IG Markets Limited

Annual Report and Financial Statements

Year ended 31 May 2019

Registered No: 4008957

Directors and advisors:

Directors
P Mainwaring
J Felix (appointed 21 December 2018)
B Messer (appointed 21 December 2018)
J Noble (appointed 21 December 2018)

Company Secretary
T Lee

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

Bankers
Barclays Bank plc
1 Churchill Place
London E14 5HP

Lloyds Banking Group plc
25 Gresham Street
London EC2V 7AE

The Royal Bank of Scotland Group plc
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HSBC Holdings plc
8 Canada Square
London E14 5HQ

Solicitors
Linklaters
One Silk Street
London EC2Y 8HQ

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

Strategic Report

Description of the business

IG Markets Limited ("the Company") is a wholly owned subsidiary of Market Data Limited and its ultimate parent company is IG Group Holdings plc. References to "the Group" are to IG Group Holdings plc together with all its subsidiary undertakings.

During the year, the Company offered OTC leveraged derivatives, share dealing and investments, through its activities in the UK, Australia, New Zealand, Germany, France, Italy, Spain and Sweden. For OTC leveraged derivatives, clients enter into derivative instruments called contracts for difference.

In January 2019, the Company entered into an agreement with a fellow Group company, IG Europe GmbH, to cease marketing OTC leveraged derivatives to new clients in mainland Europe and transfer part of its existing business relating to EEA clients. In addition, the Company agreed to transfer the existing fixed assets and personnel in its European branches to the buyer.

Clients 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 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 is the counterparty to the OTC leveraged derivatives that clients enter into and the primary hedging counterparty for other Group companies, and as a result the Company faces market risk. 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 basis 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 and less amounts paid to other group companies under revenue share agreements.

The Company is regulated by the Financial Conduct Authority (FCA) and complies with the overall capital adequacy requirement set out by the FCA's IFPRU handbook, whilst seeking to maximise returns on equity and maintain a strong capital position. The Company is regulated in jurisdictions outside the UK by the relevant local bodies.

The Company also provides treasury services to other Group companies.

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 for difference 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 paid to other group companies under revenue share agreements

Share Dealing: represents fees and commission earned from share dealing service after deducting the 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 or through another Group company.
- *Advertising and marketing costs:* are incurred to drive client recruitment. Advertising and marketing include 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. The fee is calculated as a percentage of the Company's net trading revenue.

Strategic Report

Performance of the business during the year ended 31 May 2019 (FY19)

The Company continued to make good strategic and operational progress during the year. The following is an analysis of the performance indicators of the Company.

The Company had net trading revenue in FY19 of £247.9 million (FY18: £295.0 million).

Profit before taxation for FY19 was £98.2 million (FY18: £115.0 million). Operating expenses reduced by 12.0% year-on-year.

Profit for the financial year for FY19 was £73.8 million (FY18: £93.1 million).

Shareholders' equity decreased from £410.2 million as at 31 May 2018 to £356.7 million as at 31 May 2019.

At 31 May 2019, under FCA rules, the Company had a Total Capital Ratio of 24.9% (FY18: 28.2%). Total regulatory capital resources as at 31 May 2019 were £355.9 million (FY18: £409.7 million). The Company had significant surplus regulatory capital resources over the regulatory capital resources requirement throughout the year. An analysis of the Group's consolidated capital resources and capital resources requirement is provided in the Group Annual Report.

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

	31 May 2019	31 May 2018
Return on equity	20.7%	22.7%

IG's business model ensures that its interests as a business are aligned with the interests of its clients, which sets it apart from most other companies in the industry. The Company believes that its culture of acting in clients' best interests, providing excellent client service, offering risk management tools, education and training resources, its innovative platform, and the quality of trade execution, are key differentiators. This creates a sustainable business, with industry leading client tenure and client value metrics.

To reinforce the Company's position as the natural home for the highest value clients, further enhancements to the product and service offer for these clients were made during the second half of the financial year. Our high value clients are now able to access Real Vision, a premium content video service which provides insight and analysis from a range of world leading experts in finance. The business also introduced a volume-based rebate scheme to facilitate retention and to incentivise clients to transition a greater share of their trading to IG.

The Company's share dealing offering is focused on serving the needs of active equity traders and helps to retain existing OTC leveraged clients as well as providing an acquisition channel to attract new active traders to the Company for whom leveraged trading products may be appropriate. During FY19 the Company introduced a custody fee on its share dealing accounts.

Regulation

The CFD industry needs to be regulated to reduce the risk of poor conduct by firms and poor client outcomes. IG is the world's leading provider of CFDs, and adheres to the highest regulatory standards. Leveraged derivative instruments are not appropriate for everyone, and through its focus on ensuring that its marketing and advertising targets an appropriate audience, IG seeks to only accept clients who understand our products and the risks involved. The Company's long held view is that robust supervision around who the product is marketed to, and which applicants are accepted as clients, remains the most significant measure to drive improved client outcomes.

The ESMA product intervention measures came into effect during the first quarter of the Company's financial year (Q1 FY19). The prohibition on offering binary options to Retail clients became effective from 2 July 2018, and the restrictions relating to the provision of CFDs to Retail clients were effective from 1 August 2018. The actions taken by the Company in preparation for these regulatory changes, particularly the launch of the online process to enable its sophisticated clients who meet the required criteria to apply to become categorised as a Professional client, have resulted in the Company successfully navigating the introduction of the ESMA measures.

