they are “accredited investors”, as that term is defined in National Instrument 45 106.

### 5.4 New Zealand

In New Zealand, the Financial Markets Conduct Act 2013 (“**FMC Act**”) regulates financial product providers, including derivatives issuers. The Financial Markets Authority (the “**FMA**”) oversees financial conduct in New Zealand and is responsible for licencing, compliance, supervision and systems oversight.

On 12 December 2014, CMC Markets NZ Limited was granted a Derivatives Issuer Licence (“**CMC NZ Licence**”) under the FMC Act in place of its existing futures dealers licence.

The CMC NZ Licence is subject to conditions contained in the FMC Act, including a prohibition on dealing with unregulated financial service providers, standards for outsourcing, reporting requirements to the FMA, having effective systems, policies, processes and controls in place, maintaining adequate financial resources and specified minimum capital adequacy, obtaining an annual assurance opinion on financial resources, and determining whether a retail investor understands the particular type of derivative and the risks involved. There is a specified condition that the FMA imposes on CMC Markets NZ Limited’s licence that the licence is for five years, subject to maintaining the same or better standard of capability, governance and compliance as was the case when the FMA assessed the application.

### 5.5 Singapore

In Singapore, the offering of CFDs by CMC Markets Singapore Pte Ltd (“**CMC SG**”) falls under the remit of the Securities and Futures Act (“**SFA**”) and is regulated by the Monetary Authority of Singapore (“**MAS**”).

CMC SG holds a Capital Markets Service (“**CMS**”) Licence from MAS to carry on regulated activities of Dealing in Securities as well as Leveraged Foreign Exchange Trading. CMC SG obtained this licence from the MAS on 13 March 2007.

CMC SG CMS licence conditions requires any person it employs or appoints to act as its representative in respect of the licensed regulated activities to be approved by the MAS and are required to meet the MAS fit and proper criteria which consists of reputation, competency and financial soundness.

In addition to its licence conditions and the SFA, the following regulations set out the regulatory framework in which the business of CMC SG operates:

- (i) Financial Advisers Act: given that CMC SG is an execution-only broker, CMC SG is an exempt financial adviser that limits its activity to the issuance of market commentaries; and
- (ii) Commodities Trading Act: governed by International Enterprises Singapore, CMC Singapore has been exempted from being licensed under the said regulation for as long as commodities trading is limited to the issuance of CFDs.

### 5.6 Other Countries

In addition to having clients in the countries referred to above, the Group has clients in jurisdictions in which it does not have an office and is not required to be regulated. The Group requires clients in these countries to comply with the regulatory requirements, for example, those governing the take-on of clients, of the country in which the relevant CMC Markets business is located and with which the client chooses to do business. Despite the Group’s requirement that clients in other countries comply with the regulatory

requirements of the country from which the relevant CMC Markets product is offered, it is possible that CMC Markets may not be in full compliance with, and may be in breach of, the laws and regulatory requirements of some of those countries from which the relevant CMC Markets product is accessed in which the Group is not, or may not have been, regulated. It is also possible that the governments of certain of those countries may attempt to regulate the Group's products or services or take enforcement action, such as bringing prosecutions against the Group, for violations of the relevant laws and regulation and that any agreements entered into with clients in those countries may be unenforceable. Further, CMC Markets products offered in these countries may be classified as unenforceable gaming and wagering contracts.

## **6 Trade Associations/Lobbying**

As noted above, CMC Markets is a founding member of the Australian CFD & FX Forum which was incorporated in August 2013. Representing over half of Australian CFD and foreign exchange providers by market share, the Forum is committed to raise industry standards, by enhancing efficient operations, transparency and overall investor understanding and confidence in CFDs and the industry more generally. The Forum has established sixteen "Best Practice Standards" covering disclosure, risk warnings, advertising standards, capital adequacy and full segregation of client money, with which all members must comply.

In Germany, CMC Markets is a member of the "CFD-Verband" (the "**CFD Association**"), which is a representative body, established in 2008, for providers of CFDs in Germany. The CFD Association aims to improve political and regulatory conditions for CFDs in Germany, while also increasing the public understanding of use and functions of CFDs, by improving transparency.

CMC Markets is, since 2006, a member of the CFD and FX Association, a UK association that includes peer members such as IG, Saxo, FXCM and Gain Capital.

As noted above, CMC Canada is also a member of the IIROC and the CIPIF.

## **7 Client Money**

In the UK, the FCA Rules require a FCA regulated firm to have in place proper systems for ensuring that client money is held in separate accounts from those of the firm at a third party credit institution, that reconciliations are performed on a regular basis and that any discrepancies are made good whilst being investigated. The protections over client money do not currently apply to most money transfers by the client by way of a title transfer collateral arrangement to a FCA regulated firm, for the purpose of securing obligations owed by the client, such that the money is treated as the firm's own property, available for its use in the course of its business. The Company cannot enter into title transfer collateral arrangements with retail clients.

In Singapore, MAS and certain other regulators in the jurisdictions in which the Group operates also require regulated entities such as the Group to institute systems for ensuring that client money is segregated from that of the regulated entity. In Singapore, client funds are placed in a separate bank account which is maintained separately from any account in which CMC SG deposits its own funds. This ensures that in the event of default by CMC SG, it is clear that there is no right of offset against the money held in this client account for any debt owned by CMC SG and that funds held in that account are held in trust.

Client money deposited with CMC Canada is held in accordance with IIROC rules. In Canada, IIROC requires Dealer Members such as CMC Canada to segregate "client free balances" subject to the Dealer Members' net allowable assets". However consistent with other regions, the firm holds all client money separately from its own cash in segregated client money bank accounts.

In Australia and New Zealand the Group is regulated by ASIC and the FMA respectively. In both jurisdictions client money regulations stipulate that all funds belonging to clients are kept separate from the firm's own money and deposited into segregated client money bank accounts.

It should be noted that in certain jurisdictions outside the United Kingdom, the Group (along with other market participants) has been unable to obtain segregated status for bank accounts due to the refusal of certain foreign banks to legally recognise the segregated status.

Please see "*The Group is subject to rules regulating how it holds client money*" of Part II (*Risk Factors*) for further details.

## 8 Anti-money laundering

The Group is subject to anti-money laundering and financial sanctions laws and regulations. Please see *“The Group may not adequately discharge its obligations under anti-money laundering, anti-bribery and corruption and financial sanctions laws and regulations”* of Part II (*Risk Factors*) for further details.

## 9 Volcker Rule

The Issuer may be deemed to be a “covered fund” for purposes of Section 13 of the U.S. Bank Holding Company Act of 1956, as amended, and any implementing regulations and related guidance (the “**Volcker Rule**”). Further, the Shares constitute an “ownership interest” for purposes of the Volcker Rule. As a result, the Volcker Rule may, subject to certain exemptions, prohibit certain banking institutions from, directly or indirectly, acquiring or retaining the Shares. This prohibition may adversely affect the liquidity and market price of the Shares. In addition, any entity that is a “banking entity” under the Volcker Rule and is considering an investment in the Shares should consider the potential impact of the Volcker Rule in respect of such investment and on its portfolio generally.

## PART XII

### DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

#### 1 Directors

The following table lists the names, positions and ages of the Directors:

<u>Name</u>	<u>Date of Birth</u>	<u>Position</u>	<u>Date appointed</u>
Simon Waugh . . . . .	24 April 1958	Non-Executive Chairman	1 December 2007
Peter Cruddas . . . . .	30 September 1953	Chief Executive Officer	1 December 1989
Grant Foley . . . . .	17 October 1972	Chief Financial Officer and Head of Risk	1 August 2013
David Fineberg . . . . .	14 April 1979	Group Director of Trading	1 January 2014
James Richards . . . . .	1 May 1957	Independent Non-Executive Director	1 April 2015
Manjit Wolstenholme . . . . .	4 July 1964	Independent Non-Executive Director and Senior Independent Director	9 December 2015
Malcolm McCaig . . . . .	25 May 1955	Independent Non-Executive Director	9 December 2015

**Note:**

- (1) Peter Cruddas has been appointed to various roles with the Group since founding it in 1989. Please see his biography below for further details.

The business address of each of the Directors is 133 Houndsditch, London EC3A 7BX, United Kingdom.

The management experience and expertise of each of the Directors is set out below.

#### **Simon Waugh**

Simon joined the Group as a Non-Executive Director in December 2007 and became the Non-Executive Chairman in March 2013. He is the Chairman of the Audit and Risk Committee until Admission. Prior to joining the Group, Simon was Group Director of Sales, Marketing and Customer service at Centrica. He retained these responsibilities for the seven years he was with the Group, and also held the roles of Deputy CEO of British Gas and CEO of the Centrica Financial Services Company. On leaving Centrica, Simon became CEO of AWD Financial Services Group, a leading Independent Financial Advisor and consumer financial services business. Simon's final senior executive position was in the role of Chairman and CEO of the National Apprenticeship Service, leading the government's flagship skills programme, reporting to the Secretaries of State for both Education and Business. Simon is also a life fellow of both the Marketing Society and the Institute of Direct Marketing.

#### **Peter Cruddas**

Peter founded the Group and became its Chief Executive Officer in 1989. Peter held this role until October 2007, and again between July 2009 and June 2010. Between 2003 and March 2013, he also served as the Group's Executive Chairman. In March 2013, he once again became the Group's CEO, and is responsible for running the Group on a day to day basis. Prior to founding the Group, Peter was Chief Dealer and Global Group Treasury Advisor at S.C.F. Equity Services where he was responsible for all the activities of a dealing room whose principal activities were trading in futures and options in currencies, precious metals, commodities and spot forwards on foreign exchange and bullion.

#### **Grant Foley**

Grant joined the Group in April 2013 as Group Head of Finance and was made Group Director of Finance, Risk and Compliance in August 2013 when he was appointed to the main board. In January 2016, he became the Chief Financial Officer and Head of Risk. Grant is a Fellow Chartered Accountant (FCA) and has almost 20 years of financial services experience, having held senior finance, operational and board

positions in a number of businesses. These have included Coutts & Co, Prudential Bache, Nomura and Arbuthnot Securities.

### **David Fineberg**

David joined the Group in November 1997 working on the trading desk and developed the Group's multi asset CFD and spread bet dealing desk. As a senior dealer he was responsible for managing the UK and US equity books. Between April 2007 and September 2012 he was the Group's Western Head of Trading, covering all asset classes for the Western region. In September 2012 he was appointed to the role of Group Head of Trading and in January 2014 was appointed as the Group Director of Trading with overall responsibility for the trading and pricing strategies and activities across the Group.

### **James Richards**

James joined the Group as a Non-Executive Director in April 2015 and is the Chairman of the Remuneration Committee and, until Admission, of the Nomination Committee. He is also a member of the Group Audit Committee and Group Risk Committee. He was admitted to the roll of solicitors in England and Wales in 1984 and in the Republic of Ireland in 2012. James is a partner at Dillon Eustace, a law firm specialising in financial services in Ireland, where he has been a partner since 2012. Prior to this he was a banking and finance partner at Travers Smith LLP for fourteen years. Having occupied various senior positions within leading law firms, James has extensive experience in debt capital markets, derivatives and structured finance working with major corporates, central banks and governmental organisations.

### **Manjit Wolstenholme**

Manjit joined the Group as a Non-Executive Director in December 2015 and will act as the Group's Senior Independent Director. Manjit qualified as a chartered accountant with Coopers & Lybrand. Her background includes roles as Director and Co-Head of Investment Banking at Dresdner Kleinwort Wasserstein, and Partner at Gleacher Shacklock. She is Chair of Provident Financial plc and Senior Independent Director and Chair of the Remuneration Committee of Future plc as well as Chair of Audit and Non-Executive Director of Unite Group plc and Chair of CALA Group (Holdings) Limited.

### **Malcolm McCaig**

Malcolm joined the Group as a Non-Executive Director in December 2015. Malcolm is a Chartered Management Consultant. He was a partner and practice leader, initially at Deloitte, and subsequently at Ernst & Young. He has held senior executive positions in Prudential, Cigna and National Australia Bank. He was formerly the Chairman of Kent Reliance Building Society and Barbon Insurance Group. Malcolm is the Senior Independent Director at Unum Ltd and Punjab National Bank International Limited. He also holds board positions at OneSavings Bank plc, Tradition UK and QBE Europe.

### **Senior Management**

CMC Markets' current senior management, in addition to the Executive Directors listed above, is as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Oliver Basi . . . . .	37	Group Head of Legal
Keith Falconer . . . . .	43	Global Head of Compliance
David Hodge . . . . .	46	Chief Commercial Officer
Matthew Lewis . . . . .	38	Head of Asia Pacific
Matthew Macklin . . . . .	37	Head of European Distribution
Greg Niebank . . . . .	39	Group Head of Product
Charlie Steel . . . . .	31	Global Head of Corporate Development
Marie-Claude Warnotte . . . . .	52	Group Head of HR
Luke Welch . . . . .	36	Global Head of Business Intelligence
Dave Worsfold . . . . .	45	Group Head of Operations

The management experience of each of the Senior Management team is set out below.

**Oliver Basi**

Oliver joined the Group in July 2010 and as the Group Head of Legal, he has overall responsibility for the Group's legal matters globally. Oliver has considerable experience in compliance and legal oversight in a retail financial services environment. Prior to joining the Group, he was with HBOS Treasury Services plc and Lloyds Banking Group, working in capital markets and complex derivatives products. Oliver is a qualified Solicitor in England and Wales and was admitted to the roll of solicitors in 2005. His role is independently regulated outside of his day to day job role by the Solicitors Regulation Authority ("SRA"). The key principles of the SRA ensure that he must uphold the rule of law, act with integrity and not allow his independence to be compromised. Oliver holds a LLB honours degree and received a distinction (first class) in his postgraduate diploma in legal practice.

**Keith Falconer**

Keith joined the Group in September 2015 as the Global Head of Compliance. He is responsible for the global regulatory compliance framework and for providing assurance to the Board on the Group's compliance with relevant regulations. Prior to joining the Group, Keith spent 9 years with Standard Life plc, where he held a number of senior risk and compliance roles both at Group level and in its subsidiaries, including Standard Life Wealth and Standard Life Investments. Prior to this, Keith was a forensic accountant with a Big-4 firm of accountants. Keith qualified as a Chartered Accountant (ICAS) in 1999 and holds a law degree from the University of Strathclyde.

**David Hodge**

David joined the Group in May 2015 and is the Group's Chief Commercial Officer. He is responsible for marketing, acquisition and lead generation operations of the Group. David has twenty-five years of marketing and sales experience, of which twelve years have been in online businesses. For the last seven years he has worked directly in the sector in senior management roles, including three-and-a-half years at IG Group.

**Matthew Lewis**

Matthew joined the Group in September 2005 and has held a variety of roles including Senior Dealer, Head of Eastern Equities, Head of Sales Trading ANZ, Head of Trading Eastern Region and Director of Asia. As the Head of Asia Pacific, he is responsible for implementing the Group's business strategies across the Asia Pacific region for both retail and wholesale CFD and foreign exchange business. He is also responsible for the Group's stockbroking business. Prior to joining the Group, Matthew worked for Commonwealth Securities, Australia's largest provider of financial services, dealing in equities before moving into derivatives as an options trader and warrants representative.

**Matthew Macklin**

Matthew joined the Group in September 2012. He was recruited initially to manage the UK client facing operation and was given responsibility for the European and Canadian offices in early 2013. As the Head of Distribution—Europe and Canada he manages the client facing teams across nine offices with responsibility for Client Services, Retail and Institutional Sales, Relationship Management and Sales Trading. Matthew has worked in the financial industry for 14 years since completing a BSc in Banking and Finance in 2001. Prior to joining the Group, he spent much of his career at IG Group, where he held a number of positions over eight years, mostly in a dealing capacity before moving to the client facing side of the business to become Group Head of Sales Trading, and then Group Head of Trading Services.

**Greg Niebank**

Greg joined the Group in November 1997 and has held a number of senior risk management roles on the trading desk before moving into the product area where, more recently, he has overseen the continued development of the Group's trading platform. As the Group Head of Product he has overall responsibility for the Group's products, platform, product lifecycle and IT development. He is also responsible for all broker, exchange and data vendor relationships.

### **Charlie Steel**

Charlie joined the Group in September 2014 and as the Global Head of Corporate Development he is responsible for evaluating, developing and where appropriate, executing new business for the Group. This may include new products, initiatives, or entry into new markets. He is also responsible for evaluating and leading project management for M&A opportunities. Charlie was previously Vice President in Deutsche Bank's Global Natural Resources group from 2008, prior to which he worked in the European Natural Resources group at Lehman Brothers. He graduated from the University of Oxford with a degree in Economics and Management.

### **Marie-Claude Warnotte**

Marie-Claude joined the Group in July 2011 and as the Group Head of HR she is responsible for the strategy of all aspects of human resources. She is a key contributor to the Remuneration Committee and Nomination Committee. Marie-Claude has 20 years' experience in international HR roles, including those with Motorola EMEA, Le Meridien (Starwood) and Betfair. She is a qualified lawyer with a law degree from the University of Louvain.

### **Luke Welch**

Luke joined the Group in March 2008 and as the Global Head of Business Intelligence he is responsible for the delivery of fit for purpose performance measurement and data capability and for the necessary infrastructure, reporting and analytics strategy required to support the Group's continued growth. During his time at the Group, Luke has transitioned Business Intelligence ("BI") to become a key enabler for the organisation, and is a major contributor to the formulation of the Group's business strategy. Luke has considerable experience within BI in a retail financial services environment. Prior to joining CMC he held several management positions at Centrica.

### **Dave Worsfold**

Dave joined the Group in 2010 and as the Group Head of Operations he is responsible for business operations globally, including post trade support, client complaints, transaction reporting, payment and reconciliations, and the business change management programme. Prior to joining the Group, he held senior positions in the fund sector for fifteen years as well as different roles within Investment Banking for six years and has a strong understanding of the global capital markets and related exchange and OTC traded products.

## **2 Corporate Governance**

### ***UK Corporate Governance Code***

The Board is committed to the highest standards of corporate governance. As at the date of this Prospectus, and on and following Admission, the Board complies and intends to continue to comply with the requirements of the UK Corporate Governance Code published in September 2014 by the Financial Reporting Council (the "**UK Corporate Governance Code**"). The Company will report to its shareholders on its compliance with the UK Corporate Governance Code in accordance with the Listing Rules.

As envisaged by the UK Corporate Governance Code, the Board has established four committees: a Group Audit Committee, a Group Risk Committee, a Nomination Committee and a Remuneration Committee. If the need should arise, the Board may set up additional committees as appropriate.

The UK Corporate Governance Code recommends that at least half the board of directors of a UK-listed company, excluding the chairman, should comprise non-executive directors determined by the Board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the director's judgement. As at the date of this Prospectus, the Board consists of the non-executive chairman and three further independent non-executive Directors (the "**Non-Executive Directors**") and three Executive Directors. The Company regards all of the Non-Executive Directors, as "independent non-executive directors" within the meaning of the UK Corporate Governance Code and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

The UK Corporate Governance Code recommends that the board of directors of a company with a premium listing on the Official List of the FCA should appoint one of the Non-Executive Directors to be

the Senior Independent Director to provide a sounding board for the chairman and to serve as an intermediary for the other directors when necessary. The Senior Independent Director should be available to shareholders if they have concerns which contact through the normal channels of the CEO has failed to resolve or for which such contact is inappropriate. Accordingly, Manjit Wolstenholme has been appointed Senior Independent Director.

The UK Corporate Governance Code further recommends that directors should be subject to annual re-election. The Company intends to comply with these recommendations. Peter Cruddas has informed the Board that his current intention is to remain involved with the Company in an executive capacity over the medium to long-term.

### ***Group Audit Committee***

In compliance with the requirements of the UK Corporate Governance Code, the Group Audit Committee is made up of a minimum of three members who are all independent Non-Executive Directors and includes one member with recent and relevant financial experience. The Group Audit Committee is chaired by Manjit Wolstenholme, who is considered by the Board to have recent and relevant financial experience. Its membership is as follows:

<u>Name</u>	<u>Committee Position</u>
Manjit Wolstenholme . . . . .	Chairman of the Group Audit Committee
James Richards . . . . .	Independent Non-Executive Director
Malcolm McCaig . . . . .	Independent Non-Executive Director

The Group Audit Committee will normally meet at least three times a year at the appropriate times in the reporting and audit cycle. The Group Audit Committee has responsibility for, amongst other things, the monitoring of the financial integrity of the financial statements of the Group and the involvement of the auditors in that process as well as reviewing the Company's internal control and risk management systems. It focuses in particular on compliance with accounting policies and ensuring that an effective system of internal financial control is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board.

The terms of reference of the Group Audit Committee covers such issues as membership and the frequency of meetings, as mentioned above, together with requirements for the quorum for and the right to attend meetings. The duties of the Group Audit Committee covered in the terms of reference are: financial statements and reporting, narrative reporting, reviewing the effectiveness of the Group's internal control and financial reporting and reviewing statements concerning internal control risk management systems, reporting on the adequacy and security of the Group's whistleblowing arrangements and procedures for detecting fraud, the Group's internal audit function, and the Group's relationship with its external auditors. The terms of reference also set out the reporting responsibilities and the authority of the Group Audit Committee to carry out its duties.

### ***Group Risk Committee***

The Group Risk Committee is made up of a minimum of three members who are all independent Non-Executive Directors and includes one member with recent and relevant experience working with risk management and oversight. The Group Risk Committee is chaired by Malcolm McCaig, who is considered by the Board to have recent and relevant risk management and oversight experience. Its membership is as follows:

<u>Name</u>	<u>Committee Position</u>
Malcolm McCaig . . . . .	Chairman of the Group Risk Committee
Simon Waugh . . . . .	Independent Non-Executive Director
James Richards . . . . .	Independent Non-Executive Director
Manjit Wolstenholme . . . . .	Independent Non-Executive Director

The Group Risk Committee will normally meet at least four times a year at the appropriate times in the reporting cycle. The Group Risk Committee has responsibility for the risk management policies of the Group's global operations, oversight of the operation of the Group's risk management framework, advising the Board in relation to current and future risk exposures and promoting a risk awareness culture within the business.

The terms of reference of the Group Risk Committee covers such issues as membership and the frequency of meetings, as mentioned above, together with requirements for the quorum for and the right to attend meetings. The duties of the Group Risk Committee covered in the terms of reference include: overseeing the scope and nature of work undertaken by the risk functions (Compliance, Financial Crime, Financial Risk and Operational Risk) and considering the adequacy and effectiveness of resources within each risk function, annual review and approval of the Group's risk management framework, overseeing the Group's material risk exposures in accordance with the risk appetite set by the Board, reviewing the Group's stress testing and scenario analysis, ensuring the effectiveness of the process by which the Group identifies and manages conduct risk to ensure fair outcomes, challenging the Group's ICAAP and recommending to the Board its approval, challenging the Group's ILAA and recommending to the Board its approval, overseeing the Risk Management Committee to ensure it is effective in its remit and reviewing reports from the Money Laundering Reporting Officer. The terms of reference also set out the reporting responsibilities and the authority of the Group Risk Committee to carry out its duties.

### ***Nomination Committee***

In compliance with the UK Corporate Governance Code, the Nomination Committee is made up of a minimum of three members, a majority of whom are independent Non-Executive Directors. Its membership is as follows:

<b>Name</b>	<b>Committee Position</b>
Simon Waugh . . . . .	Chairman of the Nomination Committee
Manjit Wolstenholme . . . . .	Independent Non-Executive Director
James Richards . . . . .	Independent Non-Executive Director
Malcolm McCaig . . . . .	Independent Non-Executive Director

The Nomination Committee will meet not less than twice a year. The Nomination Committee assists the Board in discharging its responsibilities relating to the composition and make-up of the Board and any committees of the Board. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors or committee members as the need may arise. The Nomination Committee is responsible for evaluating the balance of skills, knowledge and experience and the size, structure and composition of the Board and committees of the Board, retirements and appointments of additional and replacement directors and committee members and will make appropriate recommendations to the Board on such matters.

The terms of reference of the Nomination Committee cover such issues as membership and frequency of meetings, as mentioned above, together with the requirements for the quorum for and the right to attend meetings. The duties of the Nomination Committee covered in the terms of reference relate to the following: monitoring and making recommendations to the Board on the composition of the Board and its committees, reviewing the size and composition of the Board and succession planning. The terms of reference also set out the reporting responsibilities and the authority of the Nomination Committee to carry out its duties.

### ***Remuneration Committee***

The UK Corporate Governance Code provides that a Remuneration Committee should comprise at least three members who are independent Non-executive Directors (other than the Chairman who may be an additional member if independent on appointment). Its membership is as follows:

<b>Name</b>	<b>Committee Position</b>
James Richards . . . . .	Chairman of the Remuneration Committee
Manjit Wolstenholme . . . . .	Independent Non-Executive Director
Malcolm McCaig . . . . .	Independent Non-Executive Director
Simon Waugh . . . . .	Independent Non-Executive Director

The Remuneration Committee will meet not less than twice a year. The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Group's policy on executive remuneration, including setting the over-arching principles, parameters and governance framework of the Group's remuneration policy and determining the individual remuneration and benefits package of each of the Company's Executive

Directors and its Company Secretary. The Remuneration Committee will also ensure compliance with the UK Corporate Governance Code in relation to remuneration.

The terms of reference of the Remuneration Committee cover such issues as membership and frequency of meetings, as mentioned above, together with the requirements for the quorum for and the right to attend meetings. The duties of the Remuneration Committee covered in the terms of reference relate to the following: determining and monitoring policy on and setting level of remuneration, early termination, performance-related pay, pension arrangements, authorising claims for expenses from the members of the Board, reporting and disclosure, share schemes and remuneration consultants. The terms of reference also set out the reporting responsibilities and the authority of the Remuneration Committee to carry out its duties.

#### ***Share dealing***

The Company has adopted, with effect from Admission, a code of securities dealings in relation to the Shares which is based on, and is at least as rigorous as, the model code published in the Listing Rules. The code adopted will apply to the Directors and other relevant employees of the Company.

#### ***Relationship agreement***

The Company has entered into a relationship agreement with the Controlling Shareholders. This relationship agreement has been entered into to ensure that the Company will be able, at all times, to carry out its business independently of the Controlling Shareholders and that all transactions and relationships between the Company and the Controlling Shareholders are at arm's length and on a normal commercial basis. See Paragraph 11.3 (*Relationship Agreement*) of Part XXII (*Additional Information*) for a more detailed description of the Relationship Agreement.

#### ***Conflicts of interest***

There are no potential conflicts of interest between any duties owed by the Directors or Senior Management to the Company and their private interests or other duties.

**PART XIII**  
**SELECTED FINANCIAL INFORMATION**

*Selected financial information relating to the Group set out below has been extracted, without material adjustment, from Part XVI (Historical Financial Information). Investors should read the whole of this Prospectus before making an investment decision and not rely solely on the summarised information in this Part XIII (Selected Financial Information).*

**Selected Consolidated Income Statement Data**

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	(£ million)			(unaudited)	
<b>Revenue</b> . . . . .	125.1	135.4	155.7	63.6	88.2
Interest income . . . . .	3.2	2.1	2.1	1.1	0.9
<b>Total Revenue</b> . . . . .	128.3	137.5	157.9	64.7	89.1
Rebates and levies . . . . .	(21.3)	(15.5)	(14.2)	(5.9)	(10.2)
<b>Net operating income<sup>(1)</sup></b> . . . . .	107.0	122.0	143.6	58.8	78.9
Other income . . . . .	—	—	—	—	1.6
Operating expenses . . . . .	(94.2)	(78.4)	(92.3)	(41.3)	(50.4)
<b>EBITDA</b> . . . . .	12.8	43.6	51.3	17.5	30.1
Depreciation and amortisation . . . . .	(16.8)	(10.7)	(6.9)	(3.2)	(3.2)
<b>Operating profit/(loss)</b> . . . . .	(4.0)	32.9	44.4	14.3	26.9
Finance costs . . . . .	(1.4)	(0.7)	(0.9)	(0.4)	(0.4)
<b>Profit/(loss) before taxation</b> . . . . .	(5.4)	32.2	43.5	13.9	26.5
Taxation . . . . .	1.6	(8.2)	(8.8)	(2.6)	(6.5)
<b>Profit/(loss) for the year attributable to owners</b> . . . . .	(3.8)	24.0	34.7	11.3	20.0
<b>Underlying EBITDA</b> . . . . .	12.8	43.6	59.7	17.5	29.8
Exceptional income . . . . .	—	—	—	—	1.6
Exceptional costs . . . . .	—	—	(8.4)	—	(1.3)
<b>EBITDA</b> . . . . .	12.8	43.6	51.3	17.5	30.1

**Note:**

(1) The table below sets out net operating income by source:

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	(£ million)			(unaudited)	
CFD and Spread Bet (including Binaries) . . . . .	96.7	114.0	136.6	55.4	75.1
Stockbroking (excluding interest income) . . . . .	5.8	5.5	5.1	2.5	2.7
Interest income . . . . .	3.2	2.1	2.1	1.1	0.9
Other operating income . . . . .	1.3	0.4	(0.2)	(0.2)	0.2
<b>Net operating income</b> . . . . .	107.0	122.0	143.6	58.8	78.9

# **Selected Consolidated Statement of Financial Position Data**

	As at 31 March			As at
	2013	2014	2015	30 September
	(£ million)			2015
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets . . . . .	10.7	4.1	3.7	2.7
Property, plant and equipment . . . . .	16.1	13.7	17.4	16.3
Deferred tax assets . . . . .	13.9	7.4	7.5	6.4
<b>Total non-current assets . . . . .</b>	<b>40.7</b>	<b>25.2</b>	<b>28.6</b>	<b>25.4</b>
<b>Current assets</b>				
Trade and other receivables . . . . .	25.7	19.7	18.7	24.4
Derivative financial instruments . . . . .	0.6	0.6	3.3	2.6
Current tax recoverable . . . . .	0.4	—	—	—
Amounts due from brokers . . . . .	48.8	65.9	109.8	113.3
Cash and cash equivalents . . . . .	45.9	57.8	38.6	37.5
<b>Total current assets . . . . .</b>	<b>121.4</b>	<b>144.0</b>	<b>170.4</b>	<b>177.8</b>
<b>Total assets . . . . .</b>	<b>162.1</b>	<b>169.2</b>	<b>199.0</b>	<b>203.2</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables . . . . .	43.7	39.7	38.8	35.6
Derivative financial instruments . . . . .	2.2	2.1	0.8	0.6
Long term borrowings . . . . .	1.2	0.6	1.4	1.4
Current tax payable . . . . .	—	1.2	3.5	5.9
Short term provisions . . . . .	3.7	0.3	4.3	0.2
<b>Total current liabilities . . . . .</b>	<b>50.8</b>	<b>43.9</b>	<b>48.8</b>	<b>43.7</b>
<b>Non-current liabilities</b>				
Trade and other payables . . . . .	4.8	4.5	3.9	3.6
Short term borrowings . . . . .	1.0	0.3	2.5	1.8
Deferred tax liabilities . . . . .	1.1	0.6	0.1	0.1
Long term provisions . . . . .	0.1	0.3	1.4	1.4
<b>Total non-current liabilities . . . . .</b>	<b>7.0</b>	<b>5.7</b>	<b>7.9</b>	<b>6.9</b>
<b>Total liabilities . . . . .</b>	<b>57.8</b>	<b>49.6</b>	<b>56.7</b>	<b>50.6</b>
<b>EQUITY</b>				
<b>Equity attributable to owners of the Group</b>				
Share capital . . . . .	70.7	70.7	70.7	70.7
Share premium . . . . .	33.4	33.4	33.4	33.4
Own shares held in trust . . . . .	(2.0)	(2.0)	(2.0)	(2.0)
Other reserves . . . . .	(46.5)	(49.6)	(50.0)	(50.3)
Retained earnings . . . . .	48.7	67.1	90.2	100.8
<b>Total equity . . . . .</b>	<b>104.3</b>	<b>119.6</b>	<b>142.3</b>	<b>152.6</b>
<b>Total equity and liabilities . . . . .</b>	<b>162.1</b>	<b>169.2</b>	<b>199.0</b>	<b>203.2</b>

## Selected Consolidated Statement of Cash Flows Data

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	(£ million)			(unaudited)	
Net cash generated from operating activities . . . . .	3.4	23.6	2.0	2.9	11.6
Net cash used in investment activities . . . . .	(3.6)	(2.0)	(10.3)	(7.2)	(1.2)
Net cash used in financing activities . . . . .	(1.0)	(7.8)	(10.0)	(2.7)	(11.1)
Net (decrease)/increase in cash and cash equivalents . . . . .	(1.2)	13.8	(18.3)	(7.0)	(0.7)
Cash and cash equivalents at period start . . . . .	48.0	45.9	57.8	57.8	38.6
Effect of foreign exchange rates . . . . .	(0.9)	(1.9)	(0.9)	(0.4)	(0.4)
Cash and cash equivalents at period end . . . . .	<u>45.9</u>	<u>57.8</u>	<u>38.6</u>	<u>50.4</u>	<u>37.5</u>

## PART XIV OPERATING AND FINANCIAL REVIEW

*The following discussion of the financial condition and results of operations of the Group as at and for the years ended 31 March 2013, 2014 and 2015, for the six months ended 30 September 2014 and as at and for the six months ended 30 September 2015 should be read in conjunction with the Historical Financial Information set out in Section B of Part XVI (Historical Financial Information) of this document and the information relating to the Group's business included elsewhere in this Prospectus. This review contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those included in these forward-looking statements as a result of certain factors. See Part II (Risk Factors), Paragraph 3 (Information Regarding Forward-Looking Statements) and Part III (Presentation of Information) for a discussion of important factors that could cause the Group's actual results to differ materially from the forward-looking statements contained herein.*

### Overview of the Group

The Group is one of the world's leading online financial trading businesses servicing retail clients and has been a pioneer of the industry since its formation in 1989. Through its Next Generation trading platform, an award-winning, online and mobile trading platform, the Group enables its global client base to trade a range of shares, indices, foreign currencies, commodities and treasuries through CFDs and financial spread bets (in the UK and Ireland only). CFDs and spread bets are derivative products which allow clients to engage in trading in the financial markets without owning the underlying instruments. The Group also offers its clients the ability to place financial bets through Countdowns as well as offering stockbroking services in Australia.

The Group operates globally through regulated offices and branches in 14 countries, with a significant presence in the UK, Australia, Germany and Singapore; in the aggregate, the Group has retail clients based in more than 70 countries, serviced through direct client relationships and also via its Partner and Institutional Client relationships with banks, brokers, asset managers and other professional and corporate firms.

The Group offers its products primarily under the "CMC Markets" brand name<sup>5</sup> and operates its Next Generation trading platform through its website "www.cmcmarkets.com" and related local-language websites, as well as on iPhone, iPad and Android mobile platforms. In the six months ended 30 September 2015, approximately 48 per cent. of the total nominal value of the Group's client trades were placed on mobile devices (compared with 41 per cent. in the year ended 31 March 2015 and 36 per cent. in the year ended 31 March 2014), with the remainder of trades predominantly executed through the Group's traditional online platform and a very small number over the phone. In the six months ended 30 September 2015, the Group had 44,017 Active Clients who had traded in the previous six months, and the Group processed approximately 45 million and 34 million trades in the year ended 31 March 2015 and in the six months ended 30 September 2015, respectively.

The Group offered one of the world's first online foreign exchange trading platforms to retail clients in 1996. Since then, the Group has developed and expanded its offering to include derivative trading in approximately 10,000 financial instruments across shares, indices, foreign currencies, commodities and treasuries. The Group provides products and trading features to retail clients that historically were generally only available to institutional investors.

The Group offers two primary products: CFDs and spread betting. A CFD is a cash-settled investment product that may be based on foreign currencies, commodities, treasuries, indices and shares. It provides economic benefits similar to an investment in an underlying asset without certain costs and limitations associated with physical ownership. A CFD tracks the market price movements of the chosen instrument, as well as inferring, through price changes, dividends on stocks, interest on positive carry currency positions and coupons on interest-bearing instruments.

Spread betting shares many of the same characteristics and benefits as CFDs except that clients invest a specific stake size per point movement of a product rather than trading a specific number of shares or units. The Group's spread betting products are offered exclusively to residents in the UK and Ireland. Profits from spread betting are currently free from capital gains tax and stamp duty in these jurisdictions.

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<sup>5</sup> Stockbroking services in Australia are offered through "CMC Markets Stockbroking".

The Group's CFD and spread bet offerings both allow a client to leverage an investment. This magnifies a client's potential investment returns and losses by reducing the initial capital outlay required to achieve the same market exposure as purchasing the instrument directly. In addition, the products allow clients, subject to underlying market restrictions, to take a short position (i.e., a position in which the client believes the value of the underlying financial instrument will decrease), creating the potential for profit if the underlying instrument declines in value or loss if the underlying instrument increases in value.

In 2015, the Group expanded its product offering in certain jurisdictions to include Countdowns. Countdowns allow clients to place fixed-odd trades relating to price movements during timeframes of as short as 30 seconds. The Group intends to expand its product offering in 2016 to include Binary products. Binaries are CFD products that allow clients the opportunity to place a stake depending on whether they believe a particular instrument's price will be above or below a certain level at a specific time in the future. In contrast to CFDs and spread betting, the client's total risk and potential profit when placing a Binary position are determined at the point of trade, and remain fixed at that level once the bet is made.

The Group generates revenue through spreads (i.e., the difference between the bid and ask price of the Group's products), commissions, financing income and risk management via hedging. The Group generated revenue of £155.7 million and £88.2 million and operating profit of £44.4 million and £26.9 million respectively in the year ended 31 March 2015 and in the six months ended 30 September 2015. In the year ended 31 March 2015, the Group generated 34 per cent. of its net operating income from its United Kingdom and Ireland division, 31 per cent. from its Europe division, 29 per cent. from its Australia and New Zealand division and 6 per cent. from its Rest of World division, and in the six months ended 30 September 2015 it generated 38 per cent., 28 per cent., 25 per cent. and 9 per cent. of its net operating income, respectively, in these divisions. The Group's underlying EBITDA has grown between 31 March 2013 and 31 March 2015 at a compound annual growth rate of 117 per cent. to £59.7 million, with underlying EBITDA margin increasing from 12 per cent. in the year ended 31 March 2013 to 36 per cent. in the year ended 31 March 2014 and 42 per cent. in the year ended 31 March 2015.

### **Key Factors Affecting Results of Operations**

The Group's results of operations have been, and the Directors believe will continue to be, influenced by a variety of factors, including the following:

#### ***Client activity and product demand***

Demand for the Group's products can vary due to factors outside of the Group's control. Periods of high volatility in financial markets typically increase client demand for the Group's products (although high volatility can expose the Group to increased trading loss risk). Conversely, in periods of low market volatility, client activity can decrease due a perceived lack of attractive trading opportunities for clients. However, due to a focus on increasing the consistency of revenues, expected to be achieved through the Group's risk management strategy, the Group expects volatility to have less of an impact than it has done in the past. Additional factors outside of the Group's control, such as declines in the disposable income of the Group's clients and other broad economic or political factors could cause a decline in client activity as well.

The Group's results of operations largely depend on client activity and the demand for the Group's products. For the year ended 31 March 2015, spreads (i.e., the difference between the bid and ask price on its CFD and spread bet products) constituted 93 per cent. of the Group's net operating income. Although the Group's spreads tend to be relatively small in absolute terms, they generate substantial revenue for the Group due to the large notional value of trades the Group's clients transact. The Group also charges a commission on CFD equity trades. Clients are charged either a minimum commission of £8 or a percentage based on the value of the trade. For the year ended 31 March 2015, commissions constituted 12 per cent. of the Group's net operating income. As a result, the Group's results of operations are affected by the number and value of client transactions executed on the Group's trading platform. The average number of trades per day was 124,326, 127,314 and 172,789 in the years ended 31 March 2013, 2014 and 2015, respectively, and 257,807 in the six months ended 30 September 2015.

The widening of the Group's product range can also affect its overall product demand and is an important element in the Group's target of generating £250 million of revenue by the end of the year ended 31 March 2020 (before rebates). The Directors believe that there is strong operational leverage in the business although costs are expected to increase moderately in the medium term driven by an increased focus on digital marketing as part of the Group's growth strategy. The Directors believe that the introduction of

Binaries will influence the Group's operations both through additional trading opportunities for existing clients and new products independently providing a broader appeal for new clients. Average daily trades exceeded 4,000 in the first two months (from 20 July 2015 to 30 September 2015) that the Group offered Countdowns, with the Group earning £1.1 million in revenue before levies from the product in the same period, despite no external marketing.

The tables below set forth the number of client transactions and the notional value of client transactions for the periods indicated.

<u>Number of Client Transactions (million)</u>	<u>Year ended 31 March</u>			<u>Six months ended 30 September 2015</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	
<i>Segment</i>				
UK & Ireland . . . . .	7.9	6.9	9.4	6.9
Europe . . . . .	16.2	17.3	24.2	17.8
ANZ . . . . .	4.8	6.2	8.2	6.4
RoW . . . . .	2.9	2.6	2.8	2.4
<b>Total . . . . .</b>	<b>31.8</b>	<b>33.0</b>	<b>44.6</b>	<b>33.5</b>

<u>Notional Value of Client Transactions (£ billion)</u>	<u>Year ended 31 March</u>			<u>Six months ended 30 September 2015</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	
<i>Segment</i>				
UK & Ireland . . . . .	451	418	548	409
Europe . . . . .	476	532	553	363
ANZ . . . . .	257	332	453	250
RoW . . . . .	103	69	72	90
<b>Total . . . . .</b>	<b>1,287</b>	<b>1,351</b>	<b>1,626</b>	<b>1,112</b>

The increase in notional turnover between the years ended 31 March 2013 and 31 March 2015 was largely against a backdrop of average annual volatility levels, with periodic peaks. Drivers of the growth were higher client numbers and higher revenue per Active Client. See “Key Factors Affecting Results of Operations—Revenue per Active Client and Premium Clients”. Higher average volatility was a contributing factor to the increase in trade count and notional turnover in the six months ended 30 September 2015.

#### *Number of Active Clients*

The Group's revenue is dependent on the number of actively trading clients that the Group is able to attract and retain or reactivate in the event that clients cease trading. During the year ended 31 March 2015, approximately 50,000 Active Clients traded with the Group. The Group's client base is predominately retail clients, but in recent years has included a small number of corporate and institutional clients who use the Group's products as a source of hedging and liquidity.

The tables below set forth the Group's number of Active Clients for the periods indicated.

<u>Number of Active Clients</u>	<u>Year ended 31 March</u>			<u>Six months ended 30 September</u>	
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
<i>Segment</i>					
UK & Ireland . . . . .	17,876	14,054	15,417	10,673	12,749
Europe . . . . .	19,602	19,572	20,019	15,365	16,954
ANZ . . . . .	10,118	9,076	9,527	7,182	9,174
RoW . . . . .	8,507	5,304	5,340	4,141	5,140
<b>Total . . . . .</b>	<b>56,103</b>	<b>48,006</b>	<b>50,303</b>	<b>37,361</b>	<b>44,017</b>

The Group devotes significant resources to attracting new clients to open accounts and trade. The Group uses its own website, emails and its social media channels to promote its products and services to existing clients and prospects. In addition, the Group advertises on third-party websites and utilises search engines

to attract potential clients. The Group also engages in targeted off-line marketing in more traditional media channels such as financial press and television, outdoor advertising and sponsorships.

The Directors believe that the acquisition and retention of clients are significantly aided by the strength of the Group's brand, the quality of its systems and staff and by innovation in its technology and products. The Group has also made a strategic decision to invest in and develop a comprehensive range of educational tools and services for both its clients and prospective clients, including live seminars, webinars, e-programmes and a suite of educational videos to encourage clients to open a trading account with the Group and continue as a Group client for as long as possible.

The recruitment of new clients is offset, to a certain extent, by clients who cease trading. In the years ended 31 March 2013, 2014 and 2015 and in the six months ended 30 September 2015, approximately 36,000, 23,000, 15,000 and 11,000 Active Clients ceased trading, respectively. The Directors believe that the Group was able to reduce client attrition by improving the consistency of its client delivery (e.g., trade execution and client service), as well as by introducing new products such as Countdowns, enhancing the existing product offer by, for example, adding to the range of instruments and features such as guaranteed stop-loss orders and expanding its client education programs. Although the Group continues to experience a degree of client churn, it also benefits from a level of client re-activation, i.e., the return to trading of former Active Clients. Once a client is no longer active, the Group engages in targeted marketing activities, such as email campaigns and outbound calls, to encourage the client to trade again. In the years ended, respectively, 31 March 2013, 2014 and 2015, 1,844, 2,382 and 3,328 clients reactivated their account. Of the 12,086 retail clients on-boarded in the year ended 31 March 2013, 9,444, or 78 per cent. remained Active Clients in the 2014 financial year, 7,158, or 59 per cent. remained active in the 2015 financial year, and 5,414 or 45 per cent. were active in the six months ended 30 September 2015.

Active Clients (thousands)	As at 31 March			As at
	2013	2014	2015	30 September 2015
Continuous traders . . . . .	39	34	33	32
New traders . . . . .	15	12	14	9
Reactivated . . . . .	2	2	3	3
Total Active Clients . . . . .	56	48	50	44
Stopped trading . . . . .	36	23	15	11

The Group is focused on increasing client tenures because longer client tenures tend to correlate to higher revenue generation for the Group: for example, in the year ended 31 March 2015, 46 per cent. of the Group's revenue was derived from clients that had been active for at least three years (16 per cent., 12 per cent., 9 per cent. and 17 per cent. were derived from clients that had been active two to three years, one to two years, six to twelve months, and less than six months, respectively).

In addition, the Group has had a strong record of new account generation in its stockbroking division in Australia, with 9,952, 10,112, 11,712, and 6,716 new clients added in the years ended 31 March 2013, 2014 and 2015 and in the six months ended 30 September 2015, respectively. The stockbroking business currently has an account base of approximately 200,000 registered accounts, with over 25,000 trading in the past 12 months.

#### ***Revenue per Active Client and Premium Clients***

Although the Group generally seeks to increase the number of its total Active Clients, in order to capitalise on high operational leverage, the Group places an additional focus on attracting higher value Premium Clients. In the period under review, the number of Active Clients has decreased, but offsetting this, the number of client trades and the revenue per Active Client have increased significantly, which has supported the growth in the Group's revenue and profit in the period under review.

The tables below set forth the Group's revenue per Active Client for the periods indicated.

Revenue Per Active Client <sup>(1)</sup>	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	£				
<i>Segment</i>					
UK & Ireland . . . . .	1,914	2,373	3,152	1,812	2,314
Europe . . . . .	1,785	2,338	2,269	1,288	1,302
ANZ . . . . .	1,922	3,045	3,608	1,907	1,799
RoW . . . . .	952	1,362	1,535	636	1,373
<b>Total . . . . .</b>	<b>1,724</b>	<b>2,374</b>	<b>2,716</b>	<b>1,484</b>	<b>1,707</b>

**Note:**

- (1) Revenue per client is defined as the trading revenue generated from CFDs and spread betting Active Clients for the relevant period divided by the number of Active Clients during the period.

The Group's Premium Client focus, along with improving client tenure across the Group's client base, has resulted in consistently growing revenue per Active Client during the periods under review. More specifically, higher revenue from retail Active Clients, along with higher risk management revenue, has helped drive the increase in the Group's revenue per Active Client. The Group has significantly increased its SnFC from high value clients, as indicated by SnFC generated by the top 500 UK retail clients, from £21.2 million in the year ended 31 March 2014 to £29.8 million in the year ended 31 March 2015 (with £24.3 million in the six months ended 30 September 2015). The Directors believe that this growth is largely attributable to the Group's ability to capture new Premium Client business from competitors and to convert its Standard Clients into Premium Clients over time. The Group's high value clients have increased in number, as illustrated by the number of UK retail clients generating over £10,000 SnFC (during the relevant period) growing from 549 in the year ended 31 March 2014 to 700 in the year ended 31 March 2015 (with 521 in the six months ended 30 September 2015).

Premium clients are becoming increasingly important to the Group; although only representing 4 per cent. of the number of clients of the Group for the year ended 31 March 2015, premium clients generated 48 per cent. of total SnFC, while Standard Clients, representing 85 per cent. of all clients, accounted for 42 per cent. of total SnFC. The Group's strategy includes rolling out its successful Premium Client offering in regions where it sees the opportunity existing, leveraging the teams in its global offices to copy the model that has been and continues to be successful in the UK, Australia, New Zealand and Singapore. The Group aims to build on its early successes through a number of initiatives globally, including developing its relationship management function, cross-selling the Group's product range to new and existing clients to enhance client loyalty and positioning the Group as a "premium" brand in key emerging markets.

**Technological capabilities**

The Group's success has been, and will continue to be, attributable in significant part to its technology. For example, the Group's ability to attract and retain clients, as well as the types of products that the Group can offer, depends on the usability and reliability of its systems. In addition, the Directors believe that the Group's profitability is attributable in part to the efficiency of its trade processing technology. Since trades are typically executed online, deals can be processed automatically, enabling the Group's dealers to focus on risk management. For example, prior to the introduction of the Next Generation trading platform, the Group had approximately 50 dealers executing trades; it currently employs 16.

The Group has invested substantial amounts of capital to optimise the performance and increase the capacity of its trading system, aiming to capture trading volumes and trading income. Information technology-related costs have been a significant portion of the Group's costs in the period under review. The Group's expenditure on the Next Generation trading platform between 2010 and 2015 was approximately £65.7 million, including approximately £18.1 million in years ended 31 March 2013 to 31 March 2015, and during the year ended 31 March 2015, the Group invested £6.7 million on major improvements to its core technology infrastructure. As at 30 September 2015, the Group employed approximately 119 IT-related personnel, and its IT expenditure (including salaries for staff) is expected to be a significant source of costs for the Group, with IT costs expected to grow by up to £1 million per year in the medium-term. However, as a result of investments in developing its technology systems, in particular those related to the Next Generation trading platform, the Directors believe that the Group has been able

to increase revenue and profit in the periods under review by providing clients with fast, reliable and fully integrated trading systems.

In addition, the Group has devoted significant resources to ensuring that its products are accessible across a range of mobile applications, as the Directors believe that going forward, the proportion of Active Clients using mobile devices, rather than desktops, is likely to increase. In the six months ended 30 September 2015, 52 per cent., 30 per cent., 8 per cent. and 10 per cent. of the Group's trades by value, and 63 per cent., 17 per cent., 7 per cent. and 13 per cent. of the total number of the Group's trades were placed on desktops, iPhones, iPads and Android devices, respectively.

#### ***Partners and Institutional Client relationships***

Through its partnership arrangements, the Group offers its Partners and Institutional Clients' clients access to the Group's products. By partnering with the Group, Partners and Institutional Clients can create new business opportunities and broaden their product offerings by leveraging the Group's technology. By leveraging its institutional partnership relationships around the globe, the Group has increased trading volumes without incurring the marketing costs needed to attract clients directly and without setting up a new office (although the Group incurs certain costs in connection with attracting and maintaining Partners and Institutional Clients), and, in some cases, without obtaining regulatory authorisation in a particular market.

In the years ended 31 March 2013, 2014 and 2015 and in the six months ended 30 September 2015, the Group generated adjusted partner and institutional revenue of £12 million, £15 million, £15 million and £8 million, respectively. The Group typically does not have exclusive relationships with its Partners and Institutional Clients, and as a result, Partners and Institutional Clients (some of whom bring significant amounts of business to the Group, and who collectively represented 10 per cent. of the Group's clients and SnFC for the year ended 31 March 2015) could at any time re-direct important Group clients to competitors, or could demand higher fees for their services, which would reduce the profitability of the Group's Partner and Institutional Client arrangements. However, the Directors believe that the benefits achieved from Partner and Institutional Client arrangements are attractive to a large number of firms and present a substantial growth opportunity for the Group. Accordingly, the Group intends to continue to develop its Partner and Institutional Client arrangements in the jurisdictions in which it currently has offices, in addition to using institutional partnerships as a vehicle for entry into new markets.

#### ***Competition***

The Group's profitability depends on its ability to offer its products at competitive spreads. In addition, the Group competes with other market participants not only in respect of spreads and product offerings, but also in other areas such as the speed, capacity and attractiveness of its trading platform. In the periods under review, the Directors believe that the Group has benefitted as clients have demonstrated a "flight to quality" among CFD and spread betting providers, favouring companies such as the Group with financial stability and transparent execution.

#### ***Regulatory changes and influence***

The jurisdictions in which the Group operates are highly regulated. Applicable regulations largely influence the type of product offerings the Group may offer clients and consequently have a significant effect on the Group's revenue and profitability. The Group's business is subject to direct and indirect regulation by a variety of regulators in multiple jurisdictions, and the Directors believe the Group's business will be subject to additional regulation in the future. For example, the Group may be subject to the proposed FTT and new rules relating to required levels of regulatory capital. The Group is required to meet capital adequacy tests in certain jurisdictions in which it operates to ensure that it has sufficient capital to mitigate risks from market movements and client and counterparty default. In the UK, the Group is required by the FCA to maintain adequate regulatory capital on a consolidated and solo (i.e., individual-entity) basis. The FCA has wide discretion to change the Group's capital adequacy requirements, as well as the right to impose additional capital guidance if it considers the Group's amount and type of capital to be insufficient.

In order to ensure regulatory compliance, the Group has invested and expects to continue to invest in legal and compliance functions. The Group's compliance and legal personnel has increased from 17 employees as at 31 March 2013 to 27 employees as at 30 September 2015, which has had a corresponding increase in the Group's operating expenses in the periods under review. The Directors believe that additional

regulation or changes in rules promulgated by the numerous authorities and regulators that oversee the Group's business are likely to increase the Group's compliance costs over the short and medium-term.

## ***Rebates***

### ***Volume rebates***

To obtain and retain Premium Clients and some Institutional Clients, the Group currently offers rebates to high-volume clients. The Group has no contractual obligation to provide rebates to its clients. Rebates are calculated based on notional value traded in each asset class in a given calendar month according to a tiered system with a minimum hurdle rate for eligibility. Clients trading in a higher-volume tier receive a greater rebate per unit of notional value than clients trading in a lower-volume tier. For example, retail rebates for indices are £2 per £1 million notional value for monthly notional value of indices bets of £0 to £99.99 million, £5 per £1 million notional value for monthly notional value of indices bets of £100 million to £199.99 million and £7 per £1 million notional value for monthly notional value of indices bets of £200 million and above.

Revenue is presented net of volume rebates on the Group's income statement. Volume rebates have increased significantly over recent years as they have been rolled out globally and totalled £6.5 million for the six months ended 30 September 2015 (and £0.8 million, £5.2 million and £9.0 million in the years ended 31 March 2013, 2014 and 2015, respectively).

### ***Partner and Institutional Client rebates***

The Group also provides rebates to Partners and Institutional Clients. These rebate arrangements are made contractually through institutional partnership agreements, in which the Partner or Institutional Client receives a share of the Group's spreads, commissions and financing costs. In certain institutional partnership agreements, Partners and Institutional Clients are able to increase the Group's spreads, commissions and financing costs, keeping the overage as a rebate.

Partner and Institutional Client rebates represented £18.7 million, or 15 per cent. of revenue in the year ended 31 March 2013; £13.5 million, or 10 per cent. of revenue, in the year ended 31 March 2014; £12.8 million, or 8 per cent. of revenue, in the year ended 31 March 2015 and £8.9 million, or 10 per cent. of revenue in the six months ended 30 September 2015.

## ***Foreign exchange fluctuations***

Fluctuations in exchange rates can affect the results of operations of the Group. The Group reports revenue in pounds sterling, although it generates significant revenue in U.S. dollars, euros and Australian dollars. The currency in which the Group generates revenue depends on a combination of factors, such as client account currency and the currency of gains and losses of hedging activities (hedging activities are denominated in the currency of the underlying hedged product). In addition, a significant portion of the Group's expenses are denominated in currencies other than pounds sterling, primarily Australian dollars and euros. These costs naturally hedge some of the currency risk associated with revenue generated in Australian dollars and euros.

## ***Long Term Incentive Plan (LTIP) and admission awards***

The Group is implementing a new management LTIP, the CMC Markets plc Management Equity Plan 2015, as further described in Paragraph 8 (*Employee Share Plans*) of Part XXII (*Additional Information*). The Directors expect that for the year ending 31 March 2017 onwards, the LTIP will result in approximately £6 million in additional staff costs per year. An additional one-off cost relating to awards made in connection to the Offer of approximately £7 million will also be reflected in the Group's financial results for the year ended 31 March 2016.

## ***Explanation of Certain Income Statement Items***

### ***Revenue***

Revenue consists of revenue earned from client transactions in CFDs and spread bets (including Binaries), stockbroking services, bank interest, interest earned from clients and other operating income.

See Paragraph 5 (*The Group's Business*), sub-paragraph "*Sources of Revenue*" of Part IX (*Information on the Group*).

### *Rebates and levies*

Rebates and levies represent a deduction from revenue and are included for net operating income. Rebates relate to introducing partner commissions. Volume rebates are not presented on the income statement. Levies relate to betting levies payable on net gains generated from clients on spread betting and Countdowns.

### *Net operating income*

Net operating income is equivalent to revenue less the impact of rebates and levies.

### *Operating expenses*

Operating expenses consist of all other costs to the Group except for depreciation and amortisation, finance costs and taxation.

### *Underlying EBITDA*

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

## **Current trading and prospects**

Continuing the trends it reported in its first half results, since 30 September 2015 the Group has continued to see growth across its key metrics year-on-year. Market volatility in October and November of 2015 was not as high as in August and September, but the Group nevertheless performed well, and finished the third quarter on track to meet the Directors' full-year expectations. Since the start of the fourth quarter, the business has continued to perform strongly, and especially so through the recent market volatility.

In the most recent quarter, the Group made good progress across its areas of strategic focus:

- **Product innovation:** the Group's Countdowns built on its successful late July 2015 launch in its UK, Australia and New Zealand offices, and in the third quarter the Group successfully launched Countdowns across its European offices.
- **Institutional offering:** in November 2015, the Group completed the build of its "white label" Partners and Institutional Clients' Next Generation offering.
- **Digital marketing:** as planned, [www.cmcmarkets.com](http://www.cmcmarkets.com) was successfully launched as the Group's new global website, with country-specific sites to follow shortly, and the UK being the first.
- **International expansion:** the Group is seeing signs of improvement following actions taken in its underperforming geographies, as well as expanding its offering in Europe with the launch of Countdowns.
- **Core markets:** the Group's focus on providing a superior and unrivalled trading experience for its clients was recognised in the 2015 UK Leveraged Trading Report by Investment Trends, with the Group winning seven awards, including, among UK spread betters, best for overall customer satisfaction, best customer service, best mobile platform and best platform features.

## **Group Reporting Segments**

The Group's core business is generally managed on a geographical basis and for financial reporting purposes, the Group is organised into four segments: UK and Ireland; Europe; Australia and New Zealand; and Rest of World. Revenue and costs generated from specific transactions are allocated to the respective segment that originated the transaction. Central costs are allocated to divisions on an equitable basis, primarily based on revenue, headcount or Active Clients levels.

## Results of Operations of the Group

The following table sets out the Group's consolidated income statement data for the periods indicated.

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	(£ million)			(unaudited)	
<b>Revenue</b> . . . . .	125.1	135.4	155.7	63.6	88.2
Interest income . . . . .	3.2	2.1	2.1	1.1	0.9
<b>Total Revenue</b> . . . . .	128.3	137.5	157.9	64.7	89.1
Rebates and levies . . . . .	(21.3)	(15.5)	(14.2)	(5.9)	(10.2)
<b>Net operating income<sup>(1)</sup></b> . . . . .	107.0	122.0	143.6	58.8	78.9
Other income . . . . .	—	—	—	—	1.6
Operating expenses . . . . .	(94.2)	(78.4)	(92.3)	(41.3)	(50.4)
<b>EBITDA</b> . . . . .	12.8	43.6	51.3	17.5	30.1
Depreciation and amortisation . . . . .	(16.8)	(10.7)	(6.9)	(3.2)	(3.2)
<b>Operating profit/(loss)</b> . . . . .	(4.0)	32.9	44.4	14.3	26.9
Finance costs . . . . .	(1.4)	(0.7)	(0.9)	(0.4)	(0.4)
<b>Profit/(loss) before taxation</b> . . . . .	(5.4)	32.2	43.5	13.9	26.5
Taxation . . . . .	1.6	(8.2)	(8.8)	(2.6)	(6.5)
<b>Profit/(loss) for the year attributable to owners</b> . . . . .	(3.8)	24.0	34.7	11.3	20.0
<b>Underlying EBITDA</b> . . . . .	12.8	43.6	59.7	17.5	29.8
<b>Exceptional income</b> . . . . .	—	—	—	—	1.6
<b>Exceptional costs</b> . . . . .	—	—	(8.4)	—	(1.3)
<b>EBITDA</b> . . . . .	12.8	43.6	51.3	17.5	30.1

Note:

(1) The table below sets out net operating income by source:

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	(£ million)			(unaudited)	
CFD and Spread Bet (including Binaries) . . . . .	96.7	114.0	136.6	55.4	75.1
Stockbroking (excluding interest income) . . . . .	5.8	5.5	5.1	2.5	2.7
Interest income . . . . .	3.2	2.1	2.1	1.1	0.9
Other operating income . . . . .	1.3	0.4	(0.2)	(0.2)	0.2
<b>Net operating income</b> . . . . .	107.0	122.0	143.6	58.8	78.9

## Comparison of the Six Months Ended 30 September 2014 and 30 September 2015

### Revenue

Revenue increased in the six months ended 30 September 2015 by £24.6 million, or 39 per cent. to £88.2 million, compared to £63.6 million in the six months ended 30 September 2014. The increase reflected increased client activity, reduced cost of hedging due to natural risk aggregation and the continued successful implementation of the Group's risk management strategy, an increase in revenue generated by introducing partners, as well as the soft launch of the Countdowns product in late July, which contributed £1.1 million towards revenue growth. The Group also benefitted from increased volatility in the second quarter.

### *Interest income*

Non-trading interest income decreased in the six months ended 30 September 2015 to £0.9 million, compared to £1.1 million in the six months ended 30 September 2014. The decrease was primarily due to lower Australian interest rates and depreciation of the Australian dollar relative to the prior period.

### *Rebates and levies*

Rebates and levies increased by £4.3 million, or 73 per cent., from £5.9 million in the six months ended 30 September 2014 to £10.2 million in the six months ended 30 September 2015. The increase was primarily due to an increase in revenue generated by introducing partners.

### *Net operating income*

Net operating income increased by £20.1 million, or 34 per cent., from £58.8 million in the six months ended 30 September 2014 to £78.9 million in the six months ended 30 September 2015. The number of Active Clients increased by 6,656, or 18 per cent., to 44,017 as client acquisition improved, and revenue per Active Client increased by £223, or 15 per cent., to £1,707 as the Group continued to attract high quality clients, and the value of client trades increased by £416 billion, or 60 per cent., to £1,112 billion.

- *UK & Ireland*

The value of client trades in the UK and Ireland increased 80 per cent. in the six months ended 30 September 2015 to £409 billion (compared with £227 billion in the six months ended 30 September 2014). This was due primarily to improving client numbers, quality and client tenure. Active Clients increased 19 per cent. during the period to 12,749 (compared with 10,673 for the six months ended 30 September 2014), which was due primarily to improving client tenure. Revenue per Active Client increased by £502, or 28 per cent., to £2,314 (compared with £1,812 for the six months ended 30 September 2014).

