IG Markets Limited

Annual report and financial statements

31 May 2017

Registered No: 4008957

Directors

P G Hetherington
P R Mainwaring (appointed 26 July 2016)

Company Secretary
T Lee

Independent Auditors
PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

Bankers
Lloyds TSB Bank plc
10 Gresham Street
London EC2V 7AE

The Royal Bank of Scotland
54 Lime Street
London EC3M 7NQ

HSBC Bank plc
8 Canada Square
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Solicitors
Linklaters
One Silk Street
London EC2Y 8HQ

Brokers
UBS Limited
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London EC2M 2PP

Numis Securities Limited
10 Paternoster Square
London EC4M 7LT

Registered Office
Cannon Bridge House
25 Dowgate Hill
London EC4R 2YA

Registered No: 4008957

Directors' Report

The Directors present their Report together with the audited financial statements of IG Markets Limited ('the Company') for the year ended 31 May 2017.

The Company is wholly owned by its immediate parent company Market Data Limited and the ultimate parent company is IG Group Holdings plc (IG Group Holdings plc together with all its subsidiary undertakings, 'the Group' or 'IG').

Results

The Company's profit for the year amounted to £101.6 million (2016: £96.0 million).

Refer to the Strategic Report for further details on the Company's financial performance, forward looking statement, risk management and performance indicators sections.

Dividends

A dividend of £20.2 million was received during the year (2016: nil) and a dividend of nil was declared during the year (2016: £70.0 million).

Directors

The Directors of the Company who held office during the year and up to the date of signing the financial statements were as follows:

P G Hetherington
P R Mainwaring (appointed 26 July 2016)

No Director had any beneficial interest in the share capital of the Company during the year.

IG Group Holdings plc operates long term incentive plans, sustained performance plans and short term incentive plans. Some Directors of the Company participate in these plans and details of the plans are described in note 26 of the 2017 Group Annual Report.

Subsequent events

In June 2017, the Group renewed and signed its £160.0 million revolving credit facility from a syndicate of four UK banks. This facility has £100.0 million available for up to a one year term (with an option to extend for a further year) and £60.0 million available for up to three years.

The Company and another group company are borrowers of this facility.

Independent auditors

A resolution to re-appoint the Company's auditors PricewaterhouseCoopers LLP will be put to shareholders at the forthcoming AGM in September 2017.

Insurance and indemnities

The Group purchases appropriate liability insurance for all Directors and officers. This cost was borne by another Group company.

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 is obliged to take as a Director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Employees

The Company provides a dynamic and friendly working environment. It encourages key talent to be part of the Company's future. Linked to the Company's belief in investing in its employees, the Company offers employees tax-advantaged share purchase schemes. The Company delivers employee engagement surveys to obtain insight on what employees feel about working for the Company.

The Company is committed to maintaining a diverse workforce at all levels and full consideration is given to applications for employment from disabled persons, where the candidate's aptitudes and abilities are consistent with meeting the requirement of the job. The Company operates an open, non-hierarchical organisation, an environment which promotes direct and open access among all teams and at all levels.

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 has adequate resources to continue in operational existence for the foreseeable future.

Registered No: 4008957

Directors' Report

The Directors have reviewed the processes to control the financial risks to which the Company is exposed, its available liquidity, its regulatory capital position and the annual budget. As a result of this review the Directors have a reasonable expectation that the Company 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.

On behalf of the Board

Paul Mainwaring

P R Mainwaring
Director
20 September 2017

Strategic Report

Principal activities and business model

The Company offers OTC leveraged derivatives, share dealing and investments, to clients in the UK, Australia, New Zealand, Poland, Germany, France, Italy, Spain, Sweden, Luxembourg and Ireland. The clients enter into derivative instruments: contracts for difference and options. These enable them to take long or short positions, for varied durations, in a wide range of financial markets, gaining exposure to price movements in those markets without needing to buy or sell the underlying asset. Clients only need to have sufficient funds in their account to cover the margin required to enter into a derivative contract.

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 Company'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.

The Company is the counterparty to the OTC leveraged derivatives that clients enter into, and as a result the business faces market risk. The Company is also the hedging counterparty for other Group companies. The Company 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 Company 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 market risk. Through the process of internalisation and hedging, the Company 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.

The Company also provides treasury services to other Group companies.

The Company is regulated by the Financial Conduct Authority (FCA) and its conduct in jurisdictions outside the UK is regulated by the local bodies.

The Company's trading revenue arises from each of the Company's three revenue generating models: OTC Leveraged Derivatives, Share Dealing and Investments.

OTC Leveraged Derivatives: represents

- i) fees paid by clients for spread, commission and funding charges in respect of the opening, holding and closing of contracts of differences or option contracts together with gains and losses for the Company arising on client trading activity; less
- ii) fees paid by the Company in spread, commissions and funding charges arising in respect of hedging the risk associated with the client trading activity and the Company's currency exposures, together with gains and losses incurred by the Company arising on hedging activity; less
- iii) amounts shared out to other group companies under revenue share agreements

Share Dealing: represents commission earned from share dealing service after deducting contracting and trade settlement fees payable to third-party brokers.

Investments: represents management fees, which are earned as a percentage of assets under management.

The Company's main costs are:

Remuneration costs: relates to employees who are directly employed by the Company and by another Group company.

Advertising and marketing costs: are incurred to drive client recruitment. Advertising and marketing includes some costs which have been allocated to the Company having been incurred on its behalf by another group company. In instances where the Company has incurred costs on behalf of other group companies, the expense is recharged to those companies and netted off in the same line in the income statement.

Royalty expense: mainly relates to a licence fee paid to another group company for use of the trading platform intellectual property used by clients when trading online. The fee is calculated as a percentage of the Company's net trading revenue.

Strategic Report

Review of business and key performance indicators

The Company increased net trading revenue by 12% to £250.4 million (2016: £223.3 million) in a year in which volatility levels were at an all-time low.

The Group's active client numbers in the UK were up by 8% to 64,725 (2016: 59,940). The UK, due to the large installed client base that comes with the most mature market, responds more relative to the Company's sister companies in the rest of the world, both negatively and positively. In the quiet markets, this, along with the heavy client acquisition around the UK's EU Referendum and the US Presidential election, meant that average revenue per client in the UK was down by 7% to £3,446 (2016: £3,710).

An annual study of the UK's retail leveraged trading industry was released in July 2017. The survey concluded that, although the retail leveraged trading market remains niche, the number of traders grew to 148,000 (2016: 138,000). The survey showed that IG's primary market share of CFD traders did not change from 27%. The measurement of primary market share is based on an estimate of the number of primary accounts, excluding partner agreements, and makes no allowance for client value, therefore drawing precise conclusions about the share of total market revenue is difficult.

Profit before tax was £119.8 million (2016: £116.1 million). Operating expenses rose by 41%.

Profit after tax was £101.6 million (2016: £96.0 million).

Shareholders' equity increased from £498.0 million to £600.0 million as at 31 May 2017.

Business Development

The Company continued to make good strategic and operational progress during the year.

The Company launched its discretionary managed investments service in the UK towards the end of this financial year. Together with the share dealing service, this is expected to be an effective means of engaging and retaining valuable leveraged trading clients. The number of clients using multiple products (a leveraged account and a share dealing or investments account) more than doubled in the period and there is early evidence that these clients trade more actively, making them more valuable.

The Company will soon rollout a New Web Trading Platform and this will become the default platform for CFD traders.

The Company relaunched its Limited Risk Account in July 2016, which requires all clients using the account to cap the downside risk of every trade, which avoids them ever having a negative balance on their account.