The Company has operated its business in the EU through branches, under the passporting rules. The terms and nature of the arrangements under which the UK will leave the EU remain unclear. In January 2019, the Company entered into an agreement with a fellow Group company, IG Europe GmbH, to cease marketing OTC leveraged derivatives to new clients in mainland Europe and transfer part of its existing business relating to EEA clients.

Strategic Report

Principal risks and uncertainties

The Company operates as a business within the Group, and the success of its business is dependent upon the performance of other group companies.

The principal risks facing the Company are:

- the regulatory environments in which the Company operates change in a way that impacts the activities of the Company;
- the market risk the Company accepts to provide instant execution of client orders results in a loss to the Company;
- a bank or broker which the Company uses defaults, resulting in the Company's balances with that bank or broker not being recoverable; and
- the Company fails to maintain sufficient capital resources.

Details of the Group's approach to risk management and principal risks facing the Group, are set out in the Group Annual Report.

Future Developments

IG has experienced significant change and will continue to do so in the future driven by regulation, shifting patterns of wealth, and the continued evolution of financial markets. IG has the capability to adapt and thrive in these evolving markets.

The Company will continue to deploy its levers to deliver revenue growth, namely; segmented target markets and more local market focus.

Subsequent events

In June 2019 the Group extended its £100.0 million revolving credit facility by one year. The Company and another group company are borrowers under this facility.

On behalf of the Board

Paul Mainwaring

P Mainwaring
Director
23 July 2019

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 2019.

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 Mainwaring

J Felix (appointed 21 December 2018)

B Messer (appointed 21 December 2018)

J Noble (appointed 21 December 2018)

P Hetherington (resigned 26 September 2018)

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

Business

The description of the business undertaken by the Company, its performance during the year, its position at the end of the year, and future developments are set out in the Strategic Report on page 2.

The Company has branches and sales offices in Australia, New Zealand, Germany, France, Italy, Spain, Sweden, Luxembourg, Ireland, Norway, Netherlands, South Africa and Poland which provide support services to clients.

Dividends

A dividend of £4.8 million was received during the year (FY18: £nil) and a dividend of £128.0 million was paid during the year (FY18: £283.0 million).

The Directors are not recommending a final dividend.

Subsequent events

Subsequent events are included in the Strategic Report on page 2.

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 she or he is obliged to take as a Director in order to make herself or 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.

Financial Risk Management

Financial risk management information is presented in note 27.

Additional disclosures

The Company is required to publish additional information in accordance with the Capital Requirements Directive IV (CRD IV) and the associated Capital Requirements (Country-by-Country Reporting) Regulations 2013. This information will be published at the following web address: http://www.iggroup.com/investor-relations/regulatory-information

On behalf of the Board

Paul Mainwaring

P Mainwaring

Director

23 July 2019

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 safeguarding the assets of the Company and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

The Directors are also 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.

On behalf of the Board

Paul Mainwaring

P Mainwaring

Director

23 July 2019

Independent Auditors' Report

to the Member of IG Markets Limited

Report on the audit of the financial statements

Opinion

In our opinion, IG Markets Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 May 2019; the income statement, the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 May 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Independent Auditors' Report

to the Member of IG Markets Limited

Responsibilities for the Financial Statements and the audit

Responsibilities of the directors for the Financial Statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Darren L Meek

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

23 July 2019

Income Statement

for the year ended 31 May 2019

		31 May 2019			31 May 2018		
		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	Note	£m	£m	£m	£m	£m	£m
Trading revenue		239.5	15.5	255.0	278.3	31.1	309.4
Introducing partner commissions		(5.4)	(1.7)	(7.1)	(11.9)	(2.5)	(14.4)
Net trading revenue	3	234.1	13.8	247.9	266.4	28.6	295.0
Financial transaction taxes		-	(0.3)	(0.3)	(0.3)	(0.2)	(0.5)
Interest income on segregated client funds		2.4	0.6	3.0	2.2	0.7	2.9
Other operating income		0.6	-	0.6	0.4	-	0.4
Net operating income		237.1	14.1	251.2	268.7	29.1	297.8
Operating expenses	4	(147.8)	(14.1)	(161.9)	(157.2)	(26.8)	(184.0)
Operating profit		89.3	-	89.3	111.5	2.3	113.8
Profit on disposal of operations	23	-	4.8	4.8	-	-	-
Finance income	8	3.7	-	3.7	2.7	-	2.7
Finance costs	9	(4.4)	-	(4.4)	(1.5)	-	(1.5)
Dividend income		4.8	-	4.8	-	-	-
Profit before taxation		93.4	4.8	98.2	112.7	2.3	115.0
Tax on profit	10	(22.3)	(2.1)	(24.4)	(20.7)	(1.2)	(21.9)
Profit for the financial year		71.1	2.7	73.8	92.0	1.1	93.1

All of the profit for the financial year from continuing operations and discontinued operations is attributable to the equity owner of the Company.