- *Europe*

The value of client trades in Europe was up 41 per cent. in the six months ended 30 September 2015 to £363 billion (compared with £257 billion for the six months ended 30 September 2014). Active Clients increased 10 per cent. in the period to 16,954 (compared with 15,365 for the six months ended 30 September 2014). This was in part due to improving client acquisition resulting from the successful automation of the online verification process in a number of regions. Revenue per Active Client increased by £14, or 1 per cent., to £1,302 (compared with £1,288 for the six months ended 30 September 2014).

- *Australia & New Zealand*

The value of client trades in Australia and New Zealand was up 31 per cent. in the six months ended 30 September 2015 to £250 billion (compared with £191 billion for the six months ended 30 September 2014). This was due primarily to a continuing focus on client activation and engagement. Active Clients increased 28 per cent. to 9,174 (compared with 7,182 for the six months ended 30 September 2014). Revenue per Active Client decreased by £108, or 6 per cent., to £1,799 (compared with £1,907 for the six months ended 30 September 2014).

The Australian stockbroking business performance improved in the six months ended 30 September 2015, with net operating income of £2.7 million (compared with £2.5 million in the six months ended 30 September 2014). This was primarily due to a growing new account base.

- *Rest of World*

The value of client trades in the Rest of World division grew by 317 per cent. during the six months ended 30 September 2015 to £90 billion (compared with £22 billion in the six months ended 30 September 2014). This was due primarily to the adoption of a focused client life cycle model, with a particular focus on servicing active traders and the acquisition of new active traders by leveraging off the sales trading framework which was rolled out to the region in this period. This has resulted in Active Clients increasing 24 per cent. to 5,140 (compared with 4,141 for the six months ended 30 September 2014) and revenue per Active Client increasing by £737, or 116 per cent., to £1,373 (compared with £636 for the six months ended 30 September 2014).

### ***Other income***

Other income of £1.6 million in the six months ended 30 September 2015 relates to a litigation settlement.

### ***Operating expenses***

Operating expenses increased by £9.1 million, or 22 per cent., from £41.3 million in the six months ended 30 September 2014 to £50.4 million in the six months ended 30 September 2015. The increase reflected continuing investment in staff resources to meet strategic initiatives, sponsorship activity and one-off costs associated with the Offer.

- *Net staff costs*

Staff costs increased by £3.2 million, or 17 per cent., from £18.7 million in the six months ended 30 September 2014 to £21.9 million in the six months ended 30 September 2015. The increase reflected a 10 per cent rise in average headcount in the period and a higher bonus provision due to improved Group performance.

- *IT costs*

IT costs increased by £0.1 million, or 2 per cent., from £5.8 million in the six months ended 30 September 2014 to £5.9 million in the six months ended 30 September 2015. The limited increase reflected the scalability of IT costs as the business grows.

- *Sales and marketing*

Sales and marketing costs increased by £1.2 million, or 19 per cent., from £6.3 million in the six months ended 30 September 2014 to £7.5 million in the six months ended 30 September 2015. The increase mainly reflected a higher investment in sponsorship activities.

- *Premises*

Premises costs decreased by £0.6 million, or 22 per cent., from £3.0 million in the six months ended 30 September 2014 to £2.4 million in the six months ended 30 September 2015. The decrease mainly reflected the dual running of the UK data centre during the prior period.

- *Legal and professional fees*

Legal and professional fees were £1.6 million both in the six months ended 30 September 2014 and in the six months ended 30 September 2015.

- *Regulatory fees*

Regulatory fees increased by £0.5 million, or 27 per cent., from £1.9 million in the six months ended 30 September 2014 to £2.4 million in the six months ended 30 September 2015. The increase reflected a higher charge for the Financial Services Compensation Scheme levy in the UK.

- *Exceptional costs*

Exceptional costs of £1.3 million in the six months ended 30 September 2015 relate to costs of the Offer incurred to that date.

- *Other*

Other costs increased by £3.4 million, or 83 per cent., from £4.0 million in the six months ended 30 September 2014 to £7.4 million in the six months ended 30 September 2015. The increase reflected higher irrecoverable VAT expenses and higher debt provisions and write offs.

### ***Underlying EBITDA***

Underlying EBITDA increased by £12.3 million, or 71 per cent., from £17.5 million in the six months ended 30 September 2014 to £29.8 million in the six months ended 30 September 2015 and underlying EBITDA margin increased from 30 per cent. in the six months ended 30 September 2014 to 38 per cent. in the six months ended 30 September 2015. The increase reflected increasing revenue coupled with a relatively fixed cost base and low incremental costs to service increasing business levels.

### ***Depreciation and amortisation***

Depreciation and amortisation was £3.2 million both in the six months ended 30 September 2014 and in the six months ended 30 September 2015.

### ***Finance costs***

Finance costs were £0.4 million in both the six months ended 30 September 2014 and the six months ended 30 September 2015.

### ***Effective tax rate***

An effective tax rate of 24 per cent. in the six months ended 30 September 2015 was affected by non-tax deductible expenses related to the Offer and an increase in overseas tax charges due to higher profits in regions outside the UK.

### ***Profit for the period***

Profit for the period increased by £8.7 million, or 77 per cent., from £11.3 million in the six months ended 30 September 2014 to £20.0 million in the six months ended 30 September 2015. The increase reflected higher net operating income partly offset by higher total costs.

## **Comparison of the Years Ended 31 March 2014 and 2015**

### ***Revenue***

Revenue increased in the year ended 31 March 2015 by £20.3 million, or 15 per cent., to £155.7 million (compared with £135.4 million in the year ended 31 March 2014). The increase reflected an increase in client activity and a more effective risk management strategy.

### ***Interest income***

Non-trading interest income remained static at £2.1 million in the year ended 31 March 2015 (compared with £2.1 million in 2014). This was primarily due to the low interest rate environment throughout both periods.

### ***Rebates and levies***

Rebates and levies decreased by £1.3 million, or 8 per cent., from £15.5 million in the year ended 31 March 2014 to £14.2 million in the year ended 31 March 2015. The decrease was due to no active promotion of the product to introducing partners as the Next Generation trading platform was under development.

### ***Net operating income***

Net operating income increased by £21.6 million, or 18 per cent., from £122.0 million in year ended 31 March 2014 to £143.6 million in the year ended 31 March 2015. The number of Active Clients increased slightly, by 2,297, or 5 per cent., to 50,303, and revenue per Active Client increased by £342, or 14 per cent., to £2,716 and the value of client trades increased by £275 billion, or 20 per cent., to £1,626 billion.

- ***UK & Ireland***

The value of client trades in the UK and Ireland increased 31 per cent. in the year ended 31 March 2015 to £548 billion (compared with £417 billion in 2014), with quarter on quarter growth. Active Clients numbers were up 10 per cent. during the year to 15,417 (compared with 14,054 in 2014), while average revenue per Active Client increased by £779, or 33 per cent., to £3,152 (compared with £2,373 in 2014). Client acquisition improved dramatically throughout the year with new accounts up by 70 per cent. from 2014, and an increasing return on investment from higher marketing expenditure. Client quality and client tenure continued to improve, a direct result of the strategy to appeal to high value clients switching from direct competitors and the successful recruitment of experienced sales specialists.

- ***Europe***

The value of client trades in Europe was up 4 per cent. in the year ended 31 March 2015 to £553 billion (compared with £532 billion in 2014). There was a strong performance from Spain in

particular, with the value of client trades up 32 per cent. to £79 billion (compared with £60 billion in 2014), despite the challenging economic landscape. The region contributed 34 per cent. of overall Group value of client trades throughout 2015, compared with 39 per cent. in 2014. The fall in the value of the Euro contributed to this decline. Active Clients increased 2 per cent. in the year to 20,019 (compared with 19,572 in 2014).

- *Australia & New Zealand*

The value of client trades in Australia and New Zealand was up 37 per cent. in the year ended 31 March 2015 to £453 billion (compared with £332 billion in 2014). The Group's increased education initiatives and platform updates have resulted in an increase in Active Clients of 5 per cent. to 9,527 (compared with 9,076 in 2014) and an increase in revenue per Active Client by 19 per cent. to £3,608 (compared with £3,045 in 2014).

The Australian stockbroking business declined slightly in the year ended 31 March 2015, with trading revenue of £5.1 million (compared with £5.5 million in 2014). This was primarily due to subdued trading volumes in the first half of 2015, partially offset by improved performance in the second half of the year.

- *Rest of World*

The value of client trades in the Rest of World division grew by 6 per cent. during the year ended 31 March 2015 to £72 billion (compared with £69 billion in 2014). Active Clients increased marginally to 5,340 (compared with 5,304 in 2014) and revenue per Active Client grew by 13 per cent., to £1,535 (compared with £1,362 in 2014). Trades coming out of Singapore were more subdued in the first half of the year due to having more reliance on foreign exchange trading, which was low across the industry during this period, but recovered strongly in the second half of the year. The Canada office spent much of the year preparing for the release of the Next Generation trading platform in September 2014.

### *Operating expenses*

Operating expenses increased by £13.9 million, or 18 per cent., from £78.4 million in the year ended 31 March 2014 to £92.3 million in the year ended 31 March 2015. The increase mainly reflected an £8.4 million exceptional cost consisting of a £4.6 million charge relating to the settlement of an Australian litigation case and the associated legal costs and £3.9 million in provisions and write-offs relating to client debt arising from the SNB release of the Swiss Franc peg during 2015.

- *Net staff costs*

Staff costs increased £1.6 million or 4 per cent., to £40.7 million, with a rise in average headcount from 450 to 473 being the main driver of the increase. The increase in wages and salaries was more than offset by a reduction in contractors as the Group converted key contract staff to permanent employees. The introduction of executive and management share option schemes also contributed towards the rise in costs. Net staff costs as a percentage of net operating income decreased from 32 per cent. in the year ended 31 March 2014 to 28 per cent. in the year ended 31 March 2015.

- *IT costs*

IT costs increased £0.2 million from the previous year to £11.4 million as the Group continued to focus on cost efficiencies whilst also investing where necessary.

- *Sales and marketing*

Sales and marketing costs increased £2.3 million, or 20 per cent., to £13.7 million during 2015 as the Group ramped up efforts to grow its client base. Sales and marketing costs as a percentage of net operating income was broadly consistent in the year ended 31 March 2014 and the year ended 31 March 2015. The main increases in expenditure were seen in the UK, followed by Australia and New Zealand. Brand expenditure in both of these regions increased during the year with sponsorship of the NSW Waratahs in Australia and the Summer of Sport event in London.

- *Premises*

Premises costs increased £0.5 million, or 10 per cent., to £5.6 million during 2015, mainly due to the dual running of the Group's UK data centre, partly offset by reduced costs from the use of less costly offices in Sydney and more efficient use of office space in Singapore.

- *Legal and professional fees*

Legal and professional fees decreased by £0.5 million, or 15 per cent., to £2.9 million due to lower expenditure on external legal advice.

- *Regulatory fees*

Regulatory fees decreased by £0.3 million, or 14 per cent., to £2.1 million due to a reduced FSCS levy for the year.

- *Other*

Other costs increased by £1.7 million, or 30 per cent., to £7.5 million, with the major contributor to the rise being the one-off currency benefit in 2013 from closure of the Japan office.

### ***Underlying EBITDA***

Underlying EBITDA increased by £16.1 million, or 37 per cent., from £43.6 million in the year ended 31 March 2014 to £59.7 million in the year ended 31 March 2015. The increase reflected higher net operating income.

### ***Depreciation and amortisation***

Depreciation and amortisation decreased by £3.8 million, or 35 per cent., from £10.7 million in the year ended 31 March 2014 to £6.9 million in the year ended 31 March 2015. The decrease reflected significantly reduced amortisation of the Next Generation trading platform during the year.

### ***Finance costs***

Financing costs increased by £0.2 million or 29 per cent. to £0.9 million due to the increase of the Group's broker funding line from £25 million to £40 million as well as additional costs associated with new IT finance leases. The broker funding line was not utilised during the financial year.

### ***Effective Tax Rate***

An effective tax rate of 20 per cent. in the year ended 31 March 2015 was driven by a falling UK corporate tax rate to 21 per cent. (from 23 per cent. the previous year) and the utilisation of Australian tax credits (resulting from the impairment of intangibles under Australian tax law ) which offset higher tax rates in overseas territories.

### ***Profit for the year***

Profit for the year increased by £10.7 million, or 45 per cent., from £24.0 million in the year ended 31 March 2014 to £34.7 million in the year ended 31 March 2015. The increase reflected higher net operating income partly offset by higher operating expenses and tax charge.

## **Comparison of the Years Ended 31 March 2013 and 2014**

### ***Revenue***

Revenue increased in the year ended 31 March 2014 by £10.3 million, or 8 per cent., to £135.4 million (compared with £125.1 million in the year ended 31 March 2013). This was primarily due to being the first full year since the implementation of the risk management strategy and a focus on client service.

### ***Interest income***

Non-trading interest income decreased in the year ended 31 March 2014 to £2.1 million (compared with £3.2 million in 2013). This was primarily due to consistently reducing interest rates in Australia over the period resulting in lower interest earned on client deposits.

### ***Rebates and levies***

Rebates and levies decreased by £5.8 million, or 27 per cent., from £21.3 million in the year ended 31 March 2013 to £15.5 million in the year ended 31 March 2014. The decrease was due to no active promotion of the product to introducing partners as the Next Generation trading platform was under development.

### *Net operating income*

Net operating income increased by £15.0 million, or 14 per cent., from £107.0 million in year ended 31 March 2013 to £122.0 million in the year ended 31 March 2014. The number of Active Clients decreased by 8,097, or 14 per cent., to 48,006 in 2014, caused primarily by the migration of clients from the MarketMaker to Next Generation trading platform. Revenue per Active Client increased by £650, or 38 per cent., to £2,374 and the value of client trades increased by £64 billion, or 5 per cent., to £1,351 billion as client tenure and quality began to improve based on a focus on improved client service.

- *UK & Ireland*

The value of client trades in the UK and Ireland decreased 8 per cent. in the year ended 31 March 2014 to £418 billion (compared with £451 billion in 2013). Active Clients decreased 21 per cent. during the year to 14,054 (compared with 17,876 in 2013), while revenue per Active Client increased by £459, or 24 per cent., to £2,373 (compared with £1,914 in 2013). This was due primarily to improving client quality and client tenure, a direct result of the strategy to appeal to high value clients switching from direct competitors and the successful recruitment of experienced sales specialists.

- *Europe*

The value of client trades in Europe was up 12 per cent. in the year ended 31 March 2014 to £532 billion (compared with £476 billion in 2013). Active Clients were broadly flat at 19,572 (compared with 19,602 in 2013) and revenue per Active Client increased by £553 or 31 per cent., to £2,338 (compared with £1,785 in 2013). These improvements took place at the same time as the release of the Next Generation trading platform across all five European countries where it was not already available.

- *Australia & New Zealand*

The value of client trades in Australia and New Zealand was up 29 per cent. in the year ended 31 March 2014 to £332 billion (compared with £257 billion in 2013). The number of Active Clients decreased by 10 per cent. to 9,076 (compared with 10,118 in 2013) and revenue per Active Client increased by 58 per cent. to £3,045 (compared with £1,922 in 2013). This was due primarily to a focus on attracting and retaining Premium Clients.

The Australian stockbroking business declined in the year ended 31 March 2014, with trading revenue of £5.5 million (compared with £5.8 million in 2013). This was primarily due to adverse foreign exchange rate movements when converting revenue to pounds sterling.

- *Rest of World*

The value of client trades in the Rest of World division decreased by 33 per cent. during the year ended 31 March 2014 to £69 billion (compared with £103 billion in 2013). Active Clients decreased to 5,304 (compared with 8,507 in 2013). At the same time, revenue per Active Client grew by 43 per cent., to £1,362 (compared with £952 in 2013). This was due primarily to a focus on Premium Clients.

### *Operating expenses*

Operating expenses decreased by £15.8 million, or 17 per cent., from £94.2 million in the year ended 31 March 2013 to £78.4 million in the year ended 31 March 2014. The decrease reflected the first full year of effect of the business restructuring, which was completed during the year to 31 March 2014.

- *Net staff costs*

Staff costs decreased by £8.5 million or 18 per cent., to £39.1 million, with average permanent full time equivalent staff numbers reduced by 73 and contract staff costs fell by 58 per cent. as trading platform development work reduced when compared to the prior year.

- *IT costs*

IT costs decreased by £2.0 million or 15 per cent., to £11.2 million as the Group identified efficiencies within its IT systems and implemented cost-cutting measures, along with lower variable market data costs aligned with lower Active Client numbers.

- *Sales and marketing*

Sales and marketing costs increased by £4.0 million, or 55 per cent., to £11.4 million during 2014 as the Group rolled out Next Generation and focused on attracting Premium Clients.

- *Premises*

Premises costs decreased £2.8 million, or 36 per cent., to £5.1 million during 2014, mainly due to the rationalisation of the Group's offices around the world, including exiting vacant spaces and negotiating savings in existing locations.

- *Legal and professional fees*

Legal and professional fees decreased by £0.8 million, or 20 per cent., to £3.5 million in 2014, mainly due a review of discretionary fee spend across all business areas.

- *Regulatory fees*

Regulatory fees decreased by £1.5 million, or 38 per cent., to £2.4 million in 2014 due to a reduction in the UK Financial Services Compensation Scheme (the UK's statutory compensation scheme for customers of authorised financial services firms) levy.

- *Other*

Other costs decreased by £4.2 million, or 42 per cent., to £5.7 million, mainly due to the one-off benefit from the closure of the Japan office and lower bad debt provisions and write-offs.

### ***Underlying EBITDA***

Underlying EBITDA increased by £30.8 million, or 242 per cent., from £12.8 million in the year ended 31 March 2013 to £43.6 million in the year ended 31 March 2014. The increase reflected a combination of higher net operating income and lower operating costs.

### ***Depreciation and amortisation***

Depreciation and amortisation decreased by £6.1 million, or 36 per cent., from £16.8 million in the year ended 31 March 2013 to £10.7 million in the year ended 31 March 2014. The decrease reflected the continuing reduction in intangible assets relating to capitalised development costs as a result of development costs being expensed as incurred from October 2012 onwards.

### ***Effective Tax Rate***

An effective tax rate of 26 per cent. in the year ended 31 March 2014 was affected by a reduction in the value of deferred tax assets arising from a falling UK corporate tax rate and the tax impact of currency hedges previously recognised in equity.

### ***Profit for the year***

Profit for the year increased by £27.8 million from a loss of £3.8 million in the year ended 31 March 2013 to a profit of £24.0 million in the year ended 31 March 2014. The increase reflected a higher net operating income, lower operating costs and depreciation and amortisation, partly offset by a tax charge compared to a credit in the prior year.

### **Liquidity and Capital Resources**

The Group requires cash to fund its operations and pay client gains, as well as to comply with capital adequacy requirements in certain jurisdictions in which the Group operates. To date, the Group has financed its operations primarily from cash flows from its operations, as well as through equity issuances and loans from shareholders. Its principal uses of cash have been for payments to its clients, working capital, the establishment of new offices and the payment of discretionary bonuses to key members of its senior management.

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

- **Own funds.** Own funds are the primary source of liquidity for the Group, representing the cash that the business has generated historically, excluding all cash held on behalf of clients.

- Title Transfer Client Funds. This represents funds received from clients and certain eligible counterparties (as defined in the FCA Handbook). The Group considers these funds as an ancillary source of liquidity and does not rely on them.
- Committed banking facilities. The Group's RBS Facilities Agreement is a committed banking facility that can be used to support its hedging by meeting potential fluctuations in the margin requirements of brokers. The amount available, calculated daily, depends on current broker and client margin positions and is committed up to £40 million. See Paragraph 11 (*Material Contracts*) of Part XXII (*Additional Information*) for further details of the Group's borrowing arrangements.

The Group's use of liquidity resources consist of:

- Blocked cash for regulatory purposes, which are amounts held to meet the requirements of local market regulators.
- Blocked cash for operational purposes, which are amounts held at overseas subsidiaries in excess of local segregated client requirements to meet potential future client requirements.
- Internal Liquidity Buffer, which is an amount that represents the Group's liquidity risk appetite. This is based on the liquidity requirements of the Group under a number of stress tests (conducted according to the FCA's 'ILAS' regime) and other traditional liquidity measures.
- Broker margin requirements. The total GBP equivalent initial margin required by prime brokers to cover the Group's hedge derivative positions.

The Group's liquidity position is shown below:

	As at 31 March			As at 30 September	
	2013	2014	2015	2014	2015
	(£ million)			(unaudited)	
<b>Opening own funds</b> . . . . .	79.2	80.0	115.0	115.0	143.1
Own funds generated from operating activities and movement in working capital . . . . .	6.4	46.6	49.3	10.4	21.1
Total outflow from investing and financing activities . . . . .	(4.7)	(9.7)	(20.3)	(9.9)	(12.3)
Effect of foreign exchange rate changes . . . . .	(0.9)	(1.9)	(0.9)	(0.4)	(0.3)
<b>Closing own funds</b> . . . . .	<b>80.0</b>	<b>115.0</b>	<b>143.1</b>	<b>115.1</b>	<b>151.6</b>
Available RBS facility . . . . .	20.0	25.0	36.8	29.1	24.4
<b>Liquid assets</b> . . . . .	<b>100.0</b>	<b>140.0</b>	<b>179.9</b>	<b>144.2</b>	<b>176.0</b>
Less: blocked cash . . . . .	(14.1)	(10.0)	(14.9)	(13.5)	(14.4)
<b>Available liquid assets</b> . . . . .	<b>85.9</b>	<b>130.0</b>	<b>165.0</b>	<b>130.7</b>	<b>161.6</b>
Less: internal liquidity buffer . . . . .	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)
<b>Gross surplus available liquidity</b> . . . . .	<b>55.9</b>	<b>100.0</b>	<b>135.0</b>	<b>100.7</b>	<b>131.6</b>
Less: initial margin requirement at brokers . . . . .	(48.5)	(43.3)	(52.8)	(54.5)	(44.0)
<b>Available liquid assets</b> . . . . .	<b>7.4</b>	<b>56.7</b>	<b>82.2</b>	<b>46.2</b>	<b>87.6</b>

At 30 September 2015, the Group held own funds of £151.6 million, including £69.2 million of surplus funds held with brokers. Own funds generated during period ended 30 September 2015 were higher than own funds generated during the period ended 30 September 2014 by £8.4 million due to higher funds generated from operating activities (£10.7 million), lower funds used on investing activities (£6.0 million), offset by higher funds used in financing activities (£8.4 million).

### **Client Money**

Total client funds held by the Group on behalf of its retail clients was £214.5 million at 30 September 2015 including regulatory buffers held in client money bank accounts where required or permitted. Client money is held by the Group in trust on behalf of its retail clients and is not included in the Group's Net Surplus Liquidity.

Client funds represent the latent capacity for the Group's clients to trade and offer an underlying indication to the health of its client base.

### *Client money governance*

The Group segregates all money held by it on behalf of retail clients in accordance with applicable client money regulations in countries in which it operates and in particular the CASS rules of the UK Financial Conduct Authority (FCA). All segregated client funds are held in dedicated client money bank accounts with major banks that meet strict internal criteria separate from the Group's own cash.

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 providing the maximum protection for client money.

The protection of client money is of fundamental importance to the Group and a governance structure is in place to ensure ongoing compliance and maximum protection is afforded to client money. See "Client Money" under note 3 (*Summary of significant accounting policies*) to the historical financial information in Part XVI (*Historical Financial Information*).

### **Cash Flow Information for the Group**

The following table sets out the Group's summary cash flow data for the periods indicated:

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	(£ million)			(unaudited)	
Net cash generated from operating activities . . . . .	3.4	23.6	2.0	2.9	11.6
Net cash used in investment activities . . . . .	(3.6)	(2.0)	(10.3)	(7.2)	(1.2)
Net cash used in financing activities . . . . .	(1.0)	(7.8)	(10.0)	(2.7)	(11.1)
<b>Net (decrease)/increase in cash and cash equivalents . . . . .</b>	<b>(1.2)</b>	<b>13.8</b>	<b>(18.3)</b>	<b>(7.0)</b>	<b>(0.7)</b>
Cash and cash equivalents at period start . . . . .	48.0	45.9	57.8	57.8	38.6
Effect of foreign exchange rate changes . . . . .	(0.9)	(1.9)	(0.9)	(0.4)	(0.4)
<b>Cash and cash equivalents at period end . . . . .</b>	<b>45.9</b>	<b>57.8</b>	<b>38.6</b>	<b>50.4</b>	<b>37.5</b>

The following table sets out the cash flow to EBITDA reconciliation for the periods indicated:

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	(£ million)			(unaudited)	
<b>Cash flows from operating activities</b>					
EBITDA . . . . .	12.8	43.6	51.3	17.5	30.1
Adjustments for:					
Interest income . . . . .	(3.2)	(2.1)	(2.1)	(1.1)	(0.9)
Gain on disposal of investment in subsidiaries . . . . .	(0.1)	(0.1)	—	—	—
Share-based payment . . . . .	(0.0)	0.3	0.4	0.3	0.2
<b>Changes in working capital:</b>					
(Increase) / decrease in trade and other receivables . . . . .	0.2	6.0	0.9	(4.2)	(5.7)
Increase in amounts due from brokers . . . . .	(1.2)	(17.1)	(43.9)	(7.9)	(3.5)
Decrease in trade and other payables . . . . .	(9.3)	(4.5)	(1.4)	(0.4)	(3.2)
(Increase) / decrease in net derivative financial instruments . . . . .	1.5	(0.1)	(4.0)	(0.3)	0.5
Increase / (decrease) in provisions . . . . .	0.7	(3.1)	5.1	(0.2)	(4.2)
<b>Cash generated from operations . . . . .</b>	<b>1.4</b>	<b>22.9</b>	<b>6.3</b>	<b>3.7</b>	<b>13.3</b>

### *Comparison of the Six Months Ended 30 September 2014 and 30 September 2015*

#### *Net cash generated from operating activities*

Net cash generated from operating activities increased by £8.7 million from £2.9 million in the six months ended 30 September 2014 to £11.6 million in the six months ended 30 September 2015. This increase was due to higher profits generated before taxation offset by adverse movement in working capital and higher corporation tax payments.

#### *Net cash used in investment activities*

Net cash used in investment activities decreased by £6.0 million from £7.2 million in the six months ended 30 September 2014 to £1.2 million in the six months ended 30 September 2015. This decrease was due to lower capital expenditure on property, plant and equipment and intangible assets.

#### *Net cash used in financing activities*

Net cash used in financing activities increased by £8.4 million from £2.7 million in the six months ended 30 September 2014 to £11.1 million in the six months ended 30 September 2015. This increase was due to lower net borrowings inflows to fund the purchase of property plant and equipment and higher dividend payments during the six months ended 30 September 2015.

### ***Comparison of the Years Ended 31 March 2014 and 2015***

#### *Net cash generated from operating activities*

Net cash generated from operating activities decreased by £21.6 million from £23.6 million in the year ended 31 March 2014 to £2.0 million in the year ended 31 March 2015. This decrease was due to adverse movement in working capital, higher corporation tax payments and lower amortisation charge on intangible assets offset by profits generated before taxation and higher depreciation charge on tangible assets.

#### *Net cash used in investment activities*

Net cash used in investment activities increased by £8.3 million from £2.0 million in year ended 31 March 2014 to £10.3 million in the year ended 31 March 2015. This increase was due to higher capital expenditure on property, plant and equipment and intangible assets.

#### *Net cash used in financing activities*

Net cash used in financing activities increased by £2.2 million from £7.8 million in the year ended 31 March 2014 to £10.0 million in the year ended 31 March 2015. This increase was due to higher dividend payments offset by higher net borrowings to fund purchase of property plant and equipment during year ended 31 March 2015.

### ***Comparison of the Years Ended 31 March 2013 and 2014***

#### *Net cash generated from operating activities*

Net cash generated from operating activities increased by £20.2 million from £3.4 million in the year ended 31 March 2013 to £23.6 million in the year ended 31 March 2014. This increase was due to higher profits generated before taxation offset by adverse movement in working capital, lower amortisation charge on intangible assets and lower depreciation charge on tangible assets.

#### *Net cash used in investment activities*

Net cash used in investment activities decreased by £1.6 million from £3.6 million in year ended 31 March 2013 to £2.0 million in the year ended 31 March 2014. This decrease was due to lower capital expenditure on property, plant and equipment.

#### *Net cash used in financing activities*

Net cash used in financing activities increased by £6.8 million from £1.0 million in the year ended 31 March 2013 to £7.8 million in the year ended 31 March 2014. This was due to higher dividend payments and higher net borrowings to fund purchase of property plant and equipment during year ended 31 March 2014.

### **Capital Expenditure**

The Group's capital expenditure consists of expenditure on property, plant and equipment, and intangible assets. The cash impact of purchases and disposals of these assets are reflected in the Group's net cash

used in investment activities. The following table sets out the Group's capital expenditures for the periods indicated:

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	(£ million)			(unaudited)	
Purchase of property, plant and equipment . . . . .	3.3	1.6	8.6	6.5	1.0
Investment in intangible assets . . . . .	0.7	0.7	1.9	0.6	0.2
<b>Total</b> . . . . .	<b>4.0</b>	<b>2.3</b>	<b>10.5</b>	<b>7.2</b>	<b>1.2</b>

The majority of capital expenditure going forward is expected to relate to the continuing investment in the Group's IT infrastructure.

#### *Comparison of the Six Months Ended 30 September 2014 and 30 September 2015*

Capital expenditure was significantly lower in the six months ended 30 September 2015, due to lower overall investments made compared to the prior period.

#### *Comparison of the Years Ended 31 March 2014 and 2015*

Capital expenditure increased by £8.2 million from the year ended 31 March 2014 to £10.5 million in the year ended 31 March 2015, primarily due to higher computer hardware expenditure (£6.0 million increase) and software licences (£1.2 million increase), both in connection with investment in the Group's IT infrastructure.

#### *Comparison of the Years Ended 31 March 2013 and 2014*

Capital expenditure was £2.3 million in the year ended 2014, a £1.7 million decrease compared to the year ended 31 March 2013, mainly due to lower expenditure in computer hardware.

#### **Off-Balance Sheet Arrangements**

The Group's trading book includes obligations to settle transactions entered into in the ordinary course of trading with its clients and these are not reflected in the balance sheet. The Group's off-balance sheet arrangements also include the entire range of financial instruments used in the Group's hedging activities with the exception of those hedges which are settled using physical delivery of shares. These financial instruments are not required to be disclosed in the Group's financial statements under IFRS. The Group did not have any other off-balance sheet arrangements as at 30 September 2015.

#### **Qualitative Disclosure of Market Risks**

##### *Market making risk*

By acting as a market maker, the Group is exposed to positional risk, to the extent the Group's portfolio is not hedged, either through natural hedging (offsetting client positions) or through third party hedging arrangements. The Group does not take positions according to market expectations. The Group has implemented a sophisticated hedging strategy which combines the following key features:

- hedging some but not all positions;
- maximisation of natural flow hedging provided by different clients simultaneously taking opposing views on the same, or related, products;
- hedging the net position taken by clients in particular market sectors or indices, making use of inherent portfolio hedging effect; and
- direct hedging of certain individual positions, such as those of unusual size or related to particularly volatile or illiquid underlying financial instruments.

Exposure limits are monitored throughout the day by a hierarchy of specialised dealing teams. These limits are overseen on a longer term basis by the Risk Committee. See Part X (*Risk Management and Hedging Policy*).

##### *Currency exchange rate risk*

Since funds are remitted by its clients in a number of currencies, including (but not limited to) the pounds sterling, the euro, the Australian dollar and the Hong Kong dollar, the Group has foreign exchange exposure.

### *Credit risk*

Since the Group's principal financial assets are bank balances and cash equivalents, trade and other receivables and investments, the Group is exposed to credit risk in relation to its counterparties for trading investments and trading liabilities. The Group is also exposed to credit risk from clients due to the levered nature of its products. For more information, see Part X (*Risk Management and Hedging Policy*).

### *Interest rate risk*

The Group holds substantial cash balances including segregated client monies which are not included in its balance sheet. In addition, the Group earns revenue from interest charged to clients who hold long positions through contracts for difference (offset by interest paid to clients holding short positions) based upon market interest rates. Certain of the Group's clients are paid interest on their balances with the Group. As a result, the Group has exposure to interest rate risk on its client's balances and on segregated and non-segregated client funds.

The Directors consider that the interest rate risks from these assets and liabilities are broadly offset and accordingly no hedging of this risk is undertaken.

### **Capital Adequacy Requirements**

The Group is subject to consolidated capital requirements based on CRD IV. As per CRD IV, the Group is required to meet minimum own funds requirements of 4.5 per cent., 6.0 per cent. and 8.0 per cent., respectively, of Common Equity Tier 1, Tier 1 and Total Capital expressed as a percentage of the total risk exposure amount.

The Group's regulatory capital ratios are shown below.

	As at 31 March			As at
	2013	2014	2015	30 September 2015
	(£ million)			
Core Tier 1 Capital <sup>(1)</sup> . . . . .	104.3	119.6	142.3	152.5
Less: intangibles and deferred tax assets . . . . .	(14.7)	(7.1)	(6.4)	(4.6)
<b>Capital resources</b> . . . . .	<b>89.6</b>	<b>112.4</b>	<b>135.9</b>	<b>147.9</b>
Pillar 1 requirement . . . . .	46.6	43.4	39.0	33.5
Total risk exposure . . . . .	582.1	542.0	487.4	418.3
<b>Capital ratio</b> . . . . .	<b>15.4%</b>	<b>20.8%</b>	<b>27.9%</b>	<b>35.4%</b>

#### **Note:**

(1) Core Tier 1 capital includes profit for the relevant periods.

### **Critical Accounting Estimates and Judgements**

The preparation of historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. 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 areas where assumptions and estimates are significant to the historical financial information are set out below:

### *Income taxes*

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

### *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.

## PART XV CAPITALISATION AND INDEBTEDNESS STATEMENT

The following table sets out the Group's capitalisation as at 30 September 2015 and indebtedness as at 30 November 2015.

### 1. Capitalisation and Indebtedness Statement

	As at 30 November 2015 <u>(£ millions)</u>
<b>Indebtedness<sup>(1)</sup></b>	
<b>Current debt</b>	
Guaranteed . . . . .	—
Secured . . . . .	—
Unguaranteed/unsecured <sup>(2)</sup> . . . . .	1.3
<b>Total current debt . . . . .</b>	<b>1.3</b>
<b>Non-current debt (excluding current portion of long-term debt)</b>	
Guaranteed . . . . .	—
Secured . . . . .	—
Unguaranteed/unsecured <sup>(2)</sup> . . . . .	1.5
<b>Non-current debt (excluding current portion of long-term debt) . . . . .</b>	<b>1.5</b>
<b>Total indebtedness . . . . .</b>	<b>2.8</b>
	As at 30 September 2015 <u>(£ millions)</u>
<b>Capitalisation<sup>(3)</sup></b>	
Share capital . . . . .	70.7
Share premium . . . . .	33.4
Own shares held in trust . . . . .	(2.0)
Other reserves . . . . .	(50.3)
<b>Total capitalisation . . . . .</b>	<b>51.8</b>

#### Notes:

- (1) This statement of indebtedness has been prepared under IFRS as adopted by the European Union using policies which are consistent with those used in preparing the Group's historical financial information set out in Section B of Part XVI (*Historical Financial Information*).
- (2) Unguaranteed/unsecured debt comprises finance lease borrowings and other loans under which the Group has acquired computer hardware.
- (3) This statement of capitalisation has been extracted without material adjustment from the Group's historical financial information set out in Part XVI (*Historical Financial Information*).

There has been no material change to the Group's total indebtedness since 30 November 2015 and to the Group's total capitalisation since 30 September 2015.

## 2. Net Financial Indebtedness<sup>(1)(4)(5)</sup>

The following table sets out the Group's net indebtedness as at 30 November 2015.

	As at 30 November 2015
	(£ millions)
Cash . . . . .	55.2
Cash equivalents <sup>(2)</sup> . . . . .	2.4
<b>Liquidity . . . . .</b>	<b>57.6</b>
<b>Current financial receivable<sup>(3)</sup> . . . . .</b>	<b>80.6</b>
Finance lease liabilities . . . . .	1.3
<b>Current financial debt . . . . .</b>	<b>1.3</b>
<b>Net current financial indebtedness . . . . .</b>	<b>(136.9)</b>
Finance lease liabilities . . . . .	1.4
Other non-current loans . . . . .	0.1
<b>Non-current financial indebtedness . . . . .</b>	<b>1.5</b>
<b>Net financial indebtedness . . . . .</b>	<b>(135.4)</b>

### Notes:

- (1) This statement of net financial indebtedness has been prepared under IFRS as adopted by the European Union using policies which are consistent with those used in preparing the Group's historical financial information set out in Section B of Part XVI (*Historical Financial Information*).
- (2) The Group's cash equivalents include short term bank deposits of £2.4 million.
- (3) The Group's current financial receivable represents amounts due from brokers, which are funds placed with hedging counterparties, a proportion of which is posted to meet broker margin requirements.
- (4) The Group manages its market risk arising from open client positions and its foreign exchange risk using derivative financial instruments. These derivative financial instruments are not included in the indebtedness statement. The fair value of financial assets associated with these derivatives at 30 November 2015 is £5.9 million. The fair value of financial liabilities associated with these derivatives at 30 November 2015 is £1.0 million.
- (5) The Group has no indirect or contingent indebtedness as at 30 November 2015.



## **PART XVI HISTORICAL FINANCIAL INFORMATION**

### **SECTION A: ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION**

The Directors  
CMC Markets plc (the “**Company**”)  
133 Houndsditch  
London, EC3A 7BX  
United Kingdom

Morgan Stanley & Co. International plc (the “**Sponsor**”)  
25 Cabot Square  
Canary Wharf  
London, E14 4QA  
United Kingdom

26 January 2016

Dear Sirs

#### **CMC Markets plc**

We report on the financial information of CMC Markets plc and its subsidiaries (together, the “**Group**”) set out in Section B of Part XVI (the “**Historical Financial Information**”). The Historical Financial Information has been prepared for inclusion in the prospectus dated 26 January 2016 (the “**Prospectus**”) of CMC Markets plc on the basis of the accounting policies set out in note 2 to the Historical Financial Information. This report is required by item 20.1 of Annex I to the PD Regulation and is given for the purpose of complying with that item and for no other purpose.

We have not audited the financial information for the six month period ending 30 September 2014 and accordingly do not express an opinion.

#### **Responsibilities**

The Directors of the Company are responsible for preparing the Historical Financial Information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the Historical Financial Information gives a true and fair view, for the purposes of the Prospectus and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Prospectus.

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*PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH  
T: +44 (0) 2075 835 000, F: +44 (0) 2072 124 652, [www.pwc.co.uk](http://www.pwc.co.uk)*

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the Prospectus dated 26 January 2016, a true and fair view of the state of affairs of the Group as at the dates stated and of its profits/losses, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

**Declaration**

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP  
Chartered Accountants

## SECTION B: GROUP HISTORICAL FINANCIAL INFORMATION

### Consolidated income statement

GROUP £ '000	Note	Year ended 31 March			Six months ended 30 September	
		2013	2014	2015	2014	2015
					Unaudited	
<b>Revenue</b> . . . . .		125,145	135,385	155,755	63,613	88,220
Interest income . . . . .	6	3,171	2,146	2,118	1,059	928
<b>Total revenue</b> . . . . .		128,316	137,531	157,873	64,672	89,148
Rebates and levies . . . . .		(21,273)	(15,521)	(14,221)	(5,852)	(10,269)
<b>Net operating income</b> . . . . .	5	107,043	122,010	143,652	58,820	78,879
Other income . . . . .	7	—	—	—	—	1,627
Operating expenses . . . . .	8	(94,291)	(78,375)	(92,312)	(41,365)	(50,421)
<b>EBITDA<sup>(1)</sup></b> . . . . .		12,752	43,635	51,340	17,455	30,085
<i>Analysed as:</i>						
<b>EBITDA before exceptional items<sup>(2)</sup></b> . . . . .		12,752	43,635	59,774	17,455	29,803
Exceptional income . . . . .	7	—	—	—	—	1,627
Exceptional costs . . . . .	8	—	—	(8,434)	—	(1,345)
<b>EBITDA<sup>(1)</sup></b> . . . . .		12,752	43,635	51,340	17,455	30,085
Depreciation and amortisation . . . . .	11	(16,762)	(10,698)	(6,934)	(3,167)	(3,164)
<b>Operating (loss) / profit</b> . . . . .		(4,010)	32,937	44,406	14,288	26,921
Finance costs . . . . .	10	(1,372)	(696)	(896)	(375)	(421)
<b>(Loss) / profit before taxation</b> . . . . .	11	(5,382)	32,241	43,510	13,913	26,500
<i>Analysed as:</i>						
<b>(Loss) / profit before taxation and exceptional items</b> . . . . .		(5,382)	32,241	51,944	13,913	26,218
Exceptional income . . . . .	7	—	—	—	—	1,627
Exceptional costs . . . . .	8	—	—	(8,434)	—	(1,345)
<b>(Loss) / profit before taxation</b> . . . . .		(5,382)	32,241	43,510	13,913	26,500
Taxation . . . . .	12	1,571	(8,285)	(8,770)	(2,612)	(6,468)
<b>(Loss) / profit for the period attributable to owners of the Company</b> . . . . .		(3,811)	23,956	34,740	11,301	20,032
<b>(Loss) / earnings per share</b>						
<b>Basic (loss) / earnings per share (p)</b> . . . . .	13	(1.4)p	8.6p	12.4p	4.0p	7.2p
<b>Diluted (loss) / earnings per share (p)</b> . . . . .	13	(1.4)p	8.5p	12.4p	4.0p	7.2p

#### Notes:

(1) EBITDA represents earnings before interest, tax, depreciation and amortisation and impairment of intangible assets, but includes interest income classified as trading revenue.

(2) EBITDA before exceptional items represents Underlying EBITDA.

## Consolidated statement of comprehensive income

GROUP £ '000	Note	Year ended 31 March			Six months ended 30 September	
		2013	2014	2015	2014	2015
					Unaudited	
<b>(Loss) / profit for the period . . . . .</b>		(3,811)	23,956	34,740	11,301	20,032
<i>Other comprehensive (expense) / income:</i>						
<b>Items that may be subsequently reclassified to income statement</b>						
(Loss) / profit on net investment hedges net of tax	27	(1,519)	3,941	1,063	61	1,436
Profit recycled from equity to the income statement net of tax . . . . .	27	—	1,212	—	—	—
Currency translation differences . . . . .	27	1,258	(8,183)	(1,485)	(584)	(1,839)
<b>Other comprehensive expense for the period . . . .</b>		(261)	(3,030)	(422)	(523)	(403)
<b>Total comprehensive (expense) / income for the period attributable to owners of the Company . . .</b>		<u>(4,072)</u>	<u>20,926</u>	<u>34,318</u>	<u>10,778</u>	<u>19,629</u>

## Consolidated statement of financial position

GROUP £ '000	Note	As at 31 March			As at 30 September 2015
		2013	2014	2015	
ASSETS					
Non-current assets					
Intangible assets . . . . .	14	10,667	4,091	3,658	2,689
Property, plant and equipment . . . . .	14	16,114	13,733	17,376	16,308
Deferred tax assets . . . . .	23	13,912	7,380	7,552	6,342
Total non-current assets . . . . .		40,693	25,204	28,586	25,339
Current assets					
Trade and other receivables . . . . .	17	25,690	19,661	18,766	24,449
Derivative financial instruments . . . . .	21	594	630	3,275	2,568
Current tax recoverable . . . . .		448	—	—	—
Amounts due from brokers . . . . .		48,758	65,864	109,794	113,295
Cash and cash equivalents . . . . .	18	45,868	57,801	38,611	37,525
Total current assets . . . . .		121,358	143,956	170,446	177,837
Total assets . . . . .		162,051	169,160	199,032	203,176
LIABILITIES					
Current liabilities					
Trade and other payables . . . . .	19	43,711	39,657	38,723	35,707
Derivative financial instruments . . . . .	21	2,192	2,106	805	578
Borrowings . . . . .	20	1,184	635	1,399	1,356
Current tax payable . . . . .		—	1,202	3,507	5,876
Short term provisions . . . . .	22	3,715	328	4,345	177
Total current liabilities . . . . .		50,802	43,928	48,779	43,694
Non-current liabilities					
Trade and other payables . . . . .	19	4,825	4,375	3,926	3,702
Borrowings . . . . .	20	974	339	2,453	1,771
Deferred tax liabilities . . . . .	23	1,146	627	128	72
Long term provisions . . . . .	22	50	310	1,423	1,406
Total non-current liabilities . . . . .		6,995	5,651	7,930	6,951
Total liabilities . . . . .		57,797	49,579	56,709	50,645
EQUITY					
Equity attributable to owners of the Company					
Share capital . . . . .	24	70,694	70,694	70,694	70,694
Share premium . . . . .	24	33,362	33,362	33,362	33,362
Own shares held in trust . . . . .	25	(2,000)	(1,983)	(1,983)	(1,983)
Other reserves . . . . .	27	(46,517)	(49,547)	(49,969)	(50,372)
Retained earnings . . . . .		48,715	67,055	90,219	100,830
Total equity . . . . .		104,254	119,581	142,323	152,531
Total equity and liabilities . . . . .		162,051	169,160	199,032	203,176

## Consolidated statement of changes in equity

<b>GROUP</b> <b>£ '000</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Own shares held in trust</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Total Equity</b>
<b>At 1 April 2012</b> . . . . .	70,694	33,362	(1,970)	(46,256)	52,546	108,376
Total comprehensive expense for the year .	—	—	—	(261)	(3,811)	(4,072)
Share-based payments . . . . .	—	—	—	—	(20)	(20)
Acquisition of own shares held in trust . . .	—	—	(30)	—	—	(30)
<b>At 31 March 2013</b> . . . . .	70,694	33,362	(2,000)	(46,517)	48,715	104,254
Total comprehensive (expense) / income for the year . . . . .	—	—	—	(3,030)	23,956	20,926
Share-based payments . . . . .	—	—	—	—	273	273
Dividends . . . . .	—	—	—	—	(5,889)	(5,889)
Disposal of own shares held in trust . . . . .	—	—	17	—	—	17
<b>At 31 March 2014</b> . . . . .	70,694	33,362	(1,983)	(49,547)	67,055	119,581
Total comprehensive (expense) / income for the year . . . . .	—	—	—	(422)	34,740	34,318
Share-based payments . . . . .	—	—	—	—	374	374
Dividends . . . . .	—	—	—	—	(11,950)	(11,950)
<b>At 31 March 2015</b> . . . . .	70,694	33,362	(1,983)	(49,969)	90,219	142,323
Total comprehensive (expense) / income for the period . . . . .	—	—	—	(403)	20,032	19,629
Share-based payments . . . . .	—	—	—	—	547	547
Dividends . . . . .	—	—	—	—	(9,968)	(9,968)
<b>At 30 September 2015</b> . . . . .	<u>70,694</u>	<u>33,362</u>	<u>(1,983)</u>	<u>(50,372)</u>	<u>100,830</u>	<u>152,531</u>

## Consolidated statement of cash flows

GROUP £ '000	Note	Year ended 31 March			Six months ended 30 September	
		2013	2014	2015	2014	2015
		Unaudited				
<b>Cash flows from operating activities</b>						
Cash generated from operations . . . . .	29	1,409	22,805	6,362	3,765	13,216
Net interest income . . . . .		3,171	2,146	2,118	1,059	928
Tax paid . . . . .		(1,149)	(1,372)	(6,471)	(1,906)	(2,586)
<b>Net cash generated from operating activities</b>		<u>3,431</u>	<u>23,579</u>	<u>2,009</u>	<u>2,918</u>	<u>11,558</u>
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment .		(3,313)	(1,606)	(8,584)	(6,539)	(1,043)
Proceeds from disposal of property, plant and equipment . . . . .		234	137	136	—	—
Investment in intangible assets . . . . .		(695)	(684)	(1,866)	(633)	(179)
Proceeds from disposals of intangibles . . . . .		—	65	—	—	—
Proceeds from disposal of subsidiary . . . . .		130	127	—	—	—
<b>Net cash used in investment activities . . . . .</b>		<u>(3,644)</u>	<u>(1,961)</u>	<u>(10,314)</u>	<u>(7,172)</u>	<u>(1,222)</u>
<b>Cash flows from financing activities</b>						
Repayment of borrowings . . . . .		(1,687)	(1,184)	(1,524)	(638)	(725)
Proceeds from borrowings . . . . .		2,073	—	4,402	4,302	—
(Acquisition) / Disposal of own shares . . . . .		(30)	17	—	—	—
Dividends paid . . . . .		—	(5,889)	(11,950)	(5,976)	(9,968)
Finance costs . . . . .		(1,372)	(696)	(896)	(375)	(421)
<b>Net cash used in financing activities . . . . .</b>		<u>(1,016)</u>	<u>(7,752)</u>	<u>(9,968)</u>	<u>(2,687)</u>	<u>(11,114)</u>
<b>Net (decrease) / increase in cash and cash equivalents . . . . .</b>		<u>(1,229)</u>	13,866	(18,273)	(6,941)	(778)
Cash and cash equivalents at the beginning of the period . . . . .		47,963	45,868	57,801	57,801	38,611
Effect of foreign exchange rate changes . . . . .		(866)	(1,933)	(917)	(432)	(308)
<b>Cash and cash equivalents at the end of the period . . . . .</b>	18	45,868	57,801	38,611	50,428	37,525

## Notes to the historical financial information

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## **1 General information**

### **Corporate information**

CMC Markets plc (the Company) is a company incorporated and domiciled in England and Wales under the Companies Act 2006. The nature of the operations and principal activities of the CMC Markets plc and its subsidiaries (collectively the “Group”) are set out in note 5.

### **Functional and presentation currency**

Items included in the historical financial information of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The historical financial information is presented in pounds sterling (GBP) which is the Company’s functional and the Group’s presentation currency. Foreign operations are included in accordance with the policies set out in note 3.

## **2 Basis of preparation**

### **Basis of accounting**

This historical financial information is prepared for inclusion in the Prospectus of CMC Markets plc for the purposes of admission to the premium segment of the Official List maintained by the Financial Conduct Authority and to trading on the London Stock Exchange’s main market for listed securities.

The historical financial information has been prepared in accordance with the requirements of the Prospectus Directive regulation, the Listing Rules and in accordance with the International Financial Reporting Standards as adopted by the European Union (“IFRS”), IFRS Interpretations Committee (“IFRS IC”) interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

The historical financial information has been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, and in accordance with the going concern basis. The financial information is rounded to the nearest thousand, except where otherwise indicated.

The Group principal accounting policies adopted in the preparation of these the historical financial information are set out in note 3 below. These policies have been consistently applied to all periods presented. The historical financial information presented is at and for the years ending 31 March 2015, 2014 and 2013 and the six month period ending 30 September 2015 and the six month period ending 30 September 2014, which is unaudited. Financial annual periods are referred to as 2015, 2014 and 2013 in this historical financial information.

### **Changes in accounting policy and disclosures**

#### ***New accounting standards***

At the date of authorisation of the historical financial information, the following new Standards and Interpretations relevant to the Group were in issue but not yet effective and have not been applied to the historical financial information:

- IFRS 9, ‘Financial instruments: classification and measurement’, will replace IAS 39, ‘Financial instruments: Recognition and measurement.’ IFRS 9 has three measurement categories: amortised cost, fair value through profit or loss and fair value through other comprehensive income. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement. The Group is yet to assess the full impact of IFRS 9, but intends to adopt the Standard no later than the accounting period beginning 1 April 2018, subject to endorsement by the EU.
- IFRS 15, ‘Revenue from contracts with customers’ deals with revenue recognition and establishes principles for reporting useful information to users of historical financial information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts

with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Group is yet to assess the full impact of IFRS 15, but intends to adopt the Standard no later than the accounting period beginning 1 April 2018, subject to endorsement by the EU.

- IFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to EU endorsement and the entity adopting IFRS 15 'Revenue from contracts with customers' at the same time. The Group is yet to assess the full impact of IFRS 16, but intends to adopt the Standard no later than the accounting period beginning 1 April 2019, subject to endorsement by the EU.

### **Basis of consolidation**

The historical financial information incorporates the financial information of the Company and its subsidiaries. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally determined by the ownership of more than 50 per cent. of the voting rights of an investee enterprise, so as to obtain benefits from its activities.

CMC Markets plc became the ultimate holding company of the Group under a group reorganisation in 2006. The pooling of interests method of accounting was applied to the Group reorganisation as it fell outside the scope of IFRS 3: *Business Combinations*. The Directors adopted the pooling of interests as they believed it best reflected the true nature of the Group. All other business combinations have been accounted for by the purchase method of accounting.

Under the purchase method of accounting, the identifiable assets, liabilities and contingent liabilities of a subsidiary are measured initially at their fair values at the date of acquisition, irrespective of the extent of any minority interest. The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Acquisition related costs are expensed as incurred.

Where necessary, adjustments are made to the financial information of subsidiaries to bring the accounting policies used into line with those adopted by the Group.

All inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

### **Use of estimates**

The preparation of historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. 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 areas where assumptions and estimates are significant to the historical financial information are set out below:

### **Income taxes**

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

## **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.

## **3 Summary of significant accounting policies**

### **Total Revenue**

#### ***Revenue***

Revenue comprises the fair value of the consideration received from the provision of online financial services in the ordinary course of the Group's activities, net of client rebates. Revenue is shown net of value added tax after eliminating sales within the Group. Revenue is recognised when it is probable that economic benefits associated with the transaction will flow to the Group and the revenue can be reliably measured.

The Group generates revenue principally from flow management, commissions and financing income associated with acting as a market maker to its clients to trade contracts for difference (CFD) and financial spread betting.

Revenue represents profits and losses, including commissions and financing income, from client trading activity and the transactions undertaken to hedge these revenue flows. Gains and losses arising on the valuation of open positions to fair market value are recognised in revenue, as well as the gains and losses realised on positions which have closed. Revenue from the provision of financial information and stockbroking services to third parties is recognised at the later of the rendering of the service or the point at which the revenue can be reliably measured.

#### ***Interest Income***

Total revenue also includes interest earned on the Group's own funds, clients' funds and broker trading deposits net of interest payable to clients and brokers. Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

#### ***Rebates and levies***

Rebates payable to introducing partners, and spread betting levies are charged to the income statement when the associated revenue is recognised and is disclosed as a deduction from total revenue in deriving net operating income. Betting levy is payable on net gains generated from clients on Spread betting and Countdowns. This levy is payable on net gains generated from clients on these products.

### **Other income**

Items of income that are material by size and/or nature and are non-business related are classified as other income on the face of the consolidated income statement.

### **Segmental reporting**

The Group's segmental information is disclosed in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker (CODM), who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the CMC Markets plc Board. Operating segments that do not meet the quantitative thresholds required by IFRS 8 are aggregated. The segments are subject to annual review and the comparatives restated to reflect any reclassifications within the segmental reporting.

### **Share-based payment**

The Group issues equity-settled and cash-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at date of grant. The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The

impact of the revision of the original estimates, if any, is recognised in the income statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the retained earnings.

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Cash-settled share based payments are measured at expected value at vesting date at least once per year, along with the likelihood of meeting non-market based vesting conditions and the number of shares that are expected to vest. The cost is recognised in the income statement with a corresponding accrual.

### **Retirement benefit costs**

A defined contribution plan is a post-employment benefit plan into which the Group pays fixed contributions to a third party pension provider and has no legal or constructive obligation to pay further amounts. Contributions are recognised as staff expenses in profit or loss in the periods during which related employee services are fulfilled.

The Group operates defined contribution pension schemes for its Directors and employees. The assets of the schemes are held separately from those of the Group in independently administered funds.

### **Operating Leases**

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. The rentals payable under operating leases are charged to the income statement on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are included within deferred income and amortised to the income statement so as to spread the benefit on a straight-line basis over the lease term.

Where a leasehold property becomes surplus to the Group's foreseeable business requirements, provision is made for the expected future net cost of the property taking account of the duration of the lease and any recovery of cost achievable through subletting.

### **Exceptional items**

Exceptional items are events or transactions that fall within the ordinary activities of the Group and which by virtue of their size or incidence have been disclosed in order to improve a reader's understanding of the historical financial information.

### **Taxation**

The tax expense represents the sum of tax currently payable and movements in deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the Consolidated Income Statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial information and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences may be utilised. Deferred tax is calculated using tax rates and laws enacted or substantively enacted by the balance sheet date.

Such assets and liabilities are not recognised if the temporary difference arises from the goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction, which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

Deferred tax is calculated at the rates that are expected to apply when the asset or liability is settled. Deferred tax is charged or credited in the Consolidated Income Statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### **Foreign currencies**

Transactions denominated in currencies, other than the functional currency, are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies, are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the income statement for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates applicable to the relevant period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve.

Such translation differences are recognised as income or expense in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### **Intangible assets**

#### ***Goodwill***

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's interest in the identifiable assets, liabilities and contingent liabilities of a subsidiary, at the date of acquisition. Goodwill arising on the acquisition of subsidiaries is included within 'intangible assets' at cost less accumulated impairment losses.

Goodwill is tested for impairment annually. Any impairment is recognised immediately in the Consolidated Income Statement and is not subsequently reversed. On disposal of a subsidiary, the attributed amount of goodwill, which has not been subject to impairment, is included in the determination of the profit or loss on disposal.

Goodwill is allocated to cash-generating units for purposes of impairment testing. The allocation is made to those cash-generating units or groups of cash generating units that are expected to benefit from the business combination, identified according to business segment.

#### ***Computer software (purchased and developed)***

Purchased software is recognised as an intangible asset at cost when acquired. Costs associated with maintaining computer software are recognised as an expense as incurred. Costs directly attributable to internally developed software are recognised as an intangible asset only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits;
- the development costs of the asset can be measured reliably;
- sufficient resources are available to complete the development; and
- it is the Group's intention to complete the asset and use or sell it.

Where the above conditions are not met, costs are expensed as incurred. Directly attributable costs that are capitalised include software development employee costs and an appropriate portion of relevant overheads. Costs which have been recognised as an asset are amortised on a straight line basis over their estimated useful lives.

#### ***Trademarks and trading licences***

Trademarks and trading licences that are separately acquired are capitalised at cost and those acquired from a business combination are capitalised at the fair value at the date of acquisition. Amortisation is charged to the income statement on a straight line basis over their estimated useful lives.

#### ***Client relationships***

The fair value attributable to client relationships acquired through a business combination is included as an intangible asset and amortised over the estimated useful life on a straight line basis. The fair value of client relations is calculated at the date of acquisition on the basis of the expected future cash flows to be generated from that asset. Separate values are not attributed to internally generated client relationships.

Following initial recognition, Computer software, Trademarks and trading licences and Client relationships are carried at cost or initial fair value less accumulated amortisation. Amortisation is provided on all intangible asset at rates calculated to write-off the cost, less estimated residual value based on prices prevailing at the balance sheet date, of each asset on a straight-line basis over its expected useful life as follows:

<u>Item</u>	<u>Amortisation Policy</u>
Computer software (purchased or developed) . . . . .	3 years or life of licence
Trademarks and trading licences . . . . .	10 – 20 years
Client relationships . . . . .	14 years

Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

#### **Property, plant and equipment**

Property, plant and equipment (PPE) is stated at cost less accumulated depreciation and any recognised impairment loss. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on all PPE at rates calculated to write-off the cost, less estimated residual value based on prices prevailing at the balance sheet date, of each asset on a straight-line basis over its expected useful life as follows:

<u>Item</u>	<u>Depreciation Policy</u>
Furniture, fixtures and equipment . . . . .	5 years
Computer hardware . . . . .	5 years
Leasehold Improvements . . . . .	15 years

The useful lives and residual values of the assets are assessed annually and may be adjusted depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Consolidated Income statement.

#### **Impairment of assets**

Assets subject to amortisation or depreciation are reviewed for impairment if events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less cost to sell and value-in-use. Net realisable value is the estimated amount at which an asset can be disposed of, less any direct selling costs. Value-in-use is the estimated discounted future cash flows generated from the asset's continued use, including those from its ultimate disposal. For the purpose of assessing value in use, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

To the extent that the carrying amount exceeds the recoverable amount, the asset is written down to its recoverable amount. For assets other than goodwill, where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lower of its original carrying amount and the revised estimate of its recoverable amount.

### **Financial assets**

Regular purchases and sales of financial assets are recognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are recognised initially at cost, being the fair value of the consideration together with any associated issue costs. After initial recognition, loans and receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Group's loans and receivables comprise 'trade and other receivables' (note 17), 'amounts due from brokers' and 'cash and cash equivalents' (note 18) in the statement of financial position.

### **Derivative financial instruments**

Derivatives financial instruments, comprising Index, Commodities, Foreign Exchange and Treasury futures and forward foreign exchange contracts are classified as 'fair value through profit or loss' under IAS39, unless designated as hedges. Derivatives not designated as hedges are initially recognised at fair value. Subsequent to initial recognition, changes in fair value of such derivatives and gains or losses on their settlement are recognised in the income statement.

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

The Group designates certain derivatives as either:

### ***Held for trading***

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

### ***Held as Hedges of net investments in foreign operations***

Where a foreign currency derivative financial instrument is a formally designated hedge of a net investment in a foreign operation, foreign exchange differences arising on translation of the financial instrument are recognised in Net investment hedging reserve via other comprehensive income to the extent the hedge is effective. The Group assesses the effectiveness of its net investment hedges based on fair value changes of its net assets and the fair value changes of the relevant financial instrument. The gain or loss relating to the ineffective portion is recognised immediately in operating costs in the income statement. Accumulated gains and losses recorded in Net investment hedging reserve are recognised in operating costs in the income statement on disposal of the foreign operation.

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

These are derivatives held to mitigate the foreign exchange risk on monetary assets and liabilities, financial commitments or forecast transactions. Where a derivative financial instrument is used as an economic hedge of the foreign exchange exposure of a recognised monetary asset or liability, financial commitment or forecast transaction, but does not meet the criteria to qualify for hedge accounting under IAS39, no hedge accounting is applied and any gain or loss resulting from changes in fair value of the hedging instrument is recognised in operating costs in the income statement.

**Trade Receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. For trade receivables relating to financial information and stockbroking services, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within other operating costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating costs in the income statement.

**Amounts due from brokers**

All derivatives used as hedges held for trading are margin-traded. Amounts due from brokers represent funds placed with hedging counterparties, a proportion of which is posted to meet broker margin requirements. Assets or liabilities resulting from profits or losses on open positions are recognised separately as derivative financial instruments.

**Cash and cash equivalents**

Cash and cash equivalents comprise current account balances, bank deposits and other short-term highly liquid investments with initial maturity dates of less than three months.

**Client money**

The Group holds money on behalf of clients in accordance with the Client Asset (CASS) rules of the Financial Conduct Authority and other financial markets regulators in the countries in which the Group operates. Client monies are classified as either client money or cash and cash equivalents in accordance with the relevant regulatory agency's requirements. The amounts held on behalf of clients at the balance sheet date are stated in notes 18 and 19. Segregated client funds comprise individual client funds held in segregated client money accounts. Segregated client money accounts hold statutory trust status restricting the Group's ability to control the monies and accordingly such amounts and are not recognised on the Group's statement of financial position.

**Trade payables**

Trade payables are not interest-bearing and are stated at fair value on initial recognition and subsequently at amortised cost.

**Borrowings**

The Group leases certain property, plant and equipment. The leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. These leases are capitalised at the lease's commencement at the lower of fair value and present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in Borrowings. The interest element is charged to the income

statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of liability for each period and is presented within finance costs. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

All loans and borrowings other than finance leases are initially recognised at cost, being the fair value of the consideration received, net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in the income statement when the liabilities are derecognised or impaired, as well as through the amortisation process.

