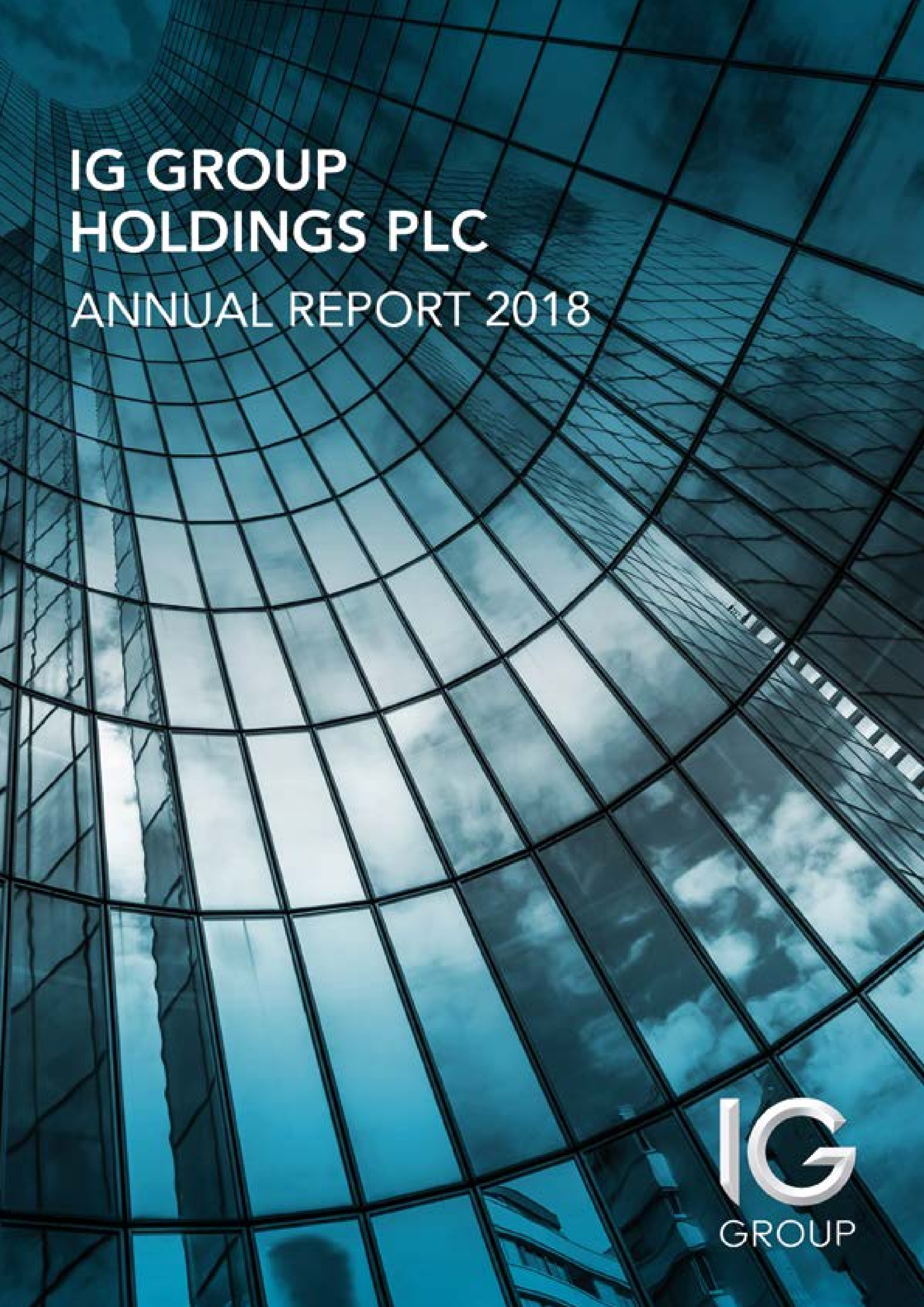
IG GROUP HOLDINGS PLC

ANNUAL REPORT 2018



IG GROUP

IG GROUP

OUR PURPOSE

We exist to empower informed, decisive, adventurous people to access opportunities in the financial markets.

OUR VISION

To be a global leader in retail trading and investments.

"I am delighted that the business delivered record revenue, operating profit and earnings. I am proud of the way our people have ensured we are well positioned to adapt to regulatory change. We will continue with the investments we are making to deliver long-term sustainable growth and attractive shareholder returns."

Peter Hetherington
Chief Executive Officer
24 July 2018

This report is online at | **iggroup.com/ar2018**

HIGHLIGHTS

FOUR-YEAR COMPOUND ANNUAL GROWTH RATES

11.3% Revenue[1]	**9.5%** Operating profit	**14.1%** Net own funds generated from operations	**11.2%** Basic earnings per share	**11.3%** Total dividend per share

ANNUAL FINANCIAL METRICS

Revenue (£m)[1]

FY18	**+16%**	**569.0**
FY17		491.1
FY16		456.3
FY15		400.2[2]
FY14		370.4

Operating profit (£m)

FY18	**+32%**	**281.1**
FY17		213.4
FY16		207.6
FY15		193.3[2]
FY14		195.4

Net own funds generated from operations (£m)[3]

FY18	**+48%**	**272.0**
FY17		183.9
FY16		197.9
FY15		136.8
FY14		160.6

Basic earnings per share (pence)

FY18	**+34%**	**61.7**
FY17		46.2
FY16		44.9
FY15		41.3[2]
FY14		40.3

Total dividend per share (pence)

FY18	**+34%**	**43.2**
FY17		32.3
FY16		31.4
FY15		28.15
FY14		28.15

(1) Throughout this report 'revenue' refers to net trading revenue (ie excluding interest on segregated client funds and after deducting introducing partner commissions).
(2) FY15 numbers are shown on an underlying basis.
(3) Further details on net own funds generated from operations are available in the Operating and Financial Review.

CHAIRMAN'S STATEMENT

ANDY GREEN

"As Chairman, I am proud of the operational performance of the business this year, and also of the strategic progress we have made."

In my fourth year as Chairman of IG, I am pleased to report that, against a backdrop of intense regulatory scrutiny of our sector, the business has performed extremely well. The Company has delivered record revenue, profit and earnings.

The past year has been both challenging and successful for IG. I am proud of the operational performance of the business this year, and of the strategic progress we have made.

In an industry that has been tainted by the poor practices of some providers, IG has maintained its focus on championing the client and treating our clients fairly at all times. As the global market leader, we believe this approach is a real differentiator for clients choosing IG, as well as being central to creating long-term shareholder value.

I would like to thank Peter Hetherington and the Executive team for their hard work, skill and leadership over the year. The people of IG are our greatest asset. They live by our values and have worked with skill and energy to set us on a path to future success in the new regulatory regime. At the same time, they have delivered a very strong set of results.

BOARD

Following an extensive process, supported by external consultants, I am very pleased to welcome Bridget Messer and Jon Noble to the Board, following their appointment on 1 June 2018. The IG knowledge and skills brought by Bridget and Jon to the Board will complement the considerable experience of Board members and help give a wider perspective to Board discussions.

Bridget was appointed to her current role as Chief Commercial Officer in September 2015, and is responsible for the Group's strategy for attracting prospects to IG, as well as managing and developing IG's client relationships. Bridget joined IG in 2005 as Legal Counsel, and during her first ten years at IG she undertook a number of roles, including General Counsel, Head of Compliance and Company Secretary.

Jon was appointed Chief Information Officer in 2012, and as such has been responsible for setting and delivering the Group's IT strategy, and for the stability and security of IG's technology. Under his stewardship, IG has consolidated its reputation as a leader in technology and innovation, providing a secure and innovative client experience.

REMUNERATION

We seek to maintain a remuneration structure which creates a balance between rewarding performance against annual objectives and delivering sustainable shareholder value. We are mindful of the interests of clients, employees and broader stakeholders in all our decisions. This year, we reviewed the Directors' Remuneration Policy and concluded that it continues to meet the needs of the Company. As always, we will keep the Policy under review.

Our senior executive remuneration arrangements continue to work well, and the very strong performance of the Group this year is reflected in appropriately increased reward for our senior team and higher bonuses across the business.

DIVIDEND

In line with the previously stated intention to pay out, as an ordinary dividend, approximately 70% of the Group's annual earnings, the Board is recommending a final dividend of 33.51 pence per share, taking the full-year dividend to 43.2 pence per share, 34% higher than the prior year, in line with the increase in earnings.

IG'S PEOPLE

This year, I have been encouraged to see the business continue on its journey to becoming more diverse. We are increasing the number of women undertaking accelerated development programmes to prepare for senior positions, and have an increasingly international workforce that spans the globe.

As a market-leading, innovative financial services company that delivers through advanced technology, we are driven by our people. They have a diversity of thought and a love of what they do, which is crucial for our ability to continue to lead the way in our sector. Initiatives like the rollout of our company values and the introduction of our new award scheme show the importance we place on our people. We have added a new strategic objective – 'attract, develop and retain the best people' – to ensure continued focus on this at the Board and across the organisation.

As with last year, the ongoing regulatory uncertainty has created a difficult backdrop. Over the past 12 months people in the business have approached the challenges of regulatory change with creativity and professionalism. I believe this work has laid a strong foundation for future dialogue, both internally and externally. Over the medium-term we all recognise that good regulation of our sector offers opportunities that IG is well placed to capitalise on.

LOOKING FORWARD

The last 18 months have been a challenging period in our Company, but our operating and financial performance has been strong. As we set out in our Outlook Statement on page 14, the Company expects that its revenue in the 2019 financial year will be lower than in 2018, reflecting the impact of the regulatory changes in the UK and EU, and the Company expects to return to growth after the 2019 financial year. The Board intends to maintain the 43.2 pence per share annual dividend until the Group's earnings allow the Board to resume progressive dividends.

In the medium term, I believe that the initiatives we are putting in place now, coupled with our people's commitment to innovation and championing the client, will see IG extend its industry-leading position and become even stronger.

Andy Green
Chairman

24 July 2018

"I believe that the initiatives we are putting in place now, coupled with our people's commitment to innovation and championing the client, will see IG extend its industry-leading position and become even stronger."

OUR BUSINESS

INTRODUCING IG

IG exists to empower informed, decisive, adventurous people to access opportunities in the financial markets. A technology-driven global leader in online trading and an established member of the FTSE 250, we have a 44-year history of providing trading opportunities to clients around the globe.

We are the world's No.1 provider of leveraged derivatives (CFDs and spread betting)[1], with sales offices located in 14 countries and operations in a further two. Operating globally under the IG brand, and in the US as the Nadex derivatives exchange, we are the trusted platform provider for over 195,000 active clients.

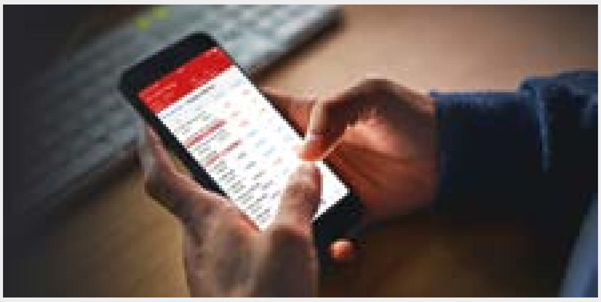
Our suite of products provides efficient, flexible access to more than 15,000 financial markets for a broad spectrum of financially sophisticated consumers, ranging from active traders to retail investors. Using our cutting-edge platforms and apps, our clients place almost 8 million transactions a month with us. This translates to an average of over 380,000 transactions per day.[2]

OVERVIEW OF OUR PRODUCT SUITE

For more information | **pg. 6-7**

OTC leveraged derivatives

Including CFDs and spread betting



OTC leveraged revenue in FY18

£548.4m

OTC leveraged revenue increase from FY17

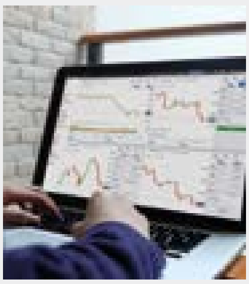
+16%

Active clients in FY18

144,600

Exchange traded derivatives

Offered under the Nadex brand



Revenue in FY18

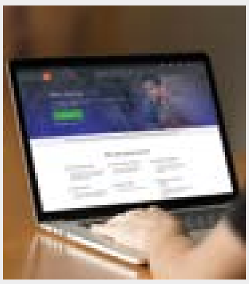
£16.6m

Active traders in FY18

22,000

Share dealing and investments

Includes a suite of non-leveraged investment products



Revenue in FY18

£4.0m

Revenue increase from FY17

+67%

(1) Based on revenue excluding FX (published financial statements, February 2018).
(2) Average for FY18.

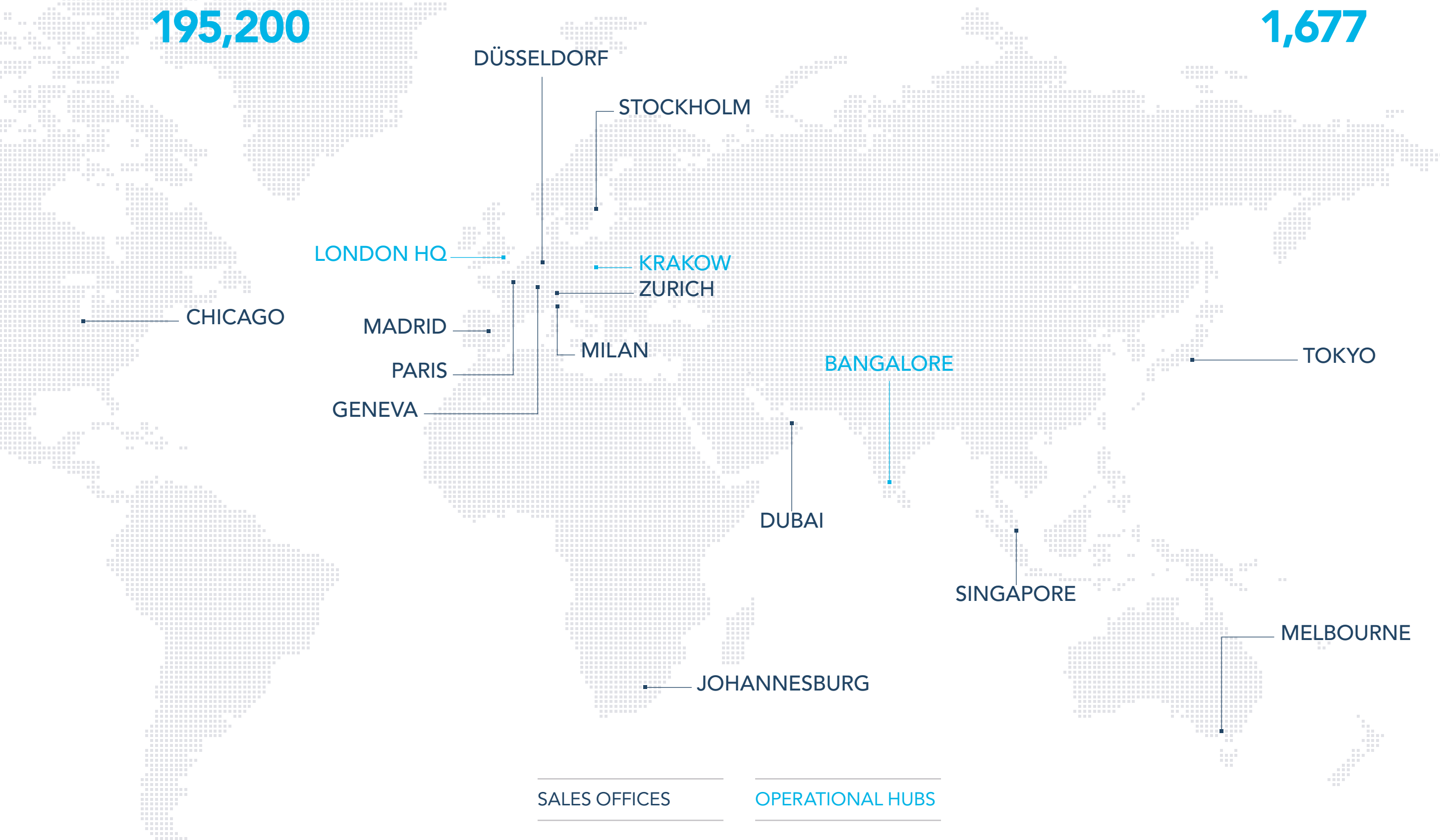
OUR GLOBAL OPERATIONS

TOTAL CLIENTS

195,200

TOTAL EMPLOYEES

1,677



We have sales offices across Europe, the Middle East, Africa, Australia, Asia and the US, and our expertise in online marketing, search engine optimisation and multi-language client service enables us to extend our global reach even beyond these regions. With a centralised marketing strategy, we connect with clients around the world, efficiently and cost-effectively.

Our UK headquarters in the City of London is supported by two major operational hubs in Krakow and Bangalore. These are positioned to take advantage of local pools of talent in a variety of disciplines.

UK HQ & OPERATIONAL HUBS	EMEA	ASIA PACIFIC	USA
1,286 Employees	**146** Employees	**170** Employees	**75** Employees
£252.5m Revenue	**£162.3m** Revenue	**£137.6m** Revenue	**£16.6m** Revenue
60,000 Active OTC clients trading	46,000 Active OTC clients trading	39,000 Active OTC clients trading	22,000 Active clients trading
25,000(1) Active share dealing and investment clients	2,000(1) Active share dealing and investment clients	9,000(1) Active share dealing and investment clients	

(1) The number of clients trading individual products is higher than the total 195,000 active clients because some clients are active across multiple product sets.

OUR PRODUCT SUITE

Our product range is designed to provide solutions across the spectrum of our clients' trading and investment needs.

Our core offering remains leveraged derivatives. This includes contracts for difference (CFDs) and spread betting (in the UK and Ireland).

OTC leveraged derivatives

Over-the-counter (OTC) leveraged derivatives enable clients to take advantage of changes in an asset's price, without owning the asset itself. For example, a leveraged derivative allows a client to take a position in a financial instrument, either buying or selling, while only putting down a percentage of the value of their trade as security – known as margin. This is an extremely efficient way of trading financial markets over the short term. We also offer clients access to a range of risk-mitigation measures, including stops and limits and a limited risk account.

Leveraged derivatives can be offered under the wrapper of a CFD or a spread bet. The CFD is the most popular globally. Spread betting is only available in the UK and Ireland, and is a tax-free[1] alternative to trading, allowing clients to bet on the price movement of an asset. The size of a client's win or loss depends on the magnitude and direction of the price movement.

- We are the world's No.1 CFD provider[2]
- We are the UK's largest and longest-running spread betting provider[3]
- We hold 45% of the UK financial spread betting market[4]

(1) Tax laws are subject to change and depend on individual circumstances. Tax law may differ in a jurisdiction other than the UK.
(2) Based on revenue excluding FX (published financial statements, February 2018).
(3) Based on number of active UK financial spread betting accounts (Investment Trends UK Leveraged Trading Report June 2017).
(4) By number of active primary accounts. All market share data presented in this report is provided by Investment Trends Pty Limited.

A HISTORY OF INNOVATION

KEY DATES

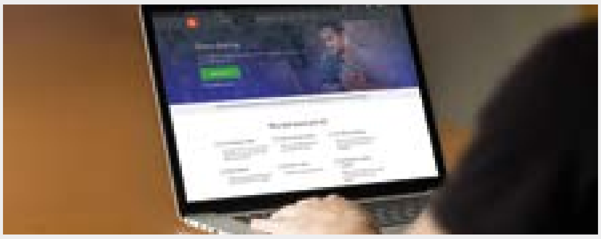
1974	IG Index founded, becoming the UK's first spread betting company.
1982	First company in the UK to offer spread betting on the FT30.
1995	First UK company to allow spread betting on individual shares.
1998	First company to launch an online dealing platform for financial spread betting.
2002	IG Markets Australia becomes the country's first CFD provider.
2006	New offices open in Germany and Singapore.
2007	Launch of browser-based trading platform. New offices open in the US, Spain and France.
2008	New office opens in Italy. UK's first dedicated spread betting iPhone app launches.

Our leveraged derivatives offering is complemented by a suite of non-leveraged share dealing and investment products, suiting a broad range of risk appetites and investment objectives.

While our leveraged derivatives are designed for sophisticated, active traders, our newer offerings extend our reach to self-directed investors looking for a cost-effective, longer-term way to trade and invest.

IG clients are able to access over 15,000 global financial markets – including shares, forex, indices, commodities and other instruments – via market-leading platforms and apps that provide efficient, secure execution.

Share dealing and investments



Our online, execution-only share dealing service is powered by the same market-leading technology as our spread betting and CFD offering. It enables self-directed clients to buy and sell over 9,000 global shares and exchange traded funds (ETFs), with extremely competitive and transparent transaction fees. UK clients can choose to trade within a tax-efficient ISA or SIPP wrapper.

Launched in the UK in 2014, our share dealing offering has built on our pedigree in the online leveraged trading sector. As well as providing our current spread betting and CFD clients with facilities to place their non-leveraged portfolio with us, we're now attracting a completely new audience to IG. Our share dealing service is also available to clients in Austria, France, Germany, Ireland, Australia and the Netherlands. Around 80% of clients opening share dealing accounts are new to IG.

IG Smart Portfolios is a discretionary managed investment service, launched in partnership with BlackRock in April 2017. It offers a range of portfolios designed to suit different risk appetites, each constructed from iShares exchange traded funds (ETFs) that include a blend of commodities, equities and fixed-income assets designed to match the risk appetite and investment objectives of the client.

Exchange traded derivatives

Nadex is our US derivatives exchange. Nadex's unique, retail-sized contracts are designed to give US and overseas traders short-term opportunities in their favourite global financial markets. With volumes up 13.6% in the 2018 financial year, Nadex was the first, and remains the largest, US-based retail-oriented exchange.

2009 Nadex.com launches in the US. IG Markets introduces PureDMA. Offices open in Sweden and Luxembourg.

2010 Acquisition of the Ideal CFDs business in South Africa. CFD iPhone app launches.

2012 Launch of our insight, news and analysis centre.

2013 Spread betting and CFD offerings brought together under IG.com. Introduction of forex trading via Meta Trader 4 platform.

2014 Execution only share dealing introduced as a complement to our leveraged trading offering. IG Bank opened in Switzerland

2015 Sunday trading launched. IG designs the first trading app for Apple Watch. New office opens in Dubai.

2016 IG expands its share dealing offering into ISAs and SIPPs. Share trading launched in Australia. Limited risk accounts rolled out across the globe.

2017 All-new online trading platform introduced. IG Smart Portfolios launched in partnership with BlackRock.

2018 New online trading platform successfully rolled out across our global operations. Mobile web platform launched, allowing seamless use from desktop to mobile devices.

OUR CLIENTS

IG has built its name on innovation, fairness and outstanding client service. It's a reputation we have gained over a span of four decades and are extremely proud of. We believe it sets us apart from most companies in our industry. In achieving our market-leading status, we've constantly put clients at the heart of our business.

A HISTORY OF INNOVATION

Innovation has been at the heart of our business since our inception in 1974. As the UK's original financial spread betting provider, we introduced a completely new, accessible way for people to trade on the price of gold – by defining it as an index.

Over the years, we've evolved and broadened our product offering to meet the changing needs of traders and investors. From teaching essential trading skills and risk-management strategies, to providing market news and analysis, our extensive range of tools and resources is specifically geared towards empowering our clients to trade and invest effectively.

Technology has enabled us to continually refine our marketing techniques. We produce highly targeted advertising campaigns that introduce our products to the right audience. A sophisticated application and onboarding process then ensures that only appropriate clients proceed. Ultimately, we enable sophisticated clients to access products that match their trading objectives.

A STRATEGY FOCUSED ON THE CLIENT

Our strategy puts our clients first in all our planning and decision-making. Supporting our clients is something we invest in heavily, and we believe it makes good business sense.

Our business model is dependent on trading volumes, and we want our clients to be successful. We therefore provide extensive educational resources to help our clients identify opportunities. We also deliver news and analysis that traders can use to make informed investment decisions, and we develop technology to help clients trade more effectively, equipped with the tools they need to seize opportunities rapidly.

We strive to constantly improve and evolve, always driven by the feedback from our clients and our understanding of their changing needs. This has led to enhancements ranging from the introduction of limited risk accounts in 2016 to the launch and global rollout of our new web trading platform during 2017 and 2018.

This client-centric approach is central for our people, too, and everyone at IG lives by a set of values that guide how we do business.

A culture of regulatory compliance

Compliance is not just a team of people at IG, it's a concept central to our culture. We have closely tracked and informed the development of regulation, and are well placed to deal with regulatory change. Awareness and respect for the regulatory framework is embedded throughout the organisation, and is taken into account from the very beginning of a product's design through the entire client journey. At every stage of the client experience we describe here, compliance is key.

Comprehensive early client support

When a client first joins us, we understand they may sometimes feel a little daunted. Even the most experienced trader needs time to adjust to a new platform. To ensure clients are properly supported in those early days, we employ a professional new business team to introduce them to IG and to explain exactly what they can do with our platforms.

Our new business teams are there to support new clients. They do this by gaining an understanding of what the client wants to achieve, and are well-equipped to explain how our products and services can help realise those aims.

Importantly, the new business team also provides another layer of client-appropriateness assessment. Our people are trained to evaluate, during their conversations, whether the client has a realistic expectation of IG and our products.

During this fledgling stage of our relationship, we actively encourage clients to use our range of educational materials, and we build their awareness of the up-to-the-minute trading news and research we provide via channels such as DailyFX and IGTV.

Consistent and continued access to expertise

Once clients have become acquainted with IG, we offer them ongoing support and assistance via our trading services teams. Available 24 hours a day from 8am Saturday to 10pm Friday, members of this team are experts in our products, and are responsive and entirely customer-focused. If clients have questions about our products, want to know how our platforms work or have any other type of enquiry, they can get help from our trading services team around the clock. And with native speakers from every territory in which we are present – all available via phone, email or web chat – we make it as easy as possible for clients to get the information they need, quickly and in the way they want it.

We manage and capture all of our interactions with clients using sophisticated technology. This ensures we can understand the whole relationship we have with each client, and have people available to meet their requirements on demand.

In recognition of our commitment to clients, and to ensure we're delivering 'best practice' service, we continue to be members of the Institute of Customer Service. This enables us to have our service standards independently appraised and verified according to nationally recognised standards.

MARKET-LEADING TECHNOLOGY

We recognise that our technology is central to the customer experience, and we seek to get it just right. We invest heavily in IT development, and are continually looking at ways in which we can improve the tools clients use to engage, invest and trade with us.

We believe clients should be empowered by the technology we offer and not restricted by it, so in the past few years we have introduced significant advancements to help our clients trade more effectively.

The international rollout of our New Web Trading Platform (NWTP) provides a more intuitive, personalised trading experience than ever before. Fast and customisable, it offers integrated research, market commentary and news alerts, including a social media feed. The new mobile web platform, or progressive web app (PWA), launched this year allows clients to have seamless use of our trading platform from desktop to mobile devices, without having to visit a third-party app store. We're proud that our clients can now access a platform at the very cutting edge of trading technology.

EXTENSIVE LEARNING RESOURCES

For all our clients, we provide access to a myriad of educational resources, prepared using our long-standing expertise in the key knowledge areas required for successful trading. This includes materials to help people learn common trading techniques, as well as instructional content that demystifies industry jargon and guides clients through every part of our product suite and platforms.

Our investment in education and training is extensive, and has a single purpose – to help people become more successful traders. Through our free IG Academy app and website, for example, clients can learn via interactive, step-by-step trading courses and webinars aimed at all experience levels. Likewise, our extensive collection of online how-to videos is accessible at any time to help clients enhance their knowledge.

It's our strong belief that by using appropriate educational materials and having reliable information at their fingertips, our clients can make better trading decisions.

OUR PURPOSE

IG exists to empower informed, decisive, adventurous people to access opportunities in the financial markets.

OUR VISION

To be a global leader in retail trading and investments.

OUR VALUES

Champion the client

Understand them. Be part of their whole experience. Think big, think long-term. Make every moment count and stick with them all the way. Do what matters most.

Lead the way

Be brave. Back yourself. Innovate and adapt to win. Challenge assumptions, ideas, decisions. Ask why. Stand up and speak your mind. Achieve. Do the right thing.

Love what we do

Make it personal. Care, be passionate, have fun. Respect our diversity and learn from each other. Share your enthusiasm. Take pride in each other's achievements. Work as a team.

CHIEF EXECUTIVE OFFICER'S STATEMENT

PETER HETHERINGTON

"I am delighted that the business delivered record revenue, operating profit and earnings this year. I am proud of the way our people have worked together, as they seek to ensure that we are well positioned to adapt to, and benefit from, regulatory change. We will continue with the investments we are making, to deliver long-term sustainable growth and attractive shareholder returns."

When the UK's Financial Conduct Authority (FCA) announced its consultation paper on proposed changes to the way our core products should be offered and marketed, in December 2016, it started a period that our corporate history will record as one dominated by regulatory change and uncertainty.

The regulatory situation facing the industry has been in a state of flux for the past 18 months, with the European Securities and Markets Authority (ESMA) effectively taking the baton from the FCA to consult on wide-ranging rule-changes at a pan-European level.

I have worked in this industry for 24 years, and I fully support the objectives of regulators to improve client outcomes in the sector, and would welcome harmonisation of regulation across the EU. My senior colleagues and I have spent a considerable amount of time with regulators during the past year, engaging with them on their proposals and sharing our evidence and insights. We will continue to strive for constructive dialogue with regulators, and we welcome the relative certainty that ESMA's most recent announcement offers. I still have some concerns about where the rules have ended up with regard to leverage limits, and the extent to which they may create an unlevel playing field for retail trading products in the EU, as this may have unintended consequences.

The ESMA measures will come into force on 1 August 2018 for CFDs. They will remain in place for a period of three months, and are binding for regulators across the EU. During this three-month period, our expectation is that European National Conduct Authorities (NCAs) will examine the impact of these measures; ESMA will consider whether the case is made for the measures to be applied for a further three months, and NCAs will consider incorporating similar rules at a local level. We expect this will see us move towards a clearer regulatory baseline throughout the EU, and we welcome the clarity this will provide. We are mindful that for regulation to be effective it needs to be robust and consistent.

I am confident that IG is well placed to deal with these new regulatory measures. We have a number of potential mitigating actions, and one thing that sets us apart from other providers is our sophisticated client base. The new regulatory measures apply to retail clients only. Those clients who meet the strict legal criteria can become elective professionals and trade without restriction. We have implemented a robust process to allow suitable clients to apply to become elective professionals.

In this period of regulatory uncertainty, the business has not stood still. As the leader in this industry, we are continually evolving and looking for new opportunities. This leadership distinguishes us from others, and I am particularly proud of some of the strategic projects we have taken forward this year. We have made progress in building our multilateral trading facility (MTF), which will be based in the EU. The products offered on the exchange will not only appeal to existing clients, but extend IG's reach into the on-exchange leveraged retail market in the EU. Looking beyond Europe, we've also made good progress with our US OTC forex business, which will allow us to address the under-served US retail FX market. We believe our brand, our commitment to delivering customer service and our competitive pricing will make IG an attractive option in the US.

During this year, our technical expertise has also set us apart. We continued to roll out our new online trading platform globally, and we have built and launched a progressive web app (PWA). This mobile web platform allows clients to trade seamlessly from desktop to mobile devices, and removes the need to visit any third-party app store. This is technology built and driven by IG, to ensure we not only deliver what clients want today, but anticipate future demand and trends.

We have a business that prides itself on good regulatory compliance. It was therefore disappointing that our regulator in France, the Autorité des Marchés Financiers (AMF), fined us €0.5m after it discovered some shortcomings, during an audit conducted in 2014 - 2015, related to client warnings and disclosures of potential conflicts of interest. The concerns identified were isolated in nature; we took steps quickly to address the issues identified by the AMF, and this matter does not affect our strong business in France. We will seek to build a stronger relationship with the AMF to avoid any similar issues going forward.

Our people have put in a huge amount of time and effort preparing for regulatory developments, both to ensure that our IT systems are readied for the changes, and that our client-facing teams are fully trained so they can speak authoritatively and accurately in all their client interactions.

In addition, we have successfully managed the implementation of MiFID II and GDPR – both significant pieces of EU regulation. Given their scale and the challenging deadlines, we set up substantial programme teams to manage each project. These teams comprised individuals from across the business, providing the necessary expertise to tackle such broad and diverse regulation. They demonstrated the teamwork and planning that are key features of our success as a business.

The response of IG employees to the changes in our business, their professionalism and endless effort during the many months of regulatory uncertainty, have been both uplifting to witness and at the same time completely true to form. At IG we employ the very best people, and it is because of them that this business is what it is.

I am pleased therefore that, against such a challenging regulatory backdrop, we have again delivered record revenue and profit. I believe this is a real demonstration of the resilience and character of our people, and proof of their continual determination to deliver for this business.

Peter Hetherington
Chief Executive Officer

24 July 2018

FY18 OVERVIEW

The Company delivered record revenue, operating profit and earnings in the 2018 financial year, driven by growth across all regions and products, and has continued to make good strategic and operational progress. The Group is taking action to mitigate the potential financial impact of regulatory change, and to position the business so that it will continue to deliver for its shareholders and other stakeholders under a more restrictive regulatory environment.

Net trading revenue in the 2018 financial year was £569.0 million, 16% higher than the prior year. Our clients trade in markets where there are opportunities, and for a period during the year cryptocurrencies provided such opportunities. The interest in cryptocurrencies has now waned, and we look forward to facilitating client trading in other interesting markets this year.

Operating expenses excluding variable remuneration were £254.2 million, 1% higher than in the prior year, and in line with prior guidance. Total operating costs, including variable remuneration, were up 5%. Operating profit for the year of £281.1 million was 32% higher than in the 2017 financial year, with the operating profit margin increasing to 49.4%.

Basic earnings per share for the year were 61.7 pence, 34% higher than the prior year. The Board is recommending a final dividend of 33.51 pence per share, taking the full-year dividend to 43.2 pence per share, 34% higher than the 32.3 pence per share paid for 2017, in line with the previously stated intention to pay out, as ordinary dividends, around 70% of earnings.

Leading the way

IG started this industry over 40 years ago by providing clients with the opportunity to gain exposure to the price of gold, and now offers clients over 15,000 financial markets.

IG differentiates itself within the industry through its good conduct, and the Company adheres to the highest regulatory standards. Leveraged derivative instruments are not appropriate for everyone; through its focus on ensuring that its marketing and advertising targets an appropriate audience, IG seeks to only accept clients who understand its products and the risks involved.

IG's brand is synonymous with high levels of client service, excellent technology and strong risk management, all of which contribute to the business's competitive advantage. IG's business model ensures that its interests as a business are aligned with the interests of its clients, which sets it apart from most companies in the industry. IG's focus on championing the client provides the basis for long-lasting, high-value client relationships, and in the 2018 financial year 52% of revenue was generated by clients who have traded with IG for over three years. The business is well positioned to mitigate the impact of regulatory change, and to continue delivering sustainable growth and attractive shareholder returns.

Regulatory developments

The Company, and the industry as a whole, has faced significant uncertainty around the nature and extent of regulatory change in the UK and EU since the Consultation Paper (CP16/40) issued by the Financial Conduct Authority (FCA) in December 2016. This uncertainty was substantially removed at the end of March 2018, when the European Securities and Markets Authority (ESMA), announced measures, pursuant to its new product intervention powers under Article 40 of MiFIR, to address investor protection risks. These measures apply only to retail clients.

In accordance with MiFIR, ESMA can introduce temporary intervention measures on a three-monthly basis, and before the end of the three months ESMA will consider the need to extend the intervention measures for a further three months. The FCA expects to consult on whether to apply these measures on a permanent basis. The Company is working on the basis that the temporary restrictions will become permanent in the UK and across the EU.

The prohibition on the marketing, distribution or sale of binary options to retail clients came into effect on 2 July 2018. IG stopped offering its sprint binary product to new retail clients in January 2017, and has now ceased offering binary products to all retail clients in the UK and EU. The measures relating to the provision of contracts for difference (CFDs) to retail clients will come into effect on 1 August 2018.

The restrictions to be applied to CFDs are:

- Leverage limits on the opening of a position by a retail client from 30:1 to 2:1, which vary according to the volatility of the underlying asset:
  - 30:1 for major currency pairs
  - 20:1 for non-major currency pairs, gold and major equity indices
  - 10:1 for commodities other than gold and non-major equity indices
  - 5:1 for individual equities and other reference values
  - 2:1 for cryptocurrencies
- A margin close-out rule on a per-account basis
- Negative balance protection on a per-account basis
- A restriction on the incentives offered to trade CFDs
- A standardised risk warning

IG is supportive of the objectives of regulators to improve client outcomes in the industry, and the Company supports ESMA in its efforts to enhance consumer protection and achieve harmonisation of regulation across the EU.

IG believes that enforcing consistent close-out procedures, putting a negative balance protection per account, restricting trading incentives such as bonus offers and issuing standardised risk warnings would all improve client outcomes, if implemented appropriately and enforced effectively. IG continues to believe, however, that the leverage restrictions are disproportionate and go beyond what is needed to protect consumers from poor outcomes associated with excessive leverage.

In IG's experience, when proportionate regulation has been applied consistently and appropriately, client outcomes have improved, and compliant providers have benefitted over the longer term. The Company will continue to engage fully with regulators, seeking to achieve the best possible outcomes for current and future clients of this industry, and the greatest long-term value for shareholders.

Championing the client

At the beginning of the 2018 financial year, the business refined its onboarding of new clients through the application of stringent appropriateness-testing and an increase in the wealth hurdles. During the year, 39,179 new clients traded OTC leveraged derivatives with IG for the first time. The number of client 'first trades' is significantly lower than the number of clients who applied for an account. There is huge demand for the OTC leveraged derivative product, but IG seeks to ensure that it only accepts appropriate clients who understand the products and the associated risk. The rigorous processes the business employs to assess applicants, to ensure that they have sufficient knowledge and experience as well as sufficient wealth, reflects IG's belief that leveraged derivative products are not suitable for the vast majority of individuals.

IG believes that it leads the way in the industry in its approach to appropriateness-testing and its commitment to adhering to the highest standards of Know Your Customer (KYC) and anti-money-laundering requirements. The Company believes that, together with its culture of acting in clients' best interests and providing excellent client service, this results in a sustainable business, with industry-leading client tenure and client value metrics.

IG has three categories of clients: retail, professional and institutional. While IG has historically categorised the vast majority of its clients as retail as a matter of course, IG's client base is different from most in the industry due to the Company's long-term focus on high-value and sophisticated clients. Clients with a high level of understanding, significant trading experience, large investment portfolios or relevant experience working in financial services may elect to be categorised as professional.

In mid-November 2017, IG launched an online process that allows clients to request to be categorised as an elective professional. These requests are assessed internally, and clients who meet the requirements are now categorised as professional. To date, more than three-quarters of all requests by number have been rejected. Clients who were categorised as professional on 30 June 2018 generated over 40% of the Company's UK and EU revenue in the preceding three months, and the Group continues to expect this proportion to rise to 50%.

IG has a very clear target market. The Group operates through a number of regulated legal entities in different jurisdictions, each compliant with its local regulatory rules. The Group allows appropriate retail clients affected by the ESMA measures to apply to contract with other regulated Group entities based in jurisdictions outside the UK and EU.

As ESMA's product intervention measures are focused on the CFD industry, they risk creating an unlevel playing field by giving an advantage to other forms of leveraged trading products that are offered to retail clients, such as futures, turbos and warrants. IG is developing new OTC leveraged derivative products that are compliant with regulations, which it believes will be attractive to retail clients.

IG has a long history of successful innovation, and is committed to offering the widest possible range of trading opportunities to appropriate clients that are fully compliant with regulations.

Marketing landscape

The Group seeks to ensure that its marketing and advertising targets an appropriate audience. The Company utilises integrated multi-channel marketing, fuelled by technology, data, insight and optimisation, to deliver results. IG focuses on both paid and non-paid marketing activity in its regulated jurisdictions, with the investment in non-paid search engine optimisation (SEO) driving long-term competitive advantage.

A number of large technology firms are taking action on inappropriate advertising and marketing, and on unlicensed operators in the industry. These actions include introducing bans on the advertising and marketing of cryptocurrencies and binary options, and the requirement that firms advertising and marketing CFDs can demonstrate that they are appropriately licensed in those jurisdictions in which the services are being promoted. The Group also expects that some of the large payment and card providers will soon introduce rules to ensure that these businesses only facilitate payments from and to clients in jurisdictions in which the firms are appropriately licensed.

As a compliant provider of its services, with a model of operating through local presence with local regulatory approvals, and with its investment over many years in SEO, the Company does not expect that the actions currently being taken, if applied appropriately, will have any significant impact on its business.

Growth opportunities

As outlined at its recent Capital Markets Day, the Group believes that the macro demographic and economic trends of increasing wealth and financial awareness, combined with a move towards self-direction, will continue to fuel growth in its business. IG also believes that the business will benefit in the medium term from the macro trend towards increasing regulation.

IG believes these changes represent a significant opportunity in the medium term, and that the firms likely to succeed are those that are properly licensed, adhere to regulations and operate a business model that develops long-term client relationships. Businesses that rely on client churn will be harder to sustain.

The Group is taking action to position the business to take advantage of this environment.

As announced in July 2017, the Company is developing a multi-lateral trading facility (MTF) for the European market, where IG believes there is a significant opportunity in offering exchange traded products. The on-exchange market in Europe is considerably larger than the OTC market, providing the Company with an opportunity to appeal to a wider client base, strengthen its brand presence and potentially, over time, expand the adjacent OTC market. IG plans to offer its own leveraged securities on its MTF. These products are limited-risk by nature, making the offering suitable for less-experienced clients. The launch of the MTF is planned for the second half of the 2019 financial year.

FY18 OVERVIEW CONTINUED

IG serves its clients through a strong online presence, supported by local offices where the size of market, or local regulatory requirements, demand it. The company continually reviews new geographic opportunities, and has identified potential in the US OTC forex market, where it believes the market is currently underserved. IG filed its licence application at the end of November 2017 to establish a new subsidiary based in Chicago, and has completed hiring for key roles. The Company expects to launch this business in the first half of the 2019 financial year. IG will continue to look to acquire licences to operate in jurisdictions in emerging markets that fit within the Group's risk appetite.

IG has applied to BaFIN, the German regulator, to establish a subsidiary in Düsseldorf as a response to the UK's decision to leave the EU. This office will combine the existing German sales office with key management and control positions, and will serve as a regional hub for the Group's well-established EU business. The establishment of this subsidiary will not have any impact on the Company's UK operations.

Outlook

IG has delivered a sustainable business for more than 40 years by placing good client outcomes at the heart of everything it does. IG will continue to lead the way in the industry, and the business is well positioned to mitigate the impact of regulatory change and to continue to deliver sustainable growth and attractive shareholder returns.

The Company is pleased that there is now greater clarity around the nature and extent of regulatory change in the UK and EU affecting the CFD industry. The measures relating to the provision of CFDs to retail clients in the UK and EU will come into effect on 1 August 2018.

The Company will continue with the investments that it is making to deliver future growth and to position the business to benefit from the strong demand for its products.

As previously disclosed:

- The Company believes that the reduction in historic revenue from the implementation of the measures announced by ESMA, taking into account the expected proportion of revenue that will be generated from clients categorised as professional, would have been approximately 10%, assuming no benefit from further mitigating action taken by the Company or its clients
- The Company expects that its revenue in the 2019 financial year will be lower than in 2018, reflecting the impact of the regulatory changes in the UK and EU
- Operating expenses excluding variable remuneration are expected to increase in the 2019 financial year, reflecting the Group's continued investment in product and platform development and additional headcount in sales and client service. Total operating costs (operating expenses plus variable remuneration) in 2019 are expected to be at a similar level to the £290.1 million total operating costs in 2018, reflecting a lower expected charge for variable remuneration
- The Company expects to return to growth after the 2019 financial year

The Board expects to maintain the 43.2 pence per share annual dividend until the Group's earnings allow the Board to resume progressive dividends.

STRATEGY AND OBJECTIVES

OUR OBJECTIVES

ADDRESS THE NEEDS OF ACTIVE TRADERS AND INVESTORS

Our goal is to build lasting, valuable relationships with our clients. We target sophisticated, active traders, who are valuable because they tend to deal in leveraged derivatives frequently and in large sizes.

We have a broad product range, including non-leveraged offerings in our more mature markets, to offer our customers a more comprehensive service. These clients select providers who offer the best tools and products and the highest standards of integrity to manage their long-term finances. IG is ideally positioned to fulfil their needs, and so to enhance client loyalty and improve retention.

ACHIEVE, MAINTAIN AND EXTEND MARKET LEADERSHIP

Our market leadership in CFDs and spread betting reflects the unrivalled service, products and platform technology we provide. We will continue to strengthen our position in these core products, while also creating competitive, innovative offerings in the share dealing and wealth management fields.

We will look to continue developing products and services founded on our existing strengths – cutting-edge technology, transparency, integrity and expert client service – to allow us to deal with regulatory change and to drive the long-term profitability of our business.

STRENGTHEN OUR GLOBAL REACH

We have a mix of more and less-mature countries of operation, all of which have room for growth.

We will continue our international expansion by establishing a local presence in new countries, and by continuing to grow our business across borders, without the need for a physical presence, utilising the strength of our single, global brand, combined with our expertise in online marketing techniques.

DELIVER QUALITY SERVICE TO OUR CLIENTS

By maintaining absolute integrity, delivering excellent customer service and fast, reliable execution with transparent pricing, we strive to make our clients feel secure and confident in trading with us. This results in a longer, more valuable relationship.

SUSTAIN OUR LEADERSHIP IN TECHNOLOGY

The market-leading functionality, speed and security of our platform and its proven resilience are essential to maintaining client satisfaction and enhancing client acquisition and retention. We will continue to invest in our core online platform to stay at the forefront of the market, and on improving the functionality we offer on mobile devices.

ATTRACT, DEVELOP AND RETAIN THE BEST PEOPLE

IG strives to create a digitally driven, client-centric organisation, where our people are passionate about our clients' experience and are engaged advocates of our business.

IG has a people strategy to allow it to acquire, retain and develop high-quality talent in an inclusive, fair and engaging environment.

BUSINESS MODEL AND RISK PROFILE

IG exists to empower informed, decisive, adventurous people to access opportunities in the financial markets.

The business offers its clients opportunities to trade in a wide range of markets, including equity indices, individual equities, forex, interest rates and commodities, through online dealing platforms.

The business also offers its clients a share dealing platform, as well as an innovative portfolio-based product for longer-term investment purposes, in partnership with BlackRock, one of the world's leading asset managers.

RISK PROFILE

IG's business model is based on generating a return from its services through transaction fees charged to clients. The level of revenue in any period is predominantly driven by the number of active clients the business serves in that period and the level of activity undertaken by each client.

The business does not seek to generate returns from actively taking market risk; it does not take proprietary trading positions, and its revenue is not dependent on the direction of market movements.

In accordance with the Risk Appetite set by the Board, the Group accepts some exposure to market and credit risk to optimise the efficiency and effectiveness of its services to clients. The business manages the market risk it faces in providing its services to clients, by internalising client flow and hedging when the residual exposures reach defined limits, so that its returns are driven by transaction fees charged, and are not significantly affected by movements in market prices.

As a result of its business model, the Group also faces liquidity and capital adequacy risk.

The business faces operational risks, including those arising through technology, people, process and external events.

The Group faces conduct risk relating to how it deals with its clients and with the markets.

IG operates in a dynamic competitive environment, and its revenue is dependent on the number of active customers and the level of their activity. The business therefore faces risks relating to market conditions and its competitive position.

The business operates in a number of geographic markets and is regulated by various different financial services regulators in those markets. These regulations affect how the business is able to market and provide its services to clients. The regulations relating to the products and markets in which the business operates are continually evolving. IG supports the objectives of regulators to improve client outcomes, but the business faces risks arising from changes in its regulatory environments that may adversely impact its activities or its competitive position.

CLIENTS

IG has three categories of clients: retail, professional and institutional. These clients are knowledgeable and demanding, and they expect highly sophisticated technology, which they use frequently.

Within IG's client base there are a significant number of clients who are eligible to be categorised as professional traders – meaning that they are not subject to the product restriction measures developed by the European Securities and Markets Authority (ESMA) for retail clients. We offer clients the opportunity to be classified as professional traders in the EU and UK, under MiFID categorisations. However, we require them to demonstrate compliance with a set of rigorous eligibility criteria to ensure that they are suitably qualified for this designation.