Statement of Comprehensive Income

for the year ended 31 May 2019

						31 May 2019						31 May 2018
	Continuing operations		Discontinued operations		Total		Continuing operations		Discontinued operations		Total	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Profit for the year		71.1		2.7		73.8		92.0		1.1		93.1
Other comprehensive income/(expense): Items that may be subsequently reclassified to the Income Statement:												
Changes in the fair value of financial assets held at fair value through other comprehensive income, net of tax	0.6		-		0.6		-		-		-	
Changes in value of available-for-sale financial assets, net of tax	-		-		-		(0.2)		-		(0.2)	
Other comprehensive income/(expense) for the year		0.6		-		0.6		(0.2)		-		(0.2)
Total comprehensive income for the year		71.7		2.7		74.4		91.8		1.1		92.9

Statement of Financial Position
as at 31 May 2019

	Note	31 May 2019 £m	31 May 2018 £m
Assets			
Non-current assets			
Property, plant and equipment	11	0.2	0.4
Investment in subsidiaries	12	3.8	3.9
Financial investments	16	189.9	111.6
Deferred income tax assets	10	0.2	0.5
		194.1	116.4
Current assets			
Trade receivables	13	259.2	352.7
Other assets	14	33.1	27.2
Prepayments		1.8	1.6
Other receivables	15	24.0	20.6
Cash and cash equivalents		180.4	132.1
Financial investments	16	35.3	62.0
		533.8	596.2
TOTAL ASSETS		727.9	712.6
Liabilities			
Non-current liabilities			
Borrowings	17	99.6	-
		99.6	-
Current liabilities			
Trade payables	18	55.8	92.1
Other payables	19	209.2	209.6
Income tax payable		6.6	0.7
		271.6	302.4
Total liabilities		371.2	302.4
Equity			
Share capital	21	13.0	13.0
Other reserves	22	0.6	0.3
Retained earnings		343.1	396.9
Total equity		356.7	410.2
TOTAL EQUITY AND LIABILITIES		727.9	712.6

The Financial Statements on pages 9 to 37 were approved by the Board of Directors and signed on their behalf by:

Paul Mainwaring

P R Mainwaring
Director
23 July 2019

Statement of Changes in Equity
for the year ended 31 May 2019

	Share capital	Other reserves	Retained earnings	Total equity
	£m	£m	£m	£m
At 1 June 2017	13.0	2.4	584.5	599.9
Profit for the financial year	-	-	93.1	93.1
Other comprehensive expense for the year	-	(0.2)	-	(0.2)
Total comprehensive income for the year	-	(0.2)	93.1	92.9
Equity-settled employee share-based payments	-	0.4	-	0.4
Dividends paid	-	-	(283.0)	(283.0)
Transfer of share-based payment reserve	-	(2.3)	2.3	-
Movement in equity	-	(2.1)	(187.6)	(189.7)
At 31 May 2018	13.0	0.3	396.9	410.2
Profit for the financial year	-	-	73.8	73.8
Other comprehensive income for the year	-	0.6	-	0.6
Total comprehensive income for the year	-	0.6	73.8	74.4
Equity-settled employee share-based payments	-	0.1	-	0.1
Dividends paid	-	-	(128.0)	(128.0)
Transfer of share-based payment reserve	-	(0.4)	0.4	-
Movement in equity	-	0.3	(53.8)	(53.5)
At 31 May 2019	13.0	0.6	343.1	356.7

Notes to the Financial Statements

for the year ended 31 May 2019

1. **Authorisation of Financial Statements and statement of compliance with FRS 101**

The Financial Statements of the Company for the year ended 31 May 2019 were authorised for issue by the Board of Directors on 23 July 2019 and the Statement of Financial Position was signed on behalf of the Board by P Mainwaring. The Company is incorporated and domiciled in England and Wales with registered company number 4008957 as a private company limited by shares.

The Company's Financial Statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 ('the Act') as applicable to companies using FRS 101. 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. The Financial Statements are presented in Sterling.

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 Statement of Financial Position date 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 judgements that have the most significant impact on the presentation or measurement of items recorded in the Financial Statements are the following:

(a) The Company recognised £33.1 million of cryptocurrency assets on its statement of financial position as at 31 May 2019 (FY17: £27.2 million). During the year ended 31 May 2018 the Company changed the accounting policy it applies to these assets and reclassified these assets from 'Trade receivables' into 'Other assets' which is considered to be a more appropriate presentation. The classification of cryptocurrency assets is considered to be a critical accounting judgement.

(b) The calculation of the Company's total tax charge involves a degree of estimation. In calculating the tax charge, the Company makes assumptions about the availability of reliefs, the availability of future profits to support the recognition of deferred tax assets and assessments of the outcome of tax enquiries as the tax treatment of some transactions and the application of tax legislation cannot be finally determined until formal resolution has been reached with the relevant tax authority. The Company recognises a tax charge for open tax matters based on an assessment of the taxes that may be due. Tax payable may ultimately be materially more or less than the amount already accounted for. For further information please see Note 10.

Basis of preparation

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council, which addresses the financial reporting requirements and disclosure exemptions in the individual Financial Statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted International Financial Reporting Standards ('IFRS'). The Company meets the definition of a qualifying entity under FRS 100. Accordingly, in the prior year the Company underwent a transition from reporting under IFRSs adopted by the European Union to FRS 101 'Reduced Disclosure Framework'. This transition was not considered to have had a material effect on the Financial Statements.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard.

The following disclosure exemptions have been adopted:

- cash flow statements;
- share-based payments;
- key management compensation;
- related party transactions between wholly-owned group companies and
- the expected impact of future accounting standards not yet effective.

Where relevant, equivalent disclosures have been given in the Group Annual Report.

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's Financial Statements for the year ended 31 May 2018, except for the changes in accounting policies related to the new accounting standards described below.

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

(1) IFRS 9 – Financial instruments

Impact on the Financial Statements

The Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective periods that commence on or after 1 January 2018.

The Company's balances that are within the scope of IFRS 9 are Financial investments, Cash and cash equivalents, Trade receivables and Other receivables. IFRS 9 introduced new requirements for the classification and measurement of financial assets; impairment of financial assets, and general hedge accounting.