### **Provisions**

A provision is a liability of uncertain timing or amount that is recognised when the Group has a present obligation (legal or constructive) as a result of a past event where it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material. The increase in the provision due to the unwind of the discount to present value over time is recognised as an interest expense.

### **Share capital**

Ordinary and deferred shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **Own shares held in trusts**

Shares held in trust by the Company for the purposes of employee share schemes are classified as a deduction from shareholders' equity and are recognised at cost. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of equity shares.

### **Employee benefit trusts**

Assets held in employee benefit trusts are recognised as assets of the Group, until these vest unconditionally to identified employees. A full provision is made in respect of assets held by the trust as there is an obligation to distribute these assets to the beneficiaries of the employee benefit trust.

The employee benefit trusts own equity shares in the Company. These investments in the Company's own shares ('treasury shares') are held at cost and are included as a deduction from equity attributable to the Company's equity owners until such time as the shares are cancelled or transferred. Where such shares are subsequently transferred, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects are included in equity attributable to the Company's equity owners.

## **4 Financial risk management**

The Group's day-to-day business activities naturally expose it to strategic, financial (including credit and market) and operational risks. The Board accepts 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 is ultimately responsible for the implementation of an appropriate risk strategy, defining and communicating the Group's risk appetite, the establishment and maintenance of effective systems and controls, and continued monitoring of the adherence to Group policies. The Group has adopted a standard risk process, through a five step approach to risk management: Risk Identification; Risk Assessment; Risk Management; Risk Reporting and Risk Monitoring. The approach to managing risk within the business is governed by the Board approved Risk Appetite Statement and Risk Management Framework.

The Board sets the strategy and policies for managing these risks and delegates the monitoring and management of these risks to various committees including Audit and Risk Committee (non-executive oversight) and the Business Risk Committee (Executive management).

The Group's Internal Capital Adequacy Assessment Process (ICAAP) is prepared under the requirements set out in the Prudential Regulation Authority (PRA) Rulebook in accordance with CRD IV<sup>6</sup>. A key purpose of an 'Internal Capital Adequacy Assessment Process' (ICAAP) is to inform a firm's board of the ongoing assessment of the firm's risks, how the firm intends to mitigate those risks, and how much current and future capital is necessary, having considered potential stresses as well as mitigating factors.

Financial risks arising from financial instruments are categorised into market, credit and liquidity risks which, together with how the Group categorises and manages these risks, are described below.

### **Market risk**

Market risk is defined as the risk that the value of our residual portfolio will decrease due to the change in market risk factors. The four standard market risk factors are stock prices, interest rates, foreign exchange rates, and commodity prices.

#### ***Market price risk***

This is the risk that the fair value of a financial instrument will fluctuate due to changes in market prices other than due to currency or interest rate risk.

The trading risk management team inherit exposure from client trades on all asset classes, the risk management approach is primarily based on segmenting intraday and overnight aggregate exposures across the entire client base and determining how much risk the Group wishes to retain in accordance with risk appetite.

#### ***Mitigation of market risk***

The Group benefits from a number of factors which also reduce the volatility of its revenue and protect it from market shocks as follows:

- Natural mitigation of concentration

The Group acts as a market maker in over 10,000 cross asset instruments, specifically equities, indices, commodities, treasuries and foreign exchange as well as forwards on commodities, treasuries equity indices and FX. Because of the high level of notional turnover there is a high level of internal crossing and natural hedging across instruments and asset classes to mitigate significant single instrument concentration risk within the portfolio.

- Natural aggregation

In the period ending 30 September 2015, the Group traded with over 44,017 clients. This large international client base has a diverse range of trading strategies resulting in the Group enjoying a high degree of natural hedging between clients. This 'portfolio effect' leads to a significant reduction in the Group's net market risk exposure.

- Ease of hedging

The Group predominantly acts as a market maker in linear, highly liquid financial instruments in which it can easily neutralise market risk exposure through its prime broker (PB) arrangements. In order to avoid over-reliance on one arrangement the Group has five PB relationships. For instruments where there is no equivalent underlying market (e.g. Countdowns) the Group controls its risk through setting low position/exposure limits. This is further augmented by the dealer monitoring and intervention, which can take the form of restricting the size offered or, if deemed necessary, restricting the clients' ability to take a position on an instrument.

The Next Generation trading platform allows the Group to hedge its exposure by automatically placing orders in the underlying market. Exposures are calculated twice—once within the Group's primary risk engine, and again within the auto-hedge, ensuring accuracy. The auto-hedging system benefits from low latency of execution and robust controls. Percentages can be set per tier or by instrument and a global maximum order quantity is set so that no single order sent by the system breaches this value. However, hedges that the Group puts in place may not be perfect hedges against the Group's risk exposure, and as a result may not entirely offset its market losses.

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<sup>6</sup> The Capital Requirements Directive (2013/36/EU) (CRD) and the Capital Requirements Regulation (575/2013) (CRR), called 'CRD IV'

### **Market risk limits**

Market risk positions are managed in accordance with the Group's Risk Appetite Statement and Group Market Risk Management Framework to ensure that the Group has sufficient capital resources to support the calculated Market Risk Capital Requirement as well as staying within the Risk Appetite. The Group manages this crucial component of capital adequacy with 'risk zones'—Green, Amber and Red, which are internally set limits (precluding the red zone which is maximum capital usage) designed to mitigate the risk of breaching Capital Adequacy requirements. The Market Risk policy requires that the Group's market price risk exposure, calculated under the FCA's 'Own funds requirement' (OFR) methodology, should not reach the red zone, which is set according to relevant regulatory requirements. To reduce the chances of the Group entering into the red zone, the amber zone gives a very large buffer, which if entered, immediate remedial action must be taken to hedge client exposure and reduce the Group's overall market price risk exposure back to the green zone.

Overall client exposures can vary significantly over a short period of time and are highly dependent on underlying market conditions. Under the residual risk flow model the Group's OFR has fallen against the prior periods and remains well within the Board-approved risk appetite.

GROUP OFR £ '000	As at 31 March			As at 30 September 2015
	2013	2014	2015	
<b>Asset class</b>				
Consolidated equities . . . . .	11,137	12,871	5,707	2,742
Commodities . . . . .	1,197	2,073	2,692	2,370
Treasuries . . . . .	917	929	1,656	492
Foreign exchange . . . . .	3,147	1,030	2,464	1,376
Interest rate risk . . . . .	—	373	403	352
	<u>16,398</u>	<u>17,276</u>	<u>12,922</u>	<u>7,332</u>

### **Market price risk—stress testing**

Group Financial Risk conducts market price risk stress testing on a daily basis. The approach to this stress testing is taking volatility stress factors and applying them to net market price risk exposures in order to assess the market price risk impact. Volatility stresses are derived from actual market price histories for 6 months up to 30 September 2015 (31 March 2015 for the previous financial year). In order to make the model more reliable, stress factors are defined for each asset class (consolidated equities, commodities, treasuries and foreign exchange). Furthermore, volatility stress factors for consolidated equities are defined per region and for commodities they are split between oil and other. Gold and silver are measured separately and are given a separate stress factor. Volatility stress factors for foreign exchange are split between major currency pairs and all other currency pairs. Applying regional as well as asset class based stress factors to exposures ensures that the results are a fair representation of the potential market price risk the Group faces. These stress factors and scenarios are updated quarterly by Group Financial Risk. The Group also runs extreme case stress scenarios on a daily basis, where the stress factors are broken down as mentioned above.

None of the stress tests run through the period implied any significant risk to the capital adequacy nor ongoing the profitability of the Group.

### **Non trading book interest-rate risk**

Interest rate risk arises from either less interest being earned or more being paid on interest bearing assets and liabilities due to a change in the relevant floating rate.

Interest rate risk is felt by the Group through a limited number of channels, income on segregated client and own funds and debits on client balances that are over a pre-defined threshold.

The sensitivity analysis performed is based on a reasonable and possible move in the floating rate by 0.5 per cent. upwards and 0.25 per cent. downwards. This is in line with the movement used for the year ended 31 March 2015 (Year ended 31 March 2014 and Year ended 31 March 2013 the movement used was 1 per cent. both upwards and downwards).

This is summarised in the below table, and reflects the Group's view that in the current economic environment, interest rate volatility is unlikely to have a significant impact on the profits of the Group.

<b>GROUP</b> <b>31 March 2013</b> <b>£ '000</b>	<b>Absolute increase</b>	<b>Absolute decrease</b>
Impact of . . . . .	1.00% change	1.00% change
Profit after tax . . . . .	2,018	(991)
Equity . . . . .	2,018	(991)
<b>GROUP</b> <b>31 March 2014</b> <b>£ '000</b>	<b>Absolute increase</b>	<b>Absolute decrease</b>
Impact of . . . . .	1.00% change	1.00% change
Profit after tax . . . . .	2,110	(835)
Equity . . . . .	2,110	(835)
<b>GROUP</b> <b>31 March 2015</b> <b>£ '000</b>	<b>Absolute increase</b>	<b>Absolute decrease</b>
Impact of . . . . .	0.50% change	0.25% change
Profit after tax . . . . .	697	(278)
Equity . . . . .	697	(278)
<b>GROUP</b> <b>30 September 2015</b> <b>£ '000</b>	<b>Absolute increase</b>	<b>Absolute decrease</b>
Impact of . . . . .	0.50% change	0.25% change
Profit after tax . . . . .	488	(197)
Equity . . . . .	488	(197)

#### Non trading book foreign exchange risk

Foreign exchange risk is the risk that the Group's results are affected by movements in foreign exchange rates.

CMC feels foreign exchange risk in the form of transaction and translation exposure.

Transaction exposure is from holdings of cash and other current assets and liabilities in a currency other than the base currency of the entity. This risk is hedged each month by the Liquidity Risk Management team according to a policy based on a "cap and floor" model, with gains/losses recognised in the income statement. At 30 September 2015 there were no significant unhedged exposures (none greater than £250,000). Given the effectiveness of the hedging program (income statement impact in period ended 30 September 2015: £486,000 loss, period ended 30 September 2014: £108,000 loss, Year ended 31 March 2015: £374,000 gain, Year ended 31 March 2014: £308,000 loss, Year ended 31 March 2013: £750,000 loss), no sensitivity analysis has been performed. These 'fair value hedges' are derivative financial instruments and are reported as described in note 3.

Translation exposure occurs when the net assets of an entity are denominated in a foreign currency other than GBP, when the consolidated statement of financial position is prepared. The Group hedges this exposure by using 3month FX forwards. These 'Net Investment Hedges' are derivative financial instruments and are reported as described in note 3. The unhedged portion does not pose a significant risk to the capital adequacy or to the ongoing profitability of the Group.

#### Credit risk

Credit risk is the risk that the counterparty to a transaction will cause the Group financial loss by failing to discharge a contractual obligation. Below are the channels of credit risk the Group is exposed through:

- Credit institution (CI);
- Client

### *Credit Institution credit risk*

The Group has relationships with a number of counterparties that provide prime brokerage and/or banking services (e.g. cash accounts, foreign exchange trading, credit facilities etc.). All these market counterparties can be described as Credit Institutions (CIs) as defined by Article 4 'Definitions' in the CRR ('credit institution' is defined as an undertaking the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account).

Credit Institution credit risk can therefore be defined as the risk that a CI will default on their contractual obligation to the Group resulting in a loss to the Group.

The above could be felt in two ways:

- For both CIs used as bank and those as broker the Group does not receive the funds the CI holds back
- For the CIs used as broker, the default causes the need to re hedge at a different broker at a different price

### *Mitigation of Credit Institution credit risk*

To mitigate or avoid a credit loss the Group maintains, where practical, a range of relationships to reduce over-reliance on a single CI.

Liquidity Risk Management monitor the credit quality of all its CIs, by tracking the credit ratings issued by Moody's, Standard & Poor's and Fitch rating agencies and the CDS (Credit Default Swap) spreads determined in the CDS market. Ratings, rating outlooks and CDS spreads are reported to senior management on a weekly basis with any changes highlighted.

No quantitative credit rating limits are set by the Group that CIs must exceed because the choice of suitable CIs is finite and therefore setting minimum rating limits could lead to the possibility that no CIs are able to meet them. As an alternative, the Group reviews negative rating action and large CDS spread widening to CIs on a case by case basis. However, all CIs are of investment grade quality and that negative rating action on CIs rated below A3/A – /A – (by Moody's, S&P and Fitch respectively) would be escalated directly to the Chief Financial Officer and Head of Risk in the first instance to decide if any management actions were required. Possible actions by the Firm to reduce exposure to CIs depend on the nature of the relationship and the practical availability of substitute CIs. Possible actions include the withdrawal of cash balances from a CI on a daily basis, switching a proportion of hedge trading to another prime broker CI or ceasing all commercial activity with the CI.

The tables below present CMC Markets' exposure to credit institutions based on their long-term credit rating.

<b>GROUP</b> <b>31 March 2013</b> <b>£ '000</b>	<b>Cash and cash</b> <b>equivalents</b>	<b>Amounts due</b> <b>from brokers</b>	<b>Net Derivative</b> <b>financial</b> <b>instruments</b>	<b>Total</b>
AA+ to AA – . . . . .	9,493	—	—	9,493
A+ to A – . . . . .	32,857	48,758	(1,598)	80,017
BBB+ to BBB – . . . . .	3,506	—	—	3,506
Unrated . . . . .	12	—	—	12
	<u>45,868</u>	<u>48,758</u>	<u>(1,598)</u>	<u>93,028</u>

<b>GROUP</b> <b>31 March 2014</b> <b>£ '000</b>	<b>Cash and cash</b> <b>equivalents</b>	<b>Amounts due</b> <b>from brokers</b>	<b>Net Derivative</b> <b>financial</b> <b>instruments</b>	<b>Total</b>
AA+ to AA – . . . . .	14,950	65,864	—	80,814
A+ to A – . . . . .	22,291	—	—	22,291
BBB+ to BBB – . . . . .	20,560	—	(1,476)	19,084
Unrated . . . . .	—	—	—	—
	<u>57,801</u>	<u>65,864</u>	<u>(1,476)</u>	<u>122,189</u>

<b>GROUP</b> <b>31 March 2015</b> <b>£ '000</b>	<b>Cash and cash</b> <b>equivalents</b>	<b>Amounts due</b> <b>from brokers</b>	<b>Net Derivative</b> <b>financial</b> <b>instruments</b>	<b>Total</b>
AA+ to AA- . . . . .	19,216	—	—	19,216
A+ to A- . . . . .	11,300	73,694	—	84,994
BBB+ to BBB- . . . . .	7,067	36,100	2,470	45,637
Unrated . . . . .	1,028	—	—	1,028
	<u>38,611</u>	<u>109,794</u>	<u>2,470</u>	<u>150,875</u>

<b>GROUP</b> <b>30 September 2015</b> <b>£ '000</b>	<b>Cash and cash</b> <b>equivalents</b>	<b>Amounts due</b> <b>from brokers</b>	<b>Net Derivative</b> <b>financial</b> <b>instruments</b>	<b>Total</b>
AA+ to AA- . . . . .	17,983	—	—	17,983
A+ to A- . . . . .	4,767	16,801	(99)	21,469
BBB+ to BBB- . . . . .	14,026	96,494	2,089	112,609
Unrated . . . . .	749	—	—	749
	<u>37,525</u>	<u>113,295</u>	<u>1,990</u>	<u>152,810</u>

No cash balances or deposits with institutions were considered past due but not impaired or impaired (Year ended 31 March 2015: £nil, Year ended 31 March 2014: £nil, Year ended 31 March 2013: £nil).

#### *Client credit risk*

The Group operates a real-time mark-to-market leveraged trading facility where clients are required to lodge collateral against positions, any profits and losses generated by the client are credited and debited automatically to their account. As with any leveraged product offering, there is the potential for a client to lose more than the collateral lodged.

Client counterparty risk captures the risk associated with a client defaulting on their obligations due to the Group. As the Group does not offer most of its retail clients credit terms and has a robust liquidation process, client counterparty credit risk will in general only arise when markets and instruments gap and the movement in the value of a clients leveraged portfolio exceeds the value of equity that the client has held at the Group leaving the client account in deficit.

#### *Mitigation of client credit risk*

- *Liquidation process*

This is the process of closing a client's open position if the total equity is not enough to cover a predefined percentage of required margin for the portfolio held.

The Group Client Liquidation Policy clarifies the Group's approach to liquidation management, detailing the fully automated liquidation process on the Group's Next Generation trading platform and the semi-automated liquidation order management process on Marketmaker. This policy and process ensure a consistent and timely approach to the processing of liquidation orders and ultimately aims to minimise client credit risk exposure through protecting the client from becoming a debtor.

Pre-emptive processes are also in place where a clients' free equity (total equity less total margin requirement) becomes negative. At this point the client is requested to deposit additional funds and is restricted from increasing their position.

- *Tiered margin*

Tiered margin was implemented in September 2013 on the Next Generation trading platform. It enables the Group to set higher margin rates (therefore requiring a client to lodge more collateral) against positions that are deemed to be more risky due to risk profile, which could be due to size relative to the underlying's turnover, the Group's risk appetite or volatility of the instrument.

- *Position limits*

Position limits can be implemented on an instrument and client level on the Next Generation trading platform. The instrument level enables the Group to control the total exposure the Group takes on in a single instrument. At a client level this ensures that the client can only reach a pre-defined size in any one instrument.

### *Client Credit Risk Stress Testing*

The Group uses the same volatility stress factors as for price risk to shock the client portfolio and assess the total equity post shock. It is deemed a prudent approach as the PCRE calculations do not factor in or give any benefit for the correlations between instruments within a client's portfolio and treat each position separately, summing the losses resulting from the shocks (no sub-additivity). Also the Probability of Default for regions where historically the Group has had a very low debt recovery rate is set at 100 per cent. (i.e. will not recover the debt).

None of the stress tests run through the year implied any significant risk to the capital adequacy nor ongoing the profitability of the Group.

### *Client debt history*

For the period ended 30 September 2015, new debt arising was £3,615,000 (Year ended 31 March 2015: £6,597,000, Year ended 31 March 2014: £1,309,000, Year ended 31 March 2013: £2,035,000). This constituted 3.8 per cent. of total trading revenue (Year ended 31 March 2015: 4.0 per cent., Year ended 31 March 2014: 0.9 per cent., Year ended 31 March 2013: 1.6 per cent.).

The Group establishes specific provisions against debts due from clients where the Group determines that it is probable that it will be unable to collect all amounts owed in accordance with contractual terms of the clients agreement. Net debt provided for in the period ended 30 September 2015 amounted to £1,114,000 (Year ended 31 March 2015: £4,335,000, Year ended 31 March 2014: Release of unutilised provisions: £235,000, Year ended 31 March 2013: £1,082,000), the provision representing 1.6 per cent. of total trading revenue (Year ended 31 March 2015: 2.6 per cent., Year ended 31 March 2014: provision release 0.2 per cent., Year ended 31 March 2013: 0.9 per cent.). Bad debt written off in the period to 30 September 2015 was £1,032,000 or 1.49 per cent. of revenue (Year ended 31 March 2015: £401,000; 0.2 per cent. of revenue, Year ended 31 March 2014: £908,000; 0.7 per cent. of revenue, Year ended 31 March 2013: £155,000; 0.2 per cent. of revenue).

The table below details the movement on the Group provision for impairment of trade receivables:

GROUP '000	31 March			30 September 2015
	2013	2014	2015	
Opening provision . . . . .	2,167	3,094	1,951	5,885
Net debt provided / (released) . . . . .	1,082	(235)	4,335	1,114
Debt written off . . . . .	(155)	(908)	(401)	(1,032)
Closing provision . . . . .	<u>3,094</u>	<u>1,951</u>	<u>5,885</u>	<u>5,967</u>

The debt provided for during the year ended 31 March 2015 also includes an amount of £3,850,000 of exceptional bad debt provisions.

### *Debt ageing analysis*

The Group works efficiently to minimise the effects of client debts on the Company's profit and loss. Client debts are managed very early in their life cycle in order to minimise the likelihood of them becoming doubtful debts or of being written off. There are no debts past due which have not been impaired. The following table sets out aging of debts that are past due and the provisions charged against them:

GROUP 31 March 2013 £ '000	Debt	Provision
Less than one month . . . . .	92	54
One to three months . . . . .	147	122
Three to 12 months . . . . .	576	546
Over 12 months . . . . .	<u>2,372</u>	<u>2,372</u>
	<u>3,187</u>	<u>3,094</u>

**GROUP**  
**31 March 2014**  
**£ '000**

	<b>Debt</b>	<b>Provision</b>
Less than one month . . . . .	12	8
One to three months . . . . .	48	44
Three to 12 months . . . . .	228	232
Over 12 months . . . . .	<u>1,703</u>	<u>1,667</u>
	<u>1,991</u>	<u>1,951</u>

**GROUP**  
**31 March 2015**  
**£ '000**

	<b>Debt</b>	<b>Provision</b>
Less than one month . . . . .	117	25
One to three months . . . . .	4,223	3,601
Three to 12 months . . . . .	391	387
Over 12 months . . . . .	<u>1,872</u>	<u>1,872</u>
	<u>6,603</u>	<u>5,885</u>

**GROUP**  
**30 September 2015**  
**£ '000**

	<b>Debt</b>	<b>Provision</b>
Less than one month . . . . .	148	82
One to three months . . . . .	2,401	1,203
Three to 12 months . . . . .	3,246	3,212
Over 12 months . . . . .	<u>1,470</u>	<u>1,470</u>
	<u>7,265</u>	<u>5,967</u>

## **Liquidity Risk**

Liquidity risk is the risk that there is insufficient available liquidity to meet the liabilities of the Group as they fall due.

Liquidity is managed centrally for the Group by the Liquidity Risk Management team. Utilising a combination of liquidity forecasting and stress testing (formally documented in the Individual Liquidity Adequacy Assessment ('ILAA')) to ensure that the Group retains access to sufficient liquidity resources in both normal and stressed conditions to meet its liabilities as they fall due. Liquidity forecasting fully incorporates the impact of liquidity regulations in force in each jurisdiction and other impediments to the free movement of liquidity around the Group, including its own policies on minimum liquidity to be retained by trading entities.

Stress testing is undertaken on a quarterly basis upon a range of individual and combined, firm-specific and market-wide, short and medium term scenarios that represent plausible but severe stress events to ensure the Group has appropriate sources of liquidity in place to meet such events.

Due to the risk hedging strategy adopted and the changeable scale of the client trading book, the largest and most variable consumer of liquidity is broker counterparty margin requirements. The collateral calls are met in cash from own funds but to ensure liquidity is available for extreme spikes the Group has arranged a committed bank facility of £40m to meet short term liquidity obligations to broker counterparties in the event that it does not have sufficient access to own cash or funds from clients and to leave a sufficient liquidity buffer to cope with a stress event.

The Group does not engage in maturity transformation as part of its underlying business and therefore maturity mismatch of assets and liabilities does not represent a liquidity risk to the Group.

## Own Funds

Own funds is a key measure the Group uses to monitor the overall level of liquidity available to the Group. The derivation of Own Funds is shown in the table below:

GROUP £ '000	31 March			30 September 2015
	2013	2014	2015	
Cash and cash equivalents . . . . .	45,868	57,801	38,611	37,525
Amount due from brokers . . . . .	48,758	65,864	109,794	113,295
Derivative financial instruments (Current Assets) . . . . .	594	630	3,275	2,568
	95,220	124,295	151,680	153,388
Less: Title transfer funds . . . . .	(12,984)	(7,218)	(7,803)	(1,234)
Less: Derivative financial instruments (Current Liabilities) . . . . .	(2,192)	(2,106)	(805)	(578)
<b>Own Funds</b> . . . . .	<b>80,044</b>	<b>114,971</b>	<b>143,072</b>	<b>151,576</b>

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. Additionally, amounts due from brokers and amounts receivable / (payable) on the derivative financial instruments have been included within 'own funds' in order to provide a clear presentation of the Group's potential cash resources.

GROUP 31 March 2013 £ '000	2013	2014	2015	2014 Unaudited	2015
<b>Operating activities</b>					
(Loss) / Profit before tax . . . . .	(5,382)	32,241	43,510	13,913	26,500
Adjustments for:					
Finance costs . . . . .	1,372	696	896	375	421
Depreciation and amortisation . . . . .	16,762	10,698	6,934	3,167	3,164
Other non-cash adjustments . . . . .	(20)	273	374	288	188
Gain on disposal of investment in subsidiaries . . . . .	(130)	(127)	—	—	—
Tax paid . . . . .	(1,149)	(1,372)	(6,471)	(1,906)	(2,586)
<b>Own funds generated from operating activities</b> . . . . .	<b>11,453</b>	<b>42,409</b>	<b>45,243</b>	<b>15,837</b>	<b>27,687</b>
<b>Movement in working capital</b> . . . . .	<b>(5,077)</b>	<b>4,165</b>	<b>4,057</b>	<b>(5,416)</b>	<b>(6,539)</b>
<b>Inflow / (Outflow) from investing activities</b>					
Net Purchase of property, plant and equipment and intangible assets . . . . .	(3,774)	(2,088)	(10,314)	(7,172)	(1,222)
Proceeds from disposal of subsidiary . . . . .	130	127	—	—	—
<b>Inflow / (Outflow) from financing activities</b>					
Interest paid . . . . .	(1,372)	(696)	(896)	(375)	(421)
Dividends paid . . . . .	—	(5,889)	(11,950)	(5,976)	(9,968)
Other Inflow / (Outflow) from financing activities . . . . .	356	(1,167)	2,878	3,664	(725)
<b>Total outflow from investing and financing activities</b> . . . . .	<b>(4,660)</b>	<b>(9,713)</b>	<b>(20,282)</b>	<b>(9,859)</b>	<b>(12,336)</b>
<b>Increase in own funds</b> . . . . .	<b>1,716</b>	<b>36,861</b>	<b>29,018</b>	<b>562</b>	<b>8,812</b>
Own funds at the beginning of the period . . . . .	79,194	80,043	114,971	114,971	143,072
Effect of foreign exchange rate changes . . . . .	(866)	(1,933)	(917)	(432)	(308)
<b>Own funds at the end of the period</b> . . . . .	<b>80,044</b>	<b>114,971</b>	<b>143,072</b>	<b>115,101</b>	<b>151,576</b>

## Maturity analysis

GROUP 31 March 2013 £ '000	On demand	Less than three months	Three months to one year	After one year	Total
<b>Financial assets</b>					
Cash . . . . .	45,868	—	—	—	45,868
Amounts due from brokers . . . . .	48,758	—	—	—	48,758
Derivative financial instruments . . . . .	—	594	—	—	594
Trade and other receivables . . . . .	18,994	—	3,324	—	22,228
	<u>113,620</u>	<u>594</u>	<u>3,324</u>	<u>—</u>	<u>117,448</u>
<b>Financial liabilities</b>					
Trade and other payables . . . . .	(43,100)	—	—	—	(43,100)
Derivative financial instruments . . . . .	—	(2,192)	—	—	(2,192)
Borrowings . . . . .	—	(313)	(313)	—	(626)
Finance lease liabilities . . . . .	—	(177)	(532)	(1,081)	(1,790)
	<u>(43,100)</u>	<u>(2,682)</u>	<u>(845)</u>	<u>(1,081)</u>	<u>(47,708)</u>
<b>Net liquidity gap . . . . .</b>	<u>70,520</u>	<u>(2,088)</u>	<u>2,389</u>	<u>(1,081)</u>	<u>69,740</u>
<b>GROUP 31 March 2014 £ '000</b>	<b>On demand</b>	<b>Less than three months</b>	<b>Three months to one year</b>	<b>After one year</b>	<b>Total</b>
<b>Financial assets</b>					
Cash . . . . .	55,520	2,281	—	—	57,801
Amounts due from brokers . . . . .	65,864	—	—	—	65,864
Derivative Financial instruments . . . . .	—	630	—	—	630
Trade and other receivables . . . . .	15,997	—	—	—	15,997
	<u>137,381</u>	<u>2,911</u>	<u>—</u>	<u>—</u>	<u>140,292</u>
<b>Financial liabilities</b>					
Trade and other payables . . . . .	(39,106)	—	—	—	(39,106)
Derivatives . . . . .	—	(2,106)	—	—	(2,106)
Finance lease liabilities . . . . .	—	(177)	(532)	(372)	(1,081)
	<u>(39,106)</u>	<u>(2,283)</u>	<u>(532)</u>	<u>(372)</u>	<u>(42,293)</u>
<b>Net liquidity gap . . . . .</b>	<u>98,275</u>	<u>628</u>	<u>(532)</u>	<u>(372)</u>	<u>97,999</u>
<b>GROUP 31 March 2015 £ '000</b>	<b>On demand</b>	<b>Less than three months</b>	<b>Three months to one year</b>	<b>After one year</b>	<b>Total</b>
<b>Financial assets</b>					
Cash . . . . .	38,611	—	—	—	38,611
Amounts due from brokers . . . . .	109,794	—	—	—	109,794
Derivative financial instruments . . . . .	—	3,275	—	—	3,275
Trade and other receivables . . . . .	15,134	—	—	—	15,134
	<u>163,539</u>	<u>3,275</u>	<u>—</u>	<u>—</u>	<u>166,814</u>
<b>Financial liabilities</b>					
Trade and other payables . . . . .	(37,415)	—	—	—	(37,415)
Derivative financial instruments . . . . .	—	(805)	—	—	(805)
Borrowings . . . . .	—	(5)	(17)	(77)	(99)
Finance lease liabilities . . . . .	—	(392)	(1,181)	(2,538)	(4,111)
	<u>(37,415)</u>	<u>(1,202)</u>	<u>(1,198)</u>	<u>(2,615)</u>	<u>(42,430)</u>
<b>Net liquidity gap . . . . .</b>	<u>126,124</u>	<u>2,073</u>	<u>(1,198)</u>	<u>(2,615)</u>	<u>124,384</u>

<b>GROUP</b> <b>30 September 2015</b> <b>£ '000</b>	<b>On demand</b>	<b>Less than three months</b>	<b>Three months to one year</b>	<b>After one year</b>	<b>Total</b>
<b>Financial assets</b>					
Cash . . . . .	37,525	—	—	—	37,525
Amounts due from brokers . . . . .	113,295	—	—	—	113,295
Derivative financial instruments . . . . .	—	2,568	—	—	2,568
Trade and other receivables . . . . .	17,575	877	1,417	833	20,702
	<u>168,395</u>	<u>3,445</u>	<u>1,417</u>	<u>833</u>	<u>174,090</u>
<b>Financial liabilities</b>					
Trade and other payables . . . . .	(33,309)	—	—	—	(33,309)
Derivative financial instruments . . . . .	—	(578)	—	—	(578)
Borrowings . . . . .	—	(5)	(17)	(66)	(88)
Finance lease liabilities . . . . .	—	(359)	(1,126)	(1,800)	(3,285)
	<u>(33,309)</u>	<u>(942)</u>	<u>(1,143)</u>	<u>(1,866)</u>	<u>(37,260)</u>
<b>Net liquidity gap . . . . .</b>	<u>135,086</u>	<u>2,503</u>	<u>274</u>	<u>(1,033)</u>	<u>136,830</u>

#### Analysis of financial instruments by category

Financial assets and liabilities as determined by IAS 39, 'Financial Instruments: Recognition and Measurement', are categorised as follows:

<b>GROUP</b> <b>31 March 2013</b> <b>£ '000</b>	<b>Assets at fair value through profit and loss</b>	<b>Derivatives held for hedging</b>	<b>Loans and receivables</b>	<b>Total</b>
<b>Financial assets</b>				
Cash and cash equivalents . . . . .	—	—	45,868	45,868
Amounts due from brokers . . . . .	—	—	48,758	48,758
Derivative Financial instruments . . . . .	392	202	—	594
Trade and other receivables . . . . .	—	—	22,228	22,228
	<u>392</u>	<u>202</u>	<u>116,854</u>	<u>117,448</u>
	<b>Liabilities at fair value through profit and loss</b>	<b>Derivatives held for hedging</b>	<b>Financial liabilities at amortised cost</b>	<b>Total</b>
<b>Financial liabilities</b>				
Trade and other payables excluding non-financial liabilities . . . . .	—	—	(48,443)	(48,443)
Derivative Financial instruments . . . . .	(2,169)	(23)	—	(2,192)
Borrowings . . . . .	—	—	(610)	(610)
Finance lease liabilities . . . . .	—	—	(1,548)	(1,548)
	<u>(2,169)</u>	<u>(23)</u>	<u>(50,601)</u>	<u>(52,793)</u>
<b>GROUP</b> <b>31 March 2014</b> <b>£ '000</b>	<b>Assets at fair value through profit and loss</b>	<b>Derivatives held for hedging</b>	<b>Loans and receivables</b>	<b>Total</b>
<b>Financial assets</b>				
Cash and cash equivalents . . . . .	—	—	57,801	57,801
Amounts due from brokers . . . . .	—	—	65,864	65,864
Derivative Financial instruments . . . . .	550	80	—	630
Trade and other receivables . . . . .	—	—	15,997	15,997
	<u>550</u>	<u>80</u>	<u>139,662</u>	<u>140,292</u>

	Liabilities at fair value through profit and loss	Derivatives held for hedging	Financial liabilities at amortised cost	Total
<b>Financial liabilities</b>				
Trade and other payables excluding non-financial liabilities . . . . .	—	—	(44,032)	(44,032)
Derivative Financial instruments . . . . .	(2,104)	(2)	—	(2,106)
Finance lease liabilities . . . . .	—	—	(974)	(974)
	<u>(2,104)</u>	<u>(2)</u>	<u>(45,006)</u>	<u>(47,112)</u>

	Assets at fair value through profit and loss	Derivatives held for hedging	Loans and receivables	Total
<b>GROUP</b>				
<b>31 March 2015</b>				
<b>£ '000</b>				
<b>Financial assets</b>				
Cash and cash equivalents . . . . .	—	—	38,611	38,611
Amounts due from brokers . . . . .	—	—	109,794	109,794
Derivative Financial instruments . . . . .	3,016	259	—	3,275
Trade and other receivables . . . . .	—	—	15,134	15,134
	<u>3,016</u>	<u>259</u>	<u>163,539</u>	<u>166,814</u>

	Liabilities at fair value through profit and loss	Derivatives held for hedging	Financial liabilities at amortised cost	Total
<b>Financial liabilities</b>				
Trade and other payables excluding non-financial liabilities . . . . .	—	—	(41,790)	(41,790)
Derivative Financial instruments . . . . .	(775)	(30)	—	(805)
Borrowings . . . . .	—	—	(99)	(99)
Finance lease liabilities . . . . .	—	—	(3,753)	(3,753)
	<u>(775)</u>	<u>(30)</u>	<u>(45,642)</u>	<u>(46,447)</u>

	Assets at fair value through profit and loss	Derivatives held for hedging	Loans and receivables	Total
<b>GROUP</b>				
<b>30 September 2015</b>				
<b>£ '000</b>				
<b>Financial assets</b>				
Cash and cash equivalents . . . . .	—	—	37,525	37,525
Amounts due from brokers . . . . .	—	—	113,295	113,295
Derivative Financial instruments . . . . .	2,436	132	—	2,568
Trade and other receivables . . . . .	—	—	19,202	19,202
	<u>2,436</u>	<u>132</u>	<u>170,022</u>	<u>172,590</u>

	Liabilities at fair value through profit and loss	Derivatives held for hedging	Financial liabilities at amortised cost	Total
<b>Financial liabilities</b>				
Trade and other payables excluding non-financial liabilities . . . . .	—	—	(37,592)	(37,592)
Derivative Financial instruments . . . . .	(578)	—	—	(578)
Borrowings . . . . .	—	—	(88)	(88)
Finance lease liabilities . . . . .	—	—	(3,039)	(3,039)
	<u>(578)</u>	<u>—</u>	<u>(40,719)</u>	<u>(41,297)</u>

### Fair value estimation

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

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

#### GROUP 31 March 2013 £ '000

	Level 1	Level 2	Level 3	Total
<b>Derivative financial instruments</b>				
Assets . . . . .	—	594	—	594
Liabilities . . . . .	—	(2,192)	—	(2,192)
	<u>—</u>	<u>(1,598)</u>	<u>—</u>	<u>(1,598)</u>

#### GROUP 31 March 2014 £ '000

	Level 1	Level 2	Level 3	Total
<b>Derivative financial instruments</b>				
Assets . . . . .	—	630	—	630
Liabilities . . . . .	—	(2,106)	—	(2,106)
	<u>—</u>	<u>(1,476)</u>	<u>—</u>	<u>(1,476)</u>

#### GROUP 31 March 2015 £ '000

	Level 1	Level 2	Level 3	Total
<b>Derivative financial instruments</b>				
Assets . . . . .	—	3,275	—	3,275
Liabilities . . . . .	—	(805)	—	(805)
	<u>—</u>	<u>2,470</u>	<u>—</u>	<u>2,470</u>

#### GROUP 30 September 2015 £ '000

	Level 1	Level 2	Level 3	Total
<b>Derivative financial instruments</b>				
Assets . . . . .	—	2,568	—	2,568
Liabilities . . . . .	—	(578)	—	(578)
	<u>—</u>	<u>1,990</u>	<u>—</u>	<u>1,990</u>

## **Capital management**

The Group's objectives for managing capital are as follows:

- to comply with the capital requirements set by the financial market regulators to which the Group is subject;
- to ensure that all Group entities are able to operate as going concerns and satisfy any minimum externally imposed capital requirements; and
- to ensure that the Group maintains a strong capital base to support the development of its business.

The capital resources of the Group consists of equity being share capital reduced by own shares held in trust, share premium, other reserves and retained earnings, which at 30 September totalled £152,531,000 (31 March 2015 £142,323,000, 31 March 2014: £119,581,000, 31 March 2013: £104,254,000).

The Group is supervised on a consolidated basis by the UK's Financial Conduct Authority (FCA).

The Group's Internal Capital Adequacy Assessment Process (ICAAP), prepared under the requirements of the FCA and the Capital Requirements Directive, is an on-going assessment of CMC Markets' risks and risk mitigation strategies, to ensure that adequate capital is maintained against risks that the Group wishes to take to achieve its business objectives.

The outcome of the ICAAP is presented as an Internal Capital Assessment (ICAAP) document covering the Group. It is reviewed and approved by the Board on an annual basis.

## **5 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 four segments:

- UK and Ireland (UK & IE);
- Europe;
- Australia and New Zealand (ANZ);
- Rest of World (Singapore 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.

<b>GROUP</b>						
<b>Year ended 31 March 2013</b>						
<b>£ '000</b>	<b>UK &amp; IE</b>	<b>Europe</b>	<b>ANZ</b>	<b>Rest of World</b>	<b>Central</b>	<b>Total</b>
Segment revenue net of rebates and levies . . . . .	35,121	34,982	25,517	8,252	—	103,872
Interest income . . . . .	643	1	2,234	293	—	3,171
<b>Net operating income</b> . . . . .	<b>35,764</b>	<b>34,983</b>	<b>27,751</b>	<b>8,545</b>	<b>—</b>	<b>107,043</b>
Other income . . . . .	—	—	—	—	—	—
Segment operating expenses . . . . .	(9,435)	(8,565)	(9,316)	(4,124)	(62,851)	(94,291)
<b>Segment EBITDA</b> . . . . .	<b>26,329</b>	<b>26,418</b>	<b>18,435</b>	<b>4,421</b>	<b>(62,851)</b>	<b>12,752</b>
Allocation of central income and costs . . . . .	(20,806)	(19,095)	(14,842)	(8,108)	62,851	—
Depreciation and amortisation . . . . .	(1,864)	(313)	(240)	(385)	(13,960)	(16,762)
Allocation of central depreciation and amortisation . . . . .	(3,652)	(5,329)	(2,973)	(2,006)	13,960	—
<b>Operating profit / (loss)</b> . . . . .	<b>7</b>	<b>1,681</b>	<b>380</b>	<b>(6,078)</b>	<b>—</b>	<b>(4,010)</b>
Finance costs . . . . .	(1,087)	(2)	(16)	(11)	(256)	(1,372)
Allocation of central finance costs . . . . .	(93)	(94)	(48)	(21)	256	—
<b>Profit before taxation</b> . . . . .	<b>(1,173)</b>	<b>1,585</b>	<b>316</b>	<b>(6,110)</b>	<b>—</b>	<b>(5,382)</b>

<b>GROUP</b>						
<b>Year ended 31 March 2014</b>						
<b>£ '000</b>	<b>UK &amp; IE</b>	<b>Europe</b>	<b>ANZ</b>	<b>Rest of World</b>	<b>Central</b>	<b>Total</b>
Segment revenue net of rebates and levies . . . . .	33,745	45,587	33,247	7,285	—	119,864
Interest income . . . . .	463	6	1,499	178	—	2,146
<b>Net operating income</b> . . . . .	<b>34,208</b>	<b>45,593</b>	<b>34,746</b>	<b>7,463</b>	<b>—</b>	<b>122,010</b>
Other income . . . . .	—	—	—	—	—	—
Segment operating expenses . . . . .	(7,962)	(9,000)	(6,889)	(2,560)	(51,964)	(78,375)
<b>Segment EBITDA</b> . . . . .	<b>26,246</b>	<b>36,593</b>	<b>27,857</b>	<b>4,903</b>	<b>(51,964)</b>	<b>43,635</b>
Allocation of central income and costs . . . . .	(16,517)	(16,068)	(13,078)	(6,301)	51,964	—
Depreciation and amortisation . . . . .	(1,202)	(174)	(172)	(78)	(9,072)	(10,698)
Allocation of central depreciation and amortisation . . . . .	(2,407)	(3,365)	(2,087)	(1,213)	9,072	—
<b>Operating profit / (loss)</b> . . . . .	<b>6,120</b>	<b>16,986</b>	<b>12,520</b>	<b>(2,689)</b>	<b>—</b>	<b>32,937</b>
Finance costs . . . . .	(435)	(3)	(23)	(24)	(211)	(696)
Allocation of central finance costs . . . . .	(67)	(81)	(52)	(11)	211	—
<b>Profit before taxation</b> . . . . .	<b>5,618</b>	<b>16,902</b>	<b>12,445</b>	<b>(2,724)</b>	<b>—</b>	<b>32,241</b>

**GROUP**  
**Year ended 31 March 2015**  
**£ '000**

	UK & IE	Europe	ANZ	Rest of World	Central	Total
Segment revenue net of rebates and levies . . . . .	48,699	45,090	39,502	8,243	—	141,534
Interest income . . . . .	359	—	1,601	158	—	2,118
<b>Net operating income</b> . . . . .	<b>49,058</b>	<b>45,090</b>	<b>41,103</b>	<b>8,401</b>	<b>—</b>	<b>143,652</b>
Other income . . . . .	—	—	—	—	—	—
Segment operating expenses . . . . .	(10,865)	(10,592)	(8,472)	(2,562)	(59,821)	(92,312)
Segment EBITDA . . . . .	38,193	34,498	32,631	5,839	(59,821)	51,340
Allocation of central income and costs . . . . .	(19,145)	(17,440)	(17,670)	(5,566)	59,821	—
Depreciation and amortisation . . . . .	(1,369)	(145)	(266)	(69)	(5,085)	(6,934)
Allocation of central depreciation and amortisation . . . . .	(1,476)	(1,762)	(1,253)	(594)	5,085	—
<b>Operating profit / (loss)</b> . . . . .	<b>16,203</b>	<b>15,151</b>	<b>13,442</b>	<b>(390)</b>	<b>—</b>	<b>44,406</b>
Finance costs . . . . .	—	(14)	—	—	(882)	(896)
Allocation of central finance costs . . . . .	(305)	(295)	(247)	(35)	882	—
<b>Profit before taxation</b> . . . . .	<b>15,898</b>	<b>14,842</b>	<b>13,195</b>	<b>(425)</b>	<b>—</b>	<b>43,510</b>

**GROUP**  
**Six months ended 30 September 2014 (Unaudited)**  
**£ '000**

	UK & IE	Europe	ANZ	Rest of World	Central	Total
Segment revenue net of rebates and levies . . . . .	19,319	19,578	16,232	2,632	—	57,761
Interest income . . . . .	212	—	786	61	—	1,059
<b>Net operating income</b> . . . . .	<b>19,531</b>	<b>19,578</b>	<b>17,018</b>	<b>2,693</b>	<b>—</b>	<b>58,820</b>
Other income . . . . .	—	—	—	—	—	—
Segment operating expenses . . . . .	(4,116)	(3,897)	(3,577)	(1,072)	(28,703)	(41,365)
<b>Segment EBITDA</b> . . . . .	<b>15,415</b>	<b>15,681</b>	<b>13,441</b>	<b>1,621</b>	<b>(28,703)</b>	<b>17,455</b>
Allocation of central income and costs . . . . .	(10,208)	(9,245)	(6,486)	(2,764)	28,703	—
Depreciation and amortisation . . . . .	(474)	(71)	(133)	(32)	(2,457)	(3,167)
Allocation of central depreciation and amortisation . . . . .	(703)	(850)	(614)	(290)	2,457	—
<b>Operating profit / (loss)</b> . . . . .	<b>4,030</b>	<b>5,515</b>	<b>6,208</b>	<b>(1,465)</b>	<b>—</b>	<b>14,288</b>
Finance costs . . . . .	(70)	—	—	—	(305)	(375)
Allocation of central finance costs . . . . .	(102)	(110)	(84)	(9)	305	—
<b>Profit before taxation</b> . . . . .	<b>3,858</b>	<b>5,405</b>	<b>6,124</b>	<b>(1,474)</b>	<b>—</b>	<b>13,913</b>

**GROUP**  
**Six months ended 30 September 2015**  
**£ '000**

	UK & IE	Europe	ANZ	Rest of World	Central	Total
Segment revenue net of rebates and levies . . . . .	29,577	22,148	19,170	7,056	—	77,951
Interest income . . . . .	138	—	681	109	—	928
<b>Net operating income</b> . . . . .	<b>29,715</b>	<b>22,148</b>	<b>19,851</b>	<b>7,165</b>	<b>—</b>	<b>78,879</b>
Other income . . . . .	1,627	—	—	—	—	1,627
Segment operating expenses . . . . .	(6,708)	(4,364)	(3,067)	(1,445)	(34,837)	(50,421)
Segment EBITDA . . . . .	24,634	17,784	16,784	5,720	(34,837)	30,085
Allocation of central income and costs . . . . .	(12,886)	(11,415)	(7,198)	(3,338)	34,837	—
Depreciation and amortisation . . . . .	(500)	(76)	(107)	(44)	(2,437)	(3,164)
Allocation of central depreciation and amortisation . . . . .	(696)	(827)	(613)	(301)	2,437	—
<b>Operating profit / (loss)</b> . . . . .	<b>10,552</b>	<b>5,466</b>	<b>8,866</b>	<b>2,037</b>	<b>—</b>	<b>26,921</b>
Finance costs . . . . .	(5)	—	—	—	(416)	(421)
Allocation of central finance costs . . . . .	(157)	(132)	(93)	(34)	416	—
<b>Profit before taxation</b> . . . . .	<b>10,390</b>	<b>5,334</b>	<b>8,773</b>	<b>2,003</b>	<b>—</b>	<b>26,500</b>

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

The Group uses 'EBITDA' to assess the financial performance of each segment. EBITDA comprises operating profit for the period before interest expense, taxation, depreciation of property, plant and equipment and amortisation and impairment of intangibles.

## 6 Interest income

GROUP £ '000	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
				Unaudited	
Bank interest . . . . .	3,026	1,946	1,984	994	857
Interest from clients . . . . .	145	200	134	65	71
<b>Total . . . . .</b>	<b>3,171</b>	<b>2,146</b>	<b>2,118</b>	<b>1,059</b>	<b>928</b>

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

## 7 Other income

GROUP £ '000	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
				Unaudited	
Litigation settlement . . . . .	—	—	—	—	1,627
<b>Total . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,627</b>

In October 2015 the Group settled a dispute with a number of its former clients. The total settlement amount was £3,127,000 due to be paid to the Group over a two year period to 30 September 2017. Due to the uncertainty around the recoverability of these amounts, a discounted amount of £1,627,000 has been recognised as other income during the period ended 30 September 2015. This has been treated as exceptional income. As at the prospectus date £877,000 had been received.

## 8 Operating expenses

GROUP £ '000	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
				Unaudited	
Net staff costs (note 9) . . . . .	47,602	39,070	40,722	18,680	21,868
IT costs . . . . .	13,220	11,168	11,398	5,754	5,879
Sales and marketing . . . . .	7,358	11,388	13,652	6,331	7,538
Premises . . . . .	7,929	5,104	5,594	3,027	2,376
Legal and Professional fees . . . . .	4,289	3,451	2,925	1,624	1,590
Regulatory fees . . . . .	3,897	2,406	2,078	1,909	2,431
Other . . . . .	9,996	5,788	7,509	4,040	7,394
<b>Total operating expenses before exceptional costs . . . . .</b>	<b>94,291</b>	<b>78,375</b>	<b>83,878</b>	<b>41,365</b>	<b>49,076</b>
Exceptional Costs . . . . .	—	—	8,434	—	1,345
<b>Total operating expenses . . . . .</b>	<b>94,291</b>	<b>78,375</b>	<b>92,312</b>	<b>41,365</b>	<b>50,421</b>

## Exceptional Costs

As a result of their materiality the directors decided to disclose certain amounts separately in order to present results which are not distorted by significant non-recurring events

GROUP £ '000	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
				Unaudited	
Litigation settlement and associated costs . . . . .	—	—	4,584	—	—
Bad debt provisions and write offs . . . . .	—	—	3,850	—	—
IPO related costs . . . . .	—	—	—	—	1,345
<b>Exceptional costs . . . . .</b>	<b>—</b>	<b>—</b>	<b>8,434</b>	<b>—</b>	<b>1,345</b>

During the financial year ended 31 March 2015 the Group received a claim against one of its subsidiaries relating to losses on a CFD trading account over a period in 2007. A settlement was reached in March 2015. The settlement and associated costs amounted to £4,584,000 during that year.

On 15 January 2015 the Swiss National Bank (SNB) made the unprecedented decision to discontinue its support of the Swiss Franc/Euro peg. Following this decision the Swiss Franc appreciated by over 30 per cent in a matter of minutes. The Debt provisions and write-offs during the year ended 31 March 2015 relating to this event amounted to £3,850,000.

On 13 January 2016 the Group announced its intention to proceed with an initial public offering (IPO) and to apply for admission of its ordinary shares to the premium segment of the Official List of UK Listing Authority and to trading on the main market of the London Stock exchange. For the period to 30 September 2015, the costs related to the IPO amounted to £1,345,000.

## 9 Employee information

The aggregate employment costs of staff and Directors were:

GROUP £ '000	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
				Unaudited	
Wages, salaries and bonus costs . . . . .	34,981	30,815	32,107	15,184	18,008
Social security costs . . . . .	4,398	4,120	4,951	1,687	1,942
Other pension costs . . . . .	1,336	1,128	1,031	522	530
Share based payments . . . . .	—	—	951	425	545
<b>Total director and employee costs . . . . .</b>	<b>40,715</b>	<b>36,063</b>	<b>39,040</b>	<b>17,818</b>	<b>21,025</b>
Contract staff costs . . . . .	7,199	3,007	1,682	862	843
<b>Total staff costs . . . . .</b>	<b>47,914</b>	<b>39,070</b>	<b>40,722</b>	<b>18,680</b>	<b>21,868</b>
Capitalised software development costs . . . . .	(312)	—	—	—	—
<b>Net staff costs . . . . .</b>	<b>47,602</b>	<b>39,070</b>	<b>40,722</b>	<b>18,680</b>	<b>21,868</b>

Compensation of key management personnel is disclosed in note 32.

The monthly average number of Directors and employees of the Group during the year is set out below:

GROUP Number	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
				Unaudited	
<i>By activity:</i>					
Key management . . . . .	4	5	5	5	6
Client acquisition and maintenance . . . . .	236	197	213	211	232
IT development and support . . . . .	111	99	106	106	119
Global support functions . . . . .	144	121	133	130	144
<b>Total directors and employees</b> . . . . .	<b>495</b>	<b>422</b>	<b>457</b>	<b>452</b>	<b>501</b>
Contract staff . . . . .	94	28	16	17	17
<b>Total staff</b> . . . . .	<b>589</b>	<b>450</b>	<b>473</b>	<b>469</b>	<b>518</b>

## 10 Finance costs

GROUP £ '000	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
				Unaudited	
Interest and fees on bank borrowings . . . . .	1,144	553	693	306	315
Other finance costs . . . . .	228	143	203	69	106
	<u>1,372</u>	<u>696</u>	<u>896</u>	<u>375</u>	<u>421</u>

## 11 (Loss)/profit before taxation

GROUP £ '000	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
				Unaudited	
<i>(Loss) / profit before tax is stated after charging / (crediting):</i>					
Depreciation . . . . .	5,415	3,735	4,697	2,022	2,037
Amortisation of intangible assets . . . . .	11,347	6,963	2,237	1,145	1,127
Gain on disposal of subsidiary . . . . .	(130)	(127)	—	—	—
Net foreign exchange loss / (gain) . . . . .	728	(1,218)	(608)	12	574
Operating lease rentals . . . . .	4,434	2,915	2,717	1,594	1,025
Auditors' remuneration for audit and other services (see below) . . . . .	1,000	955	867	343	1,605

Fees payable to the Company's auditors, PricewaterhouseCoopers LLP were as follows:

GROUP £ '000	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
				Unaudited	
<b>Audit services</b>					
Statutory audit of Parent and consolidation . . . . .	270	296	322	157	420
Statutory audit of subsidiaries . . . . .	113	221	263	113	127
	<u>383</u>	<u>517</u>	<u>585</u>	<u>270</u>	<u>547</u>
<b>Other services</b>					
Tax compliance services . . . . .	460	438	245	73	183
Other assurance services . . . . .	157	—	37	—	875
	<u>617</u>	<u>438</u>	<u>282</u>	<u>73</u>	<u>1,058</u>
<b>Total</b> . . . . .	<b>1,000</b>	<b>955</b>	<b>867</b>	<b>343</b>	<b>1,605</b>

The Company incurred expenses of £1,114,000 in the period to 30 September 2015 payable to the Company's auditors relating to the Company's expected Initial Public Offering (IPO). These costs were

treated as Exceptional costs in the period ending September 2015 as they relate to IPO costs and considered to be one-off in nature.

## 12 Taxation

GROUP £ '000	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
				Unaudited	
<b>Analysis of charge for the period:</b>					
<i>Current tax</i>					
Current tax on profit for the period . . . . .	(148)	4,204	9,165	2,679	5,374
Adjustments in respect of previous periods . . . . .	22	(79)	(76)	(133)	1
<b>Total current tax . . . . .</b>	<b>(126)</b>	<b>4,125</b>	<b>9,089</b>	<b>2,546</b>	<b>5,375</b>
<i>Deferred tax</i>					
Origination and reversal of temporary differences . . . . .	(1,834)	2,769	(944)	63	1,106
Adjustments in respect of previous periods . . . . .	53	817	625	3	(13)
Impact of change in tax rate . . . . .	336	574	—	—	—
<b>Total deferred tax . . . . .</b>	<b>(1,445)</b>	<b>4,160</b>	<b>(319)</b>	<b>66</b>	<b>1,093</b>
<b>Tax (credit) / charge . . . . .</b>	<b>(1,571)</b>	<b>8,285</b>	<b>8,770</b>	<b>2,612</b>	<b>6,468</b>

The tax for the year differs from the standard rate of UK Corporation Tax of 20 per cent. (2015: 21 per cent., 2014: 23 per cent., 2013: 23 per cent.). The differences are explained below:

GROUP £ '000	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
				Unaudited	
Profit before taxation . . . . .	(5,382)	32,241	43,510	13,913	26,500
Profit multiplied by the standard rate of corp. tax in the UK of 20% (30 September 2014: 21%, 31 March 2015: 21%, 31 March 2014: 23%, 31 March 2013: 24%) . . . . .	(1,292)	7,415	9,137	2,922	5,300
Adjustment in respect of foreign tax rates . . . . .	124	82	586	53	320
Adjustments in respect of previous periods . . . . .	(46)	656	549	(130)	(8)
Change in tax rate . . . . .	315	574	—	(128)	—
Effect of research and development tax concession . . . . .	(3)	(18)	195	(33)	(31)
Expenses that are not recognised for tax purposes . . . . .	416	322	230	(20)	698
Income not subject to tax . . . . .	(177)	(593)	(12)	(10)	17
Irrecoverable foreign tax . . . . .	17	173	(8)	15	114
Movement to reserves . . . . .	(24)	(323)	—	—	—
Recognition of previously unrecognised tax losses in deferred tax expense . . . . .	(830)	(13)	(1,888)	—	—
Other timing differences . . . . .	(71)	10	(19)	(57)	58
<b>Tax (credit) / charge . . . . .</b>	<b>(1,571)</b>	<b>8,285</b>	<b>8,770</b>	<b>2,612</b>	<b>6,468</b>

For the period ended 30 September 2015, the tax effect of exceptional costs that were not recognised for tax purposes was £269,000 (Period ended 30 September 2014: £nil, Year ended 31 March 2015: £nil, Year ended 31 March 2014: £nil, Year ended 31 March 2013: £nil).

GROUP £ '000	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
				Unaudited	
<b>Tax charge relating to components of other comprehensive income</b>					
Tax on loss / (profit) on net investment hedges . . . . .	486	(1,056)	664	—	—
Tax on profits on net investment hedges recycled to income statement . . . . .	—	306	—	—	—
<b>Tax on items recognised directly in Equity</b> . . . . .	486	(750)	664	—	—
Tax on Share based payments . . . . .	—	—	—	—	358
	—	—	—	—	358

### 13 Earnings / (loss) per share (EPS)

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

For diluted earnings per share, the weighted average number of ordinary shares in issue, excluding those held in employee share trusts, is adjusted to assume conversion of all dilutive potential weighted average ordinary shares, which consists of share options granted to employees during the year ended 31 March 2015.

GROUP £ '000	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
				Unaudited	
Earnings attributable to ordinary shareholders (£'000) . . . . .	(3,811)	23,956	34,740	11,301	20,032
Weighted average number of shares used in the calculation of basic earnings per share ('000) . . . . .	279,378	279,278	279,229	279,230	279,228
Dilutive effect of share options ('000) . . . . .	—	1,317	928	1,049	814
Weighted average number of shares used in the calculation of diluted earnings per share ('000) . . . . .	279,378	280,595	280,157	280,279	280,042
<b>Basic earnings / (loss) per share (p)</b> . . . . .	(1.4)	8.6	12.4	4.0	7.2
<b>Diluted earnings / (loss) per share (p)</b> . . . . .	(1.4)	8.5	12.4	4.0	7.2

For the period to 30 September 2015, 814,000 (30 September 2014: 1,049,000, 31 March 2015: 928,000, 31 March 2014: 1,317,000, 31 March 2013: nil) potentially dilutive weighted average ordinary shares in respect of share options in issue were included in the calculation of diluted EPS. For the year to 31 March 2013, 5,682,000 potentially dilutive weighted average ordinary shares have not been included in the calculation of diluted EPS because their inclusion would be anti-dilutive.

## 14 Intangible assets

<b>GROUP £ '000</b>	<b>Goodwill</b>	<b>Computer software</b>	<b>Trademarks and trading licences</b>	<b>Client relationships</b>	<b>Assets under development</b>	<b>Total</b>
<b>Cost</b>						
At 1 April 2012 . . . . .	11,500	115,086	3,091	4,419	1,729	135,825
Additions . . . . .	—	383	—	—	312	695
Disposals . . . . .	—	(72)	—	—	—	(72)
Reclassification . . . . .	—	2,041	—	—	(2,041)	—
Foreign currency translation . . . . .	—	1,406	44	209	—	1,659
At 31 March 2013 . . . . .	11,500	118,844	3,135	4,628	—	138,107
Additions . . . . .	—	684	—	—	—	684
Disposals . . . . .	—	(302)	—	—	—	(302)
Foreign currency translation . . . . .	—	(4,767)	(144)	(707)	—	(5,618)
At 31 March 2014 . . . . .	11,500	114,459	2,991	3,921	—	132,871
Additions . . . . .	—	1,866	—	—	—	1,866
Disposals . . . . .	—	—	(1,600)	(900)	—	(2,500)
Foreign currency translation . . . . .	—	(1,574)	(89)	(232)	—	(1,895)
At 31 March 2015 . . . . .	11,500	114,751	1,302	2,789	—	130,342
Additions . . . . .	—	179	—	—	—	179
Foreign currency translation . . . . .	—	(1,805)	(46)	(268)	—	(2,119)
<b>At 30 September 2015 . . . . .</b>	<b>11,500</b>	<b>113,125</b>	<b>1,256</b>	<b>2,521</b>	<b>—</b>	<b>128,402</b>
<b>Accumulated amortisation</b>						
At 1 April 2012 . . . . .	(11,500)	(97,745)	(2,575)	(2,762)	—	(114,582)
Charge for the year . . . . .	—	(10,907)	(49)	(391)	—	(11,347)
Disposals . . . . .	—	72	—	—	—	72
Foreign currency translation . . . . .	—	(1,406)	(34)	(143)	—	(1,583)
At 31 March 2013 . . . . .	(11,500)	(109,986)	(2,658)	(3,296)	—	(127,440)
Charge for the year . . . . .	—	(6,564)	(48)	(351)	—	(6,963)
Disposals . . . . .	—	237	—	—	—	237
Foreign currency translation . . . . .	—	4,765	112	509	—	5,386
At 31 March 2014 . . . . .	(11,500)	(111,548)	(2,594)	(3,138)	—	(128,780)
Charge for the year . . . . .	—	(1,866)	(46)	(325)	—	(2,237)
Disposals . . . . .	—	—	1,600	900	—	2,500
Foreign currency translation . . . . .	—	1,573	255	5	—	1,833
At 31 March 2015 . . . . .	(11,500)	(111,841)	(785)	(2,558)	—	(126,684)
Charge for the period . . . . .	—	(958)	(22)	(147)	—	(1,127)
Foreign currency translation . . . . .	—	1,805	40	253	—	2,098
<b>At 30 September 2015 . . . . .</b>	<b>(11,500)</b>	<b>(110,994)</b>	<b>(767)</b>	<b>(2,452)</b>	<b>—</b>	<b>(125,713)</b>
<b>Carrying amount</b>						
At 1 April 2012 . . . . .	—	17,341	516	1,657	1,729	21,243
At 31 March 2013 . . . . .	—	8,858	477	1,332	—	10,667
At 31 March 2014 . . . . .	—	2,911	397	783	—	4,091
At 31 March 2015 . . . . .	—	2,910	517	231	—	3,658
<b>At 30 September 2015 . . . . .</b>	<b>—</b>	<b>2,131</b>	<b>489</b>	<b>69</b>	<b>—</b>	<b>2,689</b>

Computer software includes capitalised development costs of £26,487,000 relating to the Group's Next Generation trading platform with carrying amount of £18,000 at 30 September 2015. (Carrying amount at 31 March 2015: £44,000, carrying amount at 31 March 2014: £283,000 and carrying amount at 31 March 2013: £4,888,000).

## **Impairment**

### ***Goodwill***

During the year ended 31 March 2009, impairment tests carried out resulted in the carrying value of goodwill being fully written down to £nil. There have been no subsequent acquisitions therefore no additional goodwill has been recognised.

### ***Other intangibles***

Other intangibles are tested for impairment if events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. There was no impairment identified in the period to 30 September 2015 (Year ended 31 March 2015: £nil, Year ended 31 March 2014: £nil, Year ended 31 March 2013: £nil).