IG provides services to institutions, including asset managers, hedge funds, broker-dealers and competitors, who lack sufficient scale to gain direct access to the major hedging counterparties.

We put our clients at the heart of everything we do, and we strive to ensure that we understand our clients' needs and consistently deliver fair outcomes and positive experiences. We have a very low tolerance for poor consumer outcomes, and we are committed to continued investment in process, training and culture to prevent unsatisfactory customer experiences and to address root causes where any practice falls short.

We ensure that commitment to our customers is embedded in our culture and strategic initiatives, and we regularly seek and review feedback from our clients. This enables us to develop our products and services specifically to meet the needs of active traders and investors globally.

Central to our commitment to our customers is the quality of our order execution. We process 100% of active client trades automatically and we never requote prices. Should a significantly better price become available for customers during the dealing process, our innovative price-improvement technology enables customers to receive that better price during trade execution.

Clients' investment requirements and appetite for risk change over time, affected by factors such as family or financial commitments or the need to plan for retirement, and this offered us the opportunity to broaden our product set to appeal to relatively sophisticated investors.

Our range of products includes share dealing and investment portfolios, and clients are able to hold their investments in ISAs and SIPPs. Offering these services allows us to deepen and lengthen our relationship with our clients by catering for their evolving needs.

In addition to dealing directly with clients, IG services clients introduced through third parties who do not have their own front-end offering, and want to take advantage of our award-winning dealing technology and expertise. They introduce their clients to us, and we handle all trading activity and provide back-end support. The introducer manages the client relationship.

We carefully assess the risk and potential returns from introducers, and only partner with reputable institutions that are committed to the same rigorous standards of regulatory compliance as ourselves, and that fit our risk profile.

Client acquisition and education

Acquiring a new client begins with a targeted global marketing effort, with online marketing managed centrally and offline activity managed by country offices. Our sophisticated online marketing uses an algorithmic approach, which enables us to reach larger numbers of the right prospects more efficiently. We are able to react immediately to world events, creating campaigns rapidly and rolling them out to relevant regions, with appropriate local adjustments.

As well as marketing our products directly, we provide a number of education, news and analysis services, which encourage people to engage with IG and to learn about our products and how to trade effectively and responsibly. These include online courses, webinars and seminars via IG Academy, plus the IGTV channel, a suite of YouTube videos and the DailyFX news and analysis website. These assets reinforce our commitment to transparency, ensuring our new and existing clients are well informed about our services.

Our extensive educational resources include an introduction programme that promotes responsible trading. Clients can access expert tutorials, which cover everything from fundamental trading concepts to risk management. We seek to ensure that this content is engaging and is targeted towards our clients' needs.

We also provide an extensive range of trading tools, such as regular free news, commentary and analysis on IGTV and via the News and Analysis section of our website. We offer charting packages and various technical analysis tools that enable our clients to screen markets for trading opportunities and to receive alerts when trading signals appear.

Appropriateness

Our products are not appropriate for everyone, and good conduct is particularly vital in relation to marketing and client recruitment to prevent poor consumer outcomes. We seek to ensure that our advertising is not reaching an inappropriate audience, and that our clients appreciate the risks involved with our products and understand how our services work. We follow strict guidelines to ensure that we only promote our products to a target audience within appropriate sectors and demographic groups.

We also conduct rigorous checks to ensure that all promotions are clear, fair and not misleading, and that risks are not downplayed compared to the benefits of our products.

Before we allow a prospective client to open an account, we carry out an assessment to determine whether our products are appropriate for them. We actively question applicants to assess whether they have the necessary knowledge and experience to understand the risks involved. We ask clients for details of their income and savings, both at account opening and in rolling reviews. Based on the results of these assessments, in addition to providing clear warnings about the appropriateness of the product, we may decline to open an account, or provide an applicant with a type of account where risk is limited. We may also close an open account.

Client risk management tools

We take very seriously our responsibility to help clients understand the risks associated with trading and to provide them with tools to manage this. Given our business model, it is in IG's interest to develop lasting relationships with clients, as those who are more successful stay with us over the long term and become more valuable.

We have a number of services designed to help clients limit any losses they may make.

Our close-out monitor (COM) liquidates clients' positions when their margin has been significantly eroded, and helps protect clients by closing positions automatically. At 31 May 2018, 99.95% of all client accounts were subject to the COM procedure.

Our clients can choose to attach guaranteed stops to their positions, so that they know their maximum possible loss at the outset of a trade. Our innovative charging system encourages our clients to use guaranteed stops: no premium is payable for attaching a guaranteed stop unless it is triggered, so clients will frequently receive protection free of charge. IG was the first provider to offer guaranteed stops on this basis.

With effect from 1 August 2018, all retail clients in the UK and EU will benefit from negative balance protection. This gives these clients the guarantee that they cannot lose more capital than they have on their account.

REVENUE GENERATION

The Group's business is conducted through four revenue-generation models: OTC leveraged derivatives, exchange-traded derivatives, share dealing and investments.

OTC leveraged derivatives

The vast majority of the Group's revenue is derived from OTC leveraged derivatives. Clients enter into derivative instruments: contracts for difference, financial spread bets and options. These enable them to take long or short positions, for varied durations, in a wide range of financial and other markets, gaining exposure to price movements in those markets without needing to buy or sell the underlying asset.

The Group's OTC leveraged derivatives are priced to clients by reference to prices in the underlying markets. When markets are open, the prices of the derivative contracts are updated in real time, reflecting the prices in the underlying markets. For the majority of the derivatives, the price includes a spread around the underlying market price. For some derivatives on single equities, clients are charged a commission instead, and the contract does not include a spread. Clients are charged funding when long positions are held overnight, and receive funding when short positions are held overnight.

BUSINESS MODEL AND RISK PROFILE CONTINUED

IG is the counterparty to the OTC leveraged derivatives that clients enter into, and as a result the business faces market risk. The Group accepts this market risk in order to allow instant execution of client orders. The business manages the market risk it faces through internalisation – allowing individual client trades to offset against each other – and by hedging the residual risk in each market at defined limits, by entering into derivative contracts with its hedging brokers. The Group seeks to hedge its residual market exposures in an efficient manner, by grouping its exposures into asset classes, and therefore does not hedge its exposures exactly, which gives rise to basis risk.

Through the process of internalisation and hedging, the Group limits the market risk it faces, so that its trading revenue from OTC leveraged derivatives predominantly reflects the charges paid by clients through spread, commission and funding, less the costs incurred in hedging. This internalisation is key to the Group's business model and profitability, as it reduces the cost of hedging market risk in the underlying markets.

The majority of the OTC derivatives offered by the Group are 'leveraged'. Clients trade contracts for difference or financial spread bets on 'margin'. Clients only need to have sufficient funds in their account to cover the margin required to enter into a derivative contract, not its full value.

Margin is usually expressed as a percentage of the notional value of the trade, and allows a client to use leverage to take a position in a market with a notional value that is significantly in excess of the funds they are required to deposit. Leveraged derivative contracts therefore magnify the gains or losses a client can make relative to the funds deposited.

The Group faces client credit risk, as leveraged contracts can result in a client making losses in excess of the funds in their account, and they may be unable to fund those losses. The level of margin for each contract is set according to any relevant regulatory requirements and the volatility of prices in the underlying market, and reduces the client credit risk faced by the Group.

The Group's OTC leveraged derivatives activities give rise to liquidity risk. The business trades its hedging contracts on margin, and is required to deposit initial margin with its brokers, reflecting the gross amount of open positions with each broker. As the gross amounts of open positions change, and as market prices move, the amount of margin the Group has to deposit also alters, and the Group is required to deposit margin with its brokers on demand. The business therefore faces liquidity risk through its hedging activities, and counterparty credit risk through the amounts it holds on deposit with its brokers.

The Group's exposure to any one hedging counterparty is restricted by large exposure rules, and the Group needs to maintain a number of different hedging relationships to manage the capacity it requires to hedge.

Exchange traded derivatives

The Group's revenue from exchange-traded derivatives is derived from Nadex, a regulated derivatives exchange, on which clients can trade options contracts on a wide range of underlying markets, with various strike prices and expirations. Clients become members of the exchange, and pay a trading fee on each side of the trade: once to open, and once to close. Under this model, clients do not trade on margin, and therefore these contracts do not involve leverage, and the exchange does not face either market or client credit risk.

Prices for contracts listed on the exchange are provided by market makers, who are also members of the exchange and pay fees for trading. IG operates as one of the market makers to the exchange, and faces market risk as a result of this activity.

Share dealing

The Group operates an execution-only share dealing platform, through which clients can buy and sell individual equities listed on exchanges around the world.

The Group charges a transaction fee for each purchase and sale transaction, and there is a custody fee which is rebated to clients who undertake a certain level of transactions in the period. IG's trading revenue from this service is net of the execution fees the Group pays in the market.

Clients fund the purchases of equities in full at the time of placing the order. This activity does not give rise to any market risk or client credit risk for the Group.

Investments

The Group offers a portfolio-based investment service. Clients are advised, through undertaking an online questionnaire, which of five portfolios comprising a basket of ETFs is best suited to their investment needs, and these portfolios rebalance periodically. Alternatively, clients can choose their own portfolio of ETFs to reflect their investment profile.

The Group charges a percentage fee on the value of the assets under management, and its trading revenue reflects these fees less the amount paid to the provider of the ETFs.

Clients fund the purchases of the investments in full at the time of placing the order. This activity does not give rise to any market risk or client credit risk for the Group.

DIFFERENTIATION

Brand

IG is a global leader in online trading and the trusted partner for more than 195,000 clients. A FTSE 250 company with market capitalisation of over £3.1 billion, the Group has a long history of profitability and financial strength.

IG started in 1974 as the UK's original financial spread betting provider, introducing a completely new, accessible way for people to trade on gold, by defining it as an index. Since then, the Group's innovative, client-focused approach has enabled the business to grow, expand internationally and broaden its product range, and today IG is the world's No.1 CFD provider as well as maintaining its considerable UK market leadership in financial spread betting.

The unified global IG brand was established in 2013 through the acquisition of the IG.com domain. This pivotal event gave the Group the framework to consolidate its global web traffic through a single route in order to focus on online leadership – something that is increasingly important for acquiring, educating and providing a high level of service for clients.

Technology and innovation

The Group's success has been founded on developing technology that is market-leading and empowering for clients. IG was the first company in the sector to launch an online dealing platform, in 1998, and the first to launch a mobile app with live price streaming, in 2003. The Company first offered a CFD on bitcoin in 2013. The business invests in developing new tools and features for its client-facing platforms – a continuous process that is directed by detailed research into clients' evolving needs.

The Group provides clients with trading platforms that meet their requirements, whether they access them from home or on the move. This year the business successfully extended our new web trading platform across our global operations. Its speed, customisation facilities and integrated news and analysis feeds are at the cutting edge of trading technology. Designed to provide an intuitive, personalised experience for traders of all styles and knowledge levels, the new platform is at the core of the suite of trading tools and resources offered to clients.

In addition to its popular mobile apps, the Group has recently developed and launched a progressive web app (PWA) or mobile web platform. The PWA has been designed to provide clients with an optimised web-based experience when accessing the trading platform from mobile devices. It will also allow the business to release updates quickly and seamlessly, avoiding the delays inherent in traditional app store review processes.

For more advanced and institutional clients, the business provides a range of professional technology, including a direct market access (DMA) platform, sophisticated technical analysis tools and web application programming interface (API) solutions.

Client service

Providing clients with the best service is at the heart of the corporate culture at IG. The operating model and offices around the world allow the business to provide an uninterrupted service to clients. In addition to the global network of offices, the business has operations and development centres in Krakow and Bangalore that allow the Group to access the skills needed to support clients.

The business offers a range of free seminars and online tutorials for clients, and provides dedicated 24-hour support from our client services team. This team is fully trained to understand our products and how they are best suited to individual clients. Clients can contact IG client services through email, telephone and web chat. The business seeks to ensure that correspondence with clients is always clear and fair, and is never misleading.

To ensure that clients are at the heart of the business, feedback is encouraged and IG offers clear channels for comments and complaints. The business closely monitors its service standards through key performance and risk indicators tracked in real time.

Risk management

IG has operated for over 40 years, and has well-established processes for identifying and managing risks. The Board sets the Group's Risk Appetite and monitors how well risks within the business are mitigated and controlled. The Group has a particularly low level of appetite for regulatory and conduct risk. IG focuses on the long term, and on doing things properly to support a sustainably growing business.

As a result, the Company's shareholders and IG's many stakeholders, including clients, regulators and suppliers, can have confidence that the business has the capacity to manage the risks it faces, and that it will be able to continue to operate normally under stressed conditions and through financial market volatility and operational risk events.

Conduct

IG always seeks to operate in clients' best interests. The business targets its marketing and advertising to an appropriate audience, and seeks to ensure that it opens leveraged trading accounts only for clients for whom the product is appropriate. The business seeks to ensure that all clients are treated fairly. It provides educational and training materials to clients to help them understand our products and services well, so that they gain utility from trading. The Group believes that this approach results in a high level of trust in the business by clients, and is an important contributor to long-standing client relationships.

Business model

IG's business model ensures that the interests of the Company are aligned with those of its clients. As a result of the internalisation and hedging policy, revenue is earned from clients' transaction fees, and it is the volume of client trading that drives revenue, not clients' losses. The business benefits when clients trade well, as they are then more likely to continue to trade. This underpins IG's culture of championing the client.

MAIN TRENDS AND FACTORS LIKELY TO AFFECT THE FUTURE DEVELOPMENT, PERFORMANCE AND POSITION OF THE COMPANY'S BUSINESS

THE IMPACT OF A CHANGING REGULATORY ENVIRONMENT

IG operates in a highly regulated environment, which is continually evolving. In the past year, there has been a series of significant regulatory proposals, particularly from the European Securities and Markets Authority (ESMA). ESMA has introduced temporary measures which restrict the marketing and sale of CFDs, and include leverage restrictions, loss protections and risk warnings. The UK's Financial Conduct Authority (FCA) has indicated it will consult on whether the ESMA measures should apply in the UK on a permanent basis. IG welcomes robust, proportionate regulation and continues to work closely with regulators.

It is too early to determine precisely how consumers will react to the regulators' new rules and what the long-term outcome for the Company will be. The Company has been developing a number of contingencies to mitigate disruption and retain choice for clients. IG has a history of innovation and flexibility, and a proven track record of deploying technology and skills to adapt its business in response to regulatory and market changes. In the Company's experience, when tighter regulation has been applied appropriately, client outcomes have improved; the industry has become more sustainable and high-quality providers, like IG, have benefited over the longer term.

Over the last 44 years, IG's strategy has been one of differentiation within the industry, through its adherence to the highest regulatory standards and its focus on fair outcomes for clients. IG believes in robust, proportionate and consistently applied regulatory oversight of the CFD sector, and as such fully supports the regulatory objective to improve consumer outcomes across the industry.

THE LEVEL OF MARKETING SPEND, THE EFFECTIVENESS OF MARKETING IN ATTRACTING NEW CLIENTS AND THE RATE OF CLIENT ATTRITION

IG's business model is based on generating a return from its services through transaction fees charged to clients. The level of revenue in any period is predominantly driven by the number of active clients the business serves in that period and the level of activity undertaken by each client.

The Group invests in marketing each year to attract new clients, and seeks to retain clients through the provision of quality services and products. The number of unique active clients has been increasing for the last four years, with the number of new clients trading for the first time each year, together with the number of clients who returned to trading, exceeding the number who stopped trading. This trend has been a key driver of revenue growth.

The Group continues to focus on the effectiveness of its targeted marketing, and manages the level of marketing spend to maintain an attractive payback on the investment. The level of marketing spend in any period varies according to the perceived opportunity to spend effectively, and changes in the level of marketing spend, in the effectiveness of that spend, or in the rate of client attrition and reactivation could have a significant effect on the Group's future performance.

THE LEVEL OF INVESTMENT IN, AND SUCCESS OF, NEW INITIATIVES

The Group continues to identify opportunities to invest in new initiatives to further broaden its range of products and services and its geographic coverage. These investments tend to have a longer payback period than marketing investment, and the level of investment depends on the opportunities available. Financial performance in any one period can therefore be affected by the extent of such investment, and future performance will be affected by the success of such initiatives.

THE LEVEL OF VOLATILITY IN FINANCIAL MARKETS

One factor affecting our ability to attract new clients, and the willingness of clients to trade, is the volume of opportunities clients perceive are available to them in the markets. Higher levels of volatility in financial markets tend to generate trading opportunities, which support the Group's efforts to attract new clients and the level of individual client trading activity. Measures of financial market volatility, such as the VIX index, have been at historically low levels over the last four years. It is expected that an increase in the general level of financial market volatility would be beneficial to the Group's revenue, which is therefore partly dependent upon market conditions.

THE UK'S EXIT FROM THE EUROPEAN UNION

The Group currently operates its business in the EU through branches of its UK-domiciled and regulated legal entities, under the passporting rules. The terms and nature of the arrangements under which the UK will leave the EU remain unclear. The Group may need to establish one or more subsidiary entities domiciled and regulated within the EU. This year, as a contingency, we have progressed with establishing a subsidiary in Germany, which in the future can be utilised to serve our EU clients. The success of the Group in establishing appropriate structures through which to continue operating its business in the EU, including receiving relevant regulatory approvals and the costs involved in establishing and running additional regulated entities, could have a significant impact on its future performance.

ACTIONS OF COMPETITORS

The Group operates in a highly competitive environment, which includes some unregulated and illegal operators at one end, and some highly regulated operators offering similar products to IG at the other. The actions of our competitors in response to regulatory change in the EU, and the extent to which our competitors comply with both the letter and spirit of the new regulations, may affect our competitive position within the industry, and may affect the reputation of the industry as a whole. IG and its regulated competitors may innovate in the leveraged trading sector, which could lead to firms other than IG establishing competitive first-mover advantages in new product lines.

OPERATING AND FINANCIAL REVIEW

SUMMARY GROUP INCOME STATEMENT

	FY18 £m	FY17 £m	Change
Net trading revenue	569.0	491.1	16%
Net interest on client money	4.5	4.0	
Betting duty and FTT	(5.1)	(7.5)	
Other operating income	2.8	1.9	
Net operating income	571.2	489.5	17%
Operating expenses	(254.2)	(252.5)	1%
Variable remuneration	(35.9)	(23.6)	
Total operating costs	(290.1)	(276.1)	5%
Operating profit	281.1	213.4	32%
Net finance (cost)/income	(0.3)	0.3	
Profit before taxation	280.8	213.7	
Taxation	(54.4)	(44.5)	
Profit for the year	226.4	169.2	34%
Basic earnings per share	61.7p	46.2p	34%
Total dividend per share	43.2p	32.3p	34%

NET TRADING REVENUE

	Revenue (£m)		
Reporting segment	FY18	FY17	% Change
UK	249.5	223.0	12%
EMEA	162.1	137.5	18%
APAC	136.8	114.1	20%
OTC leveraged	548.4	474.6	16%
US	16.6	14.1	18%
Share dealing and investments	4.0	2.4	67%
Group	569.0	491.1	16%

CLIENT TRENDS

Reporting segment	Active clients ('000s) FY18	FY17	% Change	Revenue per client (£) FY18	FY17	% Change
UK	59.9	64.7	(7%)	4,166	3,446	21%
EMEA	46.1	45.9	–	3,519	2,997	17%
APAC	38.6	37.4	3%	3,543	3,051	16%
OTC leveraged	144.6	148.0	(2%)	3,794	3,207	18%
US	22.0	22.3	(1%)	756	630	20%
Share dealing and investments	35.5	20.4	74%	113	115	(2%)
Multi-product clients	(6.9)	(5.0)	38%	–	–	–
Group	195.2	185.8	5%	2,915	2,643	10%

IG delivered record revenue in the 2018 financial year, with strong growth across all regions and products. Record first-half revenue of £268.4 million was followed by a new record quarter for revenue in Q3 of £152.9 million, with Q4 revenue of £147.7 million, the Group's second-highest quarterly revenue performance.

OTC leveraged

OTC leveraged revenue of £548.4 million was 16% higher than in the 2017 financial year. The 144,600 active clients in 2018 were 2% lower than in the 2017 financial year, which was more than offset by the 18% increase in average revenue per client to just under £3,800.

The lower number of active clients in 2018 compared with the prior year reflects the boost to client numbers in the first half of the 2017 financial year as a result of the trading opportunities created by the EU referendum in the UK in June 2016, and the US presidential election in November 2016. The number of active clients in the first half of the year was 5% lower than in the comparative period. In the second half of the 2018 financial year the number of active clients was 1% higher than in the same period in the prior year.

In total, the number of new OTC leveraged clients who traded for the first time in the year was 39,179, with 18,027 new clients in the first half and 21,152 new clients in the second half. The relatively low level of new client recruitment during the first half reflects the introduction of the new appropriateness test for prospective clients together with increased wealth hurdles, and a lower level of advertising and marketing.

The cost per first trade for OTC leveraged equivalent accounts, based on the external advertising and marketing spend in the year, was £1,400 – the same as for the prior year.

The number of active clients in a quarter reached a new record of 99,500 in Q3 of 2018, including 12,500 new clients who traded for the first time in that quarter. Interest in trading in that period was heightened by the excitement around cryptocurrencies and by a significant spike in financial market volatility in February.

Client trading in cryptocurrencies accounted for 7% of OTC leveraged revenue in the 2018 financial year. The level of client activity in cryptocurrencies has slowed markedly since the end of January, and accounted for 3% of revenue in Q4.

Financial market volatility was relatively subdued during the year until February. The interest in cryptocurrencies during Q3 and the increased level of volatility in Q4 created trading opportunities for clients, and the business experienced an increase in client trades in the second half compared with the first half.

Revenue per client has been strong throughout the year. In the first half of the year, revenue per client was 15% higher than in the prior year at £2,290. In the second half of the year, revenue per client of £2,497 was 21% higher than in the prior year, and 9% higher than in the first half. In addition to the factors which drive client income, revenue per client is impacted by the Company's hedging efficiency, which determines the extent to which client income is converted into trading revenue. Hedging efficiency has been good throughout the year.

OPERATING AND FINANCIAL REVIEW CONTINUED

Revenue in the UK of £249.5 million was 12% higher than in the 2017 financial year, with the lower level of active clients offset by a 21% increase in revenue per client to £4,166 (FY17: £3,446).

Revenue in EMEA, which comprises our branches in the EU and our subsidiaries outside the EU in Switzerland, Dubai and South Africa, increased 18% to £162.1 million (FY17: £137.5 million). The number of active clients was broadly flat compared to the prior period, with revenue per client up 17% to £3,519 (FY17: £2,997). Growth in revenue of over 25% from our subsidiaries in Switzerland and Dubai reflects our success in developing our business through establishing a local presence in attractive markets.

Revenue in APAC increased 20% to £136.8 million (FY17: £114.1 million). The number of active clients increased 3%, with revenue per client up 16% to £3,543 (FY17: £3,051). Our businesses in Australia and Singapore both had a particularly successful year.

OTC leveraged revenue by asset class

	FY18 £m	FY17 £m	% Change
Indices	224.2	203.8	10%
Foreign exchange	130.7	82.2	59%
Equities	95.4	76.4	25%
Commodities	55.0	68.2	(19%)
Options	43.1	44.0	(2%)
OTC leveraged	548.4	474.6	16%

Revenue was higher in the 2018 financial year for indices, foreign exchange and equities. The fall in commodities revenue can be largely attributed to a particularly strong year in 2017, reflecting the trading opportunities in the oil markets resulting from sustained high levels of volatility.

Revenue from foreign exchange in the 2018 financial year includes £36.5 million from cryptocurrencies (FY17: £5.9 million) with the growth in revenue from conventional FX pairs up by 23%. Revenue from options includes OTC binaries, which are no longer offered to retail clients in the UK and EU.

US

Revenue from Nadex, our exchange traded derivatives business in the US, was up 18% to £16.6 million (FY17: £14.1 million). A 1% drop in the number of active clients was offset by revenue per client rising 20% to £756 (FY17: £630).

Share dealing and investments

Revenue from our share dealing and investments services increased 67% to £4.0 million (FY17: £2.4 million). The number of active clients increased by 74%. The share dealing and investments products help to retain existing OTC leveraged clients, and the share dealing product provides an acquisition channel to attract new clients, for whom it is appropriate, to OTC leveraged trading.

Multi-product clients (those who trade OTC leveraged products and also hold stocks in a share dealing or investments account at the end of the period) increased by nearly 40% at the end of the year compared with the same time last year, to just under 7,000. This is an important metric for the Group, as it shows engagement of our client base in our whole product set, with multi-product clients having a higher value and lower rate of attrition than single-product clients.

OPERATING INCOME

Net operating income increased 17% to £571.2 million, primarily reflecting the 16% increase in trading revenue.

Net interest income on client money increased to £4.5 million, driven by an increase in the amount of client money held.

Betting duties incurred by the Group decreased reflecting lower client losses. The Group also bears Italian financial transaction tax (FTT) costs, which have increased in line with activity.

The increase in other operating income primarily reflects the full-year effect of the income from the sale of client leads generated by DailyFX in the USA. This income has now ceased, as the Group prepares to launch its US OTC FX business.

OPERATING EXPENSES

Operating expenses by cost type

	FY18 £m	FY17 £m	% Change
Fixed remuneration	96.0	95.5	1%
Advertising and marketing	58.7	64.5	(9%)
IT maintenance and communications	13.3	14.2	(6%)
Premises	12.6	13.2	(5%)
Market data	9.7	9.7	–
Legal and professional fees	8.8	8.0	10%
Regulatory fees	7.1	2.3	209%
Irrecoverable VAT and other sales taxes	13.1	14.1	(7%)
Credit card and alternative payment charges	5.5	2.2	150%
Depreciation and amortisation	17.6	16.4	7%
Other	11.8	12.4	(5%)
Operating expenses	254.2	252.5	1%
Headcount at year-end	1,677	1,546	8%

Operating expenses increased 1% to £254.2 million (FY17: £252.5 million).

Fixed remuneration costs were little changed despite an 8% increase in year-end headcount, reflecting a lower average cost per head as a result of offshoring a number of roles to our non-UK operational hubs.

Advertising and marketing spend reduced by 9% to £58.7 million. Expenditure at the start of the financial year was reduced to allow the business to assess the impact of the revised appropriateness tests and wealth hurdles on client applications. Additionally, expenditure in the prior year was elevated, reflecting the client recruitment opportunities around the EU referendum and the US election.

The Group is charged regulatory fees by the various regulators in the jurisdictions in which it operates, and in addition is required to make a contribution to the Financial Services Compensation Scheme (FSCS) in the UK. The increase in regulatory fees is due to the rebate of FSCS levies that the Group received in the prior year. The £7.1 million charge in the 2018 financial year is more indicative of the ongoing annual cost.

The Group does not recover all of the input VAT and other sales taxes it incurs on costs. The decrease in irrecoverable VAT and other sales taxes reflects the lower marketing and advertising costs in the 2018 financial year compared with the prior year.

Credit card and alternative payment charges increased to £5.5 million, reflecting the removal of charges to clients for credit card payments in a number of jurisdictions and the introduction of PayPal as a payment method in the 2018 financial year.

Depreciation and amortisation was 7% higher at £17.6 million (FY17: £16.4 million), reflecting a full year of amortisation of DailyFX, which was acquired in October 2016.

Operating expenses by activity category

	FY18 Year-end headcount	FY18 £m	FY17 £m	% Change
Prospect acquisition	199	79.8	85.9	(7%)
Sales and client service	463	33.1	30.2	10%
Technology and innovation	762	88.5	90.6	(2%)
Business administration	253	52.8	45.8	15%
Operating expenses	1,677	254.2	252.5	1%

The four key areas of activity in the business are prospect acquisition, sales and client service, technology and innovation, and business administration. The analysis of operating expenses into these four areas provides additional information on the drivers of operating expenses.

OPERATING AND FINANCIAL REVIEW CONTINUED

Prospect acquisition

The purpose of this expenditure is to attract suitable prospects for conversion into new clients. The majority of this expenditure is discretionary, and can be flexed according to market conditions and acquisition opportunities. Prospect acquisition costs decreased by 7% to £79.8 million, primarily due to the lower advertising and marketing expenditure in the 2018 financial year.

Sales and client service

The majority of the expenditure in this area relates to the costs of our client-facing staff, 30% of whom are directly involved in sales and conversion, with nearly two-thirds working in client service roles. Sales and client service expenditure increased by 10% to £33.1 million. Staff costs remained flat, with the increased cost reflecting the higher credit card and alternative payment costs in the 2018 financial year.

Technology and innovation

The expenditure in this area includes all the costs associated with the provision of the platform that our clients use to trade, and through which we manage our market risk. It also includes our product and platform development costs, the costs of managing and running our internalisation and hedging processes and the costs of our office infrastructure. Technology and innovation costs decreased 2% to £88.5 million. These costs are largely fixed in nature, and do not directly flex with revenue.

Business administration

The costs of this area includes our finance teams, our risk and compliance function, HR, legal and other corporate functions, and the legal, professional and regulatory fees we incur in administering and managing the Group. Business administration costs increased 15% to £52.8 million, reflecting the higher cost of regulatory fees in the period, and an increase in fixed remuneration costs as we invested in our control and support functions.

VARIABLE REMUNERATION

	FY18 £m	FY17 £m	% Change
Share-based compensation	8.8	7.5	17%
Sales bonuses	4.5	3.6	25%
General bonuses	22.6	12.5	81%
Variable remuneration	35.9	23.6	52%

Variable remuneration costs increased by 52% to £35.9 million.

Share-based compensation costs relate to the long-term incentive plans for senior management. The costs reflect the size of these awards and the extent to which they are expected to vest, which is driven predominantly by EPS and relative TSR performance.

Sales bonuses increased by 25%, reflecting increased bonuses paid to sales staff based on new accounts opened and funded, and to some of our client service staff who manage our high-value client relationships.

The general bonus pool increased by 81% to £22.6 million. The size of the general bonus pool is dependent upon the Group's annual performance against internal targets, which reflect both financial and non-financial measures. It is not based on financial performance compared with the prior year.

NET FINANCE (COSTS)/INCOME

The Group earns interest income on its cash balances and on its holdings of gilts, which in the 2018 financial year totalled £1.6 million, £0.3 million higher than in the prior year (FY17: £1.3 million) reflecting the higher average cash balances during the year.

The Group pays fees and interest relating to its revolving credit facility, which in the 2018 financial year totalled £1.8 million, £0.3 million higher than in the prior year (FY17: £1.5 million) reflecting the higher average utilisation of the facility during 2018.

The Group earns and pays interest on its cash balances at hedging brokers. Interest is earned on positive balances in each currency, and is paid on any negative balances in each currency, which occur as the Group frequently deposits GBP to cover margin requirements in USD and EUR. In the 2018 financial year the Group earned nil net interest income on its balances at hedging brokers (FY17: net charge £0.2 million).

In the 2017 financial year the Group's net finance (costs)/income benefitted from the release of a provision related to interest payable on unpaid withholding tax in Australia. The interest cost was settled at a lower rate than had been provided for, and the £0.7 million balance of the provision was released.

TAXATION

The effective tax rate for the year is 19.4%, 1.4% points lower than the prior year (FY17: 20.8%).

The vast majority of the Group's taxable profit arises in the UK. The reduction in the effective tax rate reflects the full-year benefit of the reduction in the standard rate of UK corporation tax to 19% from 20% with effect from 1 April 2017. In addition, the rate benefits from the recognition of a 'patent box' claim that will be made in the UK tax filings for the 2018 financial year. These benefits have been partly offset by the £1.4 million reduction in the value of the Group's deferred tax assets relating to its tax losses in the USA, as a result of the reduction in the US corporation tax rate enacted in the second half of the 2018 financial year.

The patent box claim relates to the grant of a patent by the UK Patent Office for the Group's invention in measuring latency. Further patents are expected to be granted by the European patent office for inventions relating to automatic pricing and for the synchronisation of independent systems. The recognition of this claim has reduced the effective tax rate for the 2018 financial year by 1.2% points. Half of that benefit relates to the 2017 financial year, the year in which the patent box election first had effect.

The Group's effective rate of tax remains dependent on the mix of taxable profit by geography, the tax rates levied in those geographies and the availability and use of taxable losses. The Group's current estimate of the effective rate of tax for the 2019 financial year is 19.5%.

DIVIDEND

The Board is recommending a final dividend of 33.51 pence per share, giving a full-year dividend of 43.2 pence per share, 34% higher than the 32.3 pence per share paid for the 2017 financial year.

If approved at the Company's AGM, the final dividend will be paid on 26 October 2018 to those members on the register at the close of business on 28 September 2018.

CASH GENERATION AND MOVEMENT IN OWN FUNDS

The Group uses own funds, and net own funds, generated from operations as its key measures of cash generation.

OWN FUNDS FLOW

	FY18 £m	FY17 £m
Operating profit	281.1	213.4
Depreciation and amortisation	17.6	16.4
Share-based compensation	7.0	7.7
Change in working capital	15.2	(8.3)
Own funds generated from operations	**320.9**	**229.2**
As % of operating profit	114%	107%
Taxes paid	(48.9)	(45.3)
Net own funds generated from operations	**272.0**	**183.9**

Cash generation remains strong, with own funds generated from operations of £320.9 million, 40% higher than in the prior year. The high level of conversion of profit into cash reflects the non-cash charges in operating profit and the increase in the net credit balance in working capital due to the higher level of the bonus accrual at the end of the 2018 financial year, compared with the prior year.

Tax payments of £48.9 million reflect the payment of the £20.0 million balance of the UK corporation tax liability for the 2017 financial year outstanding at the start of the year, £24.8 million representing around half of the estimated UK corporation tax liability for 2018, and £4.1 million of overseas tax.

OPERATING AND FINANCIAL REVIEW CONTINUED

MOVEMENT IN OWN FUNDS

	FY18 £m	FY17 £m
Net own funds generated from operations	272.0	183.9
Net financing (cost)/income	(0.6)	0.6
Investments		
– Purchase of DailyFX	(3.0)	(29.8)
– Capital expenditure	(11.0)	(17.1)
– Purchase of own shares	(4.3)	(1.1)
Pre-dividend increase in own funds	**253.1**	**136.5**
Dividends	(119.6)	(118.7)
Increase in own funds	**133.5**	**17.8**
Own funds at start of the year	614.3	587.7
Impact of movement in exchange rates	(1.7)	8.8
Own funds at the end of period	**746.1**	614.3

The Group paid the final consideration of £3.0 million relating to the purchase of the assets of DailyFX, a leading global news and research portal, which the Group purchased in October 2016.

Capital expenditure in the year of £11.0 million relates primarily to internal IT development, third-party software and IT equipment. In the 2017 financial year capital expenditure also included amounts related to the refurbishment of the London office.

Dividend payments to shareholders during the 2018 financial year of £119.6 million comprise the final dividend for the 2017 financial year of £84.0 million and the interim dividend for the 2018 financial year of £35.6 million.

The final dividend for the 2018 financial year of £123.1 million will, if approved, be paid on 26 October 2018.

The Group's own funds of £746.1 million at the end of the year are £131.8 million higher than at the end of the prior year, reflecting the £133.5 million own funds cash flow after investments and dividends, and £1.7 million of FX retranslation of own funds in non-UK businesses.

SUMMARY GROUP BALANCE SHEET

	31 May 2018 £m	31 May 2017 £m
Goodwill	108.0	108.1
Intangible assets	43.4	48.6
Property, plant and equipment	15.5	17.4
Fixed assets	**166.9**	**174.1**
Liquid asset buffer	83.1	81.2
Amounts at brokers	450.0	376.1
Cash in IG bank accounts	289.7	230.9
Own funds in client money	49.5	43.2
Liquid assets	**872.3**	**731.4**
Client deposits IG Bank SA	(37.0)	(57.1)
Title transfer funds	(89.2)	(60.0)
Own funds	**746.1**	**614.3**
Working capital	(62.4)	(49.1)
Tax payable	(17.6)	(13.1)
Deferred tax assets	9.1	9.1
Capital employed	**842.1**	**735.3**
Shareholders' funds	**842.1**	**735.3**

As at 31 May 2018, the Group's capital employed was £842.1 million (31 May 2017: £735.3 million), all of which was provided by shareholders' funds. The Group's capital is employed to fund the Group's operations.

AVAILABLE LIQUIDITY

	31 May 2018 £m	31 May 2017 £m
Liquid assets	872.3	731.4
Broker margin requirement	(386.8)	(356.3)
Non-UK liquid assets	(154.1)	(134.6)
Own funds in client money	(49.5)	(43.2)
Available liquidity at end of period	281.9	197.3
of which is:		
Held as liquid asset buffer	83.1	81.2
Final dividend due	123.1	83.9

The Group's liquidity is provided by its own funds, supplemented by clients' deposits at IG Bank in Switzerland and client funds which have been transferred to the Group under title transfer arrangements. The Group has access to additional liquidity through a committed revolving credit facility.

The Group's total liquid assets at the end of year were £872.3 million (31 May 2017: £731.4 million). The increase in liquid assets primarily reflects the increase in own funds.

The Group requires liquidity to fund its day-to-day operations, primarily to fund the margin that its hedging brokers require to support the Group's hedging positions, the capital that its subsidiaries are required to maintain, and to fund the requirement to maintain adequate buffers in client money accounts.

The average broker margin requirement in the 2018 financial year was £372 million, £87 million higher than in 2017, with a peak broker margin requirement of £453 million during the year. At 31 May 2018, the actual broker margin requirement was £387 million.

Throughout the year, the Group had access to a committed revolving credit facility (RCF) of £160 million to assist its liquidity risk management. The Group seeks to manage its liquidity so that it will be able to meet all liquidity requirements without delay. The Group's practice has been to draw down on its RCF during periods when broker margin is at elevated levels, and in advance of events that could result in an elevated broker margin requirement, in order to reduce liquidity risk, particularly during periods when the Group's available liquidity has been reduced as a result of the payment of the final dividend. During the 2018 financial year, reflecting the increase in the peak and general level of broker margin requirement, the revolving credit facility was at least partly drawn for the period from the end of October 2017 through to the beginning of April 2018.

Subsequent to the year-end the Group cancelled the existing £160 million bank facility agreement and entered into a new £200 million agreement consisting of a £100 million revolving credit facility and a £100 million three-year term loan.

OPERATING AND FINANCIAL REVIEW CONTINUED

GROUP CONSOLIDATED CAPITAL RESOURCES AND REQUIREMENTS

		31 May 2018 £m	31 May 2017 £m
Shareholders' funds		842.1	735.3
Less foreseeable declared dividends		(123.1)	(83.9)
Less acquisition intangibles		(108.0)	(108.1)
Less other intangible assets		(43.4)	(48.6)
Less deferred tax assets		(9.1)	(9.1)
Capital resources (audited)	A	558.5	485.6
Pillar 1 Risk Exposure Amounts (REA) (unaudited)			
Total Pillar 1 REA	B	2,037.7	1,817.3
Capital ratio	A/B = C	27.4%	26.7%
Required capital ratio			
Pillar 1 minimum	D	8.0%	8.0%
Individual Capital Guidance (ICG)	E	9.4%	9.4%
ICG requirement	D + E = F	17.4%	17.4%
Plus combined buffer requirement	G	2.2%	1.3%
Total requirement %	F + G = H	19.6%	18.7%
Total requirement – £m	H x B = I	399.4	339.8
Capital headroom – £m	A – I	159.1	145.7

The Group's Total Capital Ratio using the balance sheet of the Group as at 31 May 2018 including the profit for the financial year, was 27.4% (31 May 2017: 26.7%).

The Group is required to hold a minimum amount of regulatory capital in accordance with the Individual Capital Guidance (ICG) periodically determined by the FCA, based on their supervisory review and evaluation process (SREP) of the Group, plus an amount equal to the higher of the internally calculated Capital Planning Buffer and the combination of the Conservation and Countercyclical buffers. The FCA determines the ICG following review of the Group's Internal Capital Adequacy Assessment Process, through which the Group calculates the amount of capital that should be held against specific firm risks, in addition to the Pillar 1 requirements.

The FCA last undertook a SREP of IG Group in the first half of calendar year 2016, and advised the Board of the level of capital the Group is required to hold in August 2016. The ICG advised in August 2016 replaced the ICG advised to the Board in May 2013.

The ICG advised by the FCA in August 2016 requires the Group to hold capital in addition to the Pillar 1 minimum equal to 9.4% of the Pillar 1 Risk Exposure Amounts.

The required minimum capital ratio at 31 May 2018 was 19.6%, including the effect of the Combined Buffers, being the Capital Conservation Buffer, which the Bank of England raised on 1 January 2018 to 1.875% in line with the transitional provisions laid out by the FCA in IFPRU TP 7, and the Countercyclical Buffer.

SEGREGATED CLIENT FUNDS

At 31 May 2018, the Group held £1,386.9 million (31 May 2017: £1,215.3 million) of client money in segregated trust bank accounts, and £945.0 million (31 May 2017: £499.8 million) of client assets in third-party custodian accounts. These amounts are segregated client money and assets, and are therefore excluded from the balance sheet.

KEY PERFORMANCE INDICATORS (KPIs)

We use nine key financial and non-financial performance metrics to measure our performance and progress against the short-term and long-term goals of the business.

Platform uptime (%)

FY18	+0%	**99.98**
FY17		99.98
FY16		99.99
FY15		99.95
FY14		99.97

Leveraged OTC clients (number)

FY18	–2%	**144,559**
FY17		148,020
FY16		137,870
FY15		130,070
FY14		125,559

Operating profit (£m)

FY18	+32%	**281.1**
FY17		213.4
FY16		207.6
FY15		193.3(2)
FY14		195.4

Leveraged OTC revenue per client (£)

FY18	+18%	**3,794**
FY17		3,207
FY16		3,223
FY15		3,035(2)
FY14		2,950

Basic earnings per share (pence)

FY18	+34%	**61.7**
FY17		46.2
FY16		44.9
FY15		41.3(2)
FY14		40.3

Revenue[1] (£m)

FY18	+16%	**569.0**
FY17		491.1
FY16		456.3
FY15		400.2(2)
FY14		370.4

Net own funds generated from operations (£m)

FY18	+48%	**272.0**
FY17		183.9
FY16		197.9
FY15		136.8
FY14		160.6

Number of leveraged OTC first trades

FY18	–14%	**39,179**
FY17		45,727
FY16		39,842
FY15		32,506(2)
FY14		29,918

Total dividend per share (pence)

FY18	+34%	**43.2**
FY17		32.3
FY16		31.4
FY15		28.15
FY14		28.15

(1) Throughout this report, revenue refers to net trading revenue (ie excluding interest on segregated funds and after deducting introducing partner commissions).
(2) Numbers for the 2015 financial year are shown on an underlying basis.

RISK MANAGEMENT

Effective risk management is essential to the achievement of the Group's strategy and business objectives, and to preserve its financial strength and resilience. The Board is responsible for ensuring that the Group maintains an appropriate risk management culture, supported by a robust Risk Management Framework.

RISK MANAGEMENT FRAMEWORK

IG has an established Risk Management Framework to identify, measure, manage and monitor the risks faced by the business, and to manage the risk that the Group's conduct may pose to the achievement of fair outcomes for consumers or to the sound, stable, resilient and transparent operation of the financial markets. This framework provides the Board with assurance that IG's risks, including the risks relating to the achievement of Group's strategic objectives, are understood and managed in accordance with the appetite and tolerance levels set. It provides the basis for enabling the Group's ongoing assessment, control, monitoring and reporting of risk management.

The framework is established around the following elements:

- Risk Culture and Principles
- Risk Taxonomy
- Risk Appetite Statement
- Risk Management Governance
- Risk Assessment, Control, Monitoring and Reporting

RISK CULTURE AND PRINCIPLES

The Board recognises that embedding a sound risk culture is fundamental to the effective operation of the Group's risk management framework, and sets the tone for broader conduct in all business activities and for promoting a common set of IG values and expected behaviours.

The Group's culture is defined by the shared values, attitudes, competencies and behaviours present throughout the business. A poor culture will inevitably lead to an increase in certain areas of risk.

The Group seeks to achieve the implementation of its desired risk management culture through principles, policies and consistent practices.

The IG Risk Management Framework is driven by a set of core principles that set the context for risk management activities across the Group:

- **Strategic:** Risk management should be clearly focused on enhancing shareholder value and supporting the achievement of the Group's strategic objectives
- **Stakeholder expectations:** The approach to risk management should address the requirements and expectations of the Group's key stakeholders (including clients, employees and regulators)
- **Consistent and embedded:** Risk management should be fully embedded into all departments and business processes of the Group and managed as an integral part of day-to-day management. A consistent approach should be taken and consistent practices followed by employees globally
- **Independent oversight:** Risk and control oversight functions should be independent of business functions and supported by adequate resources
- **Appropriate level:** Risk management activities should be appropriate for the level and complexity of the Group's business activities and associated risks
- **Continual assessment:** Risk management should be subject to continual review and enhancement to ensure that the Group's Risk Management Framework remains effective and aligned to shareholder and stakeholder expectations

RISK TAXONOMY

IG has developed a Risk Taxonomy to ensure that the Group considers the full spectrum of risks faced by the business, and to create a consensus for classification of all risk management activities. The taxonomy categorises the principal risks faced by the Group into five areas: the risks inherent in the regulatory environment, the risks inherent in the commercial environment, business model risk, operational risk and conduct risk. Each of these risk areas is considered from page 34.

RISK APPETITE STATEMENT

The purpose of the Risk Appetite Statement (RAS) is to detail the acceptable levels of risk that the Group is willing to accept, or be exposed to, so as to allow for a profitable business, while avoiding loss outside of appetite. The RAS ascertains the necessary monitoring requirements and quantifies risk limits within which the business wishes to operate.

The RAS is based around a set of statements for each risk within the Taxonomy. Qualitative statements of risk appetite for each risk are supported by Key Risk Indicators (KRIs) that are used to identify instances which require investigation and escalation. KRIs are embedded in IG's risk monitoring and reporting. A breach of a defined tolerance triggers an escalation which may result in appropriate responsive actions, aimed at keeping the Group within risk appetite.

RISK MANAGEMENT GOVERNANCE

The Group's Risk Management Governance Structure is summarised below.

The Board

The Board has overall responsibility for the management of risk within the Group. This includes determining the Group's risk appetite, which sets out the nature and extent of the principal risks it is willing to take in achieving its objectives, and defining the standards and expectations that drive the Group's risk culture. It also involves ensuring that the Group maintains an appropriate and effective Risk Management Framework, and monitoring performance and risk indicators to ensure that the Group remains within its risk appetite. The Board delegates certain risk governance responsibilities to Board Committees.

Board Risk Committee

The Board Risk Committee provides the principal forum for the ongoing review and evaluation of specific elements of the Risk Management Framework and for making recommendations to the Board when appropriate. Details of the Committee can be found in the Board Risk Committee section set out on pages 88 and 89.

Audit Committee

The Audit Committee's responsibilities include reviewing an assessment of the control environment through Internal Audit reports and monitoring progress on implementation of audit recommendations. The Audit Committee also has specific responsibilities to assess the accuracy and appropriateness of financial reporting and narrative disclosures, to review the Group's tax risk management framework, and to receive reports on legal entity governance and the control environment for client money and assets.

Remuneration Committee

The Remuneration Committee's primary responsibility in relation to risk management is to ensure that remuneration policies are consistent with effective risk management across the Group, and to consider the implications of those elements of the policies on risk and risk management. The Committee reviews the design and operation of performance-related pay schemes to ensure their efficacy and, with the assistance of the Board Risk Committee, to ensure that the risks implicit within the schemes are adequately monitored and controlled.

Risk management within the business

The Group has a number of operational and executive committees which provide advice and support to management in the day-to-day execution and proper performance of their duties, including those relating to implementation of the Board strategy and management of the Risk Management Framework. Details of this can be found in the Overview of Corporate Governance Framework set out on page 47.

IG operates a 'three lines of defence' Risk Governance Model.

First line of defence

The first line of defence has primary responsibility for risk management, including the day-to-day responsibility for ensuring that the business operates within risk appetite. Management is responsible for the identification, assessment and management of risks facing the business, in compliance with the Group's risk management policies.