Notes to the Financial Statements

for the year ended 31 May 2019

Classification and measurement of financial assets: Financial assets that are within the scope of IFRS 9 are required to be measured at amortised cost, fair value through profit and loss or fair value through other comprehensive income. Classification is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Rules relating to the classification and measurement of financial liabilities, and for derecognition of assets and liabilities in IFRS 9 are broadly unchanged from those in IAS 39.

Impairment: IFRS 9 replaces the 'incurred loss' approach of IAS 39 with an 'expected credit loss' approach. The Company is required to recognise an expected credit loss on financial assets including financial investments and trade receivables recorded at fair value through other comprehensive income and amortised cost. The expected credit loss approach requires the Company to account for expected credit losses at initial recognition, and to account for changes in the expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is no longer necessary for a credit loss event to have occurred before credit losses are recognised.

The Company does not undertake any hedge accounting so this change had no impact on the Financial Statements for the year ended 31 May 2019.

Impact of adoption

The Company adopted IFRS 9 with effect from 1 June 2018 and in accordance with the transition requirements of IFRS 9 the Company has not restated comparative information for the year ended 31 May 2018. Adoption of IFRS 9 has had an impact on the classification of financial instruments. It has not had an impact on impairment.

Reclassification: On transition to IFRS 9 the Company assessed its business model to determine the appropriate classifications. The business model is primarily to hold and collect, except for financial investments which are held to collect and sell, and certain amounts due from brokers relating to hedging positions which are held for trading. Adoption of IFRS has resulted in the following reclassifications:

- Trade receivables (excluding amounts due from brokers), other receivables and cash and cash equivalents were classified as loans and receivables under IAS 39. These financial assets have been reclassified as financial assets measured at amortised cost.
- Trade receivables (amounts due from brokers) consisted of assets classified as held for trading and assets classified as loans and receivables under IAS 39. These assets have been reclassified as assets held at fair value through profit and loss and financial assets held at amortised cost.
- Financial investments were categorised as available for sale under IAS 39. These assets have been reclassified as assets held at fair value through other comprehensive income.
- There were no financial assets or financial liabilities which the Company had previously designated as held at fair value through profit and loss under IAS 39 that were subject to reclassification or which the Company has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Company has elected to designate as held at fair value through profit and loss at the date of initial application of IFRS 9.

The reclassifications did not result in a change of measurement of the financial assets.

Impairment: there was no impact on the Company's loss allowances arising from the adoption of IFRS 9.

(2) IFRS 15 Revenue from Contracts with Customers

The Company has adopted IFRS 15 Revenue from Contracts with Customers with effect from 1 June 2018. The Company has taken into consideration the following matters when assessing whether, and to what extent, IFRS 15 adoption would have had an impact on the Company's accounting:

- Additional performance obligations recognised in contracts with customers
- Changes in timing of recognition of revenue
- Variable consideration
- Significant financing components
- Presentation of contract asset and liability balances
- Capitalisation of costs previously expensed

The Company has three revenue generating models; OTC leveraged derivatives, Share Dealing and Investments. The Company has reviewed each of its revenue generating models for potential impact and concluded that for each of these models the recognition policy is compliant with IFRS 15.

There is no change in the Company's accounting policies from the adoption of IFRS 15, no impact on the timing and method of revenue recognition and no material impact on the Financial Statements of the Company.

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.

Notes to the Financial Statements

for the year ended 31 May 2019

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.

Foreign currencies

The Company's functional currency is Sterling. Transactions in other currencies are initially recorded in the functional currency by applying spot exchange rates prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities denominated in foreign currencies are revalued at the functional currency rate of exchange prevailing on the same date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on revaluation are taken to the income statement.

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 contracts for difference 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 paid 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 fees and commission earned from the share dealing service after deducting contracting and trade settlement fees payable to third party brokers. Revenue is recognised in full on the date of trade being placed or the fee being charged.

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 sales taxes.

Trading revenue is reported before introducing partner commission and financial transaction taxes, 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 introducing partner commission, as this is consistent with the management information received by the Chief Operating Decision Maker.

Income earned from clients for market data, such as chart fees, and income earned from charging clients for funding using debit and credit cards, are netted within operating costs as the amounts involved are not considered material.

Finance income and costs on segregated client funds

Interest income or expense on segregated client funds is accrued on a time basis, by reference to the principal outstanding and at the credit interest rate applicable. The credit interest rate is the rate client money banks pay on client money.

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

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 Directors.

Dividend income is recognised when the shareholder's right to receive the payment is established.

Notes to the Financial Statements

for the year ended 31 May 2019

Employee Benefits

(a) ***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.

(b) ***Bonus schemes***

The Company recognises an accrual and an expense for bonuses based on formulae that take into consideration specific financial and non-financial measures.

(c) ***Termination benefits***

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

Operating leases

Leases are classified as operating leases where the lessor retains substantially all the risks and benefits of ownership of the asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Taxation

The income tax expense represents the sum of tax currently payable and movements in deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates in the respective jurisdictions that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is accounted for on all temporary differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available, against which deductible temporary differences may be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Company 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.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value based upon estimated useful lives. Estimated residual value and useful lives are reviewed on an annual basis and residual values are based on prices prevailing at the statement of financial position date. Depreciation is charged on a straight line basis over the expected useful lives as follows:

- Leasehold improvements - over the lease term of up to 15 years
- Office equipment, fixtures and fittings - over 5 years
- Computer and other equipment - over 2, 3 or 5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on derecognition of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is included in the income statement in the period of derecognition.