At 30 September 2015, the Group had no material capital commitments in respect of intangible assets (At 31 March 2015: £nil, At 31 March 2014: £nil, At 31 March 2013: £nil).

## 15 Property, plant and equipment

<b>GROUP</b> <b>£ '000</b>	<b>Leasehold</b> <b>improvements</b>	<b>Furniture,</b> <b>fixtures and</b> <b>equipment</b>	<b>Computer</b> <b>hardware</b>	<b>Total</b>
<b>Cost</b>				
At 1 April 2012 . . . . .	13,791	8,994	18,150	40,935
Additions . . . . .	411	281	2,621	3,313
Disposals . . . . .	(1,634)	(452)	(309)	(2,395)
Foreign currency translation . . . . .	86	126	185	397
At 31 March 2013 . . . . .	12,654	8,949	20,647	42,250
Additions . . . . .	656	211	739	1,606
Disposals . . . . .		(470)	(356)	(826)
Foreign currency translation . . . . .	(264)	(282)	(587)	(1,133)
At 31 March 2014 . . . . .	13,046	8,408	20,443	41,897
Additions . . . . .	1,430	454	6,700	8,584
Disposals . . . . .		(169)	(321)	(490)
Foreign currency translation . . . . .	(135)	(252)	(245)	(632)
At 31 March 2015 . . . . .	14,341	8,441	26,577	49,359
Additions . . . . .		154	889	1,043
Disposals . . . . .	(215)		(92)	(307)
Foreign currency translation . . . . .	(175)	(65)	(224)	(464)
<b>At 30 September 2015</b> . . . . .	<b>13,951</b>	<b>8,530</b>	<b>27,150</b>	<b>49,631</b>
<b>Accumulated depreciation</b>				
At 1 April 2012 . . . . .	(3,210)	(5,987)	(13,331)	(22,528)
Charge for the year . . . . .	(1,463)	(1,200)	(2,752)	(5,415)
Disposals . . . . .	1,526	308	327	2,161
Foreign currency translation . . . . .	(74)	(107)	(173)	(354)
At 31 March 2013 . . . . .	(3,221)	(6,986)	(15,929)	(26,136)
Charge for the year . . . . .	(898)	(841)	(1,996)	(3,735)
Disposals . . . . .	(25)	432	282	689
Foreign currency translation . . . . .	230	237	551	1,018
At 31 March 2014 . . . . .	(3,914)	(7,158)	(17,092)	(28,164)
Charge for the year . . . . .	(1,436)	(734)	(2,527)	(4,697)
Disposals . . . . .		46	308	354
Foreign currency translation . . . . .	94	210	220	524
At 31 March 2015 . . . . .	(5,256)	(7,636)	(19,091)	(31,983)
Charge for the period . . . . .	(522)	(289)	(1,226)	(2,037)
Disposals . . . . .	215	—	92	307
Foreign currency translation . . . . .	132	61	197	390
<b>At 30 September 2015</b> . . . . .	<b>(5,431)</b>	<b>(7,864)</b>	<b>(20,028)</b>	<b>(33,323)</b>
<b>Carrying amount</b>				
At 1 April 2012 . . . . .	10,581	3,007	4,819	18,407
At 31 March 2013 . . . . .	9,433	1,963	4,718	16,114
At 31 March 2014 . . . . .	9,132	1,250	3,351	13,733
At 31 March 2015 . . . . .	9,085	805	7,486	17,376
<b>At 30 September 2015</b> . . . . .	<b>8,520</b>	<b>666</b>	<b>7,122</b>	<b>16,308</b>

At 30 September 2015, the Group had no material capital commitments in respect of property, plant and equipment (31 March 2015: £nil, 31 March 2014: £nil, 31 March 2013: £nil).

The net book value amount of property, plant and equipment includes £3,880,000 (31 March 2015: £4,536,000, 31 March 2014: £1,507,000, 31 March 2014: £1,998,000) in respect of computer hardware held under finance leases.

## 16 Subsidiary undertakings

The list below includes all of the Group's direct and indirect subsidiaries as at 30 September 2015:

	Country of incorporation	Principal activities	Held
CMC Markets UK Holdings Limited . . . . .	England	Holding company	Directly
CMC Markets UK plc . . . . .	England	Online trading	Indirectly
Information Internet Limited . . . . .	England	IT development	Indirectly
CMC Spreadbet plc . . . . .	England	Financial spread betting	Indirectly
CMC Markets Digital Options GmbH . . . . .	Austria	IT development	Indirectly
CMC Markets Overseas Holdings Limited . . . . .	England	Holding company	Directly
CMC Markets Asia Pacific Pty Limited . . . . .	Australia	Online trading	Indirectly
CMC Markets Pty Limited . . . . .	Australia	Training and education	Indirectly
CMC Markets Group Australia Pty Limited . . . . .	Australia	Holding company	Indirectly
CMC Markets Stockbroking Limited . . . . .	Australia	Stock broking	Indirectly
CMC Markets Stockbroking Nominees Pty Limited . . . . .	Australia	Stock broking nominee	Indirectly
CMC Markets Stockbroking Nominees (No. 2 Account) Limited . . . . .	Australia	Dormant	Indirectly
CMC Markets Canada Inc. . . . .	Canada	Client introducing office	Indirectly
CMC Markets NZ Limited . . . . .	New Zealand	Online trading	Indirectly
Redmonitor GmbH . . . . .	Austria	IT development	Indirectly
CMC Markets Singapore Pte Limited . . . . .	Singapore	Online trading	Indirectly

All shareholdings are of ordinary shares. The issued share capital of all subsidiary undertakings is 100 per cent. owned, which also represents the proportion of the voting rights in the subsidiary undertakings.

The list below includes all of the Group's direct and indirect subsidiaries dissolved / liquidated since 1 April 2012:

	Country of incorporation	Date of dissolution/ liquidation	Direct parent
Client2client.com Limited . . . . .	England	12 February 2013	CMC Markets UK Holdings Limited
CMC Markets (Finance) Limited . . . . .	England	12 February 2013	CMC Markets plc
CMC Trustees Limited . . . . .	England	12 February 2013	CMC Markets UK Holdings Limited
Deal4free.com Limited . . . . .	England	12 February 2013	CMC Markets UK Holdings Limited
CMC Markets (US) LLC . . . . .	U.S.A	26 March 2013	CMC Markets UK plc
CMC Markets Asia Limited . . . . .	Hong Kong	26 May 2013	CMC Markets Overseas Holdings Limited
CMC Markets Japan Kabushiki Kaisha . . . . .	Japan	03 June 2013	CMC Markets Overseas Holdings Limited
CMC Markets Development (Pty) Ltd . . . . .	South Africa	06 August 2013	CMC Markets Overseas Holdings Limited
CMC Markets South Africa (Pty) Ltd . . . . .	South Africa	15 October 2013	CMC Markets Overseas Holdings Limited
MarketMaker Limited . . . . .	England	26 November 2013	CMC Markets UK Holdings Limited
CMC Group Limited . . . . .	England	26 November 2013	CMC Markets UK Holdings Limited
CMC International Financial Consulting (Beijing) Co. Ltd . . . . .	China	19 May 2015	CMC Markets Pty Limited

On 24 January 2011, the Company sold its wholly owned subsidiary, Digital Look Limited. During the year ended 31 March 2014 £130,000 (31 March 2013: £127,000) was recognised in relation to previously unrecognised deferred contingent consideration.

## 17 Trade and other receivables

GROUP £ '000	31 March			30 September 2015
	2013	2014	2015	
Trade receivables . . . . .	3,187	1,991	6,603	7,265
Less: provision for impairment of trade receivables . . . . .	(3,094)	(1,951)	(5,885)	(5,967)
Trade receivables—net . . . . .	93	40	718	1,298
Prepayments and accrued income . . . . .	3,462	3,664	3,632	5,247
Stock broking debtors . . . . .	17,166	14,603	12,690	13,961
Other debtors . . . . .	4,969	1,354	1,726	3,943
<b>Total</b> . . . . .	<u>25,690</u>	<u>19,661</u>	<u>18,766</u>	<u>24,449</u>

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 19).

## 18 Cash and cash equivalents

GROUP £ '000	31 March			30 September 2015
	2013	2014	2015	
Gross cash and cash equivalents . . . . .	271,390	263,884	270,939	252,063
Less: Client monies . . . . .	(225,522)	(206,083)	(232,328)	(214,538)
<b>Own cash and cash equivalents</b> . . . . .	<u>45,868</u>	<u>57,801</u>	<u>38,611</u>	<u>37,525</u>
<i>Analysed as:</i>				
Cash at bank . . . . .	45,868	55,520	38,611	35,110
Short-term deposits . . . . .	—	2,281	—	2,415

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.

## 19 Trade and other payables

GROUP £ '000	31 March			30 September 2015
	2013	2014	2015	
<b>Current</b>				
Trade payables . . . . .	238,506	213,301	240,131	215,772
Less: Client monies . . . . .	(225,522)	(206,083)	(232,328)	(214,538)
Trade payables—net . . . . .	12,984	7,218	7,803	1,234
Tax and social security . . . . .	93	—	859	1,817
Stock broking creditors . . . . .	18,218	14,493	11,833	14,727
Accruals and deferred income . . . . .	12,416	17,946	18,228	17,929
	<u>43,711</u>	<u>39,657</u>	<u>38,723</u>	<u>35,707</u>
<b>Non-current</b>				
Accruals and deferred income . . . . .	4,825	4,375	3,926	3,702
<b>Total</b> . . . . .	<u>48,536</u>	<u>44,032</u>	<u>42,649</u>	<u>39,409</u>

## 20 Borrowings

GROUP £ '000	31 March			30 September 2015
	2013	2014	2015	
<b>Current</b>				
Finance lease liabilities . . . . .	574	635	1,377	1,334
Other liabilities . . . . .	—	—	22	22
Chattel mortgage . . . . .	610	—	—	—
	<u>1,184</u>	<u>635</u>	<u>1,399</u>	<u>1,356</u>
<b>Non-current</b>				
Finance lease liabilities . . . . .	974	339	2,376	1,705
Other liabilities . . . . .	—	—	77	66
	<u>974</u>	<u>339</u>	<u>2,453</u>	<u>1,771</u>
<b>Total</b> . . . . .	<u>2,158</u>	<u>974</u>	<u>3,852</u>	<u>3,127</u>

GROUP £ '000	31 March			30 September 2015
	2013	2014	2015	
<b>Finance lease liabilities</b>				
Amounts payable under finance lease:				
Within one year . . . . .	709	709	1,573	1,485
In the second to fifth years inclusive . . . . .	1,081	372	2,538	1,800
After five years . . . . .	—	—	—	—
	<u>1,790</u>	<u>1,081</u>	<u>4,111</u>	<u>3,285</u>
Less: future finance charges . . . . .	(242)	(107)	(358)	(246)
<b>Present value of lease obligations</b> . . . . .	<u>1,548</u>	<u>974</u>	<u>3,753</u>	<u>3,039</u>
The present value of finance lease liabilities is repayable as follows				
Within one year . . . . .	574	635	1,377	1,334
In the second to fifth years inclusive . . . . .	974	339	2,376	1,705
After five years . . . . .	—	—	—	—
<b>Present value of lease obligations</b> . . . . .	<u>1,548</u>	<u>974</u>	<u>3,753</u>	<u>3,039</u>

The weighted average interest rates paid were as follows:

GROUP %	31 March			30 September 2015
	2013	2014	2015	
Finance Leases . . . . .	10.49%	10.49%	6.37%	6.29%
Chattel mortgage . . . . .	6.82%	—	—	—

The fair value of financial liabilities is approximate to the book value shown above. The carrying amounts of the bank loan and loan notes are both wholly denominated in pounds sterling.

### Bank loans

In June 2015, the revolving credit facility was renewed at a level of £40,000,000, where £20,000,000 had a maturity date of June 2016 and £20,000,000 had a maturity date of June 2018. This facility can only be used to meet broker margin requirements of the Group. The rate of interest payable on any loans is the aggregate of the applicable margin and LIBOR. Other fees such as commitment fees, legal fees and arrangement fees are also payable on this facility (note 10).

### Undrawn borrowing facilities

In all reported periods, the Group has an undrawn multi-currency overdraft facility, with NatWest Bank plc of £7,500,000, which is repayable on demand. The facility is available in pounds sterling, Canadian dollars, euros, Japanese Yen, Swedish Kronor, Swiss Francs, US dollars, Australian dollars and Hong Kong dollars.

The interest rate for the pounds sterling overdraft is NatWest Bank's Base Rate plus 2 per cent. per annum and, for all other currencies, the relevant NatWest Bank currency lending rate.

## 21 Derivative financial instruments

Assets £ '000	31 March			30 September 2015
	2013	2014	2015	
<b>Held for trading</b>				
Index, commodity, foreign exchange and treasury futures . . . . .	361	448	199	1,777
Forward foreign exchange contracts . . . . .	—	—	2,783	562
<b>Held for hedging</b>				
Forward foreign exchange contracts—economic hedges . . . . .	31	102	34	97
Forward foreign exchange contracts—net investment hedges . . . . .	202	80	259	132
<b>Total</b> . . . . .	<u>594</u>	<u>630</u>	<u>3,275</u>	<u>2,568</u>
Liabilities £ '000	31 March			30 September 2015
	2013	2014	2015	
<b>Held for trading</b>				
Index, commodity, foreign exchange and treasury futures . . . . .	(1,623)	(446)	(624)	(409)
Forward foreign exchange contracts . . . . .	(487)	(1,620)	—	—
<b>Held for hedging</b>				
Forward foreign exchange contracts—economic hedges . . . . .	(59)	(38)	(151)	(169)
Forward foreign exchange contracts—net investment hedges . . . . .	(23)	(2)	(30)	—
<b>Total</b> . . . . .	<u>(2,192)</u>	<u>(2,106)</u>	<u>(805)</u>	<u>(578)</u>

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

### *Held for trading*

As described in note 4, the Group enters derivative contracts in order to hedge its market price risk exposure arising from open client positions.

### *Held for hedging*

The Group's forward foreign exchange contracts are designated as either economic or net investment hedges.

Economic hedges are held for the purpose of mitigating currency risk relating to transactional currency flows arising from earnings in foreign currencies but do not meet the criteria for designation as hedges. During the period ended 30 September 2015, £486,000 of losses net of revaluation gains or losses relating to economic hedges were recognised in the income statement (Year ended 31 March 2015, gains: £374,000, Year ended 31 March 2014, Loss: £308,000, Year ended 31 March 2013, Loss: £750,000).

The Group has designated a number of foreign exchange derivative contracts as hedges of the net investment in the Group's foreign operations. At 30 September 2015, £3,081,000 (31 March 2015: £4,517,000, 31 March 2014: £5,580,000, 31 March 2013: 12,294,000) of fair value losses were recorded in net investment hedging reserve within other reserves. At 30 September 2015, £509,000 (31 March 2015: £2,348,000, 31 March 2014: £3,833,000, 31 March 2013: 13,577,000) of fair value gains were recorded in translation reserve within other reserves. All changes in the fair value were treated as being effective under IAS 39—*Financial Instruments: Recognition and Measurement and Eligible Hedged Items*.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets at the balance sheet date.

## 22 Provisions

<b>GROUP</b> <b>£ '000</b>	<b>EBT</b> <b>commitments</b>	<b>Property</b> <b>related</b>	<b>Other</b>	<b>Total</b>
At 1 April 2012 . . . . .	185	2,835	—	3,020
Additional provision . . . . .	—	1,552	—	1,552
Utilisation of provision . . . . .	(8)	(838)	—	(846)
Currency translation . . . . .	—	40	—	40
At 31 March 2013 . . . . .	177	3,589	—	3,766
Additional provision . . . . .	—	374	—	374
Utilisation of provision . . . . .	—	(3,237)	—	(3,237)
Currency translation . . . . .	—	(265)	—	(265)
At 31 March 2014 . . . . .	177	461	—	638
Additional provision . . . . .	3	1,226	4,157	5,386
Utilisation of provision . . . . .	—	(198)	—	(198)
Currency translation . . . . .	—	(58)	—	(58)
At 31 March 2015 . . . . .	180	1,431	4,157	5,768
Additional provision . . . . .	—	—	—	—
Utilisation of provision . . . . .	(3)	(7)	(4,157)	(4,167)
Currency translation . . . . .	—	(18)	—	(18)
<b>At 30 September 2015 . . . . .</b>	<b>177</b>	<b>1,406</b>	<b>—</b>	<b>1,583</b>

The provision relating to employee benefit trusts (EBT) represents the obligation to distribute assets held in employee benefit trusts to beneficiaries.

The property related provisions include dilapidation provisions and discounted obligations under onerous lease contracts less any amounts considered recoverable by management. Dilapidation provisions have been capitalised as part of cost of leasehold improvements and are amortised over the term of the lease.

Other provisions relate to litigation provisions. The costs relating to these have been presented as exceptional costs in the income statement.

<b>GROUP</b> <b>£ '000</b>	<b>31 March</b>			<b>30 September</b> <b>2015</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	
<b>Analysis of Total Provisions</b>				
Current . . . . .	3,715	328	4,345	177
Non-current . . . . .	51	310	1,423	1,406
<b>Total . . . . .</b>	<b>3,766</b>	<b>638</b>	<b>5,768</b>	<b>1,583</b>

The Group has no contingent liabilities as on 30 September 2015, 31 March 2015: £nil, 31 March 2014: £nil, 31 March 2013: £nil)

## 23 Deferred tax

<b>GROUP</b> <b>£ '000</b>	<b>31 March</b>			<b>30 September</b> <b>2015</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	
Deferred tax assets to be recovered within 12 months . . . . .	8,932	1,910	2,278	1,505
Deferred tax assets to be recovered after 12 months . . . . .	4,980	5,470	5,274	4,837
	<u>13,912</u>	<u>7,380</u>	<u>7,552</u>	<u>6,342</u>
Deferred tax liabilities to be settled within 12 months . . . . .	—	(607)	(108)	(54)
Deferred tax liabilities to be settled after 12 months . . . . .	(1,146)	(20)	(20)	(18)
	<u>(1,146)</u>	<u>(627)</u>	<u>(128)</u>	<u>(72)</u>
Net deferred tax asset . . . . .	<u>12,766</u>	<u>6,753</u>	<u>7,424</u>	<u>6,270</u>

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 20 per cent. (Year ended 31 March 2015: 20 per cent., Year ended 31 March 2014: 20 per cent., Year ended 31 March 2013: 23 per cent.). The gross movement on deferred tax is as follows:

GROUP £ '000	31 March			30 September 2015
	2013	2014	2015	
At beginning of period . . . . .	10,596	12,766	6,753	7,425
Charge to income for the period . . . . .	1,444	(6,790)	(303)	(1,094)
(Charge) / credit to equity for the period . . . . .	486	(750)	664	358
Change in tax rate . . . . .	(32)	459	—	—
Foreign currency translation . . . . .	272	1,068	310	(419)
<b>At end of period . . . . .</b>	<b>12,766</b>	<b>6,753</b>	<b>7,424</b>	<b>6,270</b>

The following table details the deferred tax assets and liabilities recognised by the Group and movements thereon during the year:

GROUP £ '000	Tax losses	Accelerated capital allowances	Other timing differences	Total
At 1 April 2012 . . . . .	7,353	2,733	510	10,596
Credit to income for the year . . . . .	526	1,399	(481)	1,444
Credit to equity for the year . . . . .	—	—	486	486
Change in tax rate . . . . .	—	—	(32)	(32)
Foreign currency translation . . . . .	98	56	118	272
At 1 April 2013 . . . . .	7,977	4,188	601	12,766
(Charge) / credit to income for the year . . . . .	(5,631)	(1,648)	489	(6,790)
Credit to equity for the year . . . . .	—	—	(750)	(750)
Change in tax rate . . . . .	150	153	156	459
Foreign currency translation . . . . .	751	119	198	1,068
At 31 March 2014 . . . . .	3,247	2,812	694	6,753
(Charge) / credit to income for the year . . . . .	(673)	(42)	412	(303)
Credit to equity for the year . . . . .	—	—	664	664
Foreign currency translation . . . . .	234	25	51	310
At 31 March 2015 . . . . .	2,808	2,795	1,821	7,424
(Charge) / credit to income for the period . . . . .	(570)	(102)	(422)	(1,094)
Credit to equity for the period . . . . .	—	—	358	358
Foreign currency translation . . . . .	(262)	(70)	(87)	(419)
<b>At 30 September 2015 . . . . .</b>	<b>1,976</b>	<b>2,623</b>	<b>1,671</b>	<b>6,270</b>

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of the temporary differences can be deducted. The recoverability of the Group's deferred tax asset in respect of carry forward losses is based on an assessment of the future levels of taxable profit expected to arise that can be offset against these losses. The Group's expectations as to the level of future taxable profits take into account the Group's long term financial and strategic plans and anticipated future tax adjusting items. In making this assessment account is taken of business plans including the board approved Group profit forecast.

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As on 30 September 2015 the Group did not recognise deferred tax assets of £15,764,000 (Year ended 31 March 2015: £16,882,000, Year ended 31 March 2014: £20,533,000, Year ended 31 March 2013: £25,972,000) in respect of losses amounting to £52,548,000 (Year ended 31 March 2015: £56,272,000, Year ended 31 March 2014: £66,920,000, Year ended 31 March 2013: £86,267,000). In respect of these losses, all relate to the Group's Australian subsidiaries and there are no time limits on their utilisation.

The Group has recognised deferred tax asset of £1,976,000 in respect of losses in the Group's Australian subsidiaries as on 30 September 2015 (Year ended 31 March 2015: £2,808,000, Year ended 31 March 2014:

£3,247,000 and Year ended 31 March 2013: £4,408,000). As at 31 March 2013, the Group has recognised deferred tax assets of £3,352,000 in respect of losses in the Group's UK subsidiaries and £217,000 in remaining Group subsidiaries, these losses were utilised in year ended 31 March 2014 and no further deferred tax asset balances were recognised in subsequent periods.

The change in the main rate of corporation tax from 23 per cent. to 21 per cent. passed into legislation in July 2013 and was effective from 1 April 2014. As part of the Finance Bill 2013, it was announced that the main rate of corporation tax will reduce to 20 per cent. from 1 April 2015. This rate became substantively enacted in July 2013. All deferred tax balances are recorded at 20 per cent., as they were at 31 March 2015 and 31 March 2014.

## 24 Share capital and premium

GROUP Number	31 March			30 September 2015
	2013	2014	2015	
<b>Authorised</b>				
Ordinary shares of 25p . . . . .	400,000,000	400,000,000	400,000,000	400,000,000
<b>Allotted, issued and fully paid</b>				
Ordinary shares of 25p . . . . .	280,397,178	280,299,177	280,296,862	280,296,862
Deferred shares of 25p . . . . .	2,377,770	2,475,771	2,478,086	2,478,086
<b>Total</b> . . . . .	<u>282,774,948</u>	<u>282,774,948</u>	<u>282,774,948</u>	<u>282,774,948</u>

GROUP £ '000	31 March			30 September 2015
	2013	2014	2015	
<b>Authorised</b>				
Ordinary shares of 25p . . . . .	100,000	100,000	100,000	100,000
<b>Allotted, issued and fully paid</b>				
Ordinary shares of 25p . . . . .	70,099	70,075	70,074	70,074
Deferred shares of 25p . . . . .	595	619	620	620
<b>Total</b> . . . . .	<u>70,694</u>	<u>70,694</u>	<u>70,694</u>	<u>70,694</u>

### Share class rights

The Company has two classes of shares, Ordinary and Deferred, neither of which carries a right to fixed income. Deferred shares have no voting or dividend rights. In the event of a winding-up, ordinary shares shall be repaid at nominal value plus £0.5m each in priority to deferred shares.

GROUP Number	Ordinary shares	Deferred shares	Total
At 1 April 2012 . . . . .	280,441,500	2,333,448	282,774,948
Conversion of ordinary shares to deferred shares . . . . .	(44,322)	44,322	—
At 31 March 2013 . . . . .	280,397,178	2,377,770	282,774,948
Conversion of ordinary shares to deferred shares . . . . .	(98,001)	98,001	—
At 31 March 2014 . . . . .	280,299,177	2,475,771	282,774,948
Conversion of ordinary shares to deferred shares . . . . .	(2,315)	2,315	—
At 31 March 2015 . . . . .	280,296,862	2,478,086	282,774,948
Conversion of ordinary shares to deferred shares . . . . .	—	—	—
<b>At 30 September 2015</b> . . . . .	<u>280,296,862</u>	<u>2,478,086</u>	<u>282,774,948</u>

GROUP £ '000	Ordinary shares	Deferred shares	Share premium	Total
At 1 April 2012 . . . . .	70,111	583	33,362	104,056
At 31 March 2013 . . . . .	70,099	595	33,362	104,056
At 31 March 2014 . . . . .	70,075	619	33,362	104,056
At 31 March 2015 . . . . .	70,074	620	33,362	104,056
<b>At 30 September 2015</b> . . . . .	<u>70,074</u>	<u>620</u>	<u>33,362</u>	<u>104,056</u>

## Movements in share capital and premium

During the period to 30 September, no (31 March 2015: 2,315, 31 March 2014: 98,001, 31 March 2013: 44,322) ordinary shares were converted to deferred shares in accordance with the terms of grant to employees who have now left the Group.

## 25 Own shares held in trust

<u>GROUP</u>	<u>Number</u>	<u>£'000</u>
<b>Ordinary shares of 25p</b>		
At 1 April 2012 . . . . .	1,035,949	1,970
Additions . . . . .	83,333	30
At 31 March 2013 . . . . .	1,119,282	2,000
Shares transferred to employees . . . . .	(50,000)	(17)
At 31 March 2014 . . . . .	1,069,282	1,983
At 31 March 2015 . . . . .	1,069,282	1,983
<b>At 30 September 2015 . . . . .</b>	<b>1,069,282</b>	<b>1,983</b>

The shares are held by the CMC Markets 2007 Employee Benefit Trust for the purpose of encouraging or facilitating the holding of shares in the Company for the benefit of employees and the trustees will apply the whole or part of the trust's funds to facilitate dealing in shares by such beneficiaries.

## 26 Share-based payment

The Company operates both equity and cash settled share options schemes for senior employees including directors.

### Income statement charge for the share-based payments

The total charge including social security costs relating to these schemes for the period ended 30 September 2015 was £545,000 (six months ended 30 September 2014: £443,000, Year ended 31 March 2015: £950,000, Year ended 31 March 2014: £66,000, Year ended 31 March 2013: nil)

For the six months to 30 September 2015 the charge relating to equity-settled share-based payments was £187,000 (Six months ended 30 September 2014: £164,000, Year ended 31 March 2015: £374,000, Year ended 31 March 2014: £66,000, Year ended 31 March 2013: £nil) and the charge relating to cash-settled share-based payments was £358,000 (Period ended 30 September 2014: £279,000, Year ended 31 March 2015: £576,000, Year ended 31 March 2014: £nil, Year ended 31 March 2013: nil)

The CMC Markets plc Management Equity Plan 2009 was the only share scheme available to the Group's employees during the current period and no shares were gifted to employees during the period (year ended 31 March 2015: nil, year ended 31 March 2014: nil, year ended 31 March 2013: nil).

### Fair value of share options granted

Share options granted under the CMC Markets plc Management Equity Plan 2009 have been in the form of 'market performance' and 'non-market performance' based awards.

#### *Market performance based option scheme*

Share options granted up to and during the year ended 31 March 2013 had market performance related conditions attached. The options are exercisable at nil cost and have no individually based performance criteria attached. The fair value of awards made during the year was calculated using a Monte Carlo option pricing model. The significant inputs into the model were the share price of £0.80 at the grant date, dividend yield of 3 per cent., volatility of 30 per cent. which was calculated by reference to a number of comparable quoted companies and the annual risk-free interest rate of 1.7 per cent., which resulted in a weighted average fair value per award granted of £0.77.

These options lapsed during year ended 31 March 2014 and year ended 31 March 2015. No options were exercised and no further market performance based options were granted.

### *Non-market performance based option scheme—Equity settled*

Share options granted in the year ended 31 March 2013 had no performance related conditions attached. The options are exercisable at nil cost subject to the Group achieving certain profit targets but have no individually based performance criteria attached. The fair value of awards made during the year was calculated using a Monte Carlo option pricing model. The significant inputs into the model were the share price of £0.80 at the grant date, dividend yield of 3 per cent., volatility of 30 per cent. which was calculated by reference to a number of comparable quoted companies and the annual risk-free interest rate of 1.7 per cent., which resulted in a weighted average fair value per award granted of £0.77.

Share options granted in the year ended 31 March 2014 which had no performance related conditions attached. They are exercisable at £0.40 cost and have no individually based performance criteria attached. The fair value of awards made during the year was calculated using a Black Scholes option pricing model. The significant inputs into the model were the share price of £1.46 at the grant date, dividend yield of 3 per cent., volatility of 47.6 per cent. which was calculated by reference to a number of comparable quoted companies and the annual risk-free interest rate of 0.9 per cent., which resulted in a weighted average fair value per award granted of £1.082.

Share options granted in the year ended 31 March 2015 had no performance conditions attached. They are exercisable at nil cost and have no individually based performance criteria attached. The fair value of the awards made during the year was calculated using a profit multiple based on quoted comparable groups and the Groups current year forecast which resulted in a weighted average fair value per award granted of £1.74.

### *Non-market performance based option scheme—Cash settled*

Share options granted in the year ended 31 March 2015 which have no company performance conditions attached. They are exercisable at £nil per share and have no individually based performance criteria. The fair value of the awards made during the year was calculated using a profit multiple based on a quoted comparable company and the Groups forecast in the year of vesting which resulted in a weighted average fair value per award granted of £3.53.

The fair value of the cash settled awards at 30 September 2015 was £2,737,000 (31 March 2015: £2,240,000, 31 March 2014: £nil, 31 March 2013: £nil).

### **Movement in share options**

There were no new share options granted or lapsed in the six months ended 30 September 2015. Movements in the number of share options outstanding are as follows:

GROUP Number	31 March			30 September 2015
	2013	2014	2015	
At beginning of period . . . . .	6,027,075	1,145,867	911,035	934,300
Granted . . . . .	1,255,300	562,500	309,000	—
Lapsed . . . . .	(6,136,508)	(797,332)	(285,735)	—
<b>At end of period . . . . .</b>	<b>1,145,867</b>	<b>911,035</b>	<b>934,300</b>	<b>934,300</b>

The vesting and expiry dates of outstanding options are shown below.

Year of grant Number	Exercise period commencing	Exercise period ending	31 March			30 September 2015
			2013	2014	2015	
2010 . . . . .	30 September 2013	22 December 2019	631,727	—	—	—
2010 . . . . .	30 September 2014	22 December 2019	313,840	285,735	—	—
2012 . . . . .	2 April 2013	30 April 2016	62,500	—	—	—
2013 . . . . .	2 April 2014	30 September 2017	137,800	62,800	62,800	62,800
2014 . . . . .	2 October 2016	30 October 2021	—	562,500	562,500	562,500
2015 . . . . .	2 April 2017	30 April 2022	—	—	309,000	309,000
			<b>1,145,867</b>	<b>911,035</b>	<b>934,300</b>	<b>934,300</b>

## Matched options

Under the terms of the CMC Markets plc Management Equity Plan 2009, certain employees were able to invest up to a specified amount to purchase ordinary shares in the Company (the 'bought' shares) in order to receive a further 1½ free 'matched' options on the 'matching' date, being 1 October 2011. There are no performance conditions attached to the matched options other than continued employment within the Group and ownership of the bought shares.

The average share price of the matched options exercised in 2013 was £0.40. All other matched options have now lapsed and no more bought shares were granted in the six months ended 30 September 2015 (31 March 2015: nil, 31 March 2014: nil and 31 March 2013: nil).

GROUP Number	31 March			30 September 2015
	2013	2014	2015	
At beginning of period . . . . .	425,000	375,000	375,000	—
Exercised . . . . .	(50,000)	—	—	—
Lapsed . . . . .	—	—	(375,000)	—
<b>At end of period . . . . .</b>	<b>375,000</b>	<b>375,000</b>	<b>—</b>	<b>—</b>

## 27 Other reserves

GROUP £ '000	Translation reserve	Net investment hedging reserve	Merger reserve	Total
At 1 April 2012 . . . . .	12,319	(10,775)	(47,800)	(46,256)
Currency translation differences . . . . .	1,258	—	—	1,258
Loss on net investment hedges . . . . .	—	(2,005)	—	(2,005)
Tax on loss on net investment hedges . . . . .	—	486	—	486
At 31 March 2013 . . . . .	13,577	(12,294)	(47,800)	(46,517)
Currency translation differences . . . . .	(8,183)	—	—	(8,183)
Profit on net investment hedges . . . . .	—	4,997	—	4,997
Tax on profit on net investment hedges . . . . .	—	(1,056)	—	(1,056)
(Losses)/profits recycled to Income statement . . . . .	(1,561)	2,467	—	906
Tax on (Losses)/profits recycled to income statement . . . . .	—	306	—	306
At 31 March 2014 . . . . .	3,833	(5,580)	(47,800)	(49,547)
Currency translation differences . . . . .	(1,485)	—	—	(1,485)
Profit on net investment hedges . . . . .	—	399	—	399
Tax on profit on net investment hedges . . . . .	—	664	—	664
At 31 March 2015 . . . . .	2,348	(4,517)	(47,800)	(49,969)
Currency translation differences . . . . .	(1,839)	—	—	(1,839)
Profit on net investment hedges . . . . .	—	1,436	—	1,436
<b>At 30 September 2015 . . . . .</b>	<b>509</b>	<b>(3,081)</b>	<b>(47,800)</b>	<b>(50,372)</b>

## Translation reserve

The translation reserve is comprised of translation differences on foreign currency net investments held by the Group.

## Net investment hedging reserve

Overseas net investments are hedged using forward foreign exchange contracts. Gains and losses on instruments used to hedge these overseas net investments are shown in the net investment hedging reserve. These instruments hedge balance sheet translation risk, which is the risk of changes in reserves due to fluctuations in currency exchange rates. All changes in the fair value were treated as being effective under IAS 39—*Financial Instruments: Recognition and Measurement and Eligible Hedged Items*.

During the year ended 31 March 2014, the Group liquidated its Japanese and U.S.A. subsidiaries; as a result (including related tax) £1,212,000 was recycled to the income statement.

## Merger reserve

The merger reserve arose following a corporate restructure in 2005 when a new holding company, CMC Markets plc, was created to bring all CMC companies into the same corporate structure. The merger reserve represents the difference between the nominal value of the holding company's share capital and that of the acquired companies.

## 28 Operating lease commitments

GROUP £ '000	31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
				Unaudited	
Minimum lease payments under operating leases recognised in expense for the year . . . . .	4,434	2,915	2,717	1,594	1,025

Operating lease payments represent rentals payable by the Group for office space. As on 30 September 2015, leases are negotiated for an average term of 3.3 years (31 March 2015: 3.7 years, 31 March 2014: 3.7 years, 31 March 2013: 3.1 years) and rentals are fixed for an average of 3.7 years (31 March 2015: 2.7 years, 31 March 2014: 2.3 years, 31 March 2013: 1.4 years).

The Group had outstanding commitments under non-cancellable operating leases as follows:

GROUP £ '000	31 March			30 September
	2013	2014	2015	2015
Within one year . . . . .	5,745	4,412	3,134	2,841
Within two to five years . . . . .	8,761	10,689	10,043	8,740
After five years . . . . .	10,750	11,260	9,418	6,861
	25,256	26,361	22,595	18,442

## 29 Cash generated from operations

GROUP £ '000	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
				Unaudited	
<b>Cash flows from operating activities</b>					
Profit before taxation . . . . .	(5,382)	32,241	43,510	13,913	26,500
Adjustments for:					
Net interest income . . . . .	(3,171)	(2,146)	(2,118)	(1,059)	(928)
Finance costs . . . . .	1,372	696	896	375	421
Depreciation . . . . .	5,415	3,735	4,697	2,022	2,037
Amortisation of intangible assets . . . . .	11,347	6,963	2,237	1,145	1,127
Gain on disposal of investment in subsidiaries . . . . .	(130)	(127)	—	—	—
Share-based payment . . . . .	(20)	273	374	288	188
<b>Changes in working capital:</b>					
(Increase)/decrease in trade and other receivables . . . . .	196	6,029	895	(4,237)	(5,683)
Increase in amounts due from brokers . . . . .	(1,181)	(17,106)	(43,930)	(7,864)	(3,501)
Decrease in trade and other payables . . . . .	(9,296)	(4,504)	(1,383)	(388)	(3,240)
(Increase)/decrease in net derivative financial instruments . . . . .	1,513	(122)	(3,946)	(266)	480
Increase/(decrease) in provisions . . . . .	746	(3,127)	5,130	(164)	(4,185)
<b>Cash generated from operations . . . . .</b>	<b>1,409</b>	<b>22,805</b>	<b>6,362</b>	<b>3,765</b>	<b>13,216</b>

The movement in provisions for the year ending 31 March 2015 includes £4,157,000 of Exceptional litigation costs (note 8) which were paid during the period to 30 September 2015.

The movement in trade and other payables for the period to 30 September 2015 also includes £871,000 of Exceptional IPO related accrued expenses.

The movement in trade and other receivables for the period to 30 September 2015 also includes £1,627,000 of Exceptional litigation income expected to be received by 30 September 2017.

### 30 Retirement benefit plans

A defined contribution plan is a post-employment benefit plan into which the Group pays fixed contributions to a third party pension provider and has no legal or constructive obligation to pay further amounts. Contributions are recognised as staff expenses in the income statement in the periods during which related employee services are fulfilled.

The Group operates defined contribution pension schemes for its Directors and employees. The assets of the schemes are held separately from those of the Group in independently administered funds.

The pension charge for these plans for the period to 30 September 2015 was £530,000 (Period ended 30 September 2014: £522,000, Year ended 31 March 2015: £1,031,000, Year ended 31 March 2014: £1,128,000, Year ended 31 March 2013: £1,336,000).

### 31 Dividend per share

GROUP £ '000	31 March			30 September 2015
	2013	2014	2015	
<b>Declared and paid in each period</b>				
Total dividend for 2014 at 4.28p per share (2013: nil) . . . . .	—	5,889	5,975	—
Total dividend for 2015 at 5.71p per share (2014: 4.28p) . . . . .	—	—	5,975	9,968
<b>Total</b> . . . . .	<u>—</u>	<u>5,889</u>	<u>11,950</u>	<u>9,968</u>

An interim dividend of 5.36p per share, amounting to £14,967,000 was approved on 27 November 2015 and was paid on 30 November 2015. This dividend has not been included as a liability on 30 September 2015.

### 32 Related party transactions

#### Group transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this section of the note.

Transactions between the Group and its other related parties are disclosed below:

#### Compensation of key management personnel

GROUP £ '000	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
				Unaudited	
Key management compensation:					
Short-term employee benefits . . . . .	2,633	1,003	1,338	669	762
Post-employment benefits . . . . .	50	9	31	15	21
Share based payments . . . . .	—	54	374	187	163
Termination benefits . . . . .	494	—	—	—	—
	<u>3,177</u>	<u>1,066</u>	<u>1,743</u>	<u>871</u>	<u>946</u>
Aggregate remuneration of highest paid director: . . . . .	<u>1,936</u>	<u>500</u>	<u>500</u>	<u>251</u>	<u>289</u>

Key management comprise the Board of CMC Markets plc only.

#### Directors' transactions

During the period ended 30 September 2015, £34,648 (Period ended 30 September 2014: £43,114, Year ended 31 March 2015: £77,261, Year ended 31 March 2014: £97,933, Year ended 31 March 2013: £70,000) was paid to Astre Associates Limited in respect of non-executive director fees payable to John Jackson.

During the period ended 30 September 2015, the Group donated £365,000 to The Peter Cruddas Foundation (Period ended 30 September 2014: £240,000, Year ended 31 March 2015: £355,000, Year ended

31 March 2014: £nil, Year ended 31 March 2013: £nil), a charity at which Peter Cruddas holds a trustee position.

### **33 Post balance sheet events**

The Group purchased UK government securities during the course of November and December 2015 in order to satisfy the FCA's requirement to hold a "Liquid Asset Buffer" against potential liquidity stress under BIPRU 12. These assets have a par value of £20,044,000 and maturity dates between September 2016 and January 2017. There have been no other significant events subsequent to the balance sheet date which require disclosure in or adjustment to the consolidated historical financial information.

### **34 Ultimate controlling party**

The Group's ultimate controlling party is Peter Cruddas by virtue of his majority shareholding in CMC Markets plc.

## **PART XVII THE OFFER**

### **1 Summary of the Offer**

The Offer comprises an offer of up to 90,712,407 Offer Shares by the Company and the Selling Shareholders (assuming that the Offer Price is set at the bottom of the Price Range, the New Share Offer Size is set at the top of the New Share Offer Size Range, the Sale Share Offer Size is set at the Expected Sale Share Offer Size and the Over-allotment Option is exercised in full). The number of New Shares to be issued by the Company in the Offer is expected to be between 5,724,829 Shares and 6,266,986 Shares, so as to raise expected gross proceeds for the Company of between £14.7 million and £15.7 million. The aggregate number of Sale Shares to be sold by the Selling Shareholders in the Offer is expected to be 84,445,421 Shares, so as to raise expected aggregate gross proceeds for the Selling Shareholders of up to £215,335,824. The Company will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholders, all of which will be paid to the Selling Shareholders. The Price Range is expected to be between 235 pence and 275 pence per Share. In addition, existing Shares (representing up to 15 per cent. of the total number of Offer Shares (before exercise of the Over-allotment Option) that are the subject of the Offer) are being made available pursuant to the Over-allotment Option granted to Morgan Stanley & Co. International plc by Peter Cruddas and Goldman Sachs Strategic Investments (U.K.) Limited.

Pursuant to the Offer, the Selling Shareholders are currently expected to sell 84,445,421 Shares, representing 29.3 per cent. of the Issued Share Capital of the Company on Admission.

The Company's net proceeds from the Offer of the New Shares are estimated to be £1,929,181 (assuming the Offer Size is set at the mid-point of the Offer Size Range and the Offer Price is set at the mid-point of the Price Range), after deduction of commissions, other Offer related fees and expenses and applicable taxes in connection with the Offer of approximately £13,306,169. The Selling Shareholders estimate they will receive proceeds of £210,673,789 (assuming the Offer Size is set at the mid-point of the Offer Size Range, no exercise of the Over-allotment Option and that the Offer Price is set at the mid-point of the Price Range), net of aggregate underwriting commissions (excluding any discretionary commissions), other estimated fees and expenses, VAT and United Kingdom stamp duty and SDRT payable by the Selling Shareholders in the connection with the Offer of approximately £4,662,035. The actual number of New Shares to be issued by the Company and Sale Shares to be sold by the Selling Shareholders in the Offer will only be determined at the time the Offer Price is determined and could be higher or lower than expected (see Paragraph 2 (*Book-building, Offer Price and Allocation*) below of this Part XVII (*The Offer*)).

The Company will bear fees and expenses of an amount of approximately £13.3 million in connection with Admission and the Offer (assuming the New Share Offer Size is set at the mid-point of the New Share Size Range). The Selling Shareholders will bear approximately £4,662,035 in commissions (excluding any discretionary commissions), other estimated fees and expenses in connection with the Offer and amounts in respect of VAT and United Kingdom stamp duty and SDRT (assuming the number of Offer Shares sold is at the mid-point of the Offer Size Range, no exercise of the Over-allotment Option and that the Offer Price is set at the mid-point of the Price Range). The Company will not receive any proceeds in respect of either the sale of the Sale Shares by the Selling Shareholders or the sale of any Over-allotment Shares by the Over-allotment Shareholders pursuant to the Over-allotment Option.

The Offer is being made by way of:

- (a) the Institutional Offer, under which Offer Shares are being offered: (i) to certain institutional investors in the UK and elsewhere outside the United States in reliance on Regulation S and in accordance with locally applicable laws and regulations, and (ii) in the United States, only to QIBs in reliance on Rule 144A who are also QPs within the meaning of the U.S. Investment Company Act or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act;
- (b) the Client Share Offer, under which Offer Shares are being offered to Eligible Clients of the Group; and
- (c) the Intermediaries Offer, under which Offer Shares are being offered to the Intermediaries in the United Kingdom, who will facilitate the participation of their retail investor clients resident in the United Kingdom.

Immediately following Admission, it is expected that not less than 25 per cent. of the Company's Issued Share Capital will be held in public hands (within the meaning of Listing Rule 6.1.19).

The rights attaching to the Offer Shares (including, for the avoidance of doubt, any Over-allotment Shares), will be uniform in all respects, including the right to vote and the right to receive all dividends and other distributions declared, made or paid in respect of the Company's share capital after Admission. The Shares will, immediately on and from Admission, be freely transferable under the Articles of Association.

The terms of the Offer are subject to change and any terms to be varied shall be agreed between the Company, the Principal Selling Shareholders and the Joint Global Co-ordinators (on behalf of the Underwriters).

## **2 Book-building, Offer Price, Offer Size and allocation**

After the Offer Period has ended, the Offer Price, the New Share Offer Size and the Sale Share Offer Size will be determined by the Controlling Shareholders and the Company, in consultation with the Joint Global Co-ordinators, and is expected to be announced on or about 5 February 2016 in the Pricing Statement. The Pricing Statement will be available online at [www.cmcmarkets.com/group/ipo](http://www.cmcmarkets.com/group/ipo) and published in printed form and available free of charge at the Company's registered office at 133 Houndsditch, London EC3A 7BX, United Kingdom.

It is currently expected that the Offer Price, the New Share Offer Size and the Sale Share Offer Size will be within the Price Range, the New Share Offer Size Range and at the Expected Sale Share Offer Size, respectively, but these are indicative only and the Offer Price, the New Share Offer Size and the Sale Share Offer Size may be set within, above or below the Price Range, the New Share Offer Size Range and the Expected Sale Share Offer Size, respectively. A number of factors will be considered in deciding the Offer Price, the New Share Offer Size and the Sale Share Offer Size, including the level and the nature of the demand for Shares in the book-building process, the level of demand in the Client Share Offer, the level of demand in the Intermediaries Offer, prevailing market conditions and the objective of encouraging the development of an orderly and liquid after-market in the Shares. The Offer Price, the New Share Offer Size and the Sale Share Offer Size will be established at a level determined in accordance with these arrangements, taking into account indications of interest received (whether before or after the times and/or dates stated) from persons (including market-makers and fund managers) connected with the Joint Global Co-ordinators, in the case of the Institutional Offer, the Company, in the case of the Client Share Offer, and the Intermediaries, in the case of the Intermediary Offer.

Unless required to do so by law or regulation, the Company does not envisage publishing any supplementary prospectus or pricing statement until announcement of the Offer Price and Offer Size. If the Offer Price is set above the Price Range, the number of New Shares to be issued by the Company is set above or below the New Share Offer Size Range (subject to the minimum free float requirements agreed by the Company with the UK Listing Authority) and/or the number of Sale Shares to be sold by the Selling Shareholders is set above or below the Expected Sale Share Offer Size (subject to the minimum free float requirements agreed by the Company with the UK Listing Authority), then an announcement will be made via a Regulatory Information Service and prospective investors will have a statutory right to withdraw their offer to purchase Offer Shares pursuant to section 87Q of the FSMA. The arrangements for withdrawing offers to purchase Offer Shares would be made clear in the announcement.

The Underwriters will solicit from prospective investors indications of interest in acquiring Offer Shares under the Institutional Offer. Prospective institutional investors will be required to specify the number of Offer Shares which they would be prepared to acquire, either at specified prices or at the Offer Price (as finally determined). In addition, applications for Offer Shares are expected to be sought by the Company and the Principal Selling Shareholders in the Client Share Offer and by the Intermediaries from their retail investor clients under the Intermediaries Offer, each on the basis that the number of Offer Shares which may be allocated will vary depending on the Offer Price.

Applications will then be aggregated and submitted to the Receiving Agent by each Intermediary on behalf of its clients and this demand will be taken into account by the Company, the Principal Selling Shareholders and the Joint Global Co-ordinators alongside indications of interest in the Institutional Offer and the Client Share Offer in establishing the Offer Price and the Offer Size as described above in respect of the Offer.

After the Offer Period has ended, the Controlling Shareholders, after consultation with the Joint Global Co-ordinators and the Company, will determine the number of Offer Shares to be allocated in each of the

Institutional Offer, the Client Share Offer and the Intermediaries Offer. A number of factors will be considered by the Controlling Shareholders in determining the basis of allocation between the Institutional Offer, the Client Share Offer and the Intermediaries Offer, including the level and nature of demand for Shares in each of the Institutional Offer, the Client Share Offer and the Intermediaries Offer, and the objective of encouraging an orderly and liquid after-market in the Shares. If there is excess demand for Offer Shares, allocations may be scaled down and applicants may be allocated Shares having an aggregate value less than the sum applied for. The Controlling Shareholders may allocate Offer Shares at their discretion (subject to consultation with the Joint Global Co-ordinators and the Company) and there is no obligation for Offer Shares to be allocated proportionally.

The Company, the Principal Selling Shareholders and the Joint Global Co-ordinators are not bound to proceed with the Offer. The completion of the Offer will be subject, *inter alia*, to the determination of the Offer Price and the Offer Size and each of the Company's, the Principal Selling Shareholders' and the Joint Global Co-ordinators' decisions to proceed with the Offer. It will also be subject to the satisfaction of conditions contained in the Underwriting Agreement, including Admission occurring, and to the Underwriting Agreement not having been terminated. The Offer cannot be terminated once unconditional dealings in the Shares have commenced. Further details of the Underwriting Agreement are set out in Paragraph 11.1 (*Underwriting Agreement*) of Part XXII (*Additional Information*).

### **3 The Institutional Offer**

Under the Institutional Offer, the Shares will be offered: (i) to certain institutional investors in the UK and elsewhere outside the United States in reliance on Regulation S and in accordance with locally applicable laws and regulations; and (ii) in the United States, only to QIBs in reliance on Rule 144A who are also QPs within the meaning of the U.S. Investment Company Act or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The latest time and date for indications of interest in acquiring Offer Shares under the Institutional Offer is 5.00 p.m. on 4 February 2016, but that time may be extended at the discretion of the Controlling Shareholders, the Company and the Joint Global Co-ordinators.

Each investor in the Institutional Offer will be required to undertake to pay the Offer Price for the Offer Shares in such manner as shall be directed by the Underwriters, which is the same price at which all Offer Shares are to be sold in the Offer. Participants in the Institutional Offer will be notified verbally or by email of the number of Offer Shares that they have been allocated as soon as practicable following pricing and allocation (and in any event by 5 February 2016). Each prospective investor in the Institutional Offer will be contractually committed to acquire the number of Offer Shares allocated to it at the Offer Price and, to the fullest extent permitted by law, will be deemed to have agreed that it will not be entitled to exercise any rights to rescind or terminate or, subject to any statutory withdrawal rights, otherwise withdraw from, such commitment.

### **4 The Client Share Offer**

The Company is offering clients of the Group eligible to participate in the Client Share Offer in accordance with the terms of the Client Share Offer ("**Eligible Clients**") the opportunity to subscribe for or purchase Offer Shares in the Client Share Offer at the Offer Price. Eligible Clients who wish to apply for Offer Shares in the Client Share Offer should read this Prospectus in full (including the terms and conditions included at Part XVIII (*Terms and Conditions of the Client Share Offer*)) and complete and submit an Online Application at [www.cmcmarkets.com/group/ipo](http://www.cmcmarkets.com/group/ipo), together with their payment by debit card, as soon as possible. The latest time for receipt of applications in the Client Share Offer is 10.00 p.m. on 3 February 2016. Prospective investors in the Client Share Offer should note that the terms and conditions included in this Prospectus at Part XVIII (*Terms and Conditions of the Client Share Offer*) will apply to any application for Offer Shares made in the Client Share Offer.

An Eligible Client is a client of CMC Markets who as at 25 January 2016:

- (a) is an individual aged 18 or over (and not a corporate body or a non-incorporated organisation);
- (b) is resident in the UK; and
- (c) falls into one of the three sub-categories outlined below.

There are three tiers of Eligible Client. Eligibility is based on the level of trading costs. Trading costs comprise spread, commission and financing in pounds sterling, or currency equivalent based on end of day

exchange rates (together, “**Trading Costs**”) that a client has incurred with the Company over one of two periods, as set out below. Trading Costs exclude, *inter alia*, dormancy charges, market data feeds or any expenditure connected with the Countdown product.

- **First Period:** Trading Costs calculated as the average Trading Costs incurred by the client per month over the last 12 months, or per month since the date of account opening rounded up to the nearest whole month (whichever is the shorter period)
- **Second Period:** Trading Costs incurred between 00:01 on Wednesday 13 January 2016 and 10:00 p.m. on Monday 25 January 2016 inclusive.

A client becomes an Eligible Client when they incur the Trading Costs criteria set out below for either the First Period or the Second Period. An Eligible Client will be placed into the highest qualified sub-category should they qualify under both the First Period and the Second Period criteria.

	<u>Bronze Eligible Client</u>	<u>Silver Eligible Client</u>	<u>Gold Eligible Client</u>
<b>First Period</b> . . . . .	£10 – £99	£100 – £499	£500+
<b>Second Period</b> . . . . .	£10 – £99	£100 – £499	£500+

Notwithstanding the foregoing, the Directors will be entitled to determine the categorisation of any client of the Group as a Bronze Eligible Client, Silver Eligible Client or Gold Eligible Client at their absolute discretion.

Applications for Offer Shares must be based on the monetary amount which applicants wish to invest in Offer Shares, rather than on a number of Offer Shares. The minimum application amount under the Client Share Offer is £500. The maximum limit on the monetary amount that any applicant may apply to invest in the Client Share Offer is:

- £1,000 for Bronze Eligible Clients;
- £5,000 for Silver Eligible Clients; and
- £20,000 for Gold Eligible Clients.

The amount which an Eligible Client applies to invest may, however, be scaled down as described above.

The basis of allocation for applications will be determined by the Controlling Shareholders and the Company, after consultation with the Joint Global Co-ordinators. The Controlling Shareholders and the Company intend, after having consulted with the Joint Global Co-ordinators, to give priority to applications for Offer Shares made under the Client Share Offer over applications made in the Intermediaries Offer.

All applications under the Client Share Offer will be made on the terms and conditions of application set out in Part XVIII (*Terms and Conditions of the Client Share Offer*) and Part XIX (*Terms and Conditions of the CMC Markets Shareholder Account*). If no part of an application is accepted, the full amount debited from the applicant upon application will be refunded. If an application under the Client Share Offer is accepted in part and the amount debited from an applicant is more than is required to pay for the Offer Shares allocated to that applicant, the excess amount will be returned to the applicant, unless the excess amount is less than £5.00 in which case it will be returned to the Company and donated to the Peter Cruddas Foundation, a registered UK charity with number 1117323 which aims to benefit disadvantaged and disengaged young people in the UK, at which Peter Cruddas holds a trustee position.

All Shares acquired by Eligible Clients under the Client Share Offer will be allocated into the CMC Markets Shareholder Account. See Paragraph 9 (*Holding and Dealing in Shares acquired in the Client Share Offer*) of this Part XVII (*The Offer*) for further details.

Eligible Clients who acquire Shares under the Client Share Offer directly and hold them for a continuous period of 12 months following Admission will be eligible to receive at the end of that 12-month period one Bonus Share for every ten Shares acquired and allocated in the Client Share Offer, held continuously and still retained at the Bonus Share Record Date. In order to be eligible for Bonus Shares, there must have been no change to or transfer of the ownership of the Shares by the Eligible Client who acquired the Shares in the Offer in the period from Admission until and including the Bonus Shares Record Date. For the avoidance of doubt, the entitlement shall remain, *inter alia*: (i) when a joint holder is added, or (ii) when an Eligible Client transfers the Shares acquired in the Offer out of the CMC Markets Shareholder Account into registered form. The Company shall be entitled to withhold Bonus Shares from

an Eligible Client at its absolute discretion, including but not limited to the Company determining that the holder was not an Eligible Client, or has abused the process in becoming an Eligible Client.

An Eligible Client may make one application in the Intermediaries Offer in addition to making an application in the Client Share Offer. For the avoidance of doubt, an application made by an Eligible Client in the Intermediaries Offer will not receive any priority in allocation, nor will an Eligible Client be entitled to receive any Bonus Shares in respect of any Shares acquired through the Intermediaries Offer.

Applicants who have any questions about how to complete their Online Application should contact the Receiving Agent, Capita Asset Services, on +44 203 003 8303. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 8.00 a.m. – 8.00 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

## **5 The Intermediaries Offer**

Members of the general public will not be able to apply directly to the Company or the Selling Shareholders for Shares in the Offer. They may, however, be eligible to apply for Shares through the Intermediaries by following their relevant application procedures, by no later than 3 February 2016. Underlying applicants are not allowed, and the Intermediaries may not permit the underlying applicants, to make more than one application under the Intermediaries Offer (whether on their own behalf or through other means, including, but without limitation, through a trust or pension plan).

Only the Intermediaries' retail investor clients in the United Kingdom are eligible to participate in the Intermediaries Offer. No Shares allocated under the Intermediaries Offer will be registered in the name of any person whose registered address is outside the United Kingdom except in certain limited circumstances with the consent of the Joint Global Co-ordinators. Applications under the Intermediaries Offer must be by reference to the total monetary amount the applicant wishes to invest and not by reference to a number of Shares or the Offer Price.

An application for Shares in the Intermediaries Offer means that the applicant agrees to acquire the Shares at the Offer Price. The minimum application amount in the Intermediaries Offer is £1,000. There is no maximum application amount.

For the avoidance of doubt, no entitlement to bonus shares will be acquired by individuals subscribing through the Intermediaries Offer. The only means by which bonus shares will be allocated is by becoming an Eligible Client and subscribing for shares through the Client Share Offer.

Each applicant must comply with the appropriate money laundering checks required by the relevant Intermediary. Where an application is not accepted or there are insufficient Shares available to satisfy an application in full, the relevant Intermediary will be obliged to refund the applicant as required and all such refunds will be made in accordance with the terms provided by the Intermediary to the applicant. The Company, the Selling Shareholders and the Underwriters accept no responsibility with respect to the obligation of the Intermediaries to refund monies in such circumstances.

Intermediaries may charge retail investors a fee for buying or holding the allocated Shares for them (including any fees relating to the opening of an ISA or a self-invested personal pension for that purpose) provided that the Intermediary has disclosed the fees and terms and conditions of providing those services to the retail investor prior to the underlying application being made. Each Intermediary has agreed, or will on appointment agree, to the Intermediaries Terms and Conditions, which regulate, *inter alia*, the conduct of the Intermediaries Offer on market standard terms and provide for the payment of commission to any Intermediary that elects to receive commission from the Principal Selling Shareholders or the Company.

Pursuant to the Intermediaries Terms and Conditions, in making an application, each Intermediary will also be required to represent and warrant that they are not located in the United States and are not acting on behalf of anyone located in the United States.

In addition, the Intermediaries may prepare certain materials for distribution or may otherwise provide information or advice to retail investors in the United Kingdom subject to the terms of the Intermediaries Terms and Conditions. Any such materials, information or advice are solely the responsibility of the relevant Intermediary and shall not be reviewed or approved by any of the Underwriters, the Company or the Selling Shareholders. Any liability relating to such documents shall be for the Intermediaries only. **Intermediaries are required to provide: (i) a copy of the Prospectus or a hyperlink from which the**

**Prospectus may be obtained; and (ii) the terms and conditions of the relevant offer made by the Intermediary to any prospective investor who has expressed an interest in participating in the Intermediaries Offer. Any Intermediary that hosts this Prospectus on its website must state on its website that it uses this Prospectus in accordance with the Company's consent. Any application made by investors to any Intermediary is subject to the terms and conditions which apply to the transaction between such investor and such Intermediary.**

Each Intermediary will be informed by the Receiving Agent of the number of Shares allocated in aggregate to its underlying clients (or to the Intermediaries themselves) and the total amount payable in respect thereof. The aggregate allocation of Offer Shares as between the Institutional Offer and the Intermediaries Offer, and as between Intermediaries, will be determined by the Company and the Controlling Shareholders (after consultation with the Joint Global Co-ordinators). The allocation policy for the Intermediaries Offer will be determined by the Company and the Controlling Shareholders after having consulted with the Joint Global Co-ordinators. The same allocation policy will apply to all applicants in the Intermediaries Offer. Each Intermediary will be required to apply the allocation policy to each of its underlying applications from retail investors. The allocation policy will be made available to Intermediaries prior to the commencement of conditional dealings in the Shares.

The publication of the Prospectus and/or any supplementary prospectus and any actions of the Company, the Selling Shareholders, the Joint Global Co-ordinators, the Intermediaries or other persons in connection with the Offer should not be taken as any representation or assurance as to the basis on which the number of Shares to be offered under the Intermediaries Offer or allocations within the Intermediaries Offer will be determined and all liabilities for any such action or statement are hereby disclaimed by the Company, the Selling Shareholders, the Underwriters and the Joint Global Co-ordinators.

Pursuant to the Intermediaries Terms and Conditions, the Intermediaries have undertaken to make payment on their own behalf (not on behalf of any other person) of the consideration for the Shares allocated, at the Offer Price, to the Receiving Agent in accordance with details to be communicated to them, by means of the CREST system against delivery of the Shares at the time and/or date set out in Part V (*Expected Timetable of Principal Events*), or at such other time and/or date after the date of publication of the Offer Price as may be agreed by the Company, the Principal Selling Shareholders and the Joint Global Co-ordinators and notified to the Intermediaries by the Receiving Agent.

### **ISA**

The Shares should be “qualifying investments” for the stocks and shares component of an ISA. Save where an account manager is acquiring Shares using available funds in an existing ISA, an investment in Shares by means of an ISA is subject to the usual annual subscription limits applicable to new investments into an ISA: (for the tax year 2015/16 an individual may currently invest £15,240 worth of stocks and shares in an ISA).

Sums received by a Shareholder on a disposal of Shares should not count towards the Shareholder's annual limit but a disposal of Shares held in an ISA should not serve to make available again any part of the annual subscription limit that has already been used by the Shareholder in that tax year. Individuals wishing to invest in Shares through an ISA should contact their professional advisors regarding their eligibility.

### ***The Offer***

Shares allotted or sold under the Offer should be eligible for inclusion in an ISA, subject to applicable subscription limits to new investments into an ISA, as set out above, being complied with.

### ***Secondary market purchases***

On the assumption that the Shares remain listed on, or remain admitted to trading on the main market of the London Stock Exchange, Shares acquired by an account manager by purchase in the secondary market (after Admission), subject to applicable subscription limits, as set out above, will be eligible for inclusion in an ISA.

## **SSAS and SIPP**

Shares should, where certain conditions are satisfied, be eligible for inclusion in a UK small self-administered pension scheme (SSAS) or self-invested personal pension (SIPP), subject to the terms of its governing document and, in the case of a SSAS, the discretion of the trustees of the SSAS.

## **6 Listing and dealing arrangements**

The Offer is subject to the satisfaction of certain conditions contained in the Underwriting Agreement, which are typical for an agreement of this nature. Certain conditions are related to events which are outside the control of the Company, the Directors and the Underwriters. Further details of the Underwriting Agreement are described under Paragraph 10 (*Underwriting arrangements*) of Part XVII (*The Offer*) below.

Application has been made to the FCA for the Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange and for such Shares to be admitted to trading on the London Stock Exchange's main market for listed securities.