IG takes its leadership position in the industry extremely seriously and constantly assesses its self-imposed restrictions and controls, which ensure access to complex financial products is only provided to appropriate. Just after the end of the financial year, the Group carried out a full review of its onboarding criteria and process. As a result of this, the Group altered various elements, including raising its self-imposed wealth hurdles and its minimum deposit. The Group has also created and rolled out a new appropriateness test which means that prospective clients who were previously allowed to proceed at their own risk can no longer have a leveraged account with IG unless they can demonstrate that they understand the potential risks and rewards of such an account. This is a clear example of IG doing the right thing to ensure fair client outcomes and going beyond what is demanded by regulation. As a result of these actions, the Company expects to recruit fewer clients, of greater average value, and so may see a fall in simple measures of market share.

Regulation

The retail leveraged trading industry is under scrutiny globally, with particular emphasis currently in the UK and Europe. This new level of scrutiny is overdue and IG believes that a well thought through update to regulation should be beneficial for clients – if it is proportionate, consistent and properly enforced. IG has differentiated itself within the industry through its adherence to the highest regulatory standards and its focus on fair outcomes for clients. However, too many providers have been allowed to enter this industry in recent years, many of which have behaved very badly and targeted clients for whom such a product is entirely inappropriate. This has been exacerbated by an influx of entirely illegal providers, based in offshore regimes and using the uncontrollable nature of the internet to take advantage of unsophisticated or unwary individuals through misleading advertising. These companies have often provided a single product, the up/down binary option, using high pressure sales practices. This combination of poorly regulated and illegal providers has often left the impression that the entire industry is at fault and made it very difficult for compliant providers, such as IG, to make their voices heard. In order to improve outcomes for clients, the Company believes it is vital that regulators support and work with companies like IG to remove or greatly reduce the impact of these illegal and poorly supervised providers.

In recent months, IG has been even more active in liaising with regulators to assist them in their efforts to improve outcomes for clients across the world. There are a number of reviews either complete or ongoing in countries where IG has either a presence or a material degree of business.

In Australia, the Government and regulator are proceeding to better protect client money – In a way that IG always has – and to provide additional powers of intervention on financial products provided to retail. IG welcomes both of these measures.

In Europe the regulatory situation is complex and in transition. IG is working with National Competent Authorities (NCAs) in several countries and has also been in discussion with the European Securities and Markets Association (ESMA) and shared its concerns about the divergence of regulation across the EU. Consultations in France and Germany have been finalised and the outcome of a requirement to provide an account which limits the downside for clients fits with the leadership position IG took last year and enhances IG's competitive position in these countries. The result of the consultations in The Netherlands and Ireland have not yet been announced.

Strategic Report

In December 2016, in the UK, the FCA announced its intention to enhance conduct of business rules for firms providing contract for difference products to retail clients, and detailed a very specific set of proposals. Following an announcement by ESMA in June 2017, the FCA decided to delay making final rules until ESMA finalises its discussions. ESMA announced it is in the process of discussing the possible use of its product intervention powers under Article 40 of MiFIR, the possible content of any such measures, and how they could be applied. Measures being discussed include leverage limits, guaranteed limits on client losses, and restrictions on the marketing and distribution of these products.

The Company believes a common set of regulations across the EU provides a greater chance of successfully protecting consumers against poor behaviour in the industry. Any inconsistency in the application of regulatory standards in the EU region only creates arbitrage opportunities for ill-intentioned providers to take advantage of less sophisticated consumers. IG will continue to engage actively with NCAs and ESMA to seek to establish a set of rules which improve consumer outcomes and protect competition.

Further details are provided in the Group's 2017 Annual Report.

The Company, in conjunction with the Group, is also planning for the UK's exit from the EU, and good progress is being made in securing regulatory approval for a subsidiary based in the EU. The Group is also at the early stages of exploring further opportunities outside the EU.

Capital resources

The Company had significant surplus regulatory capital resources over the regulatory capital resources requirement throughout the year.

At 31 May 2017, under FCA rules, the Company had a Total Capital Ratio of 47.8% (2016: 47.4%). Total regulatory capital resources as at 31 May 2017 were £599.4 million (2016: £497.0 million). An analysis of the Group's consolidated capital resources and capital resources requirement is provided in the 2017 Annual Report on page 142.

Risk Management

The principal activities of the Company outlined above give rise to exposure to financial instrument holding risk in the ordinary course of business. These risks are quantified in note 27.

Business model risks which impact the Company are disclosed on page 37 in the 2017 Group Annual Report. These risks are managed on a group-wide basis as disclosed in the 2017 Annual Report on page 38.

Future developments and outlook

IG will continue to lead the way in the industry with respect to how it markets its services, how it deals with clients, and through the products and levels of client service it offers. IG believes in doing the right thing, rather than simply complying with minimum regulatory requirements. The Company is taking measures to further differentiate itself within its core OTC leveraged derivatives trading environment, and will continue to improve the transparency of its products.

None of the recently announced regulatory changes have adversely impacted the business to date, and the current year has started well. The nature and timing of potential regulatory changes in the UK remain uncertain, and it is therefore difficult to predict what impact, if any, regulatory change may have on the Company this financial year and beyond.

IG is better placed than most, if not all, providers in the industry to both influence and respond to regulatory change. The Company will continue to engage fully with regulators, to seek to achieve the best possible outcomes for current and future clients of this industry, and the greatest long term value for shareholders of the Company.

On behalf of the Board

Paul Mainwaring

P R Mainwaring

Director

20 September 2017

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the 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.

On behalf of the Board

Paul Mainwaring

P R Mainwaring

Director

20 September 2017

Independent Auditors' Report

to the Member of IG Markets Limited

Report on the financial statements

Our opinion

In our opinion, IG Markets Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 May 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements which comprise of:

- the Statement of Financial Position as at 31 May 2017;
- the Income Statement for the year then ended;
- the Statement of Cash Flow for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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.

In applying the financial reporting framework, the directors have made a number of subjective judgments, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent Auditors' Report

to the Member of IG Markets Limited

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgments against available evidence, forming our own judgments, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Darren Meek

Darren Meek (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

20 September 2017

Income statement
for the year ended 31 May 2017

	Note	Year ended 31 May 2017	Year ended 31 May 2016
		£m	£m
Trading revenue		267.0	251.0
Introducing partner commissions		(16.6)	(27.7)
Net trading revenue	2	250.4	223.3
Financial transaction taxes		(0.5)	(0.4)
Interest income on segregated client funds		2.9	2.3
Other operating income		0.3	0.2
Net operating income		253.1	225.4
Operating expenses	3	(154.6)	(109.8)
Operating profit		98.5	115.6
Finance income	7	1.4	1.3
Finance costs	8	(0.3)	(0.8)
Dividend income		20.2	-
Profit before taxation		119.8	116.1
Taxation	9	(18.2)	(20.1)
Profit for the year		101.6	96.0

All of the Company's revenue and profit relate to continuing operations.

The notes on pages 15 to 42 are an integral part of these financial statements.

Statement of other comprehensive income

for the year ended 31 May 2017

	Note	Year ended 31 May 2017 £m	Year ended 31 May 2017 £m	Year ended 31 May 2016 £m	Year ended 31 May 2016 £m
Profit for the year			101.6		96.0
Other comprehensive expense:					
Items that may be subsequently reclassified to profit or loss:					
Change in value of available-for-sale financial assets		(0.2)		(0.1)	
Other comprehensive income for the year, net of tax			(0.2)		(0.1)
Total comprehensive income for the year			101.4		95.9

All items of other comprehensive income or expense may be subsequently reclassified to the income statement. The items of other comprehensive expense noted above are stated net of related tax effects.