Second line of defence

The second line of defence, with an objective of independent risk oversight, is provided by the risk and compliance teams. The risk and compliance teams are housed within a single control 'pillar', led by the Chief Risk Officer. These teams are independent from operational management in the first line and are responsible for overseeing and challenging the business in managing its risks day-to-day. This includes maintaining the Group's risk management and control policies, providing independent analysis, control of the Group's risks and keeping abreast of industry and regulatory developments that might require enhancements to the Group's Risk Management Framework.

Third line of defence

The third line of defence, independent assurance, is provided by Internal Audit. The primary role of Internal Audit is to help the Board and executive management to protect the assets, reputation and sustainability of the organisation by providing independent, objective assurance reviews designed to add value and improve our operations. The scope of the annual audit plan includes reviews of the Group's Risk Management Framework and the management of the Group's principal risks. These will include assessments of the design and operating effectiveness of the internal governance structures and processes, the setting of and adherence to risk appetite and the risk and control culture of the organisation.

RISK ASSESSMENT, MONITORING, CONTROL AND REPORTING

Risk assessment, control and monitoring are the responsibility of operational management in each area. Risk control assessments are undertaken with support from the second and third lines of defence, and key controls are identified and documented.

The Risk Taxonomy is used to identify all risks faced by IG. The Risk Appetite Statement identifies KRIs and thresholds to monitor each risk. These KRIs are the basis of reporting and are conveyed to the Board on a monthly basis, or escalated immediately depending on significance. Additional, more granular, metrics are also reported to the relevant operational Committees where appropriate. Breaches of KRIs are raised at the relevant management level, and with key stakeholders. Where appropriate, mitigating actions are considered.

Risk reporting is undertaken with multiple reports, covering key market, credit, liquidity, capital adequacy and operational risk KRIs. Frequency of reporting can range from live to hourly, monthly, quarterly or annually, depending on the requirements. Dashboards, emails and written reports, along with automated alerts, are utilised to notify relevant stakeholders of the risk profile status.

RISK MANAGEMENT CONTINUED

PRINCIPAL RISKS/TAXONOMY LEVEL 1	TAXONOMY LEVEL 2
REGULATORY ENVIRONMENT RISK The risk that the regulatory environment in any of the jurisdictions in which the Group currently operates, or may wish to operate, changes in a way that has an adverse effect on the Group's business or operations, through reduction in revenue, increases in costs, or increases in capital and liquidity requirements.	Regulatory change Expansion risk Tax risk
COMMERCIAL RISK The risk that the Group's performance is affected by a prolonged period of adverse market conditions, failure to adopt or implement an effective business strategy, new or existing competitors offering more attractive products or services, or as a result of a third-party supplier on which the Group depends deciding to cease providing services to the business.	Strategic management risk Market conditions risk Competitor risk Supplier dependency risk
BUSINESS MODEL RISK The risk faced by the Group arising from the nature of its business and its business model.	Market risk Credit risk Liquidity risk Capital adequacy risk
OPERATIONAL RISK The risk of loss resulting from inadequate or failed internal processes, people, systems or external events. Includes the risk that the Group is unable to attract and retain the staff it requires to operate its business successfully.	Technology risk People risk Process risk External risk
CONDUCT RISK The risk that the Group's conduct poses to the achievement of fair outcomes for consumers or to the sound, stable, resilient and transparent operation of the financial markets.	Client outcomes Markets and financial crime Employee behaviour

PRINCIPAL RISKS

IG has adopted a common risk taxonomy that breaks the principal risks faced by the Group into five broad risk categories: the risks inherent in the regulatory environment, the risks inherent in the commercial environment, business model risks, operational risk and conduct risk. The major risks identified within each of these categories are summarised in the table above, and the paragraphs that follow provide an overview of how IG seeks to manage them.

Regulatory environment risk

IG operates in a highly regulated environment which is continually evolving.

The Group faces the risk of regulators introducing new regulations or requirements, in any of the jurisdictions in which the Group currently operates, which result in an adverse effect on the Group's business or operations, through reduction in revenue, increases in costs or increases in capital and liquidity requirements.

The Group operates to the highest regulatory standards and leads the industry in the way in which it deals with its clients. The Group maintains a strong relationship with its key regulators and an active dialogue with them to keep abreast of impending regulatory developments.

IG recognises the potential for expansion risk. This is defined as the risk that policy or regulations in jurisdictions in which the Group does not currently operate, or relating to products or services that the Group does not currently offer, are too onerous to allow the Group to compete effectively in new markets.

Within regulatory environment risk, the Group also includes the risk of significant adverse changes in the manner in which the Group itself, or the Group's business, is taxed. Examples of the tax risk faced by the business include the risk of the imposition of a financial transactions tax, which could severely impact the economics of trading, and the risk that the basis under which the Group is taxed, in any of the jurisdictions in which it operates, is adversely affected.

Commercial risk

The Group defines commercial risk as the risk that the Group's performance is affected by a prolonged period of adverse market conditions, failure to adopt or implement an effective business strategy, by new or existing competitors offering more attractive products or services, or as a result of a third-party supplier on which the Group depends deciding to cease providing services to the business.

The Group seeks to mitigate its strategic management risk through the Board's regular and thorough review and challenge of the Group's strategy and the performance of current strategic initiatives. The Board holds an annual Strategy Day to consider and agree the strategic priorities for the business. The Board also considers specific strategic actions and initiatives during its normal schedule of Board meetings.

The Group operates in a highly competitive environment, which includes some unregulated and illegal operators. The Group seeks to mitigate competitor risk by maintaining a clear distinction in the market in terms of product, service and ethics, and by closely monitoring the activity and performance of its competitors, including detailed comparison of the terms of product offers.

IG regards itself as the leader in its market, and given its strong ethical values, the Group does not deploy questionable practices that can be commercially attractive to clients. The Group does, however, seek to ensure that its product offering remains attractive, taking into account the other benefits that the Group offers its clients, including brand, strength of technology and client service quality. This allows the business to provide a competitive offering overall and manage competitor risk without compromising the Group's values.

The Group's trading revenue reflects the transaction fees paid by clients less the transaction costs incurred in hedging market exposures. The extent of client trading activity and the number of active clients in any period are the key determinants of revenue in that period. The ability to attract new clients, and the willingness of clients to trade, depends on the level of opportunities clients perceive to be available to them in the markets. The Group's revenue is therefore partly dependent upon market conditions.

The Group seeks to mitigate the impact of adverse market conditions risk through detailed review of daily revenue analysis, monthly financial information, Key Performance Indicators (KPIs) and regular reforecasts of its expected financial performance, reflecting the latest and expected market conditions. The Group uses these forecasts to determine actions necessary to manage performance, with consideration given to changes in market conditions.

The Group regularly updates its investors and market analysts on its revenue performance, including quarterly updates and pre-close statements, and engages with investors and market analysts to manage the risk that the impact of market conditions is not reflected in performance expectations.

The Group is also dependent on services from third parties. These range from the banking industry to key technology firms, and cover matters such as the provision of corporate and client money bank accounts, client payment services, hedging services, custodial services, and advertising and marketing channels. The Group performs regular reviews and seeks to ensure that it has suitable engagement terms with each provider, so as to identify any issues which may arise and gain an understanding of any new upcoming requirements.

Business model risk

IG defines business model risk as the risks faced by the Group arising from the nature of its business and its business model, including market risk, credit risk, liquidity risk and capital adequacy risk.

Market risk

IG takes market risk for the purpose of facilitating instant execution of client trades. The business manages this market risk by internalising client flow (allowing clients' trades to offset each other) and hedging when the residual exposures reach defined limits. The Group's real-time market position-monitoring system allows it to constantly manage its market exposures against its market risk limits. If exposures exceed pre-determined limits, hedging is undertaken to bring the exposure back within the limits.

IG has a market risk policy which sets out how the business manages its market risk exposures. The market risk policy incorporates a methodology for setting market risk limits, consistent with the Group's risk appetite, for each financial market in which the Group's clients can trade, as well as certain groups of markets or assets which the business considers to be correlated. These limits are determined with reference to the expected liquidity and volatility of the underlying financial product or asset class, and represent the maximum (long or short) net exposure the Group will hold without hedging.

The Group sets its market risk limits with the objective of achieving the optimal trade-off between allowing clients' trades to be internalised, the cost of hedging and the variability of daily revenue. The Group seeks to manage its market risk so that its trading revenue predominantly reflects client transaction fees net of hedging costs, and is not driven by market risk gains or losses.

The residual market risk the Group faces can crystallise if a market 'gaps', which occurs when a price changes suddenly in a single large movement, often at the opening of a trading day, rather than in small incremental steps. This can result in the Group being unable to adjust its hedging in a timely manner, which can result in a potential loss.

The Group monitors its market risk exposures through regular scenario-based stress tests to analyse the impact of potential stress and market gap events, and takes appropriate action to reduce its risk exposures and those of its clients.

Credit risk

IG faces the risk that either a client or a financial counterparty fails to meet their obligations to IG, resulting in a financial loss.

As a result of offering leveraged trading products, IG accepts that client credit losses can arise as a cost of its business model. Client credit risk principally arises when a client's total funds deposited with the Group are insufficient to cover any trading losses incurred. In addition, a small number of clients are granted credit limits to cover running losses on open trades and margin requirements.

Client credit risk is managed through the application of the Group's Client Credit Risk Policy.

The business sets client margin requirements that reflect the market price risk for each instrument, and uses tiered margining so that larger positions are subject to proportionately higher margin requirements. The business offers training and education to clients covering all aspects of trading and risk management, which encourages them to collateralise their accounts at an appropriate level in excess of the minimum requirement. In addition to cash, the Group also accepts collateral in the form of shares from professional clients held in their IG share dealing account.

The business further mitigates client credit risk through the real-time monitoring of client positions via the close-out monitor (COM), and by giving clients the ability to set a level at which an individual deal will be closed (the 'stop' level or 'guaranteed stop' level).

RISK MANAGEMENT CONTINUED

The COM automatically identifies accounts that have breached their liquidation thresholds and triggers an automated liquidation process of positions on those accounts. Where client losses are such that their total equity falls below the specified liquidation level, positions will be liquidated to bring the account back on-side, resulting in reduced credit risk exposure for the Group.

In some jurisdictions, IG provides negative balance protection for retail clients, which is a guarantee that clients cannot lose more than the total amount of equity held on their account. This, together with COM and client-initiated 'stops', results in the transfer of an element of the market risk from the client to the Group. This market risk arises following the closure of a client position, as the Group may hold a corresponding hedging position that will, assuming sufficient market liquidity, be unwound.

IG has significant financial exposure to a number of financial institutions, owing to the placement of financial assets at banks and the hedging of market risk in the wholesale markets, which requires the Group to place margin with its hedging brokers.

Financial institution credit risk is managed through the application of the Group's counterparty credit management policy.

Financial institutional counterparties are subject to a credit review when a new relationship is entered into, and this is updated semi-annually (or more frequently as required, for example upon changes to the financial institution's corporate structure). Proposed maximum exposure limits for these financial institutions, reflecting their credit rating and systemic position, are reviewed and approved by the Executive Risk Committee.

The Group actively manages the credit exposure to each of its broking counterparties, settling or recalling balances at each broker on a daily basis in line with the collateral requirements. As part of its management of concentration risk, the Group is also committed to maintaining multiple brokers for each asset class.

The Group is responsible, under various regulatory regimes, for the stewardship of client money and assets. These responsibilities include the appointment and periodic review of institutions with which client money is deposited. The Group's general policy is that all financial institutional counterparties holding client money accounts must have minimum short and long-term ratings of A-2 and A- respectively, although in some operating jurisdictions where accounts are maintained to provide local banking facilities for clients, it can be problematic to find a banking counterparty satisfying these minimum ratings requirements. In such cases, the Group may use a locally systemically important institution. These criteria also apply for the Group's own bank accounts held with financial institutions.

In addition, the majority of deposits are made on an overnight or breakable term basis, which enables the Group to react immediately to any deterioration in credit quality, and deposits of an unbreakable nature or requiring notice are only held with a subset of counterparties which have been approved by the Executive Risk Committee.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations as they fall due. It is managed through the application of the Group's liquidity risk management policy.

The Group's approach to managing liquidity is to ensure that it has sufficient liquidity to meet its broker margin requirements and other financial liabilities when due, under both normal circumstances and stressed conditions. These liquidity requirements must be met from the Group's own liquidity resources, as client money cannot be used for its operations.

The Group holds liquid assets to enable the funding of broker margin requirements, ensuring that appropriate prudent margins and buffers are held in segregated client money accounts, in order to fully protect clients' funds and assets, support the growth of the business and its need for capital, and maintain a liquid assets buffer.

The Group manages its liquidity centrally, and key liquidity decisions are discussed by the Executive Committee and Executive Risk Committee.

The Group carries out an Individual Liquidity Adequacy Assessment (ILAA) each year, and while this applies specifically to the Group's FCA-regulated entities (as liquidity is centrally managed through these entities), this process provides the context for determining the mitigating actions that would be taken in the event of stressed liquidity conditions for the whole Group.

The Group uses a number of measures for managing day-to-day liquidity risk, including the level of total liquid assets of broker margin requirement and of same-day available cash.

The Group is required to fund margin payments to brokers on demand. Broker margin requirements are driven by the gross hedging positions held by the Group, at rates set by the brokers. The value of these positions and the margin requirements are in turn driven by the number of active clients, the level of client activity, the make-up of the total client exposure, exchange rates, interest rates and the value of instruments.

In addition to its liquid assets, the Group mitigates its liquidity risk through maintained access to committed unsecured bank facilities. The Group regularly stress-tests its liquidity forecasts to validate the appropriate level of facilities it holds, and draws down on the facility at least once during each year to test the process for accessing that liquidity.

The Group produces detailed short-term liquidity forecasts and stress tests, so that appropriate management actions or liquidity facility draw-down can occur prior to a period of expected liquidity demands.

Capital adequacy risk

IG operates authorised and regulated businesses worldwide, supervised by the FCA in the UK and regulators across other jurisdictions. As a result of this supervision, the Group is required to hold sufficient regulatory capital at both Group and individual entity level to cover its risk exposures, valued according to applicable rules, and any additional regulatory financial obligations imposed.

The Group is supervised on a consolidated basis by the UK's Financial Conduct Authority (FCA). In addition to its two UK FCA-regulated entities, the Group's operations in Australia, New Zealand, Japan, Singapore, South Africa, the United States of America, Switzerland and United Arab Emirates (Dubai International Financial Centre) are directly authorised by the respective local regulators. Individual capital requirements in each regulated entity are taken into account, among other factors, when managing the global distribution and level of the Group's capital resources, as part of the Group Capital Management Framework.

IG manages capital adequacy risk through its regulatory capital policy, and seeks to ensure that at all times it holds sufficient capital to operate its business successfully and to meet regulatory requirements. The Group manages its capital resources with the objectives of facilitating business growth, maintaining its dividend policy and complying with the regulatory capital resources requirement set by its regulators around the world.

The Group undertakes an annual Internal Capital Adequacy Assessment Process (ICAAP) through which it assesses its capital requirements, including the application of a series of stress-testing scenarios, to its base financial projections. The ICAAP document is reviewed and challenged by the Executive Risk Committee and the Board Risk Committee, which recommends the result to the Board for review and approval.

The Group operates a monitoring framework over its capital resources and minimum capital requirements daily, calculating the credit and market risk requirements arising on the exposures at the end of each business day. The Group additionally monitors internal warning indicators as a component of its Board Risk Dashboard, and any breaches are escalated to the Board as they occur, with a recommendation for appropriate remedial action.

Entity-level capital requirements monitoring and management is carried out locally according to each jurisdiction's requirements.

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people activities, technology adoption and innovation, systems or external events. The Group also recognises the risk that it is unable to attract and retain the staff it requires to operate its business successfully as operational risk.

Operational risk is managed through the application of the Group's operational risk management framework. The Group continuously develops this framework to ensure visibility of risks and controls. It focuses on clear accountability for controls and escalation and reporting mechanisms, through which risk events are identified and managed and appropriate action is taken to improve controls.

IG recognises that operational risk arises in the execution of all activities undertaken by the Group, and identifies and manages operational risk in four categories: technology, people, process and risk arising from external events.

Technology risk is the risk of loss caused by breakdown or other disruption to technology performance and service availability, or by information security incidents. It also includes new technology and technology that fails to meet business requirements.

The Group manages its technology risk through its Technology Risk Framework, which is overseen by the Technology Risk Committee. Key performance indicators, incidents and outages are raised to this forum, comprising of IT and risk experts. To manage cyber risk and external threats to our systems and data, the Group has a specific Information Security Forum, through which senior management is made aware of ongoing and potential threats, with policies and processes continuously being refreshed to ensure their validity within the evolving landscape.

People risk is considered as the risk of a loss intentionally or unintentionally caused by an employee, such as employee error or misdeeds, or involving employees, such as in the area of employment disputes. It includes risks relating to employment law, health and safety, and HR practices. In addition, people risk includes the risk that the Group is unable to attract and retain the staff it requires to operate its business successfully.

Process risk relates to the design, execution and maintenance of key processes, including process governance, clarity of roles, process design and execution. It also covers record-keeping, regulatory compliance failures and reporting failures.

RISK MANAGEMENT CONTINUED

External risk is the risk of loss due to third-party relationships and outsourcing, damage to physical and non-physical property or assets from natural or non-natural external causes and external fraud.

The Group continues to develop its Operational Risk Framework to ensure visibility of risks and controls. It focuses on clear accountability for controls and escalation and reporting mechanisms, through which risk events are identified and managed and appropriate action is taken to improve controls.

The Group is rolling out its Risk and Control Self-Assessment (RCSA) methodology, focused on areas of the business identified as a priority, and has an operational risk event self-reporting process which provides increased visibility over events and control actions to be taken. These are monitored through a consolidated Control Action List.

Conduct risk

IG recognises and manages the risk that the Group's conduct may pose to the achievement of fair outcomes for consumers, and to the sound, stable, resilient and transparent operation of the financial markets. The Group has a conduct risk framework, and has implemented a conduct risk strategy that aims to analyse the conduct risks that may arise, and sets out how those risks are managed and mitigated. It also sets out specific controls used to manage conduct risk. The Group seeks to promote a positive, company-wide culture of good conduct as a competitive advantage and a means to differentiate itself clearly from those companies conducting themselves poorly. It also seeks to ensure that all employees are aware of the importance of managing conduct risk through programme conduct risk training and awareness.

The Group manages and monitors the risk of clients failing to understand the functionality of our products and suffering poor outcomes. The Group recognises that some of its products are not appropriate for certain consumers, and operates a process to identify potential new clients for whom the product may not be suitable. The Group supports clients with education and training, and offers account types that limit a customer's risk. Client outcomes are monitored and reported to the Board.

The Group recognises the risk of causing poor market outcomes if proper controls are not in place, for example, to detect instances of market abuse which must then be reported on. Clients may also attempt to use IG to commit fraud or launder money, and the Group has designed its systems, controls and monitoring programmes to mitigate and detect such issues.

The Group recognises the risk that the actions of its staff can result in poor outcomes for clients, or for the financial markets. The Group seeks to ensure that its staff are appropriately trained, managed and incentivised to ensure that their behaviour and activities do not inadvertently result in poor outcomes for clients or the markets. The Group also reviews remuneration policies and incentive schemes to ensure that they are appropriate and conducive to good conduct by staff.

GOING CONCERN AND VIABILITY STATEMENT

GOING CONCERN

The Directors have prepared the Financial Statements on a going concern basis, which requires them to have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The Directors have reviewed the Group's processes for managing the financial risks to which they are exposed, their available liquidity, their regulatory capital position and their annual budget. As a result of this review, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

VIABILITY STATEMENT

The UK Corporate Governance Code requires the Directors to make a statement regarding the viability of the Group, including explaining how they have assessed the prospects of the Group, the period of time over which they have made the assessment and why they consider that period to be appropriate.

The Directors assess the longer-term prospects of the Group through a review of its strategy and its business development plans, the principal risks facing the Group (as set out in the Risk Management section on pages 34 to 38), its medium-term financial forecasts, and assessing and stress-testing its capital and liquidity position.

The Group has a forecasting and planning cycle consisting of a strategic plan, an annual budget for the current year and financial projections for a further three years. The output from this business-planning process is used in the Group's capital and liquidity planning, and the most recent forecasts are for the four-year period ending May 2022.

The Directors' assessment of the Group's viability uses a four-year forecasting period, as this is the length of time over which the Board strategically assesses the business; it is the longest period of time the Board typically looks at in its assessment of the success of investments; and it is the period over which the Group reviews its regulatory capital resources and requirements.

The first year of the planning period has a greater degree of certainty and is, therefore, used to set detailed financial targets across the Group. It is also used by the Remuneration Committee to set targets for the annual incentive scheme. The further three-year period provides less certainty of outcome, but provides a robust planning tool against which strategic decisions can be made. These forecasts are also considered when setting targets for the executive and senior management share plans.

The Directors review detailed stress-testing on the Group's assessment of its liquidity and capital requirements based on these forecasts. The Board regularly conducts a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity, and the potential consequences of the crystallisation of these risks. The Board reviews and challenges the ILAA and ICAAP, which are prepared annually by the Group. These assessments include the review of the impact of various scenarios, including reverse stress-testing to understand the circumstances under which the Group's business model is no longer viable.

With appropriate management actions, the results of these scenarios and stress tests showed that the Group was resilient to all severe, but plausible, scenarios, and would be able to withstand the impact.

Changes to the regulatory landscape in the UK and EU, which are the Group's major markets, come into effect early this financial year, and although the Group has undertaken extensive modelling and analysis in order to prepare the financial forecasts, there is a range of potential outcomes. The terms of the UK's exit from the EU also remain uncertain, and the assumptions the Group has made with respect to the impact of Brexit may be incorrect. The Group is planning investments in new countries and in new products that may be less successful than assumed in the financial forecasts.

The Directors are satisfied that these and other uncertainties have been assessed, and that the financial forecasts reflect an appropriate balance of the potential outcomes.

Overall, the Directors consider that the Group is well placed to manage its business risks successfully, having taken into account the current economic outlook, the consequences of severe but plausible scenarios that could impact the business, and the effectiveness of mitigating actions on the Group's profitability and liquidity.

On the basis of these and other matters considered and reviewed by the Board during the year, the Directors have reasonable expectations that the Group will be able to continue in operation and meet its liabilities as they fall due over the four-year period ending 31 May 2022.

CORPORATE SOCIAL RESPONSIBILITY

At IG we understand that sustainable long-term returns stem from good conduct – whether that be in the way we treat our clients and our employees, or the way we interact with the markets and our regulators.

In all our relationships we seek to act with integrity and transparency, maintaining a reputation for professionalism and ethical practice along with a constant determination to do things better.

Underpinning this approach are the shared values that shape all our attitudes and behaviours:

- Champion the client
- Lead the way
- Love what we do

Our values provide the foundation for our future growth and success, and they give us an ongoing focus in our day-to-day work. We recognise the importance of defining and communicating these values to all of our people, providing them with a strong framework and direction. As well as helping our employees to realise our overall vision, this helps ensure that good conduct remains at the core of our culture.

A sense of responsibility manifests itself in everything we do. It has underpinned our conduct as a business since our inception, playing an instrumental role in the growth and success of IG Group and the leading standards we have set in the industry.

The following sections set out how IG has been able to demonstrate its commitment to our values, attitudes and behaviours.

SUPPORTING OUR PEOPLE

Nurturing a team of talented and dedicated people is central to our strategy, enabling us to deliver the exceptional products and services that keep us at the forefront of our industry. By cultivating an inclusive and enabling environment, we ensure that our people can thrive and achieve their full potential. This, in turn, empowers them to drive our business forward – thinking creatively, working collaboratively and building rewarding relationships with our clients.

Communication and involvement

A critical part of building a sustainable business is ensuring that our people and our culture are aligned to our values. Last year we launched our values by conducting a number of 'employee roadshows' across our business. These roadshows were aimed at reinforcing the connection our people feel to our business and strategy, and reflect our history as an innovative and ethical business.

We have taken measures to embed our values throughout our business, to ensure that good conduct remains at the core of our culture and features prominently in our recognition scheme, communication initiatives and performance management protocols.

To continue to align our people with our business and values, communication has been an area that we have focused on during the year. We have continued to develop our channels of communication to ensure that our employees have a number of avenues available to them in which to learn more about our business and our performance, and to connect with our senior management and the Board.

Our Chief Executive Officer regularly addresses the business and takes questions from employees, while our executive team undertakes visits to our various offices throughout the year to engage with our employees. We continue to hold fortnightly meetings for the global management team, and cascade messages through this to our employees. We also provide informal events for our employees to connect with other colleagues in different parts of the business. These events have strengthened our culture, as evidenced by our rising engagement scores and feedback.

We have continued to improve our intranet and provide additional resources, in order to help all employees understand our clients better. We use various communication methods, such as blogs and email updates for commercial parts of the business, to communicate performance to all employees. We provide specific forums for the Board to meet with our employees, to discuss the strategic issues facing the business, and we also report monthly to the Board on people-related metrics and activity.

Employee engagement

We are proud to have been certified as one of Britain's Top Employers by the Corporate Research Foundation for over ten years, and are committed to making IG a great place to work.

To understand our employees' perceptions of the business and address their concerns, we carry out an annual engagement survey. By collecting their feedback in this way, we give our people another direct channel of communication to the executive team and the Board. We take into account the insights we receive when making decisions that are likely to affect employees' interests.

In response to the feedback we have gathered from these surveys, we have launched two global employee-focused programmes. Our global recognition awards programme is based on our values, and allows our people to nominate their peers for awards in recognition of their achievements. We have also created an employer brand awareness programme that will be used globally to attract critical talent to IG. We recently tested this in the competitive Indian labour market by sponsoring The Great Indian Developer Conference in Bangalore, during April 2018. Feedback from the event was very positive, with a strong interest expressed by those we interacted with.

A diverse and fair workplace

We believe that a well-managed and diverse workforce brings creative energy to our business. We are committed to developing a team of individuals with the best skills to help us realise our vision and strategy – regardless of their age, ethnicity, faith, gender identity, sexual orientation or physical capacity. We welcome applications from candidates with a passion for our business, irrespective of their educational and professional background.

We have extensive people policies in place to ensure that we recruit the right people and enable them to develop without experiencing discrimination or harassment. We continuously reinforce the need to treat all employees fairly, creating an environment free from bullying, where people of all grades and positions enjoy dignity and respect.

We fully consider applications for employment from disabled persons with aptitudes and abilities in line with our requirements. Where existing employees become disabled, temporarily or permanently, it is our policy to provide continuing employment wherever practicable in the same or an alternative position. Appropriate training and/or graduated back-to-work programmes, in conjunction with occupational health professionals, help achieve this aim.

This year we have formalised our commitment to supporting employees from diverse backgrounds through the creation of global employee networks. The first two networks that have emerged as a priority are for LGBT+ and female employees. Each group now has executive sponsorship, a formalised annual plan of activities and dedicated funding. The launch of the IG women's network was a specific highlight of late 2017. We remain open to support more such groups as these are identified, and we will be collecting data throughout the year to help better understand our employee profile.

We have continued to nurture relationships with organisations that promote diversity in our industry, such as Code First: Girls, and have created a new relationship with Stonewall, a UK-based organisation that campaigns for the equality of LGBT+ people. We have actively supported the marriage equality campaign in Australia, together with various LGBT+ events and forums, particularly in London and Krakow. This support makes business sense, as we continue to look for ways to access untapped talent pools to support the ongoing growth of our business.

Another example of gains we have made in diversity and inclusion over the past 12 months is our Front Office Graduate Scheme. By using more innovative attraction and selection methods, we were able to achieve a 50% female and over 50% ethnic minority proportion, and we recruited from a wider range of universities, for our first intake that started in November 2017.

We published our 'Gender Pay Gap' figures for the UK for the first time in March this year. This publication can be found on the IG Group website. Our gender pay gap exists due to the fact that we have more men than women in senior roles. We aspire to eliminate this anomaly over time.

The initiatives described here illustrate the various approaches we are using to help close the gender pay gap at IG. We are also targeting high-performing women for progression, through a range of career and personal development tools and learning programmes, including a mentoring programme aimed at women in mid-level positions.

Human rights

We conduct our business in an ethical manner, following policies that embody key human rights principles. To ensure the rights of our employees are respected, we have an equality, diversity and inclusion policy and corresponding complaints procedures. Any employee with concerns about how IG respects the rights of employees or clients can also raise these to senior management through the whistleblowing policy. We expect our suppliers to uphold human rights in their own organisations, and we will not tolerate modern slavery or human trafficking. More information can be found in our Slavery and Human Trafficking Statement on iggroup.com.

Wellbeing

We are fully committed to the health and wellbeing of our people. Our employees receive appropriate protection benefits and discounted gym access. In the UK, our people can access our flexible benefits portal, which provides the opportunity for individuals to personalise benefits to their lifestyle requirements. These benefits include access to private healthcare, the cycle to work scheme and health assessments.

We recently launched a global employee assistance programme (EAP). The offering extends our 24/7 telephone counselling service and other wellbeing resources to all our people. The service is delivered in local languages for each location, and all calls made to the helpline are completely confidential.

During the month of May 2018, we supported Mental Health Awareness Week across our global offices. We held a number of different events to increase awareness about mental illness and to encourage our employees to maintain good mental and physical health.

Rewarding high performance

Following on from last year's launch of a performance check-in process that provided regular opportunities for performance feedback, recognition and evaluation, we have introduced moderation meetings to support fair and consistent performance evaluation. Moderation meetings formalise our current practices and further engage management teams in assessing individual performance.

We offer a competitive reward package and a market-related salary structure that is regularly benchmarked. We also include the majority of our employees in a group bonus scheme. Bonus levels are intrinsically linked to the financial and operational performance of IG, including client satisfaction. We also ensure that our employees' individual performance is reflected in any bonus payments through moderation, ensuring that our best performers receive higher bonuses relative to their peers. Bonuses are distributed at the end of each financial year.

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

The remainder of our employees are included in specific sales-related bonus plans. We also reward our high-potential employees through a long-term incentive plan, and we offer our employees in the UK, Australia and the US the chance to share in our success through our tax-advantaged share-purchase schemes. An average of 36% of eligible employees took part in our share plans in the 2017 financial year.

Developing talent

We take the development of our people very seriously, recognising that the recruitment and retention of top employees and the development of their skills is vital to our continued success. We are constantly improving the quality of the learning opportunities our people can access, and we encourage employees to progress within the business, supporting them in their personal and professional growth.

All of our employees are able to benefit from a variety of learning and development resources, ranging from on-the-job coaching and mentoring to webinars, secondments and Board exposure programmes. We encourage attendance at relevant external events and, where appropriate, sponsor our people to undertake formal, industry-recognised training courses and achieve professional qualifications.

In order to build a succession pipeline to fulfil our critical roles, we operate an annual process to assess potential across our organisation. This involves using an externally recognised model of potential and moderation meetings with senior managers to examine talent deep into the organisation. The purpose of this process is to identify individuals who exhibit the leadership attributes we require, and to monitor the progress of those previously identified. We nurture these individuals through personalised development plans, using a variety of experiences to accelerate their development and progression. The outputs of the process are succession plans for senior critical roles and talent pools for critical capabilities. Both are reviewed twice a year.

We acknowledge the important role our managers and leaders have in the success of our business and have launched management development schemes in London, Krakow and Bangalore. We will look to extend these in the coming months. We have also begun training qualified coaches across our business, and have provided coaching and mentoring solutions for our managers and emerging talent.

Community involvement

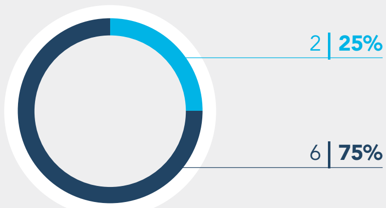
We are keen to encourage our people to engage in activities that both help their own development and contribute to local communities, so we have launched IG Community Fund. This is an internal fund that supports our people to help the causes they care most about. We match the fundraising efforts of our people and provide funding to enable our people to complete bigger challenges for charities.

To make the most of charitable donations, we continue to work with the Charities Aid Foundation, allowing our employees to make contributions to selected charities from gross earnings, directly from their monthly pay. Not only do we support charities with gifts of money, but also by providing time and resources. Our absence-management policy offers the opportunity for our people to take up voluntary work, for which we grant additional leave on a like-for-like basis up to a maximum of five matched days per annual leave year.

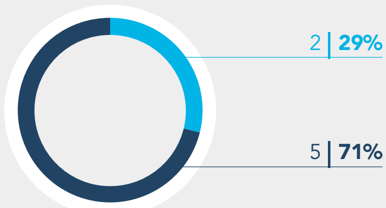
OUR WORKFORCE(1)

In terms of gender, our workforce is made up as follows at 31 May 2018:

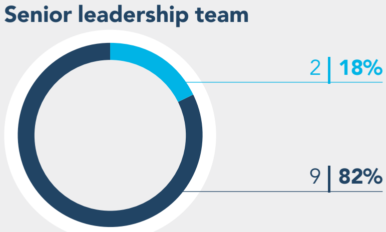
Board



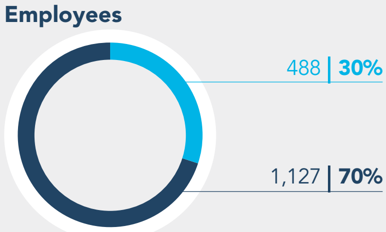
Senior executive team



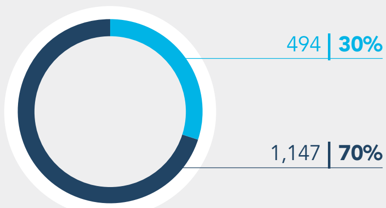
Senior leadership team



Employees



Total



● FEMALE ● MALE

(1) Excluding contractors.

ANTI-CORRUPTION AND BRIBERY

We are fully committed to preventing, detecting and deterring fraud, bribery and all other corrupt business practices.

We conduct all of our business activities with honesty, integrity and to the highest ethical standards. As a publicly listed company on the London Stock Exchange, we abide by the UK Anti-Bribery Act 2010, and we have established a Share Dealing Code of Conduct, a Disclosure Committee and a relevant policy, to ensure we continue to meet the requirements of the Market Abuse Regulations.

We adhere to policies that comply with anti-bribery and anti-corruption laws, and this includes employees wishing to give or receive gifts or hospitality. Employees do not make or accept facilitation payments of any kind.

Our Anti-Bribery and Corruption Policy with assessment of knowledge is rolled out to the Group on an annual basis through our e-learning training module.

The Group makes charitable donations that are legal and ethical under local laws and practices, but does not make contributions to political parties.

TAXATION

We aim to make a positive contribution to the societies in which we operate, and one of the most sustainable ways to achieve this is to be a responsible taxpayer. We align our approach to tax with our core values, by leading the way and doing the right thing.

Tax contribution

In the 2018 financial year, IG paid £76.6 million to tax authorities globally in corporation tax, employment taxes, irrecoverable VAT and betting duty. Taxation is one of the most significant expenses for the business.

Tax strategy

IG aligns its payment of tax with its commercial objectives, making sure that it is compliant with the tax laws in jurisdictions where it operates. IG creates most of its value in the UK, where the majority of its staff are based. The Group benefits from the UK corporation tax rate, which is already low in comparison with many other countries.

The Chief Financial Officer is responsible for the management of tax risk. IG relies on its in-house tax team and the support of external tax advisors to ensure that it is operating in line with local tax laws and meeting its statutory compliance obligations.

The Group has a Tax Strategy, which sets out its approach to paying taxes, and a Tax Risk Management Policy, which governs the tax decisions that are made by employees on behalf of the Group. These are both reviewed by the Audit Committee and approved by the Board on an annual basis.

The tax team works with the business to ensure that the implementation of the Group Strategy is supported by timely and accurate tax advice. While considering tax advice, we take into account the needs of all stakeholders, ensuring that the outcome is fully aligned to the commercial transaction and remains within the spirit of the law and IG's values.

The Group has a transparent relationship with tax authorities, and will approach them when the application of tax laws requires clarification. The tax team meets with HMRC on a regular basis, to discuss the status of ongoing tax matters and to update HMRC on changes to the business.

Effective tax rate

The effective tax rate (ETR) for the year is 19.4% (2017: 20.8%), reflecting the fall in the UK tax rate from 20% to 19%. Further details can be found in note 8 to the financial statements.

Cash tax rate

The Group paid £48.9 million in corporate tax during the 2018 financial year (2017: £45.3 million). The effective cash tax rate is 17.4% (2017: 21.2%). The cash tax rate can differ from the ETR because payments are made outside the financial year.

Future effective tax rate

The Group's estimate of the ETR for the year to 31 May 2019 is 19.5%. The Group's ETR remains dependent on the mix of taxable profit by geography, the availability and use of taxable losses and the tax rates levied in those geographies.

OUR ENVIRONMENTAL IMPACT

As a business that conducts nearly all of its client trades online and undertakes no industrial activities, we do not see ourselves as a significant emitter of environmentally harmful substances. However, we still take any necessary actions to ensure that we minimise the impact of our operations on the environment.

Our greatest environmental impact comes from running and maintaining our IT infrastructure. This technology supports our award-winning platform and ensures we are consistently able to maintain our high level of platform uptime. Powering and cooling our datacentres results in the majority of our energy usage – as well as our energy costs. As such, we update our hardware and software as appropriate to save money and energy.

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

Our offices are the second-largest consumer of energy. We apply a number of energy-saving processes and have a far-reaching recycling policy. This not only encompasses a proportion of our daily office waste, but also extends to our IT equipment when we replace hardware. We try to use any desktop equipment for its maximum functional life, and this year we recycled 8,631 kilos of redundant IT and electrical equipment.

Our head office building, where around half of our employees are based, is ISO 14001 certified and has sensor lighting. We operate a 'hot-desk' working model and provide all employees with laptops, enabling our people to work from home regularly. This minimises the workspace required in our premises and optimises our efficiency.

As and when our global offices become due for refurbishment, we continue to roll out the sustainable initiatives already implemented in our head office. This year we have made further progress in introducing laptops and the hot-desk working model to our sites around the world where this is practical, as well as installing environment-friendly, state-of-the-art video conferencing and collaboration technology – provided by Skype for Business. This continues to reduce the need for work-related travel between our global locations.

We make every effort to source our office services from providers that are committed to sustainable principles. For example, in the UK our fruit supplier plants one fruit tree in Malawi, Africa, for every basket purchased. During the past year, 7,225 trees were planted thanks to IG.

Emissions data

We provide emissions data in respect of the financial year ended 31 May 2018 in the Mandatory Greenhouse Gas Emissions Report and Greenhouse Gas Emissions Intensity Ratio tables on page 45. In the tables, Scope 1 emissions are those incurred in air conditioning our offices and running back-up generators for our servers, while Scope 2 emissions are purchased energy such as electricity. For the most significant sources of energy consumption discussed above, we purchase electricity via our landlords.

Basis of preparation

Greenhouse gas emissions are calculated on the basis of financial control, with the emissions data included for the companies consolidated in the Financial Statements, noting the Statement of Exclusions given below:

- Our methodology has been based on the principles of the Greenhouse Gas Protocol, taking account of the 2015 amendment which sets out a 'dual reporting' methodology for the reporting of Scope 2 emissions
- We have reported on all the measured emissions sources required under The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, except where stated
- This includes emissions under Scope 1 and 2, except where stated, but excludes any emissions from Scope 3
- The period of our report is 1 June 2017 – 31 May 2018 inclusive
- Conversion factors for UK electricity (location-based methodology), gas and fugitive emissions are those published by the Department for Environment, Food and Rural Affairs for 2017-18
- Conversion factors for UK electricity (market-based methodology) are published by electricityinfo.org

Statement of exclusions

- Global diesel use (for vehicles) has been excluded from the report on the basis that it is not material to our carbon footprint
- Our fugitive emissions have only been reported for regions where the data has been made available

MANDATORY GREENHOUSE GAS EMISSIONS REPORT

Emission type	2016/17 CO_2e tonnes Location based	2017/18 CO_2e tonnes Location based	2016/17 CO_2e tonnes Market based	2017/18 CO_2e tonnes Market based
Scope 1: Operation of facilities	430	0	430	0
Scope 1: Combustion	131	89	131	89
Total Scope 1 emissions	561	89	561	89
Scope 2: Purchased energy	3,248	3,139	2,402	2,581
Total Scope 2 emissions	3,248	3,139	2,402	2,581
Total emissions	3,809	3,228	2,963	2,670

GREENHOUSE GAS EMISSIONS INTENSITY

Total footprint (Scope 1 and Scope 2) CO_2e.

	Previous year (2016/17)	Current year (2017/18)	Year-on-year variance
Net trading revenue (£)	491.1m	569.0m	+15.9%
Intensity ratio, location-based method (tCO_2e/£100,000)	7.75	5.67	-26.8%
Intensity ratio, market-based method (tCO_2e/£100,000)	6.03	4.69	-22.2%

CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE

ANDY GREEN
Chairman

"As your Chairman, it is my responsibility to lead the Board, creating the right conditions to ensure the Board's effectiveness in all aspects of its role. Underpinning our results is an enduring and embedded corporate governance culture, based on IG's core values of championing the client, leading the way and loving what we do."

The Board of Directors believes that good-quality corporate governance underpins IG's ability to deliver sustainable future growth and create long-term value for shareholders. I would like to thank Board colleagues for their continued support in ensuring robust and constructive challenge and debate around the Board table, in support of timely and informed decision-making.

The Board continues to be focused on setting our strategy and monitoring performance against that strategy, creating an environment to promote the identification of new opportunities for future growth, and ensuring we have the right talent to succeed in the achievement of our objectives and targets.

The debate at our November Strategy Day was excellent, resulting in a renewed focus on ensuring that the business continues to lead the market, while at the same time developing value-enhancing strategic initiatives.

The Board has been considering various ways in which to foster an environment that is supportive of its people, by creating opportunities for growth and development.

Last year I confirmed that the members of the Board were focused on succession planning throughout our business, particularly at executive management level, where we continue to seek diversity of experience and thought. To this end, I am delighted to welcome Bridget Messer and Jon Noble to the Board as additional Executive Directors, effective 1 June 2018.

Both Bridget and Jon bring a wealth of IG experience to the Board. I am confident that they will contribute towards further enhancing the quality of debate around the Board table and provide valuable support to Peter and Paul, enabling them to continue their focus on strategic development and execution.

The Board is continuing its search for additional Non-Executive Directors to complement the skill-sets of the current Board.

Board members have continued to benefit from an ongoing education programme focussed on topical areas of interest which, this year, has included sessions on cryptocurrencies, our People Strategy, and client segmentation and profiling.

The success of the Board is dependent on a shared vision and common purpose. The relationship between the Chairman and the Chief Executive Officer is central to this, and Peter and I continue to share consistent views on culture, values, ethics and inclusion, which helps drive our approach to strategic development.

The quality of materials provided to the Board and its Committees continues to improve, although we are always looking at ways to do better. Our Company Secretary continues to provide support and guidance to paper producers and presenters, to ensure they provide materials that facilitate timely and informed decision-making, and that they understand the expectations of the Board and its Committees.

The manner in which the Group has applied all aspects of the UK Corporate Governance Code is set out in the following Corporate Governance Report.

Andy Green
Chairman

CORPORATE GOVERNANCE STATEMENT

STATEMENT OF COMPLIANCE

The UK Corporate Governance Code ('the Code') sets out the standards of good practice in relation to how a company should be directed and governed. IG has a Premium Listing on the London Stock Exchange and, as such, the Company reports in accordance with the Code published in April 2016.

The Code is published by the Financial Reporting Council (FRC) and further information can be found on its website at frc.org.uk. The Board considers that the Company has been compliant with the provisions of the Code for the year ended 31 May 2018.

OVERVIEW OF CORPORATE GOVERNANCE FRAMEWORK

IG recognises that its overall structure is subject to the direction of its **Shareholders**, who agree the Articles of Association, approve transactions mandated through the Listing Rules, consider the appointment and re-appointment of Auditors and Directors, approve the final dividend and provide for the Directors to delegate any of their powers or discretions.

The **Board of Directors** is responsible for appointing Directors to the Board, for agreeing the Group's strategy and for monitoring progress with the execution of the Group's strategy against agreed targets. The Board has overall responsibility for promoting the long-term success of the Company for the benefit of its members as a whole, having regard, among other matters, to those matters set out in Section 172 of the Companies Act 2006, providing leadership and direction, including in relation to culture, ethics and values. The Board has adopted a schedule of matters reserved to it for decision.

Certain governance responsibilities have been delegated by the Board to Committees of the Board, to ensure independent oversight over financial reporting, internal controls and risk management, and generally to assist the Board with carrying out its responsibilities. Further information on the role of the Board and of the **Audit, Remuneration, Risk and Nomination Committees** is set out in the following pages. In addition, the Board has a **Standing Committee** which deals with Board-reserved matters required to be considered at short notice and where there are administrative matters requiring approval and evidencing that do not warrant a full Board. The Board has also established a **Disclosure Committee** to assist and inform the decisions of the Board concerning the identification of Inside Information and to make recommendations about how and when the Company should disclose that information.

The **Chief Executive Officer** (CEO) has delegated authority for the development and execution of strategy, providing effective leadership and management of risk throughout the organisation. The **Chief Financial Officer** (CFO) has delegated authority extending to financial management of the Group, the stewardship of Group assets, the safeguarding of client money and assets, financial reporting and investor relations.

In addition, the Board has, with effect from 1 June 2018, appointed to the Board the Chief Commercial Officer (CCO) and the Chief Information Officer (CIO).

Below Board level, IG operates a number of executive management committees. The CEO is supported by the Group **Executive Committee** which is IG's most senior executive management committee, comprising the CEO, CFO, CCO, CIO and other senior executives. It oversees and helps direct the execution of the Group's strategy agreed by the Board, and provides advice and support to executive management in the day-to-day running of the Group's operations.

The CFO, in the proper performance of his duties, is supported by the Client Money and Assets Committee relating to oversight arrangements and operations in respect of the holding and safeguarding of client money and assets across the whole of the business. The CFO also leads the Control Functions Oversight Committee, which assists control function heads in the execution of their responsibilities relating to the oversight of the Group's system of internal controls, and compliance by the Group's legal entities and their Directors with their statutory obligations.

Below the Group Executive Committee, the executive management team is also supported by the Executive Risk Committee, (ERC) which provides advice to operational management in the day-to-day operation of risk governance, applying the principles of sound corporate governance to the identification, assessment, management, monitoring and reporting of risks within the Risk Appetite agreed by the Board.

The ERC in turn is supported by the Technology Risk Committee, Information Security Committee, Vendor Risk Management Committee, Best Execution Committee and the ICAAP and ILAA Committee, which allow for detailed review of matters forming part of their responsibilities, and from where significant matters are escalated, often through the ERC to the Group Executive Committee.

THE BOARD

The Board is responsible for determining the Group's strategy and for promoting our long-term success, through creating and delivering long-term value for shareholders.

ANDY GREEN

CHAIRMAN

Age: 62

Time on Board: 4 years
(Appointed 9 June 2014: Deputy Chairman; 16 October 2014: Chairman)

Committee membership:
Nomination Committee (Chair)
Remuneration Committee

Andy has significant board experience, including within major listed companies. Andy is Senior Independent Non-Executive Director of Avanti Communications Group plc and was recently appointed as a Non-Executive Director of Link Administration Holdings Ltd.

Andy holds a number of other roles in not-for-profit organisations across the IT, space and charitable sectors, including chairing Digital Catapult. He is president of UK Space and Chair of the Space Leadership Council, and is a Commissioner at the UK National Infrastructure Commission.

In addition, Andy is Vice-Chairman of the Disaster Emergency Committee, which focuses on emergency aid relief, and is a Trustee of the World Wildlife Fund.

Andy's other current roles enable him to bring to the Board a wide perspective on technology and digital development, while in no way impacting his ability to devote sufficient time to his role as Chairman of IG.

Andy has previously served as Group Chief Executive of Logica plc, as CEO of Group Strategy and Operations at BT Group, as a board member of the CBI, and as Senior Independent Non-Executive Director of ARM Holdings plc.

PETER HETHERINGTON

CHIEF EXECUTIVE OFFICER

Age: 49

Time on Board: 15 years
(Appointed 25 February 2003: COO; 4 December 2015: CEO)

Peter has spent his whole career with IG, having joined as a graduate trainee in 1994. In 1999 he was appointed Head of Financial Dealing, and in 2003 he joined the Board following his appointment as Chief Operating Officer (COO), where he was responsible for IT as IG developed its online offering. His COO role expanded to encompass leadership of the sales and marketing functions.