It is expected that Admission will take place and unconditional dealings in the Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 10 February 2016. Settlement of dealings from that date will be on a two-day rolling basis. Prior to Admission, it is expected that dealings in the Shares will commence on a conditional basis on the London Stock Exchange on 5 February 2016. The earliest date for such settlement of such dealings will be 10 February 2016. **All dealings in the Shares between the commencement of conditional dealings and the commencement of unconditional dealings will be on a “when issued” basis. If the Offer does not become unconditional in all respects, any such dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned. These dates and times may be changed without further notice.** Investors who apply for, and are allocated, Offer Shares in the Institutional Offer and Eligible Clients who are allocated Offer Shares into the CMC Markets Shareholder Account after submitting an Online Application, will be able to deal in such Shares on a conditional basis. Investors who are allocated Offer Shares through the Intermediaries Offer should consult their respective Intermediaries in relation to conditional dealings.

When admitted to trading, the Shares will be registered with ISIN number GB00B14SKR37 and SEDOL number B14SKR3 and it is expected that the Shares will be traded on the London Stock Exchange under the ticker symbol “CMCX”.

It is intended that the issue of Offer Shares allocated to investors who wish to hold Shares in uncertificated form will take place through CREST on Admission. It is intended that, where applicable, definitive share certificates in respect of the Offer will be distributed from 10 February or as soon as practicable thereafter by first class post. Temporary documents of title will not be issued. Dealings in advance of crediting of the relevant CREST stock account will be at the risk of the person concerned.

In connection with the Offer, each of the Underwriters and any affiliate acting as an investor for its own account may take up the Offer Shares and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the Offer. Accordingly, references in this Prospectus to the Shares being offered or placed should be read as including any offering or placement of securities to any of the Underwriters and any affiliate acting in such capacity. The Underwriters do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

## **7 Over-allotment and stabilisation**

In connection with the Offer, the Stabilising Manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Shares or effect other stabilisation transactions with a view to supporting the market price of the Shares at a higher level than that which might otherwise prevail in the open market. The Stabilising Manager is not required to enter into such transactions and such stabilisation transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional dealings in the Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. There is no assurance that stabilising transactions will be undertaken. Such transactions, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Shares above the Offer Price. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any over-allocations made and/or stabilisation transactions conducted in relation to the Offer.

In connection with the Offer, the Stabilising Manager may, for stabilisation purposes, over-allocate Offer Shares up to a maximum of 15 per cent. of the Offer Shares (before exercise of the Over-allotment Option). For the purposes of allowing the Stabilising Manager to cover short positions resulting from any such over-allocations and/or from sales of Shares effected by it during the stabilising period, the Over-allotment Shareholders have granted to it the Over-allotment Option, pursuant to which the Stabilising Manager may purchase or procure purchasers for additional Shares up to a maximum of 15 per cent. of the total number of the Offer Shares (before exercise of the Over-allotment Option) (the “**Over-allotment Shares**”) at the Offer Price. The Over-allotment Option is exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before the 30th calendar day after the commencement of conditional dealings of the Shares on the London Stock Exchange. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with the Shares, including for all dividends and other distributions declared, made or paid on the Shares, will be purchased on the same terms and conditions as Offer Shares and will form a single class for all purposes with the other Shares.

For a discussion of certain stock lending arrangements to be entered into prior to Admission in connection with the Over-allotment Option, see Paragraph 11.2 (*Stock Lending Agreement*) of Part XXII (*Additional Information*).

## **8 CREST**

CREST is a paperless settlement system in the UK enabling securities to be evidenced otherwise than by a certificate and to be transferred otherwise than by a written instrument. The Shares are in registered form. With effect from Admission, the Articles will permit the holding of Shares under the CREST system. The Company has applied for the Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Shares following Admission may take place within the CREST system, if any Shareholder so wishes.

CREST is a voluntary system and holders of Shares who wish to receive and retain share certificates will be able to do so. An investor applying for Shares in the Offer may, however, elect to receive Shares in uncertificated form if that investor is a system-member (as defined in the Uncertificated Securities Regulations) in relation to CREST.

## **9 Holding and dealing in Shares acquired in the Client Share Offer**

All Shares acquired in the Client Share Offer will automatically be held in the CMC Markets Shareholder Account. After Admission, such shareholders will be able to withdraw their Shares from the CMC Markets Shareholder Account free of charge. The withdrawal of Shares from the CMC Markets Shareholder Account before the Bonus Record date will lead to the loss of any entitlement to Bonus Shares, unless the Shares are withdrawn to be held in the form of a registered shareholding. The subsequent transfer of Shares from a registered shareholding before the Bonus Record Date will lead to the loss of any entitlement to Bonus Shares.

The Company expects that most Eligible Clients will find the CMC Markets Shareholder Account to be a convenient way of holding Shares.

### ***CMC Markets Shareholder Account***

This Paragraph and Paragraph 8.2 below should be read in conjunction with the terms and conditions of the CMC Markets Shareholder Account set out in Part XIX (*Terms and Conditions of the CMC Markets Shareholder Account*). This Paragraph 8.1 and Paragraph 8.2 below only apply to Shareholders who acquire Shares through the Client Share Offer. The CMC Markets Shareholder Account will only be available to persons who acquire Shares in the Client Share Offer if they have a registered address in the UK. Following Admission, the CMC Markets Shareholder Account will be available to all persons holding Shares who have a registered address in the UK.

The CMC Markets Shareholder Account, a Company-sponsored nominee arrangement, provides a convenient way of holding Shares, which removes the need to have a share certificate which has to be kept safe and secure. In addition, individuals’ names will not appear on the Company’s shareholder register, which is a public register, so their details remain confidential. Instead, the Shares will be held on behalf of those individuals in the name of CMC Markets Shareholder Account. The CMC Markets Shareholder

Account has been set up exclusively for Shareholders and will hold those Shares electronically within the CREST system.

Persons holding Shares in the CMC Markets Shareholder Account:

- (a) will have similar rights to those Shareholders who hold their Shares in certificated form (including the right to receive the same annual and other financial information as is sent to Shareholders who hold their Shares in certificated form, should they wish to receive it, and to attend, speak and vote on a show of hands and on a poll at general meetings of the Company);
- (b) will receive Share Account Statements showing the number of Shares held at the point at which they become members and at least once every 12 months thereafter; and
- (c) are entitled to leave the CMC Markets Shareholder Account at any time and obtain a share certificate instead or have their Shares transferred into another nominee arrangement or deposit account (however, there may be an administration charge for removing Shares from the CMC Markets Shareholder Account).

Children under the age of 18 are not permitted to apply for Shares in the Client Share Offer in their own name.

#### ***Dealing in Shares held through the CMC Markets Shareholder Account***

Share dealing services will be available to persons holding Shares in the CMC Markets Shareholder Account once they have received their shareholder investor code. It is expected that Shareholders who have successfully submitted an Online Application will be sent their shareholder investor code by email within two days following commencement of conditional dealings.

Shareholders holding Shares in the CMC Markets Shareholder Account will have access to a range of share dealing services. These services are provided by Capita IRG Trustees Limited, authorised and regulated by the FCA.

**Online dealing at [www.capitadeal.com](http://www.capitadeal.com):** Shareholders can access the online facility which will provide real-time share price quotes during UK stock market opening hours (normally 8.00 a.m. – 4.30 p.m. weekdays, excluding bank holidays) for Shareholders wishing to buy more or sell some or all of their Shares. The facility will normally be available 24 hours per day but, outside UK stock market hours, Shareholders can only give a ‘limit-price’ instruction which will be acted upon as soon as the market re-opens. The cost for share dealing online is 0.5 per cent. of the total trade value subject to a minimum of £17.50 and a maximum of £75 where Shares are held in the CMC Markets Shareholder Account, and start from £17.50 where Shares are held in the form of a share certificate.

**Using the telephone helpline on 0371 664 0445:** Shareholders can call the share dealing helpline which will provide real-time share price quotes during UK stock market opening hours (8.00 a.m. – 8.00 p.m., Monday to Friday, excluding bank holidays) for Shareholders wishing to buy more or sell some or all of their Shares. The cost for share dealing through the telephone helpline starts from £23.50 where Shares are held in the CMC Markets Shareholder Account, or from £27.50 where Shares are held in the form of a share certificate.

The charges referred to above are correct as at the date of this document. Please refer to the latest terms and conditions of the relevant share dealing service which will be available at [www.capitadeal.com](http://www.capitadeal.com) for up-to-date charges after the date of this document.

#### **10 Underwriting arrangements**

The Underwriters have entered into commitments under the Underwriting Agreement pursuant to which they have agreed (severally and not jointly or jointly and severally), subject to certain conditions, to use reasonable endeavours to procure:

- (a) purchasers for the Institutional Offer Shares (the “**Institutional Offer Shares**”) or, failing which, to purchase such Institutional Offer Shares themselves in their agreed proportions; and
- (b) purchasers for any Intermediaries Offer Shares which an Intermediary fails to make payment for in accordance with the terms of the Intermediaries Offer or, failing which, to purchase such Intermediaries Offer Shares themselves in their agreed proportions,

in each case, at the Offer Price.

The Underwriting Agreement contains provisions entitling the Joint Global Co-ordinators to terminate the Offer (and the arrangements associated with it), at any time prior to Admission in certain circumstances. If this right is exercised, the Offer and these arrangements will lapse and any monies received in respect of the Offer Shares will be returned to applicants without interest. The Underwriting Agreement provides for the Underwriters to be paid commission in respect of the Offer Shares sold. Any commissions received by the Underwriters may be retained, and any Shares acquired by them may be retained or dealt in, by them, for their own benefit. The Over-allotment Shareholders have granted to the Stabilising Manager, on behalf of the Joint Global Co-ordinators, the Over-allotment Option under the Underwriting Agreement.

Further details of the terms of the Underwriting Agreement are set out in Paragraph 11.1 (*Underwriting and Shareholders Agreements*) of Part XXII (*Additional Information*). Certain selling and transfer restrictions are set out below.

## **11 Lock-up arrangements**

The Controlling Shareholders have agreed to a 730 calendar day lock-up period following Admission for 50 per cent. of their interests in Shares, and a 1,095 calendar day lock-up period following Admission for the other 50 per cent. of their interests in Shares, during which time they may not dispose of any interests in Shares or any securities of the Company that are substantially similar to Shares, including but not limited to any securities that are convertible into, or exchangeable for, or that represent the right to receive, Shares or any such substantially similar securities.

Goldman Sachs Strategic Investments (U.K.) Limited and the Company have agreed to a 180 calendar day lock-up period following Admission, during which time they may not dispose of (and in the case of the Company, issue) any Shares, any interests in Shares or any securities of the Company that are substantially similar to Shares, including but not limited to any securities that are convertible into, or exchangeable for, or that represent the right to receive, Shares or any such substantially similar securities.

The Directors (excluding Peter Cruddas) have agreed to a 364 calendar day lock-up period following Admission, during which time they may not dispose of any interests in Shares or any securities of the Company that are substantially similar to Shares, including but not limited to any securities that are convertible into, or exchangeable for, or that represent the right to receive, Shares or any such substantially similar securities.

All lock-up arrangements are subject to certain customary exceptions as provided in the Underwriting Agreement.

## **12 Withdrawal rights**

In the event that the Company is required to publish any supplementary prospectus, applicants who have applied for Shares in the Offer shall have at least two clear business days following the publication of the relevant supplementary prospectus within which to withdraw their offer to acquire Shares in the Offer in its entirety. The right to withdraw an application to acquire Shares in the Offer in these circumstances will be available to all investors in the Offer. If the application is not withdrawn within the stipulated period, any offer to apply for Shares in the Offer will remain valid and binding.

Institutional investors wishing to exercise statutory withdrawal rights after the publication of any supplementary prospectus must do so by lodging a written notice of withdrawal by hand (during normal business hours only) at Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by email to [Withdraw@Capita.co.uk](mailto:Withdraw@Capita.co.uk) so as to be received no later than two business days after the date on which the supplementary prospectus is published. Notice of withdrawal given by any other means or which is deposited with or received by the Receiving Agent after expiry of such period will not constitute a valid withdrawal.

Applicants who have applied for Shares in the Client Share Offer wishing to exercise a statutory right to withdraw their offer to subscribe for or purchase Shares in the Offer may do so by registering the withdrawal on the Offer Website at [www.cmcmarkets.com/group/ipo](http://www.cmcmarkets.com/group/ipo).

Such notification must provide: (i) the investor's name, (ii) the investor's postcode, and (iii) their Shareholder investor code, and it must be received by the Receiving Agent no later than the end of the period stipulated in the supplementary prospectus or announcement (as described above) (which will be at least a period of two Business Days commencing on the first Business Day after the date on which the supplementary prospectus or announcement, as the case may be, is published).

Applicants who have applied for Offer Shares in the Intermediaries Offer through an Intermediary should contact the relevant Intermediary for details on how to withdraw an application.

### **13 Selling and transfer restrictions**

The distribution of this Prospectus and the offer of Shares in certain jurisdictions may be restricted by law and persons into whose possession this Prospectus comes should therefore inform themselves about and observe any such restrictions, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Other than in the United Kingdom, no action has been taken or will be taken in any jurisdiction that would permit a public offering or sale of the Shares, or possession or distribution of this Prospectus (or any other offering or publicity material relating to Shares) in any country or jurisdiction where action for that purpose is required or doing so may be restricted by law.

None of the Shares may be offered for subscription, sale or purchase or be delivered, and this Prospectus and any other offering material in relation to the Shares may not be circulated, in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission or to make any application, filing or registration.

Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Prospectus and any offering of the Shares. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus does not constitute an offer to subscribe for or purchase any of the Shares to any person in any jurisdiction to whom it is unlawful to make such offer of solicitation in such jurisdiction.

#### ***Offering restrictions relating to the U.S. and U.S. Persons***

As described more fully below, there are certain selling and transfer restrictions regarding the Shares with respect to U.S. shareholders.

These restrictions include, among others: (i) prohibitions on participation in the Offer by persons in circumstances which might cause the Group to be required to be registered as an investment company under the U.S. Investment Company Act; and (ii) restrictions on the ownership and transfer of Shares by such persons following the Offer.

The Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the U.S. and, therefore, the Shares may not be directly or indirectly offered for subscription or purchase, sold, delivered or transferred to (or for the account or benefit of) any U.S. Person, or in or into the U.S. except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the U.S. There will be no public offer of the Shares in the U.S.

The Underwriters may arrange for the offer of Shares only (a) outside the U.S., other than to U.S. Persons or persons acquiring for the account or benefit of a U.S. Person, in accordance with Rule 903 of Regulation S and (b) within the U.S. by U.S. broker-dealer affiliates of an Underwriter to, or for the account or benefit of, U.S. Persons reasonably believed to be both QIBs and QPs. Any U.S. Person subscribing for or purchasing Shares will be required to execute the U.S. Purchaser's Letter described below.

#### ***Restrictions under the U.S. Securities Act and the U.S. Investment Company Act***

Each subscriber and purchaser that is within the U.S. or that is a U.S. Person (or is subscribing or purchasing for the account or benefit of a U.S. Person) is notified that the offer and sale of Shares to it is being made in reliance upon an exemption from the registration requirements of the U.S. Securities Act, and that the Group will not be registered under the U.S. Investment Company Act. Each subscriber and purchaser that is within the U.S., or that is a U.S. Person (or is subscribing or purchasing for the account or benefit of a U.S. Person), must be both a QIB and a QP.

In addition, each subscriber and purchaser that is located within the U.S. or that is a U.S. Person (or is subscribing or purchasing for the account or benefit of a U.S. Person), prior to any such transaction, will be required to execute a U.S. Purchaser's Letter in the form set out in Part XXIII (*U.S. Purchaser's Letter*), and deliver the letter to the Underwriters and the Group. The U.S. Purchaser's Letter will require each such subscriber and purchaser to represent and agree that, amongst other things: (i) it is both a QIB and a

QP; and (ii) it will only offer, sell, transfer, assign, pledge or otherwise dispose of the Shares in an offshore transaction complying with the provisions of Regulation S (including, for the avoidance of doubt, a bona fide sale on the London Stock Exchange's main market for listed securities) to a person not known to be a U.S. Person (by pre-arrangement or otherwise), and in compliance with applicable securities laws, provided that the transferor has executed an Offshore Transaction Letter in the form of Annex I to Part XXIII (*U.S. Purchaser's Letter*) and promptly sends it to the Group. The transferor will notify any subsequent transferee or executing broker, as applicable, of the restrictions that are applicable to the Shares being sold. The U.S. Purchaser's Letter and the Offshore Transaction Letter contain additional written representations, agreements and acknowledgements relating to the transfer restrictions applicable to the Shares.

The Group has not been and does not intend to become registered as an investment company under the U.S. Investment Company Act and related rules. The Group and its agents may require any U.S. Person or any person within the U.S. that was required to be a QP but was not a QP at the time it acquired the Shares or a beneficial interest therein to transfer its Shares or such beneficial interest immediately to a non-U.S. Person in an offshore transaction pursuant to Regulation S under the U.S. Securities Act.

If any subscriber or purchaser of Shares that was required to execute a U.S. Purchaser's Letter in connection with the acquisition of such Shares receives them in certificated form, the certificate for the Shares will bear an appropriate legend reflecting the transfer restrictions described in the U.S. Purchaser's Letter.

#### ***Restrictions on offering in reliance on Regulation S***

Each purchaser to whom the Shares are distributed, offered or sold outside the U.S. (other than U.S. Persons) will be deemed by its subscription for, or purchase of, the Shares, to have represented and agreed as follows:

- (a) it is not a U.S. Person and is not acquiring the Shares for the account or benefit of a U.S. Person;
- (b) it is acquiring the Shares in an offshore transaction meeting the requirements of Regulation S;
- (c) it is aware that the Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold in the U.S. or to, or for the account or benefit of, U.S. Persons, absent registration or an exemption from registration under the U.S. Securities Act;
- (d) it is aware that the Group has not registered under the U.S. Investment Company Act and that the Group has put in place restrictions for transactions not involving any public offering in the U.S., and to ensure that the Group is not and will not be required to register under the U.S. Investment Company Act;
- (e) if in the future it decides to offer, sell, transfer, assign or otherwise dispose of the Shares, it will do so only in compliance with an exemption from the registration requirements of the U.S. Securities Act and under circumstances which will not require the Group to register under the U.S. Investment Company Act;
- (f) it has carefully read and understands this Prospectus, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this Prospectus or any other presentation or offering materials concerning the Shares to any persons within the U.S. or to any U.S. Persons, nor will it do any of the foregoing; and
- (g) the Group, the Underwriters and their respective directors, officers, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing representations and agreements. If any of the representations or agreements made by it are no longer accurate or have not been complied with, it will immediately notify the Group, the Underwriters, and if it is acquiring any Shares as a fiduciary or agent for one or more accounts, it has sole investment discretion with respect to each such account and it has full power to make such foregoing representations and agreements on behalf of each such account.

#### ***Restrictions on U.S. Persons***

Each U.S. Person will be deemed to have represented and agreed for the benefit of the Group and its advisers that:

- (a) it is a QIB and a QP;

- (b) if it purchases Shares: (i) it will be a QIB and a QP at the time of such purchase and subscription or it will be acting for the account or benefit of a QIB and a QP; and (ii) such Shares will be offered, resold, transferred, assigned, pledged or otherwise disposed of by it in a transaction (a “disposal”) executed solely in, on or through the facilities of the London Stock Exchange, or otherwise in an offshore transaction complying with the provisions of Regulation S, and neither it nor any person acting on its behalf will pre-arrange such disposal with a buyer in the U.S. or known to be a U.S. Person; and
- (c) if it elects to subscribe for Shares, such subscription will only be valid if it follows the procedures described in Paragraph 13 (*Selling and Transfer Restrictions*) of this Part XVII (*The Offer*) and such subscription is accompanied by an executed U.S. Purchaser’s Letter attached in Part XXIII (*U.S. Purchaser’s Letter*).

### ***European Economic Area***

In relation to each Member State of the EU which has implemented the Prospectus Directive (each a “**Relevant Member State**”), an offer to the public of any Shares may not be made in that Relevant Member State, except that the Shares may be offered to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to any legal entity which is a Qualified Investor as defined under the Prospectus Directive;
- (b) by the Joint Global Co-ordinators to fewer than 150 natural or legal persons (other than Qualified Investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Joint Global Co-ordinators for any such offer; or
- (c) in any other circumstances, falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication by the Company or any Underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive and each person who initially acquires Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Underwriters and the Company that it is a Qualified Investor within the meaning of the law in that Relevant Member State implementing Article 2(1)I of the Prospectus Directive.

For the purposes of this provision, the expression “an offer to the public of any Shares”, in relation to any Shares in any Relevant Member State, means the communication in any form and by any means of sufficient information on the terms of the Offer and the Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State. The expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

In the case of any Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each financial intermediary will also be deemed to have represented, warranted and agreed that the Shares acquired by it in the Offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Shares to the public, other than their offer or resale in a Relevant Member State to Qualified Investors as so defined or in circumstances in which the prior consent of the Joint Global Co-ordinators has been obtained to each such proposed offer or resale.

The Company, the Underwriters and their affiliates and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a Qualified Investor, and who has notified the Joint Global Co-ordinators of such fact in writing, may, with the consent of the Joint Global Co-ordinators, be permitted to subscribe for or purchase Shares in the Offer.

### ***Japan***

The Shares offered by this Prospectus have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the “**Financial Instruments and Exchange Law**”). Accordingly, Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (including Japanese corporations), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan (including Japanese corporations) except with the

prior approval of the Underwriters and pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and relevant regulations of Japan.

### ***Australia***

This Prospectus does not constitute a disclosure Prospectus under Part 6D.2 of the Corporations Act 2001 of the Commonwealth of Australia (the “**Corporations Act**”) and will not be lodged with the Australian Securities and Investment Commission. The Shares will be offered to persons who receive offers in Australia only to the extent that such offers of shares for issue or sale do not need disclosure to investors under Part 6D.2 of the Corporations Act. Any offer of shares received in Australia is void to the extent that it needs disclosure to investors under the Corporations Act. In particular, offers for the issue or sale of Shares will only be made in Australia in reliance on various exemptions from such disclosure to investors provided by section 708 of the Corporations Act. Any person to whom Shares are issued or sold pursuant to an exemption provided by section 708 of the Corporations Act must not within 12 months after the issue or sale of those Shares offer those Shares for sale in Australia unless that offer is itself made in reliance on an exemption from disclosure provided by that section.

### ***Canada***

The Shares may not, directly or indirectly, be offered, sold or distributed within Canada, or to, or for the benefit or account of, any resident of Canada, except in compliance with all applicable securities laws, regulations or rules of the provinces and territories of Canada and with the prior approval of the Joint Global Co-ordinators. This Prospectus, or any other material relating to the Shares, may not be distributed or delivered in Canada except in compliance with all applicable securities laws, regulations or rules of the provinces and territories of Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon the Prospectus, the information contained herein, or the merits of the Shares.

The Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if the Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (“NI 33-105”), the Underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

### ***Switzerland***

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (“**SIX**”) or on any other stock exchange or regulated trading facility in Switzerland. This Prospectus has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Shares or the Offer may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Prospectus nor any other offering or marketing material relating to the Offer, the Company or the Shares has been or will be filed with or approved by any Swiss regulatory authority. In particular, this Prospectus will not be filed with, and the offer of Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (“**FINMA**”), and the offer of Shares has not been and will not be authorised under the Swiss Federal Act on Collective Investment Schemes (“**CISA**”). The investor

protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Shares.

### *Hong Kong*

The Company has not been authorised, nor have the contents of this Prospectus been approved by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Offer. If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice. Accordingly, please note that (a) the Shares may not be offered or sold in Hong Kong by means of this document or any other document other than to professional investors within the meaning of Part I of Schedule 1 to the Securities and Futures Ordinance of Hong Kong (Cap. 571) (“SFO”) and any rules made thereunder, or in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong (Cap. 32) (“CO”) or which do not constitute an offer or invitation to the public for the purposes of the CO or the SFO, and (b) no person shall issue, or possess for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Shares which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to such professional investors.

### *Singapore*

This Prospectus has not been registered with the Monetary Authority of Singapore. No action has been or will be taken under the requirements of the legislation or regulations of, or of the legal or regulatory authorities of, Singapore, and no action has been or will be taken to lodge and/or register this Prospectus in Singapore for the purposes of permitting a public offering of the Shares and the public distribution of this Prospectus in Singapore. Accordingly, this Prospectus and any other document or material in connection with the Offer or sale, or invitation for subscription or purchase, of Shares may not be circulated or distributed, nor may Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor specified in Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (b) to a relevant person, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA, or (c) otherwise pursuant to, and in accordance with the conditions of, any applicable provision of the SFA.

When the Shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, the shares, debentures and units of shares and debentures securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust will not be transferred within six months after that corporation or that trust has acquired the Shares pursuant to an offer made under Section 275 except:

- (a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

**PART XVIII**  
**TERMS AND CONDITIONS OF THE CLIENT SHARE OFFER**

This Part XVIII (*Terms and Conditions of the Client Share Offer*) contains the terms and conditions of the Client Share Offer, pursuant to which terms Eligible Clients may apply to buy Offer Shares in the Client Share Offer.

**1 Introduction**

For the purposes of these terms and conditions only, references to “you” are to the person applying online to buy Offer Shares in the Client Share Offer.

If you apply for Offer Shares in the Client Share Offer you will be agreeing with the Company, the Directors, the Principal Selling Shareholders, the Underwriters and the Receiving Agent to the terms and conditions set out below.

**2 Offer to purchase Offer Shares**

**2.1** Applications must be made online at [www.cmcmarkets.com/group/ipo](http://www.cmcmarkets.com/group/ipo) by means of an Online Application. By completing and submitting an Online Application, you, as the applicant:

2.1.1 offer to acquire at the Offer Price the maximum number of Offer Shares (rounded down to the nearest whole Share) that may be acquired with the amount that you have specified in your Online Application as the amount which you wish to invest or any smaller amount in respect of which your application to acquire Offer Shares in the Client Share Offer is accepted, subject to the provisions of the Prospectus, these terms and conditions, the Pricing Statement, any supplementary prospectus and the Articles of Association;

2.1.2 agree that your application to acquire Offer Shares in the Client Share Offer must be for a minimum investment of £500 at the Offer Price and for a maximum investment in Offer Shares at the Offer Price of:

- (a) £1,000 in the case of a Bronze Eligible Client;
- (b) £5,000 in the case of a Silver Eligible Client; or
- (c) £20,000 in the case of a Gold Eligible Client.

2.1.3 agree that there is no minimum allocation of Offer Shares for Eligible Clients in the Client Share Offer and that, in the event your application is scaled back, you may not receive the full value of Offer Shares you applied to invest in and you may receive no Offer Shares; and

2.1.4 agree that the Offer Shares allocated to you will be held free of charge, in the CMC Markets Shareholder Account as set out in the Online Application submitted by you online and to ensure that the Shareholder Account Nominee, as nominee for you, is placed on the register of members of the Company in respect of the Offer Shares for which your application is accepted. Shareholders wishing to hold their Offer Shares in their own name in certificated form on the register of members and receive a physical share certificate may exit the Share Nominee free of charge by contacting the Nominee administrator, Capita IRG Trustees Limited at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, following admission.

**2.2** In consideration of the Company, the Directors, the Principal Selling Shareholders, the Underwriters and the Receiving Agent agreeing that they will not, prior to the date of Admission (or such later date as the Company, the Controlling Shareholders and the Joint Global Co-ordinators may agree), sell to any person or assist in the sale to any person of any of the Offer Shares comprised in the Client Share Offer other than by means of the procedures referred to in the Prospectus and as a collateral contract between you, the Company, the Directors, the Principal Selling Shareholders, the Underwriters and the Receiving Agent which will become binding on you on the online submission by you of your Online Application, you:

2.2.1 agree that, subject to any statutory rights of withdrawal, your application may not be revoked or withdrawn by you until after 10 February 2016 in the event that Admission has not taken place by that date;

- 2.2.2 undertake to pay the Offer Price for the Offer Shares (which is payable in full and shall be debited from your bank account via your debit card) in respect of which your application is accepted and acknowledge and agree that such amount may be debited from your bank account at any time following your submission of your Online Application;
- 2.2.3 warrant that your payment, the details of which you will provide on your Online Application, will be honoured on first presentation and agree that, if such remittance is not so honoured, notwithstanding that the Shareholder Account Nominee may have been entered on the register of members of the Company (as nominee for you) made available online, neither you nor the Shareholder Account Nominee will be entitled to a Share Account Statement in respect of the Offer Shares applied for or to enjoy or receive any rights, dividend, distribution or other payment in respect of such Offer Shares unless and until you make payment in cleared funds for such Offer Shares and such payment is accepted by the Receiving Agent (whose acceptance shall be in its absolute discretion and on the basis that you indemnify the Company, the Directors, the Principal Selling Shareholders, the Receiving Agent and the Underwriters against all costs, damages, losses, expenses and liabilities arising out of, or in connection with, the failure of your remittance to be honoured on first presentation);
- 2.2.4 agree that, at any time prior to unconditional acceptance by the Receiving Agent of such late payment pursuant to Paragraph 2.2.3 above, the Receiving Agent may (on behalf of the Company, the Directors, the Principal Selling Shareholders and the Underwriters and without prejudice to any other rights) terminate the agreement (if any) to allocate such Offer Shares to the Shareholder Account Nominee (as nominee for you) without liability to you and may reallocate the Offer Shares to some other person, in which case you will not be entitled to any refund or payment in respect of such Shares and, in the event of termination, any Shares which have been issued to you will be sold as soon as is reasonably practicable (and for which purpose you hereby irrevocably authorise the Company, or any person appointed by it for this purpose, to execute on your behalf any instrument of transfer which may be necessary to effect such sale) and consent to the proceeds of such sale being paid to and retained by the Company and you will pay the Receiving Agent (on behalf of itself, the Company, the Directors, the Principal Selling Shareholders and the Joint Global Co-ordinators (on behalf of themselves and the other Underwriters)), on demand, such amount as may be necessary to compensate the Receiving Agent, the Company, the Directors, the Principal Selling Shareholders and the Joint Global Co-ordinators (on behalf of themselves and the other Underwriters) for any losses, costs and expenses incurred or expected to be incurred as a result of the remittance not being honoured on first presentation or as a result of termination of the agreement. Any decision by the Receiving Agent to accept payment shall be without prejudice to the decision of the Company to accept the whole or any part of your application as described in Paragraph 8 below;
- 2.2.5 agree that any Share Account Statement to which you may become entitled may not be made available pending clearance of your remittance or pending investigation of any suspected breach of any of the warranties contained in Paragraph 7 below;
- 2.2.6 agree, on request by any of the Receiving Agent, the Company, the Directors, the Principal Selling Shareholders and the Joint Global Co-ordinators (on behalf of themselves and the other Underwriters), to disclose promptly in writing to such requesting person such information as they may request in connection with your application and authorise the Receiving Agent, the Company, the Directors and the Joint Global Co-ordinators to disclose any information relating to your application which they may consider appropriate;
- 2.2.7 agree that any Share Account Statement in respect of any Shares to which the Shareholder Account Nominee may become entitled may not be made available pending clearance of your remittance, investigation of any suspected breach of these terms and conditions and any verification of identity which is, or which the Receiving Agent, the Company, the Directors, the Principal Selling Shareholders and the Joint Global Co-ordinators (on behalf of themselves and the other Underwriters) consider may be, required for the purposes of the Money Laundering Regulations 2007;
- 2.2.8 agree that, if evidence of identity satisfactory to the Company, the Directors, the Principal Selling Shareholders and the Joint Global Co-ordinators (on behalf of themselves and the other Underwriters) and the Receiving Agent is not provided to the Receiving Agent on or

before 8.00 a.m. (London time) on 10 February 2016 (or such later date as the Company, the Controlling Shareholders and the Joint Global Co-ordinators (on behalf of themselves and the other Underwriters)) may agree, the Company, the Directors, the Receiving Agent, the Principal Selling Shareholders and the Joint Global Co-ordinators (on behalf of themselves and the other Underwriters) may terminate your contract of allocation and, in such case, an amount may be debited from your bank account via your debit card by the Company (or its agents) as compensation for breach of contract and you agree that, in such event, you will have no claim against any Underwriters, the Receiving Agent, the Directors, the Company, the Principal Selling Shareholders or any of their respective officers, agents or employees in respect of the amount so debited by the Company (or its agents) or otherwise in connection therewith;

- 2.2.9 agree that your Online Application is addressed to the Company, the Directors, the Receiving Agent, the Principal Selling Shareholders and the Joint Global Co-ordinators (on behalf of themselves and the other Underwriters);
  - 2.2.10 agree that you are not engaged in nor applying on behalf of a person engaged in, or whom you know or have reason to believe is engaged in, money laundering;
  - 2.2.11 agree that any future communications sent by the Company to you in your capacity as a Shareholder will be in the English language and will be sent as electronic communications to the email address supplied in your Online Application. If you wish to receive future shareholder confirmations in hard copy you should contact the Company's registrar;
  - 2.2.12 agree that the Company has absolute discretion in determining whether or not you qualify as an Eligible Client (including whether or not you qualify as a Gold Eligible Client, Silver Eligible Client or Bronze Eligible Client, as the case may be);
  - 2.2.13 agree that the Company, the Directors, the Principal Selling Shareholders and the Joint Global Co-ordinators (on behalf of themselves and the other Underwriters) reserve jointly the right to alter any arrangements in connection with the Client Share Offer (including the timetable and terms and conditions of application); and
  - 2.2.14 agree that the contract arising from acceptance of all or part of your application under the Client Share Offer will be, or will be deemed to be, entered into by you, the Company, the Directors, the Principal Selling Shareholders, the Joint Global Co-ordinators (on behalf of themselves and the other Underwriters) and the Receiving Agent on these terms and conditions (subject to Paragraph 2.2.12 above) and that any changes, additions or alterations made by you will have no effect.
- 2.3** If your Online Application is not completed correctly it is liable to be rejected. In these circumstances, the Company's decision whether to reject or treat your application as valid shall be final and binding on you. None of the Company, the Directors, the Principal Selling Shareholders, the Underwriters, the Receiving Agent nor any of their respective officers, agents or employees will accept any liability for any such decision and no claim will be made against any such persons in respect of your non-receipt of Shares, or for any loss resulting from the above.
- 2.4** Any application may be rejected in whole or in part by the Company at its absolute discretion.
- 2.5** The Company and its agents reserve the right to treat as valid any application not complying fully with these terms and conditions or not in all respects completed and submitted in accordance with the instructions on the Online Application. The Company and its agents reserve the right to waive in whole or in part any of the provisions of these terms and conditions, either generally or in respect of one or more applications. In these circumstances, the decision of the Company as to whether to treat the application as valid and how to construe, amend or complete it shall be final. You will not, however, be treated as having offered to invest a higher amount than is indicated in your Online Application.

### **3 Acceptance of your offer**

**3.1** The Company may accept your application if your application is submitted and validated (or treated as valid, processed and not rejected) either:

- (a) by notifying, publishing or announcing the final Offer Price, size of the Offer and the basis of allocation (in which case the acceptance will be on that basis); or
- (b) by notifying acceptance to the Receiving Agent.

**3.2** The acceptance may (at the absolute discretion of the Company and the Controlling Shareholders, in consultation with the Joint Global Co-ordinators (on behalf of themselves and the other Underwriters)) be of the whole or any part of your application and the amount you have offered to invest may be scaled down. The basis of allocation for applications from Eligible Clients will be determined by the Company and the Controlling Shareholders, in consultation with the Joint Global Co-ordinators (on behalf of themselves and the other Underwriters). The Company, in consultation with the Joint Global Co-ordinators (on behalf of themselves and the other Underwriters) reserves the right to scale down applications from Eligible Clients as it, in its absolute discretion, considers appropriate. Accordingly, if you are an Eligible Client you may not receive the full value of Offer Shares you applied to invest in and you may receive no Shares.

### **4 Condition**

**4.1** The contract arising from acceptance of applications (in whole or in part) in the Client Share Offer will be entered into by you (if you are a successful applicant) and the Company and Principal Selling Shareholders.

**4.2** Under this contract, you will be required to acquire the Offer Shares at the Offer Price. This contract will be conditional upon the Underwriting Agreement becoming wholly unconditional and not having been terminated before Admission, and Admission becoming effective on or before 10 February 2016 (or such later date as the Company, the Controlling Shareholders and the Receiving Agent may agree with the Joint Global Co-ordinators (on behalf of themselves and the other Underwriters)). Subject to applicable law, you will not be entitled to exercise any remedy of rescission for innocent misrepresentation (including pre-contractual representations) at any time after acceptance. This does not affect any other rights you may have, including, for the avoidance of doubt, any statutory withdrawal rights.

### **5 Return of application monies**

Following your submission of your Online Application the Receiving Agent will immediately debit from your bank account via your debit card the full amount that you have specified in your Online Application. If your application is not accepted in whole or is accepted in part only or if any contract created by acceptance does not become unconditional, your bank account will be refunded via your debit card. In the meantime, application monies will be retained by the Receiving Agent in an account designated for the purpose of the Client Share Offer to which no interest is credited. The proceeds of this payment will be held pending acceptance and, if the application is accepted and the conditions of the Client Share Offer as set out in Sections 4.1 and 4.2 above are satisfied, will be applied in discharging the total amount due for the Shares allocated to you. No fractional entitlements to Offer Shares will be allocated and refunds will not be made for amounts below the value of £5, and any such amounts shall be donated to the Peter Cruddas Foundation, a registered UK Charity number 1117323 which aims to benefit disadvantaged and disengaged young people in the UK at which Peter Cruddas is a trustee.

### **6 Applications**

The number of Offer Shares to be allocated in the Client Share Offer will be at the absolute discretion of the Company and the Controlling Shareholders, in consultation with the Joint Global Co-ordinators (on behalf of themselves and the other Underwriters). The Company has absolute discretion to decide in any individual case whether the conditions of eligibility for the Client Share Offer have been satisfied. To participate in the Client Share Offer, individuals must complete an Online Application. No person may apply jointly with others in the Client Share Offer.

## 7 Warranties

By completing and submitting an Online Application, you:

- (a) confirm that, in making an application, you are not making the application on behalf of any other person and you are not relying on any information or representation other than as is contained in the Prospectus, the Pricing Statement and any supplementary prospectus;
- (b) agree that none of the Company, the Underwriters, the Receiving Agent, any Principal Selling Shareholder, the Directors or any employee of or person acting on behalf of them or any person responsible solely or jointly for the Prospectus, the Pricing Statement and/or any supplementary prospectus, or any part of any of them, shall have any liability for any such information or representation (excluding for fraudulent misrepresentation);
- (c) agree that you have read and understood the Prospectus and you agree to be bound by these terms and conditions and the terms and conditions of your Online Application;
- (d) acknowledge that any investment decision you take in relation to the Offer Shares should be based on consideration of the Prospectus;
- (e) agree that, having had the opportunity to obtain and read the Prospectus, the Pricing Statement and any supplementary prospectus, you shall be deemed to have noted all information and representations (including all matters identified in Part II (*Risk Factors*) contained in the Prospectus, the Pricing Statement and/or any supplementary prospectus;
- (f) agree that no person is authorised in connection with the Offer to give any information or make any representation other than as contained in the Prospectus, the Pricing Statement and any supplementary prospectus and, if given or made, any information or representation must not be relied upon as having been authorised by the Underwriters, the Company, the Directors, the Principal Selling Shareholders or any other person;
- (g) agree to the fullest extent permitted by applicable law that you waive any right you may have under any law or regulation, other than English law or regulation, to bring an action or claim in any jurisdiction, other than in England, against any person in relation to any and all information, representations, statements or omissions contained in the Prospectus, Pricing Statement and/or any supplementary prospectus or in relation to your application for Offer Shares in the Client Share Offer;
- (h) confirm that you have reviewed the restrictions contained in Paragraph 9 below and warrant, to the extent relevant, that you comply or have complied with the provisions of that Paragraph below;
- (i) warrant that you are not a person who is under 18 on the date of your application;
- (j) agree that all documents in connection with the Client Share Offer may be sent to you by post or email (at the Company's absolute discretion) at your postal or email address set out in your Online Application and that any such documents will be sent at your own risk;
- (k) warrant that: (i) you are eligible to participate in the Client Share Offer as an Eligible Client resident in the UK; and (ii), subject as hereinafter provided, the Online Application is completed and submitted online solely for and on behalf of the applicant and not directly or indirectly, in whole or in part, for or on behalf of any other person;
- (l) warrant and undertake that you are not applying as, or as nominee or agent for, a person who is or may be a person mentioned in any of sections 67, 70, 93 or 96 of the Finance Act 1986 (concerning depositary receipts and clearance services);
- (m) warrant that you are not a person or other entity in the United States and that the Client Share Offer was not made to you in or into the United States whether through viewing the Offer Website from the United States or by the receipt of an email regarding the Client Share Offer, the Prospectus or any related offering documents in the United States or otherwise, and that you are offering to acquire Offer Shares in the Client Share Offer from outside the United States and not for the account or benefit, on a non-discretionary basis, of a person in the United States or with a view to the offer, sale or delivery, directly or indirectly, of Shares to any person in the United States;
- (n) warrant and undertake that you are not engaged in nor applying on behalf of a person engaged in, or whom you know or have reason to believe is engaged in, money laundering; and

- (o) agree that any material downloaded from [www.cmcmarkets.com/group/ipo](http://www.cmcmarkets.com/group/ipo) in relation to the Client Share Offer, is done at your own risk and that you will be solely responsible for any damage or loss of data that results from the download of any material.

## **8 Money laundering**

You agree that, in order to ensure compliance with any applicable money laundering regulations (including, without limitation, the Money Laundering Regulations 2007), the Receiving Agent may, at its absolute discretion, require verification of identity from any person completing an Online Application. Failure to provide the necessary evidence of identity may result in application(s) being rejected or delays in the despatch of documents.

## **9 Overseas investors**

No person receiving a copy of the Prospectus or accessing the Offer Website in any territory outside the UK may treat the same as constituting an invitation or offer to him nor should he in any event apply online using the Online Application. None of the contents of the Offer Website or the Prospectus has been submitted to the clearance procedures of any authorities other than the UK Listing Authority, as the competent authority in the UK. Any application made by an Eligible Client outside the UK will be rejected.

## **10 General**

- 10.1** To the fullest extent permitted by law, any liability for representations, warranties and conditions, express or implied and whether statutory or otherwise (including, without limitation, pre-contractual representations but excluding any fraudulent misrepresentations) are expressly excluded in relation to the Offer Shares and the Offer, by the Company, the Directors, each Principal Selling Shareholder, the Underwriters and the Receiving Agent.
- 10.2** Save where otherwise stated or where the context otherwise requires, terms used in these terms and conditions are as defined in the Prospectus (as supplemented by any supplementary prospectus issued by the Company in relation to the Offer and the Pricing Statement).
- 10.3** The rights and remedies of the Company, the Directors, the Principal Selling Shareholders, the Receiving Agent and the Underwriters under these terms and conditions are in addition to any rights and remedies which would otherwise be available to any of them, and the exercise or partial exercise of any one will not prevent the exercise of others or full exercise.
- 10.4** The Company (with the consent of the Joint Global Co-ordinators (on behalf of themselves and the other Underwriters)) reserves the right to delay the closing time of the Client Share Offer from 10.00 p.m. (London time) on 3 February 2016 by giving notice through a Regulatory Information Service. In this event, the revised closing time will be published in such manner as the Company in its absolute discretion determines subject, and having regard, to the requirements of the UK Listing Authority.
- 10.5** The Company may terminate the Offer without any obligation to you whatsoever at any time prior to Admission. If such right is exercised, the Offer will lapse and any money that has been debited from your account will be refunded.
- 10.6** If a supplementary prospectus is published by the Company in relation to the Offer, you will have a period of at least two clear Business Days within which you may withdraw your application to buy Offer Shares in the Client Share Offer. If a supplementary prospectus is published, you will be sent an email notifying you of this fact and setting out how to withdraw your application should you wish to. Any supplementary prospectus will be made available (along with information as to how you can withdraw your application) in the same manner in which the Prospectus is being made available, including at the following places:
  - (a) online at [www.cmcmarkets.com/group/ipo](http://www.cmcmarkets.com/group/ipo); and
  - (b) at the offices of the Receiving Agent (Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU).

- 10.7** If you do not notify the Company of your intention to withdraw in the required manner within the stipulated period your application to buy Offer Shares in the Client Share Offer will remain valid and binding upon you.
- 10.8** You will be sent an email on 10 February 2016 which will direct you to a website where you will be able to view and download your Share Account Statement. If you do not receive such an email on 10 February 2016, you should contact the Registrar.
- 10.9** You agree that all applications, acceptances of applications and contracts resulting from them under the Client Share Offer shall be exclusively governed by and construed in accordance with English law and that you irrevocably submit to the exclusive jurisdiction of the English courts and agree that nothing shall limit the right of the Underwriters, the Directors, the Principal Selling Shareholders, the Receiving Agent or the Company to bring any action, suit or proceedings arising out of or in connection with any such application, acceptances or contracts in any other manner permitted by law or in any court of competent jurisdiction.
- 10.10** You authorise the Underwriters and their agents, on your behalf, to make any appropriate returns to HMRC in relation to stamp duty or stamp duty reserve tax ("SDRT") (if any) on any contract arising on acceptance of your application and in relation to stamp duty or SDRT (if any) payable on any transfer of Shares as a result of such contract.
- 10.11** You agree and acknowledge that:
- (a) the Underwriters do not act for you and will not treat you as their customer by virtue of an application being accepted under the Client Share Offer and you agree that the Underwriters will not be responsible for providing to you the protections afforded to their customers and that the Underwriters do not owe you any duties or responsibilities concerning the price of the Offer Shares or concerning the suitability of the Shares for you as an investment or (save as expressly set out in these terms and conditions) otherwise in connection with the Offer or any transaction, arrangement or other matter referred to in the Prospectus; and
  - (b) the Underwriters and any of their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for the Company and certain of the Principal Selling Shareholders, for which they received customary fees. The Underwriters and any of their respective affiliates may provide such services to the Company and the Principal Selling Shareholders and any of their respective affiliates in the future.
- 10.12** You authorise the Company or the Receiving Agent and/or their agents to do all things necessary to effect registration into the name of the Shareholder Account Nominee of any Offer Shares acquired by you and authorise any representative of the Company or the Receiving Agent to execute and/or complete any document of title required therefor.

**PART XIX**  
**TERMS AND CONDITIONS OF THE CMC MARKETS SHAREHOLDER ACCOUNT**

The CMC Markets Shareholder Account is a convenient way to hold shares in the Company without needing share certificates and is administered by Capita IRG Trustees Limited. Your shares will be held by a nominee, Capita IRG Trustees (Nominees) Limited, on trust for you. You will remain the beneficial owner of your shares and will still be able to benefit from shareholder rights, as described in the Prospectus.

This Part XIX (*Terms and Conditions of the CMC Markets Shareholder Account*) sets out all the terms and conditions (“*Terms and Conditions*”) on which the CMC Markets Shareholder Account is provided by Capita IRG Trustees Limited. These Terms and Conditions, together with your Online Application, constitute an agreement which is legally binding on Capita IRG Trustees Limited and you pursuant to the Client Share Offer when the underlying Offer Shares are delivered to Capita IRG Trustees (Nominees) Limited and credited to your CMC Markets Shareholder Account.

Enquiries about the CMC Markets Shareholder Account, or these Terms and Conditions, can be addressed by: (i) post, to Capita IRG Trustees Limited, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, and (ii) by phone, on : 0371 664 9272. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. – 5.30 p.m., Monday to Friday, excluding public holidays in England and Wales. Please note that Capita IRG Trustees Limited cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

Please note that you may remove all or part of your Shares from the CMC Markets Shareholder Account at any time. The procedure to follow is set out in condition 19.

**Warning:** If you are entitled to receive Bonus shares, your entitlement to these will be forfeited if you transfer or sell your shares on or before the Bonus Share Record Date which will be 10 February 2017, should Admission take place on 10 February 2016 unless the Shares are withdrawn to be held in the form of a registered shareholding. The subsequent transfer of Shares from a registered shareholding before that date will lead to the loss of any entitlement to Bonus Shares.

Investments made under these Terms and Conditions are in one company only and should therefore be considered as only one part of a balanced portfolio. The value of shares and any income from them can go down as well as up and you may not get back the amount of money you invest. Past performance is no guide to future performance and, if you are in any doubt about the suitability of the nominee service or investments held on your behalf under it, you should consult an authorised financial adviser.

The CMC Markets Shareholder Account is administered by Capita IRG Trustees Limited, or any successor administrator that may be appointed. Capita IRG Trustees Limited is authorised and regulated by the FCA and is entered on the FCA register with registration number 184113. Further information may be obtained from the FCA’s register by visiting the FCA’s website <http://www.fca.org.uk/register/> or by contacting the FCA on 0800 111 6768. The FCA’s current address is 25 The North Colonnade, Canary Wharf, London E14 5HS, United Kingdom.

## TERMS AND CONDITIONS

### 1 Definitions and Interpretation

1.1 In these Terms and Conditions the following words and expressions have the meanings and interpretation set out below:

<b>“Affiliated Company”</b>	means a company in the same group of companies as CIRGT;
<b>“Agreement”</b>	means the legally binding agreement between us and you, incorporating these Terms and Conditions and any Application Form or other form of acknowledgement to these terms;
<b>“Applicable Regulations”</b>	means all the statutory and other rules (including FCA Rules and FSMA), regulations and provisions in force from time to time, applicable to us or to the provision of the Nominee Service, including the rules, principles and codes of practice stipulated by any regulatory authority to which we are subject;
<b>“Application Form”</b>	means, where applicable, the application form to be completed and signed by a person requesting to become a Member;
<b>“Business Day”</b>	means any day which is not a Saturday or Sunday and on which the banks are open for business in London and in any other city where the Shares are listed;
<b>“CIRGT”</b>	Capita IRG Trustees Limited whose registered office address is at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Registered in England, No. 2729260;
<b>“Client”</b>	means the corporate client of CIRGT at whose request the Nominee Service is provided to Members;
<b>“Company”</b>	means: (a) if the Shares are shares of the Client, the Client; or (b) if the Shares are shares in another company, such other company;
<b>“CREST”</b>	the computer based system operated by Euroclear UK & Ireland Limited (a subsidiary of Euroclear SA) for the transfer of uncertificated securities;
<b>“Dealing Service”</b>	means the share dealing service provided by Capita Share Dealing Services, a trading name of CIRGT;
<b>“DPA”</b>	the Data Protection Act 1998;
<b>“DRIP Service”</b>	means a dividend reinvestment plan service which may be provided by CIRGT at the request of the Client; if you are uncertain whether the DRIP Service is available to you, please contact CIRGT;
<b>“FCA”</b>	means the Financial Conduct Authority;
<b>“FCA Rules”</b>	means principles, guidance and rules issued by the FCA from time to time;
<b>“FSMA”</b>	means the Financial Services and Markets Act 2000 (as amended from time to time);
<b>“Investor Code”</b>	means the unique reference number given to every Member;
<b>“Nominee”</b>	means: (a) in respect of the Shares which are listed in the United Kingdom, Capita IRG Trustees (Nominees) Limited (a wholly-owned subsidiary of CIRGT). Where Shares are not held by Capita IRG Trustees (Nominees) Limited, they will be held by CIRGT in a suitably designated account or by any other nominee appointed from time to time by CIRGT; or

- (b) in respect of the Shares which are not listed in the United Kingdom or the United States, the custodian of those Shares or a nominee company controlled by the custodian; or
- (c) in respect of Shares which are listed in the United States, CIRGT, and such shares will be held in a suitably designated account;

<b>“Nominee Account”</b>	means the account which we open for each Member, in order for that Member to have access to the Nominee Service;
<b>“Nominee Register”</b>	the register of beneficial holders of Shares held through the Nominee Service maintained by CIRGT showing, inter alia, the name, address and number of Shares held on your behalf together with similar details in respect of every other Member;
<b>“Nominee Service”</b>	means the share nominee custody service as described in these Terms and Conditions;
<b>“Representative”</b>	means a person who is authorised to act on your behalf in relation to your Nominee Account and who has provided us with such proof of their authority to act, as we may reasonably require. Proof may include but shall not be limited to a duly executed Power of Attorney, Court of Protection Order and Grant of Representation;
<b>“Shares”</b>	means: <ul style="list-style-type: none"> <li>(a) shares in the Client; or</li> <li>(b) shares in another company in the same group of companies as the Client; or</li> <li>(c) shares in another company as agreed between CIRGT and the Client in writing from time to time,</li> </ul> in each case, held or to be held on your behalf through the Nominee Service;
<b>“Specified Event”</b>	means any of the events listed in clause 21.1;
<b>“we/us”</b>	means Capita IRG Trustees Limited and, where relevant, the Nominee, or any successor company appointed to replace us; and
<b>“you” or “Member”</b>	the person(s) on whose behalf we are holding the Shares or, if appropriate, the Representative(s) of such person(s) and “your” and “yourself” shall be construed accordingly.

- 1.2** The headings to the clauses are for convenience only and shall not affect the interpretation or construction of these Terms and Conditions. References to “clauses” are references to clauses of these Terms and Conditions.
- 1.3** Any reference to the Financial Conduct Authority or the FCA shall include any successor entity or entities to the Financial Conduct Authority from time to time.
- 1.4** Reference to any statute, statutory provision or the FCA Rules includes a reference to that statute, statutory provision or the FCA Rules as from time to time amended extended or re-enacted.
- 1.5** Any phrase introduced by the terms including, include, for example or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

## **2 How to join the Nominee Service**

### **2.1 Who is eligible to become a Member**

The Nominee Service is only available to individuals (including Representatives) aged 18 years or over, who are:

- (a) resident in the United Kingdom (excluding the Channel Islands and Isle of Man); or

- (b) resident outside of the United Kingdom in jurisdictions other than those specified in clause 2.1(a), as agreed in writing between CIRGT and the Client, in which case you must satisfy yourself that under your local law you are eligible to participate in the Nominee Service.

The Nominee Service is not available to any person that is resident outside of the European Economic Area (EEA).

## **2.2 How to become a Member**

- (a) A Member of the Nominee Service must either:
  - (i) complete and sign an Application Form or other form of acknowledgement and return it to us; or
  - (ii) if an electronic sign on facility is provided by us, sign up to the Nominee Service and accept these Terms and Conditions by 'ticking' the appropriate box or otherwise evidencing such sign up and acceptance of the Terms and Conditions in the manner specified in such electronic sign on facility,and, in each case, providing any other documents and information reasonably requested by us in order for your Shares to be held in the Nominee Service.
- (b) By requesting us to hold your Shares for you under the Nominee Service, you agree to be bound by these Terms and Conditions.
- (c) If we agree to hold your Shares in the Nominee Service, we will open a Nominee Account in your name. When the Nominee Account is opened for you, you will be provided with an Investor Code. You are responsible for keeping your account details secure and you must not disclose details to any other person (who is not your Representative).
- (d) As the Nominee Service includes regulated activities, in accordance with the requirements of the FCA Rules, we are required first, to classify our customers and secondly, to notify our customers as to the client category in which we have classified them. For the purposes of the FCA Rules, we are classifying you as a 'Retail Client'. These Terms and Conditions and any Application Form or other form of acknowledgement will, for the purposes of satisfying the FCA Rules, be regarded as the Client Agreement.
- (e) The Nominee Services are provided by us to you and not the Client or the Company. We are not acting as agent for the Client or the Company in providing the Nominee Service although we have been requested to provide a nominee service to Members by the Client. We are not acting as principal in relation to any transactions with you.

## **2.3 Verification of Identity and Account Opening**

- (a) To comply with Applicable Regulations (including compliance with the UK Money Laundering Regulations), we are required to verify the identity of our customers. You authorise us to make credit reference, identity (including searching the electoral roll), fraud and other such searches and enquiries that may be necessary for the purpose of opening the Nominee Account with us. The credit reference agency may check the details you supply against any particulars on any database (public or otherwise) to which they have access. They may also use your details in the future to assist other companies for verification purposes. You also authorise us to undertake further similar searches at regular intervals. A record of the search will be retained. You may also be required to provide additional information.
- (b) You may be required to provide additional information such as a recent (i.e. not older than three months) original council tax bill, utility bill or bank statement. In such instances, having made a record of this information, we will return such documents to you.
- (c) Account opening and registration is always at our discretion. We may therefore refuse to open the Nominee Account for you without informing you of our reasons for doing so and you agree that we will have no liability to you for any loss you may incur if we decide not to open a Nominee Account in your name.

## **2.4 Joint holdings**

- (a) Shares held jointly must be held in a joint Nominee Account. We will open joint Nominee Accounts for up to four joint holders, and all references in these Terms and Conditions to

“you” or a “Member” apply to each joint holder individually, except where the context otherwise requires.

- (b) All joint holders wishing to become Members must sign the Application Form or Form of Acknowledgement. We will only accept transfer instructions signed by or on behalf of all the joint holders.
- (c) Each joint holder agrees that:
  - (i) all obligations, undertakings and agreements on our part are given to the joint holders taken together and not separately to each of them; and
  - (ii) all obligations, undertakings, agreements and liabilities arising out of or pursuant to these Terms and Conditions constitute joint and several obligations of each joint holder.

### **3 How the Nominee Service works**

- 3.1** We will hold your Shares in the name of the Nominee in uncertificated form on your behalf as trustee subject to the provisions of the Company’s Articles of Association and any other document governing the terms on which the Shares are issued or transferred. Although we will therefore be the legal owner of the Shares, you will remain the beneficial owner of the Shares which means that, subject to our legal obligations, we will treat the Shares as if they belonged to you.
- 3.2** The Shares will be registered in the name of the Nominee (which, for the avoidance of doubt, means in the case of Shares listed in the United States, the Shares will be registered in the name of CIRGT) and we will hold the Shares as you direct. Neither CIRGT nor the Nominee will have or claim any interest in your Shares except under clauses 10.10, 18.5 and 21.2 of these Terms and Conditions or under any separate arrangement which you may have with CIRGT. CIRGT will be responsible to you for any acts or omissions of the Nominee in connection with your Shares.
- 3.3** We will maintain the Nominee Register. In connection with your holding of Shares, you agree to provide promptly any information which the Client or the Company are entitled to request from the Nominee in respect of those Shares registered in the Nominee’s name (for example, this may include information required to satisfy nationality declaration requirements or the disclosure of information relating to beneficial ownership of the Company’s share capital).
- 3.4** You can obtain the appropriate forms to transfer Shares or to provide us with instructions by writing to: Capita Asset Services, Nominee Service, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, or, by email to [custodymgt@capita.co.uk](mailto:custodymgt@capita.co.uk). You should state the name of the Client, the name of the Company (if different) and quote your Investor Code. Except where otherwise stated in these Terms and Conditions (see clause 5.1(d)), we will only act on written instructions which contain your Investor Code. Your Investor Code is shown on your personal statement which will be sent to you by us in accordance with clause 9.
- 3.5** We will only accept transfers of Shares into the name of the Nominee and to be held in your Nominee Account if there is no change of beneficial owner in the Shares being transferred and all applicable stamp duty has been paid.
- 3.6** You may instruct us to hold your Shares in the name of another person (provided they are over 18 years of age and eligible) by issuing written instructions on the appropriate form stating that such a transfer is by way of a gift to another person (for example, a family member). The proposed recipient must sign his or her agreement to the Terms and Conditions. You should seek independent tax advice if you are in any doubt as to the tax treatment of such a gift. Other than pursuant to such an instruction, you cannot transfer your Shares to another person in the Nominee Service.
- 3.7** If you wish to transfer your Shares you must first either:
  - (a) ask for your Shares to be transferred into your own name in certificated form; or
  - (b) instruct us to transfer your Shares to another custodian to hold your Shares on your behalf.

We will arrange for this on receipt of your written instruction to do so on the appropriate form and payment of any applicable charges (including stamp duty). If you ask for your Shares to be transferred into your name, they will be registered in your name on the main register of Shareholders of the Company and a share certificate will be issued to you in accordance with the

relevant provisions of its Articles of Association. If all your Shares are transferred into your name or to a third party in CREST, this means that you will leave the Nominee Service.

- 3.8** All movements of Shares which may include sales, purchases and transfers to and from the Nominee Account are subject to any applicable rules of the London Stock Exchange plc or other market on which the transaction is effected.
- 3.9** You may not cancel or change any instructions in relation to a transfer of Shares once they have been sent to us. We may refuse to act on instructions from you:
- (a) which are not given on the correct form or given on a form that has been incorrectly completed;
  - (b) which are not given in writing or are incomplete; or
  - (c) if we believe that complying with such instructions would breach the FSMA, the FCA Rules or any other applicable legal requirement.

We may also delay acting on your instructions if we reasonably feel that it is necessary: (i) to obtain additional information from you to comply with any legal or regulatory requirement (including compliance with the UK Money Laundering Regulations); or (ii) to investigate any concerns we may have as to the validity of your instructions. Where further enquiries are required, you authorise us to make credit reference, identity (including searching the electoral roll), fraud and other enquiries that we reasonably deem necessary for these purposes. We accept no liability for any financial loss arising from such a delay. Instructions that are not accepted will be returned to you, where appropriate.

- 3.10** Instructions to transfer are acknowledged by the issue of a statement. Any other instructions will only be acknowledged by us acting on them and are not otherwise acknowledged.
- 3.11** If you instruct CIRGT to sell some or all of your Shares they can only be sold by using the Dealing Service. The terms of the Dealing Service may change from time to time. Full details and terms of the Dealing Service are available upon request. If you want to use another dealing service you will need to transfer the Shares out of your account and into a third party in CREST (for example a broker through which you wish to sell), to another custodian, or into your own name in certificated form (so that you or the custodian can arrange for the sale of your shares through a broker of your choice). We will arrange for this on receipt of your written instruction to do so (such instruction to be provided in accordance with these Terms and Conditions) and payment of any applicable charge.
- 3.12** If a DRIP Service is available to you, you will be notified in writing whether the DRIP Service is voluntary or mandatory.
- (a) If the DRIP Service is voluntary, you may choose whether or not you wish to participate in the DRIP Service.
  - (b) If the DRIP Service is mandatory, you will automatically benefit from the DRIP Service if you elect to participate in the Nominee Service. You will not be able to withdraw from the DRIP Service or cancel your participation in the DRIP Service unless you withdraw from and cancel your participation in the Nominee Service.

If a DRIP Service is available to you, full details and terms of the DRIP Service are available on request.

#### **4 Our service**

- 4.1** We will not conduct investment business with you on our premises or in person. We offer the Nominee Service, only in relation to the Shares in the Company on these terms. Unless otherwise agreed in writing, there are no restrictions on the markets or types of investment in which we may carry on business on your behalf.
- 4.2** We will deal with you on an execution-only basis at all times. This means that our services are limited to the execution of your instructions. We shall not provide you with any advice on the merits or suitability of you holding your Shares or deciding to have your Shares held through the Nominee Service, or any transaction contemplated by these Terms and Conditions.
- 4.3** We will never provide you with any investment, trading, tax or financial advice or any investment management services. Nothing in these Terms and Conditions should be taken as a recommendation to buy, sell or hold shares in any company. You should rely on your own judgment when deciding

whether or not to enter into any transaction contemplated by this Agreement or seek any advice or assistance you may need from an appropriate independent professional adviser.

**4.4** CIRGT provides a Nominee Service to you only in relation to the Shares, which are traded on a regulated market. CIRGT will not assess the suitability of the instrument or the service provided or offered to you. As a result, the FCA rules on assessing suitability do not apply. Therefore, we will not assess whether:

- (a) the relevant product or service meets your investment objectives;
- (b) you would be able financially to bear the risk of any loss that the product or service may cause; or
- (c) you have the necessary knowledge and experience to understand the risks involved.

CIRGT is also not required to assess the appropriateness for you of the Nominee Service or any transaction connected to the Nominee Service.