Notes to the Financial Statements

for the year ended 31 May 2019

Impairment of non-financial assets

When impairment testing is required, the Directors review the carrying amounts of the Company's property, plant and equipment 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).

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.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment losses.

Financial instruments

From 1 June 2018 the Company applies the following accounting policies in respect of financial instruments.

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 26 to the financial statements.

(a) Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit and loss are financial assets that are not classified and measured at amortised cost or as fair value through other comprehensive income. The financial assets included in this classification are the financial derivative open positions included in trade receivables (due from brokers) as shown in the Statement of Financial Position and related notes. The Company uses derivative financial instruments, in order to hedge derivative exposures arising from open client positions, which are also classified as fair value through profit and loss.

All financial instruments at fair value through profit or loss are carried in the Statement of Financial Position at fair value with gains or losses recognised in trading revenue in the Income Statement.

(b) Financial assets measured at amortised cost

Financial assets measured at amortised cost are non-derivative financial assets which are held to collect the contractual cash flows. The contractual terms of the financial assets give rise to payments on specified dates that are solely payments of principal and interest on the principal amount outstanding. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Company's financial assets measured at amortised cost comprise 'trade receivables', 'other receivables' and 'cash and cash equivalents'.

(c) Financial assets measured as fair value through other comprehensive income

Financial assets measured as fair value through other comprehensive income are assets that are held to collect the contractual cash flows or to be sold. The contractual terms of these assets give rise to payments on specified dates that are solely payments of principal and interest on the principal amount outstanding. They are included in non-current assets unless the investment matures or management intend to dispose of them within 12 months of the end of the reporting period. The Company's fair value through other comprehensive income financial assets are 'financial investments'.

(d) Financial liabilities

The Company's financial liabilities include trade payables, other payables, and borrowings. These are measured subsequently at amortised cost using the effective interest method. The interest expense is calculated each reporting period by applying the effective interest rate, and the resulting charge is reflected in finance costs on the Income Statement.

Notes to the Financial Statements

for the year ended 31 May 2019

(e) Determination of fair value

Financial instruments arising from open client positions and the Company's hedging positions are stated at fair value and disclosed according to the valuation hierarchy required by IFRS 7. Fair values are predominantly determined by reference to third party market values (bid prices for long positions and offer prices for short positions) as detailed below:

- Level 1: Valued using unadjusted quoted prices in active markets for identical financial instruments.
- Level 2: Valued using techniques where a price is derived based significantly on observable market data. For example, where an active market for an identical financial instrument to the product offered by the Company to its clients or used by the Company to hedge its market risk does not exist.
- Level 3: Valued using techniques that incorporate information other than observable market data that is significant to the overall valuation.

Financial instruments - Impairment of financial assets

The impairment charge in the Income Statement includes the change in expected credit losses. Expected credit losses are recognised for trade receivables, cash and cash equivalents, other receivables and financial investments. Expected credit losses are calculated as the difference between the contractual cash flows that are due to the Company and the cash flows that the Company expects to receive given the probability of default, discounted at the original effective interest rate.

At initial recognition of financial assets, an allowance is made for expected credit losses resulting from default events that are possible within the next 12 months. In the event of a significant increase in credit risk, an allowance is made for expected credit losses resulting from possible default events over the expected life of the financial asset. Financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk since initial recognition are considered to be Stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

An assessment of whether credit risk has increased significantly considers changes in credit rating associated with the asset, whether contractual payments are more than 30 days past due and other reasonable information demonstrating otherwise. The Company considers a financial instrument to have low credit risk when it has an external credit rating of 'investment grade' or if no external credit rating is available, in accordance with the Company's internal credit risk management policy definition. This approach has not resulted in a material difference in the impairment allowance under an expected credit loss approach for the Company.

Assets are transferred to stage 3 when an event of default, as defined in the Group's credit risk management policy to which the Company adheres, occurs or where the assets are credit impaired. IFRS 9 contains a rebuttable presumption that default occurs no later than when a payment is 90 days past due. The Company uses this 90-day basis for all assets except for receivables from clients where it uses 180 days, as this aligns with the Group's risk management practices.

All changes in lifetime expected credit losses subsequent to the assets' initial recognition are recognised as an impairment loss or gain. Financial assets are normally written off, either partially or in full, against the related allowance when the Company has no reasonable expectations of partial or full recovery of the asset. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the Income Statement.

Financial instruments - Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expired.

(a) Financial assets

A financial asset is derecognised where the rights to receive cash flows from the asset have expired; the 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.

(b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Notes to the Financial Statements

for the year ended 31 May 2019

(c) Offsetting financial instruments

Assets or liabilities resulting from profit or losses on open positions are carried at fair value. Amounts due from or to clients and brokers are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Trade payables and receivables

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.

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.

Trade receivables do not contain a significant financing element and so the Company has adopted the simplified approach permitted by IFRS 9. This approach requires expected lifetime credit losses to be recognised at initial recognition of the financial asset. The loss allowance is calculated by reference to an aging debt profile, and trade receivables are written off when there is objective evidence of non-collectability or when an event of default occurs.

Other assets

Other assets represent rights to cryptocurrencies and cryptocurrencies controlled by the Company. The Company offers various cryptocurrency-related products that can be traded on its platform. The Company purchases and sells cryptocurrency assets as part of its hedging.