Peter was appointed Interim Chief Executive Officer in October 2015 and, following an extensive search, was appointed Chief Executive Officer in December 2015.

Peter graduated from Nottingham University with a degree in economics, and from the London Business School with a masters in finance. Peter served as an officer in the Royal Navy prior to joining IG.

On 18 June 2018, Peter was appointed as a Non-Executive Director of the AIM-listed company Scotgold Resources Limited.

PAUL MAINWARING

CHIEF FINANCIAL OFFICER

Age: 55

Time on Board: 2 years
(Appointed 20 July 2016)

Paul brings in-depth knowledge of financial services and Board-level experience in several public companies, providing IG with a wide perspective in the consideration of operational and strategic development discussions at Board and management level.

Paul joined IG from Tullett Prebon plc, where he served as Finance Director from 2006 to 2016. Prior to this, he was Group Finance Director of Mowlem plc and TDG plc. Between 1993-2000, he held various financial roles at Caradon plc, including three years as Finance Director of MK Electric. He qualified as a chartered accountant with Price Waterhouse in 1987, and obtained an MBA from Cranfield School of Management in 1991.

Paul has no other current appointments.

MALCOLM LE MAY

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Age: 60

Time on Board: 3 years
(Appointed 10 September 2015)

Committee membership:
Remuneration Committee (Chair)
Audit Committee
Nomination Committee

Malcolm has broad experience and knowledge of the financial services and investment sectors, along with extensive experience on the boards of publicly listed companies.

Malcolm was appointed as Chief Executive Officer of Provident Financial plc in February 2018, having previously been its Senior Independent Director until November 2017 and, following the death of its Chairman, Interim Executive Director. He is a partner at Opus Corporate Finance LLP and Juno Capital LLP and holds an advisory role at Heidrick & Struggles.

Malcolm served as a Non-Executive Director and Chairman of the Remuneration Committee of Hastings Group Holdings plc prior to his resignation in April 2018. He also served as Senior Independent Director of Pendragon plc, and was a Non-Executive Director and Chairman of the Investment Committee at RSA Insurance Group plc. Prior to this, he held various executive roles at Morgan Grenfell plc, Drexel Burnham Lambert, Barclays de Zoete Wedd Holdings, UBS AG, ING Barings Ltd, Morley Fund Managers (now Aviva Investors), JER Partners Ltd, where he was European President, and Matrix Securities Limited.

JUNE FELIX

NON-EXECUTIVE DIRECTOR

Age: 61

Time on Board: 3 years
(Appointed 4 September 2015)

Committee membership:
Board Risk Committee
Nomination Committee

June brings to the Board significant international experience and knowledge of the digital sector, as well as experience in strategy, product innovation and delivery. She is the President of Verifone Europe and Russia, with responsibility for the operation of the Verifone business throughout these territories.

June has held various executive management positions at a number of large multi-national businesses. These include Citibank, where she was Managing Director of Global Healthcare, Citi Enterprise Payments and IBM Corporation, where she led their global Banking and Financial Markets business. June was also a strategy consultant at Booz, Allen & Hamilton. She began her career at P&G in brand management marketing.

STEPHEN HILL, OBE

NON-EXECUTIVE DIRECTOR

Age: 57

Time on Board: 7 years
(Appointed 28 April 2011)

Committee membership:
Board Risk Committee
Remuneration Committee
Nomination Committee

Stephen brings significant and extensive quoted company board experience. He is currently a Non-Executive Director of Applerigg Ltd and Chairman of the Alzheimer's Society.

Stephen has previously served as the CEO of Betfair plc, and has held roles at Pearson plc where, among other positions, he was CEO of the Financial Times Group.

Stephen was Chairman of Interactive Data Corporation in the US and the Royal National Institute for Deaf People. He has served as a Director on the boards of Royal Sun Alliance Insurance Group plc, Psion plc, Channel 4, Ofcom, Aztec Limited and Cambridge University Judge Business School.

JIM NEWMAN

NON-EXECUTIVE DIRECTOR

Age: 52

Time on Board: 5 years
(Appointed 1 October 2013)

Committee membership:
Audit Committee (Chair)
Board Risk Committee
Remuneration Committee
Nomination Committee

Jim has in-depth knowledge and experience of the financial services sector, as well as considerable experience both as a CFO and in the implementation of transformation programmes.

A qualified chartered accountant, Jim was Finance Director for Resolution plc, having joined the Company as Group Financial Controller. He spent ten years at Aviva, where he was Group Integration Director for the CGU/Norwich Union merger and Finance Director of Norwich Union Life, Aviva's UK life insurance business. He was formerly the Corporate Development Director for Friends Life Group, where his responsibilities included overseeing the final separation and integration of the UK life business acquired by Resolution plc, as well as the delivery of the overall group change portfolio and strategic corporate development.

Jim has no other current appointments.

SAM TYMMS

NON-EXECUTIVE DIRECTOR

Age: 54

Time on Board: 5 years
(Appointed 22 May 2013)

Committee membership:
Board Risk Committee (Chair)
Audit Committee
Nomination Committee

Sam has extensive experience in the regulatory field and detailed knowledge of risk and compliance matters, from her time with the London Stock Exchange and Financial Services Authority.

Sam is a Managing Director at Promontory Financial Group, a leading strategy, risk-management and regulatory-compliance consulting firm, where she advises financial services businesses on a wide range of risk and regulatory matters.

Sam began her career at the London Stock Exchange's Surveillance Division, which over time became the Securities and Futures Authority and eventually the Financial Services Authority. During that time, she held a range of supervisory roles and worked for two years in the Investigations and Enforcement Division. As a supervisor, she ran departments overseeing global investment firms, retail and investment banks and major insurance groups.

Sam has no other current appointments.

On 1 June 2018, Bridget Messer and Jon Noble were appointed as Executive Directors of the Company. Biographical details for Bridget and Jon can be found in the Notice of 2018 Annual General Meeting. Further details on their remuneration and reward can be found in the Remuneration Committee Chairman's Overview on page 60.

BOARD GOVERNANCE

LEADERSHIP

The role of the Board

The Board provides leadership of the Company by setting the strategic direction of the Group and overseeing management's execution of the strategy. It provides robust challenge, within a framework of prudent and effective risk management and internal controls. The Board is provided with timely and comprehensive information to enable it to discharge its responsibilities, to encourage strategic debate and to facilitate robust, informed and timely decision-making.

The Board is collectively responsible for promoting the long-term success of the Group for the benefit of its members as a whole, through the creation of sustainable shareholder value. In exercising this responsibility, the Board takes into account the needs of all relevant stakeholders – including clients, employees and suppliers – and the effect of the activities of the Company on the environment.

The Board is responsible for ensuring that, as a collective body, it has the appropriate skills, knowledge, diversity and experience to perform its role effectively.

The Board has a comprehensive schedule of matters reserved to it for decision-making. These include agreeing the Group's strategy, approval of major transactions, annual budgets, and changes to the Group's capital and governance structure. The matters reserved to the Board are supplemented by an annual Board calendar which provides for, among other things, regular reviews of operational and financial performance; reviews of succession-planning for the Board and senior management; setting the Risk Appetite of the Group and approving any changes to the Group's risk management and internal control framework.

Specific matters for approval and recommendation to the Board have been formally delegated to certain Board Committees. The matters reserved to the Board and Committee Terms of Reference are available on the Company's website, iggroup.com.

Board composition

As at 31 May 2018, the Board comprised a Non-Executive Chairman who was independent on appointment, two Executive Directors and five Independent Non-Executive Directors, supported by the Company Secretary and senior management.

With effect from 1 June 2018, the Board appointed Bridget Messer and Jon Noble to the IG Group Board. Bridget Messer was appointed to her current role as Chief Commercial Officer in September 2015, and is responsible for the Group's strategy for attracting prospects to IG, as well as managing and developing IG's client relationships. Jon Noble was appointed Chief Information Officer in 2012, and is responsible for setting and delivering the Group's IT strategy, and for the stability and security of IG's technology. Both Bridget and Jon are members of IG's Group Executive Committee and report to its Chief Executive Officer, Peter Hetherington.

The Board operates a clear division of responsibilities between the Chairman and the Chief Executive Officer.

Chairman

The Chairman, Andy Green, is responsible for leading the Board and creating the right conditions to ensure the Board's effectiveness in all aspects of its role, and in particular allowing adequate time for discussion of strategic issues.

The Chairman sets the Board's agenda, in consultation with the Chief Executive Officer and Company Secretary, taking full account of the need to allow sufficient time for robust and constructive discussion and challenge on all relevant matters. He is responsible for encouraging and facilitating active engagement by and between all Directors, drawing on their skills, knowledge and experience.

The Chairman is also responsible for promoting effective communication between the Board, Non-Executive Directors, shareholders and other major stakeholders.

The Chairman has a close working relationship with the Chief Executive Officer and the Company Secretary, who work together to monitor the effective implementation of the strategies and actions agreed by the Board.

Chief Executive Officer

The Chief Executive Officer (CEO), Peter Hetherington, has specific responsibility for recommending the Group's strategy to the Board and for delivering the strategy once approved. In undertaking such responsibilities, the CEO takes advice from, and is provided with support by, his senior management team and all Board colleagues.

Additional specific authority includes oversight over the development of the Risk Management Framework, regulatory stakeholder management and supporting the Chairman to ensure the promotion of appropriate standards of corporate governance and shareholder engagement.

Together with the Chief Financial Officer, the CEO monitors the Group's operating and financial results and directs the day-to-day business of the Group. The CEO is also responsible for recruitment, leadership and development of the Group's executive management team below Board level.

Chief Financial Officer

The Chief Financial Officer (CFO), Paul Mainwaring, is responsible for the financial management of the Group and its financial reporting, for monitoring the Group's operating and financial results and for management of the Group's internal financial control systems. The CFO has responsibility for oversight of capital and liquidity management and the management and safeguarding of client money and assets. He supports the CEO in implementing the Group's strategy and in relation to the financial, risk management and operational performance of the Group.

Non-Executive Directors

The Non-Executive Directors are independent of management and are considered by the Board to be free from any business or other relationships that could compromise their independence. Their role is to effectively advise and constructively challenge management, along with monitoring management's success in delivering the agreed strategy within the Risk Appetite and control framework agreed by the Board. They are also responsible, through the Remuneration Committee, for determining appropriate levels of remuneration and reward for the Executive Directors.

Senior Independent Director

Malcolm Le May is the Senior Independent Non-Executive Director and, in this capacity, he acts as a sounding board for the Chairman. He serves as an intermediary for the other Directors when necessary. He is also available to shareholders if they have concerns which communication via the normal channels of Chairman, Chief Executive Officer or other Executive Directors has failed to resolve, or when shareholders prefer to speak directly to him. He is responsible for evaluating the performance of the Chairman on behalf of the other Directors.

Company Secretary

The Company Secretary, Tony Lee, supports and works closely with the Chairman, the Chief Executive Officer and the Board Committee Chairs in setting agendas for meetings of the Board and its Committees. He supports the accurate, timely and clear information flow to and from the Board and the Board Committees, and between Directors and senior management. In addition, he supports the Chairman in designing and delivering Directors' induction programmes and the Board and Committee performance evaluations. The Company Secretary also advises the Board on corporate governance matters and Board procedures, and is responsible for administering IG's Share Dealing Code of Conduct and the Annual General Meeting.

How the Board operates

The Board meets regularly, at least seven times a year, including an annual Strategy Day to review strategic options open to the Group in the context of the economic and regulatory environment. In addition, the Board has established a Standing Committee whose responsibility is to consider Board reserved matters at short notice, or where there are administrative matters requiring evidencing that does not warrant a full Board. There were seven scheduled Board meetings this year, including the annual Strategy Day.

Senior executives below Board level are invited to attend meetings as required to present and discuss matters relating to their business areas and functions.

The full Board also meets when necessary to discuss important ad-hoc emerging issues that require consideration between scheduled Board meetings. There were three such meetings held during the year, convened principally to consider the Company's preparedness and response to the European Securities and Markets Authority (ESMA) and the Financial Conduct Authority (FCA) statements announcing measures in relation to the provision of contracts for difference (CFDs) and binary options to retail clients.

The Chairman and the Executive Directors also met as the Board, to consider Non-Executive Director fees.

Each Director commits an appropriate amount of time to their duties during the financial year. The Non-Executive Directors met the time commitment reasonably expected of them, including pursuant to their letters of appointment.

Where Directors are unable to attend meetings, they are encouraged to give the Chairman their views in advance, on the matters to be discussed.

The Chairman and Non-Executive Directors meet in the absence of the Executive Directors at least twice a year. There were five such meetings during the year.

During the year, Non-Executive Directors, led by the Senior Independent Director, met without the presence of the Chairman, including to evaluate the Chairman's performance.

Attendance at Board meetings

The number of full scheduled Board meetings attended by each Director during the year, including the Board Strategy Day, is set out below:

BOARD MEMBER	SCHEDULED MEETINGS ELIGIBLE TO ATTEND	SCHEDULED MEETINGS ATTENDED
Chairman		
Andy Green	7	7
Independent Non-Executive Directors		
June Felix	7	7
Stephen Hill	7	7
Malcolm Le May	7	7
Jim Newman	7	7
Sam Tymms	7	7
Executive Directors		
Peter Hetherington	7	7
Paul Mainwaring	7	7

BOARD GOVERNANCE CONTINUED

BOARD ACTIVITIES DURING THE YEAR

The Board meeting agendas during the year included consideration across the key areas of strategy, governance, risk and financial performance, pursuant to the schedule of matters reserved to the Board and the agreed annual forward calendar.

Strategy

- Annual Strategy Day held in November 2017, at which the Board received papers on competitor analysis and business valuations, reviewed opportunities to extend the current geographic footprint and explored the Group's regulatory and conduct risk appetite. The day also discussed progress with embedding IG's purpose, vision and values. The Board also considered a capital and liquidity assessment and cost analysis, discussed marketing strategy and client segmentation, and finished the day agreeing the forward 12-month strategic focus
- Conducted a twice-annual review of strategic projects, including a review of performance against targets
- Agreed to pursue the development of a new US-regulated Retail Foreign Exchange Dealer

Business, operational highlights and current trading

- Regularly received updates on business progress and the issues and challenges faced by management, through CEO reports and monthly management information packs
- Received reports on matters of interest such as client segmentation and profiling, the development of the Multilateral Trading Facility, a detailed review of the cryptocurrency market and IG's position within it, and the results of an investor perceptions study

Quarterly forecast and budget

- Received updates on performance against the prior year, budget and market analyst consensus
- Discussed the risks and opportunities for the 2018 financial year budget and approved the 2019 budget

Governance, risk and regulation

- Evaluated the effectiveness of the Group's risk management and internal control systems, reviewed and approved the Group's Risk Appetite Statement and key regulatory documents, including the Individual Capital Adequacy Assessment Process (ICAAP), the Individual Liquidity Adequacy Assessment (ILAA) documents and the Group's Recovery Plan (RP)
- Undertook a detailed review of the Tax Policy and Tax Strategy
- Received regular reports on key compliance issues identified during the year, including reviews of conduct risk and culture risk
- Considered and approved a proposal to conduct a Capital Markets Day
- Received regular updates on corporate governance developments
- Received regular updates on the Group's approach and response to regulation and several local regulatory consultations

Financial performance

- Reviewed the financial performance of the Group and approved all financial results announcements and the Annual Report with the respective Financial Statements and dividends
- Reviewed and approved a four-year forecast

Other

- Received regular reports from Board Committee Chairs
- Discussed the results of the employee engagement survey
- Agreed the amendment and renewal of the Group's banking facilities
- Received an update on the Group's People Strategy, culture, aims and values
- Undertook an internal evaluation of its effectiveness and the effectiveness of each Board Committee and individual Directors

BOARD COMMITTEES

Certain governance responsibilities have been delegated by the Board to Board Committees, to ensure that there is independent oversight of internal control and risk management and to assist the Board with carrying out its responsibilities. Other than in respect of the Disclosure Committee, which is staffed by the CEO, CFO and Company Secretary, these Board Committees comprise Independent Non-Executive Directors and, in some cases, the Chairman. Each Committee has agreed Terms of Reference, approved by the Board, which are available on our corporate website, iggroup.com.

A brief description of the roles of each Committee is set out on the following page.

AUDIT COMMITTEE	BOARD RISK COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE	DISCLOSURE COMMITTEE
• Responsible for the integrity of the Group's Financial Statements, including its annual and interim reports • Reviews and recommends to the Board the effectiveness of the Group's Internal Audit function and risk management system, annual Internal Audit plan, appointment, reappointment and removal of the external Auditors • Responsible for monitoring the effectiveness of the control environment relating to the management and safeguarding of client money and assets • Reviews the management and control framework for the governance, operation and maintenance of the Group's legal entities	• Responsible for providing oversight and advice to the Board in relation to current and future risk exposures of the Group and promoting a risk-awareness culture within the Group • Recommends to the Board the design and implementation of risk management policy and measurement strategies across the Group, the Group's risk profile, risk appetite and key risk indicators for the current and future strategy • Reviews and recommends to the Board the adoption of key risk-related documents, including the ILAA, ICAAP and RP • Commissions thematic risk reviews relating to key risks • Receives a twice-annual report on the risks associated with the Group's corporate culture and periodic reports on risks relating to Product Governance • Receives reports from Internal Audit on advisory work conducted by the function on the state of the risk management framework and current and potential risk exposures of the Group	• Responsible for reviewing the composition of the Board and Board Committees to ensure that they are appropriately balanced in terms of diversity, knowledge, skills and experience • Reviews and recommends appointments to the Board and to other senior management positions • Conducts succession-planning reviews at Board level for recommendation to the Board	• Responsible for making recommendations to the Board on the Group's senior executive remuneration policy • Reviews and recommends to the Board the Group's Remuneration Policy, which is consistent with effective risk management, the framework for the remuneration of the Company's Chairman and Executive Directors and share-based awards under the Group's Employee Incentive Scheme • Monitors developments in remuneration and reward practice to ensure the Group's policies take account of reasonable stakeholder expectations	• Assists and informs the decisions of the Board concerning identification of Inside Information • Makes recommendations to the Board about how and when the Company should disclose Inside Information, having regard, in particular, to information previously disclosed by the Company

The Chairman of each Board Committee reports to the Board on the matters discussed at Committee meetings. The minutes of each Committee meeting are made available to all Directors. Reports from the Chairman of each of the principal Board Committees, including information on the Committee's composition and activities in the year, can be found in the sections relating to each Committee within this Annual Report.

BOARD GOVERNANCE CONTINUED

EFFECTIVENESS

Board composition

The Board's size and the skills and experience of its members have a significant impact on its effectiveness. It aims to maintain a balance in terms of experience and skills of individual Board members. These factors are regularly reviewed to ensure that the Board has the right mix of skills and experience for constructive discussion and, ultimately, effective Board decisions.

The breadth of skills and experience currently on the Board includes experience in a number of key areas such as financial services, finance and accountancy, strategy, government and regulation, marketing, risk management and regulation liaison, technology and digital, and, since 1 June 2018, law. Certain Non-Executive Directors currently undertake executive roles outside of IG.

There is an appropriate combination of Executive Directors and Non-Executive Directors, such that no individual or small group of individuals can dominate the Board's decision-making.

Director independence

The Company is, and continues to be, fully compliant with the UK Corporate Governance Code, which requires that at least half of the Board, excluding the Chairman, should comprise Non-Executive Directors who are determined by the Board to be independent.

The independence of the Non-Executive Directors is considered by the Board and reviewed on an annual basis, as part of the Board effectiveness review. The Board considers factors such as length of tenure and relationships or circumstances that are likely to affect or appear to affect the Director's judgement in determining whether they remain independent.

Following this year's review, the Board concluded that all of the Non-Executive Directors continue to remain independent in character and judgement and are free from any business or other relationships that could materially affect the exercise of their judgement.

Conflicts of interest

Directors have a statutory duty to avoid situations in which they may have interests that conflict with those of the Company, unless that conflict is first authorised by the Board. Directors are required to disclose both the nature and extent of any potential or actual conflicts with the interests of the Company.

In accordance with the Companies Act 2006, the Company's Articles of Association allow the Board to authorise potential conflicts that may arise, and to impose such conditions or limitations as it sees fit. During the year, potential conflicts were considered and assessed by the Board and approved where appropriate.

Succession planning and appointments to the Board

The Board uses succession planning to ensure that executives with the necessary skills, knowledge and expertise are in place to deliver our strategy, and that it has the right balance of individuals to be able to discharge its responsibilities. The Board regularly reviews its composition to keep it constantly refreshed. Any searches for Board candidates, and appointments made, are based on merit against objective criteria, including the use of a Board skills matrix.

The Nomination Committee has specific responsibility for considering the appointment of Non-Executive and Executive Directors and recommending new appointments to the Board. It regularly reviews the structure, size and composition required of the Board and makes recommendations to the Board as appropriate. More information on the work of the Nomination Committee can be found in the report of the Nomination Committee on pages 58 and 59. The Board as a whole is also involved in overseeing the development of management resources across the Group.

Induction

Following appointment, each Director receives a comprehensive and formal induction, linked to their individual experience, to familiarise them with their duties and the Company's business operations, risk and governance arrangements. The induction programme, which is coordinated with the help of the Company Secretary, may include briefings on industry and regulatory matters relating to the Company, strategy and business model, the history of the Group, risk management and risk appetite, as well as meetings with senior management in key areas of the business. These are supplemented by induction materials such as recent Board papers and minutes, organisation structure charts, governance matters and relevant Company policies. Newly appointed Directors may also meet the Company's External Auditor, Brokers and advisers, and attend a presentation led by Linklaters on the roles and responsibilities of a UK-listed company director.

Ongoing professional development

In order to facilitate greater awareness and understanding of the Group's business and the environment in which it operates, all Directors are given regular updates on changes and developments in the business.

Training opportunities are provided through internal meetings, workshops, presentations and briefings by internal advisers and business heads, as well as external advisers. The Company Secretary updates the Board on any relevant legislative, regulatory and governance changes on a regular basis.

Board tenure (as at the date of this report)

TENURE	EXECUTIVE DIRECTORS	NON-EXECUTIVE DIRECTORS (INCLUDING THE CHAIRMAN)
0 to 3 years	3	2
3 to 6 years	0	3
Over 6 years	1	1

The Directors meet with global country heads in order to receive further insights into the operations of the business in the jurisdictions where the Group operates. In addition, we have introduced a series of Breakfast With The Board sessions attended by a number of Non-Executive Directors, to enable staff across the business to meet and ask questions on defined topics.

During the year, the Directors attended briefing sessions on succession planning, the development of proposals relating to the launch of a Multilateral Trading Facility, the results of the engagement survey, client segmentation and profiling, regulatory response planning, a cryptocurrency deep dive and the Capital Markets Day.

The Chairman ensures that the Directors continually update and refresh their skills and knowledge, and independent professional advice is provided, when required, at the Company's expense.

Information provided to the Board

The Chairman is responsible for ensuring that the Board receives accurate, timely and clear information to enable it to make appropriate challenges, to encourage debate and to ensure its decisions are fully informed.

The Company Secretary supports the Chairman in ensuring appropriate and timely information flows to and from the Board and its Committees.

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and compliance with applicable laws and regulations is observed.

The Company Secretary supports the Chairman in setting the Board agenda, and Board papers are distributed to all Directors in advance of Board meetings via a secure electronic system. The Company Secretary is also responsible for advising the Board, through the Chairman, on all corporate governance matters.

Directors receive financial and risk information on the Company on a regular basis, and they receive briefings from the Chief Executive Officer and other executive officers in the periods between meetings.

Election and re-election of Directors

The UK Corporate Governance Code requires that all directors of FTSE 350 companies should be subject to annual election by shareholders. Each Director and the Board as a whole underwent a performance evaluation during the course of the year. Following this, all Directors will stand for re-election at the AGM.

In addition, those Directors appointed by the Board following the year-end will stand for election by shareholders at the AGM.

Board evaluation

Each year, an evaluation of the effectiveness of the Board is conducted. The evaluation includes an assessment of the effectiveness of Board Committees and individual Directors.

Last year the Board agreed a number of areas of development, in respect of which there has been significant progress. The Board has continued to progress succession planning at Board and senior management level, and has recently announced a number of Board appointments. The People Strategy has progressed through the November Strategy Day, with the identification of Group Executive Committee level succession candidates, of critical roles and talent pools and the methodology employed to establish a framework to identify and develop IG's high performers.

As set out above, we have used a number of Board training and information sessions to free the Board's time for more strategic discussion, and there is now an enhanced programme for Board interaction with management below Group Executive Committee level with the introduction of Breakfast With The Board.

The quality and timeliness of materials provided to the Board have continued to improve, as the Company Secretariat continues to educate staff and standardise the documents presented to the Board. However, given recent changes to management at senior level, there is a recognised need to continue to reinforce the benefits of preparing focused, succinct, consistent and timely information to allow the Board to make fully informed and timely decisions.

The Board has revisited the Incubator Governance Framework to ensure it remains fit for purpose, and has agreed to reduce the number of incubators to provide for six-monthly review of only those considered to be strategic in nature, while moving certain incubators to business as usual.

In 2018, the Company carried out a questionnaire-based internal evaluation, led by the Company Secretary. The questionnaire was based on the questions used in previous years to enable the Board to establish a relative statistical analysis on relevant themes.

As part of the review, it was agreed to give additional focus to Board dynamics among Board members, in and outside of Board and Committee meetings, and furthering strategic development and capabilities in light of emerging regulatory certainty.

The first stage of the review involved the Chairman and the Company Secretary setting the context for the evaluation, and tailoring the surveys used to the specific circumstances of the Group, while ensuring consistent questioning to facilitate ongoing analysis of performance improvement.

All Board members and the Company Secretary completed web-based surveys addressing the performance of the Board and its Committees, the Chairman and individual Directors. The Company Secretary subsequently produced a report of its findings, which were discussed with the Chairman and subsequently with the Board.

Overall, the results indicate that the Board is operating effectively, with a number of areas rated positively and progress made with all development areas identified in 2017, as set out above.

BOARD GOVERNANCE CONTINUED

The main areas agreed by the Board for development in the coming year are:

- Additional focus on strategic development and monitoring, including opportunities in specific geographies and opportunities to diversify the range of products and services to meet the ongoing needs of our clients
- Focus on Board dynamics, given significant changes to the composition of the Board, and on succession planning at and immediately below Board level
- Further improvements to the quality and timeliness of delivery of papers

We will report on actions taken and progress made in next year's Annual Report.

Led by Malcolm Le May, the Senior Independent Director, a review of the Chairman's performance was carried out by the Board. The performance of the Chairman was discussed without the Chairman present, following which the Senior Independent Director and Chairman met to discuss the review findings.

The evaluation of the performance and contribution of each Director was conducted with reference to a self-performance review questionnaire completed by each Director. This was then discussed at sessions between each Director and the Chairman.

The reviews concluded that each Director continues to perform effectively and demonstrate commitment to the role.

Time commitment

Following the Board evaluation process detailed above, the Board is satisfied that each of the Directors is able to allocate sufficient time to the Company to discharge their responsibilities effectively. Externally, while there have been changes to the Chairman and Senior Independent Director's external appointments, the Board has determined that they are both able, and they have both demonstrated their ability, to continue to devote sufficient time to IG to enable them to fulfil the reasonable expectations and time commitments required of their relevant roles.

ACCOUNTABILITY

Financial and business reporting

The Strategic Report on pages 10 to 45 describes the Business Model and Strategy whereby the Company generates and preserves value over the long term and delivers the objectives of the Company.

A Statement of the Directors' Responsibilities in respect of the Financial Statements is set out on page 93, and a statement regarding the use of the going concern basis in preparing these Financial Statements is provided in the Going Concern and Viability Statement on page 39.

Risk management and internal control

The Group is exposed to a number of business risks in providing products and services to its clients. The Board is responsible for establishing the overall appetite for these risks, which is detailed and approved in the Risk Appetite Statement. The Board has responsibility for ensuring the maintenance of the Group's risk management and internal control systems and for annually reviewing them.

The framework under which risk is managed in the business is supported by a system of internal controls, designed to embed within the business the effective management of the Group's key business risks. The risk management and internal controls systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Through reports from the Board Risk Committee and the Audit Committee, consideration of the ICAAP, ILAA and RP, the Board regularly reviews and monitors the Group's risk management and internal controls systems and the effectiveness with which it manages the principal risks faced by the Group.

The Directors confirm that the Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity. We outline the risks to which the Group is exposed and the framework under which risk is managed, including a description of the system of internal controls, in the Business Model and Risk Profile section on pages 16 to 19 and in the Risk Management and the Going Concern and Viability Statement sections on pages 32 to 39.

An annual formal review of the effectiveness of the Group's system of risk management and internal controls has been carried out by the Board, to support the statements included in the Annual Report and Financial Statements. The review focused on the overall risk governance framework and the setting of IG's risk appetite. It considered the key risk assessment and monitoring activities across the Group, as well as the processes and controls in place to manage the Group's principal risks and for escalating exceptions highlighted by risk management processes.

There are risk management and internal controls systems in place for identifying, evaluating and managing the principal risks facing the Group, in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published by the Financial Reporting Council.

Throughout the year and up to the date of this report, the Group has operated a system of internal controls that provides reasonable assurance of effective operations covering all controls, including financial and operational controls and compliance with laws and regulations.

Internal controls over financial reporting

The Group's financial reporting process has been designed to provide reasonable assurance regarding the reliability of the financial reporting and preparation of financial statements, including consolidated financial statements, for external purposes in accordance with IFRS. The annual review of the effectiveness of the Group's system of internal controls included reviews of systems and controls relating to the financial reporting process.

Internal controls over financial reporting include procedures and policies that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposals of the Group's assets
- Provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements, and that receipts and expenditures are being made only in accordance with authorisations of management and respective Directors
- Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposal of Group assets that could have a material effect on the Group's financial statements

REMUNERATION

The responsibility for determining remuneration arrangements for the Chairman and Executive Directors has been delegated to the Remuneration Committee. Information on the Remuneration Committee and the Directors' Remuneration Report and Policy can be found on pages 60 to 79.

ENGAGEMENT WITH SHAREHOLDERS

The Board recognises the importance of maintaining good and constructive communication with the Company's shareholders, and has in place a comprehensive programme to facilitate this each year.

Our Annual Report is an important medium for communicating with shareholders, setting out detailed reviews of the business and its future developments in the Chairman's Statement, the Chief Executive Officer's Statement, the FY18 Overview and the Strategic Report.

In order to ensure that the members of the Board develop an understanding of the views of major shareholders, there is regular dialogue with institutional investors and shareholders, presentations by management and Investor Roadshows around the time of the Group's year-end and half-year results announcements. Our Investor Relations team coordinates these. These presentations are available on the Group's website at iggroup.com, which also provides a wide range of other information to shareholders and prospective shareholders. We also respond to ad hoc requests from shareholders on a regular basis.

The Chairman, the Senior Independent Director, (in his capacity as Chairman of the Remuneration Committee), and the Executive Directors hold meetings with the Company's largest institutional shareholders and market analysts to discuss governance developments (including in respect of external and internal remuneration policy), business strategy and financial performance.

Following all investor presentations and meetings, feedback is passed to the Board on any opinions or concerns expressed by shareholders. The Directors receive regular updates on shareholder views, roadshow feedback as well as analysts' reports on market perception of the Group's performance and strategy, and are made aware of the financial expectations of the Group from the outside market. This year, the Board also received an investor perception study undertaken in advance of the Capital Markets Day, which assisted the Board in their understanding of the views that shareholders and non-holders held about the Company. This year, the Group held its first Capital Markets Day, which was well attended, and where the Group's senior management set out how and why the Group's business is well positioned to mitigate the impact of regulatory change and to deliver sustainable growth and attractive shareholder returns.

The Chairman and the Senior Independent Non-Executive Director are available to meet shareholders on request, and ensure that the Board is aware of shareholder concerns not resolved through other communication mechanisms. The Chairman and the Senior Independent Non-Executive Director provide feedback to the Board on any views or concerns expressed to them by shareholders.

AGM

The AGM provides the Board with the opportunity to communicate with private and institutional investors, and we welcome and encourage their participation at the meeting. The Chairman aims to ensure that all the Directors, including the Chairs of the Board Committees, are available at the AGM to answer questions. The 2017 AGM was a successful event attended by all the Directors. All the proposed resolutions were passed on a poll, with the percentage of votes in favour of each resolution ranging from 92.91% to 100%, and the percentage of votes cast was always above 80%.

The 2018 AGM will be held on 20 September 2018. The Notice of the AGM sets out the resolutions to be proposed at the meeting. A copy of the Notice is available on the Group's website, iggroup.com. We send the Annual Report and Notice to shareholders, or make them available on the Group's website, at least 20 working days before the date of the meeting. The Notice sets out a clear explanation of each resolution to be proposed at the meeting. Shareholders have the opportunity to ask questions and, if they are unable to attend, can submit written queries in advance of the meeting. After the meeting, we will make available to shareholders full details of the votes, including proxy votes, received on each resolution, and we will publish these on the Company's website on the same day.

NOMINATION COMMITTEE

ANDY GREEN
Chairman of the Nomination Committee

Andy Green, Chairman of the Nomination Committee, gives his review of the Committee's activities during the financial year.

CHAIRMAN'S OVERVIEW

The Nomination Committee undertakes an important role in identifying, sourcing and evaluating the combination of skills needed to lead the Group at and immediately below Board level, and in supporting the development and delivery of our strategy.

It is responsible for identifying, and recommending to the Board, suitable candidates for appointment to the Board, and ensures the Board's composition meets the Company's needs.

This year, following an extensive process, the Committee agreed to recommend to the Board the appointments of Bridget Messer and Jon Noble as additional Executive Directors. Bridget and Jon were appointed to the Board on 1 June 2018.

COMMITTEE MEMBERSHIP AND ATTENDANCE

The Committee consists of Independent Non-Executive Directors, and meets as necessary to discuss appointments to the Board. The Chairman of the Board is also the Chairman of the Committee, and the Company Secretary acts as the Secretary of the Committee. On invitation, the Chief Executive Officer also attends, but is not involved in decisions relating to his own succession. The Chief People Officer and Chief Commercial Officer also attend on invitation.

During the year, the Committee met six times, sometimes at short notice, principally to consider Board composition and succession planning.

COMMITTEE MEMBERS	ELIGIBLE TO ATTEND	ATTENDED
Andy Green	6	6
Malcolm Le May	6	5[(1)]
Stephen Hill	6	6
Jim Newman	6	6
Sam Tymms	6	6
June Felix	6	6

(1) Malcolm Le May was unable to attend one non-scheduled meeting called at short notice due to unforeseen events.

ROLE OF THE NOMINATION COMMITTEE

The principal roles and responsibilities of the Committee include:

- Reviewing the composition of the Board and Board Committees to ensure that they are appropriately balanced in terms of skills, knowledge, diversity and experience
- Ensuring that there is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board
- Identifying and nominating, for approval by the Board, suitable candidates to fill Board vacancies as and when they arise
- Keeping under review the leadership needs of the Group, with a view to ensuring the continued ability of the Group to compete effectively in its marketplace
- Keeping up to date about strategic issues and commercial changes affecting the Group and the market in which it operates

The Terms of Reference of the Committee are available on the Group's website, iggroup.com.

MAIN ACTIVITIES DURING THE FINANCIAL YEAR

The Committee's main focus has been overseeing the process for the recruitment of additional Directors.

Following an extensive process, supported by external consultants Korn Ferry, a leadership and talent consulting executive search firm with no other connections with the Company, the Committee agreed to recommend to the Board the appointments of Bridget Messer and Jon Noble as Executive Directors. Bridget and Jon have been with IG for a number of years, with Bridget undertaking the role of Chief Commercial Officer and Jon undertaking the role of Chief Information Officer.

The process involved the establishment of an externally facilitated success profile for relevant candidates followed by an external assessment of each candidate against the profile agreed by the Board, the identification of relevant development needs and a programme of development against those needs.

The IG knowledge and skills brought by Bridget and Jon will complement the considerable experience of Board members and help give a wider perspective to Board discussions.

Recognising the importance of developing a Board with the appropriate balance of skills, knowledge, diversity and experience, the Committee is currently considering the appointment of additional Non-Executive Directors, with a focus on enhancing the strategic and existing Non-Executive Director experience on the Board.

Following the expiration of seven years as a Non-Executive Director, Stephen Hill agreed to extend his appointment to the Board for a further year, effective from 28 April 2018.

COMMITTEE EVALUATION

During the year, an evaluation of the performance of the Committee and its members was undertaken in line with the Committee's Terms of Reference. The evaluation process was internally facilitated by the Company Secretary as part of the overall annual Board effectiveness review, details of which can be found on pages 55 and 56. The performance of the Committee was highly rated overall, the embedding of newly appointed Directors was highlighted as a focus for the coming year and the evaluation concluded that the Committee operates effectively.

DIVERSITY STATEMENT

As a business, we are committed to maintaining a diverse workforce at all levels across the Company, and more information on how we do this, including a description of the policies relating to diversity and how they have been implemented, can be found in the Corporate Social Responsibility section on pages 40 to 45.

At the year-end, the Board had a 25% female representation. Following the appointments of Bridget Messer and Jon Noble on 1 June 2018, this ratio increased to 30%. IG has an aspirational target to increase this to one-third by 2020, as recommended by the Hampton-Alexander Review on women in leadership positions.

The Directors recognise the importance of diversity, in all of its forms, on the Board and understand the significant benefits that come with having a diverse Board. The Board believes that diversity is a wider issue than gender and includes variations in experience, skills, personal attributes and background.

The Board will continue to appoint on merit, based on the skills and experience required for membership of the Board, while giving consideration to all forms of diversity when the Committee reviews the Board's composition. For appointments to the Board, IG uses executive search firms who have signed up to the voluntary code of conduct setting out the key principles of best practice in the recruitment process. These principles include a recommendation that search firms should consider gender diversity, and IG insists on having both male and female candidates when drawing up longlists and shortlists of candidates.

Andy Green
Chairman, Nomination Committee

24 July 2018

DIRECTORS' REMUNERATION REPORT AND POLICY

MALCOLM LE MAY
Chairman of the Remuneration Committee

The Remuneration Committee's objective is to ensure remuneration encourages, reinforces and rewards the delivery of shareholder value.

CHAIRMAN'S OVERVIEW

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year to 31 May 2018. The overall structure of the executive remuneration package and the principles that underpin it remained unchanged in the 2018 financial year.

DIRECTORS' REMUNERATION POLICY

Our Directors' Remuneration Policy was put to the usual triennial binding vote at the 2017 AGM. We are pleased to report that it was overwhelmingly approved, with support from over 96% of our shareholders who voted. No material changes were made to the policy, as the Committee determined that the existing policy continued to meet the needs of the Company and the reasonable expectations of its shareholders.

As noted in last year's report, there are a number of external factors which may influence the Directors' Remuneration Policy in the medium term, including: reviews being undertaken by regulators; developments in executive pay market practice; changes in stakeholder views and guidelines, and implementation of the revised UK Corporate Governance Code. Therefore, although the policy was approved at the 2017 AGM without material changes, we may need to return to shareholders for a further policy vote before the next triennial vote is due in 2020, once the full implications of these external factors referred to above are known.

ANNUAL REPORT ON REMUNERATION FOR THE YEAR TO 31 MAY 2018

There will be the usual advisory vote at the AGM covering this annual Committee Chairman's statement together with the Annual Report on Remuneration that details amounts paid in respect of the year ended 31 May 2018 and the corresponding performance, metrics, targets and outcomes. I hope you will agree that the rewards for our executives are commensurate with the Group's performance, both taken in isolation given the current year performance, and in aggregate given performance over the medium term.

NEW EXECUTIVE DIRECTORS

As we announced recently, we are pleased to welcome two new Executive Directors to the Board: Bridget Messer, Chief Commercial Officer, and Jon Noble, Chief Information Officer, with effect from 1 June 2018. We are pleased that both are internal promotions. Their salaries have been set following a review of market benchmarks, and taking into account the nature of the roles and their individual background, skills and experience, and to reflect the responsibilities of Board membership.

Salaries are £370,000 for Bridget and £370,000 for Jon, effective from 1 June 2018, and they are eligible to participate in the Sustained Performance Plan (SPP) under the terms of the Policy, with a maximum award of four times base salary for excellent performance. Both will also receive a pension and benefits allowance totalling 12% of base salary, which is in line with our employees below Executive Director level, and therefore lower than the current Executive Director Policy limit of 17% of base salary.

Our Remuneration Report covers the remuneration of the Executive and Non-Executive Directors of IG Group Holdings plc (the Company and the Group) and is organised into the following main sections:

CONTENTS	PAGE

BUSINESS OUTCOMES

As noted within the Operating and Financial Review section of the Annual Report on pages 22 to 30, the Group delivered another strong financial performance in 2018. Revenue increased by 16% on 2017's underlying results to £569 million, while diluted earnings per share (DEPS) increased by 33% against last year's underlying results to 61.2p per share.

Against a backdrop of difficult financial markets and with our regulatory landscape still under scrutiny, IG has performed extremely well, with the company again achieving record revenue and profit.

INCENTIVE OUTCOMES FOR 2018

Since 2013, the Executive Directors have participated in a single incentive scheme, the Sustained Performance Plan (SPP), which measures performance over both annual and trailing three-year performance periods, and with the award entirely delivered in shares. This SPP replaced both the previous annual bonus plan and the executive long-term incentive plan.

As in prior years, the 2018 SPP award is driven by three metrics: total shareholder return (TSR) measured over the long term, annual diluted earnings per share (DEPS), and annual non-financial metrics. For performance over the one-year and three-year periods ended 31 May 2018, the Committee has awarded 80% of the maximum potential award under the SPP, compared with 27.1% in the prior year. This is a result of the maximum award occurring in relation to the diluted EPS performance element of the plan and, on moderate award outcome of the TSR element, for which there was no award last year. This improved performance, together with continued strong performance under the non-financial metrics, has led to a significantly improved vesting outcome. Further detail is set out in the Annual Report on Remuneration section of this report.

IMPLEMENTATION OF POLICY IN 2018/19

The Committee has determined that the base salary of the Chief Executive Officer, Peter Hetherington, and the Chief Financial Officer, Paul Mainwaring, will be increased by 2.74%, in line with inflationary increases to the UK workforce at the 1 June 2018 review date. For the 2018 financial year, the Committee will use the same SPP metrics described above, with the same weightings. Accordingly, annual DEPS will drive 45% of the maximum potential award, relative TSR (measured over the trailing three years) will drive 35%, and annual non-financial metrics will drive the remaining 20%.

In relation to the DEPS targets, as with past years, the Committee has used a set of internal and external reference points to set targets. The target range will be disclosed and explained in next year's Remuneration Report.

CONCLUSION

I hope that you will support the Remuneration Report at the AGM vote.

DIRECTORS' REMUNERATION REPORT AND POLICY CONTINUED

DIRECTORS' REMUNERATION POLICY

The Directors' Remuneration Policy describes the framework, principles and structures that guide the Remuneration Committee's decision-making process in the area of Directors' remuneration, in line with the Committee's objective to ensure that remuneration for Executive Directors encourages, reinforces and rewards the growth of shareholders' value.

The policy was submitted for renewal at the triennial vote at the 2017 Annual General Meeting without any material changes, and was approved by over 96% of shareholders who voted. The role of the Remuneration Committee and the objective of the remuneration policy are described below.

REMUNERATION COMMITTEE'S ROLE

- Makes recommendations to the Board on the Group's senior executive remuneration policy
- Determines an overall remuneration package for the Executive Directors in order to attract and retain high-quality Directors capable of achieving the Group's objectives
- Sets and agrees with the Board a competitive and transparent remuneration framework which is aligned to the Group's strategy and is in the interest of both the Company and its shareholders
- Determines the contractual terms, remuneration and other benefits for the Executive Directors
- Determines and reviews the Group's remuneration policy, ensuring it is consistent with effective risk management across the Group, and considers the implications of this remuneration policy for risk and risk management
- Determines and agrees the policy for the remuneration of the Board Chairman and the Executive Directors
- Reviews pay, benefits and employment conditions and the remuneration trends across the Group
- Approves the structure of share-based awards under the Group's employee incentive schemes, to determine each year whether awards will be made and, if awards are made, to monitor their operation, the size of such awards and the performance targets to be used
- Monitors regulatory developments, including those affecting UK-listed companies and financial services firms, to ensure the Company's remuneration policy is consistent with these
- Establishes the selection criteria, appoints and sets the Terms of Reference for any remuneration consultants who advise the Committee

The Committee's Terms of Reference can be found on our corporate website at iggroup.com

KEY ELEMENTS OF REMUNERATION

PURPOSE AND LINK TO STRATEGY	OPERATION
Base salary	
Provides a sound basis on which to recruit and retain key employees of appropriate calibre to deliver the strategic objectives of the Company.	Base salaries are normally reviewed by the Committee annually, and are usually fixed for 12 months commencing 1 June. Any salary increase may be influenced by: • Scale, scope and responsibility of the role • Experience of the individual and his or her performance • Average change in wider workforce pay • Business performance and prevailing market conditions • Commercial need • Periodic benchmarking of similar roles at comparable companies selected on the basis of comparable size, complexity, geographic spread and business focus
Pensions and benefits	
Competitive, cost-effective flexible pension benefits allowance to help recruit and retain Executive Directors.	Executive Directors are eligible to participate in the Company's flexible pension and benefits plan, from which the executive can receive a range of benefits, Company pension contribution or cash allowance. Relocation and related benefits may be offered where a Director is required to relocate.

OBJECTIVES OF THE DIRECTORS' REMUNERATION POLICY

The remuneration policy is set to ensure that remuneration has the ability to attract and retain senior executives of a high calibre, remains competitive and provides appropriate incentive for performance.

The Committee has agreed that all matters relating to remuneration of Group employees should:

- Align with the best interests of the Company's shareholders and other stakeholders
- Recognise and reward good and excellent performance of employees that helps drive sustainable growth of the Group
- Focus on retaining high-performing senior management
- Be consistent with regulatory and corporate governance requirements
- Be designed to achieve effective risk management
- Be straightforward, easy for shareholders and employees to understand and easy for the Group to monitor
- Not be used to reward behaviour that inappropriately increases the Group's exposure to risks

The Committee considers that a successful remuneration policy needs to be sufficiently flexible to take account of future changes in the Company's business environment and in remuneration practice. There must be transparency and alignment to the delivery of strategic objectives at both a Company and an individual level. There must also be scope to reward for exceptional effort and achievement that delivers value, both for the Company and the shareholders. Likewise, failure to achieve, individually or at Company level, will not be rewarded.

The Committee is also mindful of ensuring that there is an appropriate balance between the level of risk and reward for the individual, the Company and for shareholders.

When setting levels of variable remuneration, the degree of stretch in performance conditions and the balance of equity and cash within a package, consideration is given to obtaining the appropriate balance of each so as not to encourage unnecessary risk-taking. As well as financial risk, the Committee also ensures that there is an appropriate focus on regulatory and governance matters.

The total remuneration package is structured so that a significant proportion is linked to performance conditions, and it is the Company's policy to ensure that a high proportion of the potential remuneration package is provided via share-based instruments.

This ensures that executives have a strong ongoing alignment with shareholders through the Company's share price performance.

The table below summarises each element of the remuneration policy for the Executive Directors, explaining how each element operates and how each part links to the corporate strategy.