The notes on pages 15 to 42 are an integral part of these financial statements.

Statement of financial position
as at 31 May 2017

	Note	31 May 2017 £m	31 May 2016 £m
Assets			
Non-current assets			
Property, plant and equipment	11	0.5	0.3
Intangible assets	12	-	0.1
Investment in subsidiaries	13	3.9	3.9
Financial investments	17	52.4	25.0
Deferred income tax assets	9	0.4	0.8
		57.2	30.1
Current assets			
Trade receivables	14	327.7	256.7
Prepayments and other receivables	15	337.6	192.7
Cash and cash equivalents	16	87.5	145.2
Financial investments	17	92.0	111.0
		844.8	705.6
TOTAL ASSETS		902.0	735.7
Liabilities:			
Current liabilities			
Trade payables	18	67.2	64.8
Other payables	19	233.2	169.3
Income tax payable	9	1.7	3.6
Total liabilities		302.1	237.7
Equity attributable to owners of the parent			
Share capital	20	13.0	13.0
Other reserves	21	2.4	2.1
Retained earnings		584.5	482.9
Total equity		599.9	498.0
TOTAL EQUITY AND LIABILITIES		902.0	735.7

The notes on pages 15 to 42 are an integral part of these financial statements.

The financial statements on pages 10 to 14 were approved by the Board of Directors and signed on their behalf by:

Paul Mainwaring

P R Mainwaring
Director
20 September 2017
Registered Company number: 4008957

Statement of changes in equity
for the year ended 31 May 2017

	Share capital	Other reserves	Retained earnings	Total equity
	£m	£m	£m	£m
At 1 June 2015	13.0	1.8	456.9	471.7
Profit for the year	-	-	96.0	96.0
Other comprehensive expense for the year	-	(0.1)	-	(0.1)
Equity-settled employee share-based payments	-	0.4	-	0.4
Equity dividends paid	-	-	(70.0)	(70.0)
Movement in shareholders' equity	-	0.3	26.0	26.3
At 31 May 2016	13.0	2.1	482.9	498.0
Profit for the year	-	-	101.6	101.6
Other comprehensive expense for the year	-	(0.2)	-	(0.2)
Equity-settled employee share-based payments	-	0.5	-	0.5
Movement in shareholders' equity	-	0.3	101.6	101.9
At 31 May 2017	13.0	2.4	584.5	599.9

The notes on pages 15 to 42 are an integral part of these financial statements.

Statement of cash flow

for the year ended 31 May 2017

	Note	Year ended 31 May 2017 £m	Year ended 31 May 2016 £m
Operating activities			
Operating profit		98.5	115.6
Adjustments to reconcile operating profit to net cash flow from operating activities:			
Depreciation and amortisation	3	0.3	0.3
Equity settled employee share-based payments		0.5	0.4
(Increase)/decrease in trade and other receivables		(196.0)	44.5
Increase/(decrease) in trade and other payables		66.4	(18.1)
Cash generated from operations		(30.3)	142.7
Income taxes paid		(19.6)	(21.2)
Net cash generated from operating activities		(49.9)	121.5
Investing activities:			
Interest received		1.7	0.5
Purchase of property, plant and equipment	11	(0.4)	(0.3)
Purchase of intangible assets	12	-	(0.1)
Net cash flow from (purchase)/sale of financial investments		(8.8)	2.1
Net cash used in investing activities		(7.5)	2.2
Financing activities:			
Equity dividends paid		-	(70.0)
Interest paid		(0.3)	(0.5)
Net cash used in financing activities		(0.3)	(70.5)
Net increase in cash and cash equivalents		(57.7)	53.2
Cash and cash equivalents at the beginning of the year		145.2	92.0
Cash and cash equivalents at the end of the year	17	87.5	145.2

The notes on pages 15 to 42 are an integral part of these financial statements.

Notes to the financial statements

for the year ended 31 May 2017

1. Authorisation of financial statements and statement of compliance with IFRS

The financial statements of the Company for the year ended 31 May 2017 were authorised for issue by the Board of Directors on 20 September 2017 and the Statement of Financial Position was signed on the Board's behalf by Paul Mainwaring. The Company is incorporated and domiciled in England and Wales.

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

Critical accounting estimates and judgments

The preparation of financial statements requires management to make estimates and judgments that affect the amounts reported for assets and liabilities, as at the year-end, and the amounts reported for revenues 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 judgments that have the most significant impact, on the measurement of items recorded in the financial statements, remain the useful economic life applied to the intangible assets and the calculation of the Company's current corporation tax charge.

The assessment of the useful economic life of the Company's internally developed and acquired software and licenses is judgmental and can change due to obsolescence as a result of unforeseen technological developments. The useful life for licenses represents management's view of the expected term over which the Company will receive benefits from the software, and does not exceed the licence term. For internally developed and acquired software the life is based on historical experience with similar products as well as anticipation of future events which may impact their useful economic life.

The calculation of the Company's current corporation tax charge involves a degree of estimation and judgment with respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority. Amounts to be paid/received may ultimately be different than the amounts already accounted for and could therefore impact the overall profitability and cash flows of the group in future periods (refer to note 10).

Basis of preparation

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the 2017 Group's Annual Report. The financial statements are presented in Sterling.

Use of non-GAAP measures

The Company believes that, where applicable, the presentation of underlying results provides additional useful information to shareholders on the underlying trends and comparable performance of the group over time. These terms are not defined under IFRS and may therefore not be comparable with similarly titled profit measures reported by other companies. They are not intended to be a substitute for, or superior to, GAAP measures. The term "underlying" refers to the relevant profit, earnings or taxation being reported excluding exceptional items.

Exceptional items are those items of income and expense that the Company considers are material one-off in nature and of such significance that they merit separate presentation in order to aid the reader's understanding of the Company's financial performance. Such items would include profits or losses on disposal of major assets; major restructuring programmes; significant goodwill or other asset impairments; other particularly significant or unusual items.

Non-GAAP measures used in these financial statements are capital resources.

Notes to the financial statements

for the year ended 31 May 2017

2. **Accounting policies**

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 has adequate resources to continue in operational existence for the foreseeable future.

Parent company and Group financial statements

The parent company throughout the year was Market Data Limited which is a wholly owned subsidiary of IG Group Limited. The ultimate parent company is IG Group Holdings plc.

The financial statements of IG Group Holdings plc and its subsidiary companies, which include the results of the Company, may be obtained from Cannon Bridge House, 25 Dowgate Hill, London EC4R 2YA. The Group financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. For both IG Group Holdings plc and the Company, accounting policies applied in these financial statements are consistent with those applied in their respective financial statements for the year ended 31 May 2016, and are in accordance with the provisions of the Companies Act 2006.

Foreign currencies

The Company's functional currency is Sterling. Transactions in foreign currencies are translated into the functional currency at the rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the date of the Statement of Financial Position. 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 translation are taken to the income statement.

New accounting standards and interpretations - standards and amendments adopted during the year

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 June 2016 have had a material impact on the Company.

Standards not yet adopted, but expected to have significant impact on the financial statements when adopted:

- IFRS 9, 'Financial instruments' - Effective for annual periods beginning on or after 1 January 2018.
- IFRS 15, 'Revenue from contracts with customers' – Effective for annual periods beginning on or after 1 January 2018.
- IFRS 16, 'Leases' - Effective for annual periods beginning on or after 1 January 2019.

The impact of these standards on the financial statements is being assessed by the Company but we do expect an impact on the level of disclosure.