## **5 Communications between you and us**

### **5.1 General**

- (a) You may give certain instructions by email or via a designated web portal (where the Client has agreed to this service) as specified by CIRGT from time to time. All communications between you and us, pursuant to these Terms and Conditions, must be in English.
- (b) Except as otherwise stated in these Terms and Conditions, all communications sent by you under these Terms and Conditions must be given in writing and sent to:
- (c) Capita Asset Services, Nominee Service
- (d) The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU
- (e) You should quote:
  - the name of the Company whose Shares you hold through the Nominee Service;
  - your full name; and
  - your Investor Code (which can be found on your personal statement)

in all communications with us relating to your Nominee Account (for example any change of address or instructions about receipt of dividends).

- (f) We shall be entitled to act upon any instructions or orders transmitted using your Investor Code or which we reasonably consider to be genuine. We do not have to establish the authority of anyone quoting or using your Investor Code in any communications provided that we have acted with all due care in accepting such communications. We may (in our sole discretion) accept communications which do not quote or use an Investor Code if we reasonably consider such communication to be genuine. We shall not be liable for forged or fraudulent instructions. If you are aware or suspect that your Investor Code is no longer confidential or any of your other details have been used by another person in communications regarding your Nominee Account then you should contact us as soon as possible.
- (g) You will be responsible for all instructions in respect of transactions contemplated by these Terms and Conditions and for the accuracy of all information given to us.

### **5.2 Representatives**

- (a) You may also appoint a Representative in writing to give us instructions on your behalf. You may change your Representative or cancel the appointment of your Representative by written notice to us, but we shall not be bound by any such variation until we have actually received your written notice and obtained such proof of their authority to act as we may reasonably require. Proof may include but shall not be limited to a duly executed Power of Attorney, Court of Protection Order and Grant of Representation.
- (b) We shall be entitled to act upon the instructions of your Representative unless and until we have been sent written notice by you that their authority has been revoked. You agree that all instructions received from your Representative shall be treated as your instructions and you

accept full responsibility in respect of any instruction or any error in any instruction given by you or a Representative.

### **5.3 Communications with you**

- (a) You authorise us to communicate with you by letter or electronic mail, unless specifically requested otherwise by you in writing.
- (b) All communications sent by us will be sent to your last address as recorded on the Nominee Register or sent by electronic means to your last email address notified to us. Communications sent to you by post will be treated as received by you on the second Business Day following the day they were sent in the case of an address in the United Kingdom, or on the fifth Business Day following the day they were sent in the case of an address outside of the United Kingdom. It is the responsibility of any joint holder who has been sent the communication or payment to inform and account to the other joint holders.
- (c) You are responsible for keeping your details on the Nominee Register up-to-date, by notifying us in writing of any change of name, address or bank account details and providing us with the supporting documentation where required (e.g. in the case of a change of name, the deed poll or marriage certificate).
- (d) Any documents or cheques sent to you by us and any documents or cheques sent by you to us will be sent at your risk and we accept no liability prior to receipt by us of any document or cheque or, where relevant, after despatch of any document or cheque to you.

## **6 Company meetings**

- 6.1** We will send you information about shareholder meetings of the Company every time we receive notice that a shareholder meeting is being convened. We will also provide an instruction form and you will be able to use this to instruct the Nominee how to cast votes in respect of the Shares held in your Nominee Account on any poll called at the meeting. In such case, we must have received the relevant instructions from you on a correctly completed form before the deadline notified to you on the relevant form. In the absence of your instructions, no votes will be exercised in respect of your Shares.
- 6.2** Depending on the Articles of Association of the Company, you may also be able to instruct the Nominee to appoint yourself or another person of your choice, including the chairman of the meeting, as your proxy in respect of the Shares held in the Nominee Account. This will enable you or the proxy to attend and vote on a poll and, provided this is possible legally and is permitted by the Articles of Association of the Company, on a show of hands.
- 6.3** Please note that the procedures described in this clause 6 will be subject to any matters regarding voting, attendance at meetings etc. provided for in the Company's Articles of Association and any policy decisions implemented by the Company in respect of the conduct of general meetings.
- 6.4** Except as provided for in this clause 6 and when you provide instructions to us, we shall have no duty or responsibility to attend Shareholders' meetings on your behalf or to vote in respect of your Shares.

## **7 Information from the Company**

- 7.1** We will ensure that any copies of summary financial statements and interim accounts sent by the Company to its registered Shareholders and received by CIRGT are also sent to you (or made available to you in electronic form where you have requested electronic form and this service is available).
- 7.2** All other documents issued by the Company to registered holders generally will be forwarded by us to Members, at or around the same time as registered holders (subject to us receiving sufficient copies from the Company for Members).

## **8 Dividends, Payments and Corporate Actions**

- 8.1** Subject to clause 8.4, we will on your behalf claim and receive cash dividends and other entitlements accruing on your Shares. Cash dividends and other entitlements will be distributed to Members as soon as reasonably practicable after receipt by us from the Company, by means of cheque or, at our discretion, electronic payment. Bank fees (if any) in respect of electronic payment or telegraphic transfer shall be charged to the Member's account. Payments will be made in pounds sterling. In the event that the currency in which dividends are normally paid in accordance with the Company's dividend policy is not pounds sterling, any amount payable to the Nominee by the Company shall be converted into pounds sterling prior to distribution to Members. At the time of writing:
- (a) the conversion of any such amounts is effected by the Nominee's appointed custodian prior to receipt of such amounts by the Nominee;
  - (b) the foreign exchange rate is based on the then existing spot price foreign currency rates quoted on Reuters or any other commercially accepted financial market provider on the date of execution; and
  - (c) the appointed custodian will deduct a fee to cover administration costs of execution prior to transferring such amounts to the Nominee.
- CIRGT shall not be liable for any losses arising from any foreign exchange fluctuation between the time payment is made by the Company and the time when payment is made to you in pounds sterling.
- 8.2** If required to do so to comply with any legal or regulatory requirements, we may deduct or withhold for such purposes sums on account of tax and pay the net amount to you.
- 8.3** If a payment made to you in respect of your Shares is returned to us and after reasonable enquiry we cannot find your current address, we will not send you another payment until you notify us in writing of your new address.
- 8.4** If the Company offers its Shareholders (including any Members) the right to choose to receive further Shares instead of a cash dividend pursuant to the terms of a dividend reinvestment plan and if you wish to participate in the plan and validly elect to receive further Shares, we will ensure that we receive the relevant Shares and hold them on your behalf in the Nominee Account and any cash residue will be dealt with in accordance with the terms of the dividend reinvestment plan issued by the Company.
- 8.5** In the event of a takeover, a capital reorganisation, conversion or other corporate action relating to the Company, we will endeavour to notify you promptly and implement any instructions you give us provided that the Client or the Company gives us adequate notice of the proposals and also that we receive your instructions in good time so as to allow us to take appropriate action (however we will not be liable if, for any reason, any notification by us does not reach you in time). We will however not be obliged to do anything in such an event unless the Client or the Company gives us adequate notice and we receive written instructions from you in reasonable time to allow us to take action in respect of the Shares held in your Nominee Account.
- 8.6** We will not accept a takeover offer or other offer for any of the Shares held in your Nominee Account in the absence of your instructions except where your Shares are compulsorily acquired. In the event of a compulsory acquisition, we will accept the basic terms of the acquisition on your behalf, but will not exercise choices or elections, in the absence of your specific instructions received before relevant deadline.
- 8.7** Where the Company issues offer documents in respect of an optional corporate action (for example, a tender offer, rights issue, placing and open offer, merger, scheme of arrangement or amalgamation or reconstruction) we are not obliged to forward such documents to you. Where appropriate you should contact the Client or the Company directly to obtain offer documents.
- 8.8** We will not be responsible for taking any corporate action in respect of the Shares held in your Nominee Account and may allow the event to lapse if your instructions:
- (a) are not received by us by the stated time;
  - (b) are incomplete or given by a third party who does not have the relevant authority; or

- (c) require payment on your behalf and you have insufficient funds in your Nominee Account.
- 8.9** Unless we receive instructions to the contrary, you authorise us to take all actions described below:
- (a) make payments to ourselves or others for properly incurred expenses in handling your Shares (for example costs of translation of foreign documents, foreign currency conversion or bank charges) or other matters relating to our duties under these Terms and Conditions;
  - (b) receive and collect all income with respect to Shares and to credit cash receipts to your Nominee Account;
  - (c) execute in your name such ownership and other certificates as may be required to obtain the payment of income from the Shares;
  - (d) pay or cause to be paid from your Nominee Account any and all taxes, levies or withholdings imposed on the Shares by any governmental authority in connection with custody of and transactions in such Shares;
  - (e) use reasonable efforts to promptly reclaim any foreign withholding tax relating to the Shares; and
  - (f) make payments to ourselves for our reasonable fees if we are required by any Applicable Regulation to carry out additional services to those set out in these Terms and Conditions.

## **9 Statements**

- 9.1** You will receive an opening balance statement on joining the Nominee Service showing the number of Shares you have. Statements will be sent to you at least once a year (usually, at the same time as the Company's Annual Report and Accounts are despatched to Shareholders), together with details of the composition of your Nominee Account as at the end of the period covered by the statement. In the event that the Nominee Service ceases to be provided to you for any reason, a closing statement will be issued to you. These statements are provided free of charge. If you require an interim statement or duplicate statement of your holding in writing, we may make a charge to supply it (see clause 10.1).
- 9.2** It is your responsibility to check any statement which you receive from us. If you have any query or concern in relation to the matters disclosed in the statement you must contact us as soon as possible but, in any event, within two months of receipt of the statement. We shall correct any mistaken credits or debits to the records maintained for your Nominee Account and will notify you of any changes relevant to you.
- 9.3** If we have sent documents to your address on two separate occasions and they have been returned and, after making all reasonable enquiries, we cannot find your current address, we will not send any more documentation to you until you provide us with your correct address.

## **10 Charges, expenses and payments**

- 10.1** There is no initial charge for becoming a Member of the Nominee Service. We may make charges in respect of other operations, for example, the transfer of Shares and the issue of duplicate documentation. Duplicate documentation includes duplicate dividend warrants and duplicate annual statements.
- 10.2** A copy of our charges will be provided to you when you apply to become a member of the Nominee Service and additional copies may be obtained on request by writing to Capita Asset Services, Nominee Service, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.
- 10.3** Our charges are subject to review and modification from time to time in the future for the following reasons:
- (a) to reflect reasonable changes in the way we provide the Service to you;
  - (b) as a result of new services which we may make available to you;
  - (c) where reasonably required as a result of changes in market conditions or market practice;

- (d) to take account of changes or anticipated changes to, or to comply better with, applicable laws or the interpretation of those laws, regulatory requirements, industry guidance or codes of practice that we follow, or the way that we are regulated;
  - (e) to reflect a decision or recommendation of a court, ombudsman, regulator or similar body which is relevant to us or to the Service; or
  - (f) to take account of, in a proportionate manner, the cost to us of providing the Service.
- 10.4** We will give you at least 30 days' prior notice of any increase in our charges payable by you. If you are unhappy with such increase, you may cancel your agreement with us at any time without charge within 30 days of our sending you the notice of such increase.
- 10.5** In addition to the above charges, you will be charged Value Added Tax (VAT) on any fees and charges payable by you (for example, broker's fees).
- 10.6** In addition to our fees and charges, you are responsible for paying any stamp duties applicable to share transactions, VAT, other duties and taxes in respect of your Shares, where applicable. You should note that there may be other taxes or costs that may exist that are not paid through us or imposed by us.
- 10.7** You may make any payments due to us under this Agreement as follows:
- (a) by authorising us in writing to deduct the charges from your Nominee Account or annual dividends, if any; or
  - (b) if no such authority is provided under (a) above, you may pay by personal cheque crossed and made payable to 'Capita IRG Trustees Limited', drawn on a United Kingdom bank or building society account.
- 10.8** If any payment is not received by us on the due date for payment then, without limitation of any other rights which we may have, we will be entitled to charge interest on the overdue amount (both before and after judgement) at the rate of 1 per cent. above the pounds sterling base rate from time to time of our main UK bank from the due date until the actual date of payment.
- 10.9** Subject to clause 10.10, 18.5 and 21.2 below, we and our agents will not have any lien (right to keep possession of) or claim security interest in your Shares.
- 10.10** We do however reserve the right to sell any of your Shares or connected rights and to retain the value of the amount which at any time is due and payable to us in respect of the provision of the Nominee Service. In these circumstances, you authorise us to execute any stock transfer form or other document or give any instruction necessary to give effect to any such sale and, by appointing us to provide the Nominee Service under these Terms and Conditions, you acknowledge and declare that in these circumstances we shall have a legal charge over your Shares and your rights and interests in or in relation to your Nominee Account. If you owe us money in respect of the provision of the Nominee Service, we reserve the right not to act on instructions from you until you have paid us in full.
- 11 Client Money**
- 11.1** We will treat all money, including dividend payments and other entitlements of a similar nature, awaiting distribution to you as client money in accordance with the requirements of the FCA Rules on client money. Your money will be segregated from our own funds. We will hold all money held in pounds sterling in a non-interest bearing client bank account in the United Kingdom, with an approved bank in the United Kingdom. Client Money in a foreign currency will be held in a client bank account denominated in the relevant foreign currency with an approved bank in the United Kingdom. No interest shall be payable to you in respect of such client money. The money will not be used by us in any transactions other than as specified in these Terms and Conditions.
- 11.2** Please note that, whilst the cash balance for each Member will be recorded separately, it will be pooled with the funds of other clients of CIRGT. Where a pooling event occurs, such as a default by CIRGT or the Nominee or their bankers, you will not have a claim against a specific sum of money in a specific account; your claim would be against the client money pool, held by us in general. The funds may then be distributed on a pro rata basis to all Members which could result in each Member receiving less back than that which is held on their behalf before such an event.

- 11.3** You agree that we may from time to time transfer your money to an intermediate broker, a settlement agent, an exchange or a clearing house located in the United Kingdom or in a jurisdiction outside the United Kingdom to pay sums due in respect of the transactions effected with or through such persons on your behalf. You should be aware that your money may be treated in a different manner once it passes outside the control of CIRGT and you may lose the full protection of the UK client money regulations. We shall not be liable for any failure whatsoever, and however caused, by such persons to return your money which is held by them unless it was caused by our fraud, wilful default, negligence or breach of FCA Rules or FSMA.
- 11.4** You agree that we may pay away any unclaimed client money and/ or unclaimed custody assets (including, without limitation, Shares) to charity in accordance with the FCA Rules. We undertake to make good any valid claim which may subsequently be made against any unclaimed client money and/ or unclaimed custody assets paid to charity in this way and reserve the right to request such evidence as we feel reasonably necessary to confirm the identity of the person claiming these funds in order to validate any claim prior to settlement in respect of funds. Subject to clause 18.8, we will not be liable for any losses or claims for interest whatsoever in respect of such amounts unless such losses or claims were caused by our fraud, wilful default, negligence or breach of the FCA Rules or FSMA.

## **12 Fractional benefits**

Due to us holding your investments in the Nominee Account on a pooled basis, additional amounts may arise that would not otherwise have occurred had such investments been registered in your own name, (for example, following certain corporate actions). You consent that we shall determine in our sole discretion, having regard to the size of the balance and the number of participants, whether we shall distribute the balance to you or retain the balance for our own account. Consequently, you may not be entitled to these additional amounts.

## **13 Pooling**

While details of your Shares are recorded in your Nominee Account, we will pool your Shares with other customers' Shares and as a result individual entitlements may not be identifiable by separate certificates or other physical documents of title or equivalent electronic record. In the event of an unreconcilable shortfall following any default by a custodian appointed by us, you may not receive your full entitlement and any shortfall may be shared by all persons in proportion to their original holdings in the pool.

## **14 Risks**

- 14.1** There are risks involved in investing in and holding Shares. As we only provide a Nominee Service, we take no responsibility for the decision of a Member to buy, sell, hold or exercise rights in relation to Shares. A share is a portion of the capital stock of a company which typically entitles the holder to vote at general meetings, receive income in the form of dividends and to share in the surplus assets of the company in the event of winding up.
- 14.2** The market information relating to the past performance of Shares is not an indication to their future performance. The value of Shares or income from them may go down as well as up. As Shares are valued from second to second, their bid and offer value fluctuates sometimes widely. The value of Shares may rise or fall due to the volatility of world markets, interest rates and capital values or, for Shares held in overseas markets, due to changes in the exchange rate in the currency in which the investments are denominated. You may not necessarily get back the amount you invested.
- 14.3** Instructions, given by you or on your behalf constitute a binding contract and they cannot be amended or cancelled after they have been given.
- 14.4** Taxes may affect the net value of your investments and income received from them. Levels and bases of, and relief from taxation depends on the individual circumstances of each customer and are subject to change as UK tax legislation may change from time to time. As we only provide a Nominee Service, we do not accept any responsibility for tax advice.
- 14.5** There are risks involved in the transactions in Shares with which we may be involved. In the case that your money is transferred to an intermediate broker, a settlement agent, an exchange or

clearing house located outside the United Kingdom, your money might not be as well protected as would be the case if held by a bank or other financial institution in the United Kingdom.

## **15 Compliance with Applicable Regulations**

- 15.1** The Terms and Conditions and all transactions between you and us are subject to Applicable Regulations. If there is any conflict between these Terms and Conditions and any Applicable Regulations, the Applicable Regulations will prevail to the extent necessary to avoid the conflict. Nothing in these Terms and Conditions will exclude or restrict any obligations which we have to you under the Applicable Regulations.
- 15.2** We may refrain from doing anything which could or might, in our reasonable opinion, be contrary to any Applicable Regulations which would or might otherwise in our reasonable opinion render us liable to any person. We may do anything which, in our reasonable opinion, is necessary to comply with any such Applicable Regulations or to avoid any such liability.
- 15.3** CIRGT is authorised and regulated by the FCA to provide the Nominee Service in the United Kingdom and nothing in these Terms and Conditions requires or implies that such services will be provided in any territory in which CIRGT is not appropriately authorised.

## **16 Representations and Warranties**

- 16.1** By applying to become a Member, you warrant and represent to us that:
- (a) a. all information that you supply to us is complete, true, accurate and not misleading in any material respect;
  - (b) b. you enter into this Agreement and any transactions contemplated by this Agreement, as principal and not as another person's agent or representative;
  - (c) c. you are not under any legal disability with respect to, and are not subject to any law or regulation which prevents your performance of, this Agreement and any transactions contemplated by this Agreement;
  - (d) d. you are the legal and beneficial owner of all property provided by you to us under this Agreement and you are entitled to pass to us full legal ownership of such property, free from all liens, charges and encumbrances whatsoever and you will not create any security interest of any kind over such property;
  - (e) e. you have obtained all necessary consents and have the authority to enter into this Agreement and any transaction contemplated by this Agreement; and
  - (f) you are in compliance with all Applicable Regulations to which you are subject including, without limitation, all tax laws and regulations, exchange control requirements and registration requirements.
- 16.2** The above warranties and representations shall be deemed to be repeated each time you provide us with instructions or enter into any transaction contemplated by this Agreement.
- 16.3** You undertake that, throughout the duration of this Agreement, you will promptly notify us of any change to the details supplied by you or any change or anticipated change in your financial circumstances (including any actual or threatened litigation) which may affect the basis upon which we undertake business with you.

## **17 CREST and other clearing systems**

- 17.1** Neither CIRGT nor the Nominee accepts responsibility for any delays or liabilities suffered by you as a result of:
- (a) the operation, failure or suspension of CREST or the insolvency or other default of Euroclear UK & Ireland Limited or of any participants in CREST; or
  - (b) the operation, failure or suspension of any other clearing system used by us or the insolvency or other default of the operator of such clearing system or of any participants in such clearing system; or

- (c) the failure by any CREST or other clearing system's settlement bank to make, receive, credit or debit any payment.

Neither CIRGT nor the Nominee accept responsibility for any delays and liabilities suffered by you as a result of the suspension or removal of the sponsor by CREST or any other clearing system as a CREST sponsor or a sponsor in respect of such other clearing system (as applicable), unless the suspension or removal is due to negligence, wilful default or fraud on the part of CIRGT or the Nominee.

- 17.2 You will pay our reasonable costs or liabilities incurred in connection with an instruction to transfer your Shares (whether or not involving Euroclear UK & Ireland Limited) that cannot be completed for any reason caused by you. You undertake to notify us if you know of any person (e.g. a bank) who has the right to prevent you from transferring your Shares.
- 17.3 Where Shares are held in uncertificated form by a clearing house, other than Euroclear UK & Ireland Limited, the legal and regulatory regime applying to such a clearing house may be different to that of the United Kingdom. In such a case, you agree that CIRGT's and the Nominee's liabilities in respect of the activities of the overseas clearing house will be limited to the extent as set out in section 17.1.
- 17.4 If we arrange for your Shares to be held in one or more jurisdictions outside of the United Kingdom, there may be different settlement, legal and regulatory requirements in overseas jurisdictions from those applying in the United Kingdom and there may be different practices for the separate identification of the Shares.

## **18 Limitation of liability and Indemnity**

- 18.1 We will take all reasonable care and skill in the set up and administration of the Nominee Service.
- 18.2 If we cannot provide the Nominee Service due to circumstances beyond our reasonable control (for example, because of failure of computer systems or telecommunications links or overriding emergency procedures, postal delays, flood, fire, storm, labour disputes, accident, vandalism, malicious damage, war or terrorism, failure of third parties to carry out their obligations, the suspension of trading by any exchange or clearing house, the acts of governmental or regulatory authority (including changes to Applicable Regulations), the absence of, or inaccuracy in any information provided to us by you or on your behalf. We will, where possible, take such reasonable steps as we can to provide the Nominee Service as soon as possible following any delay or failure.
- 18.3 Subject to this clause 18, our liability to you for providing the Nominee Service is limited to any losses directly associated with the act or omission that gave rise to the liability. We will not be liable for any damage or loss suffered by you which we could not reasonably have foreseen (for example the loss of an alternative investment opportunity or any tax benefit).
- 18.4 Neither CIRGT nor the Nominee is acting as agent for the Client or the Company and they accept no responsibility for the Client's or the Company's acts and omissions, including any decision by the Client to suspend or terminate the Nominee Service.
- 18.5 Neither CIRGT nor the Nominee will be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under these Terms and Conditions. If, notwithstanding this provision, either CIRGT or the Nominee does so, CIRGT will be entitled upon notice to you to make such deductions from the Shares or any income or capital arising from them or to sell all or any of the Shares and make such deductions from the proceeds of sale as may be required to reimburse any loss or liability suffered.
- 18.6 Subject to clause 18.8, we will not be responsible for any acts or omissions of the Client, the Company, or any broker, settlement agent, depository, clearing or settlement agent or system.
- 18.7 We may employ agents and delegates on such terms as we think fit to carry out any part of our obligations or discretions in connection with the Nominee Service and, save as otherwise provided in these Terms and Conditions, we shall be liable for the acts and omissions of such agents and delegates as if they were our acts or omissions.

**18.8** Nothing in this Agreement shall exclude or limit:

- (a) our liability for death or personal injury resulting from the negligence caused by us or the Nominee; or
- (b) liability for any losses or expenses (including loss of Shares) suffered by you as a direct result of the negligence, wilful default or fraud of either CIRGT or the Nominee; or
- (c) any other liability which cannot be excluded or limited by law, including FCA Rules and FSMA.

## **19 Termination**

### ***By you:***

- 19.1** You may remove all or part of your Shares from the Nominee Service at any time by notifying us on the appropriate form at the address provided in clause 5.1(d). Your instructions will take immediate effect on receipt but will not cancel or amend any instructions you have already sent to us.
- 19.2** If you remove all of your Shares from the Nominee Service, your Agreement with us on these Terms and Conditions will terminate. If we cease to hold Shares for you, you will need to enter into a new agreement if, at a later date, you acquire Shares which are to be held through the Nominee Service.
- 19.3** Removing all or part of your Shares from the Nominee Service will not affect any of your rights or obligations arising prior to the date of such removal or which arise in consequence of such removal or which relate to our provision of the Nominee Service to you and all such rights and obligations shall continue to be subject to the Terms and Conditions prevailing at the time of the removal. You will be required to pay any charges that are reasonably incurred for transferring Shares from the Nominee Service (see also clause 10.2), but will not be required to make any additional payment to us in respect of the termination of your Agreement with us.
- 19.4** The Nominee Service will automatically terminate if you die. If we receive adequate proof of your death, we will follow the instructions of your personal representative (appointed pursuant to a grant of probate, letters of administration or other legally effective appointment (or overseas equivalent)).

### ***By us:***

- 19.5** If, at any time, you do not satisfy the eligibility criteria set out in clause 2.1, including, without limitation, if you cease to be resident in the European Economic Area (EEA), your participation in the Nominee Service and your Agreement with us on these Terms and Conditions may be terminated and we will notify you of this in writing.
- 19.6** We may withdraw the Nominee Service from you and terminate our Agreement with you on not less than 30 days' written notice if, in our opinion, you are in material breach of these Terms and Conditions or the Nominee is unable to comply with any obligations to which it may be subject in respect of your Shares under the Company's Articles of Association or under any applicable laws or regulations.
- 19.7** The provision of the Nominee Service is at the discretion of the Client. If the agreement between the Client and CIRGT for the provision of the Nominee Service terminates, our Agreement with you will automatically terminate and we will notify you of this in writing.
- 19.8** No penalty will be payable by either party on termination of these Terms and Conditions. On termination by either party and after the relevant notice period, we will arrange for your Shares to be transferred into your name on the register of Shareholders as soon as practicable and shall with immediate effect (but subject to clause 19.9) cease to process instructions from you. The Company will send you either a share certificate in respect of your holding of Shares or, if the Company does not issue share certificates, a share statement evidencing your holding of Shares. We may deduct all amounts due to us before transferring to you any credit balances on your Nominee Account.
- 19.9** Termination of your Agreement with us will be without prejudice to the completion of transactions already initiated. All transactions in progress will be executed in accordance with your instructions and such transactions will be subject to our current charges (see clause 10).

## **20 Conflicts of Interest**

**20.1** You acknowledge and agree that when we (or our agents or delegates) enter into a transaction for you, we may:

- (a) share charges with our Affiliated Company and other third parties, or receive and retain remuneration from them in respect of transactions carried out on your behalf. Details of any such remuneration or sharing arrangements are available to you on request;
- (b) be acting as agent or making arrangements for you on your instructions in relation to transactions in which we are also acting for other customers; or
- (c) be in a position where we have some other material interest in relation to the transaction.

**20.2** In accordance with FCA Rules, CIRGT has in place arrangements, which may be updated from time to time, to manage conflicts of interest that arise between itself and its clients or between its clients. CIRGT will deal with potential conflicts of interest in accordance with its Conflicts of Interests Policy which provides that it will identify and manage conflicts of interest to ensure fair treatment of all clients and ensure that it acts in the client's best interests. If it is not possible to manage or avoid a potential conflict of interest then CIRGT may seek to disclose the general nature and/or sources of conflict to you before undertaking business for you. CIRGT will provide full details of the Conflicts of Interest Policy upon receipt of a written request from you.

## **21 Default**

**21.1** We may in our absolute discretion refuse to accept any further orders or instructions from you and/or terminate this Agreement upon any of the following Specified Events:

- (a) you do not perform your obligations to us under this Agreement or any transaction contemplated by this Agreement;
- (b) any warranty or representation made by you as set out at clause 16 is or becomes incomplete, untrue, inaccurate or misleading;
- (c) a bankruptcy petition is presented to the Court in respect of you;
- (d) any regulator of our business or its rules so require; or
- (e) we reasonably believe that any of the circumstances set out in clauses 21.1(a) to 21.1(d) above are likely to happen and we reasonably believe that such action would be necessary or desirable to protect our position.

**21.2** Upon the happening of a Specified Event and without prejudice to CIRGT's other rights, we may at our discretion, without notice:

- (a) refuse to perform or reverse any outstanding transaction between us;
- (b) sell any of your investments or other assets held by us (the time, place and method of any sale and the price shall be at our discretion and we shall inform you of the outcome of the sale);
- (c) buy in investments, bring any claim for damages or exercise any other right which we may have at law or otherwise or take any other action which appears appropriate to avoid or reduce our risk of loss; and/or
- (d) combine, close or consolidate all or any of your accounts with us or any of our Affiliated Companies and off-set any and all amounts owed to, or by, us or any of our Affiliated Companies in such manner as we may reasonably determine.

**21.3** You will bear any costs or associated costs of sale and for reasonable costs, losses, damages or expenses (including without limitation any legal fees) incurred or suffered by us as a direct consequence of a Specified Event or our taking any action as a consequence of such Specified Event.

## **22 Protection of information**

**22.1** The DPA provides protection to individuals by governing, amongst other things, the way in which personal information is held and used. Individuals are also afforded rights of access to such information held about them.

- 22.2** CIRGT hereby warrants that it will comply with its notification obligations under the Data Protection (Notification and Notification Fees) Regulations 2000 and that it will protect your personal information in accordance with the principles of the DPA.
- 22.3** By becoming a Member of the Nominee Service, you agree that we may:
- (a) keep personal details which you or others have provided to us, and any information we know from running your account on a database, and use such information to carry out the Nominee Service described in these Terms and Conditions and dealing with your enquiries and requests connected with the Nominee Service; and
  - (b) may disclose information concerning you to the Client, the Company, the Nominee, the Company's registrar, Euroclear UK & Ireland Limited (if entitled to such information) all of which may disclose the information to regulatory, tax or governmental authorities as appropriate; to any person with legal, administrative or regulatory power over us in respect of the Nominee Service; to any third party, including the broker, who are involved in carrying out functions related to the Nominee Service or Affiliated Companies who are involved in carrying out functions related to the Nominee Service administration including such Affiliated Companies which are outside of the EEA in countries (including India) which do not have similar protections in place regarding your personal information and its use. However, we are committed to protecting the confidentiality and security of information we collect about you and we will ensure that such transfers are made in accordance with the requirements of the DPA.
- 22.4** You agree that the purposes for which we may process your personal information may be amended from time to time to include other uses or disclosures of personal information subject to us notifying you of such amendment.
- 22.5** Under the DPA, you are entitled, on payment of a fee (of £10 currently), to a copy of the information we hold about you. If you believe that any information held about you is incorrect or incomplete, you may request it to be completed or corrected. Please address any requests for information under this clause to the Data Protection Officer, Capita IRG Trustees Limited, Nominee Service, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU and quoting your full name and address, the name of the Client and your Investor Code which may be found on your personal statement.
- 22.6** By using the Nominee Service you agree that information relating to you may be disclosed to other Affiliated Companies so that you may be told about any products or services which might be of interest to you. You may request that information is not used for this purpose by writing to the Data Protection Officer, Capita IRG Trustees Limited, Nominee Service, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU and quoting your full name and address, the name of the Client and your Investor Code which may be found on your personal statement.
- 23 Tape recording of conversations and record keeping**
- 23.1** You agree that we may:
- (a) record all telephone conversations between you and us; and
  - (b) use such recordings, or transcripts from such recordings, as evidence in any dispute or anticipated dispute between you and us.
- 23.2** Recordings or transcripts made by us may be destroyed under our normal practice (usually, but not necessarily, six (6) calendar months from the date of the conversation). We may deliver copies or transcripts of such recordings to any court or regulatory body.
- 23.3** We strongly recommend that you keep your own records of all communications between you and us (such as instructions and orders) including details of the times, dates and nature of your instructions as these details will be important if there is a dispute between you and us.

## **24 Complaints and Compensation Scheme**

### **24.1** If you think that you have reason to make a complaint please write in the first instance to:

Capita Asset Services  
Capita IRG Trustees Limited  
Nominee Service  
The Registry  
34 Beckenham Road,  
Beckenham,  
Kent,  
BR3 4TU.

Your complaint will be fully investigated and a full resolution sought. Our complaints procedure is available upon request, but a copy will be provided automatically to you in the event of a complaint being received.

### **24.2** If you are unhappy or dissatisfied with our handling or findings in relation to your dispute or complaint you may refer the matter to the Financial Ombudsman Service for further investigation at Financial Ombudsman Service, Exchange Tower, London, E14 9SR. You can find additional information at [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk).

### **24.3** In the event of a dispute or complaint being notified to us, we reserve the right to take any action necessary for the purpose of limiting the amounts involved in such dispute or complaint. We will inform you if we exercise this right, which shall be without prejudice to either your rights and remedies or our rights and remedies. Any action taken by us pursuant to this clause 24.3 will not be deemed to be an admission on our part.

### **24.4** CIRGT is a member of the Financial Services Compensation Scheme (“FSCS”). If we cannot meet our obligations you may be entitled to compensation from the FSCS. This depends on the type of business and the circumstances of the claim. Most types of investment business are covered for a maximum of £50,000 as at the date of these Terms and Conditions. The amounts of compensation may be changed from time to time and you should check your entitlement with the FSCS. Further information about compensation arrangements is available from the FSCS. You can contact the FSCS by calling their Helpline on 0207 741 4100, logging onto their website at [www.fscs.org.uk](http://www.fscs.org.uk) or writing to the Financial Services Compensation Scheme, 10th Floor, Beaufort House, 15 St Botolph Street, London EC3A 7QU. You may request further information concerning the conditions governing compensation and the formalities which must be completed to obtain compensation by writing to Capita Asset Services, Capita IRG Trustees Limited, Nominee Service, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or by e-mail to: [custodymgt@capita.co.uk](mailto:custodymgt@capita.co.uk).

## **25 Transferring client assets and money**

### **25.1** CIRGT may at any time transfer all or some of its rights and obligations under this Agreement to any person (the “**Transferee**”) who:

- (a) is authorised by the FCA and agrees to hold any cash balances on your Nominee Account in accordance with the requirements of the FCA Rules on client money; or
- (b) in the reasonable opinion of CIRGT (after exercising all due skill, care and diligence), is able to apply adequate measures to protect any cash balances on your Nominee Account.

### **25.2** Such transfer will be given effect by CIRGT and/ or the Transferee sending a notice of transfer to you specifying the date (the “**Transfer Date**”) on which the Transferee will assume such rights and obligations under this Agreement. Such notice of transfer will be given to you at least 30 days prior to the Transfer Date. You may elect to leave the Service during this 30 day notice period, in which case no charge will be payable by you by CIRGT in facilitating your exit from the Service. The transfer will not affect any rights you may have against CIRGT which relate to the period prior to the Transfer Date. With effect from the Transfer Date:

- (a) CIRGT may transfer to the Transferee (or its nominee) all of your Shares (or other client assets), your client monies (if any) or any information (including personal information) it holds on your behalf, or otherwise arising under this Agreement;

- (b) this Agreement (as amended from time to time) shall be treated for all purposes as having been entered into between you and the Transferee in substitution of CIRGT; and
- (c) CIRGT shall be released and discharged from all of its obligations and liabilities arising howsoever under this Agreement.

## **26 Variation/replacement of these terms and conditions**

**26.1** We may change these terms and conditions in the future for the following reasons:

- (a) to reflect reasonable changes in the way we provide the Service to you;
- (b) as a result of new services which we may make available to you;
- (c) to take account of any corporate restructuring within the Capita group of companies;
- (d) where reasonably required as a result of changes in market conditions or market practice;
- (e) to take account of changes or anticipated changes to, or to comply better with, applicable laws or the interpretation of those laws, regulatory requirements, industry guidance or codes of practice that we follow, or the way that we are regulated;
- (f) to reflect a decision or recommendation of a court, ombudsman, regulator or similar body which is relevant to us or to the Service;
- (g) to reflect changes in the Bank of England base rate, other specified market rates or indices or tax rates;
- (h) to rectify errors, inaccuracies or ambiguities;
- (i) to reflect alterations in the scope and nature of the Nominee Service provided to you under these Terms and Conditions resulting from the alterations made to our agreement with the Client or our system capabilities or administration procedures;
- (j) to prevent misuse of the Service;
- (k) to take account of, in a proportionate manner, the cost to us of providing the Service;
- (l) to prevent fraud or to enhance the security of the Service; or
- (m) to make these Conditions easier to understand, fairer to you, or to correct mistakes.

**26.2** We will give you at least 30 days' prior notice of any change to these Terms and Conditions that is to your disadvantage. You may cancel your agreement with us at any time without charge within 30 days' of our sending you notice of such change. If you do not cancel your agreement with us within this 30 day period then you will be deemed to have been accepted such change.

**26.3** We may, as mentioned in clause 10.3, review and notify you of revised charging rates from time to time.

**26.4** If you have received our written notice and do not agree with the proposed changes, you may terminate our Agreement at any time without charge (see clause 19 above). Any change will be deemed to have been accepted by you if you have already instructed us to trade on your behalf after the change has taken effect.

## **27 General**

**27.1** We will not take notice of any trust affecting the Shares whether express, implied or constructive.

**27.2** No conduct or delay on our part shall be taken as a waiver or variation of any rights which we may have unless we waive or vary a particular right in writing. No waiver or variation on a particular occasion will operate as a waiver or variation of our rights in respect of any other matter.

**27.3** If any of the provisions of these Terms and Conditions is held invalid, illegal or unenforceable for any reason, such provision shall be severed and the remainder of the provisions in these Terms and Conditions shall continue in full force and effect as if they had been executed with the invalid provision eliminated.

**27.4** The Nominee has the right to enforce these Terms and Conditions in accordance with the provisions of the Contracts (Rights of Third Parties) Act 1999. Except for the Nominee, nothing in

these Terms and Conditions shall confer or is intended to confer on any third party any benefit or the right to enforce any terms contained herein for the purposes of the Contracts (Rights of Third Parties) Act 1999.

- 27.5** This Agreement is subject to English law and you submit to the exclusive jurisdiction of the English courts.

## **PART XX TAXATION**

### **1 UK Taxation**

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Shares. They are based on current or announced UK tax legislation (as applied in England and Wales) and what is understood to be the current published practice (including any official announcements) of HMRC (which is not binding on HMRC) as at the date of this Prospectus, both of which may change at any time, possibly with retroactive effect.

These statements apply only to Shareholders who are resident (and, in the case of individuals, domiciled) for tax purposes in, and only in, the UK (except insofar as express reference is made to the treatment of non-UK residents) and to whom “split year” treatment does not apply, who hold their Shares as an investment (other than under an ISA or a self-invested personal pension) and who are the absolute beneficial owners of both the Shares and any dividends paid on them (in particular, Shareholders holding their Shares in a depository receipt system or clearance service should note that they may not always be the absolute beneficial owners thereof).

The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring their Shares in connection with an office or employment, dealers in securities, insurance companies and collective investment schemes or those for whom the Shares are employment related securities and those who hold 10 per cent. or more of the Shares) is not considered.

**Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.**

#### *Taxation of dividends*

The Company is not required to withhold amounts for or on account of UK tax when paying a dividend, irrespective of the residence or particular circumstances of the Shareholder receiving such dividend payment. Liability to tax on dividends paid by the Company will depend upon the individual circumstances of a Shareholder. Changes have been announced concerning the position of UK resident individual Shareholders from April 2016. The current position for UK resident individuals, as well as the announced position from April 2016, is described below.

#### *UK resident individual Shareholders*

An individual Shareholder who is resident for tax purposes in the UK and who receives a dividend from the Company will generally be entitled to a tax credit equal to one-ninth of the amount of the dividend received, which is equivalent to 10 per cent. of the aggregate of the dividend received and the tax credit (the “**gross dividend**”), and will be subject to UK income tax on the gross dividend. An individual UK resident Shareholder who is subject to UK income tax at a rate or rates not exceeding the basic rate will be liable to tax on the gross dividend at the rate of 10 per cent. (2015/2016), so that the tax credit will satisfy the income tax liability of such a Shareholder in full.

An individual UK resident Shareholder who is subject to UK income tax at the higher rate will be liable to income tax on the gross dividend at the rate of 32.5 per cent. (2015/2016) to the extent that such sum, when treated as the top slice of that Shareholder’s income, exceeds the threshold for higher rate income tax but falls below the threshold for the additional rate of income tax. After taking into account the 10 per cent. tax credit, a higher rate taxpayer will therefore be liable to additional income tax of 22.5 per cent. of the gross dividend, equal to 25 per cent. of the cash dividend received.

An individual UK resident Shareholder who is subject to UK income tax at the additional rate will be subject to tax on the gross dividend at 37.5 per cent. (2015/2016) to the extent that, when treated as the top slice of that Shareholder’s income, the gross dividend exceeds the threshold for the additional rate. After taking into account the 10 per cent. tax credit, an additional rate taxpayer will be liable to additional income tax of 27.5 per cent. of the gross dividend, equal to approximately 30.6 per cent. of the cash dividend received.

To the extent that the tax credit exceeds the Shareholder’s tax liability (as a result of that Shareholder’s total income being reduced by deductions), then that Shareholder will not be entitled to claim repayment of the tax credit from HMRC. A UK resident individual Shareholder who is not liable to UK income tax in

respect of the gross dividend will not be entitled to the tax credit attaching to dividends received from the Company (and accordingly will not be entitled to claim repayment of the tax credit from HMRC).

#### *Announced position from April 2016*

The UK Government has announced that the UK income tax system for dividends is to be reformed. From April 2016, the 10 per cent. tax credit described above is to be abolished and a new tax-free annual dividend allowance of £5,000 is to be introduced. The new rates of tax on dividends received above the tax-free annual dividend allowance will be 7.5 per cent. (for basic rate taxpayers), 32.5 per cent. (for higher rate taxpayers) and 38.1 per cent. (for additional rate taxpayers). Draft legislation effecting this change is not yet available and is proposed to be included in the UK Finance Bill 2016. The Government has also announced that it will consult on the rules for company distributions.

#### *UK resident corporate Shareholders*

It is expected that most dividends paid on the Shares to UK resident corporate Shareholders would fall within one or more of the classes of dividend qualifying for exemption from corporation tax (subject to special rules for such Shareholders that qualify as small companies). However, it should be noted that the exemptions are not comprehensive and are subject to anti-avoidance rules. If the conditions for exemption are not met or cease to be satisfied, or such a corporate Shareholder elects for an otherwise exempt dividend to be taxable, then the Shareholder will be subject to UK corporation tax on dividends received from the Company at the rate of 20 per cent.. Shareholders within the charge to UK corporation tax should consult their own professional advisers.

#### *UK resident exempt Shareholders*

UK resident Shareholders who are not liable to UK tax on dividends, including pension funds and charities, are not entitled to the tax credit attaching to dividends received from the Company (and accordingly will not be entitled to claim repayment of the tax credit from HMRC).

#### *Non-UK resident Shareholders*

Shareholders who are resident outside the UK for tax purposes will not generally be able to claim repayment of any part of the tax credit attaching to dividends received from the Company, although this will depend on the existence and terms of any double taxation convention between the UK and the country in which such Shareholder is resident. A Shareholder resident outside the UK may also be subject to taxation on dividend income under local law. A Shareholder who is resident outside the UK for tax purposes should consult his own tax adviser concerning his tax position on dividends received from the Company.

#### *Taxation on disposals*

A disposal or deemed disposal of Shares by a Shareholder who is resident in the UK for tax purposes may, depending upon the Shareholder's circumstances and subject to any available exemption or relief (such as the annual exempt amount for individuals and indexation for corporate shareholders), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains.

Shareholders who are not resident in the UK will not generally be subject to UK taxation of capital gains on the disposal or deemed disposal of Shares unless they are carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a non-UK resident corporate Shareholder, a permanent establishment) in connection with which the Shares are used, held or acquired. However, non-UK tax resident Shareholders may be subject to non-UK taxation on any gain under local law. A Shareholder who is resident outside the UK for tax purposes should consult his own tax adviser concerning his tax position on the disposal or deemed disposal of Shares.

An individual Shareholder who acquired shares whilst UK resident and has ceased to be resident for tax purposes in the UK or is treated as resident outside the UK for the purposes of a double tax treaty (a "Treaty non-resident") for a period of five years or less (or, for departures before 6 April 2013, ceases to be resident or ordinarily resident or becomes Treaty non-resident for a period of less than five tax years) and who disposes of all or part of his Shares during that period may be liable to capital gains tax on his return to the UK, subject to any available exemptions or reliefs.

### *Close Companies*

The Company was, before the Offer, a close company within the meaning of Part 10 of the Corporation Tax Act 2010 and may remain a close company after the Offer, at least initially. Certain transactions entered into by a close company or other members of its group may have particular tax implications for shareholders in that company. One potential implication is that transfers of value (i.e. a transfer which reduces the value of the company) by the company, or any of the companies in which it owns (directly or indirectly) shares or certain other rights, may, in certain circumstances and subject to applicable exemptions, be attributed to and so give rise to inheritance tax for individual shareholders who are domiciled or deemed to be domiciled in the UK and hold five per cent. or more of the shares, or for shareholders whose estate is increased by the transfer. In addition, certain transfers at an undervalue by the company or certain members of its group may result in a reduction in the chargeable gains tax base cost of the shares for certain shareholders.

Shareholders should consult their own professional advisers on the potential impact of the close company rules in respect of transactions entered into by the Company.

### *Stamp duty and Stamp Duty Reserve Tax ("SDRT")*

**The statements in this section apply to any holders of Shares irrespective of their residence, summarise the current position and are intended as a general guide only. Special rules apply to agreements made by, amongst others, intermediaries and other categories of person may be liable for SDRT at a higher rate or may, although not being primarily liable for tax, be required to notify and account for SDRT to HMRC.**

### *The Offer*

Neither stamp duty nor SDRT should arise on the issuance of New Shares pursuant to the Offer. The transfer of, or unconditional agreement to transfer, Sale Shares sold by the Selling Shareholders under the Offer will generally give rise to a liability to stamp duty and/or SDRT at a rate of 0.5 per cent. of the Offer Price (rounded up to the nearest £5 in the case of stamp duty). The Selling Shareholders have agreed to meet such liability. An exemption from stamp duty is available on an instrument transferring Sale Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

The above arrangements to meet liabilities will not apply to any charge to stamp duty or SDRT under any of sections 67, 70, 93 or 96 of the Finance Act 1986 (which broadly apply where the transferee is, or is a nominee or agent for, either a person whose business is or includes the issuing of depositary receipts or a person whose business is or includes the provision of clearances services for the purchase and sale of chargeable securities) to the extent that such stamp duty and/or SDRT is charged as a rate exceeding 0.5 per cent. of the Offer Price (see "*Shares held through clearance systems or depositary receipt arrangements*" below).

### *Subsequent transfers*

Stamp duty at the rate of 0.5 per cent. (rounded up to the nearest multiple of £5) of the amount or value of the consideration given is generally payable on an instrument transferring Shares outside the CREST system. As noted above, an exemption from stamp duty is available on an instrument transferring Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

A charge to SDRT will arise on an unconditional agreement to transfer Shares (at the rate of 0.5 per cent. of the amount or value of the consideration payable). However, if within six years of the date of the agreement (or, if the agreement is conditional, the date on which it becomes unconditional) an instrument of transfer is executed pursuant to the agreement, and stamp duty is paid on that instrument, or the instrument is exempt from stamp duty, any SDRT already paid will generally be refunded (normally, but not necessarily, with interest) provided that a claim for repayment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee of the Shares.

### *Shares held through CREST*

Paperless transfers of Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration. CREST is obliged to collect SDRT on relevant transactions settled within the system. The charge is generally borne by the purchaser. Under the CREST system, no stamp duty or SDRT will arise on a transfer of Shares into the system unless such a transfer is made for consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent. of the amount or value of that consideration) will arise.

### *Shares held through clearance systems or depositary receipt arrangements*

Special rules apply where Shares are issued or transferred to, or to a nominee or agent for, either a person whose business is or includes issuing depositary receipts within section 67 or section 93 of the Finance Act 1986 or a person providing a clearance service within section 70 or section 96 of the Finance Act 1986, under which SDRT or stamp duty may be charged at a rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the value of the Shares (rounded up to the nearest multiple of £5 in the case of stamp duty). Following litigation, however, HMRC has confirmed that it will no longer seek to apply the 1.5 per cent. SDRT charge on the issue of shares into a clearance service or depositary receipt arrangement anywhere in the world on the basis that the charge is not compatible with EU law. HMRC's view is that the 1.5 per cent. SDRT or stamp duty charge will continue to apply to transfers of shares into a clearance service or depositary receipt arrangement unless they are an integral part of an issue of share capital. **Specific professional advice should be sought before incurring the cost of the 1.5 per cent. stamp duty or SDRT charge in any circumstances.**

In any event, there is an exception from the 1.5 per cent. charge on the transfer to, or to a nominee or agent for, a clearance service where the clearance service has made and maintained an election under section 97A of the Finance Act 1986, which has been approved by HMRC. In these circumstances, SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer will arise on any transfer of Shares into such an account and on any subsequent transfers of the Shares within such an account. Any liability for stamp duty or SDRT in respect of a transfer into a clearance service or depositary receipt system, or in respect of a transfer within such a service, which does arise will strictly be accountable by the clearance service or depositary receipt system operator or their nominee, as the case may be, but will, in practice, be payable by the participants in the clearance service or depositary receipts system.

### *Inheritance tax*

The Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift or settlement of such assets by, or on the death of, an individual holder of such assets may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the holder is neither domiciled in the UK nor deemed to be domiciled there under certain rules relating to long residence or previous domicile. Generally, inheritance tax is not chargeable on gifts to individuals if the transfer is made more than seven complete years prior to death of the donor. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit.

Special rules also apply to close companies and to trustees of settlements who hold Shares, bringing them within the charge to inheritance tax. Shareholders should consult an appropriate tax adviser if they make a gift or transfer at less than market value or intend to hold any Shares through such a company or trust arrangement. Shareholders should also seek professional advice in a situation where there is potential for a double charge of inheritance tax and an equivalent tax in another country or if they are in any doubt about their inheritance tax position.

## **2 Certain U.S. Federal Income Tax Considerations**

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Shares by a U.S. Holder (as defined below). This summary deals only with initial purchasers of Shares that are U.S. Holders and that will hold the Shares as capital assets for U.S. federal income tax purposes. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Shares by particular investors (including consequences under the alternative minimum tax or Medicare tax on net investment income), and does not address state, local, non-U.S. or other tax laws. This summary also does not address tax considerations applicable to investors that own

(directly, indirectly or by attribution) 5 per cent. or more of the voting stock of the Company, nor does this summary discuss all the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Shares as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the Shares in connection with a trade or business conducted outside of the United States, U.S. citizens or lawful permanent residents living abroad or investors whose functional currency is not the U.S. dollar).

As used herein, the term (“**U.S. Holder**”) means a beneficial owner of Shares that is, for U.S. federal income tax purposes: (i) an individual citizen or resident of the United States; (ii) a corporation created or organised under the laws of the United States, or any State thereof; (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Shares will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Shares by the partnership.

Except as otherwise noted, the summary assumes that the Company is not a passive foreign investment company (“**PFIC**”) for U.S. federal income tax purposes. See “Passive foreign investment company considerations” below.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed Treasury Regulations issued thereunder, published administrative rulings and court decisions, as well as on the income tax treaty between the United States and the United Kingdom (the “**Treaty**”), all as of the date of this Prospectus and all subject to change at any time, possibly with retroactive effect.

**THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. IT IS NOT INTENDED TO BE RELIED UPON BY PURCHASERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE U.S. INTERNAL REVENUE CODE. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF THE SHARES, INCLUDING, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.**

## **Dividends**

### *General*

Distributions paid by the Company out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) generally will be taxable to a U.S. Holder as dividend income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder’s basis in the Shares and thereafter as capital gain. However, the Company does not maintain calculations of its earnings and profits in accordance with U.S. federal income tax accounting principles. Therefore, U.S. Holders should assume that any distribution by the Company with respect to Shares will be reported as ordinary dividend income. U.S. Holders should consult their own tax advisers with respect to the appropriate U.S. federal income tax treatment of any distribution received from the Company.

Dividends paid by the Company generally will be taxable to a non-corporate U.S. Holder at the reduced rate normally applicable to long-term capital gains, provided the Company qualifies for the benefits of the Treaty, which the Company believes to be the case, and certain holding period requirements are met. A U.S. Holder will not be able to claim the reduced rate on dividends received from the Company if the

Company is a PFIC in the taxable year of the distribution or in the preceding taxable year. See “*Passive Foreign Investment Company Considerations*” below.

Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to dividends on the Shares.

#### *Foreign currency dividends*

Dividends paid in pounds sterling will be included in income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the U.S. Holder, regardless of whether the pounds sterling are converted into U.S. dollars at that time. If dividends received in pounds sterling are converted into U.S. dollars on the day they are received, the U.S. Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income.

#### **Sale or other disposition**

Upon a sale or other disposition of Shares, a U.S. Holder generally will recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realised on the sale or other disposition and the U.S. Holder’s adjusted tax basis in the Shares. This capital gain or loss will be long-term capital gain or loss if the U.S. Holder’s holding period in the Shares exceeds one year. However, regardless of a U.S. Holder’s actual holding period, any loss may be long-term capital loss to the extent the U.S. Holder receives a dividend that qualifies for the reduced rate described above under “Dividends—General”, and exceeds 10 per cent. of the U.S. Holder’s basis in the Shares. Long-term capital gains recognised by non-corporate U.S. Holders generally will be subject to lower tax rates than the rates applicable to ordinary income. The deductibility of capital losses is subject to limitations. Any gain or loss generally will be U.S. source.

A U.S. Holder’s tax basis in a Share generally will be its U.S. dollar cost. The U.S. dollar cost of a Share purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase, or on the settlement date for the purchase in the case of Shares traded on an established securities market, within the meaning of the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the Internal Revenue Service (“IRS”). The amount realised on a sale or other disposition of Shares for an amount in foreign currency generally will be the U.S. dollar value of this amount on the date of sale or disposition. On the settlement date, the U.S. Holder generally will recognise U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the U.S. dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of Shares traded on an established securities market that are sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), the amount realised will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognised at that time.

#### **Disposition of foreign currency**

Foreign currency received as a distribution with respect to a Share or on the sale or other disposition of a Share will have a tax basis equal to its U.S. dollar value on the date received. Any gain or loss recognised on a sale or other disposition of a foreign currency (including upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

#### **Passive foreign investment company considerations**

A foreign corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable “look-through rules,” either: (i) at least 75 per cent. of its gross income is “passive income”; or (ii) at least 50 per cent. of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. The Company does not believe that it should be treated as a PFIC. This determination is based, in part, on the value of the Company’s goodwill, which will depend upon, among other things, the Company’s market capitalisation as indicated by the price of the Shares. Changes in the Company’s market capitalisation, and the corresponding value of the Company’s goodwill, may impact the Company’s status as a PFIC. The Company’s possible status as a PFIC must be determined annually, however, and may be subject to change. If the Company were to be treated as a PFIC in any year, U.S. Holders of Shares would

be required (i) to pay a special addition to tax on certain distributions on, and gains on sale of, Shares and (ii) to pay tax on any gain from the sale of Shares at ordinary income (rather than capital gains) rates in addition to paying the special addition to tax on this gain. Additionally, dividends paid by the Company would not be eligible for the reduced rate of tax described above under “Dividends—General”. Prospective purchasers should consult their tax adviser regarding the potential application of the PFIC regime.

### **Backup withholding and information reporting**

Payments of dividends and other proceeds with respect to Shares, by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of Shares, including requirements related to the holding of certain foreign financial assets.

### **3 FATCA Withholding**

Pursuant to certain provisions of U.S. law, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Company believes that it is a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements (“**IGAs**”) with the United States to implement FATCA, which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of these rules to instruments such as the Shares, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Shares, are not clear at this time. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Shares, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Shares. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Shares, no person will be required to pay additional amounts as a result of the withholding.

## PART XXI

### ERISA CONSIDERATIONS

Section 406 of the U.S. Employee Retirement Income Security Act of 1974 (“**ERISA**”) and Section 4975 of the Code prohibit a broad range of transactions involving the assets of an employee benefit plan or other plan or arrangement subject thereto (“**Plans**”), and entities whose underlying assets are treated for purposes of such provisions as “plan assets” of such plans and arrangements (collectively, “**Benefit Plan Investors**”) and persons (referred to as “parties in interest” or “disqualified persons”) having certain relationships to such Benefit Plan Investors, unless an exemption applies. A fiduciary of a Benefit Plan Investor which causes such investor to engage in a transaction that the fiduciary knows or should know constitutes a non-exempt prohibited transaction, as well as the party in interest or disqualified person involved in the transaction, may be subject to penalties or other liabilities under ERISA or the Code, and the transaction may need to be rescinded or otherwise corrected.

The Issuer currently engages in business and invests its capital for its own account (and not on behalf of its customers), and does not provide services to, and hence is not a party in interest or disqualified person with respect to, any Plans other than employee benefit plans covering employees of the Issuer and its subsidiaries. The Underwriters and Intermediaries may be parties in interest or disqualified persons with respect to many Plans. A prohibited transaction under ERISA or Section 4975 of the Code may arise if Shares are acquired by a Plan from an Underwriter or Intermediary that is a party in interest or disqualified person to such Plan. Among several prohibited transaction exemptions that may apply to the acquisition of Shares by a Plan from an Underwriter or Intermediary, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code exempt sales of property to a Plan by a person that is a party in interest or disqualified person solely by reason of providing services to the Plan provided, among other requirements: (i) such person and its affiliates do not have or exercise discretionary authority or control, or render investment advice, with respect to the assets involved in the transaction; and (ii) the Plan receives no less than and pays no more than adequate consideration in connection with the transaction. Other exemptions that may apply include Prohibited Transaction Class Exemption (“**PTCE**”) 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a qualified professional asset manager), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). Benefit Plan Investors considering the acquisition of Shares from any Underwriter or Intermediary should consult with their advisors regarding the applicability of the prohibited transaction rules and applicable exemptions (if any) therefrom. There are no assurances that any prohibited transaction exemption will be available with respect to any particular transaction involving any Shares.

Governmental plans and certain church plans (both as defined in Section 3 of ERISA), and non-U.S. benefit plans (as described in Section 4(b)(4) of ERISA), while not subject to the prohibited transaction provisions of Title I of ERISA or Section 4975 of the Code, may nevertheless be subject to federal, state, local or non-U.S. law that is substantially similar to such provisions of ERISA or the Code (“**Similar Law**”). Fiduciaries of any such plans should consult with their counsel before purchasing any Shares regarding the need for and the availability of any exemptive relief under any Similar Law.

Any person acquiring Shares shall, at the time of the acquisition, be deemed to represent either that: (i) it is not, and is not acquiring Shares with the assets of, an employee benefit plan or other plan or arrangement which is subject to Title I of ERISA or Section 4975 of the Code, including a person whose assets are deemed for purposes of such laws as “plan assets” of such plans or arrangements, or with the assets of any other plan or arrangement which is subject to federal, state, local or non-U.S. laws substantially similar to such provisions of ERISA or Section 4975 of the Code; or (ii) its acquisition and disposition of Shares does not result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code, or a violation of Similar Law.

The sale of any Shares to a Benefit Plan Investor is in no respect a representation by the Issuer, the Underwriters, the Intermediaries or any other party to the transactions that such an investment meets all relevant legal requirements with respect to investments by any Benefit Plan Investor or Benefit Plan Investors generally.

## PART XXII ADDITIONAL INFORMATION

### 1 Responsibility

The Company and the Directors, whose names and principal functions are set out in Part XII (*Directors, Senior Managers and Corporate Governance*), accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

### 2 Incorporation

- (a) The Company was incorporated and registered in England and Wales on 3 June 2004 as a private company limited by shares under the Companies Act 1985 with the name CMC Markets Limited and with the registered number 05145017.
- (b) On 31 March 2006, the Company re-registered as a public company and changed its name to CMC Markets plc.
- (c) The Company's registered office and principal place of business is at 133 Houndsditch, London, EC3A 7BX.
- (d) The principal legislation under which the Company operates and the ordinary shares have been created under the Companies Act 2006 and the regulations made thereunder.
- (e) The business of the Company, and its principal activity, is to act as the ultimate holding company of the Group.
- (f) By a resolution of the Directors dated 29 October 2009, PricewaterhouseCoopers LLP, whose address is 1 Embankment Place, London WC2N 6RH, United Kingdom, was appointed as the auditors of the Company. PricewaterhouseCoopers LLP is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

### 3 Share capital

The share capital history of the Company is as follows:

- (a) On incorporation, the Company had an authorised share capital of 50,000 ordinary shares of £1 each and the issued share capital of the Company was one ordinary share of £1, which was issued to Instant Companies Limited;
- (b) On 11 November 2005, the Company increased its authorised share capital from £50,000 to £100,000,000 by the creation of 99,950,000 ordinary shares of £1 each ranking *pari passu* with the existing ordinary shares of £1 each;
- (c) On 11 November 2005, the Company sub-divided its issued and unissued authorised share capital such that each ordinary share of £1 was sub-divided into four ordinary shares of 25 pence each;
- (d) On 11 November 2005, the Company allotted:
  - (i) 71,549,117 ordinary shares of 25 pence each to Fiona Cruddas;
  - (ii) 164,590,551 ordinary shares of 25 pence each to Peter Cruddas;
  - (iii) 3,373,048 ordinary shares of 25 pence each to John Ersser;
  - (iv) 3,373,048 ordinary shares of 25 pence each to Roger Hynes;
  - (v) 308,044 ordinary shares of 25 pence each to John Jackson;
  - (vi) 643,863 ordinary shares of 25 pence each to Geoffrey Langham;
  - (vii) 386,390 ordinary shares of 25 pence each to Angus McCandlish;
  - (viii) 514,948 ordinary shares of 25 pence each to Simon Napper;
  - (ix) 4,874,597 ordinary shares of 25 pence each to Farzim Nazari; and
  - (x) 386,390 ordinary shares of 25 pence each to Andrew Palmer.