At present there is a lack of guidance available on how cryptocurrency assets should be accounted for and subsequently disclosed in accordance with FRS 101. The Company holds cryptocurrency assets for trading in the ordinary course of its business, effectively acting as a commodity broker-dealer in respect of the underlying cryptocurrency asset (because the salient features of these assets are, in economic terms, consistent with certain commodities) under IAS 2.3(b).

The assets are measured at fair value less costs to sell, with changes in valuation being recorded in the Income Statement in the period in which they arise. Cryptocurrency assets are not financial instruments and they are categorised as non-financial assets.

Other receivables

Other receivables are financial assets which give rise to payments on specified dates that are solely payments of principal and interest on the principal amount outstanding. They are assets that have not been designated as fair value through profit or loss. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant.

Other receivables do not contain a significant financing element and so the Company has adopted the simplified approach permitted by IFRS 9, except for amounts due from group companies. The simplified approach requires expected lifetime credit losses to be recognised at initial recognition of the financial asset. The loss allowance is calculated by reference to an aging debt profile, and other receivables are written off when there is objective evidence of non-collectability or when an event of default occurs.

Prepayments

Prepayments are assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as fair value through profit or loss. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when the receivables are derecognised or impaired, and when economic benefit is consumed. A provision for impairment is established where there is objective evidence of non-collectability.

Cash and cash equivalents

Cash and cash equivalents 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.

The majority of the Company's cash balances are held with investment grade banks. The Company considers the risk of default, and how adverse changes in economic and business conditions might impact the ability of the banks to meet their obligations. The Company assesses the expected credit losses on cash and cash equivalents on a forward-looking basis and the impairment methodology depends on whether there has been a significant increase in credit risk since initial recognition.

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' (where Title Transfer Collateral Arrangements are in place) or 'segregated client funds' in accordance with the relevant regulatory requirements. Segregated client funds comprise individual client funds held in segregated client money accounts.

Notes to the Financial Statements

for the year ended 31 May 2019

Segregated client money accounts hold statutory trust status restricting the Company's ability to control the monies and accordingly such amounts are not held on the Statement of Financial Position.

The amount of segregated client funds held at year-end was £512.3 million (31 May 2018: £704.2 million) and the amount of segregated client assets was £1,096.8 million (31 May 2018: £945.0 million). These amounts are held off-balance sheet. Interest income received on segregated client funds is included within net operating income.

Title transfer funds are held by the Company under a Title Transfer Collateral Arrangement (TTCA) by which a client agrees that full ownership of such monies is unconditionally transferred to the Company. Title transfers funds are accordingly held on the Company's Statement of Financial Position with a corresponding liability to clients within trade payables.

Financial investments

Financial investments are held as fair value through other comprehensive income and are non-derivative financial assets. Financial investments are recognised on a trade date basis. They are initially recognised at fair value plus directly related transactions costs. They are subsequently carried at fair value. Fair value is the quoted market price of the specific investments held.

Unrealised gains or losses, other than loss allowances for expected credit losses for investments measured at fair value through other comprehensive income (FVOCI), are reported in equity (in the fair value through other comprehensive income reserve) and in other comprehensive income, until such investments are sold, collected or otherwise disposed of.

On disposal of an investment, the accumulated unrealised gain or loss included in equity is recycled to the Income Statement for the period and reported in other income. Gains and losses on disposal are determined using the fair value of the investment at the date of derecognition.

Interest on financial investments is included in finance income using the effective interest rate method. The effective interest rate is either the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider expected credit losses unless the asset is credit impaired. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see IFRS 15 Revenue from Contracts with Customers), transaction costs, and all other premiums or discounts.

When an investment measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to Income Statement as a reclassification adjustment.

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.

Borrowings

Borrowings are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, taking into consideration the term of the borrowings, an assessment is made whether to state at amortised cost, with any difference between net proceeds and the redemption value being recognised in the Income Statement over the period of the borrowings using the effective interest rate method.

All borrowing costs are expensed as they are incurred.

Share-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. Some employees of the Company are participants in these schemes.

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 in the Group Annual Report for additional detail of the models and assumptions used for the various award schemes) and are recognised as an expense in the income statement on a straight-line basis over the vesting period, based on the Company's estimate of the number of shares that will eventually vest.

For non-market based vesting conditions, at each statement of financial position date before vesting, the cumulative expense is calculated representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions determining the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous statement of financial position date is recognised in the income statement as part of operating expenses, with a corresponding credit to equity.

Notes to the Financial Statements

for the year ended 31 May 2019

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. Upon vesting, the share-based payments reserve in equity is transferred to retained earnings.

Discontinued operations

A discontinued operation is a component of the Company that has been disposed of and that represents a separate line of business or geographical area of operations; is part of a single co-ordinated plan to dispose of such a line of business or geographical area of operations; or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the Income Statement.

Where a discontinued operation has been disposed of for consideration greater than the value of the net assets and liabilities disposed of at the statement of financial position date, the Company recognises the excess consideration in the income statement. The excess consideration is recognised when it is probable the economic benefits associated with the transaction will flow to the Company.

3. Net trading revenue

An analysis of the Company's trading revenue is as follows:

	Year ended 31 May 2019	Year ended 31 May 2018
	£m	£m
OTC leveraged derivatives	242.0	291.0
Share Dealing and Investments	5.9	4.0
	247.9	295.0

The income from OTC leveraged derivatives and share dealing derives from the UK, EMEA and APAC, whilst the income from investments derives wholly from the UK.