Revenue recognition

Trading revenue includes revenue arising from each of the Company's three revenue generation models: OTC Leveraged 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 contract of differences and option contracts, together with gains and losses for the Company arising on client trading activity; less
ii) fees paid by the Company in spread, commissions and funding charges arising in respect of hedging the risk associated with the client trading activity and the Company's currency exposures, together with gains and losses incurred by the Company arising on hedging activity; less
iii) amounts shared out to other group companies under revenue share agreements.

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 26, Financial Instruments.

Share dealing

Revenue from Share Dealing represents commission earned from share dealing service after deducting contracting and trade settlement fees payable to third-party brokers. Revenue is stated net of sales taxes and is recognised in full on the date of trade being placed.

Notes to the financial statements

for the year ended 31 May 2017

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 Company and the revenue can be reliably measured. Revenue is shown net of value added tax after eliminating sales within the group.

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 income statement and in the notes to the financial statements, represents trading revenue after taking account of introducing partner commission.

Income received 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.

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 effective interest rate is the rate which exactly discounts estimated future cash flows on the carrying amount of the asset/liability. Issue costs are included in the determination of the effective interest rates.

Interest income and interest expense on segregated client funds are disclosed within operating profit, as this is consistent with the nature of the Company's operations.

Share-based payments

The ultimate parent company, IG Group Holdings plc operates three employee share plans: a share incentive plan, a sustained performance plan and a long-term incentive plan. Previously IG Group Holdings plc 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 administrative expenses, with a corresponding entry in equity.

The grant by IG Group Holdings plc of options over its equity instruments to employees of the Company is treated as an expense for the Company, as discussed above and with a corresponding credit to equity.

Employee Benefits

Pension obligations

The Company participates in a defined contribution scheme. 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 company has no legal or constructive obligations to pay further contributions.

Bonus schemes

The Company recognises a liability and an expense for bonuses based on formulae that take into consideration both the group's performance against certain financial and non-financial measures.

Termination benefits

Termination benefits are payable when an employment contract is terminated by the Company. The Company recognises termination benefits when the Company can no longer withdraw the offer of those benefits.

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 period. 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 periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the date of the statement of financial position.

Notes to the financial statements
for the year ended 31 May 2017

Deferred tax is generally 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 Company intends to settle its current tax assets and liabilities on a net basis.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Dividend receivable are recognised when the shareholder's right to receive the payment is established. During the year, the Company received a dividend of £20.2 million in specie.

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 date of the statement of financial position. 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.

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
- the correlation between development costs and future revenue has been established.

Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Accounting policies

Notes to the financial statements
for the year ended 31 May 2017

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

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 for impairment annually before being brought into use.

Impairment of non-financial assets

At least annually, or when impairment testing is required, the Directors review the carrying amounts of the Company's tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company 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.

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.

Financial instruments

Classification, Recognition and Measurement

The Company 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade receivables', 'cash and cash equivalents' and trade payable 'amounts due to title transfer clients'.

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 expires.

Financial assets

A financial asset is derecognised where the rights to receive cash flows from the asset have expired; the Company 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 Company 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 Company 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 Company'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 Company could be required to repay.

Notes to the financial statements

for the year ended 31 May 2017

Accounting policies

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.

Trade receivables and trade payables

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 (another group company) 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 Company 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 Company. 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 Company.

Bitcoin

The Company offers Bitcoin as a product that can be traded on its platform. The Company normally would hedge its clients' trading positions with its brokers. However, as its brokers do not offer Bitcoin as a hedging product, the Company purchases and sells Bitcoin to hedge the clients' positions.

At present there is a lack of guidance in IFRS on how cryptocurrencies such as Bitcoin should be accounted for and subsequently disclosed. This product is used in a similar manner to using broking counterparties for hedging purposes and not held with a view to making a profit or loss for the Company. Whilst it does not strictly meet the definition of a financial asset we have accounted for the Bitcoin as a financial asset and disclosed the Bitcoin values within 'amounts due from brokers' as Bitcoin is used in a similar manner to the financial assets held with our brokers.

Prepayments and other receivables

Prepayments and other receivables are non-derivative financial 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 and 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 profit and loss when the receivables are derecognised or impaired, as well as through the amortisation process. 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 cash flow statement, net cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. The Company 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 retail client funds held in segregated client money accounts or money market facilities. Segregated client money accounts hold statutory trust status restricting the Company's ability to control the monies and accordingly such amounts and are not held on the Company's statement of financial position.

The return received on managing segregated client funds is included within net operating income.

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 Company 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.

Notes to the financial statements

for the year ended 31 May 2017

3. Operating expenses

Expenses are either incurred directly by IG Markets or by other Companies on IG Markets' behalf. Where costs are incurred on its behalf, these costs are recharged to IG Markets on a line by line basis and are presented within each of the cost categories below.

During the year, the intellectual property associated with the IG trading platform and associated assets, together with the key staff running the systems and processes were transferred from another group company to IG Knowhow Limited. Accordingly, certain costs that were being recharged to the Company, particularly IT staff, are now being charged as part of the royalty expense.

	Year ended 31 May 2017	Year ended 31 May 2016
	£m	£m
Employee remuneration costs are as follows:		
Wages and salaries, and other pension costs (in relation to defined contribution schemes)	24.6	34.9
Equity-settled share-based payment awards and related social security	3.9	4.1
Performance related bonus and related social security costs	7.0	10.2
	35.5	49.2
Advertising and marketing	34.9	24.1
Premises-related costs	3.9	5.5
Telephone and data	0.6	0.6
IT Maintenance and support	0.7	4.2
Market data	9.2	8.9
Legal and professional costs	2.6	1.7
Regulatory fees	1.2	2.6
Net charge for impaired trade receivables	1.3	0.5
Irrecoverable VAT and other sales taxes	8.8	6.7
Payment card charges	0.6	-
Royalty expense	52.7	0.6
Depreciation and amortisation	0.3	0.3
Other costs	2.3	4.9
	154.6	109.8

Included in premises-related costs is operating lease rentals for office space of £1.7 million (2016: £2.4 million).

4. Auditors' remuneration

Audit fees in relation to audit of financial statements of the Company amounting to £75,197 (2016: £69,349) are borne by another group company. Non-audit fees relating to tax compliance services amounted to £58,375 (2016: £58,375).

5. Directors' emoluments

Directors are remunerated for their services to the Group. Their remuneration is disclosed in the 2017 Annual Report on page 72.

Notes to the financial statements
for the year ended 31 May 2017

6. **Staff costs**

Staff costs relate to employees who are directly employed by the Company (with the head count disclosed below) and employees employed by another Group company, with the cost recharged to the Company. An analysis of the staff costs before and after these recharges are below:

	Year ended 31 May 2017	Year ended 31 May 2016
	£m	£m
The total staff costs for employees of the Company	7.1	7.5
Costs recharged to the Company from other group companies for services provided to the Company	28.4	41.7
Amount recognised in the Company's income statement	35.5	49.2

The staff costs for the year consist of:

	Year ended 31 May 2017	Year ended 31 May 2016
	£m	£m
Wages and salaries, performance related bonus and equity-settled share-based payment awards	29.9	41.1
Social security costs	3.8	5.8
Other pension costs (in relation to defined contribution schemes)	1.8	2.3
	35.5	49.2

The Company does not operate any defined benefit pension schemes.