OPPORTUNITY	PERFORMANCE METRICS	RECOVERY OR WITHHOLDING
The general policy is to pay around mid-market levels, with annual increases typically in line with the wider workforce. Increases beyond the percentage increases granted to the wider workforce may be awarded in exceptional circumstances, such as: • Where there is a change in the individual's responsibility • Where the salary set at initial appointment was below the level expected once the individual gains further experience and a track record of performance in the role An above-market positioning may be appropriate in exceptional circumstances, to reflect the criticality of the role and the individual's experience and performance. Base salary levels for the financial year ending 31 May 2019 are: Chief Executive Officer – £ 590,800 Chief Financial Officer – £ 411,000 Chief Commercial Officer – £ 370,000 Chief Information Officer – £ 370,000	No performance metrics apply to base salary	No recovery or withholding applies to base salary
The aim is to provide a flexible, market-competitive pension and benefits allowance, with value for Directors capped at 17% of base salary. Flexible benefits are also provided for the wider workforce, who receive a 12% allowance. The Board recognises certain stakeholder views that advocate the alignment of pension benefits throughout the business and, recognising its commitment to continue to honour existing contractual commitments, we will keep the policy under review. From 1st June 2018, new Executive Directors will receive a 12% allowance in alignment with the wider workforce.	No performance metrics apply to performance and benefits	No recovery or withholding applies to performance and benefits

DIRECTORS' REMUNERATION REPORT AND POLICY CONTINUED

KEY ELEMENTS OF REMUNERATION

PURPOSE AND LINK TO STRATEGY	OPERATION
All-employee share schemes	
All employees, including Executive Directors, are encouraged to become shareholders through the operation of an HMRC-approved Share Incentive Plan (SIP) and/or such other all-employee share plans as the Company may adopt in the future.	The SIP is a flexible, tax-efficient, all-employee plan. Partnership, free, dividend and matching shares may be granted under the SIP. If other HMRC-approved all-employee plans are introduced, they will operate in accordance with HMRC guidance and limits. Similar non-UK plans may be operated to enable non-UK employees and Directors to participate.
Share ownership policy	
This aligns the interests of management and shareholders and promotes a long-term approach to performance and risk management.	A share ownership policy was introduced from the financial year ended 31 May 2014. Under this policy, the Chief Executive Officer is required to build a holding of shares to the value of a minimum of 200% of base salary, and for other Executive Directors, a requirement of 150% of base salary applies. Only vested shares forming part of the Director's share interests and shares purchased by the Director out of their own funds are included in the guideline, which, unless there are exceptional circumstances approved by the Committee, must be achieved within five years from the date of appointment. The Committee will review progress annually, with an expectation that Executive Directors will make progress towards achieving the shareholding policy each year.
Sustained Performance Plan (SPP)	
Approved by shareholders at the 2013 AGM, the SPP provides a single incentive plan for Executive Directors rather than having separate annual and long-term plans. It provides a simple and competitive incentive mechanism that encourages and rewards both annual and sustained long-term performance, linked to the Company's strategic objectives. The SPP encapsulates traditional annual bonus and long-term incentive plans. It is entirely share-based, encouraging executives to build up a substantial stake in the Company, thereby aligning the interests of management with shareholders.	The SPP was initially operated by reference to five consecutive 'plan years'. The first plan year was the financial year which ended 31 May 2014. Awards of shares (either in the form of par value options, nil cost options or conditional awards), known as 'plan contributions' are made after the announcement of results relating to each plan year. Plan contributions are granted by reference to achievement against applicable performance targets and accumulate within a participant's 'plan account'. Each year, a percentage of the accumulated balance in the plan account vests (ie options or awards are released to participants). Therefore, a participant's plan account will comprise the sum of the plan contribution (if any) being made in relation to the relevant plan year, plus the accumulated awards registered in the plan account from previous plan years. Over the ten plan years, a participant's plan account vests as follows: (see table below) If the SPP is terminated early, or reaches its tenth anniversary, unvested awards remaining in the plan account will vest in three final tranches of 50%, 25% and 25% on the first, second and third anniversaries of the SPP's closure. The same principles will apply on a later termination of the plan. Participants may receive a payment at the time of delivery of vested shares of an amount equivalent to the dividends that would have been paid on those shares while in the plan account (adopting a first-in, first-out basis). This amount may assume dividend reinvestment. Dividends will not accrue on vested but unexercised awards.

Following	Financial year ending	% of cumulative shares in plan account vesting
Plan year 1	31 May 2014	40.0%
Plan year 2	31 May 2015	40.0%
Plan year 3	31 May 2016	33.3%
Plan year 4	31 May 2017	33.3%
Plan year 5	31 May 2018	33.3%
Plan year 6	31 May 2019	33.3%
Plan year 7	31 May 2020	33.3%
Plan year 8	31 May 2021	33.3%
Plan year 9	31 May 2022	33.3%
Plan year 10	31 May 2023	33.3%

OPPORTUNITY	PERFORMANCE METRICS	RECOVERY OR WITHHOLDING
HMRC or non-UK plan equivalent limits will apply to any all-employee schemes that may be introduced. This currently constitutes a small proportion of Executive Directors' total remuneration.	No performance metrics apply to base salary.	No recovery or withholding applies to base salary.
The maximum plan contribution in respect of a plan year is an award of shares with a market value of no more than 500% and 400% of an annual rate of salary for the Chief Executive Officer and Chief Financial Officer respectively.	The quantum of any awards granted is dependent on performance against the targets set by the Committee for each relevant financial year. Performance targets may comprise, for example, diluted earnings per share (DEPS) targets, Total Shareholder Return (TSR) and non-financial measures. Performance is measured over single plan years (financial years) except for TSR (from plan year 2 – awards in respect of financial year ending 31 May 2015). We currently intend to apply the following performance criteria: • DEPS – a sliding scale of targets will apply for each plan year. The targets will be set at the start of each plan year. Targets and performance will be disclosed retrospectively in the Annual Report on Remuneration for the relevant financial year-end • Relative TSR – the Company's share price (plus dividends reinvested) performance is measured against an appropriate comparator group. For the first plan year, performance was based on that plan year alone; for the second plan year, performance was based on plan years 1 and 2. For plan years thereafter performance is measured over three plan years ending with the plan year being reported on. The Committee retains the discretion to scale back the level of award if it feels the Company's underlying financial performance does not warrant the level of award resulting from TSR performance alone • Non-financial – these may comprise strategic goals, operational and client satisfaction measures for each plan year. Targets and performance will be disclosed retrospectively Where possible, a sliding scale of targets will be set. For the DEPS and relative TSR measures, no more than 25% will be payable for achieving threshold performance, rising to full payout for achieving a more challenging target. The scorecard of financial, share price and non-financial metrics may vary from year to year in accordance with strategic priorities and the regulatory environment. At the time of determining the contribution for plan year 5, in the event that the Committee feels the Company's underlying financial performance over the first five plan years has not been satisfactory, the Committee may scale back the final balance of the plan account. The Committee has not currently decided to scale back any plan account balances.	The Committee may decide within three years of a plan contribution that the underlying award will be subject to clawback. This may happen where there has been a material misstatement in the Company's financial results or an error in assessing any applicable performance condition. It may also be triggered if there has been substantial failure of risk management, or if the participant's employment is terminated for serious misconduct. The clawback may be satisfied by a reduction in the amount of any subsisting plan account, a reduction in the vesting of any subsisting vested awards or future share awards and/or a requirement to make cash payment.

DIRECTORS' REMUNERATION REPORT AND POLICY CONTINUED

NOTES TO THE POLICY TABLE

The performance measures that are used in the Sustained Performance Plan (SPP) are a subset of the Company's Key Performance Indicators (KPIs).

METRIC	RATIONALE AND LINK TO THE STRATEGIC KPIs	HOW PERFORMANCE MEASURES ARE SET
Total Shareholder Return (TSR) relative to a suitable benchmark group	TSR measures the total return to IG Group's shareholders, both through share price growth and dividends paid, and as such it is aligned to shareholder interests. TSR is influenced by how well IG Group performs on a range of other metrics, including financial indicators such as revenue, profit, cash generation and dividends, and non-financial indicators such as client satisfaction and operational performance.	The Committee sets the requirements for each plan year. The current benchmark group comprises the constituents of the FTSE 350 index (excluding investment trusts).
Diluted earnings per share (DEPS)	DEPS is a key indicator of the profits generated for shareholders, and a reflection of both revenue growth and cost control.	The Committee determines appropriate performance targets each year, taking account of the annual and longer-term business plans. DEPS is calculated on such adjusted basis as the Committee reasonably selects (eg adjusting for the effects of any share buybacks).
Non-financial performance schemes		
Specific non-financial measures	Specific non-financial criteria traditionally include those relating to areas such as system uptime and reliability, people, customer satisfaction, effective risk management, sustaining the Company's excellent reputation and maintaining a good standing with regulators. Each of these measures has a direct impact on a number of the Group's KPI's. For example, system reliability is a key measure of the resilience of our trading platforms, which is an essential element of revenue generation and client satisfaction. Customer satisfaction is also measured using the Net Promoter Score (NPS) data supplied by Investment Trends. NPS is a measure of whether clients would recommend IG Group. The basket of measures chosen is considered to provide a broader assessment of executive delivery than financial metrics alone.	The Committee approved, in advance, a basket of non-financial measures for the year ended 31 May 2018. Following the end of the year, the Committee assesses performance relative to prior years, internal targets and sector averages. Assessment is undertaken 'in the round', taking account of activities and achievements during the year. For example, for NPS, performance is assessed through comparison of the Group's performance against other companies in the sector, with the aim of maintaining a high NPS score relative to the sector average.
Execution and delivery of key strategic initiatives	The delivery of the Group's strategic initiatives is key to the delivery of the strategy and will, over time, drive financial performance and growth. Strategic delivery targets are set for the IG branded business, non-IG branded business, Delivery and Governance Control and People.	As part of the Board's strategy planning, there is a clear plan of strategic initiatives provided to the Remuneration Committee at the start of the year, which details the underlying projects set for delivery in the short-to-medium term. The Remuneration Committee uses this plan to judge performance and management's execution and delivery of key strategic initiatives.

Annual DEPS targets and non-financial performance measures, where used, are likely to be too sensitive to disclose in advance for commercial reasons. We will, however, disclose the measures and targets (where applicable) used, and the extent to which we have achieved them, on a retrospective basis, at the end of the relevant performance period.

INCENTIVE PLAN DISCRETIONS

The Committee will operate the current SPP (and other share plans still in operation) according to their respective rules and the policy set out above, and in accordance with the Market Abuse Regulations, Listing Rules and HMRC rules where relevant. Copies of the SPP rules are available on request from the Company Secretary. As is consistent with market practice, the Committee retains discretion over a number of areas relating to operating and administrating these plans. These include (but are not limited to) the following:

- Who participates in the plans
- The timing of grant of award and/or payment
- The size of an award and/or a payment within the plan limits approved by shareholders
- The choice of (and adjustment of) performance measures and targets in accordance with the policy set out above and the rules of each plan (including the treatment of delisted companies for the purpose of the TSR comparator group)
- Discretion relating to the measurement of performance in the event of a change of control or reconstruction
- Determination of a good leaver (in addition to any specified categories) for incentive plan purposes, based on the rules of each plan and the appropriate treatment under the plan rules
- Adjustments required in certain circumstances (eg rights issues, corporate restructuring, special dividends and on a change of control)

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration. As appropriate, it might also be the subject of consultation with the Company's major shareholders.

LEGACY ARRANGEMENTS

For the avoidance of doubt, in approving the Directors' Remuneration Policy, the Company has authority to honour any commitments entered into with current or former Directors that have been disclosed to shareholders previously. This includes awards made under any other share plans operated by the Company, described in more detail in the following section.

ILLUSTRATING THE APPLICATION OF REMUNERATION POLICY

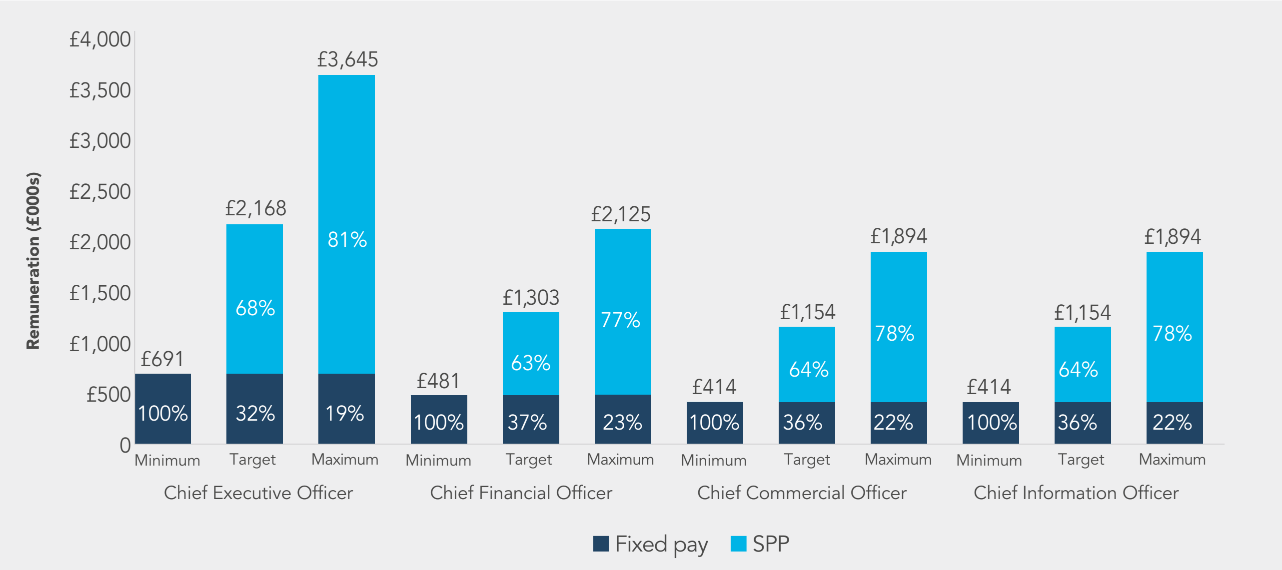
As a result of the Company's remuneration policy, a significant proportion of the remuneration received by Executive Directors depends on Company performance. The charts below show how total pay for the Chief Executive Officer, Chief Financial Officer, Chief Commercial Officer and Chief Information Officer vary under three different performance scenarios: minimum, target and maximum:

Minimum: This comprises the fixed elements of pay, being base salary, benefits and benefits allowance as at 1 June 2018, and the benefits value is the actual value for the year ended 31 May 2018.

Target: This comprises fixed pay and the target value of SPP (250% of salary for the Chief Executive Officer and 200% of salary for the Chief Financial Officer, Chief Commercial Officer and Chief Information Officer).

Maximum: This comprises fixed pay and the maximum value of SPP (500% of salary for the Chief Executive Officer and 400% of salary for the Chief Financial Officer, Chief Commercial Officer and Chief Information Officer).

No account has been taken of share price growth, or of dividend shares awarded in respect of the deferred element of bonus and SPP awards over the deferral/ performance periods.



DIRECTORS' REMUNERATION REPORT AND POLICY CONTINUED

EXECUTIVE DIRECTORS' SERVICE CONTRACTS

Executive Directors are employed under a service contract with IG Group Limited (a wholly owned intermediate holding company) for the benefit of the Company and the Group.

The period of notice for existing Executive Directors does not exceed 12 months and, accordingly, Executive Directors' employment contracts can be terminated on 12 months' notice by either party. For those Executive Directors appointed on 1 June 2018, the period of notice is six months.

In the event that the Company terminates an Executive Director's service contract other than in accordance with the terms of his or her contract, the Committee will act in the best interests of the Company and ensure there is no reward for failure. All service contracts are continuous, and contractual termination payments relate to the unexpired notice period.

On a Director's departure, the Company may, at its sole discretion, pay base salary and the value of any benefits (including pension) that would have been receivable in lieu of any unexpired period of notice. In the event of termination for gross misconduct, the Company may give neither notice nor a payment in lieu of notice.

Where the Company, acting reasonably, believes it may have a right to terminate employment due to gross misconduct, it may suspend the executive from employment on full salary for up to 30 days to investigate the circumstances prevailing.

The Company may place an executive on gardening leave for up to the duration of the notice period. During this time, the executive will be entitled to receive base salary and all contractual benefits (including pension). At the end of the gardening leave period, the Company may, at its discretion, pay the executive base salary alone, in lieu of the balance of any period of notice given by the Company or the executive.

When considering payments in the event of termination, the Remuneration Committee takes into account individual circumstances. Relevant factors include the reasons for termination, contractual obligations and the relevant incentive plan rules. When determining any loss of office payment for a departing Director, the Committee will always seek to minimise the cost to the Company, while complying with the contractual terms and seeking to reflect the circumstances in place at the time.

The Committee reserves the right to make additional payments, where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation), or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

For new executive appointments, the Committee has discretion to offer a longer notice period of up to 24 months where it is essential for the purposes of securing an appointment, but reducing to no more than 12 months on a phased basis, over no more than two years following appointment. Any payments in lieu of notice will be at the Committee's discretion, and will be limited to base salary and the value of benefits (including pension) as set out above.

Sustained Performance Plan (SPP) awards

As a general rule, if a participant ceases to hold employment or be a Director within the Group, or gives notice of leaving, they forfeit any entitlement to receive further plan contributions. All awards subsisting in their plan account at such time are forfeited in full.

However, the situation may be different if the participant ceases to be an employee or a Director within the Group under certain circumstances. These include injury, disability, retirement, redundancy, the disposal of the participant's employing company or the business for which they work by the Group, or other circumstances at the discretion of the Committee. In this case, participation in the plan will cease once the plan contributions in respect of the plan year in which the cessation arises are determined. This will take into account the proportion of the full plan year worked. Ordinarily, the participant's plan account will then vest, yielding one-third immediately and thereafter the remaining balance in equal parts on the first and second anniversary of such determinations.

For the purposes of any awards permitted to vest to leavers as described above, the Committee retains discretion to reduce the level of vesting that would otherwise result. It may refer to such time-based adjustments as it considers appropriate.

Where awards are granted in the form of options, any vested awards already held at the time of cessation (ie vested awards held outside the plan account but unexercised) will remain exercisable for a limited period. The exception is when dismissal has been for misconduct, in which case such awards lapse in full.

Change of control

The Executive Directors' contracts do not provide for any enhanced payments in the event of a change of control of the Company, nor for liquidated damages. Copies of the Executive Directors' service contracts are available for inspection at the Company's registered office.

REMUNERATION POLICY ACROSS THE COMPANY

We have designed the remuneration policy for the Executive Directors and senior management with regard to the policy for employees across the Company as a whole. The Committee is kept updated through the year on general employment conditions, basic salary increase budgets, the level of bonus pools and payouts and participation in share plans.

The Committee is therefore aware of how total remuneration at the Executive Director level compares to the total remuneration of the general population of employees. Common approaches to remuneration policy which apply across the Company include:

- Consistency in 'pay for performance', with annual bonus schemes being offered to the vast majority of employees
- Offering pension, medical, life assurance and other flexible benefits for all employees, where practical, given geographical location
- Ensuring that salary increases for each category of employee are considered, taking into account the overall rate of increase across the Company, benchmarking, and both Company and individual performance
- Encouraging broad-based share ownership through the use of all-employee share plans, where practical.

RECRUITMENT REMUNERATION POLICY

The Committee's overriding objective is to appoint Executive Directors with the necessary background, skills and experience to ensure the continuing success of the Company. We recognise that the pace of change and technology development in our industry, as well as the global nature of IG Group, mean that the right individuals may often be highly sought-after.

We set the remuneration package for a new Executive Director in accordance with the Company's approved remuneration policy, as detailed from page 62 of the Directors' Remuneration Report, subject to the additional provisions described below. The maximum level of variable remuneration (excluding any buyout arrangements) that we can offer to a new executive on an annual basis will be in accordance with the Sustained Performance Plan limit, being 500% of salary.

In many cases, where we make an external appointment, the individual will forfeit incentive awards connected with their previous employment on resignation.

The Committee may therefore decide to offer further cash or share-based payments to 'buy out' these existing entitlements by making awards of a broadly equivalent value, in the Committee's view. These awards can be made either under the Company's existing incentive plans or via other arrangements. In determining the appropriate form and amount of any such award, the Committee will consider various factors. These include the type and quantum of award, the length of the performance period and the performance and vesting conditions attached to each forfeited incentive award.

Where an individual is appointed to the Board, different performance measures may be set for the SPP for the year of joining the Board, taking into account the individual's role and responsibilities and the point in the year when they joined.

For an internal appointment, any variable pay element granted in respect of the prior role may be allowed to pay out according to its terms, adjusted as appropriate to take into account the terms of the Executive Director appointment. The Committee will carefully determine the base salary level for a new Executive Director, taking into account the individual's background, skills and experience, and the business criticality and nature of the role being offered. It will also consider the Company's circumstances and relevant external and internal benchmarks. Above all, the Committee must exercise its own judgement in determining the most appropriate salary for the new appointment.

In certain circumstances, the Committee will have set a starting base salary which is positioned below the relevant market rate. It may then wish to adjust the Executive Director's base salary, at a level above the average increase in the Company, as the individual gains experience and establishes a strong performance track record in the role. Conversely, the base salary may need to be positioned above the relevant market rate in order to attract the most appropriate candidate for the role.

We will provide benefits in accordance with the approved policy. We may pay relocation expenses or allowances, legal fees and other costs relating to the recruitment as appropriate.

We will set fees for a new Non-Executive Director or Chairman in accordance with the approved policy.

CHAIRMAN AND NON-EXECUTIVE DIRECTORS

The table below summarises each element of the remuneration policy applicable to the Chairman and the Non-Executive Directors.

PURPOSE AND LINK TO STRATEGY	OPERATION	OPPORTUNITY	PERFORMANCE METRICS	RECOVERY OR WITHHOLDING
To attract and retain Non-Executive Directors of appropriate calibre and experience.	The Remuneration Committee determines the fee for the Chairman (without the Chairman present). The Board is responsible for setting Non-Executive Directors' fees. The Non-Executive Directors are not involved in any discussions or decisions by the Board about their own remuneration. Fees are within the limits set by the Articles of Association and take account of the commitment and responsibilities of the relevant role.	The Chairman receives a single fee to cover all his Board duties. Non-Executive Directors receive a fee for carrying out their duties. They may receive additional fees if they chair the primary Board Committees, and for holding the post of Senior Independent Director. Additional fees may be paid for additional time commitments in exceptional circumstances. Committee membership fees may be paid. Details of current fee levels are set out in the Annual Report on Remuneration.	No performance metrics apply.	No recovery or withholding applies.

Non-Executive Directors do not have service contracts; they are engaged by letters of appointment. Each Non-Executive Director is appointed for an initial term of three years subject to re-election, but the appointment can be terminated on three months' notice. Non-Executive Directors may receive reimbursement for business expenses incurred in the course of their duties, including tax therein if applicable.

DIRECTORS' REMUNERATION REPORT AND POLICY CONTINUED

CONSIDERATION OF SHAREHOLDER VIEWS

The Committee engages proactively with the Company's major shareholders. For example, when making any material changes to the remuneration policy, the Remuneration Committee Chair will inform major shareholders of these in advance, and will offer a meeting to discuss details as required.

CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE COMPANY

In setting the remuneration of the Executive Directors, the Committee takes into account the overall approach to reward for employees in the Company. The Group operates in a number of different environments, and has many employees who carry out diverse roles across a number of countries. All employees, including Directors, are paid by reference to the market rate, and base salary levels are reviewed regularly. When considering salary increases for Directors, the Company will be sensitive to pay and employment conditions across the wider workforce. However, no remuneration comparison measurements have been utilised to date. The Committee does not formally consult with employees on the executive remuneration policy. The Committee is periodically updated on pay and conditions applying to employees across the Company.

ANNUAL REPORT ON REMUNERATION (AUDITED)

This part of the report includes a summary of how we implemented the policy in the financial year ended 31 May 2018 (including payment and awards in respect of incentive arrangements), and how we will apply the remuneration policy for the financial year ending 31 May 2019. We also give details of the Remuneration Committee's operation, the Directors' share interests and how shareholders voted at the 2017 AGM.

IMPLEMENTATION OF REMUNERATION POLICY IN THE FINANCIAL YEAR ENDING 31 MAY 2018

Total Single Figure of Remuneration – Executive Directors

					Contribution to SPP plan account[3]			
Name of Director	Year	Fees/basic salary[4] £000	Benefits in kind[1] £000	Benefits allowance in cash[2] £000	Vested element £000	Deferred element £000	Total £000	Total £000
P G Hetherington	2018	575	5	93	767	1,534	2,301	2,974
	2017	575	5	93	260	519	779	1,452
P Mainwaring	2018	400	4	64	427	854	1,281	1,749
	2017	356	3	58	144	289	433	850

(1) Benefits can include private medical cover, health assessments, life assurance and income protection cover.
(2) As part of a total flexible benefits package of 17%, of basic salary, the Group provides for a contribution of up to 15% of basic salary to personal pensions for each of the Chief Executive Officer and the Chief Financial Officer, who also have the option to receive part, or all, of their pension entitlement in cash. The additional cash payment is counted in lieu of pension, and is not treated as base salary for the purposes of calculating other benefits. New Executive Directors appointed from June 2018 will receive a flexible benefits package of 12% of basic salary, including contributions to personal pensions should they so choose.
(3) Figures provided are the values of the SPP contributions in respect of performance for the periods ending 31 May 2018 and 31 May 2017 (ie plan years 5 and 4). The vested element is the proportion of the plan year contribution for the relevant period that vests shortly following the end of the financial year. The deferred element is the proportion that remains deferred in the plan account. Details of SPP awards held in the plan account, both vested and unvested, are provided in the Outstanding Share Awards table on page 74.
(4) The basic salary for Paul Mainwaring in respect of FY17 reflects his appointment to the Company part way through the financial year.

Total Single Figure of Remuneration – Non-Executive Directors

Name of Director	Year	Basic salary[1] £000	Benefits[2] £000	Total £000
A Green	2018	255	–	255
	2017	255	–	255
S G Hill	2018	65	11	76
	2017	70	8	78
J Newman	2018	80	–	80
	2017	80	–	80
S J Tymms	2018	80	5	85
	2017	75	5	80
M Le May	2018	90	1	91
	2017	90	1	91
J Felix	2018	65	–	65
	2017	65	–	65

(1) Other than in respect for the Chairman, basic Non-Executive Director fees were £65,000 per annum with an additional £15,000 paid for chairing a Board Committee, other than the Nomination Committee, and £10,000 for the Senior Independent Director.

(2) Certain Non-Executive Directors' expenses relating to the performance of a Director's duties, such as travel to and from Company meetings and related accommodation, have been classified as taxable benefits. In such cases, the Company will ensure that the Director is kept whole by settling the expense and any related tax. The figures shown include the cost of the taxable benefit plus the related personal tax charge.

SUSTAINED PERFORMANCE PLAN (SPP)

DETERMINATION OF SPP CONTRIBUTION FOR THE FINANCIAL YEAR ENDING 31 MAY 2018

Performance targets for plan year 5 (financial year ending 31 May 2018) comprised diluted earnings per share (DEPS) targets, Total Shareholder Return (TSR) and non-financial measures. TSR performance was measured over the three-year period from 1 June 2015 to 31 May 2018 and DEPS and non-financial measures over the financial year ending 31 May 2018.

Performance measure	Weighting	Threshold (25% payout for TSR and 0% for DEPS)	Maximum (100% payout)	Actual performance	Percentage of maximum award to Directors
DEPS	45%	37.5 pence	45.9 pence	61.2 pence (100% vesting)	45.0%
TSR	35%	Median ranking	Upper-quartile ranking	115 of 277 companies (51% vesting)	17.85%
Non-financial	20%	0%	100%	85.9% vesting	17.18%
Total	100%				80.03%

P G Hetherington: maximum award at 500% of basic salary.
All other Executive Directors: maximum award at 400% of basic salary.

PERFORMANCE MEASURES – HOW THESE ARE SET AND REVIEW OF PERFORMANCE FOR THE YEAR ENDED 31 MAY 2018

Diluted earnings per share (45% weighting)

At the start of the financial year, the Committee established a DEPS range in order to measure the performance and determine the payouts under the SPP. In doing this, the Committee took into account a number of relevant factors, including internal and external considerations and an appropriate degree of challenge on the prior year's performance.

In setting the DEPS range for the year ending 31 May 2018, the Committee considered the annual Board-approved budget, market consensus expectations and historical targets.

It should be noted that, for the 2018 financial year, on-target EPS performance was lower than the EPS outturn for the prior year, reflecting the 2018 budget. In setting this target at the end of the 2017 financial year, the Committee had to take account of the significant uncertainties in IG's sector, in particular the regulatory uncertainty that the Group faced. However, IG Group's 2018 EPS performance was superior, and significantly outperformed the stretch performance for maximum payout for a number of reasons, including unexpected delays in the delivery of regulatory certainty and due to changes in client trading patterns. The Committee considered the merits of changing performance criteria, and determined that, given the level of outperformance, any reasonable increase in performance measures would have had no impact on the final outturn.

DIRECTORS' REMUNERATION REPORT AND POLICY CONTINUED

Total Shareholder Return (35% weighting)

Under the TSR measure, a median ranking against the FTSE 350 (excluding Investment Trusts) would result in 25% of this element being granted, with the full award being granted for upper quartile ranking or better. The award to be granted for performance between median and upper quartile would be determined on a straight-line basis between these points.

For the award to be granted in respect of plan year 5, TSR was measured over the three-year period from 1 June 2015 to 31 May 2018. Actual TSR performance for the Group, as measured by Aon Hewitt, for the three-year period was 27.1% (2017: -2.9%).

Against the peer group this performance ranked IG at 115 out of 277 companies and resulted in 51% (2017: 0%) of the potential payout under this measure being awarded.

Non-financial measures (20% weighting)

The Committee approved a series of non-financial measures comprising strategic goals as well as operational and client satisfaction measures, indicative of the performance during the year ended 31 May 2018. These measures are also used for a portion of the staff general bonus pool. An average of the performance under the specific non-financial measures combined with performance under the strategic delivery measures resulted in an overall assessment of 85.9% (2017: 85.0%) of the potential payout under this element. The table below details the individual measures considered and their performance assessment for the year ended 31 May 2018.

COMPONENT	DETAIL	PROPOSED FY18 OUTCOME
System uptime and reliability	The primary measures used to assess the performance against this metric and the parameters IG strives to achieve are: • Core dealing availability per month – minimum 99.8% • Maximum percentage downtime in any one day – maximum 4.0% IG achieved 99.98% rolling cumulative 12-month uptime and experienced three outages totalling 86 minutes over the financial year. This compares to a record 99.98% rolling cumulative 12-month uptime in 2017 with a total outage time of 113 minutes.	95.0% (FY17: 95.0%)
Maintaining good standings with regulators	IG is subject to regulatory oversight in all countries where it has a physical presence. IG continues to have strong working relationships with its regulators, however the regulatory landscape in EMEA is clearly challenging. This regulatory focus is mainly being directed at the industry, rather than specifically at IG, but given the challenges an outcome of 60% was determined to reflect IG's continuing strong relationships with non-EMEA regulators (such as ASIC, CFTC and MAS) and IG's extensive interaction with all regulators.	60.0% (FY17: 60.0%)
Customer satisfaction	The Remuneration Committee uses a number of indicators to measure performance against this metric. In the 2017 financial year, IG scored 95% based on both improved measures of client satisfaction and the number of changes to our service offering. 2018 has seen IG continue to focus on delivering excellent client service. This has included a wide ranging re-organisation of the client service teams to allow us to better serve the needs of our most valuable clients to continue our focus on 24/7 client service, and to decrease the average time taken to open accounts. This has resulted in 79% of IG's clients rating IG as 'good' or better, which is an excellent result given the high call volumes, especially in Q3.	95.0% (FY17: 95.0%)
Reputation and PR	In the past year we have implemented a new proactive media and key stakeholder engagement strategy. This has focused on building trust, showcasing expertise and building relationships. Cementing IG's status as an expert voice in the sector, we have hosted media roundtable briefings, and IG analyst presence in the media has continued through a multi-faceted programme spanning press meetings, broadcast, bi-annual media events, written content and features.	95.0% (FY17: 95.0%)

COMPONENT	DETAIL	PROPOSED FY18 OUTCOME
Risk management	The 2018 financial year has seen IG continue its strong history of risk management, despite periods of high volatility. We have successfully managed increasing risk exposures to cryptocurrencies as that asset class experienced broad client interest in the autumn/winter of 2017. The Committee therefore determined an outcome of 90% in line with last year, given the similar performance.	90.0% (FY17: 90.0%)
People	This measure is assessed against four metrics: voluntary attrition, employee engagement, succession planning and performance. Voluntary attrition has remained below the target set by IG for the majority of the year. Employee engagement is assessed via an anonymous survey administered by an external provider. Engagement has responded positively to a number of initiatives, rising nearly 4%. Succession planning has progressed well, and especially for IG's Executive Committee. IG has also successfully implemented a mentoring program. Finally, the majority of required reviews were successfully completed.	85.0% (FY17: 73.3%)
Strategic delivery measures	As part of the Board's strategic planning, there is a clear plan relating to strategic projects provided to the Remuneration Committee at the start of the year. This details the underlying projects set for delivery in the short-to-medium term. The Remuneration Committee uses this plan to judge performance, and management's execution and delivery of the key strategic initiatives. There were a number of key strategic projects delivered during the year. Examples of the projects include: submitting an application for a US Retail Foreign Exchange Dealer license, delivering an online professional categorisation tool, and focusing on simplifying payment charges.	83.6% (FY17: 85.8%)

OVERALL SUMMARY

Based on the performance for the financial year ending 31 May 2018, we will grant awards under the SPP at 80% of the maximum potential payout to the Executive Directors after the announcement of the results. The actual number of shares that will be deposited within the Director's plan account will be based on the ten-day average share price immediately prior to grant.

Since its introduction five years ago, we are pleased to report that the SPP continues to work well, with outcomes tracking performance closely and an average plan contribution of 58% of the maximum:

Financial year:	2014	2015	2016	2017	2018	5-year average
SPP plan contribution (% maximum):	54%	41%	90%	27%	80%	58%

DIRECTORS' REMUNERATION REPORT AND POLICY CONTINUED

AWARDS GRANTED DURING THE YEAR ENDED 31 MAY 2018

The SPP awards granted during the financial year ended 31 May 2018 in respect of performance to 31 May 2017 (plan year 4) are as follows:

	Contribution						
	% of salary	Value of options awarded	Number of options awarded(1)	Number of options in the plan account after plan year 4 contribution(2)	Number of options vested and exercised during the year	Number of options lapsed	Number of options in the plan account at the end of the year
P G Hetherington	135%	£778,728.54	122,973	372,673	124,224	–	248,449
P Mainwaring	108%	£433,379.36	68,437	68,437	22,812	–	45,625

(1) The number of options contributed to the plan account was based on the ten-day average share price immediately post the announcement date of the Group's results for the year ended 31 May 2017 of 633.25 pence per share. Awards were granted in the form of nil cost options and are subject to continued employment and subject to the satisfaction of the underlying financial performance underpin to be tested at the end of plan year 5, as set out in the remuneration policy. The Committee has considered this and determined that underlying financial performance has been satisfactory.
(2) In addition to the awards made in respect of plan year 4, this also includes the brought forward number of options in the plan account from plan years 1, 2 and 3 with its respective accrued dividend shares.

Details of the outstanding SPP share awards, using an estimate of the options to be granted in respect of plan year 5 (ie performance to 31 May 2018) are set out below:

	Event	Plan account brought forward (number of shares)(1)	Options awarded as dividend equivalents accruing on unvested options during the year	Plan contribution in respect of period ended 31 May 2018 (estimated number of options)(2)	Plan account following contribution for the year	Estimated number of options vesting	Estimated cumulative number of options remaining in the plan account at the end of the year
P G Hetherington	Plan year 5	248,449	12,151	266,136	526,736	175,579	351,157
P Mainwaring	Plan year 5	45,625	2,204	148,110	195,939	65,313	130,626

(1) P G Hetherington and P Mainwaring will be granted awards in respect of plan year 5 following the announcement of results for the year ended 31 May 2018 on 24 July 2018. The share price used to calculate the number of awards to be granted will be the ten-day average share price immediately following the announcement of results for the year ended 31 May 2018 on 24 July 2018. As the actual average share price is not known at the time of signing of the Annual Report, the above number of awards has been estimated using a share price of 864.5 pence, being the share price on 31 May 2018. Share awards have an exercise price of 0.005 pence.
(2) In accordance with the scheme rules 33.3% of the cumulative awards in the plan account (after the contributions in respect of plan year 5 will vest in August 2018 with the vesting of the remaining options deferred. The August 2018 vesting will include additional dividend shares accrued as follows in respect of plan year 1, 2, 3 and 4 awards held in the plan account – P G Hetherington (12,151) and P Mainwaring (2,204) based on reinvestment at the dividend payment date.

OTHER SHARE AWARDS OUTSTANDING

	Award date	Share price at award date	Number as at 31 May 2017	Number awarded during the year	Number lapsed during the year	Number exercised during the year	Number outstanding at 31 May 2018 % change
P G Hetherington							
SIP: matching shares	25 Jul 14	605.00p	594	–	–	(594)	–
SIP: matching shares	2 Aug 16	879.50p	408	–	–	–	408
SIP: matching shares	1 Aug 17	626.50p	–	574	–	–	574
Total			1,002	574	–	(594)	982

	Award date	Share price at award date	Number as at 31 May 2017	Number awarded during the year	Number lapsed during the year	Number exercised during the year	Number outstanding at 31 May 2018 % change
P Mainwaring							
SIP: matching shares	1 Aug 17	626.50p	–	572	–	–	572

TABLE OF DIRECTORS' SHARE INTERESTS

	Legally owned[4]		SIP[5]	SPP awards[2]		Total	% of salary held under shareholding policy[1]
	31 May 2017	31 May 2018		Awards held in plan account	Vested but unexercised	31 May 2018	% salary
Executive Directors							
P G Hetherington[3]	385,612	386,493	982	260,600	–	648,075	581%
P Mainwaring	30,000	53,139	572	47,829	–	101,540	115%
Non-Executive Directors							
J Felix	–	–	–	–	–	–	–
A Green	6,881	6,881	–	–	–	6,881	–
S G Hill	15,966	15,966	–	–	–	15,966	–
M Le May	–	–	–	–	–	–	–
J A Newman	–	–	–	–	–	–	–
S J Tymms	–	–	–	–	–	–	–

(1) Calculated as shares owned on 31 May 2018 at the closing mid-market share price of 864.5p.
(2) This figure excludes awards under the SPP scheme for performance year ending 31 May 2018, which will be granted following the announcement of the Group's results on 24 July 2018. The awards held in the plan account include those in respect of plan-years 1, 2, 3 and 4, as at 31 May 2018.
(3) P G Hetherington also held 10,000 preference shares at 31 May 2018 and 31 May 2017.
(4) This figure includes partnership shares that are purchased as part of the Group's share incentive plan (SIP) which are not subject to vesting conditions.
(5) This figure shows the number of matching shares held at 31 May 2018 as part of the Group's SIP, which will vest after three years from the respective award date, as long as employees remain employed by the Group.

A share ownership policy was introduced from the financial year ending 31 May 2014. Under this policy, the Chief Executive Officer is required to hold shares to the value of a minimum of 200% of base salary, and for other Executive Directors, a requirement of 150% of base salary applies. Only shares forming part of the Directors' share interests are included in the calculation, which must normally be achieved within five years from the date of appointment. (There have been no changes to any of the Directors' share interests in the period since 31 May 2018). The awards to be made under the Company's SPP in respect of the performance period ending on 31 May 2018 are set out earlier in this report and are not included in this table.

Payments for loss of office and to past Directors

No payments were made for loss of office in the year.

No payments were made to past Directors in the year.

CHANGE IN REMUNERATION OF THE CHIEF EXECUTIVE OFFICER (CEO)

	Base salary[1]			Taxable benefits			Performance-based remuneration		
	% change (FY18/FY17)	% change (FY17/FY16)	% change (FY16/FY15)	% change (FY18/FY17)	% change (FY17/FY16)	% change (FY16/FY15)	% change (FY18/FY17)	% change (FY17/FY16)	% change (FY16/FY15)
CEO	0%	(3.2%)	25.8%	0%	0%	0%	195.4%	(63.7%)	112.0%
Group employees	(2.1)%	8.8%	7.0%	16.2%	14.1%	19.4%	66.8%	(27.6%)	60.0%

(1) For the CEO, the 2016/2015 base salary change reflects the change in CEO during 2015/16. Remuneration is included in the financial year in which performance is measured against. In respect of FY17/FY18, the percentage change in respect of the average base salaries of Group employees reflects the change in the mix of our staff resulting from our location strategy, rather than the change in the level of actual base salary of existing employees.

EXECUTIVE DIRECTORS' OUTSIDE APPOINTMENTS

As at 31 May 2018, the CEO and CFO have no other external appointments. On 18 June 2018, the CEO was appointed as a Non-Executive Director of Scotgold Resources Limited.

RELATIVE IMPORTANCE OF SPEND ON PAY

The following table sets out the profit, dividends and overall spend on pay over the past five financial years:

	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Profit after tax	226.4	169.2	164.3	131.9	147.2	141.7
Dividends	147.1	118.5	114.9	102.7	102.8	84.6
Employee remuneration costs	131.6	119.1	113.5	94.3	89.3	86.3
Average number of employees	1,597	1,522	1,412	1,287	1,070	1,005

DIRECTORS' REMUNERATION REPORT AND POLICY CONTINUED

STATEMENT OF SHAREHOLDER VOTING AT 2017 AGM

At the September 2017 AGM, resolutions were proposed for shareholders to approve the Directors' Remuneration Policy and the Directors' Remuneration Report for the financial year ended 31 May 2017. The following votes were received:

	2017 Remuneration Policy	
	Total number of votes	% of votes cast
For[1]	289,325,839	96.5%
Against	10,631,334	3.5%
Total	299,957,173	100%
Withheld	7,223,131	–

	2017 Annual Report on Remuneration	
	Total number of votes	% of votes cast
For[1]	299,577,514	97.5%
Against	7,597,984	2.5%
Total	307,175,498	100%
Withheld	4,806	–

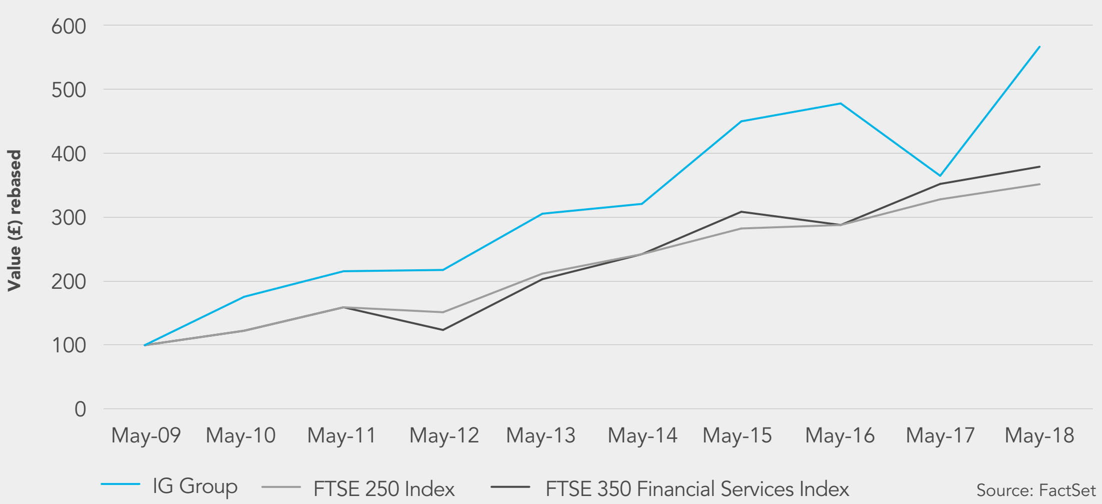
(1) For includes votes at the Chairman's discretion.

A majority (over 50%) of the votes cast was required for the resolutions to be passed, and all were duly approved by shareholders.

TOTAL SHAREHOLDER RETURN CHART

The chart below shows the Company's TSR performance compared with that of the FTSE 350 Index. As IG Group is a member of this index, the Committee believes it is appropriate to compare the Group's performance against it.

This graph shows the value, by 31 May 2018, of £100 invested in IG Group on 31 May 2009 compared with the value of £100 invested in the FTSE 250 Index and the FTSE 350 Financial Services Index.



CHIEF EXECUTIVE OFFICER EARNINGS HISTORY

The earnings history of the Chief Executive Officer is shown in the table below:

Financial year	2010	2011	2012	2013	2014	2015	2016[2]	2017	**2018**
Single figure remuneration (£'000)	1,628	1,141	2,201	1,103	1,970	1,519	2,745	1,452	2,974
Annual bonus outcome (% maximum)	100%	7%	99%	47%	–	–	–	–	–
LTIP vesting outcome (% maximum)	48%	40%	61%	–	–	–	–	–	–
VSP vesting outcome (% maximum)	–	–	–	6%	3%	0%	–	–	–
SPP plan contribution (% maximum)[1]	–	–	–	–	54%	41%	90%	27.1%	80%

(1) The SPP replaced the annual bonus and VSP schemes from the financial year ending 31 May 2014.

(2) Includes the base salaries paid to both T A Howkins and P G Hetherington for their respective tenures as CEO during the year, and the SPP awards applying to P G Hetherington in the year.

IMPLEMENTATION OF REMUNERATION POLICY IN THE FINANCIAL YEAR ENDING 31 MAY 2019

Salaries

The Committee decided to increase the salary of the Executive Directors by 2.74%, in line with the average increase for the UK workforce, as at 1 June 2018. The salaries for the new Executive Directors were set following a review of the market and taking into account the nature of the roles and their individual background, skills and experience, reflecting the increased responsibilities and complexity of sitting on the Board.

	Salary effective from 1 June 2017	**Salary effective from 1 June 2018**	Salary increase
P G Hetherington	£575,000	£590,800	2.74%
P Mainwaring	£400,000	£411,000	2.74%
B Messer	–	£370,000	
J Noble	–	£370,000	

Chairman and Non-Executive Directors' fees

Each year, the Board reviews the Non-Executive Director fees (the Remuneration Committee reviews the Chairman's fees). Last year the review resulted in no change to the fee structure or quantum despite upward pressure on fees and emerging practice at that time. This year, as part of the review, the Board instructed our remuneration advisors to carry out an external benchmarking exercise to assist the Board with the fee-review process.

Following the review, the structure of Non-Executive Director remuneration was updated to reflect emerging practice through the introduction of Committee membership fees (other than in respect of the Nomination Committee and excluding the Board Chairman) of £3,000 per Committee.

The benchmarking review also indicated that Committee Chairman fees had fallen below benchmark, and in light of the increasing weight of responsibility on Committee Chairs, the Board awarded an increase in such fees (excluding the Nomination Committee) to £25,000.

The Non-Executive Director basic fee of £65,000 remains unchanged.

The Remuneration Committee also received a benchmarking review of the Board Chairman's fees, and following review agreed to increase the fee to £300,000. This takes account of the market level of fees for Board Chairs and also the time commitment involved in the role. The Board Chairman will receive no fee for membership of any Board Committee.

Following the benchmarking exercise, the structure of non-executive remuneration is now as follows:

- Chairman: £300,000
- Non-Executive Director base fee: £65,000
- Committee Chairman fees (other than the Nomination Committee): £25,000
- Senior Independent Director fee: £10,000
- Committee membership fees: £3,000 (excluding the Group Board Chairman and membership of the Nomination Committee)

DIRECTORS' REMUNERATION REPORT AND POLICY CONTINUED

Sustained Performance Plan

For the awards to be granted in respect of plan year 6, which will end on 31 May 2019, a maximum opportunity of 500% will apply for the Chief Executive Officer, and 400% of annual rate of base salary will apply for the other Executive Directors.

The performance targets for these awards are shown below.

MEASURE	FURTHER DETAIL	MEASUREMENT PERIOD (PLAN YEARS)	WEIGHTING
Diluted earnings per share	The Committee has determined a sliding scale of targets that will apply for the financial year ending 31 May 2019.	Financial year ending 31 May 2019	45%
Relative Total Shareholder Return	Performance is measured against constituents of the FTSE 350, excluding investment trusts. No part of this element will be awarded if performance is below median. 25% will be awarded for median, increasing on a straight-line basis, with full vesting for upper-quartile performance or better. The Committee's discretion to scale back vesting will apply, as set out in the Policy Report.	The three financial years ending 31 May 2019	35%
Non-financial measures	The measures will include: • System reliability • Maintaining good standing with regulators • Customer satisfaction • Reputation and PR • Risk management • People • Execution and delivery of key strategic initiatives	Financial year ending 31 May 2019	20%

The Committee will ensure the DEPS and non-financial targets are suitably stretching. We deem the DEPS and non-financial measures themselves to be commercially sensitive, and will not disclose these prospectively. However, we will provide retrospective disclosure of the targets and performance against them in next year's remuneration report.