4. Operating expenses

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

	Year ended 31 May 2019	Year ended 31 May 2018
	£m	£m
Employee related expenses (note 7)	45.0	45.6
Advertising and marketing	22.2	31.0
Premises related costs	4.8	5.1
IT, Market Data and Communications	12.7	14.8
Legal and professional costs	3.4	3.5
Regulatory fees	2.2	3.7
Royalty expense	57.2	68.7
Loss allowance	1.0	0.3
Depreciation	0.1	0.3
Other costs	13.3	11.0
	161.9	184.0

Included in premises-related costs is operating lease rentals for office space of £1.9 million (FY18: £2.2 million). This includes amounts recharged to the Company in respect of lease agreements entered in to by other Group companies.

Notes to the Financial Statements

for the year ended 31 May 2019

5. **Auditors' remuneration**

Audit fees in relation to the statutory audit of the Financial Statements of the Company and its branches amounted to £39,161 (FY18: £73,113).

Audit related fees in relation to services supplied pursuant to legislation amounted to £176,030 (FY18: £107,375). Audit related fees include services that are specifically required of the Company's auditors through legislative requirements, controls assurance engagements required by the regulatory authorities in whose jurisdiction the Company operates and other audit related assurance services.

Non-audit fees for services related primarily to taxation amounted to £205,000 (FY18 £245,000). These services relate to the licensing of software used for the production of client share dealing statements.

6. **Directors' remuneration**

Directors are remunerated for their services to the Group. The Directors' remuneration for their services to the Company for the year was £nil (FY18: £nil).

Their remuneration is disclosed in the Directors' Remuneration section of the Group Annual Report.

7. **Staff costs**

Staff costs relate to employees who are directly employed by the Company and to employees employed by another Group company, where the cost is recharged to the Company. The average monthly number of employees directly employed by the Company was 174 (FY18: 174).

An analysis of the staff costs before and after these recharges are below:

	Year ended 31 May 2019	Year ended 31 May 2018
	£m	£m
Wages, salaries and benefit allowances	7.1	8.0
Equity-settled share-based payment awards and related social security costs	0.1	0.4
Performance related bonus and related social security costs	1.1	2.4
Total staff costs for employees of the Company	8.3	10.8
Costs recharged to the Company from other group companies for services provided to the Company	36.7	34.8
Amount recognised in the Company's income statement	45.0	45.6

The staff costs for the year were as follows:

	Year ended 31 May 2019	Year ended 31 May 2018
	£m	£m
Wages and salaries, performance related bonus and equity-settled share-based payment awards	37.9	38.2
Social security costs	5.1	5.6
Other pension costs	2.0	1.8
	45.0	45.6

The Company does not operate any defined benefit pension schemes. Other pension costs includes employee nominated payments to defined contribution schemes and company contributions.

Notes to the Financial Statements
for the year ended 31 May 2019

8. Finance income

	Year ended 31 May 2019 £m	Year ended 31 May 2018 £m
Bank interest receivable	1.6	0.3
Interest receivable on cash held at brokers	1.0	1.0
Interest receivable from other group companies	-	0.9
Interest accretion on financial investments	1.1	0.5
	3.7	2.7

All of the Company's finance income relates to continuing operations.

9. Finance costs

	Year ended 31 May 2019 £m	Year ended 31 May 2018 £m
Revolving credit facility interest and fees	0.5	-
Term loan interest and fees	2.7	-
Interest payable to brokers	0.8	1.3
Interest paid to other group companies	0.4	0.2
	4.4	1.5

All of the Company's finance costs relate to continuing operations.

10. Tax on profit

Tax charged/(credited) in the income statement:

	Year ended 31 May 2019 £m	Year ended 31 May 2018 £m
Current income tax:		
UK Corporation tax	15.3	20.9
Non-UK Corporation tax	1.6	0.8
Adjustments in respect of prior years	7.3	0.3
Total current income tax	24.2	22.0
Deferred income tax:		
Origination and reversal of temporary differences	(0.1)	-
Adjustments in respect of prior years	0.3	(0.1)
Total deferred income tax	0.2	(0.1)
Tax expense in the income statement	24.4	21.9

Notes to the Financial Statements

for the year ended 31 May 2019

Reconciliation of the total tax charge

The standard rate of corporation tax in the UK for the year ended 31 May 2019 was 19.0% (year ended 31 May 2018: 19.0%). 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 2019	Year ended 31 May 2018
	£m	£m
Profit before taxation	98.2	115.0
Profit before taxation multiplied by the UK standard rate of corporation tax of 19.0% (year ended 31 May 2018: 19.0%)	18.7	21.9
Expenses not deductible for tax purposes	1.1	1.2
Non-taxable dividend income	(1.0)	-
Adjustments in respect of prior years	7.6	0.2
Higher taxes on overseas earnings	0.1	0.1
Group relief for which no payment is made	(2.1)	(1.5)
Total tax expense reported in the income statement	24.4	21.9

The effective tax rate is 24.9% (year ended 31 May 2018: 19.0%).