The average monthly number of employees employed by the Company by activity was as follows:

	Year ended 31 May 2017	Year ended 31 May 2016
	Number	Number
Information technology	1	-
Sales, marketing and client support	102	74
Management, administrative and dealing	14	5
	117	79

7. **Finance income**

	Year ended 31 May 2017	Year ended 31 May 2016
	£m	£m
Bank interest receivable	0.7	0.3
Interest accretion on financial investments	0.6	0.9
Interest receivable from brokers	0.1	0.1
	1.4	1.3

Notes to the financial statements
for the year ended 31 May 2017

8. Finance costs

	Year ended 31 May 2017	Year ended 31 May 2016
	£m	£m
Interest payable to clients	0.1	0.1
Interest payable to brokers	0.5	0.4
Interest paid to other group companies	0.4	0.2
Bank interest payable	-	0.1
Other interest	(0.7)	-
	0.3	0.8

9. Taxation

Tax on profit on ordinary activities

Tax charged in the income statement:

	Year ended 31 May 2017	Year ended 31 May 2016
Current income tax:	£m	£m
Corporation tax	17.9	19.1
Foreign tax	0.9	1.1
Adjustments in respect of prior years	(1.0)	-
Total current income tax	17.8	20.2
Deferred income tax:		
Origination and reversal of timing differences	0.2	(0.1)
Adjustments in respect of prior years	0.2	-
Total deferred income tax	0.4	(0.1)
Tax expense in the income statement	18.2	20.1

Notes to the financial statements
for the year ended 31 May 2017

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 effective rate of corporation tax for the year ended 31 May 2017 is 19.83% (year ended 31 May 2016: 20%). 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 2017	Year ended 31 May 2016
	£m	£m
Profit before taxation	119.9	116.1
Profit multiplied by the UK standard rate of		
Corporation tax at 19.83% (2016: 20.00%)	23.8	23.2
Effects of:		
Expenses not deductible for tax purposes	1.0	0.1
Non-taxable income	(4.0)	-
Adjustments in respect of prior years	(0.8)	(0.3)
Higher taxes on overseas earnings	0.1	0.5
Group relief for which no payment is made	(1.9)	(3.4)
Total tax expense reported in the income statement	18.2	20.1

The effective tax rate is 15.2% (2016: 17.3%).

Reconciliation of the current corporation tax liability

The movement in the current corporation tax liability included in the statement of financial position is as follows:

	Year ended 31 May 2017	Year ended 31 May 2016
	£m	£m
At the beginning of the year	3.6	4.6
Income statement charge	17.8	20.2
Payments	(19.6)	(21.2)
Impact of movement in foreign exchange rates	(0.1)	-
At the end of the year	1.7	3.6

Deferred income tax assets:

The deferred income tax assets included in the statement of financial position are as follows:

	Year ended 31 May 2017	Year ended 31 May 2016
	£m	£m
Depreciation in excess of capital allowances	-	0.1
Other timing differences	0.4	0.7
	0.4	0.8

Notes to the financial statements
for the year ended 31 May 2017

The gross movement in the deferred income tax assets included in the statement of financial position is as follows:

	Year ended 31 May 2017	Year ended 31 May 2016
	£m	£m
At the beginning of the year	0.8	0.9
Income statement charge	(0.4)	(0.1)
At the end of the year	0.4	0.8

Deferred income tax – income statement charge

	Year ended 31 May 2017	Year ended 31 May 2016
	£m	£m
The deferred income tax (charge)/credit included in the income statement is as follows:		
Decelerated capital allowances	0.1	-
Other timing differences	0.3	(0.1)
	0.4	(0.1)

The Finance Act 2015 passed into legislation in July 2015 and changed the main rate of UK corporation tax, reducing the rate 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 have 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 deferred tax assets and liabilities for the year ended 31 May 2017 were calculated at rates between 19% and 17% depending on the nature of each temporary difference.

Factors affecting the tax charge in future years

Factors that may affect the Company's future tax charge include the UK corporation tax rate, changes in tax legislation, future planning opportunities and the resolution of open tax issues. The calculation of the Company's total tax charge involves a degree of estimation and judgment with respect to the recognition of deferred tax assets and of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authorities. The Company has made tax payments in respect of the potential tax liability that may arise on these unresolved items, however, the amount ultimately payable may be materially lower than the amount already paid and could therefore improve the overall profitability and cash flows of the Company in future periods.

Notes to the financial statements
for the year ended 31 May 2017

10. Dividends

	Year ended 31 May 2017 £m	Year ended 31 May 2016 £m
Declared and paid during the year:		
Dividend per share nil pence (2016: 5.35 pence)	-	70.0
	-	70.0

11. Property, plant and equipment

	Leasehold improvements £m	Office equipment, fixtures and fittings £m	Computer, and other equipment £m	Total £m
Cost:				
At 1 June 2015	0.7	0.3	0.4	1.4
Additions	0.2	-	0.1	0.3
At 31 May 2016	0.9	0.3	0.5	1.7
Additions	-	-	0.4	0.4
At 31 May 2017	0.9	0.3	0.9	2.1
Accumulated depreciation:				
At 1 June 2015	0.5	0.3	0.3	1.1
Provided during the year	0.3	-	-	0.3
At 31 May 2016	0.8	0.3	0.3	1.4
Provided during the year	-	-	0.2	0.2
At 31 May 2017	0.8	0.3	0.5	1.6
Net book value:				
31 May 2017	0.1	-	0.4	0.5
31 May 2016	0.1	-	0.2	0.3

Notes to the financial statements
for the year ended 31 May 2017

12. Intangible assets

	Software and licences	Total
	£m	£m
Cost:		
At 1 June 2015	0.1	0.1
Additions	0.1	0.1
At 31 May 2016 and 1 June 2016	0.2	0.2
Additions	-	-
At 31 May 2017	0.2	0.2
Accumulated amortisation:		
At 1 June 2015	0.1	0.1
Charge for the year	-	-
At 31 May 2016 and 1 June 2016	0.1	0.1
Charge for the year	0.1	0.1
At 31 May 2017	0.2	0.2
Net book value:		
31 May 2017	-	-
31 May 2016	0.1	0.1

13. Investment in subsidiaries

At cost:	31 May 2017	31 May 2016
	£m	£m
At beginning and end of the year	3.9	3.9

The following companies are all owned directly or indirectly by IG Markets Limited:

Name of company	Country of incorporation	Holding	Proportion of voting rights held	Nature of business
Subsidiary undertakings held directly:				
IG Nominees Limited	UK	Ordinary shares	100%	Nominee company
IG Finance 9 Limited	UK	Ordinary shares	100%	Financing
Subsidiary undertakings held indirectly:				
IG Asia Pte Limited	Singapore	Ordinary shares	100%	OTC Leveraged Derivatives trading

Notes to the financial statements

for the year ended 31 May 2017

IG Nominees Limited (04371444) is 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 Finance 9 Limited (07306407) is not subject to an audit by virtue of s479A of the Companies Act 2006 relating to subsidiary companies.

14. Trade receivables

	31 May 2017	31 May 2016
	£m	£m
Amounts due from brokers	307.4	242.3
Amounts due from clients	0.4	1.4
Own funds in client money	19.9	13.0
	327.7	256.7

Amounts due from clients arise when a client's total funds deposited with the Company are insufficient to cover any trading losses incurred or when a client utilises a trading credit limit, stated net of an allowance for impairment.

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 includes £5.0 million (31 May 2016: £0.2 million) to be transferred to the Company on the following business day.

15. Prepayments and other receivables

	31 May 2017	31 May 2016
	£m	£m
Other debtors	1.9	0.2
Prepayments	2.2	1.9
Amounts due from group companies	333.5	190.6
	337.6	192.7

Amounts due from group companies are unsecured and repayable on demand.