MEMBERSHIP AND ATTENDANCE OF REMUNERATION COMMITTEE

The Remuneration Committee is composed of three independent Non-Executive Directors and the Chairman who was independent on appointment. The current members of the Committee are set out below, together with their attendance at meetings:

COMMITTEE MEMBERS	SCHEDULED MEETINGS ELIGIBLE TO ATTEND	SCHEDULED MEETINGS ATTENDED
Malcolm Le May(1)	5	4
Andy Green	5	5
Stephen Hill(1)	5	5
Jim Newman	5	5

(1) Malcolm Le May did not attend one Committee meeting due to short-notice unforeseen circumstances. In Malcolm's absence, he provided comments on the business of the meeting to Stephen Hill, who acted as Chairman for the meeting.

Other than the Company Secretary, who attends all Committee meetings, the Chief Executive Officer and Chief Financial Officer attend the Committee meetings by invitation. The Chairman and Executive Directors do not attend or take part when matters relating to their own remuneration is discussed. Representatives from other areas of the business attend the Committee meetings by invitation as appropriate to the matter under consideration.

Following each Committee meeting, a formal report is made to the Board in which the Chairman of the Committee describes the proceedings of the Committee meeting and makes recommendations to the Board as appropriate.

To ensure the Committee discharges its responsibilities appropriately, an annual forward calendar, linked to the Committee's Terms of Reference, is approved by the Committee. The Company Secretary assists the Chairman of the Committee in drafting the agenda for each Committee meeting, ensuring that each of the items under the Committee's Terms of Reference and responsibilities is covered at least once in the financial year, and more frequently if required.

The full Terms of Reference for the Committee can be found on the Group's website, iggroup.com. These will be reviewed following the publication of the revised UK Corporate Governance Code to ensure they remain in alignment.

ACTIVITY DURING THE FINANCIAL YEAR

During the year, the Committee's key activities included the review of:

- The Director's Remuneration Report published in the 2017 Annual Report and Accounts and the Directors' Remuneration Policy
- The fee for the Company Chairman and Executive Directors' remuneration for the 2019 financial year
- Salaries and packages for the new Executive Directors
- Performance against targets for the vesting of awards under the SPP and the LTIP and for the determination of the bonus pool
- The remuneration and bonus awards, including for senior management
- Proposed targets for the FY19 Sustained Performance Plan and the Long Term Incentive Plan
- The performance of the Groups Sales Incentive Plans to gain assurance that their design helps promote good conduct
- Remuneration Code Staff

The Committee considered various papers on the structure and quantum of management remuneration below Executive level and made adjustments to the LTIP that applies below the executive level, for the 2019 financial year onwards.

These adjustments are designed to promote retention of staff and increase alignment of management interests with shareholders, while the size of grants will be limited. Awards will continue to be made in shares, with vesting after three years, but the previous EPS performance condition will no longer apply. The Committee will consider Company and individual performance prior to any award being made.

The Committee undertook a five-year review of the structure of the SPP, and following detailed review agreed that the SPP continued to act as an appropriate reward and retention tool.

There had been a local staff consultation of extending SIP-type arrangements to staff in Poland and India. Given that demand from employees was particularly low, the Committee decided not to pursue such schemes at this time.

In addition, the Committee received regular updates on developments in remuneration governance, including updates on the Group's gender pay gap reporting and from the Committee Chairman on outcomes of meetings with shareholders.

ADVICE TO THE COMMITTEE

During the financial year ended 31 May 2018, the Committee consulted the Chief Executive Officer about remuneration matters relating to individuals other than himself. The Company Secretary also provided advice and support to the Committee.

External advisers attend Committee meetings at the invitation of the Chairman.

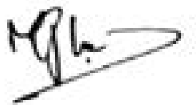
The Remuneration Committee was advised during the year by Aon Hewitt (formerly New Bridge Street) (AH). The Committee considers the advice obtained from AH to be objective and independent. AH is a member of the Remuneration Consultants Group and is a signatory to its Code of Conduct, which requires its advice to be objective and impartial.

AH provided advice in respect of a wide range of issues, including advice on the operation of the Sustained Performance Plan, TSR performance monitoring, drafting the Remuneration Report and Policy, remuneration benchmarking and share plan implementation services. AH's fee for advice provided to the Remuneration Committee during the financial year ending 31 May 2018 was £0.1 million (excluding VAT). Other than in respect of the advice described above, AH has no other relationship with IG that might prejudice their independence.

COMMITTEE EVALUATION

During the year, the Committee undertook a questionnaire-based review of its own effectiveness. The evaluation process was internally facilitated by the Company Secretary as part of the overall annual Board effectiveness review. Overall, the Committee's performance was rated highly, as was the management of its meetings. The Committee had made great strides during the year in ensuring it was kept up to date with, and in debating, significant information on market developments relating to executive pay. The need to continue to focus on improvements in the quality of materials provided to the Committee was highlighted.

This report was approved by the Board of Directors on 24 July 2018 and signed on its behalf by:



Malcolm Le May
Chairman, Remuneration Committee

24 July 2018

AUDIT COMMITTEE

JIM NEWMAN
Chairman of the Audit Committee

Jim Newman, Chairman of the Audit Committee, gives his review of the Committee's activities during the financial year.

CHAIRMAN'S OVERVIEW

This report sets out the role of the Committee and how it has discharged its responsibilities during the year. The Committee has continued to work closely with the Board Risk Committee in areas requiring the input of both Committees.

This year the Committee has seen improvements in the quality of materials presented to it, and has made improvements to the way in which it monitors and reviews the control environment. This includes reporting on the Group's Tax Risk Policy, the control environment relating to Client Money and Assets and the oversight of subsidiary governance undertaken by the Control Functions Oversight Committee. As the Group expands its geographical reach, it has requested that management focus on continuing to develop the Group's legal entity oversight framework, partly in the light of new case law in this area and the development of the Senior Managers and Certification Regime in the UK, which we expect to apply to IG during 2019.

The Board has agreed amended Terms of Reference (ToR) to reflect changes in the reporting requirements in respect of non-financial information, to clarify the reporting responsibilities of Internal Audit, and to ensure the Committee receives periodic updates on general developments in Internal Audit practice.

MEMBERSHIP AND ATTENDANCE

All Audit Committee members are Independent Non-Executive Directors who draw on considerable and broad business and financial services experience. There have been no changes to membership of the Committee during the year. The UK Corporate Governance Code requires the inclusion in the Committee of at least one member determined by the Board as having recent and relevant financial experience. The Committee Chairman is considered to fulfil this requirement.

The Chief Financial Officer, Head of Internal Audit, Company Secretary and representatives from PricewaterhouseCoopers LLP (PwC), the External Auditor, attend the Committee meetings by standing invitation. Members of senior management from various areas of the business attend the Committee meetings by invitation when necessary.

The Committee has four scheduled meetings a year and will additionally meet if and when required. The table below details meetings scheduled and attended during the year.

COMMITTEE MEMBER	ELIGIBLE TO ATTEND	ATTENDED
Jim Newman	4	4
Sam Tymms	4	4
Malcolm Le May(1)	4	3

(1) Malcolm Le May did not attend one meeting due to short notice unforeseen events.
The Chairman, Andy Green, was invited to, and attended, all of the meetings.

ROLE OF THE AUDIT COMMITTEE

The principal role and responsibilities of the Committee are set out in its Terms of Reference, and include, but are not limited to:

- Reviewing the financial statements and announcements relating to the financial performance and governance of the Group
- Reviewing the control environment through a number of means including via Internal Audit reports, the progress on implementation of audit recommendations and through consideration of a summary of the Control Action List
- Monitoring and reviewing the effectiveness of the Group's Internal Audit function in the overall context of the Group's internal controls and risk management
- Recommending the appointment of the External Auditors and reviewing their effectiveness, fees, Terms of Reference and independence

The Audit Committee's full Terms of Reference are revised on an annual basis and can be found on the corporate website; www.iggroup.com.

HOW THE COMMITTEE OPERATES

To ensure the Committee discharges its responsibilities appropriately, an annual forward calendar, linked to the Committee's Terms of Reference and covering key events in the financial reporting cycle, is approved by the Committee.

The Company Secretary, with input from the Chairman of the Committee, drafts the agenda before each meeting, ensuring that each of the items under the Committee's Terms of Reference and responsibilities is covered at least once in the financial year, and more frequently if required.

Following each Committee meeting, a formal report is made to the Board in which the Chairman of the Audit Committee describes the proceedings of the Committee meeting and makes recommendations to the Board as appropriate.

Members of the Committee also meet separately with the Head of Internal Audit and the External Auditors to focus on their respective areas of responsibility and to discuss any potential requirements for support from the Committee to address any issues arising.

MAIN ACTIVITIES DURING THE FINANCIAL YEAR

Financial reporting

In relation to financial reporting, the primary role of the Committee is to work with management and the External Auditors in reviewing the appropriateness of the half-year and annual financial statements. The Committee discharged its responsibilities in this area through focusing on the following, among other matters:

- Assessing the quality and acceptability of accounting policies and practices
- Ensuring disclosures are clear and compliant with financial reporting standards and relevant financial and governance reporting requirements
- Considering material areas in which significant judgements and estimates have been applied or there has been discussion with the External Auditors
- Reviewing announcements and financial statements prior to issuance including preliminary and half-year results announcements and recommending these to the Board for approval
- Reviewing the processes to support the assessment and determination of the Group's principal risks that may have an impact on the Group's solvency and liquidity before recommending and approving the Going Concern and Viability Statement to the Board
- Evaluating on behalf of the Board whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy
- Receiving a paper summarising all statements and assurances required of Directors in the Annual Report and Financial Statements together with evidence to support the Directors' views and required statements
- Receiving regular reports on the continuing Finance Change programme
- Receiving the annual report on the effectiveness of the control environment around client money and assets
- Receiving minutes of the Control Functions Oversight Committee, brief details of which are set out in the Corporate Governance Statement set out on page 47
- Receiving a deep dive report on Identity Access Management
- Reviewing the inherent risks in the financial reporting process and systems

To aid this review process, the Committee has considered reports from the Chief Financial Officer and his team, Internal and External Auditors.

The Committee considered and discussed with management and the External Auditors the primary areas of judgement and disclosure in relation to the financial statements for the year ended 31 May 2018, details of which are set out overleaf.

AUDIT COMMITTEE CONTINUED

ROLE OF THE COMMITTEE	DISCHARGE OF RESPONSIBILITIES	CONCLUSION/ACTION TAKEN
Going concern and long-term viability		
The Directors are required to make a statement in the Annual Report as to the going concern and longer-term viability of the Group.	The Committee evaluated various reports from management that set out the view of the Group's going concern and longer-term viability. These reports detailed the impact of outcomes of stress tests after applying multiple scenarios to determine how the Group is able to cope with deterioration in liquidity profile or capital position.	Taking into account the assessment by management of stress-testing results and risk appetite, the Committee agreed to recommend the Going Concern and Viability Statement to the Board for approval.
Accounting treatment of the purchase of DailyFX		
In the year ended 31 May 2017, the Group completed the purchase of DailyFX. This was classified as an intangible asset to be amortised over ten years. There is a judgement as to whether the purchase was of an asset or of a business which will continue to be reviewed by the Committee.	The Committee considered the appropriateness of continuing to account for the acquisition as an asset purchase rather than a business combination.	There being no change in the underlying factors, the Committee concluded that the DailyFX assets should continue to be classified as a separately identifiable intangible asset.
Carrying value of goodwill and other intangible assets		
In accordance with accounting standards, the Group is required to review any goodwill balances for impairment and to consider the underlying assumptions used in determining the carrying value of these assets. In addition, the Group is required to assess whether there is any indication the other intangible assets may be impaired.	• The Committee reviewed a paper from management setting out the key assumptions used in the impairment review of the goodwill balance and an associated sensitivity analysis • The Committee reviewed the impairment review of the DailyFX intangible asset and requested further analysis be presented for discussion	Based on the assessment performed, the Committee concluded that there should be no change to the recorded carrying value of the goodwill and other intangible assets.

ROLE OF THE COMMITTEE	DISCHARGE OF RESPONSIBILITIES	CONCLUSION/ACTION TAKEN
Accounting for cryptocurrencies		
The Group has revisited the way in which it accounts for cryptocurrencies to reflect recent practice and guidance. This has resulted in a change in the Group's accounting policy.	The Committee reviewed a paper from management setting out the proposed change to the accounting policy for cryptocurrency assets.	The Audit Committee concluded the change in accounting policy was appropriate.
Impact of new accounting standards		
The Group reviewed the expected impact of new accounting standards on the financial statements.	The Committee reviewed the assessment prepared by management detailing the expected impact of the following new accounting standards on the 2019 and 2020 reporting periods. • IFRS 9 – Financial instruments • IFRS 15 – Revenue from contracts with customers • IFRS 16 – Leases	Based on management's report, the Committee concluded the expected impact of the new accounting standards was accurate.
Segmental reporting		
The Group has revisited the way it discloses its segments in the Annual Report to better reflect the management and internal reporting structure of the Group.	The Committee reviewed the Group's new reporting segments to ensure that they were consistent with the way the business is managed and resources allocated.	Based on the assessment performed, the Committee concluded that the changes to the new reporting segments were appropriate.
Tax provisions		
Calculating the Group's corporation tax charge involves a degree of estimation and judgment, as the tax treatment of certain items cannot be finally determined until resolution has been reached with the relevant tax authority. The Group holds tax provisions in respect of the potential tax liability that may arise on these unresolved items. The Group has generated tax losses in certain jurisdictions where IG operates. The Group has recognised deferred tax assets in respect of these losses to the extent that future profits have been forecast.	The Committee reviewed a report from management that detailed the assumptions made in calculating the Group's corporation tax charge and provisions. The Group's External Auditors also provided commentary on this matter to the Committee. The Committee has also reviewed the Group's Tax Risk Management Policy and Tax Strategy.	The Committee concluded that the corporation tax charge and provisions recorded by the Group were appropriate and complete.

AUDIT COMMITTEE CONTINUED

CONTROL ENVIRONMENT

Other matters addressed by the Committee focused on the effectiveness of the Group's control environment and performance of the Group's IT systems, and the Internal Audit function, including the objectivity and independence of Internal Audit personnel.

ROLE OF THE COMMITTEE	DISCHARGE OF RESPONSIBILITIES	CONCLUSION/ACTION TAKEN
Risk management and internal control		
The Committee is required to assist the Board in the annual review of the effectiveness of the Group's risk management framework and internal control systems.	The Committee received a report from the Board Risk Committee including an assessment of those risks that might threaten the Group's business model, future performance, solvency or liquidity. It considered and challenged management on the overall effectiveness of the risk management framework and internal control systems. The Committee reviewed the relevant disclosures within the Accountability section of the Corporate Governance Report within the Annual Report.	The Committee agreed to recommend to the Board the Annual Report statements relating to the effectiveness of the risk management framework and internal control systems.
Internal Audit		
The Committee is required to oversee the performance, resourcing and effectiveness of the Internal Audit function.	The Committee monitored and reviewed the effectiveness of the Group's Internal Audit function in the overall context of the Group's internal controls and risk management systems. It reviewed and assessed the risk-based Internal Audit plan. It reviewed and monitored management's responsiveness to the findings and recommendations of the Internal Audit function. It monitored the consolidated Control Action List, noting themes arising, reviewing the effectiveness of the function. The Committee received all Internal Audit reports and, in addition, received summary reports on the results of the work of the Internal Audit function on a periodic basis. The Committee reviewed additional Internal Audit Reports, not forming part of the annual plan, requested by management or Directors in preparedness for new or changing product offerings. It reviewed the performance of the Internal Audit function against the plan and an assessment of the effectiveness of the Internal Audit function.	The Committee reviewed the resourcing and effectiveness of the Internal Audit function and approved the risk-based audit plan. The Committee supports the proposals by the Internal Audit function to add additional advisory and added value to the core mandate. The Internal Audit function remains effective and has implemented the appropriate policies to ensure this. The function has sufficient resources to deliver the proposed plan. The function continues to be efficient, with the processes being robust and strong governance being evidenced.

ROLE OF THE COMMITTEE	DISCHARGE OF RESPONSIBILITIES	CONCLUSION/ACTION TAKEN
Whistleblowing		
The Committee considers the adequacy of the Group's arrangements by which employees may in confidence raise concerns about improprieties in matters of financial reporting or other matters.	The Committee reviewed the Group's Whistleblowing Policy and agreed a number of updates and procedures to ensure that it will remain fit for the needs of the Group.	The Committee reviewed the Whistleblowing Policy and decided to include it within the 'new starter induction' process. The Committee concluded that whistleblowing processes were operating effectively during the period under review.
Client money and assets		
The Committee has a responsibility for overseeing the Group's systems and controls relating to the holding and management of client money and assets.	The Committee monitored the effectiveness of the control environment relating to Client Money and Assets, and received reports from the Chief Financial Officer on the operation of the Client Money and Assets Committee.	The Committee reviewed improvements made to the control environment and the steps being taken to further enhance controls at both Group and entity level. The Committee considered that these were appropriate to the circumstances of the Group.
Legal entity governance		
The Committee is responsible for the review of the role of the Control Functions Oversight Committee which itself provides oversight over the risk-based system for the governance, operation and maintenance of the Group's legal entities.	The Committee received updates from the Control Functions Oversight Committee and management to gain comfort that decisions are made and evidenced at the appropriate legal entity level and that appropriate mechanisms are in place for monitoring, control and oversight of legal entity decision-making at Group level. The Committee noted the progress made toward developing appropriate procedures and policies, including the development of the Control Functions Oversight Committee and a number of governance documents.	The Committee was satisfied as to the progress made in improving the overall framework.

AUDIT COMMITTEE CONTINUED

EXTERNAL AUDITOR

The Committee is responsible for making recommendations on the appointment, reappointment and removal of External Auditors, and for assessing and agreeing the fees payable to the Group's External Auditor (both audit and non-audit fees). The Committee is also responsible for reviewing the audit plans and reports from the External Auditors. The main activities undertaken in relation to the external audit are summarised below:

ROLE OF THE COMMITTEE	DISCHARGE OF RESPONSIBILITIES	CONCLUSION/ACTION TAKEN
Oversight of external audit		
The Committee is required to oversee the work and performance of PwC as External Auditor, including the maintenance of audit quality during the period.	The Committee met with the key members of the PwC audit team to discuss the 2018 audit plan and agree areas of focus. It assessed regular reports from PwC on the progress of the 2018 audit and any material issues identified. It debated the draft audit opinion ahead of the 2018 year-end. The Committee was also briefed by PwC on critical accounting estimates, where significant judgement is needed.	The Committee approved the audit plan and the main areas of focus, including revenue recognition, management override of controls and uncertain tax positions. More on the Committee's role in assessing the performance, effectiveness and independence of the External Auditor and the quality of the external audit can be found on page 87.
Audit and audit-related fees		
Audit-related fees include the statutory audit of the Group and its subsidiaries, as well as audits required due to the regulated nature of our business. Also included therein are fees associated with the ISAE 3000 controls opinion relating to the Group's processes and controls over client money segregation.	During the year, the Committee reviewed and approved a recommendation from management on the Company's audit and audit-related fees.	The Committee considers the 2018 audit fees to be appropriate.
Non-audit services fees		
To safeguard the objectivity and independence of the External Auditors from becoming compromised, the Committee has a formal policy governing the engagement of the External Auditors to provide non-audit services. The policy is reviewed on an annual basis. The Committee reviewed the Group's policy governing non-audit work against details of regulations on the statutory audit of public interest entities. The Group has updated its internal process on engagement of Auditors and review of non-audit services to ensure that its policy is in line with the regulations.	The Committee reviewed and approved all arrangements for non-audit fees. Fees in relation to permitted services below £0.05 million are deemed pre-approved by the Committee and are subject to the approval of the Chief Financial Officer. Fees above £0.05 million must be approved by the Committee, through the Committee Chairman. The Committee ensured that firms other than the External Auditors have been considered, following a competitive tender process, for the provision of a wide range of services, including tax advisory services, changes to regulation, tax compliance services, risk and regulatory advice. The Committee also requested and received an explanation from PwC of its own in-house independence process. The Committee ensured there were no exceptions to fee limits and approval process, per the policy, during the year.	During the year, non-audit fees of £0.3 million were paid to PwC, as discussed in note 4 to the Financial Statements. These principally related to tax compliance and software services. Non-audit fees have fallen in respect of each of the last three financial years. The Committee continues to seek to reduce the reliance on the External Auditors for non-audit work. The Committee approved the rationalisation of non-audit work among service providers by the Group. This resulted in the Group engaging Ernst & Young (EY) for global tax compliance.

EFFECTIVENESS OF EXTERNAL AUDITORS

In assessing the effectiveness and independence of the External Auditors, the Committee considered relevant professional and regulatory requirements and the relationship with the External Auditors as a whole. The Committee monitored the External Auditors' compliance with relevant regulatory, ethical and professional guidance on the rotation of partners, and assessed their qualifications, expertise, resources as well as the effectiveness of the audit process, including a report from the External Auditor on its own internal quality procedures.

As part of the assessment, a questionnaire, based on criteria recommended by professional and governance bodies, was completed by the key stakeholders in the Group. The questionnaire addressed matters including the External Auditors' integrity, objectivity, skills and technical knowledge, the quality of planning and execution of the audit, the level of challenge applied and the External Auditors' understanding of the Group's business. The results were analysed and a report was presented to the Committee. Following the review of the effectiveness of the External Auditor, the external audit process and an assessment of the External Auditor's independence and objectivity, the Committee has recommended the re-appointment of PwC to the Board for recommendation to and approval by shareholders at the Company's 2018 Annual General Meeting. There are no contractual obligations restricting the Company's choice of an external auditor.

AUDIT TENDERING AND ROTATION

PricewaterhouseCoopers LLP has been the Group's External Auditor since October 2010, following a tender process. The Committee remains satisfied with the external audit process and is currently not planning to undertake a formal retender process until it is required to under legislation for the year ending 31 May 2021. The Group is required to rotate the audit partner responsible for the Group audit every five years, with this being the third year for the current audit partner.

AUDIT COMMITTEE EFFECTIVENESS

During the year, the Committee undertook a questionnaire-based review of its own effectiveness. The evaluation process was externally facilitated by the Company Secretary as part of the overall annual Board effectiveness review. The Committee performance was highly rated, as was the management of meetings and the quality of information received. Significant progress had been made with the development of finance systems and processes and the time given in meetings to consideration of reports from Internal Audit had been increased. The review this year highlighted the need for the Committee to continue to be kept up to date with accounting and audit developments and to continue to monitor developments in the internal control environment. Overall, the Committee was seen to be operating effectively.

Jim Newman
Chairman, Audit Committee

24 July 2018

BOARD RISK COMMITTEE

SAM TYMMS
Chairman of the Board Risk Committee

Sam Tymms, Chairman of the Board Risk Committee, gives her review of the Committee's activities during the financial year.

CHAIRMAN'S OVERVIEW

The Committee has continued to focus on providing oversight and advice to the Board in relation to current and potential future risk exposures of the Group, including risks to the achievement of our strategy. The Committee's focus has developed towards ensuring a holistic approach to risk management across the Group including through clear linking of risk reporting to the key risks facing the business. The risk function, headed by a new Group Chief Risk Officer (CRO), has supported this development while continuing to focus on risk-related material such as the Risk Appetite Statement and Risk Management Framework, continued to develop our operational risk systems and conducted deep dives into topical areas.

In response to the further areas identified for development in last year's Committee evaluation, we have rebalanced the Committee's forward agenda between consideration of formal documentation and discussion of existing and emerging risks faced by the Group.

Our annual Non-Executive Director Risk Workshop provided active oversight of the input to our regulatory capital calculations set out in the Group's Internal Capital Adequacy Assessment Process (CAAP), the stress testing of our risks, and our capital and liquidity held against those, as well as our Reverse Stress Test and Recovery Plans (RP). This year we also focused on matters relevant to trading cryptocurrencies.

ROLE OF THE BOARD RISK COMMITTEE

The Committee refreshed its Terms of Reference (ToR), which now provides for the receipt by the Committee of a twice-yearly report on the risks associated with the Group's corporate culture and periodic reports on risks relating to Product Governance.

The reporting requirements for Internal Audit were also updated to ensure reports on advisory work conducted by the function on the state of the Risk Management Framework and current and potential risk exposures of the Group are provided to the Committee.

The Committee provides oversight and advice to the Board in relation to current and potential future risk exposures and future risk strategy of the Group. This includes determination of overall risk appetite and tolerance, taking into account the current and prospective macroeconomic and financial environment. Key responsibilities of the Committee, in addition to those noted above, include:

- Reviewing the Group's major risk exposures, identifying risk trends, concentrations and exposures and material regulatory changes, and overseeing the mitigation of those, consistent with our risk appetite
- Considering, and recommending for approval by the Board, the Risk Appetite Statement and Key Risk Indicators
- Reviewing the scope and nature of the work undertaken by the control functions, particularly in relation to business, regulatory, compliance, anti-money-laundering, conduct and culture risks
- Conducting an annual review of the Group's remuneration framework in support of the Committee's responsibility to consider the alignment of the remuneration policy to risk performance
- Ensuring rigorous stress-testing and scenario-testing of the Group's business and receiving reports which explain the impact of identified risks and threats
- Monitoring, reviewing and challenging key regulatory documents – the Individual Liquidity Adequacy Assessment, ICAAP and the RP
- Reviewing and recommending the statements to be included in the Annual Report concerning controls and risk management, for approval by the Board
- Considering the Group's insurance arrangements
- Continuing to work closely with other Board Committees where risk-related input is required

The ToR for the Committee are on the Company's website, iggroup.com

BOARD RISK COMMITTEE MEMBERSHIP AND ATTENDANCE

The Board Risk Committee is composed of Independent Non-Executive Directors. The table below shows the Committee members during the year and their attendance at Committee meetings.

The Committee is scheduled to meet four times a year and additionally when required. The Committee makes recommendations to the Board and, where relevant, to other Board Committees (for example, to the Remuneration Committee on remuneration-related risks) and the business of the Committee is reported to the following Board meeting.

Other than the Company Secretary, who attends all Committee meetings, Executive Directors, the CRO and the Head of Internal Audit attend Committee meetings by invitation. Representatives from other areas of the business attend the Committee meetings by invitation as appropriate to the matter under consideration.

The Board Chairman, Andy Green, attended two of the meetings.

To ensure the Committee discharges its responsibilities appropriately, an annual forward calendar, linked to the Committee's ToR, is approved by the Committee. The Company Secretary assists the Chairman of the Committee in drafting the agenda for each Committee meeting.

ACTIVITY DURING THE FINANCIAL YEAR

During the year, the Committee's key activities included:

- Reviewing developments to the Risk Appetite Statement and Risk Management Framework and alignment of business and risk management strategy with the risk appetite
- Formal review and adoption of the IG Group Risk Management Framework document
- Considering current and emerging risks facing the business and developing relevant reporting
- Requesting and/or reviewing a number of specific reports, including on conduct risk, AML controls, third-party supplier risk, Product Governance and technology risk
- Review and challenge of the operational risk development plan
- Formal annual consideration of material breaches
- Reviewing a culture risk dashboard and report covering client outcomes, technology, regulatory outcomes, people outcomes and conduct more broadly
- Reviewing the capital and liquidity position of the Group including through the ICAAP, ILAA and the RP
- Reviewing its own performance and considering steps to enhance Committee effectiveness and making appropriate recommendations to the Board

COMMITTEE EVALUATION AND FUTURE PRIORITIES

During 2018, the Committee undertook an internally facilitated assessment of its own effectiveness conducted by the Company Secretary. Its performance was highly rated, as was the management of its meetings and the quality of information received.

Improvements had been made to the linking of risk reporting to the key risks facing the business, with the development of formal risk documents and the consideration of the current and potential future risks facing the business.

Areas for development included further training and development in key areas of risk such as technology risk and a continued focus on the oversight of new and emerging risks.

Sam Tymms
Chairman, Board Risk Committee

24 July 2018

COMMITTEE MEMBER	ELIGIBLE TO ATTEND	ATTENDED
Sam Tymms	4	4
Stephen Hill	4	4
Jim Newman	4	4
June Felix(1)	4	3

(1) June Felix was unable to attend one Committee meeting due to prior commitments.

DIRECTORS' REPORT

The Directors present their report, together with the Group Financial Statements, for the year ended 31 May 2018. The Directors' Report comprises pages 90 to 93 of this report, together with the sections of the Annual Report incorporated by reference as set out below:

Section 414A of the Companies Act 2006 (the Act) requires the Directors to present a Strategic Report in the Annual Report and Financial Statements. The information can be found on pages 10 to 45.

The Company has chosen, in accordance with section 414C (11) of the Act and as noted in this Directors' Report, to include certain matters in its Strategic Report that would otherwise be disclosed in this Directors' Report.

Section 414CA of the Act requires the Company to include within its Strategic Report a non-financial statement setting out such information as is required by Section 414CB of the Act. Such information is set out in the Corporate Social Responsibility section on pages 40 to 45, in the Business Model and Risk Profile section on pages 16 to 19 and in the Risk Management and Going Concern and Viability Statement sections on pages 32 to 39.

In line with the requirements under Capital Requirements Capital Directive IV, requiring credit institutions and investment firms to publish annually certain tax and financial data for each country where they operate, the Group's UK regulated subsidiaries will make available their country-by-country reporting on the Group's website; iggroup.com.

DISCLOSURES REQUIRED PURSUANT TO LISTING RULE 9.8.4R

In compliance with the UK Financial Conduct Authority's Listing Rules, the information in Listing Rule 9.8.4R to be included in the Annual Report and Accounts, where applicable, can be found on the following pages:

DETAIL	PAGE
Waiver of dividends	90

CORPORATE GOVERNANCE STATEMENT

In compliance with the UK Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTR) 7.2.1, the disclosures required by the DTR are set out in this Directors' Report and in the Corporate Governance Report.

PROFIT AND DIVIDENDS

The Group's statutory profit for the year after taxation amounted to £226.4 million (2017: £169.2 million), all of which is attributable to the equity members of the Company.

The Directors recommend a final ordinary dividend of 33.51 pence per share, amounting to £123.1 million, making a total of 43.2 pence per share and £158.7 million for the year. Dividends are recognised in the Financial Statements for the year in which they are paid or, in the case of a final dividend, when approved by the shareholders. The amount recognised in the Financial Statements, as described in note 10, includes this financial year's interim dividend and the final dividend from the previous year, both of which were paid.

The final ordinary dividend, if approved, will be paid on 26 October 2018 to those shareholders on the register as at 28 September 2018.

Certain nominee companies representing our Employee Benefit Trusts hold shares in the Company, in connection with the operation of the Company's share plans. Evergreen dividend waivers remain in place on shares held by them that have not been allocated to employees.

ARTICLES OF ASSOCIATION

The Company's Articles of Association (the Articles) are available from the Group's website, iggroup.com, or by writing to the Company Secretary at the Group's registered office. The Articles can also be obtained from the UK Registrar of Companies. The Articles were last amended by the shareholders by means of a special resolution on 21 September 2016.

BOARD OF DIRECTORS AND THEIR INTERESTS

Details of the Directors who held office at the end of the year are set out on pages 48 to 49 and are incorporated into this report by reference. Details of Directors' beneficial and non-beneficial interests in the shares of the Company are shown on page 75. There have been no changes to Directors during this financial year. However, there were two appointments made to the Board, with effect from 1 June 2018. The details are set out below:

NAME	ROLE	EFFECTIVE DATE OF APPOINTMENT/RESIGNATION
Bridget Messer	Executive Director	Appointment at 1 June 2018 – Chief Commercial Officer
Jon Noble	Executive Director	Appointment at 1 June 2018 – Chief Information Officer

APPOINTMENT AND RETIREMENT OF DIRECTORS

The appointment and retirement of Directors is governed by the Articles, the UK Corporate Governance Code (the Code), the Act and related legislation. The Board has the power to appoint any person as a Director to fill a casual vacancy or as an additional Director, provided the total number of Directors does not exceed the maximum prescribed in the Articles. Any such Director holds office only until the next AGM, and is then eligible to offer himself or herself for election.

The Articles also require that all those Directors who have been in office at the time of the two previous AGMs, and who did not retire at either of them, must retire as Directors by rotation. Such Directors are eligible to stand for re-election. However, in line with the Code's recommendation that all Directors of FTSE 350 companies should be subject to annual election, all Directors will stand for re-election at the 2018 AGM.

DIRECTORS' CONFLICTS OF INTEREST

In accordance with the Act, all Directors must disclose both the nature and extent of any potential or actual conflicts with the interests of the Company. We explain the procedure for this on page 54.

INSURANCE AND INDEMNITIES

The Group has Directors' and Officers' liability insurance in place, providing appropriate cover for any legal action brought against its Directors. Qualifying third-party indemnity provisions (as defined by Section 234 of the Act) were in force during the year ended 31 May 2018. These provisions remain in force for the benefit of the Directors, in relation to certain losses and liabilities which they may incur (or have incurred) to third parties in the course of acting as Directors of the Company.

RESEARCH AND DEVELOPMENT

In the ordinary course of business, the Company regularly develops new products and services.

POLITICAL DONATIONS

The Company made no political donations to political organisations or independent election candidates and incurred no political expenditure in the year (2017: £nil).

SHARE CAPITAL

The Company has three classes of shares: ordinary shares, deferred redeemable shares and preference shares. As at 31 May 2018, the Company's issued shares comprised 367,889,455 ordinary shares of 0.005p each (representing 99.97% of the total issued share capital), 65,000 deferred redeemable shares of 0.001p each (representing 0.02% of the total issued share capital) and 40,000 preference shares of £1.00 each (representing 0.01% of the total issued share capital). Details of movement in the Company's share capital and rights attached to the issued shares are given in note 20 to the Financial Statements. Information about the rights attached to the Company's shares can also be found in the Articles. Details of the Group's required regulatory capital are disclosed in the Operating and Financial Review on page 30.

VARIATION OF RIGHTS

Subject to the provisions of applicable statutes, the rights attached to any class of shares may be varied, either with the consent in writing of the holders of at least three-quarters in nominal value of the issued shares of that class, or with the sanction of a Special Resolution passed at a separate meeting of the holders of the shares of that class.

RESTRICTIONS ON TRANSFER OF SECURITIES

There are no specific restrictions on the transfer of securities in the Company, other than as contained in the Articles and certain laws or regulations, such as those related to insider trading, which may be imposed from time to time. The Directors and certain employees of the Company are required to obtain the Company's approval prior to dealing in the Company's securities. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

EXERCISE OF RIGHTS OF SHARES IN EMPLOYEE SHARE SCHEMES

The trustees of the IG Group Employee Benefit Trust do not seek to exercise voting rights on shares held in the employee trusts, other than on the direction of the underlying beneficiaries. No voting rights are exercised in relation to shares unallocated to individual beneficiaries. The trustees have a dividend waiver in place in respect of unallocated shares held in the trust.

DIRECTORS' REPORT CONTINUED

POWERS OF THE DIRECTORS TO ISSUE OR PURCHASE THE COMPANY'S SHARES

The Articles permit the Directors to issue or repurchase the Company's own shares, subject to obtaining shareholders' prior approval. The shareholders gave this approval at the 2017 AGM. The authority to issue or buy back shares will expire at the 2018 AGM, and it will be proposed at the meeting that the Directors be granted new authorities to issue or buy back shares. The Directors currently have authority to purchase up to 36,698,158 of the Company's ordinary shares. However, the Company did not repurchase any of its ordinary shares during the year.

During the year, the Company instructed the trustee of the Employee Benefit Trusts to purchase shares in order to satisfy awards under the Group's share-incentive plan schemes. The Company also issued shares in respect of the Sustained Performance Plan. Details of the shares held by the Group's Employee Benefit Trusts and the amounts paid during the year are disclosed in note 22 to the Financial Statements.

MAJOR INTEREST IN SHARES

Information provided to the Company by major shareholders pursuant to the Financial Conduct Authority (FCA) and Disclosure Guidance and Transparency Rules (DTRs) is published via a Regulatory Information Service and is available on the Company's website. The following information has been received, in accordance with DTR5, from holders of notifiable interests in the Company's issued share capital as at 31 May 2018 and as at 16 July 2018. Holders are not required to notify the Company of any change until the next applicable threshold is reached or crossed.

CHANGE OF CONTROL

Following any future change of control of the Company, participating lenders in the Group's bank facility agreement have the option to cancel their commitment. Upon such cancellation, any outstanding loans, including accrued interests and other amounts due to lenders will become immediately due and payable. Further details may be found in note 28 to the Financial Statements.

There are no agreements between the Company and its Directors or employees providing for compensation on any loss of office or employment that occurs because of a takeover bid. However, options and awards granted to employees under the Company's share schemes and plans may vest on a takeover, under the schemes' provisions.

ANNUAL GENERAL MEETING

The Company's AGM will be held on 20 September 2018. Details of the resolutions to be proposed at the AGM will be provided in a separate circular sent to all shareholders.

INDEPENDENT AUDITORS

Resolutions to reappoint PricewaterhouseCoopers LLP as the Company's Auditors and to authorise the Directors to determine their remuneration will be put to shareholders at the AGM on 20 September 2018.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the Auditors in connection with preparing their report, of which the Auditors are unaware. Each Director has taken all the steps that he or she is obliged to take as a Director in order to make himself or herself aware of any relevant audit information, and to establish that the Company's Auditors are aware of that information. This confirmation is given pursuant to Section 418 of the Companies Act 2006 and should be interpreted in accordance with and subject to these provisions.

SUBSEQUENT EVENTS

Please refer to note 28 of the Financial Statements

	31 MAY 2018		16 JULY 2018	
	NO. OF SHARES	PERCENTAGE	NO. OF SHARES	PERCENTAGE
Sun Life Financial Group	33,364,461	9.07%	30,681,347	8.34
BlackRock, Inc.	25,473,158	6.92%	25,597,066	6.96
Artemis Investment Management LLP	20,177,731	5.48%	20,118,276	5.47
Standard Life Aberdeen	14,984,620	4.07%	15,632,515	4.25
Marathon Asset Management	14,848,728	4.04%	14,437,518	3.92
Prudential PLC Group of Companies	12,103,067	3.29%	11,436,411	3.11

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors have prepared the Group and Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company, and of the profit or loss of the Group and Company for that period. In preparing these Financial Statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements
- Make judgements and accounting estimates that are reasonable and prudent
- Prepare the Financial Statements on a going-concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions, and to disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

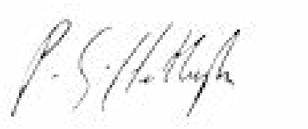
The Directors, whose names and functions are listed in the Corporate Governance Report, confirm that, to the best of their knowledge:

- The Group and Company Financial Statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group and profit of the Company
- The Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces

In the case of each Director in office at the date the Directors' Report is approved:

- So far as the Director is aware, there is no relevant audit information of which the Group and Company's Auditors are unaware
- They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's Auditors are aware of that information

On behalf of the Board



Peter Hetherington
Chief Executive Officer

24 July 2018

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IG GROUP HOLDINGS PLC

REPORT ON THE FINANCIAL STATEMENTS

OPINION

In our opinion, IG Group Holdings plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 May 2018 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

IG Group Holdings plc's financial statements comprise:

- The Group and Company Statements of Financial Position as at 31 May 2018.
- The Group Income Statement and Group Statement of Comprehensive Income for the year then ended.
- The Group and Company Cash Flow Statements for the year then ended.
- The Group and Company Statements of Changes in Equity for the year then ended.
- The notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006, and applicable law.

Our opinion is consistent with our reporting to the Audit Committee.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

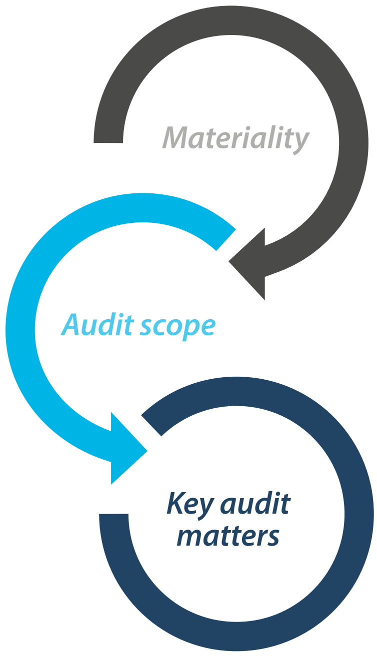
Other than those disclosed in note 4 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 June 2017 to 31 May 2018.

OUR AUDIT APPROACH

Context

We present below an overview of our audit approach, the details of which are considered within our audit report:

Overview



- Overall Group materiality: £14 million which represents 5% of profit before tax; overall company materiality: £6.2 million which represents 1% of total assets.

- The Group consists of a UK holding company with a number of subsidiary entities and branches containing the operating businesses of both the UK and overseas territories. The accounting records for both the UK and overseas businesses are primarily maintained and controlled by the Group's finance teams in London and Krakow.
- We have determined the appropriate work to perform based on the consolidated balances of the Group. As a result, the audit work was performed by the Group audit team in London supported by a PwC Poland team in Krakow, reflecting the centralised nature of the business.

- Revenue recognition.
- Risk of management override of internal controls, including incorporating privileged access management to IT systems relevant to the financial reporting process.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and Company financial statements, including, but not limited to, the Companies Act 2006, and the Financial Conduct Authority's Client Asset Sourcebook. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, review of correspondence with and reports to the regulators, enquiries of management, and review of internal audit reports in so far as they related to the financial statements. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IG GROUP HOLDINGS PLC CONTINUED

Key audit matter	How our audit addressed the key audit matter
Revenue recognition The Group's trading revenue is predominantly generated from over-the-counter (OTC) leveraged derivatives that comprise spread betting and contract for difference (CFD) transactions placed by clients, offset by net gains or losses from the hedging trades that the Group places with external market counterparties to manage its risk.	We focused firstly on testing the control environment in which revenue is recorded. In particular we tested controls directly associated with revenue transaction reporting, and the valuation of year-end positions held by clients with the Group. We also tested controls associated with cash reconciliations and reconciliations with external counterparties through the year. We agreed cash accounts to external third party evidence at year-end through a combination of independent confirmations and examination of bank statements, and amounts and positions held with hedging counterparties to external third party evidence. Finally, to address the risk that improper adjustments or transactions had been entered into the trading systems, we reviewed client activity reports and read a sample of customer complaints, as well as testing a sample of accounts for authenticity to identify any instances where revenue might have been improperly recognised. We identified a number of exceptions in our testing of the technology control environment, but have performed sufficient additional procedures to conclude that they do not have a material impact on revenue.
Management override of control, including privileged access management International Standards on Auditing (UK) (ISAs UK) require that we consider this as a significant risk as management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although management is responsible for safeguarding the assets of the business, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the financial statements and accounting records. Specifically in relation to information technology, the risk relates to privileged access provided for the Group's technology function to certain IT systems relevant to the Group's revenue and financial reporting processes. While mitigating controls operate, the privileged access could result in unauthorised changes being made to system functionality or data, either in error or intentionally.	We understood and tested key controls in place over the financial reporting process. Specifically, in relation to information technology, we performed testing of the IT general controls related to IT systems relevant to financial reporting, including testing of access rights. We tested controls mitigating the risks relating to privileged access. This included: validating that the most recent change to the systems had been recorded in the IT change management system for approval; testing the control operated by the Group to identify where production code differs from the latest approved version, and performing testing over key automated controls (including report configuration) to identify whether unapproved changes to those controls had been made during the period. We also performed substantive procedures to mitigate the risks. These included the testing of reconciliations of key financial reports to external third party sources, including broker and bank reconciliations. No issues arose from this work. We assessed the judgement areas underlying key accounting estimates used in preparation of financial statements and tested the appropriateness and authorisation of journal entries selected for testing using risk criteria tailored for the Group. No issues arose from this work. We also incorporated an element of unpredictability into our testing approach.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group consists of a UK holding company with a number of subsidiary entities and branches containing the UK and overseas operating businesses. The accounting records for the UK and overseas businesses are primarily maintained by the Group Finance team in London and Krakow. As a result, the audit work was performed by the Group audit team and PwC Poland in these locations.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group	Company
Overall materiality	£14 million (2017: £10.7 million).	£6.2 million (2017: £6.2 million).
How we determined it	5% of profit before tax	1% of total assets
Rationale for benchmark applied	Consistent with last year, we applied this benchmark, a generally accepted auditing practice, as it is the most relevant metric against which the performance of the Group is measured.	A benchmark of total assets has been used as the Company's primary purpose is to act as a holding Company with investments in the Group's subsidiaries, not to generate operating profits and therefore a profit based measure is not relevant.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.7 million (2017: £0.5 million) at Group level and £0.3 million (2017: £0.3 million) at Company level only as well as misstatements below these amounts that, in our view, warranted reporting for qualitative reasons.

Going Concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IG GROUP HOLDINGS PLC CONTINUED

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 May 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements (CA06).

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report (CA06).

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 56 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 39 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit (Listing Rules).

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 93, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on page 80 to 87 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006 (CA06).

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 93, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- The Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

APPOINTMENT

Following the recommendation of the Audit Committee, we were appointed by the directors on 8 December 2010 to audit the financial statements for the year ended 31 May 2011 and subsequent financial periods. The period of total uninterrupted engagement is 8 years, covering the years ended 31 May 2011 to 31 May 2018.

Darren Meek (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 July 2018

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CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY 2018

	Note	**Year ended 31 May 2018 £m**	Year ended 31 May 2017 £m
Trading revenue		590.2	518.7
Introducing partner commissions		(21.2)	(27.6)
Net trading revenue	2	569.0	491.1
Betting duty and financial transaction taxes		(5.1)	(7.5)
Interest income on segregated client funds		5.2	4.6
Interest expense on segregated client funds		(0.7)	(0.6)
Other operating income		2.8	1.9
Net operating income		571.2	489.5
Operating expenses	3	(290.1)	(276.1)
Operating profit		281.1	213.4
Finance income	6	2.9	1.7
Finance costs	7	(3.2)	(1.4)
Profit before taxation		280.8	213.7
Taxation	8	(54.4)	(44.5)
Profit for the year and attributable to owners of the parent		226.4	169.2
Earnings per ordinary share:			
– basic	9	61.7p	46.2p
– diluted	9	61.2p	45.9p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2018

	Year ended 31 May 2018		Year ended 31 May 2017	
	£m	**£m**	£m	£m
Profit for the year attributable to owners of the parent		226.4		169.2
Other comprehensive (expense)/income:				
Items that may be reclassified to the income statement:				
Change in value of available-for-sale financial assets, net of tax	(0.2)		(0.2)	
Foreign currency translation (loss)/gain	(3.0)		14.7	
Other comprehensive (expense)/income for the year		(3.2)		14.5
Total comprehensive income attributable to owners of the parent		223.2		183.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MAY 2018

	Note	**31 May 2018 £m**	31 May 2017 £m
Assets			
Non-current assets			
Property, plant and equipment	11	15.5	17.4
Intangible assets	12	151.4	156.7
Financial investments	16	111.6	52.4
Deferred income tax assets	8	9.1	9.1
		287.6	235.6
Current assets			
Trade receivables	14	382.8	345.6
Other assets	15	27.2	11.9
Prepayments and other receivables		11.8	12.2
Cash and cash equivalents		289.7	230.9
Financial investments	16	62.0	92.0
		773.5	692.6
Total assets		1,061.1	928.2
Liabilities			
Current liabilities			
Trade payables	17	126.7	117.3
Other payables	18	74.7	62.5
Income tax payable		17.6	13.1
Total liabilities		219.0	192.9
Equity			
Share capital and share premium	20	206.8	206.8
Other reserves	21	71.6	123.1
Retained earnings		563.7	405.4
Total equity		842.1	735.3
Total equity and liabilities		1,061.1	928.2

These consolidated financial statements on pages 101 to 137 were approved by the Board of Directors on 24 July 2018 and signed on its behalf by:

Paul Mainwaring
Chief Financial Officer

Registered Company number: 04677092

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2018

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
At 1 June 2016	–	206.8	102.2	354.0	663.0
Profit for the year and attributable to owners of the parent	–	–	–	169.2	169.2
Other comprehensive income for the year	–	–	14.5	–	14.5
Total comprehensive income	–	–	14.5	169.2	183.7
Equity-settled employee share-based payments	–	–	7.7	–	7.7
Tax recognised directly in equity on share-based payments	–	–	0.7	–	0.7
Purchase of own shares	–	–	(1.1)	–	(1.1)
Equity dividends paid	–	–	–	(118.7)	(118.7)
Dividends paid on own shares held in trust	–	–	(0.9)	0.9	–
Movement in equity	–	–	20.9	51.4	72.3
At 31 May 2017	–	206.8	123.1	405.4	735.3
Profit for the year and attributable to owners of the parent	–	–	–	226.4	226.4
Other comprehensive expense for the year	–	–	(3.2)	–	(3.2)
Total comprehensive income	–	–	(3.2)	226.4	223.2
Equity-settled employee share-based payments	–	–	7.0	–	7.0
Tax recognised directly in equity on share-based payments	–	–	–	0.5	0.5
Purchase of own shares	–	–	(4.3)	–	(4.3)
Equity dividends paid	–	–	–	(119.6)	(119.6)
Transfer of share-based payment reserve	–	–	(51.0)	51.0	–
Movement in equity	–	–	(51.5)	158.3	106.8
At 31 May 2018	–	206.8	71.6	563.7	842.1

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY 2018

	Note	**Year ended 31 May 2018 £m**	Year ended 31 May 2017 £m
Operating activities			
Cash generated from operations	27	276.6	224.1
Income taxes paid		(48.9)	(45.3)
Net cash flow generated from operating activities		227.7	178.8
Investing activities			
Interest received		2.6	2.0
Purchase of property, plant and equipment		(4.4)	(10.6)
Payments to acquire and develop intangible assets		(9.6)	(36.3)
Net cash flow from (purchase)/sale of financial investments		(28.9)	(8.8)
Net cash flow used in investing activities		(40.3)	(53.7)
Financing activities			
Interest paid		(3.2)	(1.4)
Equity dividends paid to owners of the parent		(119.6)	(118.7)
Purchase of own shares		(4.3)	(1.1)
Net cash flow used in financing activities		(127.1)	(121.2)
Net increase in cash and cash equivalents		60.3	3.9
Cash and cash equivalents at the beginning of the year		230.9	218.8
Impact of movement in foreign exchange rates		(1.5)	8.2
Cash and cash equivalents at the end of the year		289.7	230.9

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION, BASIS OF PREPARATION AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

General information

The financial statements of IG Group Holdings plc and its subsidiaries (together the Group) for the year ended 31 May 2018 were authorised for issue by the Board of Directors on 24 July 2018 and the statement of financial position was signed on the Board's behalf by Paul Mainwaring. IG Group Holdings plc is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in England and Wales. The Company's registered address is 25 Dowgate Hill, London, United Kingdom, EC4R 2YA.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and with the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivatives instruments) at fair value through profit or loss.