- (e) On 20 December 2005, the Company allotted 1,782,207 ordinary shares of 25 pence each to Terrence Johnston;
- (f) On 7 February 2006, the Company allotted 39,066 ordinary shares of 25 pence each to Michael Coe;
- (g) On 7 February 2006, the Company allotted 4,380,506 ordinary shares of 25 pence each to Isle of Man Financial Trust Limited (now Boston Trust Company) as part of an employee share scheme;
- (h) On 23 January 2006, the Company cancelled its entire share premium account which totalled £424,794,748.50;
- (i) On 4 April 2006, the Company reduced its share capital by cancelling 116,703 ordinary shares of 25 pence each held by John Jackson;
- (j) On 17 May 2006, the Company increased its authorised share capital from £99,970,824.25 to £100,000,000 by the creation of 116,703 ordinary shares of 25 pence each ranking *pari passu* with the existing ordinary shares of 25 pence each;
- (k) On 19 October 2006, the Company converted 150,081 issued ordinary shares of 25 pence each to Deferred Shares of 25 pence each;
- (l) On 3 January 2007, the Company converted 409,493 issued ordinary shares of 25 pence each to Deferred Shares of 25 pence each;
- (m) On 22 July 2009, the Company allotted 22,987,534 shares of 25 pence each to Peter Cruddas;
- (n) On 22 July 2009, the Company allotted 3,702,338 shares of 25 pence each to Fiona Cruddas;
- (o) On 24 September 2009, the Company converted 1,163,673 issued ordinary shares of 25 pence each to Deferred Shares of 25 pence each;
- (p) On 30 September 2010, the Company converted 366,924 issued ordinary shares of 25 pence each to Deferred Shares of 25 pence each;
- (q) On 29 September 2011, the Company converted 243,277 issued ordinary shares of 25 pence each to Deferred Shares of 25 pence each;
- (r) On 27 September 2012, the Company converted 44,322 issued ordinary shares of 25 pence each to Deferred Shares of 25 pence each;
- (s) On 26 September 2013, the Company converted 98,001 issued ordinary shares of 25 pence each to Deferred Shares of 25 pence each;
- (t) On 24 September 2014, the Company converted 2,315 issued ordinary shares of 25 pence each to deferred shares of 25 pence each;
- (u) A general meeting has been convened for 4 February 2016 where the Shareholders will consider, and if thought appropriate, pass the following resolutions:
  - (i) the directors of the Company be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006, in substitution for all prior authorities conferred upon them, to exercise all of the powers of the Company to allot shares in the Company up to a nominal amount of £2,500,000, representing the new ordinary shares proposed to be issued by the Company in respect of the Offer;
  - (ii) subject to Admission, the directors of the Company be authorised pursuant to section 551 of the Companies Act 2006, in substitution for all prior authorities conferred upon them, to exercise all of the powers of the Company to allot shares in the Company or to grant rights to subscribe for or convert any security into shares in the Company as follows:
    - (I) up to a further nominal amount of £23,358,072 (representing 33.3 per cent. of the nominal Issued Share Capital of the Company immediately prior to Admission); and
    - (II) comprising equity securities (as defined in Section 560(1) of the Companies Act 2006) up to a further amount of £23,358,072 (representing 33.3 per cent. of the nominal Issued Share Capital of the Company immediately prior to Admission) in connection with an offer by way of a rights issue,

such power expiring at the end of the next annual general meeting of the Company or on 31 July 2017, whichever is the earlier, but, in each case, so that the Company may make offers and enter into agreements during the relevant period which would, or might, require shares to be allotted or rights to subscribe for or to convert any security into Shares to be granted after the authority ends;

- (iii) the Directors be generally empowered to allot equity securities (as defined in Section 560(1) of the Companies Act 2006) wholly for cash pursuant to the authority conferred in Paragraph 3(u)(i) and 3(u)(ii)(II) of this Part XXII (*Additional Information*) as if section 561(1) of the Companies Act 2006 did not apply to any such allotment, provided that the authority in Paragraph 3(u)(ii)(I), or where the allotment constitutes an allotment of equity securities by virtue of Section 560(3) of the Companies Act 2006, in each case, is:

- (I) in connection with a pre-emptive offer; and
- (II) otherwise than in connection with a pre-emptive offer, up to an aggregate nominal amount of £3,503,711 (five per cent. of the nominal Issued Share Capital of the Company immediately prior to Admission),

such power expiring at the end of the next annual general meeting of the Company or on 31 July 2017, whichever is the earlier, but so that the Company may make offers and enter into agreements during this period which would, or might, require equity securities to be allotted after the power ends;

- (iv) subject to Admission, the Company be unconditionally and generally authorised for the purposes of Section 701 of the Companies Act 2006 to make market purchases (as defined in Section 693 of the Companies 2006), subject to the following conditions:

- (I) the number of Shares authorised to be purchased may not be more than the number equal to 10 per cent. of the nominal amount of the Issued Share Capital of the Company immediately prior to Admission;
- (II) the minimum price which may be paid for a Share is 25 pence, being the nominal value of a Share; and
- (III) the maximum price which may be paid for a Share shall be the higher of: (a) an amount equal to 105 per cent. of the average of the middle market quotations of a Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which an ordinary share is contracted to be purchased; and (b) an amount equal to the higher of the price of the last independent trade of a Share and the highest current independent bid for a Share as derived from the London Stock Exchange Trading System (SETS) as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buy-back programmes and stabilisation of financial instruments (No 2273/2003),

such authority expiring on the earlier of the date of the annual general meeting of the Company or, if earlier, on 31 July 2017 (except in relation to the purchase of shares the contract of which was concluded before the expiry of such authority and which might be exceeded wholly or partly after such expiry) unless such authority is renewed prior to such time;

- (v) subject to Admission, new Articles of Association be adopted by the Company, in substitution for, and to the exclusion of, the existing articles of association of the Company, as set out in Paragraph 4 (*Articles of Association*) of this Part XXII (*Additional Information*); and
  - (vi) pursuant to the Companies (Shareholders' Rights) Regulations 2009 SI 2009/1632, a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.
- (v) On Admission, the Company intends to allocate 23,530 Shares to Simon Waugh, 11,765 Shares to Manjit Wolstenholme and 11,765 Shares to Malcolm McCaig out of existing unallocated Shares held in treasury, alongside the Offer and at the Offer Price (the "**Management IPO Shares**"). The Management IPO Shares will rank *pari passu* in all respects with the Shares, including for all

dividends and other distributions declared, paid or made on the Shares, will be purchased on the same terms and conditions as the Shares being issued or sold in the Offer, will form a single class for all purposes with the other Shares and will be included in the Company's application for admission of its Shares to the premium segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange.

- (w) Immediately following completion of the Offer, the nominal value of the Issued Share Capital of the Company is expected to be £72,123,210, comprising 288,492,838 Shares.

The Company has no convertible securities, exchangeable securities or securities with warrants in issue.

#### **4 Memorandum and Articles of Association**

The Company's objects are not restricted by its Articles. Accordingly, pursuant to section 31 of the Companies Act 2006, the Company's objects are unrestricted. The Articles, which are to be adopted with effect from Admission on 4 February 2016, provided that shareholder approval is obtained at the general meeting convened on such date, include provisions to the following effect:

##### **4.1 Shares**

###### ***Respective rights of different classes of shares***

Without prejudice to any rights attached to any existing shares, the Company may issue shares with such rights or restrictions as determined by either the Company by ordinary resolution or, if the Company passes a resolution to so authorise them, the Directors. The Company may also issue shares which are, or are liable to be, redeemed at the option of the Company or the holder.

###### ***Voting rights***

At a general meeting, subject to any special rights or restrictions attached to any class of shares:

- (a) On a show of hands, every member present in person and every duly appointed proxy present shall have one vote.
- (b) On a show of hands, a proxy has one vote for and one vote against the resolution, if the proxy has been duly appointed by more than one member entitled to vote on the resolution, and the proxy has been instructed:
  - (i) by one or more of those members to vote for the resolution and by one or more other of those members to vote against it; or
  - (ii) by one or more of those members to vote either for or against the resolution and by one or more other of those members to use his discretion as to how to vote.
- (c) On a poll, every member present in person or by proxy has one vote for every share held by him.
- (d) A proxy shall not be entitled to vote on a show of hands or on a poll where the member appointing the proxy would not have been entitled to vote on the resolution had he been present in person.
- (e) Unless the Directors resolve otherwise, no member shall be entitled to vote either personally or by proxy or to exercise any other right in relation to general meetings if any call or other sum due from him to the Company in respect of that share remains unpaid.

###### ***Variation of rights***

- (a) Should the share capital of the Company be divided into different classes of shares, the special rights attached to any class may be varied or abrogated either with the written consent of the holders of three quarters in nominal value of the issued shares of the class (excluding shares held as treasury shares) or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of the class (but not otherwise), and may be so varied or abrogated either while the Company is a going concern or during or in contemplation of a winding-up.
- (b) The special rights attached to any class of shares will not, unless otherwise expressly provided by the terms of issue, be deemed to be varied by: (i) the creation or issue of further shares ranking, as regards participation in the profits or assets of the Company, in some or all respects equally with them but in no respect in priority to them; or (ii) the purchase or redemption by the Company of any of its own shares.

### ***Transfer of shares***

- (a) Transfers of certificated shares must be effected in writing, and signed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect of those shares. Transfers of uncertificated shares may be effected by means of a relevant system (i.e. CREST) unless the CREST Regulations provide otherwise.
- (b) The Directors may decline to register any transfer of a certificated share, unless (i) the instrument of transfer is in respect of only one class of share, (ii) the instrument of transfer is lodged at the transfer office, duly stamped if required and accompanied by the relevant share certificate(s) or other evidence reasonably required by the Directors to show the transferor's right to make the transfer or, if the instrument of transfer is executed by some other person on the transferor's behalf, the authority of that person to do so, and (iii) the certificated share is fully paid up.
- (c) The Directors may refuse to register an allotment or transfer of shares in favour of more than four persons jointly.

### ***Restrictions where notice not complied with***

If any person appearing to be interested in shares (within the meaning of Part 22 of the Companies Act 2006) has been duly served with a notice under section 793 of the Companies Act 2006 (which confers upon public companies the power to require information as to interests in its voting shares) and is in default for a period of 14 days in supplying to the Company the information required by that notice:

- (a) the holder of those shares shall not be entitled to attend or vote (in person or by proxy) at any Shareholders' meeting, unless the Directors otherwise determine; and
- (b) the Directors may, in their absolute discretion, where those shares represent 0.25 per cent. or more of the issued shares of a relevant class, by notice to the holder, direct that:
  - (i) any dividend or part of a dividend (including shares issued in lieu of a dividend), or other money which would otherwise be payable on the shares, will be retained by the Company without any liability for interest and the shareholder will not be entitled to elect to receive shares in lieu of a dividend; and/or
  - (ii) (with various exceptions set out in the Articles) transfers of the shares will not be registered.

### ***Forfeiture and lien***

- (a) If a member fails to pay in full any sum which is due in respect of a share on or before the due date for payment, then, following notice by the Directors requiring payment of the unpaid amount with any accrued interest and any expenses incurred, such share may be forfeited by a resolution of the Directors to that effect (including all dividends declared in respect of the forfeited share and not actually paid before the forfeiture).
- (b) A member whose shares have been forfeited will cease to be a member in respect of the shares, but will remain liable to pay the Company all monies which at the date of forfeiture were presently payable, together with interest. The Directors may, in their absolute discretion, enforce payment without any allowance for the value of the shares at the time of forfeiture or for any consideration received on their disposal, or waive payment in whole or part.
- (c) The Company shall have a lien on every share (not being a fully paid-up share) that is not fully paid for all monies called or payable at a fixed time in respect of such share. The Company's lien over a share takes priority over the rights of any third-party and extends to any dividends or other sums payable by the Company in respect of that share. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt from such a lien, either wholly or partially.
- (d) A share forfeited or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of to any person (including the person who was, before such forfeiture or surrender, the holder of that share or entitled to it) on such terms and in such manner as the Directors think fit. The Company may deliver an enforcement notice in respect of any share if a sum in respect of which a lien exists is due and has not been paid. The Company may sell any

share in respect of which an enforcement notice, delivered in accordance with the Articles, has been given if such notice has not been complied with. The proceeds of sale shall first be applied towards payment of the amount in respect of the lien to the extent that amount was due on the date of the enforcement notice, and then on surrender of the share certificate for cancellation, to the person entitled to the shares immediately prior to the sale.

## **4.2 Deferred Shares**

The holders of the Deferred Shares do not have the right to receive notice of any general meeting of the Company nor the right to attend, speak or vote at any such general meeting. The Deferred Shares have no rights to dividends and, on a return of assets in a winding-up, entitle the holder only to the repayment of the amounts paid upon such shares. The Deferred Shares may be purchased at nominal value at the option of the Company by notice in writing served on the holder of the Deferred Shares.

## **4.3 General meetings**

### ***Annual general meeting***

An annual general meeting shall be held within each period of six months beginning with the day following the Company's accounting reference date, at such place or places, date and time as may be decided by the Directors.

### ***Convening of general meetings***

The Directors may, whenever they think fit, call a general meeting. The Directors are required to call a general meeting once the Company has received requests from its members to do so in accordance with the Companies Act 2006.

### ***Notice of general meetings, etc.***

- (a) Notice of general meetings shall include all information required to be included by the Companies Act 2006 and shall be given to all members other than those members who are not entitled to receive such notices from the Company under the provisions of the Articles. The Company may determine that only those persons entered on the Register of Members at the close of business on a day decided by the Company, such day being no more than 21 days before the day that notice of the meeting is sent, shall be entitled to receive such a notice.
- (b) For the purposes of determining which persons are entitled to attend or vote at a meeting, and how many votes such persons may cast, the Company must specify in the notice of the meeting a time, not more than 48 hours before the time fixed for the meeting, by which a person must be entered on the Register of Members in order to have the right to attend or vote at the meeting. The Directors may, in their discretion, resolve that, in calculating such period, no account shall be taken of any part of any day that is not a working day (within the meaning of section 1173 of the Companies Act 2006).

### ***Quorum and voting***

No business other than the appointment of a chairman shall be transacted at any general meeting unless a quorum is present at the time when the meeting proceeds to business. Two members present in person or by corporate representative or proxy shall be a quorum. At any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded by: (i) the chairman of the general meeting; (ii) not fewer than five members present in person or by proxy and entitled to vote; (iii) a member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or (iv) a member or members present in person or by proxy and holding Shares in the Company conferring a right to vote at the general meeting being Ordinary on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

### ***Conditions of admission***

- (a) The Directors may require attendees to submit to searches or put in place such arrangements or restrictions as they think fit to ensure the safety and security of attendees at a general meeting. Any

member, proxy or other person who fails to comply with such arrangements or restrictions may be refused entry into, or removed from, the general meeting.

- (b) The Directors may decide that a general meeting shall be held at two or more locations to facilitate the organisation and administration of such meeting. A member present in person or by proxy at the designated “satellite” meeting place may be counted in the quorum and may exercise all rights that they would have been able to exercise if they had been present at the principal meeting place. The Directors may make and change from time to time such arrangements as they shall, in their absolute discretion, consider appropriate to:
- (i) ensure that all members and proxies for members wishing to attend the meeting can do so;
  - (ii) ensure that all persons attending the meeting are able to participate in the business of the meeting and to see and hear anyone else addressing the meeting;
  - (iii) ensure the safety of persons attending the meeting and the orderly conduct of the meeting; and
  - (iv) restrict the numbers of members and proxies at any one location to such number as can safely and conveniently be accommodated there.

#### **4.4 Directors**

##### ***General powers***

The Directors shall manage the business and affairs of the Company and may exercise all powers of the Company other than those that are required by the Companies Act 2006 or by the Articles to be exercised by the Company at the general meeting.

##### ***Borrowing powers***

The Directors may exercise all powers of the Company to borrow money, to mortgage or charge all or any part or parts of its undertakings, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligations of the Company or any third party.

##### ***Number of Directors***

The Directors shall not be fewer than two nor more than 20 in number, save that the Company may, by ordinary resolution, from time to time vary the minimum number and/or maximum number of Directors.

##### ***Share qualification***

A Director shall not be required to hold any shares of the Company by way of qualification. A Director who is not a member of the Company shall nevertheless be entitled to attend and speak at general meetings.

##### ***Directors’ fees***

- (a) Directors’ fees are determined by the Directors from time to time, except that they may not exceed £750,000 per annum in aggregate or such higher amount as may from time to time be determined by ordinary resolution of the Shareholders.
- (b) Any Director who holds any executive office (including the office of Chairman or Deputy Chairman), or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid extra remuneration by way of salary, commission or otherwise or may receive such other benefits as the Directors may determine.

##### ***Executive Directors***

The Directors may from time to time appoint one or more of their number to be the holder of any executive office and may confer upon any Director holding an executive office any of the powers exercisable by them as Directors upon such terms and conditions, and with such restrictions, as they think fit. They may from time to time revoke, withdraw, alter or vary all or any of such delegated powers.

### ***Directors' retirement***

- (a) Each Director shall retire at the annual general meeting held in the third calendar year following the year in which he was elected or last re-elected by the Company. In addition, each Director (other than the Chairman and any Director holding an executive office) shall also be required to retire at each annual general meeting following the ninth anniversary of the date on which he was elected by the Company. A Director who retires at any annual general meeting shall be eligible for election or re-election unless the Directors resolve otherwise not later than the date of the notice of such annual general meeting.
- (b) When a Director retires at an annual general meeting in accordance with the Articles, the Company may, by ordinary resolution at the meeting, fill the office being vacated by re-electing the retiring Director. In the absence of such a resolution, the retiring Director shall nevertheless be deemed to have been re-elected, except in the cases identified by the Articles.

### ***Removal of a Director by resolution of the Company***

The Company may, by ordinary resolution of which special notice is given, remove any Director before the expiration of his period of office in accordance with the Companies Act 2006, and elect another person in place of a Director so removed from office. Such removal may take place notwithstanding any provision of the Articles or of any agreement between the Company and such Director, but is without prejudice to any claim the Director may have for damages for breach of any such agreement.

### ***Proceedings of the Board***

- (a) Subject to the provisions of the Articles, the Directors may meet for the despatch of business and adjourn and otherwise regulate its proceedings as they think fit.
- (b) The quorum necessary for the transaction of business of the Directors may be fixed from time to time by the Directors and, unless so fixed at any other number, shall be two. A meeting of the Directors at which a quorum is present shall be competent to exercise all powers and discretions for the time being exercisable by the Directors.
- (c) The Directors may elect from their number a Chairman and a Deputy Chairman (or two or more Deputy Chairmen) and decide the period for which each is to hold office.
- (d) Questions arising at any meeting of the Directors shall be determined by a majority of votes. The chairman of the meeting shall have a casting vote.

### ***Directors' interests***

- (a) For the purposes of section 175 of the Companies Act 2006, the Directors shall have the power to authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a Director to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company.
- (b) Any such authorisation will be effective only if:
  - (i) the matter in question was proposed in writing for consideration at a meeting of the Directors, in accordance with the Board's normal procedures or in such other manner as the Directors may resolve;
  - (ii) any requirement as to the quorum at the meeting at which the matter is considered is met without counting the Director in question or any other interested Director; and
  - (iii) the matter was agreed to without such interested Directors voting or would have been agreed to if their votes had not been counted.
- (c) The Directors may extend any such authorisation to any actual or potential conflict of interest which may arise out of the matter so authorised and may (whether at the time of the giving of the authorisation or subsequently) make any such authorisation subject to any limits or conditions they expressly impose, but such authorisation is otherwise given to the fullest extent permitted. The Directors may also terminate any such authorisation at any time.

### ***Restrictions on voting***

- (a) Except as provided below, a Director may not vote in respect of any contract, arrangement or any other proposal in which he, or a person connected to him, is interested. Any vote of a Director in respect of a matter where he is not entitled to vote shall be disregarded.
- (b) Subject to the provisions of the Companies Act 2006, a Director is entitled to vote and be counted in the quorum in respect of any resolution concerning any contract, transaction or arrangement, or any other proposal (*inter alia*):
  - (i) in which he has an interest, of which he is not aware or which cannot reasonably be regarded as likely to give rise to a conflict of interest;
  - (ii) in which he has an interest only by virtue of interests in the Company's shares, debentures or other securities or otherwise in or through the Company;
  - (iii) which involves the giving of any security, guarantee or indemnity to the Director or any other person in respect of obligations incurred by him and guaranteed by the Company (or vice versa);
  - (iv) concerning an offer of securities by the Company or any of its subsidiary undertakings in which he is or may be entitled to participate as a holder of securities or as an underwriter or sub-underwriter;
  - (v) concerning any other body corporate, provided that he and any connected persons do not own or have a beneficial interest in 1 per cent. or more of any class of share capital of such body corporate, or of the voting rights available to the members of such body corporate;
  - (vi) relating to an arrangement for the benefit of employees or former employees which does not award him any privilege or benefit not generally awarded to the employees or former employees to whom such arrangement relates;
  - (vii) concerning the purchase or maintenance of insurance for any liability for the benefit of Directors;
  - (viii) concerning the giving of indemnities in favour of the Directors; or
  - (ix) concerning the funding of expenditure by any Director or Directors (A) on defending criminal, civil or regulatory proceedings or actions against him or them, (B) in connection with an application to the court for relief, (C) on defending him or them in any regulatory investigations or (D) incurred doing anything to enable him to avoid incurring such expenditure.

### ***Confidential information***

If a Director, otherwise than by virtue of his position as Director, receives information in respect of which he owes a duty of confidentiality to a person other than the Company, he shall not be required to disclose such information to the Company or otherwise use or apply such confidential information for the purpose of or in connection with the performance of his duties as a Director, provided that such an actual or potential conflict of interest arises from a permitted or authorised interest under the Articles. This is without prejudice to any equitable principle or rule of law which may excuse or release the Director from disclosing the information in circumstances where disclosure may otherwise be required under the Articles.

### ***Powers of the Directors***

- (a) The Directors may delegate any of their powers or discretions, including those involving the payment of remuneration or the conferring of any other benefit to the Directors, to such person or committee and in such manner as they think fit. Any such person or committee shall, unless the Directors otherwise resolve, have the power to sub-delegate any of the powers or discretions delegated to them. The Directors may make regulations in relation to the proceedings of committees or sub-committees.

- (b) The Directors may establish any local boards or appoint managers or agents to manage any of the affairs of the Company, either in the UK or elsewhere, and may:
  - (i) appoint persons to be members or agents or managers of such local board and fix their remuneration;
  - (ii) delegate to any local board, manager or agent any of the powers, authorities and discretions vested in the Directors, with the power to sub-delegate;
  - (iii) remove any person so appointed, and annul or vary any such delegation; and
  - (iv) authorise the members of any local boards, or any of them, to fill any vacancies on such boards, and to act notwithstanding such vacancies.
- (c) The Directors may appoint any person or fluctuating body of persons to be the attorney of the Company with such purposes and with such powers, authorities and discretions, for such periods and subject to such conditions as they may think fit.
- (d) Any Director may at any time appoint any person (including another Director) to be his alternate Director and may at any time terminate such appointment.

#### ***Directors' liabilities***

- (a) So far as may be permitted by the Companies Act 2006, every Director, former Director or Secretary of the Company or of an Associated Company (as defined in section 256 of the Companies Act 2006) of the Company may be indemnified by the Company out of its own funds against any liability incurred by him in connection with any negligence, default, breach of duty or breach of trust by him or any other liability incurred by him in the execution of his duties, the exercise of his powers or otherwise in connection with his duties, powers or offices.
- (b) The Directors may also purchase and maintain insurance for or for the benefit of:
  - (i) any person who is or was a Director or Secretary of a Relevant Company (as defined in the Articles); or
  - (ii) any person who is or was at any time a trustee of any pension fund or employees' share scheme in which employees of any Relevant Company are interested,
 including insurance against any liability (including all related costs, charges, losses and expenses) incurred by or attaching to him in relation to his duties, powers or offices in relation to any Relevant Company, or any such pension fund or employees' share scheme.
- (c) So far as may be permitted by the Companies Act 2006, the Company may provide a Relevant Officer (as defined in the Articles) with defence costs in relation to any criminal or civil proceedings in connection with any negligence, default, breach of duty or breach of trust by him in relation to the Company or an Associated Company of the Company, or in relation to an application for relief under section 205(5) of the Companies Act 2006. The Company may do anything to enable such Relevant Officer to avoid incurring such expenditure.

#### **4.5 Dividends**

- (a) The Company may, by ordinary resolution, declare final dividends to be paid to its Shareholders. However, no dividend shall be declared unless it has been recommended by the Directors and does not exceed the amount recommended by the Directors.
- (b) If the Directors believe that the profits of the Company justify such payment, they may pay dividends on any class of share where the dividend is payable on fixed dates. They may also pay interim dividends on shares of any class in amounts and on dates and periods as they think fit. Provided the Directors act in good faith, they shall not incur any liability to the holders of any shares for any loss they may suffer by the payment of dividends on any other class of shares having rights ranking equally with or behind those shares.
- (c) Unless the share rights otherwise provide, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid, and apportioned and paid pro rata according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid.

- (d) Any unclaimed dividends may be invested or otherwise applied for the benefit of the Company until they are claimed. Any dividend unclaimed for 12 years from the date on which it was declared or became due for payment shall be forfeited and shall revert to the Company.
- (e) The Directors may, if authorised by ordinary resolution, offer to ordinary Shareholders the right to elect to receive, in lieu of a dividend, an allotment of new ordinary shares credited as fully paid.

#### 4.6 Failure to supply an address

A shareholder who has no registered address within the UK and has not supplied to the Company either a postal address within the UK or an electronic address for the service of notices will not be entitled to receive notices from the Company.

#### 4.7 Disclosure of shareholding ownership

The Disclosure and Transparency Rules require a member to notify the Company if the voting rights held by such member (including by way of certain financial instruments) reach, exceed or fall below three per cent. and each one per cent. threshold thereafter up to 100 per cent. Under the Disclosure and Transparency Rules, certain voting rights in the Company may be disregarded.

#### 4.8 Changes in capital

The provisions of the Articles governing the conditions under which the Company may alter its share capital are no more stringent than the conditions imposed by the Companies Act 2006.

### 5 Directors of the Company

- 5.1 The Directors and their functions within the Company and brief biographies are set out in Part XII (*Directors, Senior Managers and Corporate Governance*).
- 5.2 The business address of each of the Directors is the Company's registered office address at 133 Houndsditch, London, EC3A 7BX.
- 5.3 **Interests of the Directors**
- 5.4 The table below sets out the interests of the Directors in the Issued Share Capital of the Company (all of which, unless otherwise stated, are beneficial and include the interest of persons connected with them) immediately prior to Admission and immediately following Admission.

Name of Director	Immediately prior to Admission		Immediately following Admission <sup>(1)</sup>	
	Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of issued share capital
Peter Cruddas <sup>(2)</sup>	249,610,638	89.05	179,536,422	62.23
David Fineberg	21,688	0.008	21,688	0.008
Simon Waugh	0	0	23,530	0.008
Manjit Wolstenholme	0	0	11,765	0.004
Malcolm McCaig	0	0	11,765	0.004

**Notes:**

- (1) Calculated on the basis that: (i) the Offer Size is set at the mid-point of the Offer Size Range; (ii) the New Share Offer Size is set at the mid-point of the New Share Offer Size Range; (iii) the Sale Share Offer Size is set at the Expected Sale Share Offer Size; and (iv) the Over-allotment Option is not exercised.

- (2) Includes beneficial interests in Shares held by Fiona Cruddas.

- 5.5 On Admission, the Company intends to allocate the Management IPO Shares to Simon Waugh, Manjit Wolstenholme and Malcolm McCaig, alongside the Offer and at the Offer Price, in the amounts set out above in Paragraph 5.4 above. Please see Paragraph 3(v) of this Part XXII (*Additional Information*) for further details.
- 5.6 The interests of the Directors together are expected to represent 89.1 per cent. of the Issued Share Capital of the Company immediately prior to Admission and are expected to represent approximately 62.3 per cent. of the Issued Share Capital of the Company immediately following Admission not taking account of any share awards on Admission.

- 5.7 Save as set out in this Paragraph 5 and in Part XVI (*Historical Financial Information*), none of the Directors has any interests in the share or loan capital of the Company or any of its subsidiaries.
- 5.8 As at 25 January 2016 (being the latest practicable date prior to the publication of this Prospectus), the Directors held awards under the CMC Markets plc Management Equity Plan 2009 as more fully described in Paragraph 8.1 (*CMC Markets plc Management Equity Plan 2009*) of this Part XXII (*Additional Information*) and as detailed in the table below:

Name of Director	Type of award	Date awarded	Total awards outstanding (number of shares)	Vesting/cancellation date
Simon Waugh . .	Award	December 2013	312,500	To be cash cancelled on Admission
Grant Foley . . .	Award	May 2014	154,500	To be cash cancelled on Admission
	Retention Award	Jan 2016	184,075	1 year after Admission
	Retention Award	Jan 2016	184,075	2 years after Admission
David Fineberg	Award	May 2014	154,500	To be cash cancelled on Admission
	Retention Award	Jan 2016	260,350	1 year after Admission
	Retention Award	Jan 2016	260,350	2 years after Admission

It is intended that certain outstanding awards previously granted to Simon Waugh, Grant Foley and David Fineberg in 2013 and 2014, as set out above, will be cancelled on Admission and a cash equivalent amount paid to the respective holder of each award. In addition, effective as of Admission, Grant Foley and David Fineberg will be granted a Retention Award (in the amount and on the terms set out above) under the CMC Markets plc Management Equity Plan 2015. The awards to be granted under the CMC Markets plc Management Equity Plan 2015 are described further in Paragraph 8 (*Employee Share Plans*) of this Part XXII (*Additional Information*).

- 5.9 Save as set out in this Paragraph 5 and in Paragraph 11.3 (*Relationship Agreement*) of Part XXII (*Additional Information*), no Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Group and was effected by the Company in the current or immediately preceding financial year or was effected during an earlier financial year and remains in any respect outstanding or unperformed.
- 5.10 As of 25 January 2016 (being the latest practicable date prior to the date of this Prospectus), there were no outstanding loans granted by any member of the Group to any Director, nor by any Director to any member of the Group, nor was any guarantee which had been provided by any member of the Group for the benefit of any Director, or by any Director for the benefit of any member of the Group, outstanding.
- 5.11 The companies and partnerships of which the Directors are, or have been, within the past five years, members of the administrative, management or supervisory bodies or partners (excluding the Company and its subsidiaries and also excluding the subsidiaries of the companies listed below) are as follows:

Name	Current directorships/partnership	Former directorships/partnerships
Simon Waugh . . . . .	The Consulting Consortium Ltd Record Sure Limited Aid-Call Limited Age UK Age UK Enterprises Limited Partnership Assurance Group plc Partnership Life Assurance Co. Ltd Partnership Home Loans Limited Swaines Limited Age UK Trading CIC BMLL Technologies Limited	My Drive Solutions Sparks Charity The Skills Show Ltd

<u>Name</u>	<u>Current directorships/partnership</u>	<u>Former directorships/partnerships</u>
Peter Cruddas . . . . .	Royal Opera House Covent Garden Foundation The Peter Cruddas Foundation Finada Limited Business for Britain Limited Vote Leave Limited	
Grant Foley . . . . .	<i>No current positions held</i>	Westhouse Securities Holdings Limited Smith's EBT Limited Westhouse Corporate Finance Limited Westhouse Group Limited Smith's Corporate Advisory Limited Holmesdale Nominees Limited Arbuthnot Investments Limited Westhouse Securities Limited Westhouse Asset Management Limited
David Fineberg . . . . .	<i>No current or former positions held</i>	
James Richards . . . . .	Dillon Eustace	Travers Smith LLP
Manjit Wolstenholme	Cala Group (Holdings) Limited Cala Group Limited The Unite Group PLC Future PLC Provident Financial PLC The Gala Film Partners, LLP	Private Bank Training Limited Capital & Regional PLC Manchester Academic Health Science Centre Ingenious Film Partners 2 LLP Gleacher Shacklock LLP Aviva Investors Holdings Limited Albany Investment Trust Plc
Malcolm McCaig . . . . .	QBE Re (Europe) Limited QBE Underwriting Limited QBE Insurance (Europe) Limited Meretune Management (Falcon) Limited M G McCaig Limited Unum Limited Unum European Holding Company Limited Trad-X (UK) Limited Tradition Financial Services Limited Tradition (UK) Limited TFS Derivatives Limited Punjab National Bank (International) Limited OneSavings Bank plc	Deloitte & Touche LLP Ernst & Young LLP Independent Audit Ltd Property and Commercial Limited Glasgow Caledonian University Company Limited Kent Reliance Provident Society Kent Reliance Building Society ANV Syndicates Limited Jubilee Group Holdings Limited Barbon Insurance Group Limited Barbon Holdings Limited Caley Limited London Capital Holdings Group plc Renaissance Capital Limited Crest Nicholson Holdings Plc

**5.12** Save as set out above, none of the Directors or the Company Secretary has any business interests, or perform any activities, outside the Group which are significant with respect to the Group.

**5.13** There are no family relationships between any Directors.

**5.14** As at the date of this Prospectus, none of the Directors has, at any time within the last five years:

5.14.1 had any prior convictions in relation to fraudulent offences;

5.14.2 been declared bankrupt or been the subject of any individual voluntary arrangement;

5.14.3 been associated with any bankruptcies, receiverships or liquidations when acting in the capacity of a member of the administrative, management or supervisory body or of a senior manager;

- 5.14.4 been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including designated professional bodies);
  - 5.14.5 been disqualified by a court from acting in the management or conduct of the affairs of any issuer;
  - 5.14.6 been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer;
  - 5.14.7 been a partner or senior manager in a partnership which, while he was a partner or within 12 months of his ceasing to be a partner, was put into compulsory liquidation or administration or which entered into any partnership voluntary arrangement;
  - 5.14.8 owned any assets which have been subject to a receivership or been a partner in a partnership subject to a receivership where he was a partner at a time or within the 12 months preceding such event; or
  - 5.14.9 been an executive director or senior manager of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or which entered into any company voluntary arrangement or any composition or arrangement with its creditors generally or any class of creditors, at any time during which he was an executive director or senior management of that company or within 12 months of his ceasing to be an executive director or senior manager.
- 5.15** In 2012, The Sunday Times made an accusation against Peter Cruddas, alleging that in his role of Treasurer of the Conservative Party he was willing to breach UK electoral law and that he offered access to the Prime Minister in return for foreign donations. In response to the article, he successfully sued the newspaper and was awarded damages which were reduced on appeal. The Court of Appeal upheld the ruling of libel and malicious falsehood against the Sunday Times, finding that Mr Cruddas did not breach UK electoral law in pursuit of foreign donations. However, the Court of Appeal did reduce the quantum of damages payable by the newspaper finding that he did offer access to the Prime Minister. Additionally, Peter Cruddas was found by the Electoral Commission not to have breached any electoral law or any other law, and there was no police investigation following a review of the transcript of the taped conversation.
- 5.16** The aggregate remuneration paid and benefits in kind granted to the Directors by the Company and its subsidiaries during the year ended 31 March 2015 for services in all capacities was £1,743,000.
- 5.17** The total amount set aside or accrued by the Company or its subsidiaries to provide pension, retirement or similar benefits for the Directors for the year ended 31 March 2015 was £31,000.

## **6 Directors' terms of employment**

### **6.1 Executive Directors**

#### *Chief Executive Officer*

Peter Cruddas is employed by the Company pursuant to a service agreement executed on 25 January 2016 in respect of his services as Chief Executive Officer ("CEO") to the Company. He will receive with effect from 1 February 2016 a salary of £400,000 per annum, which is subject to annual review by the Remuneration Committee (next review with effect on 1 April 2017), and he is potentially eligible to participate in the Company's discretionary bonus plan, such eligibility and the amount, form and conditions of any bonus being determined at the Remuneration Committee's absolute discretion.

Under the terms of his service agreement, Peter is entitled to participate in a number of insured benefits through the Company's FlexScheme. Such benefits are subject to Peter and, where relevant, his family members meeting the underwriting criteria acceptable to the Company.

The service agreement provides that any intellectual property rights subsisting in any works shall be the exclusive property of the Company, and that Peter must disclose full details to the Company of any inventions and must not disclose the subject matter of any inventions to any person outside the Company without the prior consent of the Company.

The service agreement can be terminated by either party on service of twelve months' prior written notice. The Company has the ability to make a payment in lieu of notice equal to the basic salary element of Peter's service agreement for any unexpired portion of the notice period. The Company has the discretion

to place Peter on garden leave during the notice period. There are certain specified circumstances in which the Company may terminate the appointment with immediate effect without notice or payment in lieu of notice, such as for gross misconduct or material or repeated breach of duties or the provisions of the service agreement. Peter has informed the Board that his current intention is to remain involved with the Company in an executive capacity over the medium to long term.

Peter's service agreement contains confidentiality provisions which are indefinite and restrictive covenants as to non-compete and non-solicitation obligations, lasting twelve months after termination of employment. It is also provided that during Peter's employment and for twelve months after its termination, he shall comply (and procure that his spouse/civil partner and dependent children shall comply) with applicable rules of law and codes of conduct relating to insider dealing.

#### *Chief Financial Officer and Head of Risk*

Grant Foley is employed by the Company pursuant to a service agreement executed on 25 January 2016 in respect of his services as Chief Financial Officer and Head of Risk to the Company. He will receive with effect from 1 February 2016 a salary of £270,000 per annum, which is subject to annual review by the Remuneration Committee (next review with effect on 1 April 2017), and he is potentially eligible to participate in the Company's discretionary bonus plan, such eligibility and the amount, form and conditions of any bonus being determined at the Remuneration Committee's absolute discretion.

Under the terms of his service agreement, Grant is entitled to participate in a number of insured benefits through the Company's FlexScheme. Such benefits are subject to Grant and, where relevant, his family members meeting the underwriting criteria acceptable to the Company.

The service agreement provides that any intellectual property rights subsisting in any works shall be the exclusive property of the Company, and that Grant must disclose full details to the Company of any inventions and must not disclose the subject matter of any inventions to any person outside the Company without the prior consent of the Company.

The service agreement can be terminated by either party on service of six months' prior written notice. The Company has the ability to make a payment in lieu of notice equal to the basic salary element of Grant's service agreement for any unexpired portion of the notice period. The Company has the discretion to place Grant on garden leave during the notice period. There are certain specified circumstances in which the Company may terminate the appointment with immediate effect without notice or payment in lieu of notice, such as for gross misconduct or material or repeated breach of duties or the provisions of the service agreement.

Grant's service agreement contains confidentiality provisions which are indefinite and restrictive covenants as to non-compete and non-solicitation obligations, lasting for twelve months after termination of employment. It is also provided that during Grant's employment and for twelve months after its termination, he shall comply (and procure that his spouse/civil partner and dependent children shall comply) with applicable rules of law and codes of conduct relating to insider dealing.

#### *Group Director of Trading*

David Fineberg is employed by the Company pursuant to a service agreement executed on 25 January 2016 in respect of his services as Group Director of Trading to the Company. He will receive with effect from 1 February 2016 a salary of £240,000 per annum, which is subject to annual review by the Remuneration Committee (next review with effect on 1 April 2017), and he is potentially eligible to participate in the Company's discretionary bonus plan, such eligibility and the amount, form and conditions of any bonus being determined at the Remuneration Committee's absolute discretion.

Under the terms of his service agreement, David is entitled to participate in a number of insured benefits through the Company's FlexScheme. Such benefits are subject to David and, where relevant, his family members meeting the underwriting criteria acceptable to the Company. David pays contributions to the Company's defined contribution pension scheme in the UK as required by the rules of the scheme, with the Company contributing an amount equal to 10 per cent. of his basic salary during each year of employment.

The service agreement provides that any intellectual property rights subsisting in any works shall be the exclusive property of the Company, and that David must disclose full details to the Company of any

inventions and must not disclose the subject matter of any inventions to any person outside the Company without the prior consent of the Company.

The service agreement can be terminated by either party on service of six months' prior written notice. The Company has the ability to make a payment in lieu of notice equal to the basic salary element of David's service agreement for any unexpired portion of the notice period. The Company has the discretion to place David on garden leave during the notice period. There are certain specified circumstances in which the Company may terminate the appointment with immediate effect without notice or payment in lieu of notice, such as for gross misconduct or material or repeated breach of duties or the provisions of the service agreement.

David's service agreement contains confidentiality provisions which are indefinite and restrictive covenants as to non-compete and non-solicitation obligations, lasting for twelve months after termination of employment. It is also provided that during David's employment and for twelve months after its termination, he shall comply (and procure that his spouse/civil partner and dependent children shall comply) with applicable rules of law and codes of conduct relating to insider dealing.

## 6.2 Non-Executive Directors

### *Chairman*

Simon Waugh's appointment as Chairman is subject to the terms of a letter of appointment agreed between him and the Company dated 11 January 2016. His annual fee, which includes remuneration for sitting on certain Board committees, is £160,000 and he is required to commit the equivalent of four to five days per month to the role. Simon may resign from his position at any time upon service of three months' written notice to the Board.

### *Other Non-Executive Directors*

The other Non-Executive Directors each have a letter of appointment reflecting their responsibilities and commitments, which are terminable on three months' notice.

Under the Articles, all Directors must retire by rotation and seek re-election by Shareholders every three years; however, it is intended that the Directors shall each retire and submit themselves for re-election by Shareholders annually.

The key terms of the Non-Executive Directors' letters of appointment are summarised below:

Name of Director	Title	Appointment Letter Date	Fee per Annum
Simon Waugh . . . . .	Chairman	25 January 2016	£160,000
James Richards . . . . .	Independent Non-Executive Director	25 January 2016	£60,000 annual fee and £10,000 for committee chairmanship
Manjit Wolstenholme . . .	Senior Independent Non-Executive Director	28 September 2015	£60,000 annual fee and £10,000 for committee chairmanship and £5,000 for senior independent directorship
Malcom McCaig . . . . .	Independent Non-Executive Director	28 September 2015	£60,000 annual fee and £10,000 for committee chairmanship

## 7 Interests of significant Shareholders

**7.1** In so far as it is known to the Company as at the date of this Prospectus, each of the Principal Shareholder, the Second Principal Shareholder and Goldman Sachs Strategic Investments (U.K.) Limited will, on Admission, be directly or indirectly interested (within the meaning of the Companies Act 2006) in 3 per cent. or more of the Company's Issued Share Capital (being the threshold for notification of interests that will apply to Shareholders as of Admission pursuant to Chapter 5 of the Disclosure and Transparency Rules). In addition to the New Shares that will be issued by the Company pursuant to the Offer, Sale Shares will be sold by the Selling Shareholders pursuant to the Offer. On the basis that the Offer Size is set at the mid-point of the Offer Size Range, the New Share Offer Size is set at the mid-point of the New Share Offer Size Range, the Sale Share Offer Size is set at the Expected Sale Share Offer Size and the Over-allotment Option is not exercised, the Principal Selling Shareholders' expected interests both immediately prior to and

immediately following Admission, together with the number of Shares each is expected to sell in the Offer, are set out in the following table.

Shareholder	Interests immediately prior to Admission		Shares sold pursuant to Offer <sup>(1)</sup>		Interests immediately following Admission <sup>(1)</sup>	
	No.	per cent. of total issue	No.	per cent. of holding	No.	per cent. of issued
Peter Cruddas . . . . .	180,794,340	64.50	15,314,848	8.47	165,479,492	57.36
Fiona Cruddas . . . . .	68,816,298	24.55	54,759,368	79.57	14,056,930	4.87
Goldman Sachs Strategic Investments (U.K.) Limited . . . . .	25,552,550	9.12	11,155,816	43.66	14,396,734	4.99

**Note:**

- (1) Calculated on the basis that: (i) the Offer Size is set at the mid-point of the Offer Size Range; (ii) New Share Offer Size is set at the mid-point of the New Share Offer Size Range; (iii) the Sale Share Offer Size is set at the Expected Sale Share Offer Size; and (iv) the Over-allotment Option is not exercised.

**7.2** Save as disclosed in this Paragraph 7 (*Interests of significant Shareholders*), the Company is not aware of any person who has, or will immediately following Admission have, a notifiable interest of 3 per cent. or more of the Issued Share Capital of the Company.

**7.3** There are no differences between the voting rights enjoyed by the Controlling Shareholders described in Paragraph 7.1 above and those enjoyed by any other holder of Shares in the Company.

## **8 Employee share plans**

The Company operates, or intends to operate, the following employee share plans.

### **8.1 CMC Markets plc Management Equity Plan 2015**

#### **Overview**

The Company has operated an employee share plan, the CMC Markets plc Management Equity Plan 2009 (the “**MEP 2009**”), under which awards of options and phantom options have been granted. Awards typically vest after a three-year vesting period subject to continued employment and, in the majority of cases, the satisfaction of a Company-related performance condition. Outstanding awards granted in 2013 and 2014 under the MEP 2009 will vest in full on Admission.

The Company intends to continue to operate the MEP 2009 after Admission in order to provide long term incentives to directors and selected senior employees. Certain amendments were therefore made to the MEP 2009 rules in 2015 to comply with the Listing Rules and investor guidelines for listed companies in the UK. The key terms of the amended plan, known as the CMC Markets plc Management Equity Plan 2015 (the “**MEP**”), and proposed awards to be granted thereunder on Admission are summarised below.

#### **Grant of awards**

The MEP is administered by the Board or any committee or person to whom the Board has duly delegated some or all of its functions under the MEP. Decisions in respect of awards to executive directors will be made by the Remuneration Committee.

Any employee including executive directors of the Company, its subsidiaries, joint-venture companies or designated associated companies is eligible to participate in the MEP.

The MEP rules allow for different types of awards, for example:

- **Share rights**—these are awards granted in the form of conditional share awards which vest on such date(s) as determined by the Board on grant (typically on the third anniversary of grant), subject to continued employment and the satisfaction of any performance condition.
- **Options**—these are share options which may be exercised for no or nominal consideration or for consideration determined by reference to the market value of a share on grant. Options vest on such date(s) as determined by the Board on grant (typically the third anniversary of grant), subject to continued employment and any performance condition. Options are generally exercisable until the tenth anniversary of grant or such earlier date(s) as set by the Board of Directors.

- Phantom awards—these are either share rights or options which are satisfied on vesting by the payment of a cash amount equal to the market value of the number of shares to which the participant would otherwise have become entitled less any exercise price, subject to continued employment and to the satisfaction of any performance condition.

Any performance condition will be assessed over such period as determined by the Board.

#### ***Individual limits***

No award may be granted to a participant in respect of any financial year if it would exceed the limit on individual participation contained in the directors' remuneration policy most recently approved by the Company in general meeting.

#### ***Plan limits***

In any 10 year period, not more than 10 per cent. of the issued ordinary share capital of the Company may be issued or issuable under the MEP and all other employees' share plans operated by the Company. In addition, in any 10 year period, not more than 5 per cent. of the issued ordinary share capital of the Company may be issued or issuable under the MEP and all other discretionary share plans operated by the Company. These limits do not include awards which have lapsed or been surrendered. Awards may also be satisfied using treasury shares. If such shares are used, the Company will, so long as required by institutional investor guidelines, count them towards the plan limits set out above.

#### ***Performance conditions***

Other than the IPO Awards and Retention Awards discussed below under "*Admission awards under MEP*", awards granted under the MEP after Admission may and, in the case of awards to executive directors, will be subject to performance conditions.

The intention is that awards will be subject to performance conditions relating to the Company's earnings per share ("**EPS**"), total shareholder return ("**TSR**") and other non-financial strategic measures (e.g. customer service) all measured over a three year performance period. Performance below threshold will result in nil vesting, performance at threshold will result in 25 per cent. vesting and stretch performance will result in 100 per cent. vesting.

The intention is that the weighting of the proposed performance condition in respect of the vesting of an award will be: 60 per cent. of the award relating to EPS (from threshold performance at 6 per cent. per annum to stretch performance at 18 per cent. per annum increase); 30 per cent. of the award relating to TSR (based on a comparator group of FTSE 250 companies and with threshold performance at median and stretch performance at upper quartile); and 10 per cent. of the award relating to other non-financial measures.

The Board has discretion under the MEP to change the performance conditions or their weighting where it reasonably considers it appropriate to do so.

Different performance conditions, performance periods or weightings may be set in respect of future awards.

#### ***Vesting of awards***

Awards normally vest on the vesting date(s) set by Board on grant, subject to any performance conditions being satisfied and continued employment.

If a participant leaves employment prior to vesting, the participant's unvested awards will generally lapse. However, if the participant dies or ceases employment due to ill-health, injury, disability, statutory redundancy, retirement with the agreement of the Board, the participant's employing company or business ceasing to be under the control of the Company or, at the discretion of the Board, for any other reason, then the award will continue to vest on the normal vesting date unless the Board determines that the award should vest on death or cessation of employment. Unless the Board determines otherwise, the award will vest on a pro rata basis reflecting the period from the date of death or cessation until the original vesting date as a proportion of the period from the award date until the original vesting date.

Options and phantom options will generally be exercisable for a period of six months from the date of death or cessation or, if later, three months from the date of vesting.

### *Malus and clawback*

The MEP rules contain provisions relating to both malus and clawback.

Prior to the vesting of an award, malus may be applied so as to reduce (including to nil) the size of any outstanding award. After vesting, clawback may be applied for a period of 7 years from the date of award (or such other period as required by applicable regulation). Where clawback is applied, the participant will be required to repay the award or a proportion of it (or an equivalent cash value) as determined by the Board.

In accordance with regulatory requirements, the circumstances in which malus and/or clawback may be applied include: (1) where the participant participated in or was responsible for conduct which resulted in significant losses to the Group; (2) where the participant failed to meet appropriate standards of fitness and propriety; (3) where there is reasonable evidence of employee misbehaviour or material error; (4) where the Group or the relevant business unit suffers a material downturn in its financial performance; or (5) where the Group or the relevant business unit suffers a material failure of risk management.

In addition, the vesting of awards may be suspended by the Board in the event that there is an investigation in respect of a participant or an event which may result in the application of malus or clawback to the participant's award.

### *Corporate transactions*

On a take-over, scheme of arrangement, merger or certain other corporate re-organisations, awards will generally vest early (and options lapse shortly afterwards). Alternatively, participants may be allowed or required to exchange their awards for equivalent awards over shares in the acquiring company. Where awards vest, they will be subject to any applicable performance condition and, unless the Board determines otherwise, time pro rating to reflect the early vesting and malus not having been applied.

If there is a variation in the share capital of the Company, including a rights issue, demerger or a special dividend, the Board of Directors may adjust the awards (and, in the case of options, any exercise price) provided that the adjusted awards remain on substantially equivalent terms.

### *Amending the MEP*

The Board has the power to amend the MEP and awards in any way provided that such amendment will not, in the opinion of the Board, have a material detrimental effect on subsisting awards. However, provisions relating to: eligibility; plan limits; the basis for determining a participant's entitlement to shares under the MEP; the adjustment of awards in the event of a variation of capital; and the amendment of the MEP cannot be altered to the advantage of participants without prior approval of shareholders in general meeting (except for minor amendments to benefit the administration of the MEP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or any other members of the Group).

### *General*

Awards are personal to the participant and not transferable, except with the prior consent of the Board.

The participant will have no voting rights or rights to receive dividends until the shares have been transferred to the participant or a nominee.

Awards are not pensionable.

The MEP may be terminated by the Board at any time.

### *Admission awards under MEP*

As a reward for helping the Company achieve Admission, the Company is proposing to grant an IPO Award (the “**IPO Award**”) to selected key employees. The IPO Awards will vest on the third business day after Admission.

In addition, to ensure appropriate retention on and after Admission, the Company is proposing to grant a retention award (the “**Retention Award**”) to selected key employees. Grant Foley and David Fineberg will also be granted a Retention Award, the amounts of which are set out in Paragraph 5.8 above. The Retention Awards will vest as to half on each of the first and second anniversary of Admission.

Both the IPO Award and the Retention Award will be granted subject to the terms of the MEP and will take the form of either conditional share awards, nil-cost options or cash-settled conditional share awards depending on the country of residence of the recipients. Neither the IPO Award nor the Retention Award will be subject to performance conditions.

## **8.2 The CMC Markets plc UK Share Incentive Plan**

### ***Overview***

The CMC Markets plc UK Share Incentive Plan (the “**UK SIP**”), which will be registered with HMRC, offers four ways to provide shares to employees based in the UK on a tax-favoured basis: free, partnership, matching and dividend shares. The Board has the power to decide which, if any, of the four elements should be offered. The UK SIP operates in conjunction with a trust, which will hold shares on behalf of employees. Outside the UK, the UK SIP will be offered on a comparable basis under an International Share Incentive Plan (“**International SIP**”) as set out below.

### ***Eligibility***

Executive directors and all employees of the Company and any subsidiaries designated by the Board as participating companies are eligible to participate in the UK SIP, if they are UK tax payers and have been working for the Company or a participating company for such qualifying period of service as determined by the Company not exceeding 18 months (currently expected to be 6 months). Proposed awards of free shares to be made on or shortly after Admission require employees to be employed on 31 December 2015.

### ***Free shares***

The UK SIP provides for the award of shares worth up to a maximum set by the UK tax legislation (currently £3,600) to each eligible employee each year. The shares must generally be awarded on similar terms and may, but is not required to, be subject to pre-award performance targets. “Similar terms” means the terms may only be varied by reference to remuneration, length of service or hours worked.

Free shares must be held in trust for a period of between three and five years at the discretion of the Company and will be free of income tax if held in the trust for five years. It is intended that the holding period for free shares will be three years. If a participant leaves employment with the Group as a bad leaver before the end of the holding period, the participant’s shares will be forfeited.

It is currently intended that an award of free shares will be made on Admission equal to £3,600 per employee (or an equivalent amount under the International SIP).

### ***Partnership shares***

The UK SIP provides for employees to be offered the opportunity to purchase shares out of monthly savings contributions from pre-tax salary of up to the maximum set by the legislation (currently £1,800 per year, or 10 per cent. of salary if less). Employees can stop saving at any stage. The employees’ contributions may be used to buy partnership shares on a monthly basis or accumulated for up to 12 months before they are used to buy shares. The intention is that the UK SIP will be operated with monthly purchases of partnership shares.

Partnership shares can be withdrawn from the UK SIP by the participant at any time, but there will be an UK income tax liability if the shares are withdrawn within five years of their acquisition.

### ***Matching shares***

The UK SIP provides that where employees buy partnership shares, they may be awarded additional free matching shares by the Company on a matching basis up to a statutory limit of two matching shares for each partnership share. It is currently intended that the Company will operate a one for one match. Matching shares will be subject to a three year holding period and will be free of UK income tax if held in trust for five years. If a participant leaves employment with the Group or a participant withdraws the corresponding partnership shares before the end of the holding period, the participant’s matching shares cease to be subject to the SIP and will be forfeited.

### ***Dividends***

Under the UK SIP, the Board may permit any dividends paid on the free, partnership or matching shares to be re-invested in the purchase of additional shares, which must be held in the plan for a period of three years. If held for the required period, the dividend shares can be withdrawn tax free.

The Board will determine whether dividends will be paid in cash or shares under the International SIP and whether dividend equivalents will be provided in respect of conditional awards.

### ***Voting rights***

Participants who hold shares in the UK SIP may direct the trustee of the UK SIP how to exercise the voting rights attributable to the shares held on their behalf, including rights in relation to a take-over, scheme of arrangement, merger or other corporate re-organisation or transaction. The trustee of the UK SIP will not exercise the voting rights unless it receives the participants' instructions.

### ***Dilution limits***

Commitments to issue new shares may not, on any day, exceed 10 per cent. of the issued share capital of the Company in issue immediately before that day when added to the total number of ordinary shares which have been allocated in the previous 10 years under the UK SIP and any other employee share plan operated by the Company. This limit does not include rights to shares which have lapsed or been surrendered. The limit includes any shares transferred out of treasury but only for as long as required by institutional investor guidelines.

### ***Amendment provisions***

Although the directors will have the power to amend the provisions of the UK SIP in any way, the provisions relating to: the participants; the limits on the number of shares which may be issued under the UK SIP; the individual limit; the basis for determining a participant's entitlement to shares or cash under the UK SIP or the adjustments of awards in the event of a variation of capital; and the amendment rule, cannot be altered to the advantage of participants without prior approval of Shareholders in general meeting (except for minor amendments to benefit the administration of the UK SIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the UK SIP or for the Company or any other members of the Group).

### ***General***

Benefits under the UK SIP are not pensionable.

### **International Share Incentive Plan**

For operation outside the UK, the Company has established an International Share Incentive Plan ("International SIP"). The International SIP is based on the UK SIP but amended to take into account overseas rules in respect of tax, securities laws and administration. The key differences from the UK SIP are summarised below.

For administrative reasons, free and matching shares awarded under the International SIP will be structured as conditional awards of shares in Australia or cash-settled share awards in all other countries. These awards vest after a three year period.

The International SIP in Australia provides for employees to be offered the opportunity to purchase shares (investment shares) out of monthly or annual savings contributions of up to the maximum set by the Company (currently the equivalent of £1,800 per year), which they will acquire at the end of a 12 month saving period.

In all other countries the International SIP provides for employees to be offered the opportunity to purchase phantom shares (notional investment shares) out of monthly or annual savings contributions of up to the maximum set by the Company (currently the equivalent of £1,800 per year).

The International SIP provides that the Board will permit any dividends or dividend equivalents in respect of free, investment and matching shares be paid in cash at the end of the three year vesting period.

Any commitment to issue new shares or transfer treasury shares under the International SIP will count towards the dilution limits set out above in respect of the UK SIP.

## 9 Pensions

The Company operates a defined contribution pension scheme through Scottish Widows in the United Kingdom. The Group operates defined contribution pension schemes in Spain, Sweden, Norway, Austria, Germany, Australia, New Zealand, France, Canada and Singapore.

More than approximately 90 per cent. of employees of the Group participate in Group pension schemes. Employer contributions to Group pension schemes are a percentage of basic salary between 3 per cent. and 11 per cent., depending on jurisdiction of scheme.

In the year ended 31 March 2016, the Group expects to make approximately £1,900,000 in employer contributions to Group pension schemes, including statutory pension funds.

## 10 Subsidiaries, investments and principal establishments

The Company is the parent company of the Group. The following table shows details of the Company's significant subsidiaries. The issued share capital of each of these companies is fully paid and each will be included in the consolidated accounts of the Group.

The Company intends to establish an intermediate holding company as a direct subsidiary of the Company, which will hold the remainder of the Group. The immediate purpose of the establishment of such holding company is to allow the creation of distributable reserves.

Name	Country of incorporation and registered office	Percentage of shares held as at 25 January 2016	Principal Activity	Held
CMC Markets UK Holdings Limited . . . . .	England	100	Holding company	Directly
CMC Markets UK plc . . . . .	England	100 <sup>(1)</sup>	Online trading	Indirectly
Information Internet Limited . . . .	England	100	IT development	Indirectly
CMC Spreadbet plc . . . . .	England	100 <sup>(2)</sup>	Financial spread betting	Indirectly
CMC Markets Digital Options GmbH . . . . .	Austria	100	IT development	Indirectly
CMC Markets Overseas Holdings Limited . . . . .	England	100	Holding company	Directly
CMC Markets Asia Pacific Pty Limited . . . . .	Australia	100	Online trading	Indirectly
CMC Markets Pty Limited . . . . .	Australia	100	Training and education	Indirectly
CMC Markets Group Australia Pty Limited . . . . .	Australia	100	Holding company	Indirectly
CMC Markets Stockbroking Limited . . . . .	Australia	100	Stock broking	Indirectly
CMC Markets Stockbroking Nominees Pty Limited . . . . .	Australia	100	Stock broking nominee	Indirectly
CMC Markets Stockbroking Nominees (No. 2 Account) Limited . . . . .	Australia	100	Dormant	Indirectly
CMC Markets Canada Inc. . . . .	Canada	100	Client introducing office	Indirectly
CMC Markets NZ Limited . . . . .	New Zealand	100	Online trading	Indirectly
Redmonitor GmbH . . . . .	Austria	100	IT development	Indirectly
CMC Markets Singapore Pte Limited . . . . .	Singapore	100	Online trading	Indirectly

### Notes:

- (1) 0.0002 per cent. of the shares are held nominally by Peter Cruddas on trust for the Company due to legacy reasons relating to the Companies Act 1985.
- (2) 0.0003 per cent. of the shares are held nominally by Peter Cruddas on trust for the Company due to legacy reasons relating to the Companies Act 1985.

The table below summarises the key terms of the principal establishments of the Group:

<u>Name and Location</u>	<u>Type of Facility</u>	<u>Tenure</u>
1st Floor and part ground floor, 133 Houndsditch, London EC3A 7BX, United Kingdom	Office	Leasehold
Basement Storage area, 133 Houndsditch, London EC3A 7BX, United Kingdom	Storage/data centre	Leasehold
18 Devonshire Row, London, EC2M 4RH, United Kingdom	Office (Disaster Recovery)	Leasehold
Unit 14, Harforde Court, Foxholes Business Park, John Tate Road, Hertford, SG13 7NW, United Kingdom	Office (Disaster Recovery)	Leasehold
Hall 5, Welwyn Data Centre, 20 Black Fan Road, Welwyn Garden City, Hertfordshire, AL7 1QA, United Kingdom	Data Centre	Leasehold
Level 13, 130 Pitt Street, Sydney NSW 2000, Australia	Office	Leasehold
Level 8 part, 130 Pitt Street, Sydney, NSW 2000, Australia	Office	Leasehold
Suite 902, Level 9, 50 Berry Street, North Sydney, NSW 2060, Australia	Office (Disaster Recovery)	Leasehold
Wehlstrasse 66/5.OG, 1200 Wien, Austria	Office	Leasehold
Suite 1420, 120 Adelaide Street West, Toronto, Ontario M5H 1T1, Canada	Office	Leasehold
Level 19, Suite 1922 Tower E2, Oriental Plaza, No1 East Chang An Avenue, Dong Cheng District, Beijing, 100738, China	Office	Leasehold
4 <sup>th</sup> Floor, 37 Avenue des Champs-Elysees, 75008 Paris, France	Office	Leasehold
Garden Tower, Neue Mainzer Strasse 46-50, 60311 Frankfurt am Main, Germany	Office	Leasehold
Corso di Porta Romana 68, 20122 Milan, Italy	Office	Leasehold
Level 25, 151 Queen Street, Auckland, New Zealand	Office	Leasehold
Fridtjof Nansens Plass 6, 0160 Oslo, Norway	Office	Leasehold
17 <sup>th</sup> Floor, Warsaw Financial Center, Emilii Plater 53, 00-113 Warsaw, Poland	Office	Leasehold
50 Raffles Place #14-05/06 Singapore Land Tower, Singapore 048623	Office	Leasehold
C/Serrano No 21, 4 <sup>th</sup> Floor, 28001 Madrid, Spain	Office	Leasehold
Norrmalmstorg 11, 111 47 Stockholm, Sweden	Office	Leasehold

## **11 Material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Group within the two years immediately preceding the date of this Prospectus and are or may be material.

### **11.1 Underwriting Agreement**

The Company, the Directors, the Principal Selling Shareholders, Goldman Sachs International, Morgan Stanley & Co. International plc and RBC Europe Limited (the “**Underwriters**”) entered into the Underwriting Agreement on 26 January 2016. Pursuant to the Underwriting Agreement:

- 11.1.1 the Company has agreed, subject to certain conditions, to allot and issue, at the Offer Price, the New Shares to be issued in connection with the Offer;

- 11.1.2 the Company (as agent for the Employee Shareholders) and the Principal Selling Shareholders have agreed, subject to certain conditions, to sell the Sale Shares in the Offer at the Offer Price;
- 11.1.3 each of the Underwriters has agreed severally, subject to certain conditions, to use reasonable endeavours to procure subscribers and purchasers (or subscribe themselves) for the Offer Shares (excluding those Shares which will be sold in the Client Share Offer) (in such proportions as will be set out in the Underwriting Agreement) and to procure purchasers for (or to purchase themselves) such Shares pursuant to the Offer;
- 11.1.4 the Company and the Principal Selling Shareholders have agreed to pay the Underwriters a base commission which, in aggregate, amounts to the sum of: (i) 1.75 per cent. of the Offer Price multiplied by the aggregate number of Offer Shares held or issued by the Company and the Principal Selling Shareholders that are sold by the Joint Global Co-ordinators; and (ii) 1.5 per cent. of the Offer Price multiplied by the aggregate number of Offer Shares held or issued by the Company and the Principal Selling Shareholders that are sold by RBC Europe Limited pursuant to the Offer (together with any Over-allotment Shares sold pursuant to any exercise of the Over-allotment Option, less the commission that would be payable in respect of the first £15 million of the aggregate gross proceeds of the Client Share Offer and the Intermediaries Offer);
- 11.1.5 the Company (as agent for the Employee Shareholders) has agreed to pay the Underwriters a base commission which, in aggregate, amounts to the sum of 2.5 per cent. of the Offer Price multiplied by the aggregate number of Offer Shares held by the Employee Shareholders that are sold by the Underwriters (together with any Over-allotment Shares sold pursuant to any exercise of the Over-allotment Option, less the commission that would be payable in respect of the first £15 million of the aggregate gross proceeds of the Client Share Offer and the Intermediaries Offer);
- 11.1.6 the Company and Principal Selling Shareholders have also agreed, in their absolute discretion, to pay a discretionary commission to some or all of the Underwriters of up to the sum of: (i) 1.25 per cent. of an amount equal to the Offer Price multiplied by the aggregate number of Offer Shares sold by the Joint Global Co-ordinators pursuant to the Offer; and (ii) 1.5 per cent. of the Offer Price multiplied by the aggregate number of Offer Shares sold by RBC Europe Limited pursuant to the Offer (together with any Over-allotment Shares sold pursuant to any exercise of the Over-allotment Option, less the commission that would be payable in respect of the first £15 million of the aggregate gross proceeds of the Intermediaries Offer and the Client Share Offer), within 45 days of the closing of the Offer;
- 11.1.7 the obligations of the Underwriters to procure subscribers and/or purchasers for or, failing which, themselves to subscribe for or purchase Shares (as the case may be) on the terms of the Underwriting Agreement are subject to certain conditions. These conditions include the absence of any breach of representation or warranty under the Underwriting Agreement and Admission occurring on or before 10 February 2016 (or such later time and/or date as the Joint Global Co-ordinators and the Company may agree in writing (being not later than 20 February 2016)). In addition, the Joint Global Co-ordinators have the right to terminate the Underwriting Agreement, exercisable in certain circumstances prior to Admission;
- 11.1.8 the Stabilising Manager, has been granted the Over-allotment Option by the Over-allotment Shareholders pursuant to which it may purchase, or procure purchasers for, up to a maximum of 15 per cent. of the Offer Shares (before exercise of the Over-allotment Option) at the Offer Price for the purposes of covering short positions arising from over-allocations, if any, in connection with the Offer, and/or any sales of Shares made during the stabilisation period. Save as required by law or regulation, neither the Stabilising Manager, nor any of its agents, intends to disclose the extent of any over-allocations and/or stabilisation transactions under the Offer. The Over-allotment Option may be exercised at any time by the Over-allotment Shareholders on notice until midday on the date falling 30 days from the date of the Pricing Statement. Settlement of any purchase of Over-allotment Shares will take place shortly after such determination (or, if acquired on Admission, at Admission). If any Over-allotment Shares are acquired pursuant to the Over-allotment Option, the Stabilising Manager will be committed to pay to the Over-allotment Shareholders, or procure that payment is made to it of, an amount equal to

the Offer Price multiplied by the number of Over-allotment Shares purchased from the Over-allotment Shareholders, less commissions and expenses;

- 11.1.9 the Principal Selling Shareholders have agreed to pay any stamp duty and/or stamp duty reserve tax arising on the sale of Shares;
- 11.1.10 to the extent permitted by law, the Company has agreed to pay the costs, charges, fees and expenses of the Offer (together with any related value added tax);
- 11.1.11 each of the Company, the Directors and the Principal Selling Shareholders has given certain representations, warranties and undertakings, subject to certain limits, to the Underwriters;
- 11.1.12 the Company and the Principal Selling Shareholders have given an indemnity to the Underwriters in a form that is typical for an agreement of this nature; and
- 11.1.13 the parties to the Underwriting Agreement have given certain covenants to each other regarding compliance with laws and regulations affecting the making of the Offer in relevant jurisdictions.