16. Cash and cash equivalents

	31 May 2017	31 May 2016
	£m	£m
Cash and cash equivalents	87.5	145.2

Cash and cash equivalents includes title transfer funds held by the Company under a title transfer collateral arrangement (TTCA) under which a client agrees that full ownership of such monies is unconditionally transferred to the Company.

Undrawn committed group borrowing facilities where the Company is one of the borrowers amounted to £160.0 million (2016: £160.0 million) at year end.

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for the year ended 31 May 2017

17. Financial investments

Financial investments are UK Government securities as follows:

	31 May 2017 £m	31 May 2016 £m
Liquid asset buffer	81.2	82.6
Collateral at brokers	63.2	53.4
	144.4	136.0
Split as:		
- Non-current portion	52.4	25.0
- Current portion	92.0	111.0
	144.4	136.0

Certain UK Government securities are held by the Company in satisfaction of the FCA requirements to hold a "liquid asset buffer" against potential liquidity stress under BIPRU 12.

During the year ended 31 May 2017 the Company purchased UK Government Gilts for £120.4 million (year ended 31 May 2016: £61.3 million) and disposed of gilts for £112.4 million (year ended 31 May 2016: £34.5 million).

The effective interest rates of securities held at the year-end range from 0.03% to 0.59% (2016: 0.33% to 1.01%).

Financial investments are shown as current assets when they have a maturity of less than one year and are held as 'available-for-sale'. The fair value of securities held is based on closing market prices at the year-end as published by the UK Debt Management Office.

18. Trade payables

	31 May 2017 £m	31 May 2016 £m
Client funds held on balance sheet	51.0	18.0
Amounts due to clients	-	0.6
Amounts due to group companies	16.2	46.2
	67.2	64.8

Client funds held on balance sheet are title transfer funds.

Amounts due to clients represent balances that will be transferred from the Company's own cash into segregated client funds on the following business day in accordance with the UK's Financial Conduct Authority (FCA) 'CASS' rules.

Amounts due to group companies are hedging balances with other group companies.

19. Other payables

	31 May 2017 £m	31 May 2016 £m
Accruals	9.1	11.9
Other taxes and social security costs	0.3	0.1
Amounts due to group companies	223.8	157.3
	233.2	169.3

Amounts due to group companies are unsecured, interest free and are repayable on demand.

Notes to the financial statements
for the year ended 31 May 2017

20. Share capital

	31 May 2017 £m	31 May 2016 £m
Authorised, allotted, called up and fully paid:		
13,000,000 (2016: 13,000,000) ordinary shares of £1 each	13.0	13.0

21. Other reserves

	Share based payments £m	Available for sale reserve £m	Total other reserves £m
At 31 May 2015	1.4	0.4	1.8
Equity-settled employee share-based payments	0.4	-	0.4
Change in value of available-for-sale financial assets	-	(0.1)	(0.1)
At 31 May 2016	1.8	0.3	2.1
Equity-settled employee share-based payments	0.5	-	0.5
Change in value of available-for-sale financial assets	-	(0.2)	(0.2)
At 31 May 2017	2.3	0.1	2.4

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. This equity is contributed by the ultimate parent company, IG Group Holdings plc. The available-for-sale reserve includes unrealised gains or losses in respect of financial investments.

Notes to the financial statements

for the year ended 31 May 2017

22. Employee share plans

The ultimate parent company, IG Group Holdings plc operates three employee share plans: a share incentive plan, a sustained performance plan and a long-term incentive plan.

For details of the share based payment charge in the Company's income statement, refer to the staff costs note.

The disclosures below relate to Directors of the Company and employees directly employed by the Company.

Sustained Performance Plan (SPP)

The SPP award was introduced in the year ended 31 May 2014 to replace the VSP award for the Group's executive directors and other selected senior employees. The Group's 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 and operational non-financial performance. Awards subsequently vest in tranches over the long-term (up to seven years), so the participant retains an ongoing substantial stake in the share price performance of the Group.

The following table shows the number of options awarded in relation to performance for the year ended 31 May 2017:

Award date	Share price at award	Expected full vesting date	At the start of the year	Awarded during the year	Reallocation during the year	Lapsed during the year	Exercised during the year	Dividend equivalent awarded during the year	At the end of the year
			Number	Number	Number	Number	Number	Number	Number
4 Aug 2014	609.90p	4 Aug 2020	163,454	-	(79,894)	(15,745)	(27,853)	1,782	41,744
6 Aug 2015	742.55p	4 Aug 2020	166,563	-	(81,659)	(15,756)	(28,301)	1,822	42,668
2 Aug 2016	868.65p	2 Aug 2020	-	275,512	-	(38,164)	(79,116)	7,056	165,288
Total			330,017	275,512	(161,553)	(69,665)	(135,270)	10,660	249,700

Of the above SPP exercised during the year ending 31 May 2017, the average share price at exercise was

Award date: **Average share price at exercise:**

4 Aug 2014, 6 August 2015 and 2 August 2016 881.50p

The weighted average exercise price of all SPP awards is 0.005p.

As 'shared understanding' is established under IFRS2 between the Company and participants that at the scheme outset, the costs associated with the SPP are accounted for as share based payments from this time.

Further information on the Company's SPP awards is given in the Directors' Remuneration Report in the Group Annual Report.

The awards for the current year 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 will commence after the Company's closed period is utilised to convert notional salary awarded into a number of options (refer to the Group's Directors' Remuneration Report for performance conditions).

Notes to the financial statements
for the year ended 31 May 2017

Below details of the number of option awards made for the year ended 31 May 2017:

Award date	Closing share price at 31 May 2017	Expected full vesting date	Award expected during the year ending 31 May 2017
			Number
7 Aug 2017	584.00p	7 Aug 2020	207,551
Total			207,551

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 vests after three years with a predefined number of shares allocated pro-rata based on achieving diluted earnings per share growth of pre-defined thresholds.

The maximum number of LTIP awards that can be exercised are:

Award date	Share price at award	Expected vesting date	At the start of the year	Awarded during the year	Lapsed during the year	Exercised during the year	At the end of the year
			Number	Number	Number	Number	Number
28 Nov 2013	584.00p	28 Nov 2016	73,309	-	(1,213)	(72,096)	-
5 Aug 2014	618.50p	5 Aug 2017	66,057	-	-	-	66,057
6 Aug 2015	734.50p	6 Aug 2018	57,649	-	(5,429)	-	52,220
12 Aug 2016	898.45p	12 Aug 2019	-	33,380	-	-	33,380
Total			197,015	33,380	(6,642)	(72,096)	151,657

The weighted average exercise price of all LTIP awards is 0.005p.

Share Incentive Plan (SIP)

SIP awards are made available to all UK employees. The Executive Directors have responsibility for setting the terms of the award which are then approved by the Group Remuneration Committee.

The UK awards invite all employees to subscribe for up to £1,800 (2016: £1,800) of partnership shares, with the Company typically matching on a two-for-one (2016: two-for-one) basis. All matching shares vest after three years as long as the employee remains employed with the Company 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 shares held in trust for as long as they remain employees.

The maximum number of SIP shares that can vest based on the awards made are:

Award date	Share price at award	Expected vesting date	At the start of the year	Awarded during the year	Lapsed during the year	Exercised during the year	At the end of the year
			Number	Number	Number	Number	Number
26 Jul 2013	580.00p	25 Jul 2016	258	-	-	(258)	-
25 Jul 2014	605.80p	25 Jul 2017	594	-	-	-	594
2 Aug 2016	879.50p	2 Aug 2019	-	408	-	-	408
Total			852	408	-	(258)	1,002

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for the year ended 31 May 2017

Employee share plans

Of the above SIP awards exercised during the year ending 31 May 2017, the average weighted share price at exercise was:

Country of award	Award date	Weighted average share price at exercise
UK	26 Jul 2013	740.68p
UK	25 Jul 2014	756.43p
UK	6 Aug 2015	767.09p
UK	2 Aug 2016	668.25p

The weighted average exercise price of all SIP awards during the year ending 31 May 2017 is 722.06p.