The preparation of financial statements 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 consolidated financial statements are disclosed below.

Basis of preparation

The accounting policies which have been applied in preparing the financial statements for the year ended 31 May 2018 are disclosed in note 29.

Critical accounting estimates and judgements

The preparation of financial statements requires the Group to make estimates and judgements that affect the amounts reported for assets and liabilities as at the year-end, and the amounts reported for revenue and expenses during the year. The nature of estimates means that actual outcomes could differ from those estimates.

In the Directors' opinion, the accounting estimates or judgements that have the most significant impact on the presentation or measurement of items recorded in the financial statements are the following:

(a) Impairment assessment of goodwill and other intangible assets (estimate) – An impairment assessment was performed as at 31 May 2018 to determine whether the carrying amounts for the DailyFX intangible asset, and for goodwill balances, are appropriate. This involved estimating pre-tax future cash flows attributable to the asset and discounting them back to their present values using a discount rate to determine the value in use of the asset. The determination of pre-tax cash flows is inherently uncertain and relies upon assumptions.

The key assumptions relevant to the Group's impairment assessment of the DailyFX intangible asset include the number of first trades generated by the asset, the attrition rate of customers and the net trading income generated by each active client. The outcome of the Group's DailyFX impairment assessment is insensitive to reasonable changes in each of these assumptions. More information on the key assumptions relevant to, and a sensitivity analysis of, the Group's impairment assessment of goodwill is disclosed in note 13.

(b) Tax provisions (estimate) – The calculation of the Group's income tax provision involves a degree of estimation and judgement as the tax treatment of some transactions and the application of tax legislation cannot be finally determined until formal resolution has been reached with the relevant tax authority. The Group recognises tax liabilities for open tax matters based on judgements of the overall likelihood of success and estimates of the additional taxes that will be due. Tax payable may ultimately be materially more or less than the amount already accounted for. More information on the Group's sensitivity to tax judgements is disclosed in note 8.

(c) DailyFX asset acquisition (judgement) – Determining whether the purchase of DailyFX during the year ended 31 May 2017 was a business combination or an asset purchase was a matter of critical accounting judgement which remains relevant for the year ended 31 May 2018 given the size of the asset on the Group's statement of financial position at £25.3 million. The purchase included the website together with its historical content and lead list. In order to enable lead capturing and to re-establish the DailyFX Plus facility, which captures details on new subscribers, the infrastructure necessary for operating and integrating the website needed to be rebuilt. A number of the DailyFX staff were offered and subsequently accepted roles with IG. Therefore, whilst inputs had been acquired, the processes that IG would ultimately benefit from had to be recreated and rebuilt or separately acquired. Accordingly, the Group accounted for the transaction as an asset purchase as not all the requirements for a business combination were met.

(d) Accounting for cryptocurrencies (judgement) – The Group recognised £27.2 million of cryptocurrency assets on its statement of financial position as at 31 May 2018 (31 May 2017: £11.9 million). During the year the Group changed the accounting policy it applies to these assets, which is considered to be a critical accounting judgement, as the change reclassified these assets from trade receivables into other assets which is considered to be a more appropriate presentation. There was no impact on the income statement as a result of this change in judgement. More information on the Group's cryptocurrency assets is disclosed in note 15.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. NET TRADING REVENUE

Net trading revenue represents trading revenue after deducting introducing partner commissions.

Net trading revenue by operating segment

The Executive Directors are the Group's chief operating decision-makers (CODM). Management has determined the operating segments based on the information reviewed by the Executive Directors for the purposes of allocating resources and assessing performance.

The Executive Directors continue to consider the business performance principally from a product perspective, split into OTC leveraged derivatives, exchange traded derivatives and share dealing and investments. Segment net trading revenue is stated after deducting introducing partner commissions, as this is consistent with the management information received by the Executive Directors.

The income from OTC leveraged derivatives is split by geographical location as the United Kingdom (UK), Europe, Middle East and Africa (EMEA) and Asia Pacific (APAC).

- EMEA comprises the Group's activities in Ireland, France, Germany, Italy, Spain, Sweden, Switzerland, United Arab Emirates and South Africa.
- APAC comprises the Group's activities in Australia, Singapore and Japan.

Net trading revenue from OTC leveraged derivatives is reported geographically, reflecting the location of the office that manages the underlying client relationship and represents an allocation of the net trading revenue that the Group generates from clients' trading activity.

The income from exchange traded derivatives derives wholly from the United States.

The income from share dealing derives from the UK, EMEA and APAC, whilst the income from investments derives wholly from the UK. In the year ended 31 May 2018, £3.0 million of share dealing and investments income was generated in the UK (FY17: £2.0 million), £0.8 million was generated in APAC (FY17: £0.2 million) and £0.2 million was generated in EMEA (FY17: £0.2 million).

The Group manages market risk and a number of other activities on a Group-wide portfolio basis, and accordingly a large proportion of costs are incurred centrally. These central costs are not allocated to individual segments for decision-making purposes for the CODM and accordingly these costs have not been allocated to segments.

The segmental analysis shown below therefore does not include a measure of profitability, nor a segmented statement of financial position, as this would not reflect the information which is received by the CODM on a regular basis. The segmental breakdown of net trading revenue is as follows:

	Year ended 31 May 2018 £m	Year ended 31 May 2017 £m
OTC leveraged derivatives:		
UK	**249.5**	223.0
EMEA	**162.1**	137.5
APAC	**136.8**	114.1
	548.4	474.6
Exchange traded derivatives	**16.6**	14.1
Share dealing and investments	**4.0**	2.4
Total net trading revenue	**569.0**	491.1

Net trading revenue by product

The income from OTC leveraged derivatives can also be split by the nature of the underlying asset:

	Year ended 31 May 2018 £m	Year ended 31 May 2017 £m
OTC leveraged derivatives:		
Indices	**224.2**	203.8
Foreign exchange	**130.7**	82.2
Equities	**95.4**	76.4
Commodities	**55.0**	68.2
Options	**43.1**	44.0
	548.4	474.6

3. OPERATING EXPENSES

	Year ended 31 May 2018 £m	Year ended 31 May 2017 £m
Employee remuneration costs are as follows:		
Wages, salaries and benefit allowances	96.0	95.5
Equity-settled share-based payment awards and related social security costs	8.8	7.5
Performance-related bonus and related social security costs	27.1	16.1
	131.9	119.1
Advertising and marketing	58.7	64.5
Premises	12.6	13.2
Telephone and data	2.1	2.0
IT maintenance and support	11.2	12.2
Market data	9.7	9.7
Net charge for impaired trade receivables	0.8	3.0
Legal and professional costs	8.8	8.0
Regulatory fees	7.1	2.3
Irrecoverable VAT and other sales taxes	13.1	14.1
Credit card and alternative payment charges	5.5	2.2
Other costs	11.0	9.4
Depreciation and amortisation	17.6	16.4
	290.1	276.1

Included in premises-related costs is operating lease rentals for office space of £6.6 million (FY17: £6.9 million).

4. AUDITORS' REMUNERATION

	Year ended 31 May 2018 £m	Year ended 31 May 2017 £m
Audit fees		
Fees payable to the Company's auditors for the audit of the parent Company and consolidated financial statements	0.5	0.4
Fees payable to the Company's auditors and its associates for the statutory and non-statutory audits of the accounts of subsidiaries and branches of the Company	0.3	0.4
Total audit fees	0.8	0.8
Audit-related fees		
Fees payable to the Company's auditors and its associates for audit-related assurance services:		
– Other services supplied pursuant to legislation	0.4	0.3
– Other audit-related assurance services	0.1	–
Total audit-related fees	0.5	0.3
Non-audit fees		
Services relating to taxation		
– Tax advisory services	–	0.3
Other services	0.3	0.2
Total non-audit fees	0.3	0.5

Audit-related fees include services that are specifically required of the Group's auditors through legislative or contractual requirements, controls assurance engagements required of the auditors by the regulatory authorities in whose jurisdiction the Group operates, and other audit-related assurance services.

Other services relate to the licensing of software used for the production of client share dealing statements.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5. STAFF COSTS

The staff costs for the year, including Directors, were as follows:

	Year ended 31 May 2018 £m	Year ended 31 May 2017 £m
Wages and salaries, performance-related bonus and equity-settled share-based payment awards	112.2	102.0
Social security costs	13.4	10.3
Employee nominated payments to defined contribution schemes and company contribution	6.3	6.8
	131.9	119.1

The Group does not operate any defined benefit pension schemes.

The Directors' remuneration for the years ended 31 May 2018 and 31 May 2017 is set out in the Directors' Remuneration Report on page 60.

The average monthly number of employees, including Directors, was made up as follows:

	Year ended 31 May 2018 Number	Year ended 31 May 2017 Number
Prospect acquisition	197	202
Sales and client service	447	406
Technology and innovation	709	700
Business administration	244	214
	1,597	1,522

6. FINANCE INCOME

	Year ended 31 May 2018 £m	Year ended 31 May 2017 £m
Bank interest receivable	1.0	0.7
Interest receivable on cash held at brokers	1.4	0.4
Interest accretion on financial investments	0.5	0.6
	2.9	1.7

7. FINANCE COSTS

	Year ended 31 May 2018 £m	Year ended 31 May 2017 £m
Revolving credit facility interest and fees	1.4	1.1
Other interest	1.8	0.3
	3.2	1.4

8. TAXATION

Tax on profit on ordinary activities

Tax charged/(credited) in the income statement:

	Year ended 31 May 2018 £m	Year ended 31 May 2017 £m
Current income tax:		
UK corporation tax	48.4	40.5
Non-UK corporation tax	4.3	3.2
Adjustment in respect of prior years	1.3	2.0
Total current income tax	54.0	45.7
Deferred income tax:		
Origination and reversal of temporary differences	(0.6)	(0.8)
Adjustment in respect of prior years	(0.9)	–
Impact of change in tax rates on deferred tax balances	1.9	(0.4)
Total deferred income tax	0.4	(1.2)
Tax expense in the income statement	54.4	44.5
Tax not credited to income statement:		
Tax recognised directly in equity on share-based payments	(0.5)	(0.7)

8. TAXATION CONTINUED

Reconciliation of the total tax charge

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly, the rate of corporation tax for the year ended 31 May 2018 is 19.0% (year ended 31 May 2017: 19.83%). Taxation outside the UK is calculated at the rates prevailing in the relevant jurisdictions. The tax expense in the income statement for the year can be reconciled as set out below:

	Year ended 31 May 2018 £m	Year ended 31 May 2017 £m
Profit before taxation	280.8	213.7
Profit multiplied by the UK standard rate of corporation tax of 19.0% (FY17: 19.83%)	53.4	42.4
Higher taxes on overseas earnings	0.4	0.5
Adjustment in respect of prior years	0.4	2.0
Expenses not deductible for tax purposes	1.8	0.4
Patent box deduction	(3.5)	–
Temporary differences not yet recognised in respect of share schemes	–	1.0
Impact of change in tax rates on deferred tax balances	1.9	(0.4)
Recognition of deferred tax assets	–	(1.8)
Deferred tax not recognised on current year tax losses	–	0.4
Total tax expense reported in the income statement	54.4	44.5

The effective tax rate for the year is 19.4% (FY17: 20.8%).

Deferred income tax assets

The deferred income tax assets included in the statement of financial position are as follows:

	31 May 2018 £m	31 May 2017 £m
Tax losses available for offset against future tax	2.8	4.4
Temporary differences arising on share-based payments	2.2	1.6
Temporary differences arising on fixed assets	1.6	0.8
Other temporary differences	2.5	2.3
	9.1	9.1

The Finance Act 2015 passed into legislation in July 2015 and changed the main rate of UK corporation tax from 20% to 19% effective from 1 April 2017. The Finance Act 2016 passed into legislation in September 2016 and further reduced the main rate of UK corporation tax to 17% effective from 1 April 2020. The impact of these changes on deferred tax has been assessed and deferred tax assets and liabilities have been assessed at the tax rates that are expected to apply when the related asset is realised or liability settled.

The Group has an unrecognised deferred tax asset of £4.5 million in respect of prior years' losses of the US businesses, the recoverability of which is dependent on sufficient taxable profits in those entities. The deferred tax asset reflects the extent to which it is considered probable that future taxable profits can be offset against the tax losses carried forward. The Group also has an unrecognised deferred tax asset of £11.6 million in respect of UK capital losses, the recoverability of which is dependent on sufficient capital gains arising in the future.

Share-based payment awards have been charged to the income statement but are not allowable as a tax deduction until the awards vest. The excess of tax relief in future years over the amount charged to the income statement is recognised as a credit directly to equity.

The movement in the deferred income tax assets included in the statement of financial position is as follows:

	31 May 2018 £m	31 May 2017 £m
At the beginning of the year	9.1	7.2
– Income statement (charge)/credit	(0.4)	1.2
– Tax credit directly to equity	0.4	0.4
– Impact of movement in foreign exchange rates	–	0.3
At the end of the year	9.1	9.1

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

8. TAXATION CONTINUED

Factors affecting the tax charge in future years

Factors that may affect the Group's future tax charge include the geographic location of the Group's earnings, the tax rates in those locations, changes in tax legislation, the use of brought-forward tax losses and the resolution of open tax issues.

The calculation of the Group's total tax charge involves a degree of estimation and judgement with respect to the recognition of deferred tax assets, which are dependent on the Group's estimation of future profitable income and of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority.

There are two historic UK tax schemes that are still under discussion with HMRC. The Group has made tax payments relating to these schemes and, if resolved in the Group's favour, may result in a material cash inflow to the Group and a reduction in the future tax charge as a result of a prior year adjustment. The Group determines its tax liability by taking into account its tax risks and it makes provision for those matters where it is probable that a tax liability will arise. Tax payable may ultimately be materially more or less than the amount already accounted for.

9. EARNINGS PER ORDINARY SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the year, excluding shares held as own shares in Employee Benefit Trusts. Diluted earnings per share is calculated using the same profit figure as that used in basic earnings per share and by adjusting the weighted average number of ordinary shares assuming the vesting of all outstanding share scheme awards and that vesting is satisfied by the issue of new ordinary shares.

The following reflects the income and share data used in the earnings per share computation:

	Year ended 31 May 2018 £m	Year ended 31 May 2017 £m
Earnings attributable to owners of the parent	226.4	169.2
Weighted average number of shares:		
Basic	366,780,442	366,441,640
Dilutive effect of share-based payments	3,162,903	2,442,663
Diluted	369,943,345	368,884,303

	Year ended 31 May 2018	Year ended 31 May 2017
Basic earnings per share	61.7p	46.2p
Diluted earnings per share	61.2p	45.9p

10. DIVIDENDS PAID AND PROPOSED

	Year ended 31 May 2018 £m	Year ended 31 May 2017 £m
Proposed final dividend for FY18 at 33.51p per share (FY17 final paid: 22.88p)	123.1	83.9
Interim dividend for FY18 at 9.69p per share (FY17: 9.42p)	35.6	34.6
	158.7	118.5

The final dividend for FY18 of 33.51p per share, amounting to £123.1 million, was proposed by the Board on 24 July 2018 and has not been included as a liability at 31 May 2018. This dividend will be paid on 26 October 2018, following approval at the Company's AGM, to those members on the register at the close of business on 28 September 2018.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £m	Office equipment, fixtures and fittings £m	Computer and other equipment £m	Total £m
Cost:				
At 31 May 2016	19.6	3.1	21.7	44.4
Additions	3.6	2.1	6.3	12.0
Impact of movement in foreign exchange rates	0.4	0.1	0.5	1.0
At 31 May 2017	23.6	5.3	28.5	57.4
Additions	0.1	1.0	4.0	5.1
Disposals/write-offs	(0.3)	(0.1)	(1.3)	(1.7)
Impact of movement in foreign exchange rates	(0.3)	0.1	(0.3)	(0.5)
At 31 May 2018	23.1	6.3	30.9	60.3
Accumulated depreciation:				
At 31 May 2016	12.3	2.4	16.7	31.4
Provided during the year	3.4	0.4	4.1	7.9
Written off	0.2	–	0.5	0.7
At 31 May 2017	15.9	2.8	21.3	40.0
Provided during the year	1.6	0.9	4.4	6.9
Amounts derecognised upon disposal	(0.2)	(0.1)	(1.2)	(1.5)
Impact of movement in foreign exchange rates	(0.3)	0.1	(0.4)	(0.6)
At 31 May 2018	17.0	3.7	24.1	44.8
Net book value – 31 May 2018	6.1	2.6	6.8	15.5
Net book value – 31 May 2017	7.7	2.5	7.2	17.4
Net book value – 31 May 2016	7.3	0.7	5.0	13.0

12. INTANGIBLE ASSETS

	Goodwill £m	Domain names £m	Development costs £m	Software and licences £m	Total £m
Cost:					
At 31 May 2016	107.1	8.1	19.9	21.0	156.1
Additions	–	33.1	5.7	1.9	40.7
Impact of movement in foreign exchange rates	1.0	(1.3)	–	0.2	(0.1)
At 31 May 2017	108.1	39.9	25.6	23.1	196.7
Additions	–	–	5.3	1.1	6.4
Disposals	–	–	–	(1.2)	(1.2)
Impact of movement in foreign exchange rates	(0.1)	(1.0)	–	(0.1)	(1.2)
At 31 May 2018	108.0	38.9	30.9	22.9	200.7
Accumulated amortisation:					
At 31 May 2016	–	4.6	8.5	17.9	31.0
Provided during the year	–	2.4	4.2	1.9	8.5
Impact of movement in foreign exchange rates	–	0.4	–	0.1	0.5
At 31 May 2017	–	7.4	12.7	19.9	40.0
Provided during the year	–	4.2	4.6	1.9	10.7
Amounts derecognised upon disposal	–	–	–	(1.2)	(1.2)
Impact of movement in foreign exchange rates	–	(0.2)	–	–	(0.2)
At 31 May 2018	–	11.4	17.3	20.6	49.3
Net book value – 31 May 2018	108.0	27.5	13.6	2.3	151.4
Net book value – 31 May 2017	108.1	32.5	12.9	3.2	156.7
Net book value – 31 May 2016	107.1	3.5	11.4	3.1	125.1

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13. GOODWILL

Goodwill has been allocated for impairment testing purposes to cash-generating units ('CGUs') as follows.

	31 May 2018 £m	31 May 2017 £m
UK	100.9	100.9
US	5.8	5.9
Australia	0.1	0.1
South Africa	1.2	1.2
	108.0	108.1

Goodwill arose as follows:

- UK – from the purchase of the UK business on 5 September 2003.
- Australia – from the acquisition of the non-controlling interest in IG Australia Pty Limited in the year ended 31 May 2006.
- US – from the acquisition of Nadex (formerly HedgeStreet Exchange) on 6 December 2007.
- South Africa – from the acquisition of Ideal CFDs on 1 September 2010.

Impairment testing

The Group's goodwill balance has been subject to an impairment review and there has not been any impairment recognised for the years ended 31 May 2018 or 31 May 2017. For the purposes of the Group's impairment testing of goodwill, the carrying amount of each CGU is compared to the recoverable amount of the relevant CGU and any deficits are considered impairments. The carrying amount of a CGU includes only those assets that can be attributed directly, or allocated on a reasonable and consistent basis.

The estimated recoverable amount for each CGU is based upon the value in use ('VIU') of each CGU. For all CGUs, the estimate of the recoverable amount was higher than the carrying value.

Key assumptions used in the calculation of the recoverable amount of the CGUs

The key assumptions for the VIU calculations are those regarding expected future cash flows, regional growth rates and discount rates. Future cash flow projections are based on the most recent financial budgets considered by the Board which are used to project cash flows for each CGU over the next four years. After this period, a terminal growth rate of 2.5% has been applied to the cash flow to derive a terminal value for the CGUs. The resultant cash flows have been discounted at a pre-tax discount rate of 10% for the UK and South Africa, 12% for Australia and 18% for the US.

Sensitivity to changes in assumptions

These calculations have been subject to a sensitivity analysis reflecting reasonable changes in key assumptions. All VIU calculations are insensitive to reasonable changes in the discount rate. In addition, the recoverable amount of all CGUs remained higher than the carrying value, with terminal growth rates reduced to zero. At this level the recoverable amount for all CGUs exceeded the carrying values by a significant amount.

14. TRADE RECEIVABLES

	31 May 2018 £m	31 May 2017 £m
Amounts due from brokers	332.3	301.1
Own funds in client money	50.0	43.4
Amounts due from clients	0.5	1.1
	382.8	345.6

Amounts due from brokers represent balances with brokers where the combination of cash held on account and the valuation of financial derivative open positions results in an amount due to the Group. In addition to the £332.3 million (31 May 2017: £301.1 million) the Group had £90.5 million (31 May 2017: £63.2 million) of UK government securities held as collateral at brokers which are classified as financial investments in the Group's statement of financial position.

Own funds in client money represents the Group's own cash held in segregated client funds, in accordance with the UK's Financial Conduct Authority (FCA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates and includes £11.9 million (31 May 2017: £12.7 million) to be transferred to the Group on the following business day.

Amounts due from clients arise when a client's total funds deposited with the Group are insufficient to cover any trading losses incurred or when a client utilises a trading credit limit and is stated net of an allowance for impairment.

15. OTHER ASSETS

Other assets of £27.2 million at 31 May 2018 (31 May 2017: £11.9 million) are cryptocurrency assets owned and controlled by the Group for the purpose of hedging the Group's exposure to clients' cryptocurrency trading positions. Classifying these assets as other assets in the Group's statement of financial position at 31 May 2018, and retrospectively applying this change at 31 May 2017, is a voluntary change in accounting policy. More information on the Group's policy for accounting for cryptocurrency assets is disclosed in note 29.

16. FINANCIAL INVESTMENTS

Financial investments are UK Government securities:

	31 May 2018 £m	31 May 2017 £m
Held as:		
Liquid asset buffer	83.1	81.2
Collateral at brokers	90.5	63.2
	173.6	144.4
Split as:		
Non-current portion	111.6	52.4
Current portion	62.0	92.0
	173.6	144.4

During the year ended 31 May 2018 the Group purchased UK Government Gilts for £122.1 million (year ended 31 May 2017: £120.4 million) and gilts with a nominal value of £90.0 million matured (year ended 31 May 2017: £112.4 million).

The effective interest rates of securities held at the year-end range from 0.08% to 0.87% (31 May 2017: 0.03% to 0.59%).

Financial investments are shown as current assets when they have a maturity of less than one year and as non-current assets when they have a maturity of more than one year. The fair value of securities held is based on closing market prices at the year end.

17. TRADE PAYABLES

	31 May 2018 £m	31 May 2017 £m
Client funds held on balance sheet	126.2	117.1
Amounts due to clients	0.5	0.2
	126.7	117.3

Client funds held on balance sheet comprise title transfer funds and client monies deposited with the Group's Swiss banking subsidiary which are recognised as cash and cash equivalents on the Group's statement of financial position.

Amounts due to clients represent balances that will be transferred from the Group's own cash into segregated client funds on the following business day in accordance with the UK's Financial Conduct Authority (FCA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates.

18. OTHER PAYABLES

	31 May 2018 £m	31 May 2017 £m
Accruals	68.5	58.2
Payroll taxes, social security and other taxes	6.2	4.3
	74.7	62.5

19. CONTINGENT LIABILITIES AND PROVISIONS

There are no contingent liabilities expected to have a material adverse financial impact on the Group's consolidated Financial Statements. The Group had no material provisions at 31 May 2018 (31 May 2017: £nil).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Share capital £m	Share premium account £m
Allotted and fully paid:			
(i) Ordinary shares (0.005p)			
At 1 June 2016	366,649,075	–	206.8
Issued during the year	332,508	–	–
At 31 May 2017	366,981,583	–	206.8
Issued during the year	907,872	–	–
At 31 May 2018	367,889,455	–	206.8
(ii) Deferred redeemable shares (0.001p)			
At 31 May 2018	65,000	–	–
At 31 May 2017	65,000	–	–
(iii) Redeemable preference shares (£1.00)			
At 31 May 2018	40,000	–	–
At 31 May 2017	40,000	–	–

During the year ended 31 May 2018 907,872 (FY17: 332,508) ordinary shares with an aggregate nominal value of £45.39 (FY17: £16.63) were issued to employees and the Employee Benefit Trust in order to satisfy the exercise of Sustained Performance Plan and Long Term Incentive Plan awards, for a consideration of £45.39 (FY17: £16.63).

Except as the ordinary shareholders have agreed or may otherwise agree, on a winding up of the Company, the balance of assets available for distribution, after the payment of all of the Company's creditors and subject to any special rights attaching to other classes of shares, are distributed among the shareholders according to the amounts paid up on shares by them.

Deferred redeemable shares

These shares carry no entitlement to dividends and no voting rights.

Redeemable preference shares

The preference shares are entitled to a fixed non-cumulative dividend of 8% paid in preference to any other dividend. Redemption is only permissible in accordance with capital distribution rules or on the winding up of the Company where the holders are entitled to £1 per share plus, if the Company has sufficient distributable reserves, any accrued or unpaid dividends. The preference shares have no voting rights, except that they are entitled to vote should the Company fail to pay any amount due on redemption of the shares. The effective interest rate on these shares is 8% (FY17: 8%).

21. OTHER RESERVES

	Share-based payments £m	Foreign currency translation £m	Own shares held in Employee Benefit Trusts £m	Transactions with non-controlling interests £m	Available-for-sale reserve £m	Total other reserves £m
At 31 May 2016	52.0	53.8	(1.8)	(2.1)	0.3	102.2
Equity-settled employee share-based payments	7.7	–	–	–	–	7.7
Tax on share-based payments recognised directly in equity	0.7	–	–	–	–	0.7
Foreign currency translation on overseas subsidiaries	–	14.7	–	–	–	14.7
Exercise of UK share incentive plans	(0.5)	–	0.5	–	–	–
Dividends paid on own shares held in trust	–	–	(0.9)	–	–	(0.9)
Purchase of own shares	–	–	(1.1)	–	–	(1.1)
Change in value of available-for-sale financial assets	–	–	–	–	(0.2)	(0.2)
At 31 May 2017	59.9	68.5	(3.3)	(2.1)	0.1	123.1
Equity-settled employee share-based payments	7.0	–	–	–	–	7.0
Foreign currency translation on overseas subsidiaries	–	(3.0)	–	–	–	(3.0)
Exercise of UK share incentive plans	(0.2)	–	0.2	–	–	–
Purchase of own shares	–	–	(4.3)	–	–	(4.3)
Change in value of available-for-sale financial assets	–	–	–	–	(0.2)	(0.2)
Transfer of share-based payment reserve	(51.0)	–	–	–	–	(51.0)
At 31 May 2018	15.7	65.5	(7.4)	(2.1)	(0.1)	71.6

The share-based payment reserve relates to the estimated cost of equity-settled employee share plans, net of tax, based on a straight-line basis over the vesting period. The foreign currency translation reserve includes amounts in relation to the translation of overseas subsidiaries. The available-for-sale reserve includes unrealised gains or losses in respect of financial investments.

Own shares held in Employee Benefit Trusts

The movements in own shares held in Employee Benefit Trusts in respect of employee share plans during the year were as follows:

	31 May 2018 Number	31 May 2017 Number
At the beginning of the year	535,301	1,028,583
Purchased during the year	659,796	136,389
Exercise of own shares held in trust	(173,073)	(629,671)
At the end of the year	1,022,024	535,301

The Group has a UK-resident Employee Benefit Trust in order to hold shares in the Company in respect of awards under the Group's HM Revenue and Customs approved Share Incentive Plan (SIP). At 31 May 2018, 407,172 ordinary shares (31 May 2017: 392,014) were held in the trust. The market value of the shares held conditionally at the year-end was £3.5 million (31 May 2017: £2.3 million).

The Group has a Jersey resident Employee Benefit Trust which holds shares in the Company. At 31 May 2018, the Trust held 576,194 ordinary shares (31 May 2017: 86,161) which are available to satisfy awards under the long term share plans and Directors' deferred bonus award. The market value of the shares held conditionally at the year-end was £5.0 million (31 May 2017: £0.5 million).

The Group has an Australian resident Employee Equity Plan Trust in order to hold shares in the Company in respect of awards under a SIP. At 31 May 2018, 38,658 ordinary shares (31 May 2017: 23,498) were held in the trust.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

22. EMPLOYEE SHARE PLANS

The Company operates three employee share plans; a Sustained Performance Plan (SPP), a Long-Term Incentive Plan (LTIP) and a Share Incentive Plan (SIP), all of which are equity-settled. The expense recognised in the income statement in respect of share-based payments (including associated social security costs) was £8.8 million (FY17: £7.5 million).

Sustained Performance Plan (SPP)

The SPP award was introduced in the year ended 31 May 2014 for the Group's Executive Directors and other selected senior employees. The Remuneration Committee approves any awards made under the plan and is responsible for setting the policy for the operation of the plan, agreeing performance targets and participation.

The legal grant of awards under the SPP occurs post the relevant performance period. At the outset of the financial year the Remuneration Committee approves, and communicates to the participants, performance conditions and a pre-defined maximum monetary award in terms of multiple of salary. The grant of awards, in the form of equity settled par value options, is based upon three performance conditions: Total Shareholder Return (TSR), diluted earnings per share (EPS) and operational non-financial performance (NFP). Awards subsequently vest in tranches over the long term, so the participant retains an ongoing substantial stake in the share price performance of the Company.

The following table shows the number of options in the SPP plan for the year ended 31 May 2018:

Award date	Performance period (year ended)	Share price at award	Expected full vesting date	At the start of the year Number	Awarded during the year Number	Lapsed during the year Number	Exercised during the year Number	Dividend equivalent awarded during the year Number	At the end of the year Number
4 Aug 2014	31 May 2014	609.90p	1 Aug 2025	223,691	–	–	(68,484)	6,619	161,826
6 Aug 2015	31 May 2015	742.55p	1 Aug 2025	234,564	–	–	(72,150)	6,973	169,387
2 Aug 2016	31 May 2016	868.65p	1 Aug 2025	637,375	–	–	(212,555)	20,538	445,358
1 Aug 2017	31 May 2017	626.50p	1 Aug 2025	–	417,029	(40,820)	(63,803)	15,091	327,497
Total				1,095,630	417,029	(40,820)	(416,992)	49,221	1,104,068

Of the above SPP exercised during the year ended 31 May 2018, the average share price at exercise was 626.5p.

The exercise price of all SPP awards is 0.005p.

Further information on the Company's SPP awards is given in the Directors' Remuneration Report.

The awards for the year ended 31 May 2018 SPP will be granted post year-end following the approval of actual performance against targets set by the Remuneration Committee. A ten-day share price averaging period, that commences after the Company's closed period, is utilised to convert notional salary awarded into a number of options (refer to the Directors' Remuneration Report for performance conditions).

The table below details the number of option awards expected to be awarded for the year ended 31 May 2018:

Expected award date	Closing share price at 31 May 2018	Expected full vesting date	Awards expected for the year ending 31 May 2018 Number
7 Aug 2018	864.50p	1 Aug 2025	919,006
Total			919,006

Long-Term Incentive Plan (LTIP)

The LTIP award has been made available to senior management who are not invited to participate in the SPP.

LTIP awards allow the award of nominal cost options, which vest when specific performance targets are achieved, conditional upon continued employment at the vesting date. For each award a minimum performance target has to be achieved before any shares vest and the awards vest fully once the maximum performance target is achieved.

The awarded LTIP options vest after three years with a predefined number of shares allocated pro-rata based on achieving the specific performance targets.

22. EMPLOYEE SHARE PLANS CONTINUED

The maximum number of LTIP awards that can vest under the awards made are:

Award date	Performance period (3 year period ended)	Share price at award	Expected vesting date	At the start of the year Number	Awarded during the year Number	Lapsed during the year Number	Exercised during the year Number	At the end of the year Number
5 Aug 2014	31 May 2017	618.50p	5 Aug 2017	414,099	–	–	(414,099)	–
6 Aug 2015	31 May 2018	734.50p	6 Aug 2018	398,238	–	(35,930)	–	362,308
12 Aug 2016	31 May 2019	898.45p	12 Aug 2019	347,543	–	(89,468)	–	258,075
1 Aug 2017	31 May 2020	626.50p	1 Aug 2020	–	544,188	(50,151)	–	494,037
Total				1,159,880	544,188	(175,549)	(414,099)	1,114,420

The exercise price of all LTIP awards is 0.005p.

Share Incentive Plan (SIP)

SIP awards are made available to all UK, Australian and USA employees. The Executive Directors have responsibility for setting the terms of the award which are then approved by the Remuneration Committee.

The UK and Australian awards invite all employees to subscribe for or purchase up to £1,800/A$3,000 (FY17: £1,800/A$3,000) of partnership shares, with the Company typically matching on a two-for-one (FY17: two-for-one) basis. All matching shares vest after three years as long as the employee remains employed with the Group for the term of the award. Shares awarded under the scheme are held in trust in accordance with local tax authority rules. Employees are entitled to receive dividends on the partnership and matching shares held in trust for as long as they remain employees.

The USA award invites employees to invest a maximum of 5% of their salary bi-annually to the award. The award runs for a six month period and, at the end of this period, the employees are invited to purchase shares in IG Group Holdings plc at a discount of 15% to the scheme price, being the lower of the opening share price and the closing share price for the period.

The maximum number of SIP matching shares that can vest based on the awards made are:

Country of award	Award date	Share price at award	Expected vesting date	At the start of the year Number	Awarded during the year Number	Lapsed during the year Number	Exercised during the year Number	At the end of the year Number
UK	25 Jul 2014	605.80p	25 Jul 2017	124,896	–	–	(124,896)	–
Australia	15 Jul 2014	599.70p	15 Jul 2017	5,264	–	–	(5,264)	–
UK	6 Aug 2015	739.50p	6 Aug 2018	127,778	–	(13,498)	(7,954)	106,326
Australia	12 Oct 2015	740.00p	12 Oct 2018	7,084	–	(1,156)	–	5,928
UK	2 Aug 2016	879.50p	2 Aug 2019	137,655	–	(16,663)	(7,015)	113,977
Australia	15 Jul 2016	930.00p	15 Jul 2019	10,914	–	(2,576)	–	8,338
UK	1 Aug 2017	626.50p	1 Aug 2020	–	149,110	(12,364)	(9,178)	127,568
Australia	15 Jul 2017	626.50p	15 Jul 2020	–	15,576	(2,696)	–	12,880
Total				413,591	164,686	(48,953)	(154,307)	375,017

Of the above SIP awards exercised during the year ending 31 May 2018, the average weighted share price at exercise was:

Country of award	Award date	Weighted average share price at exercise
UK	25 Jul 2014	756.43p
Australia	15 Jul 2014	764.50p
UK	6 Aug 2015	767.09p
Australia	12 Oct 2015	764.50p
UK	2 Aug 2016	668.25p
Australia	15 Jul 2016	548.50p
UK	1 Aug 2017	626.50p
Australia	15 Jul 2017	640.00p

The weighted average exercise price of all SIP awards during the year ending 31 May 2018 is 704.60p.

Fair value of equity-settled awards

The fair value of the equity-settled share-based payments to employees is determined at the date at which a shared understanding of the terms and conditions of the arrangement is reached between the Company and the participants. The weighted average fair value of the equity-settled awards granted or deemed as such under IFRS2 during the year was £8.1 million (FY17: £9.8 million).

For SIP awards, the fair value is determined to be the share price at the grant date, without making an adjustment for expected dividends, as awardees are entitled to dividends over the vesting period.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

22. EMPLOYEE SHARE PLANS CONTINUED

For LTIP awards the fair value at grant date is determined by taking the share price at grant date. An adjustment for the present value of future dividends is not required as dividend equivalents are awarded on options granted under the LTIP.

For potential SPP awards made under the Total Shareholder Return (TSR) criteria, fair value is calculated using an option pricing model prepared by advisers. For the SPP awards made under the earnings per share and non-financial operational measures the fair value is determined by taking the share price at deemed grant date less the present value of future dividends for the duration of the performance period. Dividend equivalents accrue under the SPP on awarded but unvested options post the performance period. Post vesting (minimum holding period) dividend equivalents cease to accrue on unexercised options.

The inputs below were used to determine the fair value of the TSR element of the SPP awards granted on 1 August 2017:

Date of grant	1 August 2017
Share price at grant date (pence)	626.50p
Expected life of awards (years)	3
Risk-free sterling interest rate (%)	0.20%
IG expected volatility (%)	28.47%

Risk-free rate – due to minimal exercise price, the risk-free rate has no impact on the fair value calculation.

IG's expected volatility is based on historical TSR volatility of IG Group Holdings plc measured daily over a period prior to the date of grant and commensurate with the remaining performance period.

The weighted average fair values for granted awards across all schemes are as follows:

	At the beginning of the year	Awarded during the year	Lapsed during the year	Exercised during the year	At the end of the year
Year ended 31 May 2018	**655.75p**	**860.99p**	**778.59p**	**605.53p**	**749.83p**
Year ended 31 May 2017	583.37p	720.75p	654.16p	546.81p	655.75p

23. OBLIGATIONS UNDER LEASES

Operating lease agreements

The Group has entered into commercial leases on certain properties. Future minimum rentals payable under non-cancellable operating leases are as follows:

	31 May 2018 £m	31 May 2017 £m
Future minimum payments due:		
Not later than one year	**6.2**	7.0
After one year but not more than five years	**14.8**	17.3
After more than five years	**4.4**	7.5
	25.4	31.8

24. RELATED PARTY TRANSACTIONS

The Group had no transactions with its Directors other than those disclosed in the Directors' Remuneration Report.

The Directors and other members of management classified as 'persons discharging management responsibility' in accordance with the Market Abuse Regulation are considered to be the key management personnel of the Group in accordance with IAS 24. The Directors' Remuneration Report discloses all benefits and share-based payments earned during the year and the preceding year by the Directors. The total compensation for key management personnel was as follows:

	31 May 2018 £m	31 May 2017 £m
Short-term employee benefits	4.3	4.0
Share-based payments	5.8	3.4
	10.1	7.4

The average number of key management personnel during the year was nine (FY17: seven).

25. FINANCIAL INSTRUMENTS

Accounting classifications and fair values

The table below sets out the classification of each class of financial assets and liabilities and their fair values. The Group considers the carrying value of all financial assets and liabilities to be a reasonable approximation of fair value and represents the Group's maximum credit exposure as at the balance sheet date without taking account of any collateral held.

	Note	FVTPL – Held for trading £m	Loans and receivables £m	Amortised cost £m	Available-for-sale £m	Total carrying amount £m	Fair value £m
As at 31 May 2018							
Financial assets:							
Cash and cash equivalents		–	289.7	–	–	289.7	289.7
Financial investments	16	–	–	–	173.6	173.6	173.6
Total trade receivables – due (to)/from brokers	14	(17.4)	349.7	–	–	332.3	332.3
Trade receivables – due from clients	14	–	0.5	–	–	0.5	0.5
Trade receivables – own funds in client money	14	–	50.0	–	–	50.0	50.0
		(17.4)	689.9	–	173.6	846.1	846.1
Financial liabilities:							
Trade payables – client funds held on balance sheet	17	–	–	(126.2)	–	(126.2)	(126.2)
Trade payables – amounts due to clients	17	–	–	(0.5)	–	(0.5)	(0.5)
		–	–	(126.7)	–	(126.7)	(126.7)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

25. FINANCIAL INSTRUMENTS CONTINUED

	Note	FVTPL – Held for trading £m	Loans and receivables £m	Amortised cost £m	Available-for-sale £m	Total carrying amount £m	Fair value £m
As at 31 May 2017							
Financial assets:							
Cash and cash equivalents		–	230.9	–	–	230.9	230.9
Financial investments	16	–	–	–	144.4	144.4	144.4
Total trade receivables – due (to)/from brokers	14	(18.5)	319.6	–	–	301.1	301.1
Trade receivables – due from clients	14	–	1.1	–	–	1.1	1.1
Trade receivables – own funds in client money	14	–	43.4	–	–	43.4	43.4
		(18.5)	595.0	–	144.4	720.9	720.9
Financial liabilities:							
Trade payables – client funds held on balance sheet	17	–	–	(117.1)	–	(117.1)	(117.1)
Trade payables – amounts due to clients	17	–	–	(0.2)	–	(0.2)	(0.2)
		–	–	(117.3)	–	(117.3)	(117.3)

Financial instrument valuation hierarchy

The hierarchy of the Group's financial instruments carried at fair value is as follows:

	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
As at 31 May 2018				
Financial assets:				
Trade receivables – due from/(to) brokers	2.8	(20.2)	–	(17.4)
Financial investments	173.6	–	–	173.6

Level 1 assets are valued using unadjusted quoted prices in active markets for identical financial instruments. This category includes the Group's open exchange-traded hedging positions. The quoted market price used for financial assets held by the Group is the period end bid price.

Level 2 assets are valued using techniques where a price is derived based significantly on observable market data, for example, where an active market for an identical financial instrument to the product used by the Group to hedge its market risk does not exist. This category includes the Group's open non-exchange-traded hedging positions, this comprised of shares, foreign currency and foreign currency options. The fair values used in the valuation of these products are sometimes brokered values and may occur after the close of a market but before the measurement date. The effects of discounting are generally insignificant for these Level 2 financial instruments.

Level 3 assets are valued using techniques that incorporate information other than observable market data that is significant to the overall valuation.

There have been no changes in the valuation techniques for any of the Group's financial instruments held at fair value in the year (FY17: none). There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements for years ended 31 May 2018 and 31 May 2017.

25. FINANCIAL INSTRUMENTS CONTINUED

	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
As at 31 May 2017				
Financial assets:				
Trade receivables – due to brokers	(0.6)	(17.9)	–	(18.5)
Financial investments	144.4	–	–	144.4

Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables (excluding the Group's open financial derivative hedging positions with brokers above);
- Cash and cash equivalents; and
- Trade and other payables

Items of income, expense, gains or losses

All of the Group's gains and losses arising from financial assets and liabilities classified as fair value through profit and loss, held for trading are included in net trading revenue for the years ended 31 May 2018 and 31 May 2017.

Offsetting financial assets and liabilities

The following financial assets and liabilities have been offset on the Group's statement of financial position and are subject to enforceable master netting agreements.

	Note	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off in the balance sheet £m	Net amounts of financial assets presented in the balance sheet £m
As at 31 May 2018				
Financial assets:				
Trade receivables – due from/(to) brokers	14	643.3	(311.0)	332.3
		643.3	(311.0)	332.3

In the table above the trade receivables - due from/(to) brokers have been presented gross to present the impact of offsetting.

	Note	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off in the balance sheet £m	Net amounts of financial assets presented in the balance sheet £m
As at 31 May 2017				
Financial assets:				
Trade receivables – due from/(to) brokers	14	512.7	(211.6)	301.1
		512.7	(211.6)	301.1

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

26. FINANCIAL RISK MANAGEMENT

Financial risks arising from financial instruments are analysed into market, credit, concentration and liquidity risks. Details of how risks are managed are discussed in the risk management section on page 34.

Market risk

Market risk for accounting standards disclosure requirements is analysed into these categories:

- Market price risk – non-trading interest rate and price risk
- Foreign currency risk

Where applicable, the quantified maximum exposures for the Group from each risk category are disclosed below:

Non-trading interest rate risk

The Group has interest rate risk relating to financial instruments on its statement of financial position not held at fair value through profit or loss. These exposures are not hedged.

The interest rate risk profile of the Group's financial assets and liabilities at each year-end was as follows:

	Within 1 year		Between 2 and 5 years		Total	
	31 May 2018 £m	31 May 2017 £m	**31 May 2018 £m**	31 May 2017 £m	**31 May 2018 £m**	31 May 2017 £m
Fixed rate:						
Financial investments	**62.0**	92.0	**111.6**	52.4	**173.6**	144.4
Floating rate:						
Cash and cash equivalents	**289.7**	230.9	**–**	–	**289.7**	230.9
Trade receivables – due from brokers	**332.3**	301.1	**–**	–	**332.3**	301.1
Trade payables – client funds held on balance sheet	**(126.2)**	(117.1)	**–**	–	**(126.2)**	(117.1)
	557.8	506.9	**111.6**	52.4	**669.4**	559.3

There are no financial assets and liabilities which are held for a period over five years.

Interest rate risk sensitivity analysis – non-traded interest (fixed rate)

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The level of future fixed interest receivable would be similar to that received in the year and is considered immaterial to the Group's profit for the year.

Interest rate risk sensitivity analysis – non-traded interest (floating rate)

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year. Trade receivables and payables include client and broker balances upon which interest is paid or received based upon market rates.

Interest rate sensitivity has been performed on floating rate financial instruments by considering a 0.5% interest rate increase/decrease on the financial assets and liabilities held at the statement of financial position date. The impact of such a movement on the Group's profit for the year is below.

	Year ended 31 May 2018		
	Cash and cash equivalents £m	**Trade receivables – due from brokers £m**	**Trade payables – client funds held on balance sheet £m**
Impact:	**+/- 1.4**	**+/- 1.6**	**+/- 0.6**

	Year ended 31 May 2017		
	Cash and cash equivalents £m	Trade receivables – due from brokers £m	Trade payables – client funds held on balance sheet £m
Impact:	+/- 1.2	+/- 1.6	+/- 0.6

The net impact of such a movement in interest rates is considered to be immaterial to the Group's profit for the year.

26. FINANCIAL RISK MANAGEMENT CONTINUED

Price risk

The Group is exposed to investment securities price risk because financial investments held by the Group and classified on the Group's statement of financial position as available-for-sale are based on closing market prices published by the UK Debt Management Office.

The table below summarises the impact of increases/decreases in the value of financial investments on the Group's post-tax gain or loss on equity. The analysis is based on the assumption that the value of financial investments has increased/decreased by 1% with all other variables held constant:

	Year ended 31 May 2018 £m	Year ended 31 May 2017 £m
Impact on available-for-sale reserve (equity)	+/- 1.4	+/- 1.4

The financial impact of such a movement in fair value is considered to be immaterial to the Group's available for sale reserve.

Foreign currency risk

The Group faces foreign currency exposures on financial assets and liabilities denominated in currencies other than its reporting currency. This exposure is hedged in the normal course of business.

The table below illustrates the sensitivity of net trading revenue with regard to currency movements on financial assets and liabilities denominated in currencies other than its functional currency (which are not held at fair value through profit and loss) as at the year-end.