## **11.2 Stock Lending Agreement**

In connection with the Over-allotment Option, prior to Admission the Stabilising Manager will enter into the Stock Lending Agreement with Peter Cruddas and Goldman Sachs Strategic Investments (U.K.) Limited, pursuant to which the Stabilising Manager, on Admission, will be able to borrow up to a maximum of 15 per cent. of the total number of Offer Shares (before exercise of the Over-allotment Option) for the purpose, among other things, of allowing the Stabilising Manager to settle, at Admission, over-allocations, if any, made in conjunction with the Offer. If the Stabilising Manager borrows any shares pursuant to the Stock Lending Agreement, it will be required to return equivalent securities to the Over-allotment Shareholders in accordance with the terms of the Stock Lending Agreement.

## **11.3 Relationship Agreement**

The Company entered into the Relationship Agreement with the Controlling Shareholders on 26 January 2016, the terms of which will come into force on Admission. The principal purpose of the Relationship Agreement is to ensure that the Company is capable at all times of carrying on its business independently of the Controlling Shareholders and their associates, that transactions and relationships with the Controlling Shareholders and their associates are at arm's length and on normal commercial terms (subject to the rules on related-party transactions in the Listing Rules) and to ensure the Controlling Shareholders do not take any action that would prevent the Company from complying with, or would circumvent, the Listing Rules. The Relationship Agreement will stay in effect until the earlier of: (i) the Controlling Shareholders ceasing to own in aggregate an interest in at least 10 per cent. or more of the Shares in the Company (or an interest which carries 10 per cent. or more of the aggregate voting rights in the Company from time to time) or (ii) the Shares ceasing to be listed on the premium listing segment of the Official List and admitted to trading on the London Stock Exchange's main market for listed securities. The Relationship Agreement includes provisions to ensure that the Group is able to do business independently of the Controlling Shareholders. The Relationship Agreement provides that the Controlling Shareholders (and their associates) shall, *inter alia*:

- (a) ensure that all transactions, relationships, arrangements and agreements between a Controlling Shareholder and the Company or any member of the Group are conducted on arm's length terms and on a normal commercial basis;
- (b) not take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules;
- (c) not propose or procure the proposal of a Shareholder resolution which is intended or appears to intend to circumvent the proper application of the Listing Rules;
- (d) not exercise any of their voting or other rights and powers to procure any amendment to the Articles which would be inconsistent or which would undermine or breach any provision of the Relationship Agreement;
- (e) abstain from voting on, and procure that any Director appointed by them shall abstain from voting on, any resolution to approve a related party transaction involving any Controlling Shareholder as the related party;

- (f) exercise their voting rights exercisable at general meetings of the Company to give effect to the terms of the Relationship Agreement;
- (g) not take any action that would, or which would be reasonably likely to: (a) have the effect of preventing any member of the Group from carrying on its business independently of the Controlling Shareholders and for the benefit of its Shareholders as a whole; or (b) have the effect of prejudicing the Company's listing on the Official List, save that the Controlling Shareholders and their associates may: (i) accept, or provide an irrevocable undertaking to accept, a takeover offer made in accordance with the Takeover Code in relation to their respective interests in the Company or, where such takeover offer is made by way of a scheme of arrangement under sections 895 to 899 of the Companies Act 2006 (a "**Scheme**"), vote in favour of such Scheme at the court and related shareholder meetings or otherwise agree to sell their shares in connection with a takeover offer; (ii) make a takeover offer by way of a general offer for all of the outstanding Shares or by way of a Scheme and de-listing the Company after such takeover offer has become wholly unconditional or, in the case of a Scheme, after it has become effective; (iii) purchase Shares in connection with a takeover offer; (iv) dispose of Shares pursuant to a scheme of reconstruction under section 110 of the Insolvency Act 1986 in relation to the Company; (v) dispose of Shares pursuant to a compromise or arrangement under section 896 of the Companies Act 2006 providing for the acquisition by any person (or group of persons acting in concert, as such expression is defined in the Takeover Code) of 50 per cent. or more of the Shares; (vi) choose to accept or not to accept any offer by the Company to purchase its own Shares which is made on identical terms to the holders of Shares of the same class; or (vii) choose to take up or not to take up any Shares offered to them under a rights issue or pre-emptive open offer conducted by the Company;
- (h) save to the extent required by law, take any action which results in the Company being managed otherwise than in accordance with the principles of good governance set out in the UK Corporate Governance Code;
- (i) treat as confidential all documents and other information which they may obtain from the Group or its officers, employees or agents and which in any way relates to the Group or the clients, business and affairs of the Group, subject to certain exceptions set out in the Relationship Agreement;
- (j) if at any time the Principal Shareholder ceases to be an Executive Director of the Company, have the right to appoint one Non-Executive Director to the Board, provided that the Controlling Shareholders hold, in aggregate, 10 per cent. or more of the Shares of the Company (or an interest which carries 10 per cent. or more of the aggregate voting rights in the Company from time to time);
- (k) if at any time the Principal Shareholder ceases to be an Executive Director of the Company, have the right to appoint their appointee director to the Nomination Committee and to attend any other committee meeting of the board as an observer;
- (l) inform the Chairman at least five business days in advance of any disposal or transfer (or a series of connected disposals or transfers) of an interest in three per cent. or more of the Shares of the Company (or which carries three per cent. or more of the aggregate voting rights in the Company from time to time) by the Controlling Shareholders or any member of the Controlling Shareholders' Group to a third party and, upon request from a Controlling Shareholder, the Company shall provide reasonable assistance to the Controlling Shareholders in connection with such a disposal or transfer; and
- (m) should a controlling Shareholder or any of his or her associates transfer to another person any interest in the Company and as a result of the transfer the transferee becomes a controlling shareholder (as such term is defined in the Listing Rules), the relevant Controlling Shareholder shall procure that, prior to any such transfer, the transferee shall enter into a deed of adherence to the Relationship Agreement.

The Board believes that the terms of the Relationship Agreement will enable the Company to carry on its business independently from the Controlling Shareholders and their affiliates, and ensure that all transactions, relationships, arrangements and agreements between the Company or a member of the Group and the Controlling Shareholders are, and will be, at arm's length and on a normal commercial basis.

## 11.4 Financing Agreements

### *RBS Facilities Agreement*

CMC Markets UK plc entered into the RBS Facilities Agreement on 14 December 2010 with, amongst others, The Royal Bank of Scotland plc acting as Agent. The RBS Facilities Agreement was amended on 28 September 2011, 29 June 2012, 27 September 2012, 12 December 2012 and 27 March 2013. It was subsequently amended and restated pursuant to an Amendment and Restatement Agreement dated 29 June 2015.

The Original Lender under the RBS Facilities Agreement is National Westminster Bank plc. The Borrower is CMC Markets UK plc, and the Company is CMC Markets plc. CMC Markets Asia Pacific Pty Limited, CMC Markets PLC, CMC Markets UK plc, CMC Spreadbet plc and Information Internet Limited are the Original Guarantors under the RBS Facilities Agreement.

The following facilities are made available under the RBS Facilities Agreement: a pounds sterling revolving loan facility in the amount of £20 million which matures on 30 June 2016 (“**Facility A**”); and a pounds sterling revolving loan facility of £20 million which matures on 30 June 2018 (“**Facility B**”).

Drawings under the facilities bear interest at the aggregate of: (i) the margin; and (ii) LIBOR. The applicable margins are 1.50 per cent. per annum in relation to Facility A, and 2.25 per cent. per annum in relation to Facility B.

The RBS Facilities Agreement contains customary representations and warranties and customary affirmative and negative covenants. In the vast majority of cases the covenants are applicable to the Obligor and the other members of the Group. In a few cases the covenants only apply to the Obligor. The representations and warranties are made by each Obligor but in many cases the representations and warranties themselves refer to other members of the Group. The negative covenants include the following (amongst others): limitations on amending constitutional documents (where doing so would be reasonably likely to adversely affect the interests of the Finance Parties), creation of security, disposal of assets, acquisitions and investments, merger, incurrence of financial indebtedness, acting as a creditor or a guarantor in respect of any financial indebtedness, issuance of dividends, issue of shares and change of business. The RBS Facilities Agreement also contains limitations on amending, terminating, releasing and/or failing to make payments under any Intercompany Transfer Pricing Arrangements, Intercompany Transfer Pricing Cashflows, Market Risk Exposure Transfer Arrangements or Market Risk Exposure Cashflows.

The RBS Facilities Agreement includes the following financial covenants:

- (a) maintaining a ratio of the aggregate outstanding Loans to the aggregate Broker Margin (the Broker Margin being, in essence, the balance of monies required to be paid to each Approved Hedging Broker as margin cover for open market positions in respect of certain products) of less than or equal to 65 per cent.—this is tested by reference to the most recent Determination Certificate (these are required to be issued as at the date falling within five Business Days of each Utilisation Date or within one Business Day of a request by the Agent);
- (b) maintaining a ratio of the aggregate outstanding Loans to the aggregate Client Margin (the Client Margin being, in essence, the balance of monies held by all members of the Group on behalf of clients as margin cover for open market positions in respect of certain products) of less than or equal to 75 per cent.—this is tested at the same times as the Broker Margin covenant referred to above;
- (c) ensuring that the aggregate outstanding Loans are less than or equal to the Advance Limit (the Advance Limit being the lower of 65 per cent. of the aggregate Broker Margin and 75 per cent. of the aggregate Client Margin)—this is tested at the same times as the Broker Margin and Client Margin covenants referred to above;

- (d) maintaining a ratio of Segregated Monies (Segregated Monies being, in essence, the aggregate of Client Margin and Available Client Equity) (available Client Equity being, in essence, the aggregate of monies held by members of the Group on behalf of clients in respect of certain products but excluding any Client Margin) to the aggregate outstanding Loans of no less than 2.5:1—this is tested at the same times as the Broker Margin, Client Margin and Advance Limit covenants referred to above;
- (e) ensuring that the capital resources of CMC Markets UK plc are not less than 10 per cent. of the capital resource requirement applicable to it and calculated in accordance with CRD IV—this is tested by reference to the most recent monthly return delivered to the Agent (these are required to be delivered within 30 days of the end of each quarter—quarters ending on 30 June, 30 September, 31 December);
- (f) ensuring that the consolidated capital resources of the Group are not less than 10 per cent. of the capital resource requirement applicable to it and calculated in accordance with CRD IV—this is tested at the same times as the capital resources covenant in respect of CMC Markets UK plc referred to above;
- (g) maintaining a ratio of Consolidated Bad Debts (Consolidated Bad Debts being, in essence, the aggregate amount due and payable by each Group client which have been provided for in the financial statements/management accounts of the Group for the Relevant Period and delivered) to Consolidated Turnover (Consolidated Turnover being, in essence, the consolidated total Group turnover for the Relevant Period) of less than or equal to 5 per cent.—this is tested by reference to the financial statements/management accounts (and related Compliance Certificates) delivered within 120 days after the end of each financial year (in the case of the financial statements) and within 30 days after the end of each Month (in the case of the management accounts);
- (h) maintaining a ratio of EBITDA to Interest Expense of no less than 6:1—this is tested at the same times as the Consolidated Bad Debts covenant referred to above; and
- (i) ensuring that Consolidated Tangible Net Worth is no less than the Required Amount (the Required Amount being, in essence, the aggregate of £90,000,000 and 25 per cent. of the “Profit After Tax” (if positive) in the Company’s audited consolidated financial statements)—this is tested at the same times as the Consolidated Bad Debts and EBITDA covenants referred to above.

Upon the occurrence of: a Change of Control (a Change of Control being, in essence, any person or group of persons acting in concert gaining control of the Company); a sale of all or substantially all of the assets of the Group; or a Listing (Listing being, in essence, a listing of all or any part of the share capital of any member of the Group or any Holding Company on any investment exchange or any other sale or issue by way of flotation or public offering—other than a Qualifying IPO), in each case a Lender shall not be obliged to fund a Utilisation (except for a Rollover Loan) and if any Lender so requires, any Commitments of that Lender shall be cancelled and any of its participations in any outstanding Loans (plus interest and any other amounts due) declared immediately due and payable.

A Qualifying IPO means a listing which does not result in Peter Cruddas legally and beneficially owning less than 51 per cent. of the Issued Share Capital of the Company in his own name.

The sums owed pursuant to the RBS Facilities Agreement are secured by means of: floating charges on the assets of CMC Markets UK plc, CMC Spreadbet plc and Information Internet Limited; fixed charges and an assignment over certain intellectual property assets of Information Internet Limited, fixed charges over certain intellectual property assets of CMC Markets UK plc and a fixed charge over an account held in the name of CMC Markets UK plc with National Westminster Bank Plc.

### ***HSBC Guarantee Facility***

As part of the licensing requirements of MAS, CMC SG is required to lodge a deposit with MAS (which can be in the form of a banker’s guarantee, as in this case).

The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”) has made available to CMC SG a banking guarantee facility pursuant to the terms of a facility letter dated 5 April 2012 from HSBC to CMC SG as amended by way of letter agreement on 21 April 2015 (the “**HSBC Guarantee Facility**”). The HSBC Guarantee Facility is up to a maximum amount of SGD 5.1 million and is priced at 0.8 per cent. per annum on the face value of the guarantees issued and/or to be issued, subject to a minimum charge as prescribed in HSBC’s applicable standard tariffs. The HSBC Guarantee Facility can be cancelled or suspended (and

HSBC may refuse drawings under it) at any time in HSBC's absolute discretion and is repayable on demand. Upon request, CMC SG must provide cash cover in respect of its prospective or contingent liabilities owed to HSBC.

HSBC benefits from a counter-indemnity from CMC SG in respect of any losses it may suffer pursuant to the HSBC Guarantee Facility.

The HSBC Guarantee Facility is secured in favour of HSBC by a charge over specified term deposit account(s).

The guarantee currently issued pursuant to the HSBC Guarantee Facility is in favour of MAS, is dated 14 May 2012 and has a term of one calendar year (subject to automatic renewal).

#### ***Lombard Master Rental Agreement***

CMC Markets UK plc is the Lessee under a Master Rental Agreement dated 21 May 2012, with Lombard Technology Services Limited ("**Lombard**") as Lessor (the "**Lombard Master Rental Agreement**").

The Lombard Master Rental Agreement is the overarching agreement containing the general terms and conditions governing leases of equipment (and services provided in relation to such rented equipment) by CMC Markets UK plc from Lombard and contains, amongst other things, provisions relating to: how the commencement and terms of an equipment lease are established, renting of equipment, provision of services, location of the equipment, charges, operation of the equipment, insurance, loss and damage, upgrades, termination and default, return of the equipment, rights in respect of the equipment, confidentiality and limitation of liability.

CMC Markets UK plc and Lombard have entered into an equipment lease subject to the terms of the Lombard Master Rental Agreement commencing 22 May 2012 (with a term of 36 months).

The term of the agreement is for 36 months from 27 August 2014.

#### ***Cisco Master Agreement***

CMC Markets UK plc entered into a Master Agreement on 27 January 2014 with Cisco Systems Finance International ("**Cisco**") (the "**Cisco Master Agreement**").

The Cisco Master Agreement is the overarching agreement containing the general terms and conditions governing leases of equipment by CMC Markets UK plc from Cisco from time to time and contains, amongst other things, provisions relating to: how the commencement and term of an equipment lease are established, the use and operation of the equipment during the rental period, timing for rental payments, liability in respect of the products provided, the intellectual property rights associated with the equipment, CMC Markets UK plc's obligations as Lessee, insurance, indemnity and breach and default.

CMC Markets UK plc and Cisco have entered into an equipment lease subject to the terms of the Cisco Master Agreement and dated 27 January 2014 (with an Initial Term of 39 months).

## **12 Related party transactions and other arrangements**

Details of related party transactions entered into by members of the Group during the period covered by the financial information and up to the date of this Prospectus are set out in Paragraph 32 (*Related Party Transactions*) of Part XVI (*Historical Financial Information*). See also Paragraph 11.3 (*Relationship Agreement*) of this Part XXII (*Additional Information*).

Save as set out above, and for the related party transactions set out in the financial information in Paragraph 32 (*Related Party Transactions*) of Part XVI (*Historical Financial Information*), there are no related party transactions that were entered into during the period covered by the Financial Information and during the period from 30 September 2015 to 25 January 2016 (the latest practicable date prior to the publication of this Prospectus).

## **13 Litigation**

Except as described below there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened or which the Group is aware) during the 12 months preceding the date of this Prospectus which may have, or have had, a significant effect on the Company's or the Group's financial position or profitability.

On 31 March 2015, CMC Markets Asia Pacific Pty Ltd entered into a settlement agreement with Idalp Pty Ltd, as trustee for the Knowledge Services Unit Trust (ACN 143 166 063) (“**Idalp**”) in connection with proceedings commenced by Idalp in the Supreme Court of Victoria, Australia on 25 November 2013 and relating to losses incurred by Idalp as a result of an alleged breach of trust by the trustee of a CMC Markets Asia Pacific Pty Ltd trading account in Australia. The agreement provided for the settlement of the proceedings by the parties, without admission of liability, and the payment of AUD \$8.1 million by CMC Markets Asia Pacific Pty Ltd to Idalp.

On 30 October 2015, CMC Spreadbet plc entered into a settlement agreement in its favour with 20 former CMC Markets account holders (the “**Account Holders**”) in connection with proceedings commenced by CMC Spreadbet plc in the High Court of the United Kingdom for alleged misrepresentation, conspiracy and breaches of the CMC Markets terms of business by such Account Holders. The settlement agreement was entered into after 19 of the 20 defences were rejected by the High Court.

#### 14 Working capital

In the opinion of the Company, taking into account bank facilities available to the Group, the working capital available to the Group is sufficient for the Group’s present requirements, that is for at least the next 12 months following the date of this Prospectus.

#### 15 No significant change

There has been no significant change in the financial or trading position of the Group since 30 September 2015, the date to which the audited financial information for the Group in Section B of Part XVI (*Historical Financial Information*) of this Prospectus was prepared.

#### 16 Consents

PricewaterhouseCoopers LLP is a member firm of the Institute of Chartered Accountants in England and Wales and has given and has not withdrawn its written consent to the inclusion of the report in Section A of Part XVI (*Historical Financial Information*), in the form and context in which it appears, and has authorised the contents of its report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

A written consent under the Prospectus Rules is different from a consent filed with the SEC under Section 7 of the U.S. Securities Act. As the Shares have not been, and will not be, registered under the U.S. Securities Act, PricewaterhouseCoopers LLP has not filed a consent under Section 7 of the U.S. Securities Act.

#### 17 Intermediaries

**17.1** The Intermediaries authorised as at the date of this Prospectus to use this Prospectus in connection with the Intermediaries Offer are:

<u>Name</u>	<u>Address</u>
AJ Bell Securities Limited . . . . .	Trafford House, Chester Road, Manchester M32 0RS
ALL IPO PLC . . . . .	Suite 27, Essex Technology Centre, The Gabler, Fyfield Road, Ongar, Essex CM5 0GA
Alliance Trust Savings Limited . . . . .	PO Box 164, 8 West Marketgait, Dundee DD1 9YP
Barclays Stockbrokers . . . . .	1 Churchill Place, London E14 5HP
Beaufort Securities Limited . . . . .	131 Finsbury Pavement, London, EC2A 1NT
Canaccord Genuity Wealth Limited . . . . .	41 Lothbury London EC2R 7AE
Charles Stanley & Co. Limited . . . . .	25 Luke Street, London EC2A 4AR
Cornhill Capital Limited . . . . .	4th Floor, 18 St Swithin’s Lane, London EC4N 8AD
Equiniti Financial Services Limited . . . . .	Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA

Name	Address
Fiske plc . . . . .	Salisbury House, London Wall, London EC2M 5QS
Hargreave Hale Limited . . . . .	9 -11 Neptune Court, Hallam Way, Blackpool FY4 5LZ
Hargreaves Lansdown Asset Management Limited	One College Square South, Anchor Road, Bristol BS1 5HL
Interactive Investor Trading Limited . . . . .	Standon House, 21 Mansell Street, London E1 8AA
Jarvis Investment Management Limited . . . . .	78 Mount Ephraim, Tunbridge Wells, Kent TN4 8BS
Killik & Co. . . . .	46 Grosvenor Street, London W1K 3HN
Midas Investment Management Limited . . . . .	2nd Floor, Arthur House, Chorlton Street, Manchester M1 3FH
Redmayne-Bentley LLP . . . . .	9 Bond Court, Leeds LS1 2JZ
Shard Capital Partners LLP . . . . .	23rd Floor, 20 Fenchurch Street, London EC3M 3BY
Shore Capital Stockbrokers Limited . . . . .	14 Clifford Street, London W15 7JU
SVS Securities PLC . . . . .	2nd Floor, 20 Ropemaker Street, London EC2Y 9AR
TD Direct Investing (Europe) Limited . . . . .	Exchange Court, Duncombe Street, Leeds LS1 4AX
The Share Centre Limited . . . . .	Oxford House, Oxford Road, Aylesbury, Buckinghamshire HP21 8PB
WH Ireland Limited . . . . .	11 St Jame's Square, Manchester M2 6WH
Walker Crips Stockbrokers Limited . . . . .	Finsbury Tower, 103-105 Bunhill Row, London EC1Y 8LZ

**17.2** Any new information with respect to financial intermediaries unknown at the time of approval of this Prospectus, including in respect of:

17.2.1 any intermediary financial institution that is appointed by the Company in connection with the Intermediaries Offer after the date of this document following its agreement to adhere to and be bound by the terms of the Intermediaries Terms and Conditions; and

17.2.2 any Intermediary that ceases to participate in the Intermediaries Offer,

will be available online at [www.cmcmarkets.com/group/ipo](http://www.cmcmarkets.com/group/ipo).

## **18 General**

The financial information contained in this Prospectus does not amount to statutory accounts within the meaning of Section 434(3) of the Companies Act 2006. Full audited accounts have been delivered to the Registrar of Companies for the Company for the year ended 31 March 2013, the year ended 31 March 2014 and the year ended 31 March 2015.

## **19 Takeover regulation**

The City Code on Takeovers and Mergers (the “**City Code**”) is issued and administered by the Panel on Takeovers and Mergers (the “**Takeover Panel**”). The Company is subject to the City Code and therefore its Shareholders are entitled to the protections afforded by the City Code.

## 19.1 Mandatory bids

Under Rule 9 of the City Code, when: (i) a person acquires any interest in shares which (when taken together with shares in which he and persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company subject to the City Code; or (ii) any person who, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company subject to the City Code but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any persons acting in concert with him, acquires an interest in any other shares which increases the percentage of the shares carrying voting rights in which he is interested, then, in either case, that person, together with the person acting in concert with him, is normally required to extend offers in cash, at the highest price paid by him (or any persons acting in concert with him) for shares in the company within the preceding 12 months, to the holders of any class of equity share capital, whether voting or non-voting, and also to the holders of any other class of transferable securities carrying voting rights.

Following Admission, the Controlling Shareholders will hold approximately 62.23 per cent. of the voting rights in the Company assuming the Over-allotment Option is not exercised, and approximately 59.88 per cent. of the voting rights in the Company assuming the Over-allotment Option is exercised in full. Investors should be aware that any person who acquires 30 per cent. or more of the voting rights attached to the issued share capital of the Controlling Shareholders may, pursuant to Note 8 to Rule 9.1 of the City Code, be required by the Takeover Panel to make an offer for the Shares in the Company not owned or controlled by the Controlling Shareholders at that time.

## 19.2 Squeeze-out

Under the Companies Act 2006, if a takeover offer (as defined in section 974 of the Companies Act 2006) is made for the Shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the shares to which the takeover offer relates (the “**Takeover Offer Shares**”) and not less than 90 per cent. of the voting rights attached to the Takeover Offer Shares within three months of the last day on which its offer can be accepted, it could acquire compulsorily the remaining 10 per cent. It would do so by sending a notice to outstanding shareholders telling them that it will acquire compulsorily their Takeover Offer Shares and then, six weeks later, it would execute a transfer of the outstanding Takeover Offer Shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose Takeover Offer Shares are acquired compulsorily under the Companies Act 2006 must, in general, be the same as the consideration that was available under the takeover offer.

## 19.3 Sell-out

The Companies Act 2006 gives minority shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Shares and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the Shares to which the offer relates, any holder of Shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those Shares. The offeror is required to give any shareholder notice of his or her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises his or her rights, the offeror is bound to acquire those Shares on the terms of the offer or on such other terms as may be agreed.

## 20 Concert Party Presumptions

- 20.1** Under the Takeover Code, shareholders in a private company who sell their shares in that company in consideration for the issue of new shares in a company to which the Takeover Code applies (such as the Company) will generally be presumed to be acting in concert with each other.
- 20.2** The Company understands, following discussions with the Panel, that notwithstanding such presumption, and on the basis of information provided by the Company to the Panel, the Principal Shareholder and the Second Principal Shareholder (together, the “**Presumed Concert Party Group**”) will not generally be presumed to be acting in concert with Goldman Sachs Strategic Investments (U.K.) Limited or any other current Shareholders who remain Shareholders following Admission.

### **20.3 Acquisitions of further Shares following Admission**

Prospective investors should be aware that following Admission the members of the Presumed Concert Party Group may between them hold more than 50 per cent. of the Company's voting share capital and (if the Presumed Concert Party Group was deemed to exist at any relevant time) may accordingly be able to increase their aggregate shareholding without incurring any obligation under Rule 9.1 to make a general offer.

### **20.4 Stabilisation arrangements in connection with the Offer**

Under the stabilisation arrangements described in Part XVII (*The Offer*) of this Prospectus, the Stabilising Manager may, for stabilisation purposes, over-allot Shares up to a maximum of 15 per cent. of the Offer Shares (before exercise of the Over-allotment Option). In connection with such arrangements, the Stabilising Manager will be able to borrow up to a maximum of 15 per cent. of the Offer Shares (before exercise of the Over-allotment Option) from the Over-allotment Shareholders under the terms of the Stock Lending Agreement. The Stabilising Manager will be required, on or before the 30th calendar day after the date of the commencement of conditional dealings in the Shares on the London Stock Exchange, to re-deliver to the Over-allotment Shareholders' equivalent securities in respect of any borrowing it makes under the terms of the Stock Lending Agreement by transferring the same number of Shares to the Over-allotment Shareholders as the Stabilising Manager has borrowed from the Over-allotment Shareholders.

For the purposes of allowing the Stabilising Manager to cover short positions resulting from any such over allotments and/or from sales of Shares effected by it during the stabilising period, the Over-allotment Shareholders have granted to it the Over-allotment Option, pursuant to which the Stabilising Manager may purchase or procure purchasers for additional Shares up to a maximum of 15 per cent. of the Offer Shares (before exercise of the Over-allotment Option) at the Offer Price. The Over-allotment Option is exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before the 30th calendar day after the commencement of conditional dealings in the Shares on the London Stock Exchange.

As a result of the combined effect of lending Shares pursuant to the Stock Lending Agreement and granting the Over-allotment Option, the Over-allotment Shareholders' shareholding in the Company can only remain the same or decrease from what its shareholding would be if it were not party to any stabilisation arrangements. In particular, the Over-allotment Shareholders' shareholding in the Company will return to its original level when the loan is repaid and then decrease if the Stabilising Manager acquires Shares from it pursuant to utilisation of the Over-allotment Option.

The Company understands that, pursuant to Note 4 on the definition of "Interests in securities" and Note 17 on Rule 9.1 in the City Code, the Over-allotment Shareholders will not be treated as having disposed of an interest in any Shares when it lends Shares to the Stabilising Manager under the Stock Lending Agreement and will not therefore be treated as having increased its interest in Shares upon the redelivery of the lent Shares. Accordingly, no Rule 9 mandatory offer obligation will arise under the stock lending arrangements.

An announcement will be made by the Company or by the Stabilising Manager on its behalf following utilisation of the Over-allotment Option, not later than one week after the end of the stabilisation period, and a further announcement will be made to record the movements that have taken place in the Over-allotment Shareholders' shareholding in the Company consequent upon the arrangements referred to above.

### **21 Documents available for inspection**

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period from and including the date of publication of this Prospectus until the date of Admission at the offices of Linklaters LLP at One Silk Street, London EC2Y 8HQ:

- (a) the Articles;
- (b) Accountant's Report on Historical Financial Information;
- (c) the letter of consent referred to in Paragraph 16 (*Consents*) above; and
- (d) this Prospectus.

Dated: 26 January 2016

**PART XXIII**  
**U.S. PURCHASER'S LETTER**

To:

CMC Markets plc  
133 Houndsditch  
London EC3A 7BX  
United Kingdom  
(the “**Company**”)

Morgan Stanley & Co. International plc  
25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

Goldman Sachs International  
Peterborough Court  
133 Fleet Street  
London EC4A 2BB  
United Kingdom

RBC Europe Limited  
Riverbank House  
2 Swan Lane  
London EC4R 3BF

(collectively the “**Banks**”)

Ladies and Gentlemen:

This letter (a “**U.S. Purchaser’s Letter**”) relates either to (a) the issuance of Shares (the “**Securities**”) of CMC Markets plc (the “**Company**”) acquired in the Offer; (b) the acquisition of Securities from the Banks (or their affiliates); or (c) the subsequent transfer of such Securities. In any case, this letter is to be delivered on behalf of the person acquiring beneficial ownership of the Securities by the investor named below or the accounts listed on the attachment hereto (each an “**Investor**”). Unless otherwise stated, or the content otherwise requires, capitalised terms in this letter shall have the same meaning as is given to them in the prospectus relating to the offering of the Securities described therein published by the Company on 26 January 2016 (the “**Prospectus**”).

The Investor agrees, acknowledges, represents and warrants, on its own behalf or on behalf of each account for which it is acting, that:

1. the Investor has received a copy of the Prospectus and understands and agrees that the Prospectus speaks only as of its date and that the information contained therein may not be correct or complete as of any time subsequent to that date;
2. the Investor is a “Qualified Institutional Buyer” (“**Qualified Institutional Buyer**”) as defined in Rule 144A (“**Rule 144A**”) under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”) and a “Qualified Purchaser” (“**Qualified Purchaser**”) as defined in section 2(a)(51) and related rules of the U.S. Investment Company Act of 1940, as amended (the “**U.S. Investment Company Act**”);
3. the Investor is not a broker-dealer which owns and invests on a discretionary basis less than U.S.\$25 million in securities of unaffiliated issuers;
4. the Investor is not formed for the purpose of investing in the Company;
5. the Investor understands that the Company may receive a list of participants holding positions in its securities from one or more book-entry depositories;
6. the Investor is not subscribing to, or purchasing, the Securities with a view to, or for offer or sale in connection with, any distribution thereof (within the meaning of the U.S. Securities Act) that would be in violation of the securities laws of the United States or any state thereof;

7. the party signing this U.S. Purchaser's Letter is acquiring the Securities for its own account or for the account of one or more Investors (each of which is a Qualified Institutional Buyer and a Qualified Purchaser) on whose behalf the party signing this U.S. Purchaser's Letter is authorised to make the acknowledgments, representations and warranties, and enter into the agreements, contained in this U.S. Purchaser's Letter;
8. the Investor is not a participant-directed employee plan, such as a plan described in subsection (a)(1)(i)(D), (E) or (F) of Rule 144A;
9. the Investor either (i) is not, and is not acquiring Shares with the assets of, an employee benefit plan or other plan or arrangement which is subject to Title I of ERISA or Section 4975 of the Code, including a person whose assets are deemed for purposes of such laws as "plan assets" of such plans or arrangements, or with the assets of any other plan or arrangement which is subject to federal, state, local or non-U.S. laws substantially similar to such provisions of ERISA or Section 4975 of the Code, or (ii) its acquisition and disposition of Shares does not result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code, or a violation of federal, state, local or non-U.S. law that is substantially similar to such provisions of ERISA or the Code.
10. the Securities are being offered in a transaction not involving any public offering within the United States within the meaning of the U.S. Securities Act and that the Securities have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States;
11. the Ordinary Shares (whether in physical, certificated form or in uncertificated form held in CREST) are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resales of Ordinary Shares;
12. if in the future the Investor decides to offer, resell, pledge or otherwise transfer any Securities, such Securities will be offered, resold, transferred, assigned, pledged or otherwise disposed of only: (i) outside the United States in an offshore transaction complying with the provisions of Regulation S under the U.S. Securities Act ("**Regulation S**") to a person outside the United States and not known by the transferor to be a U.S. Person, by prearrangement or otherwise, and under circumstances which will not require the Company to register under the U.S. Investment Company Act, in each case in accordance with all applicable securities laws, upon surrender of the Securities and delivery to the Company of an Offshore Transaction Letter in the form of Annex I hereto (or in a form otherwise acceptable to the Company); or (ii) to the Company or a subsidiary thereof;
13. notwithstanding anything to the contrary in this letter, the Securities may not be deposited into any unrestricted depositary receipt facility in respect of the Company's securities, established or maintained by a depositary bank;
14. the Investor is knowledgeable, sophisticated and experienced in business and financial matters and it fully understands the limitations on ownership and transfer and the restrictions on sales of the Securities;
15. the Investor is able to bear the economic risk of its investment in the Securities and is currently able to afford the complete loss of such investment and the Investor is aware that there are substantial risks incidental to the purchase of the Securities, including those summarised under Part II (*Risk Factors*) in the Prospectus;
16. the Company has not been and will not be registered as an investment company under the U.S. Investment Company Act and the Company has elected to impose the transfer and selling restrictions with respect to persons in the United States and U.S. Persons described herein as contemplated by Section 3(c)(7) of the U.S. Investment Company Act;
17. (i) the Company will not be required to accept for registration of transfer any Securities acquired by the Investor if such transfer is made in violation of the transfer restrictions set out in Paragraph 12 above; (ii) the Company may require any U.S. person or any person within the United States who was not a Qualified Purchaser at the time it acquired any Securities or any beneficial interest therein to transfer the Securities or any such beneficial interest immediately in a manner consistent with the restrictions set forth in this U.S. Purchaser's Letter; and (iii) if the obligation to transfer is not met, the Company is irrevocably authorised, without any obligation, to transfer the Securities, as applicable, in a manner consistent with the restrictions set forth in this U.S. Purchaser's Letter and, if

such Securities are sold, the Company shall be obliged to distribute the net proceeds to the entitled party;

18. the Investor became aware of the offering of the Securities by the Company and the Securities were offered to the Investor: (i) solely by means of the Prospectus; (ii) by direct contact between the Investor and the Company; or (iii) by direct contact between the Investor and one or more Banks. The Investor did not become aware of, nor were the Securities offered to the Investor by, any other means, including, in each case, by any form of general solicitation or general advertising, and in making the decision to purchase or subscribe to the Securities, the Investor relied solely on the information set forth in the Prospectus;
19. (i) none of the Banks or their affiliates have made or will make any representation or warranty as to the accuracy or completeness of the information in the Prospectus; (ii) the Investor has not relied and will not rely on any investigation by any Bank, its affiliates or any person acting on its or their behalf with respect to the Company, or the Securities; and (iii) none of the Banks or the Company makes any representation as to the availability of an exemption from the U.S. Securities Act for the transfer of the Securities;
20. upon a proposed transfer of the Securities, the Investor will notify any purchaser of such Securities or the executing broker, as applicable, of any transfer restrictions that are applicable to the Securities being sold;
21. neither the Investor, nor any of the Investor's affiliates, nor any person acting on the Investor's or their behalf, will make any "directed selling efforts" as defined in Regulation S under the U.S. Securities Act in the United States with respect to the Securities;
22. any Ordinary Shares issued to the Investor in certificated form will bear an appropriate legend setting forth, among other things, the transfer restrictions applicable to the Ordinary Shares and the Investor understands that the legend shall not be removed from the Ordinary Shares, unless the Company agrees, in its sole discretion, to remove the legend;
23. each of the Banks, the Company and their respective affiliates are irrevocably authorised to produce this U.S. Purchaser's Letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby; and
24. no agency of the United States or any state thereof has made any finding or determination as to the fairness of the terms of, or any recommendation or endorsement in respect of, the Securities.

The Investor hereby consents to the actions of each of the Banks and their respective affiliates, and hereby waives any and all claims, actions, liabilities, damages or demands it may have against any Bank or its affiliates in connection with any alleged conflict of interest arising from the engagement of each of such person with respect to the sale by the applicable Bank of the Securities to the Investor.

The Investor acknowledges that each of the Banks, the Company and their respective affiliates and others will rely on the acknowledgments, representations and warranties contained in this U.S. Purchaser's Letter as a basis for exemption of the sale of the Securities under the U.S. Securities Act, the U.S. Investment Company Act, under the securities laws of all applicable states and for other purposes. The party signing this U.S. Purchaser's Letter agrees to promptly notify the Company and each of the Banks if any of the acknowledgments, representations or warranties set forth herein are no longer accurate.

This U.S. Purchaser's Letter shall be governed by and construed in accordance with the laws of the State of New York.

Where there are joint applicants, each must sign this U.S. Purchaser's Letter. Applications from a corporation must be signed by an authorised officer or be completed otherwise in accordance with such corporation's constitution (evidence of such authority may be required).

Very truly yours,

NAME OF PURCHASER:

By:

Name:

Title:

Address:

Date:

## ANNEX I TO PART XXIII: OFFSHORE TRANSACTION LETTER

To:

CMC Markets plc  
133 Houndsditch  
London EC3A 7BX  
United Kingdom  
(the “**Company**”)

Ladies and Gentlemen:

This letter (an “**Offshore Transaction Letter**”) relates to the sale or other transfer by us of Shares (the “**Securities**”) of CMC Markets plc (the “**Company**”) in an offshore transaction pursuant to Regulation S (“**Regulation S**”) under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”).

Terms used in this Offshore Transaction Letter are used as defined in Regulation S, except as otherwise stated herein.

The undersigned acknowledges (or if the undersigned is acting for the account of another person, such person has confirmed that it acknowledges) that the Securities have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and that the Company has not registered as an investment company under the U.S. Investment Company Act of 1940, as amended (the “**U.S. Investment Company Act**”).

The undersigned hereby certifies that:

1. The offer and sale of the Securities was not and will not be made to a person in the United States or to a person known by us to be a U.S. Person.
2. Either (a) at the time the buy order for the Securities was originated, the buyer was outside the United States or the undersigned and any person acting on the undersigned’s behalf reasonably believed that the buyer was outside the United States, or (b) the transaction in the Securities was executed in, on or through the facilities of a designated offshore securities market as defined in Regulation S (including, for the avoidance of doubt, a bona fide sale on the London Stock Exchange’s main market for listed securities), and neither the undersigned nor any person acting on the undersigned’s behalf knows that the transaction was pre-arranged with a buyer in the United States.
3. Neither the undersigned, nor any of the undersigned’s affiliates, nor any person acting on the undersigned’s or their behalf has made any directed selling efforts in the United States with respect to the Securities.
4. The proposed transfer of the Securities is not part of a plan or scheme to evade the registration requirements of the U.S. Securities Act or the U.S. Investment Company Act.
5. Neither the Company nor any of its agents participated in the sale of the Securities.
6. The undersigned confirms that, prior to the sale of the Securities, the undersigned notified the purchaser of such Securities or the executing broker, as applicable, of any transfer restrictions that are applicable to the Securities being sold.

This letter is governed by and shall be construed in accordance with the laws of the State of New York.

Where there are joint transferors, each must sign this Offshore Transaction Letter. An Offshore Transaction Letter of a corporation must be signed by an authorised officer or be completed otherwise in accordance with such corporation’s constitution (evidence of such authority may be required).

The undersigned agrees that the Company and its agents and their respective affiliates may rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

Very truly yours,

NAME OF TRANSFEROR:

By:

Name:

Title:

Address:

Date:

## PART XXIV DEFINITIONS AND GLOSSARY

### 1 Definitions

The following definitions apply throughout this Prospectus (unless the context requires otherwise):

<b>Active Client</b> . . . . .	an individual or entity that has traded at least once or held an open position in the relevant period
<b>Admission</b> . . . . .	the admission of the Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities becoming effective in accordance with, respectively the UK Listing Rules and the Admission and Disclosure Standards
<b>AFSL</b> . . . . .	Australian Financial Services License
<b>Articles of Association or Articles</b> . . . . .	the articles of association of the Company to be adopted upon Admission, subject to shareholder approval being obtained at a general meeting convened for 4 February 2016
<b>ASIC</b> . . . . .	the Australian Securities and Investment Commission
<b>ASX</b> . . . . .	the Australian Securities Exchange
<b>auto-hedging</b> . . . . .	hedging transactions that are automatically executed by the Group's systems on the basis of pre-determined thresholds
<b>Binary</b> . . . . .	a product that will allow clients to place a stake depending on whether they believe a particular asset or financial instrument's market price will be above or below a certain level at a specific time in the future
<b>Board or Board of Directors</b> . . .	the board of directors of the Company
<b>Bonus Share Record Date</b> . . . .	the date falling 12 months from Admission
<b>Bonus Shares</b> . . . . .	the free Ordinary Shares of 25 pence per share to be issued to Eligible Clients on or shortly after the first annual anniversary of Admission, as described in Paragraph 4 ( <i>The Client Share Offer</i> ) of Part XVII ( <i>The Offer</i> )
<b>Bronze Eligible Client</b> . . . . .	a client who is eligible to apply to participate in the Client Share Offer at the Offer Price up to a maximum monetary amount of £1,000 and will receive one free Bonus Share for every 10 allocated
<b>CAGR</b> . . . . .	compound annual growth rate
<b>Capita Asset Services</b> . . . . .	a trading name of Capita Registrars Limited
<b>CDS</b> . . . . .	credit default swap
<b>CEO</b> . . . . .	chief executive officer
<b>CI</b> s . . . . .	credit institutions
<b>Cisco</b> . . . . .	Cisco Systems Finance International
<b>Cisco Master Agreement</b> . . . . .	the Master Agreement dated 27 January 2014 between CMC Markets UK plc and Cisco Systems Finance International
<b>CMC Markets or the Group</b> . . .	the Company and its consolidated subsidiaries and subsidiary undertakings from time to time
<b>CMC Markets Shareholder Account</b> . . . . .	the arrangements for the holding of Shares provided by the Shareholder Account Nominee, the terms and conditions of which are set out in Part XIX ( <i>Terms and Conditions of the CMC Markets Shareholder Account</i> )
<b>Company</b> . . . . .	CMC Markets plc
<b>Companies Act 2006</b> . . . . .	the Companies Act 2006, as such may be amended, modified or re-enacted from time to time
<b>Conduct of Business Rules</b> . . . .	the rules set out in the FCA's Conduct of Business sourcebook

<b>Controlling Shareholders</b> . . . . .	together, the Principal Shareholder and the Second Principal Shareholder
<b>CRD IV</b> . . . . .	EU Capital Requirements Directive (2013/36/EU) and the Capital Requirements Regulation (575/2013)
<b>CREST</b> . . . . .	the computerised settlement system operated by Euroclear UK & Ireland Limited to facilitate the transfer of title to shares in uncertificated form
<b>CREST Regulations</b> . . . . .	the Uncertified Securities Regulations 2001 (512001/3755)
<b>Client Share Offer</b> . . . . .	the offer of Shares to Eligible Clients in the UK, as described in Part XVII ( <i>The Offer</i> )
<b>Corporations Act</b> . . . . .	the Corporations Act 2001 of the Commonwealth of Australia
<b>Countdowns</b> . . . . .	a short-term product that allows clients to place fixed-odd trades relating to price movements during short-term timeframes of as short as 30 seconds
<b>Data Protection Directive</b> . . . . .	the European Union directive on the protection of individuals with regard to the processing of personal data and the free movement of such data of 24 October 1995
<b>Deferred Shares</b> . . . . .	2,478,086 deferred shares of 25 pence each in the capital of the Company, having the rights set out in the Articles
<b>Directors</b> . . . . .	the directors of the Company
<b>DPA</b> . . . . .	the Data Protection Act 1998
<b>Draft Regulation</b> . . . . .	the proposed General Data Protection Regulation
<b>EBITDA</b> . . . . .	earnings before interest, tax, depreciation and amortization
<b>EEA</b> . . . . .	European Economic Area
<b>Eligible Clients</b> . . . . .	clients of the Group eligible for participation in the Client Share Offer as described in Part XVII ( <i>The Offer</i> ) in accordance with the terms of the Client Share Offer as described in Part XVIII ( <i>Terms and Conditions of the Client Share Offer</i> )
<b>Employee Shareholder</b> . . . . .	current Shareholders who are existing or former employees or their connected persons and who will sell Offer Shares in the Offer
<b>Expected Sale Share Offer Size</b> . . . . .	the number of Sale Shares expected to be sold pursuant to the Offer, being 84,445,421 Shares
<b>EU</b> . . . . .	the European Union
<b>Executive Directors</b> . . . . .	the executive Directors of the Company
<b>FCA</b> . . . . .	the Financial Conduct Authority
<b>FCA Rules</b> . . . . .	the Principles for Businesses and the rules made by the FCA
<b>FMA</b> . . . . .	the Financial Markets Authority of New Zealand
<b>FMC Act</b> . . . . .	the Financial Markets Conduct Act 2013 of New Zealand
<b>FOS</b> . . . . .	the UK Financial Ombudsman Service
<b>FSCS</b> . . . . .	the Financial Services Compensation Scheme
<b>FSMA</b> . . . . .	the Financial Services and Markets Act 2000, as amended
<b>FTT</b> . . . . .	the European Financial Transaction Tax
<b>Gold Eligible Client</b> . . . . .	a client who is eligible to apply to participate in the Client Share Offer at the Offer Price up to a maximum monetary amount of £20,000 and will receive one free Bonus Share for every 10 allocated
<b>HMRC</b> . . . . .	Her Majesty's Revenue and Customs
<b>HSBC</b> . . . . .	the Hongkong and Shanghai Banking Corporation Limited
<b>HSBC Guarantee Facility</b> . . . . .	the banking guarantee facility made available by HSBC to CMC SG pursuant to the terms of a facility letter dated 5 April 2012, as amended by way of letter agreement on 21 April 2015
<b>ICO</b> . . . . .	the Information Commissioner's Office

<b>IFRS</b> . . . . .	the International Financial Reporting Standards, as adopted by the European Union
<b>IFRS IC</b> . . . . .	the IFRS Interpretations Committee
<b>IIROC</b> . . . . .	the Investment Industry Regulatory Organization of Canada
<b>Institutional Offer</b> . . . . .	the offer of Shares to certain institutional investors, including QIBs in the United States, as described in Part XVII ( <i>The Offer</i> )
<b>Institutional Offer Shares</b> . . . . .	the Offer Shares sold pursuant to the Institutional Offer
<b>Intermediaries</b> . . . . .	the entities listed in Paragraph 17 of Part XXII ( <i>Additional Information</i> ), together with any other intermediary financial institution (if any) that is appointed by the Company and the Principal Selling Shareholders in connection with the Intermediaries Offer after the date of this Prospectus, and “Intermediary” shall mean any one of them
<b>Intermediaries Booklet</b> . . . . .	the booklet entitled “CMC Markets plc Share Offer: Information for Intermediaries” and containing, among other things, the Intermediaries Terms and Conditions
<b>Intermediaries Offer</b> . . . . .	the offer of Shares to Intermediaries located in the United Kingdom described in Part XVII ( <i>The Offer</i> )
<b>Intermediaries Offer Shares</b> . . . . .	the Offer Shares sold pursuant to the Intermediaries Offer
<b>Intermediaries Terms and Conditions</b> . . . . .	the terms and conditions agreed between the Company, the Principal Selling Shareholders and the Intermediaries in relation to the Intermediaries Offer and contained in the Intermediaries Booklet
<b>International SIP</b> . . . . .	the CMC Markets International Share Incentive Plan
<b>Investment Trends Reports</b> . . . . .	means, together, the 2015 UK Leveraged Trading Report, the 2015 Australia CFD Report, the 2015 Singapore CFD and FX Report, the 2015 Germany CFD and FX Report and the 2015 France CFD and FX Report
<b>IPO Award</b> . . . . .	an award for achieving admission paid to selected key employees (excluding Executive Directors)
<b>IRS</b> . . . . .	the Internal Revenue Service of the United States
<b>ISA</b> . . . . .	Individual Savings Account
<b>Issued Share Capital</b> . . . . .	the Shares, excluding the Deferred Shares
<b>Joint Bookrunner</b> . . . . .	RBC Europe Limited
<b>Joint Global Co-ordinators</b> . . . . .	Goldman Sachs International and Morgan Stanley & Co. International plc
<b>Listing Rules</b> . . . . .	the listing relating to admission to the Official List made under section 73A(2) of the FSMA
<b>Lombard</b> . . . . .	Lombard Technology Services Limited
<b>Lombard Master Rental Agreement</b> . . . . .	the Master Rental Agreement dated 21 May 2012, with CMC Markets UK plc as Lessee and Lombard Technology Services Limited as Lessor
<b>London Stock Exchange</b> . . . . .	the London Stock Exchange plc or its successor(s)
<b>Management IPO Shares</b> . . . . .	the Shares to be allocated to Simon Waugh, Manjit Wolstenholme and Malcolm McCaig, alongside the Offer and at the Offer Price, as set out in paragraph 3(v) of Part XXII ( <i>Additional Information</i> )
<b>Market Counterparty</b> . . . . .	fully regulated banks or brokers who have their own direct client base and the ability to on-board clients and hold and manage client money
<b>MarketMaker</b> . . . . .	the Group’s primary trading platform before the launch of Next Generation. The Group intends to migrate remaining clients trading on the MarketMaker platform to Next Generation by the end of 2016

<b>MAS</b> . . . . .	the Monetary Authority of Singapore
<b>Member States</b> . . . . .	member states of the EU
<b>MEP</b> . . . . .	the CMC Markets plc Management Equity Plan 2015
<b>MEP 2009</b> . . . . .	the CMC Markets plc Management Equity Plan 2009
<b>MiFID</b> . . . . .	the Markets in Financial Instruments Directive
<b>MiFID II</b> . . . . .	has the meaning set out in Paragraph 4 ( <i>Financial Regulatory Framework within the European Economic Area</i> ) of Part XI ( <i>Regulatory Overview</i> )
<b>MiFIR</b> . . . . .	the Markets in Financial Instruments Regulation
<b>MiFID II legislation</b> . . . . .	together, MiFIR, MiFID and the related technical standards and other implementing legislation
<b>New Share Offer Size</b> . . . . .	the number of New Shares to be issued pursuant to the Offer, to be set out in the Pricing Statement
<b>New Share Offer Size Range</b> . . . . .	the range within which the New Share Offer Size is currently expected to be set, being between 5,724,829 New Shares and 6,266,986 New Shares
<b>New Shares</b> . . . . .	new Ordinary Shares of 25 pence in the Company to be issued as part of the Offer
<b>Next Generation</b> . . . . .	the Group's primary trading platform, launched in 2010
<b>Non-Executive Directors</b> . . . . .	the non-executive Directors of the Company
<b>Offer</b> . . . . .	the Institutional Offer, the Client Share Offer and the Intermediaries Offer, as described in Part XVII ( <i>The Offer</i> )
<b>Offer Price</b> . . . . .	the price at which each share is to be issued or sold under the Offer
<b>Offer Shares</b> . . . . .	together, the New Shares, the Sale Shares and any Over-allotment Shares
<b>Offer Size</b> . . . . .	the number of Offer Shares to be issued or sold pursuant to the Offer (excluding, for the avoidance of doubt, the Over-allotment Shares)
<b>Offer Size Range</b> . . . . .	the range within which the Offer Size is currently expected to be set, being between 90,170,250 and 90,712,407 Shares
<b>Offer Website</b> . . . . .	<a href="http://www.cmcmarkets.com/group/ipo">www.cmcmarkets.com/group/ipo</a>
<b>Official List</b> . . . . .	the Official List of the Financial Conduct Authority
<b>Online Application</b> . . . . .	the online application pursuant to which the Group's Eligible Clients may apply to subscribe for or purchase Offer Shares in the Client Share Offer
<b>Over-allotment Option</b> . . . . .	the option expected to be granted to the Stabilising Manager by the Over-allotment Shareholders to purchase, or procure purchasers for, up to 13,606,862 additional Shares as more particularly described in Part XVII ( <i>The Offer</i> )
<b>Over-allotment Shares</b> . . . . .	the Shares that are the subject of the Over-allotment Option
<b>Over-allotment Shareholders</b> . . . . .	Peter Cruddas and Goldman Sachs Strategic Investments (U.K.) Limited
<b>Partners and Institutional</b>	
<b>Clients</b> . . . . .	banks, brokers, asset managers, hedge funds, introducing brokers, broker dealers and other professional and corporate firms
<b>PCI DSS</b> . . . . .	the Payment Card Industry Data Security Standards
<b>PEC Regulation</b> . . . . .	the Privacy and Electronic Communications (EC Directive) Regulations 2003
<b>PEP</b> . . . . .	a politically exposed person
<b>PRA</b> . . . . .	the Prudential Regulation Authority
<b>Premium Clients</b> . . . . .	clients that have an average SnFC value of £3,000 per month or an average SnFC value of £20,000 for the prior six month period

<b>Price Range</b> . . . . .	235 pence to 275 pence per Share
<b>Pricing Statement</b> . . . . .	the statement containing the Offer Price, Offer Size and certain other information expected to be published on 5 February 2016
<b>Principal Shareholder</b> . . . . .	Peter Cruddas
<b>Principal Selling Shareholders</b> . . . . .	together, the Principal Shareholder, the Second Principal Shareholder and Goldman Sachs Strategic Investments (U.K.) Limited
<b>Privacy and Electronic Communications Directive</b> . . . . .	a European Directive which governs privacy and the processing of personal data specifically in the electronic communications sector
<b>Prospectus Directive</b> . . . . .	EU Prospectus Directive (2003/71/EC) (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State and includes any relevant implementing measure in the Relevant Member State, and the expression “2010 PD Amending Directive” means Directive 2010/73/EU)
<b>QIBs</b> . . . . .	has the meaning given by Rule 144A
<b>QPs</b> . . . . .	has the meaning as defined in the Investment Company Act
<b>Qualified Investor’s</b> . . . . .	persons who are “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive
<b>RBS Facilities Agreement</b> . . . . .	the facilities agreement between CMC Markets UK plc and, amongst others, The Royal Bank of Scotland plc acting as Agent dated 14 December and amended on 28 September 2011, 29 June 2012, 27 September 2012, 12 December 2012 and 27 March 2013
<b>Receiving Agent</b> . . . . .	Capita Asset Services
<b>Relationship Agreement</b> . . . . .	the relationship agreement entered into between the Company and the Controlling Shareholders on 26 January 2016, as described in Part XXII ( <i>Additional Information</i> )
<b>Registrars</b> . . . . .	Capita Registrars Limited
<b>Regulation S</b> . . . . .	Regulation S under the U.S. Securities Act
<b>Remuneration Code</b> . . . . .	the FCA standards and policies when setting pay and bonus awards for staff that a FCA regulated firm is required to implement
<b>Retail Offer Adviser</b> . . . . .	Solid Solutions Associates (UK) Limited
<b>Retention Award</b> . . . . .	an award to ensure appropriate retention of and after Admission of selected key employees (excluding Executive Directors)
<b>Rule 144A</b> . . . . .	Rule 144A under the U.S. Securities Act
<b>Sale Shares</b> . . . . .	the existing Shares to be sold by the Selling Shareholders as part of the Offer
<b>Sale Share Offer Size</b> . . . . .	the number of Sale Shares to be sold pursuant to the Offer, to be set out in the Pricing Statement
<b>Second Principal Shareholder</b> . . . . .	Fiona Cruddas
<b>SDRT</b> . . . . .	Stamp Duty Reserve Tax
<b>SEC</b> . . . . .	the United States Securities Exchange Commission
<b>Selling Shareholders</b> . . . . .	the Principal Selling Shareholders and the Employee Shareholders, being the Shareholders who sell Offer Shares in the Offer
<b>SFA</b> . . . . .	the Singaporean Securities and Futures Act
<b>Share Account Statement</b> . . . . .	a statement of a person’s holding of Shares in the CMC Markets Shareholder Account
<b>Shareholder Account Nominee</b> . . . . .	Capita IRG Trustees Limited
<b>Shareholders</b> . . . . .	the holders of Shares in the capital of the Company
<b>Shares</b> . . . . .	the ordinary shares of the Company, having the rights set out in the Articles

<b>Silver Eligible Client</b> . . . . .	a client who is eligible to apply to participate in the Client Share Offer at the Offer Price up to a maximum monetary amount of £5,000 and who will receive one free Bonus Share for every 10 allocated
<b>SIPP</b> . . . . .	Self Invested Personal Pension
<b>SnFC</b> . . . . .	(fees from) spreads, net financing and commission
<b>Sponsor</b> . . . . .	Morgan Stanley & Co. International plc
<b>SSAS</b> . . . . .	Small Self Administered Scheme
<b>SSE</b> . . . . .	Sydney Stock Exchange
<b>Stabilising Manager</b> . . . . .	Morgan Stanley & Co. International plc
<b>Standard Clients</b> . . . . .	all clients who are not Premium Clients
<b>Stock Lending Agreement</b> . . . . .	the stock lending agreement to be entered into prior to Admission between the Over-allotment Shareholders and the Stabilising Manager, as described in Paragraph 11.2 ( <i>Stock Lending Agreement</i> ) of Part XXII ( <i>Additional Information</i> )
<b>subsidiary</b> . . . . .	has the meaning given to it in section 1159 of the Companies Act 2006
<b>UK</b> . . . . .	the United Kingdom of Great Britain and Northern Ireland
<b>UK Corporate Governance Code</b>	the UK Corporate Governance Code published by the Financial Reporting Council and dated September 2014, as amended from time to time
<b>UK SIP</b> . . . . .	the CMC Markets plc UK Share Incentive Plan
<b>Underwriters</b> . . . . .	Goldman Sachs International, Morgan Stanley & Co. International plc and RBC Europe Limited
<b>Underwriting Agreement</b> . . . . .	the underwriting agreement entered into between the Company, the Directors, the Principal Selling Shareholders and the Underwriters on 26 January 2016, as described in Paragraph 11.1 ( <i>Underwriting and Shareholders Agreements</i> ) of Part XXII ( <i>Additional Information</i> )
<b>United States or U.S.</b> . . . . .	the United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia
<b>U.S. Investment Company Act</b> . .	United States Investment Company Act of 1940, as amended
<b>U.S. Securities Act</b> . . . . .	United States Securities Act of 1933, as amended

## 2 Glossary

The following technical terms apply throughout this Prospectus (unless the context requires otherwise):

<b>appropriateness tests</b> . . . . .	an assessment of a client, mandated by regulatory rules, made to determine whether the client has the knowledge and experience to understand the risks connected with the Group's products
<b>ask price</b> . . . . .	the price at which the Group is prepared to sell a product to a client
<b>automated liquidation</b> . . . . .	the process of liquidating a client's account automatically once margins levels drop to pre-determined thresholds
<b>bid price</b> . . . . .	the price at which the Group is prepared to purchase a product from a client
<b>Cap and floor (model)</b> . . . . .	a hedging strategy whereby once a financial exposure reaches a predetermined cap, the Group seeks to hedge that exposure down a pre-defined lower (floor) level
<b>CBOE</b> . . . . .	Chicago Board Options Exchange

<b>CFD</b> .....	a contract for difference, a cash-settled investment in products that are based on currencies, commodities, treasuries, indices and shares. It provides economic benefits similar to an investment in an underlying asset without certain costs and limitations associated with physical ownership. A CFD tracks the price movement of the chosen product, as well as inferring, through price change, dividends on stocks, interest on positive carry currency positions and coupons on interest-bearing instruments
<b>IB</b> .....	an Introducing Broker, typically a bank and broker that enters into a partnership with the Group to provide a broader offering of financial products to their clients. The Group provides access to its trading platform directly to the clients of the IB (all of whom are regulated by their local regulators), and the IB in turn receives fees in respect of the client introduction
<b>ICAAP</b> .....	Internal Capital Adequacy Assessment Process
<b>ILAA</b> .....	Individual Liquidity Adequacy Assessment
<b>investment firms</b> .....	persons whose regular occupation or business is the provision of one or more investment services or activities
<b>leverage</b> .....	the use of borrowed funds when making an investment
<b>long position</b> .....	a position in which the client believes the value of the underlying financial instrument will increase
<b>natural aggregation</b> .....	hedging that occurs due to the relatively large number and types of trades the Group handles, which offset and thus hedge “naturally” against each other
<b>OFR</b> .....	the Group’s own funds requirement
<b>on-boarding</b> .....	the review process performed before accepting a client
<b>short position</b> .....	a position in which the client believes the value of the underlying financial instrument will decrease
<b>spread</b> .....	the difference between the bid and ask price of the Group’s products
<b>spread bet</b> .....	offered exclusively in the UK and Ireland, as typically, profits from spread betting are free from capital gains tax and stamp duty in these jurisdictions. Spread betting shares many of the same characteristics and benefits as CFDs with one important difference: clients bet a specific stake size per point movement of a product rather than trading a specific number of shares or units
<b>tiered margins</b> .....	a risk management approach the Group utilises of requiring clients to pay higher margins to take larger positions