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 £2.1 million (2016: £1.7 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.

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 2 August 2016:

Date of grant	2 August 2016
Share price at grant date (pence)	898.45p
Expected life of awards (years)	3
Risk-free sterling interest rate (%)	0.08%
IG expected volatility (%)	21.36%
Interim dividend estimate	8.45p

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 interim dividend estimate is the dividend paid in the period from the deemed grant date to the end of the performance period, from which date dividend equivalents accrue on awarded but unvested options.

The weighted average fair values per award granted 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 2017	583.37p	720.75p	654.16p	546.81p	655.75p
Year ended 31 May 2016	534.09p	570.77p	497.83p	416.60p	583.37p

Notes to the financial statements

for the year ended 31 May 2017

23. Obligations under leases

Operating lease agreements

Another group company entered into commercial leases on certain properties, and has allocated some of the lease costs to the Company. The allocated future minimum rentals payable under those non-cancellable operating leases are as follows:

Future minimum payments due:	31 May 2017 £m	31 May 2016 £m
Not later than one year	0.5	0.8
After one year but not more than five years	0.6	1.3
After more than five years	-	-
	1.1	2.1

24(a). Directors' shareholdings

The Directors of the Company held shares of the ultimate parent Company as disclosed in the 2017 Group Annual Report on page 77.

24(b). Related party transactions

The remuneration for the Directors for their services to the Group are disclosed in the 2017 Group Annual Report on page 72.

During the year, the Company entered into transactions in the ordinary course of business with other related parties. Intercompany balances at 31 May 2017 and 31 May 2016 with other related parties are detailed in notes 16 and 20.

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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 Company considers the carrying value of all financial assets and liabilities to be a reasonable approximation of fair value and represents the Company's maximum credit exposure as at balance sheet date without taking account of any collateral held.

Classification of financial instruments:

As at 31 May 2017	FVTPL - Held for £m	Loans and receivables £m	Other amortised £m	Available for sale £m	Total carrying £m	Fair value £m
Financial assets:						
Cash and cash equivalents	-	87.5	-	-	87.5	87.5
Financial investments	-	-	-	144.4	144.4	144.4
Trade receivables - due (to)/from brokers:						
Non-exchange traded instruments	(17.9)	296.7	-	-	278.8	278.8
Exchange-traded instruments	(0.6)	29.2	-	-	28.6	28.6
	(18.5)	325.9	-	-	307.4	307.4
Trade receivables - due from clients	-	0.4	-	-	0.4	0.4
Trade receivables – own funds in client money	-	19.9	-	-	19.9	19.9
Other receivables - amounts due from group companies	-	333.7	-	-	333.7	333.7
	(18.5)	767.4	-	144.4	893.3	893.3
Financial liabilities:						
Trade payables - client funds held on balance sheet	-	-	51.0	-	51.0	51.0
Other payables - amounts due to group companies	-	-	223.9	-	223.9	223.9
	-	-	274.9	-	274.9	274.9

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	FVTPL - Held for trading	Loans and receivables	Other amortised cost	Available for sale	Total carrying amount	Fair value
As at 31 May 2016	£m	£m	£m	£m	£m	£m
Financial assets:						
Cash and cash equivalents	-	145.2	-	-	145.2	145.2
Financial investments	-	-	-	136.0	136.0	136.0
Trade receivables - due (to)/from brokers:						
Non-exchange traded instruments	(0.9)	161.4	-	-	160.5	160.5
Exchange-traded instruments	(13.7)	95.5	-	-	81.8	81.8
	(14.6)	256.9	-	-	242.3	242.3
Trade receivables - due from clients	-	1.4	-	-	1.4	1.4
Trade receivables – own funds in client money	-	13.0	-	-	13.0	13.0
Other receivables - amounts due from group companies	-	190.6	-	-	190.6	190.6
	(14.6)	607.1	-	136.0	728.5	728.5
Financial liabilities:						
Trade payables - client funds on balance sheet	-	-	18.0	-	18.0	18.0
Trade payables - due to clients	-	-	0.6	-	0.6	0.6
Other payables - amounts due to group companies	-	-	157.3	-	157.3	157.3
	-	-	175.9	-	175.9	175.9

Items of income, expense, gains or losses

Gains and losses arising from financial assets and liabilities classified as fair value through the profit and loss and held for trading are included in net trading revenue for the year ended 31 May 2017 and 31 May 2016.

Details of finance income and finance costs are disclosed in notes 8 and 9 respectively.

Financial instrument valuation hierarchy

There have been no changes in the valuation techniques for any of the Company's financial instruments held at fair value in the year (year ended 31 May 2016: 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 2017 and 31 May 2016.

Notes to the financial statements
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Financial instruments subject to offsetting, enforceable master netting agreements and similar arrangements

The following financial assets and liabilities have been offset on the Company's statement of financial position and are subject to enforceable master netting agreements.

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet
As at 31 May 2017	£m	£m	£m
Trade receivables - due from brokers	325.9	(18.5)	307.4
	325.9	(18.5)	307.4

In the table above the financial derivative open positions have been presented gross in accordance with whether positions held at brokers are in a profit or loss position, regardless of whether the Company had excess cash with each broker to meet the margin required.

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet
As at 31 May 2016	£m	£m	£m
Trade receivables - due from brokers	256.9	(14.6)	242.3
	256.9	(14.6)	242.3

Notes to the financial statements

for the year ended 31 May 2017

26. Financial risk management

Financial risks arising from financial instruments are analysed into market, credit, concentration and liquidity risks. These risks are managed at a group wide level and details are in the risk management section of the 2017 Group Annual Report on page 35.

Where applicable the quantified maximum exposures for the Company from each risk category are disclosed below:

Market risk

Market risk for accounting standards disclosure requirements is analysed into these categories:

- Market price risk - non trading interest rate
- Foreign currency risk

Non-trading interest rate risk

The Company 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 Company's financial assets and liabilities at each year-end was as follows:

	Within 1 year		Between 2 and 5 years		Total	
	31 May 2017	31 May 2016	31 May 2017	31 May 2016	31 May 2017	31 May 2016
	£m	£m	£m	£m	£m	£m
Fixed rate:						
Financial investments	92.0	111.0	52.4	25.0	144.4	136.0
Floating rate:						
Cash and cash equivalents	87.5	145.2	-	-	87.5	145.2
Trade receivables - due from brokers	307.4	242.3	-	-	307.4	242.3
Trade receivables – own funds in client money	19.9	13.0	-	-	19.9	13.0
Other receivables - amounts due from group companies	333.7	190.6	-	-	333.7	190.6
Trade payables - client funds held on balance sheet	(51.0)	(18.0)	-	-	(51.0)	(18.0)
Other payables - amounts due to group companies	(223.9)	(157.3)	-	-	(223.9)	(157.3)
	565.6	526.8	52.4	25.0	618.0	551.8

There are no financial assets and liabilities which are held for a period over 5 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 Company's profit for the year. Refer to the finance income note.

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. Some other receivables and other payables include hedged client open positions 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 statement of financial position date. The impact of such a movement on the Company's profit before tax is below.