Based on a 5% weakening in the following exchange rates, the effect on net trading revenue would be as follows:

	Year ended 31 May 2018					
	US dollar £m	**Euro £m**	**Yen £m**	**South African rand £m**	**Swiss franc £m**	**Other £m**
Impact:	(12.2)	3.3	(1.0)	(0.7)	(1.5)	(4.2)

	Year ended 31 May 2017					
	US dollar £m	Euro £m	Yen £m	South African rand £m	Swiss franc £m	Other £m
Impact:	(4.3)	(5.7)	(0.4)	(0.3)	(0.6)	(0.3)

The table below illustrates the sensitivity of the Group's net assets with regard to currency movements on financial assets and liabilities included in the balance sheets of non-GBP functional currency entities which are denominated in the functional currency of that entity (and which are not held at fair value through profit and loss) at the year-end.

Based on a 5% weakening in the following exchange rates, the effect on the Group's net assets would be as follows:

	Year ended 31 May 2018					
	US dollar £m	**Euro £m**	**Yen £m**	**South African rand £m**	**Swiss franc £m**	**Other £m**
Impact:	(3.6)	0.2	(0.3)	(0.7)	(1.1)	(0.9)

	Year ended 31 May 2017					
	US dollar £m	Euro £m	Yen £m	South African rand £m	Swiss franc £m	Other £m
Impact:	(3.0)	(1.5)	(1.0)	(0.3)	(0.5)	(0.7)

Since the impact of foreign exchange rate movements is hedged, the Group would experience an opposite foreign exchange gain for the losses above as a hedging gain, and vice versa.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

26. FINANCIAL RISK MANAGEMENT CONTINUED

Credit risk

The principal sources of credit risk to our business are from financial institutions and individual clients.

Amounts due from financial institutions are all less than 30 days due. Amounts due from clients, which are stated net of an allowance for impairment at £0.5 million at 31 May 2018 (31 May 2017: £1.1 million), include both amounts less than and greater than 30 days due.

The analysis in the following table shows credit exposures by credit rating, but excludes the Group's own cash held in segregated client funds.

	Cash and cash equivalents		Trade receivables – due from brokers		Trade receivables – due from clients	
	31 May 2018 £m	31 May 2017 £m	**31 May 2018 £m**	31 May 2017 £m	**31 May 2018 £m**	31 May 2017 £m
Credit rating:						
AA+ and above	42.6	42.4	–	–	–	–
AA to AA-	8.2	7.0	42.3	49.7	–	–
A+ to A-	188.5	156.7	183.6	178.4	–	–
BBB+ to BBB-	39.6	24.0	71.1	69.0	–	–
BB+ to B	10.3	0.2	27.3	–	–	–
CCC	–	–	–	–	–	–
Unrated	0.5	0.6	8.0	4.0	0.5	1.1
Total carrying amount	289.7	230.9	332.3	301.1	0.5	1.1

Impairment of trade receivables due from clients

The Group records specific impairments of trade receivables due from clients in a separate allowance account. Impairments are recorded where the Group determines that it is probable that it will be unable to collect all amounts owing according to the contractual terms of the agreement. No other assets are considered impaired. Below is a reconciliation of changes in the separate allowance account during the year:

	31 May 2018 £m	31 May 2017 £m
Balance at 1 June	13.9	17.6
Impairment loss for the year:		
– Gross charge for the year	2.5	6.2
– Recoveries	(2.4)	(4.1)
Debts written off	(2.7)	(8.0)
Foreign exchange	(0.3)	2.2
Balance at 31 May	11.0	13.9

Concentration risk

The Group's largest credit exposure to any one individual broker at 31 May 2018 was £67.4 million (A+ rated) (31 May 2017: £67.1 million (BBB+ rated)). Included in cash and cash equivalents, the Group's largest credit exposure to any bank at 31 May 2018 was £86.4 million (A rated) (31 May 2017: £69.4 million (A rated)). The Group has no significant exposure to any one particular client or group of connected clients.

Liquidity risk

Derivative and non-derivative cash flows by remaining contractual maturity

The following tables present the undiscounted cash flows receivable and payable (excluding interest payments) by the Group under derivative and non-derivative financial assets and liabilities allocated to the earliest period in which either counterparty can be required to pay although the remaining contractual maturities may be longer.

26. FINANCIAL RISK MANAGEMENT CONTINUED

Amounts receivable/(payable) on demand:

	Derivative £m	Non-derivative £m	Total £m
As at 31 May 2018			
Financial assets:			
Cash and cash equivalents	–	289.7	289.7
Financial investments	–	173.6	173.6
Trade receivables – due (to)/from brokers	(17.4)	349.7	332.3
Trade receivables – due from clients	–	0.5	0.5
Trade receivables – own funds in client money	–	50.0	50.0
	(17.4)	863.5	846.1
Financial liabilities:			
Trade payables – client funds held on balance sheet	–	(126.2)	(126.2)
Trade payables – amounts due to clients	–	(0.5)	(0.5)
	–	(126.7)	(126.7)

Amounts receivable/(payable) on demand:

	Derivative £m	Non-derivative £m	Total £m
As at 31 May 2017			
Financial assets:			
Cash and cash equivalents	–	230.9	230.9
Financial investments	–	144.4	144.4
Trade receivables – due (to)/from brokers	(18.5)	319.6	301.1
Trade receivables – due from clients	–	1.1	1.1
Trade receivables – own funds in client money	–	43.4	43.4
	(18.5)	739.4	720.9
Financial liabilities:			
Trade payables – client funds held on balance sheet	–	(117.1)	(117.1)
Trade payables – amounts due to clients	–	(0.2)	(0.2)
	–	(117.3)	(117.3)

Amounts payable over five years:

The Group has non-derivative cash flows payable over 5 years in relation to the redeemable preference shares of £40,000 at 31 May 2018 (31 May 2017: £40,000).

27. CASH GENERATED FROM OPERATIONS

	Year ended 31 May 2018 £m	Year ended 31 May 2017 £m
Operating activities		
Operating profit	281.1	213.4
Adjustments to reconcile operating profit to cash generated from operations:		
Depreciation	6.9	7.9
Amortisation	10.7	8.5
Share-based payments charge	7.0	7.7
(Increase) in trade and other receivables and other assets	(52.1)	(78.6)
Increase in trade and other payables	23.0	65.2
Cash generated from operations	276.6	224.1

28. SUBSEQUENT EVENTS

In June 2018, the Group renewed its credit agreement with four UK banks. The overall size of the renewed credit facility is £200.0 million, of which £100.0 million is a three-year term loan repayable in full in 2021 and £100.0 million is a one-year revolving credit facility that can be extended by one year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

29. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Financial Statements are consistent with those followed in the preparation of the Group's Annual Report for the year ended 31 May 2017, except for the change in accounting policy related to cryptocurrency assets explained below.

New accounting standards and interpretations – standards and amendments adopted during the year

There were no new standards, amendments or interpretations, applicable to the Group which are effective for the first time for FY18.

Standards not yet adopted:

IFRS 9 – Financial instruments

IFRS 9 was endorsed by the EU during 2016 and is effective for periods beginning on or after 1 January 2018. The Group does not intend to adopt the standard early. Therefore, it will first be applicable to the Group's accounting period ending 31 May 2019.

Background

IFRS 9 represents a significant change to the way in which financial instruments are accounted for. It states that the classification and measurement of financial assets is dependent on the contractual cash flows of the asset and the business model within which the asset is held.

The new accounting standard will also impact embedded derivatives, hedge accounting and impairment models as well as including significant additional disclosure requirements.

Group impact

As at 31 May 2018, the Group had financial assets of £846.1 million (31 May 2017: £720.9 million) and financial liabilities of £126.7 million (31 May 2017: £117.3 million). IFRS 9 is not expected to materially impact the financial statements, however it will impact the Group's classifications of financial instruments and the relevant disclosures.

It is not expected that the Group will be materially impacted by any other elements of IFRS 9 such as embedded derivatives or hedge accounting as these are not used by the Group.

IFRS 15 – Revenue from contracts with customers

IFRS 15 was endorsed by the EU during 2016 and is effective for periods beginning on or after 1 January 2018. The Group does not intend to adopt the standard early. Therefore, it will first be applicable to the Group's accounting period ending 31 May 2019.

Background

This standard outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. The standard is based around a five-step model which is applicable to any contract to determine when, and how much, revenue should be recognised.

Group impact

IG Group has four revenue generation models; OTC Leveraged Derivatives, Exchange Traded Derivatives, Share Dealing and Investments. It is not expected that IFRS 15 will have a material impact on the Financial Statements of the Group.

IFRS 16 – Leases

IFRS 16 was endorsed by the EU in November 2017 and is effective for periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard early. Therefore, it will first be applicable to the Group's accounting period ending 31 May 2020.

Background

For lessors, the changes introduced by IFRS 16 are not significant, however there is a fundamental change in terms of the accounting by the lessee, including for subleases. For lessees, the 'off balance sheet' operating lease accounting treatment is no longer available, with the exception of short-term leases (less than 12 months) or 'low value' leases.

29. ACCOUNTING POLICIES CONTINUED

In terms of the transition to IFRS 16, the Group can choose to apply one of two transition methods:

– The full retrospective transition method, whereby IFRS 16 is applied to all its contracts as if it had always been applied; or
– The modified retrospective approach which includes optional practical expedients.

It is expected that the Group will choose to adopt the modified retrospective approach in order to benefit from the practical expedients which are offered.

Group impact

As at 31 May 2018, IG Group had future minimum rental obligations under lease contracts of £25.4 million (31 May 2017: £31.8 million), all of which related to leased office spaces. It is expected that a substantial portion, if not all, of these lease agreements will be impacted by IFRS 16.

It is not yet practicable to provide a reliable estimate of the financial impact of the Group's consolidated results, as this will be dependent on the method of transition, as well as the leases which are held at transition date. However, it is expected that there will be a material impact to the statements of financial position as the leases will be recognised as assets with a corresponding lease liability recognised for future lease payables.

It is not yet practicable to provide an estimate of the impact on the income statement.

Going concern

The Directors have prepared the Financial Statements on a going concern basis, which requires the Directors to have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Further detail is contained in the Going Concern statement and Viability statement included in the Strategic report on page 39.

Basis of consolidation

(a) Subsidiaries

The Group Financial Statements consolidate the financial statements of IG Group Holdings plc and the entities it controls (its subsidiaries) made up to the reporting date, as listed on page 136.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The results, cash flows and final positions of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All inter-company balances and transactions between Group entities, including unrealised profits arising from them, are eliminated on consolidation.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. The cost of an acquisition is measured at the fair value of consideration paid including an estimate of any contingent or deferred consideration. Contingent or deferred consideration is re-measured at each statement of financial position date, with periodic changes to the estimated liability recognised in the consolidated income statement. Acquisition related costs are expensed as incurred. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (discount on acquisition) is credited to the income statement in the period of acquisition.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

(b) Non-controlling interests

Where the Group and a non-controlling shareholder enter into a forward contract under which the Group is required to purchase the non-controlling interest for its fair value (formulae based valuation), at the forward date, the Group continues to recognise the non-controlling interest at the proportionate share of the acquiree's identifiable net assets, until expiry of the arrangement. The forward liability is also recognised for management's best estimate of the present value of the redemption amount with a corresponding entry in equity. The accretion of the discount on the liability is recognised as a finance charge in the consolidated income statement. The liability is re-measured to the final redemption amount with any periodic changes to the estimated liability recognised in the consolidated income statement. On expiry of the forward, the liability is eliminated as paid and any difference in the value of the non-controlling interest to the exercise price deducted from equity.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

29. ACCOUNTING POLICIES CONTINUED

On an acquisition-by-acquisition basis non-controlling interests are measured either at fair value or at the non-controlling interest proportionate share of the acquiree's net assets.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of the non-controlling interest is recorded in equity.

Losses applicable to the non-controlling shareholder in a consolidated subsidiary's equity may exceed the non-controlling interest in the subsidiary's equity. The excess and any further losses applicable to the non-controlling shareholder are allocated against the majority interest, except to the extent that the non-controlling shareholder has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interests until the non-controlling shareholder's share of losses previously absorbed by the majority has been recovered. Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Segmental information

The Group's segmental information is disclosed in a manner consistent with the basis of internal reports regarding components of the Group that are regularly reviewed by the Chief Operating Decision Maker (CODM), who for the Group are the Executive Directors, in order to assess the performance and to allocate resources to those 'operating segments'. The Group has therefore determined its operating segments based on the management information received on a regular basis by the Executive Directors of the IG Group Holdings plc Board as they are considered to be the CODM. Operating segments that do not meet the quantitative thresholds required by IFRS 8 are aggregated.

Foreign currencies

The functional currency of each company in the Group is that of the country of incorporation (as disclosed in note 30) as this is consistent with the primary economic environment in which the entity operates. The exception to this is entities located in the United Arab Emirates, (IG Limited and IG Services Limited), which have a functional currency of USD. The Group's most significant functional currency is Sterling. Transactions in other currencies are initially recorded in the functional currency by applying spot exchange rates prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities denominated in foreign currencies are revalued at the functional currency rate of exchange prevailing on the same 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 revaluation are taken to the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into Sterling at exchange rates prevailing on the statement of financial position date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and taken directly to a translation reserve. Such translation differences are recognised as income or as expenses 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.

29. ACCOUNTING POLICIES CONTINUED

Revenue recognition

Trading revenue includes revenue arising from each of the Group's four revenue generation models: OTC Leveraged Derivatives, Exchange Traded Derivatives, Share Dealing and Investments.

OTC Leveraged Derivatives

Revenue from the OTC Leveraged Derivatives business represents:

i) fees paid by clients for spread, commission and funding charges in respect of the opening, holding and closing of financial spread bets, contracts for difference or options contracts, together with gains and losses for the Group arising on client trading activity; less

ii) fees paid by the Group in spread, commissions and funding charges arising in respect of hedging the risk associated with the client trading activity and the Group's currency exposures, together with gains and losses incurred by the Group arising on hedging activity.

Open client and hedging positions are fair valued on a daily basis and gains and losses arising on this valuation are recognised in revenue as well as gains and losses realised on positions that have closed. The policies and methodologies associated with the determination of fair value are disclosed in note 25, Financial Instruments.

Exchange Traded Derivatives

Revenue from Exchange Traded Derivatives represents fees paid by members of the Group's regulated futures and options exchange, with members of the exchange charged a fee per transaction undertaken, together with gains and losses incurred by the Group arising on its market-making activity on the exchange.

Share Dealing

Revenue from Share Dealing represents commission earned from the share dealing service after deducting contracting and trade settlement fees payable to third party brokers. Revenue is recognised in full on the date of trade being placed.

Investments

Revenue from Investments represents management fees, which are earned as a percentage of assets under management. These are recognised over the period in which the service is provided.

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. Revenue is shown net of sales taxes excluding any inter-company transactions.

Trading revenue is reported before introducing partner commission, along with betting duties and financial transaction taxes paid, which are disclosed as an expense in arriving at net operating income.

Net trading revenue, disclosed on the face of the consolidated income statement and in the notes to the Financial Statements, represents trading revenue after taking account of introducing partner commission as this is consistent with the management information received by the CODM.

Income earned from clients for market data such as chart fees and income received from charging clients for funding using debit and credit cards are netted within operating costs as the amounts involved are not considered material.

Finance income and costs on segregated client funds

Interest income or expense on segregated client funds is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. The credit interest rate is the rate client money banks are willing to pay on client money.

Interest income and interest expense on segregated client funds are disclosed within operating profit, as this is consistent with the nature of the Group's operations.

Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

29. ACCOUNTING POLICIES CONTINUED

Employee benefits

(a) Pension obligations

The Group operates defined contribution schemes. Contributions are charged to the income statement as and when they become payable according to the rules of the schemes. Once the contributions have been paid, the Group has no legal or constructive obligations to pay further contributions.

(b) Bonus schemes

The Group recognises a liability and an expense for bonuses based on formulae that take into consideration specific financial and non-financial measures.

(c) Termination benefits

Termination benefits are payable when an employment contract is terminated by the Group. The Group recognises termination benefits when the Group can no longer withdraw the offer of those benefits.

Operating leases

Leases are classified as operating leases where the lessor retains substantially all the risks and benefits of ownership of the asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Taxation

The income 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 year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates in the respective jurisdictions that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is accounted for on all temporary differences between the carrying amount of assets and liabilities in the financial statements 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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, 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 amount of deferred tax assets is reviewed at each statement of financial position 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 assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date. Deferred tax is charged or credited in the 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.

29. ACCOUNTING POLICIES CONTINUED

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value, based upon estimated useful lives. Estimated residual value and useful lives are reviewed on an annual basis and residual values are based on prices prevailing at the statement of financial position date. Depreciation is charged on a straight-line basis over the expected useful lives as follows:

Leasehold improvements	–	over the lease term of up to 15 years
Office equipment, fixtures and fittings	–	over 5 years
Computer and other equipment	–	over 2, 3 or 5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on derecognition of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is included in the income statement in the period of derecognition.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition (fair value of consideration paid) over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a business at the date of acquisition. Goodwill is recognised as an asset and is allocated to cash-generating units for purposes of impairment testing. Cash-generating units represent the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Business combinations are accounted for using the purchase method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the statement of financial position as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the income statement. Any goodwill asset arising on the acquisition of equity accounted entities is included within the cost of those entities.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement.

The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it.

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination, such as a trade name or customer relationship, is recognised at fair value outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Expenditure on internally developed intangible assets, excluding development costs, is taken to the income statement in the year in which it is incurred. Development expenditure is recognised as an intangible asset only after all the following criteria are met:

- The project's technical feasibility and commercial viability can be demonstrated;
- The availability of adequate technical and financial resources and an intention to complete the project have been confirmed; and
- Probable future economic benefit has been established.

29. ACCOUNTING POLICIES CONTINUED

Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets with a finite life are amortised over their expected useful lives, as follows:

Development costs	–	straight-line basis over 3 years
Software and licences	–	straight-line basis over the contract term of up to 5 years
Trade names	–	straight-line basis over 2 years
Client lists and customer relationships	–	straight-line basis over 3 years
Domain names and generic top-level domains	–	straight-line basis over 10 years

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. In addition, the carrying value of capitalised development expenditure is reviewed before being brought into use.

Impairment of non-financial assets

When impairment testing is required, the Directors review the carrying amounts of the Group's property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists (or at least annually for goodwill), the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less selling costs and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate. This rate reflects current market assessments of the time value of money as well as the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, although impairment losses relating to goodwill may not be reversed.

Financial instruments

Classification, recognition and measurement

The Group determines the classification of its financial instruments at initial recognition in accordance with the categories outlined below and re-evaluates this designation at each financial year-end. When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, directly attributable transaction costs. Financial instruments are disclosed in note 25 to the Financial Statements.

(a) Financial assets at fair value through profit or loss

Financial assets classified as held for trading, or designated as such on inception, are included in this category and relate to the financial derivative open positions included in trade receivables – due from brokers as shown in the statement of financial position and related notes. Financial instruments are classified as held for trading if they are expected to settle in the short term. The Group uses derivative financial instruments, in order to hedge derivative exposures arising from open client positions, which are also classified as held for trading.

All financial instruments at fair value through profit or loss are carried in the statement of financial position at fair value, with gains or losses recognised in revenue in the consolidated income statement.

Determination of fair value

Financial instruments arising from open client positions and the Group's hedging positions are stated at fair value and disclosed according to the valuation hierarchy required by IFRS 7. Fair values are predominantly determined by reference to third-party market values (bid prices for long positions and offer prices for short positions) as detailed below:

Level 1: Valued using unadjusted quoted prices in active markets for identical financial instruments.

Level 2: Valued using techniques where a price is derived based significantly on observable market data. For example, where an active market for an identical financial instrument to the product offered by the Group to its clients or used by the Group to hedge its market risk does not exist.

Level 3: Valued using techniques that incorporate information other than observable market data that is significant to the overall valuation.

29. ACCOUNTING POLICIES CONTINUED

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, which 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. The Group's loans and receivables comprise 'trade receivables' and 'cash and cash equivalents.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless the investment matures or management intend to dispose of it within 12 months of the end of the reporting period. The Group's available-for-sale assets comprise of 'financial investments'.

Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expired.

(a) Financial assets

A financial asset is derecognised where the rights to receive cash flows from the asset have expired; the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Offsetting financial instruments

Assets or liabilities resulting from profit or losses on open positions are carried at fair value. Amounts due from or to clients and brokers are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

Trade receivables represent balances with counterparties and clients where the combination of cash held on account and the valuation of financial derivative open positions result in an amount due to the Group. A provision for impairment is established where there is objective evidence of non-collectability. Reference is made to an aged profile of debt and the provision is subject to management review.

Trade payables represent balances with counterparties and clients where the combination of cash held on account and the valuation of financial derivative open positions results in an amount payable by the Group.

Other assets

Other assets represent cryptocurrencies controlled by the Group. The Group offers various cryptocurrency-related products that can be traded on its platform. The Group would normally hedge its clients' trading positions with its brokers. However, as the Group is unable to hedge all of its exposure to cryptocurrencies with brokers it purchases and sells cryptocurrency assets to hedge the clients' positions.

At present there is a lack of guidance available on how cryptocurrency assets should be accounted for and subsequently disclosed in accordance with IFRS as adopted by the EU. The Group holds cryptocurrency assets for trading in the ordinary course of its business, effectively acting as a commodity broker-dealer in respect of the underlying cryptocurrency asset (because the salient features of these assets are, in economic terms, consistent with certain commodities) under IAS 2.3(b). This represents a change in accounting policy from the prior period, where cryptocurrency assets were disclosed within trade receivables. The assets will continue to be measured at fair value less costs to sell with changes in valuation being recorded in the income statement in the period in which they arise. Cryptocurrency assets are categorised as non-financial assets.

Cryptocurrency assets continue to be held at fair value through profit and loss therefore this accounting policy change is a change in classification only. The result of the change is a reduction in 'trade receivables' of £27.2 million (31 May 2017: £11.9 million) with the balance disclosed as 'Other assets' on a separate line in the consolidated statement of financial position. There is no further impact to the Group's financial statements for the years ended 31 May 2018 and 31 May 2017.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

29. ACCOUNTING POLICIES CONTINUED

Prepayments and other receivables

Prepayments and other receivables are assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as fair value through profit or loss. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when the receivables are derecognised or impaired, and when economic benefit is consumed. A provision for impairment is established where there is objective evidence of non-collectability.

Cash and cash equivalents

Cash comprises cash on hand and demand deposits which may be accessed without penalty. Cash equivalents comprise short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the consolidated cash flow statement, net cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

The Group holds money on behalf of clients in accordance with the client money rules of the UK Financial Conduct Authority (FCA) and other regulatory bodies. Such monies are classified as either 'cash and cash equivalents' or 'segregated client funds' in accordance with the relevant regulatory requirements. 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 are not held on the Group's statement of financial position.

The amount of segregated client funds held at year-end was £1,386.9 million (31 May 2017: £1,215.3 million) and the amount of segregated client assets was £945.0 million (31 May 2017: £499.8 million). These amounts are held off-balance sheet. The return received on managing segregated client funds is included within net operating income.

In addition, the Group's Swiss banking subsidiary, IG Bank SA, is required to protect customer deposits under the FINMA Privileged Deposit Scheme. At 31 May 2018, IG Bank SA was required to hold £15.4 million (31 May 2017: £16.5 million) in satisfaction of this requirement. This amount, which represents restricted cash, is included in cash and cash equivalents on the statement of financial position.

Title transfer funds are held by the Group under a Title Transfer Collateral Arrangement (TTCA) by which a client agrees that full ownership of such monies is unconditionally transferred to the Group. Title transfers funds are accordingly held on the Group's statement of financial position with a corresponding liability to clients within trade payables.

Financial investments

Financial investments are held as available-for-sale and are non-derivative financial assets that are not classified as held for trading, designated at fair value through profit or loss, or loans and receivables. Financial investments are recognised on a trade date basis. They are initially recognised at fair value plus directly related transactions costs. They are subsequently carried at fair value. Fair value is the quoted market price of the specific investments held.

Financial investments available-for-sale are carried at fair value. Unrealised gains or losses are reported in equity (in the available-for-sale reserve) and in other comprehensive income, until such investments are sold, collected or otherwise disposed of, or until any such investment is determined to be impaired. On disposal of an investment, the accumulated unrealised gain or loss included in equity is recycled to the income statement for the period and reported in other income. Gains and losses on disposal are determined using the average cost method.

Interest on financial investments is included in finance income using the effective interest rate (EIR) method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see IAS 18 Revenue), transaction costs and all other premiums or discounts.

At the year-end date the Group considers whether there is objective evidence that a financial investment is impaired. In case of such evidence, it is considered impaired if its cost exceeds the recoverable amount. The recoverable amount for a quoted financial investment is determined by reference to the market price. A quoted financial investment is considered impaired if objective evidence indicates that the decline in market price has reached such a level that recovery of the cost value cannot be reasonably expected within the foreseeable future.

If a financial investment is determined to be impaired, the cumulative unrealised loss previously recognised in equity is recycled to profit for the period.

29. ACCOUNTING POLICIES CONTINUED

Other payables

Non-trading financial liabilities are recognised initially at fair value and carried at amortised cost using the effective interest rate method if the time value of money is significant.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Borrowings

Borrowings are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, taking into consideration the term of the borrowings, an assessment is made whether to state at amortised cost, with any difference between net proceeds and the redemption value being recognised in the income statement over the period of the borrowings using the effective interest rate method.

All borrowing costs are expensed as they are incurred.

Share capital

(a) Classification of shares as debt or equity

When shares are issued, any component that creates a financial liability of the Group is presented as a liability in the statement of financial position; measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption. The corresponding dividends relating to the liability component are charged as interest expense in the income statement.

Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs. Equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(b) Own shares held in Employee Benefit Trusts

Shares held in Employee Benefit Trusts for the purposes of employee share schemes are classified as a deduction from shareholders' equity and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from the sale and the original cost being taken to reserves. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of equity shares.

(c) Share-based payments

The Company operates three employee share plans: a Share Incentive Plan, a Sustained Performance Plan and a Long-Term Incentive Plan. Previously, the Company operated a Value Sharing Plan, which was equity-settled.

For market-based vesting conditions, the cost of these awards is measured at fair value, calculated using option pricing models (refer to the share-based payment note for additional detail of the models and assumptions used for the various award schemes) and are recognised as an expense in the income statement on a straight-line basis over the vesting period based on the Company's estimate of the number of shares that will eventually vest.

For non-market based vesting conditions, at each statement of financial position date before vesting, the cumulative expense is calculated representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions determining the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous statement of financial position date is recognised in the income statement as part of operating expenses, with a corresponding credit to equity.

The grant by the Company of options over its equity instruments to employees of the subsidiary undertakings in the Group is treated as a capital contribution. The fair value of the employee services received is recognised over the vesting period as an increase in the investment in subsidiary undertakings, with a corresponding credit to equity.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

30. LIST OF INVESTMENTS IN SUBSIDIARIES

The following companies are all owned directly or indirectly by IG Group Holdings plc:

Name of company	Registered office and country of incorporation	Holding	Voting rights	Nature of business
Subsidiary undertakings held directly:				
IG Group Limited	Cannon Bridge House, 25 Dowgate Hill, London EC4R 2YA United Kingdom	Ordinary shares	100%	Holding company
Subsidiary undertakings held indirectly:				
IG Index Limited	Cannon Bridge House, 25 Dowgate Hill, London EC4R 2YA United Kingdom	Ordinary shares	100%	Spread betting
IG Markets Limited		Ordinary shares	100%	CFD trading, foreign exchange and market risk management
IG Markets South Africa Limited		Ordinary shares	100%	CFD trading
Market Data Limited		Ordinary shares	100%	Data distribution
IG Nominees Limited		Ordinary shares	100%	Nominee company
IG Knowhow Limited		Ordinary shares	100%	Software development
Extrabet Limited		Ordinary shares	100%	Non-trading
IG Finance		Ordinary shares	100%	Financing
IG Finance Two		Ordinary shares	100%	Financing
IG Finance Three		Ordinary shares	100%	Financing
IG Finance Four		Ordinary shares	100%	Financing
IG Finance 5 Limited		Ordinary shares	100%	Financing
IG Forex Limited		Ordinary shares	100%	Financing
IG Spread Betting Limited		Ordinary shares	100%	Financing
IG Finance 8 Limited		Ordinary shares	100%	Financing
IG Finance 9 Limited		Ordinary shares	100%	Financing
Financial Domaigns Limited		Ordinary shares	100%	Holding company
Financial Domaigns Registry Holdings Limited		Ordinary shares	100%	Holding company
Financial Domaigns Registrar Limited		Ordinary shares	100%	Domains registrar
Financial Domaigns (Services) Limited		Ordinary shares	100%	Domains registry
DotSpreadbetting Registry Limited		Ordinary shares	100%	Domains registry
DotMarkets Registry Limited		Ordinary shares	100%	Domains registry
DotTrading Registry Limited		Ordinary shares	100%	Domains registry
DotCFD Registry Limited		Ordinary shares	100%	Domains registry
DotBroker Registry Limited		Ordinary shares	100%	Domains registry
DotForex Registry Limited		Ordinary shares	100%	Domains registry
Deal City Limited		Ordinary shares	100%	ETF trading
InvestYourWay Ltd.		Ordinary shares	100%	Non-trading
IG Australia Pty Limited	Level 15, 55 Collins Street, Melbourne VIC 3000 Australia	Ordinary shares	100%	Sales and marketing office
IG Share Trading Australia Pty Limited		Ordinary shares	100%	Non-trading
IG Asia Pte Limited	9 Battery Road, 01-02 MYP Centre, 049910 Singapore	Ordinary shares	100%	CFD trading and foreign exchange
Kunxin Translation (Shenzhen) Co. Limited	Tower 3, Kerry Plaza, No.1 Zhong Xin Si Road, Futian District, Shenzhen 518048, P.R. China	Ordinary shares	100%	Translation services
IG Securities Limited	Shiodome City Centre, 1-5-2 Higashi-Shinbashi, Minato-ku, Tokyo, 105-7110 Japan	Ordinary shares	100%	CFD trading and foreign exchange
FXOnline Japan Co. Limited		Ordinary shares	100%	Non-trading
IG Europe GmbH	Berliner Allee 10, 40212, Düsseldorf, Germany	Ordinary share	100%	CFD trading and foreign exchange
IG Bank S.A.	42 Rue du Rhone, Geneve, 1204 Switzerland	Ordinary shares	100%	CFD trading and foreign exchange

30. LIST OF INVESTMENTS IN SUBSIDIARIES CONTINUED

Name of company	Registered office and country of incorporation	Holding	Voting rights	Nature of business
IG Infotech (India) Private Limited	Infinity, 2nd Floor, Katha No 436, Survey No 13/1B, 12/2B, Challagatta Village, Bangalore, 560071 India	Ordinary shares	100%	Software development
IG US Holdings Inc.	2711 Centreville Road, Suite 400, Wilmington, Delaware, 19808, United States	Ordinary shares	100%	Holding company
North American Derivatives Exchange Inc.		Ordinary shares	100%	Exchange
Market Risk Management Inc.		Ordinary shares	100%	Market maker
Broker Connect Inc.		Ordinary shares	100%	Software development
FX Publications Inc		Ordinary shares	100%	Publications
Nadex Domains Inc.		Ordinary shares	100%	Domains registry
Tower Three Capital Inc.		Ordinary shares	100%	Non-trading
Hedgestreet Securities Inc.		Ordinary shares	100%	Non-trading
Nadex Clearing LLC		Ordinary shares	100%	Non-trading
IG US LLC		Ordinary shares	100%	Foreign exchange trading
Fox Sub Limited	57/63 Line Wall Road, Gibraltar	Ordinary shares	100%	Financing
Fox Sub Two Limited		Ordinary shares	100%	Financing
Fox Japan Holdings		Ordinary shares	100%	Holding company
IG Limited	Office 2 & 3, Level 27, Currency House – Tower 2, Dubai International Financial Centre, P O Box – 506968 Dubai, United Arab Emirates	Ordinary shares	100%	CFD trading and foreign exchange
IG Services Limited		Ordinary shares	100%	Intra-Group corporate services
Morriston Investments Limited	Christodoulou Chatzipavlou, 221 Helios Court, 3rd Floor 3036, Limassol, Cyprus	Ordinary shares	100%	Non-trading

The following UK entities, all of which are 100% owned by the Group, are not subject to an audit by virtue of s479A of the Companies Act 2006 relating to subsidiary companies: IG Finance 5 Limited (06752558), IG Finance 9 Limited (07306407), Financial Domaigns Limited (09233880), Financial Domaigns Registry Holdings Limited (09235699), Financial Domaigns Registrar Limited (09235694), Financial Domaigns (Services) Limited (09235591), DotMarkets Registry Limited (09237699), DotTrading Registry Limited (09237708), DotCFD Registry Limited (09237733), DotBroker Registry Limited (09237714), DotForex Registry Limited (09237740), DotSpreadbetting Registry Limited (09237702), InvestYourWay Limited (07081901) and Deal City Limited (09635230).

The following UK entities, all of which are 100% owned by the Group, are exempt from the requirement to prepare individual accounts by virtue of s394A of the Companies Act 2006 relating to the individual accounts of dormant subsidiaries: IG Nominees Limited (04371444), IG Finance (05024562), IG Finance Two (05137194), IG Finance Three (05297886), IG Finance Four (05312015), IG Spread Betting Limited (06806588), IG Finance 8 Limited (06807656), Extrabet Limited (04560348) and IG Forex Limited (06808361).

Employee Benefit Trusts:

IG Group Holdings plc Inland Revenue Approved Share Incentive Plan (UK Trust)
IG Group Limited Employee Benefit Trust (Jersey Trust)
IG Group Employee Equity Plan Trust (Australian Trust)

IG GROUP HOLDINGS PLC COMPANY ACCOUNTS

COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 MAY 2018

	Note	**31 May 2018 £m**	31 May 2017 £m
Assets			
Non-current assets			
Investment in subsidiaries	6	501.3	494.5
		501.3	494.5
Current assets			
Prepayments and other receivables		136.7	133.4
Cash and cash equivalents		0.1	–
		136.8	133.4
Total assets		638.1	627.9
Liabilities			
Current liabilities			
Other payables	8	8.9	158.1
Total liabilities		8.9	158.1
Equity			
Share capital and share premium	9	206.8	206.8
Other reserves	10	1.4	51.0
Retained earnings		421.0	212.0
Total equity		629.2	469.8
Total equity and liabilities		638.1	627.9

The financial statements of IG Group Holdings plc (registered number 04677092) were approved by the Board of Directors on 24 July 2018 and signed on its behalf by:

Paul Mainwaring
Chief Financial Officer

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2018

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
At 1 June 2016	–	206.8	45.3	330.9	583.0
Total comprehensive income for the year	–	–	–	(1.1)	(1.1)
Equity-settled employee share-based payments	–	–	7.7	–	7.7
Purchase of own shares	–	–	(1.1)	–	(1.1)
Equity dividends paid	–	–	–	(118.7)	(118.7)
Dividends paid on own shares held in trust	–	–	(0.9)	0.9	–
Movement in equity	–	–	5.7	(118.9)	(113.2)
At 31 May 2017	–	206.8	51.0	212.0	469.8
Total comprehensive income	–	–	–	276.3	276.3
Equity-settled employee share-based payments	–	–	7.0	–	7.0
Purchase of own shares	–	–	(4.3)	–	(4.3)
Equity dividends paid	–	–	–	(119.6)	(119.6)
Transfer of share-based payment reserve	–	–	(52.3)	52.3	–
Movement in equity	–	–	(49.6)	209.0	159.4
At 31 May 2018	–	206.8	1.4	421.0	629.2

COMPANY CASH FLOW STATEMENT

	Note	31 May 2018 £m	31 May 2017 £m
Operating activities			
Cash generated from operations	7	125.5	116.6
Income taxes paid		–	–
Net cash flow generated from operating activities		125.5	116.6
Investing activities			
Interest received		–	4.5
Net cash flow used investing activities		–	4.5
Financing activities			
Interest paid		(1.5)	(1.3)
Equity dividends paid to owners of the parent		(119.6)	(118.7)
Purchase of own shares		(4.3)	(1.1)
Net cash flow used in financing activities		(125.4)	(121.1)
Net increase in cash and cash equivalents		0.1	–
Cash and cash equivalents at the beginning of the year		–	–
Cash and cash equivalents at the end of the year		0.1	–

NOTES TO THE FINANCIAL STATEMENTS

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRS

The financial statements of IG Group Holdings plc (the Company) for the year ended 31 May 2018 were authorised for issue by the Board of Directors on 24 July 2018 and the statement of financial position was signed on the Board's behalf by Paul Mainwaring. IG Group Holdings plc is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in England and Wales. The Company's registered address is 25 Dowgate Hill, London, United Kingdom, EC4R 2YA.

The Company's Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and with the Companies Act 2006 applicable to companies reporting under IFRS. The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivatives instruments) at fair value through profit or loss.

The preparation of financial statements 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 Company's accounting policies.

2. ACCOUNTING POLICIES

The accounting policies applied are the same as those set out in note 29 to the consolidated Financial Statements except for the following:

Investments in subsidiaries are stated at cost less accumulated impairment losses.

The Company has share-based payment schemes involving employees of its subsidiaries. The cost of these schemes is recognised as an increase in the investment in the employing subsidiary.

Dividends receivable are recognised when the shareholder's right to receive the payment is established.

As permitted by Section 408(1)(b), (4) of the Companies Act 2006, the individual income statement of IG Group Holdings plc (the Company) has not been presented in these financial statements. The amount of profit for the year included within the financial statements of IG Group Holdings plc is £276.3 million (FY17: loss for the year of £1.1 million). A statement of comprehensive income for IG Group Holdings plc has also not been presented in these financial statements. No items of other comprehensive income arose in the year (FY17: £nil).

3. AUDITORS' REMUNERATION

Auditors' remuneration is disclosed within note 4 to the consolidated Financial Statements.

4. DIRECTORS' REMUNERATION

Directors' remuneration is disclosed within the Director's Remuneration Report section of the Annual Report.

5. STAFF COSTS

The Company has no employees (FY17: nil).

6. INVESTMENT IN SUBSIDIARIES

At cost:

	31 May 2018 £m	31 May 2017 £m
At the beginning of the year	494.5	486.8
Additions in the year	6.8	7.7
	501.3	494.5

Additions in the year comprise the investment relating to equity-settled share-based payments for employees of the subsidiaries.

A full list of the Group's direct and indirectly owned subsidiaries is provided in note 30 to the consolidated Financial Statements.

7. CASH GENERATED FROM OPERATIONS

	Year ended 31 May 2018 £m	Year ended 31 May 2017 £m
Operating activities		
Operating loss	(2.0)	(4.2)
Adjustments to reconcile operating profit to cash generated from operations:		
Depreciation	–	–
Amortisation	–	–
Dividends received	280.0	–
Non-cash foreign exchange losses in operating profit	–	–
Share-based payments charge	–	–
(Increase) in trade and other receivables	(3.3)	(1.5)
(Decrease)/increase in trade and other payables	(149.2)	122.3
Cash generated from operations	125.5	116.6

Operating losses comprise of legal and professional fees and external audit fees.

8. OTHER PAYABLES

	31 May 2018 £m	31 May 2017 £m
Accruals	4.5	7.3
Amounts due to Group companies	4.4	150.8
	8.9	158.1

9. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Share capital £m	Share premium account £m
Allotted and fully paid:			
(i) Ordinary shares (0.005p)			
At 1 June 2016	366,649,075	–	206.8
Issued during the year	332,508	–	–
At 31 May 2017	366,981,583	–	206.8
Issued during the year	907,872	–	–
At 31 May 2018	367,889,455	–	206.8
(ii) Deferred redeemable shares (0.001p)			
At 31 May 2018	65,000	–	–
At 31 May 2017	65,000	–	–
(iii) Redeemable preference shares (£1.00)			
At 31 May 2018	40,000	–	–
At 31 May 2017	40,000	–	–

During the year ended 31 May 2018 there were 907,872 (31 May 2017: 332,508) ordinary shares with an aggregate nominal value of £45.39 (31 May 2017: £16.63) issued following the exercise of Sustained Performance Plan and Long-Term Incentive Plan awards for a consideration of £45.39 (31 May 2017: £16.63).

Except as the ordinary shareholders have agreed or may otherwise agree, on a winding up of the Company, the balance of assets available for distribution after the payment of all of the Company's creditors and subject to any special rights attaching to other classes of shares are distributed among the shareholders according to the amounts paid up on shares by them.

Own shares held in trust

Shares held in Employee Benefit Trusts for the purposes of employee share schemes are classified as a deduction from shareholders' equity and are recognised at cost. Refer to note 21 of the Group consolidated Financial Statements.

Deferred redeemable shares

These shares carry no entitlement to dividends and no voting rights.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9. SHARE CAPITAL AND SHARE PREMIUM CONTINUED

Redeemable preference shares

The preference shares are entitled to a fixed non-cumulative dividend of 8% paid in preference to any other dividend. Redemption is only permissible in accordance with capital distribution rules or on the winding up of the Company where the holders are entitled to £1 per share plus, if the Company has sufficient distributable reserves, any accrued or unpaid dividends. The preference shares have no voting rights, except that they are entitled to vote should the Company fail to pay any amount due on redemption of the shares. The effective interest rate on these shares is 8% (FY17: 8%).

10. OTHER RESERVES

	Share-based payments £m	Own shares held in Employee Benefit Trusts £m	Total other reserves £m
At 31 May 2016	47.1	(1.8)	45.3
Equity-settled employee share-based payments	7.7	–	7.7
Exercise of UK share incentive plans	(0.5)	0.5	–
Dividends paid on own shares held in trust	–	(0.9)	(0.9)
Purchase of own shares	–	(1.1)	(1.1)
At 31 May 2017	54.3	(3.3)	51.0
Equity-settled employee share-based payments	7.0	–	7.0
Exercise of UK share incentive plans	(0.2)	0.2	–
Purchase of own shares	–	(4.3)	(4.3)
Transfer of share-based payments reserve	(52.3)	–	(52.3)
At 31 May 2018	8.8	(7.4)	1.4

11. OBLIGATIONS UNDER LEASES

Operating lease agreements

The Company has entered into commercial leases on certain properties. Future minimum rentals payable under non-cancellable operating leases are as follows:

	31 May 2018 £m	31 May 2017 £m
Future minimum payments due:		
Not later than one year	1.8	2.4
After one year but not more than five years	7.1	8.2
After more than five years	3.2	7.5
	12.1	18.1

12. DIRECTORS' SHAREHOLDINGS

The Directors of the Company hold shares as disclosed in the Group Annual Report.

13. RISK MANAGEMENT

Financial risks arising from financial instruments are managed at a Group-wide level and details are in the risk management section of the Group Annual Report.

Credit risk

Held within prepayments and other receivables in the statement of financial position of the Company are amounts payable to the Company from related parties that are unrated. The Directors consider the Company's receivables to be recoverable as they are with Group companies. Therefore, credit risk is minimal.

Liquidity risk

The Company is able to obtain financial support from other Group companies if there is a need. Therefore, liquidity risk is minimal.

14. SUBSEQUENT EVENTS

The subsequent events of the entity are the same as those disclosed in the notes to the Group consolidated Financial Statements in note 28.

15. DISTRIBUTABLE RESERVES

Of the £421.0 million of retained earnings as at 31 May 2018, £290.5 million is considered distributable.

16. DIVIDENDS PAID AND PROPOSED

The dividends paid and proposed by the entity are the same as those disclosed in the notes to the Group consolidated Financial Statements in note 10.

SHAREHOLDER AND COMPANY INFORMATION

SHAREHOLDER INFORMATION

Receiving shareholder information by email

You can opt to receive shareholder information from us by email rather than by post. We will then email you whenever we add shareholder communications to the Company website. To set this up, please visit www.investorcentre.co.uk/ecomms and register for electronic communications (e-comms).

If you subsequently wish to change this instruction or revert to receiving documents or information by post, you can do so by contacting the Company's registrars at the address shown in the Company Information opposite. You can also change your communication method back to post by logging in to your Investor Centre account and going to 'update my details' followed by 'communication options'.

The Registrar can also be contacted by telephone on 0371 495 2032. Calls to this number cost no more than a national rate call from any type of phone or provider. These prices are for indication purposes only; if in doubt, please check the cost of calling this number with your phone line provider. Lines are open 8.30am – 5.30pm, Mon-Fri excluding bank holidays.

Shareholder enquiries

If you have any queries relating to your shareholding, dividend payments or lost share certificates, or if any of your details change, please contact Computershare by visiting www.investorcentre.co.uk or by using the contact details above.

American Depositary Receipts (ADRs)

The Company has a sponsored Level 1 American Depositary Receipt (ADR) programme, with Citibank N.A. acting as the depositary bank, which enables US investors to invest in IG shares though an ADR, denominated in US dollars. IG's ADR programme trades in the US over-the-counter (OTC) market, under the symbol IGGHY. Each ADR currently represents one ordinary share.

E: citiadr@citi.com W: www.citi.com/dr
T: UK +44 (20) 7500 2030 US +1 (212) 723 5435

Dividend dates(1)

Ex-dividend date	27 September 2018
Record date	28 September 2018
Last day to elect for dividend reinvestment plan	5 October 2018
Final dividend payment date	26 October 2018
2019 interim dividend	February 2019

Annual shareholder calendar(1)

Company reporting	
Final results announced	24 July 2018
Annual Report published	20 August 2018
Annual General Meeting	20 September 2018

Interim report

As part of our e-comms programme, we have decided not to produce a printed copy of our Interim Report. We will instead publish the report on our website, where it will be available around mid-January each year.

(1) Please note that these dates are provisional and subject to change.

COMPANY INFORMATION

Directors

Executive Directors

P G Hetherington (Chief Executive Officer)
P R Mainwaring (Chief Financial Officer)
B E Messer (Chief Commercial Officer)
J M Noble (Chief Information Officer)

Non-Executive Directors

A J Green (Chairman)
S G Hill
J A Newman
J Felix
M L May (Senior Independent Director)
S J Tymms

Company Secretary

T Lee

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

Bankers

Barclays Bank plc
1 Churchill Place
London
E14 5HP

HSBC Holdings plc
8 Canada Square
London
E14 5HQ

Lloyds Banking Group plc
25 Gresham Street
London
EC2V 7AE

Royal Bank of Scotland Group plc
280 Bishopsgate
London
EC2M 4RB

Solicitors

Linklaters
1 Silk Street
London
EC2Y 8HQ

Registrars

Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

Brokers

Barclays Bank plc
5 The North Colonnade
Canary Wharf
London
E14 4BB

Numis Securities Limited
10 Paternoster Square
London
EC4M 7LT

Registered office

Cannon Bridge House
25 Dowgate Hill
London
EC4R 2YA

Registered number

04677092

SHAREHOLDER AND COMPANY INFORMATION

CONTINUED

CAUTIONARY STATEMENT

Certain statements included in our 2018 Annual Report, or incorporated by reference to it, may constitute 'forward-looking statements' in respect of the Group's operations, performance, prospects and/or financial condition.

Forward-looking statements involve known and unknown risks and uncertainties because they are beyond the Group's control and are based on current beliefs and expectations about future events about the Group and the industry in which the Group operates.

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 Group. If the assumptions on which the Group bases its forward-looking statements change, actual results may differ from those expressed in such statements. The forward-looking statements contained herein reflect knowledge and information available at the date of this Annual Report and the Group undertakes no obligation to update these forward-looking statements except as required by law.

This report does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase, any shares or other securities in the Company, and nothing in this report should be construed as a profit forecast.

MARKET SHARE

Market share data has been provided by Investment Trends Pty Limited (website: www.investmenttrends.co.uk). Contact: Irene Guiamatsia (email: Irene@investmenttrends.com.au) or Lloyd Kluegel (email: lloyd@investmenttrends.co.uk). Unless stated, market share data is sourced from the following current reports:

Investment Trends UK Leveraged Trading Report, released June 2017

Investment Trends Germany CFD and FX Report, released May 2018

Investment Trends France CFD and FX Report, released September 2017

Investment Trends Spain CFD and FX Report, released May 2018

Investment Trends Australia CFD Report, released August 2017

Investment Trends Australia FX Report, released February 2018

Investment Trends Singapore CFD and FX Report, released November 2017

Investment Trends Hong Kong Leveraged Trading Report, released March 2018

NOTES

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