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Year ended 31 May 2017

	Cash and cash equivalents	Trade receivables - due from brokers	Trade receivables – own funds in client money	Other receivables - amounts due from group companies	Trade payables - client funds held on balance sheet	Other payables – amounts due to group companies
	£m	£m	£m	£m	£m	£m
Impact:	+/-0.4	+/- 1.5	+/- 0.1	+/- 1.7	+/-0.3	+/- 1.1

Year ended 31 May 2016

	Cash and cash equivalents	Trade receivables - due from brokers	Trade receivables – own funds in client money	Other receivables - amounts due from group companies	Trade payables - client funds held on balance sheet	Other payables – amounts due to group companies
	£m	£m	£m	£m	£m	£m
Impact:	+/-0.7	+/- 1.2	+/-0.1	+/-1.0	+/-0.1	+/-0.8

The net impact of such a movement in interest rates is considered to be immaterial to the Company's profit before tax.

Foreign currency risk

The Company faces foreign currency exposures on financial assets and liabilities denominated in currencies other than its functional currency. The Company hedges its own foreign currency exposures and that of other group companies with third party brokers. Any foreign currency hedging gains and losses with third party brokers are off set with losses and gains, and vice versa from the exposure which the Company carries on its own financial instruments and that of other group companies.

After taking into account hedging gains and losses the impact of foreign currency rate movements will be minimal to the Company's net trading revenue as the hedging would leave the Company in a neutral position. On this basis, it is not considered necessary for the Company to disclose the sensitivity analysis with details of gains and losses foreign currency exposures as these are offset with the hedging with third party brokers.

Credit risk

The principal sources of credit risk are from financial institutions and individual clients.

- Financial institution credit risk
- Client credit risk

The analysis of neither past due nor impaired credit exposures in the following table excludes individual client funds held in segregated client money accounts.

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for the year ended 31 May 2017

	Cash and cash equivalents		Trade receivables - due from brokers		Trade receivables – due from clients	
	31 May 2017	31 May 2016	31 May 2017	31 May 2016	31 May 2017	31 May 2016
	£m	£m	£m	£m	£m	£m
Individually impaired						
Gross exposure	-	-	-	-	6.3	10.7
Allowance for impairment	-	-	-	-	(6.2)	(9.7)
	-	-	-	-	0.1	1.0
Past due but not impaired						
Aging profile:						
0-3 months	-	-	-	-	0.1	0.3
> 3 months	-	-	-	-	-	-
	-	-	-	-	0.1	0.3
Neither past due nor						
Credit rating:						
AA+	-	-	-	-	-	-
AA to AA-	5.0	5.3	49.7	17.1	-	-
A+ to A-	61.0	92.0	178.4	149.8	-	-
BBB+ to BBB-	21.5	47.9	68.7	71.9	-	-
Unrated	-	-	10.6	3.5	0.2	0.1
	87.5	145.2	307.4	242.3	0.2	0.1
Total carrying amount	87.5	145.2	307.4	242.3	0.4	1.4

Unrated amounts due from clients relate to open positions.

Impairment of trade receivables due from clients

The Company records specific impairments of trade receivables due from clients in a separate allowance account. Impairments are recorded where the Company determines that it is probable that it will be unable to collect all amounts owing according to the contractual terms of the agreement. There are no collective impairments taken, and no other assets are considered impaired. Below is a reconciliation of changes in the separate allowance account during the year:

	31 May 2017	31 May 2016
	£m	£m
Balance at beginning of year	9.7	11.8
Impairment loss for the year		
- gross charge for the year	2.5	1.3
- recoveries	(1.3)	(0.2)
Write-offs	(5.7)	-
Foreign exchange	1.0	(3.2)
Balance at end of year	6.2	9.7

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The Company is not exposed to material amounts of client credit risk at 31 May 2017.

Concentration risk

The Company has no significant exposure to any one particular client or group of connected clients.

All of the Company's credit exposures arise in the UK at both 31 May 2017 and 31 May 2016.

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 Company 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.

Amounts payable on demand:

As at 31 May 2017	Derivative	Non-derivative	Total
	£m	£m	£m
Financial assets			
Cash and cash equivalents	-	87.5	87.5
Financial investments	-	144.4	144.4
Trade receivables - due from brokers	(18.5)	325.9	307.4
Trade receivables - due from clients	-	0.4	0.4
Trade receivables – own funds in client money	-	19.9	19.9
Other receivables - amounts due from the group	-	333.7	333.7
	(18.5)	911.8	893.3
Financial liabilities			
Trade payables - client funds on balance sheet	-	(51.0)	(51.0)
Other payables - amounts due to group companies	-	(223.9)	(223.9)
	(18.5)	636.9	618.4

Derivative and non-derivative cash flows are presented alongside each other in the table above as they result from the same underlying trading relationship and as the Company has both the legal right and intention to settle on a net basis.

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for the year ended 31 May 2017

Amounts payable on demand:

As at 31 May 2016	Derivative	Non-derivative	Total
Financial assets:	£m	£m	£m
Cash and cash equivalents	-	145.2	145.2
Financial investments	-	136.0	136.0
Trade receivables - due from brokers	(14.6)	256.9	242.3
Trade receivables - due from clients	-	1.4	1.4
Trade receivables – own funds in client money	-	13.0	13.0
Other receivables - amounts due from the group	-	190.6	190.6
	(14.6)	743.1	728.5
Financial liabilities:			
Trade payables - amounts due to title transfer clients	-	(18.0)	(18.0)
Other payables – amounts due to group companies	-	(157.3)	(157.3)
	(14.6)	567.8	553.2

Derivative and non-derivative cash flows by remaining contractual maturity

There were no Company derivative cash flows as at 31 May 2017 (2016: £nil).

At 31 May 2017 the Company held cash and cash equivalents of £87.5 (2016: £145.2) available on demand.

28. Regulatory capital resources management

Capital management

The Company is supervised by the UK's Financial Conduct Authority (FCA) and its objective is to ensure that the Company complies with the regulatory capital resources requirement set by the FCA.

The Company's capital management policy aims to maximise returns on equity while maintaining a strong capital position.

There have been no capital requirement breaches during the financial year. The Company and group also regularly undertakes three-year stress and scenario testing of its main financial and operational risks to project its future capital and liquidity adequacy requirements.

The disclosures required of the Company and group under the Capital Requirements Regulation (Pillar III) will be made on the group's corporate website www.iggroup.com. These will provide additional information which will allow market participants to assess key pieces of information on a firm's capital, risk exposures, risk assessment process and hence the capital adequacy of the firm.

Return on Assets

In accordance with the Capital Requirements Directive IV (CRD IV) and the IFPRU prudential regulations, the Company is required to disclose a return on assets metric. This has been calculated as profit for the year divided by shareholders' equity at the year end.

	31 May 2017	31 May 2016
Return on assets	17.0%	19.3%

Capital resources

The Company had significant surplus regulatory capital resources over the regulatory capital resources requirement throughout the year.

Regulatory disclosures required under the Capital Requirements Directive IV

In accordance with the Capital Requirements Directive IV (CRD IV) and the associated Capital Requirements (Country-by-Country Reporting) Regulations 2013, effective 1 January 2014, the Company will publish updated information at the following web address: http://www.iggroup.com/corporate/regulatorydisclosures.htm

29. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Market Data Limited.

The ultimate parent undertaking and controlling party is IG Group Holdings plc, a company incorporated in the United Kingdom. IG Group Holdings plc is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 May 2017. The consolidated financial statements of IG Group Holdings plc are available from Cannon Bridge House, 25 Dowgate Hill, London EC4R 2YA.