Deferred income tax assets

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

	Year ended 31 May 2019	Year ended 31 May 2018
	£m	£m
Temporary differences arising on fixed assets	0.0	0.1
Other temporary differences	0.2	0.4
	0.2	0.5

The Finance Act 2016 passed into legislation in September 2016 and reduced the main rate of UK corporation tax from 19% to 17% effective from 1 April 2020. 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 movement in the deferred income tax assets included in the statement of financial position is as follows:

	Year ended 31 May 2019	Year ended 31 May 2018
	£m	£m
At the beginning of the year	0.5	0.4
- Income statement credit/(charge)	(0.2)	0.1
- Tax charged directly to equity	(0.1)	-
At the end of the year	0.2	0.5

Notes to the Financial Statements
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Factors affecting the tax charge in future years

Factors that may affect the Company's future tax charge include the geographic location of the Company's earnings, the tax rates in those locations, changes in tax legislation and the resolution of open tax issues. The Company's future tax charge may also be impacted by changes in the Company's business activities, client composition and regulatory status, which would impact the Company's exemption from the UK Bank Corporation Tax Surcharge.

The calculation of the Company's total tax charge involves a degree of estimation and judgement with respect to the recognition of deferred tax assets, which are dependent on the Company's estimation of future profitable income and of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority.

Taxation on discontinued operations

The total tax expense reported in the income statement is attributable to:

	Year ended 31 May 2019 £m	Year ended 31 May 2018 £m
Profit from continuing operations	22.3	20.7
Profit from discontinued operations	2.1	1.2
	24.4	21.9

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for the year ended 31 May 2019

11. Property, plant and equipment

	Leasehold improvements	Office equipment, fixtures and fittings	Computer, and other equipment	Total
	£m	£m	£m	£m
Cost:				
At 1 June 2017	0.9	0.3	0.9	2.1
Additions	-	0.1	0.1	0.2
Disposals / write offs	-	-	-	-
At 31 May 2018	0.9	0.4	1.0	2.3
Additions	-	-	-	-
Disposals / write offs	(0.8)	(0.3)	(0.5)	(1.6)
Impact of movement of foreign exchange rates	(0.1)	-	(0.1)	(0.2)
At 31 May 2019	-	0.1	0.4	0.5
Accumulated depreciation:				
At 1 June 2017	0.8	0.3	0.5	1.6
Provided during the year	0.1	-	0.2	0.3
Amounts derecognised upon disposal	-	-	-	-
At 31 May 2018	0.9	0.3	0.7	1.9
Provided during the year	-	-	0.1	0.1
Amounts derecognised upon disposal	(0.8)	(0.3)	(0.4)	(1.5)
Impact of movement of foreign exchange rates	(0.1)	-	(0.1)	(0.2)
At 31 May 2019	-	-	0.3	0.3
Net book value - 31 May 2019	-	0.1	0.1	0.2
Net book value - 31 May 2018	-	0.1	0.3	0.4

Notes to the Financial Statements

for the year ended 31 May 2019

12. Investment in subsidiaries

At cost less accumulated impairment losses:	31 May 2019 £m	31 May 2018 £m
At beginning and end of the year	3.8	3.9

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

Name of company	Registered office and country of incorporation	Holding	Proportion of voting rights held	Nature of business
Subsidiary undertakings held directly:				
IG Nominees Limited	Cannon Bridge House, 25 Dowgate Hill, London EC4R 2YA, United Kingdom	Ordinary shares	100%	Nominee company
IG Finance 9 Limited		Ordinary shares	100%	Financing
Subsidiary undertakings held indirectly:				
IG Asia Pte Limited	9 Battery Road, 01-02 MYP Centre, 049910 Singapore	Ordinary shares	100%	CFD trading and foreign exchange

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.

13. Trade receivables

	31 May 2019 £m	31 May 2018 £m
Amounts due from brokers	241.6	327.5
Own funds in client money	17.0	24.7
Amounts due from clients	0.6	0.5
	259.2	352.7

Amounts due from brokers represent balances with brokers where the combination of cash held on account and the valuation of financial derivative open positions results in an amount due to the Company. In addition to Amounts due from brokers the Company held UK Government Securities held as collateral at brokers which are classified as financial investments in the Company's Statement of Financial Position.

Own funds in client money represents the Company's own cash held in segregated client funds, in accordance with the UK's Financial Conduct Authority (FCA) 'CASS' rules and includes £2.4 million (31 May 2018: £5.2 million) to be transferred to the Company on the following business day.

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.

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for the year ended 31 May 2019

14. Other assets

Other assets are cryptocurrency assets and rights to cryptocurrency assets, which are owned and controlled by the Company for the purpose of hedging the Company's exposure to clients' and other group companies' cryptocurrency trading positions. The Company holds cryptocurrency assets on exchange and directly in vault as follows:

	31 May 2019	31 May 2018
	£m	£m
Exchange	14.2	16.0
Vault	18.9	11.2
	33.1	27.2

Other assets are measured at fair value. The fair value hierarchy is set out in note 26. Other assets are all level 2 assets. Rights to cryptocurrency assets held with exchanges are exposed to financial institution credit risk. All exchanges are unrated.

15. Other receivables

	31 May 2019	31 May 2018
	£m	£m
Other debtors	1.2	2.4
Amounts due from group companies	22.8	18.2
	24.0	20.6

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

16. Financial investments

Financial investments are UK Government securities:

Held as:	31 May 2019 £m	31 May 2018 £m
Liquid asset buffer	84.4	83.1
Collateral at brokers	140.8	90.5
	225.2	173.6
Of which:		
- Non-current portion	189.9	111.6
- Current portion	35.3	62.0
	225.2	173.6

The effective interest rates of securities held at the year-end range from 0.08% to 1.04% (FY18: 0.08% to 0.87%).

17. Borrowings

In June 2018 the Group renewed its credit facility with four UK banks. The Company and another group company are borrowers under this facility. The credit facility is for £200.0 million, of which £100.0 million is a three year term loan which is fully drawn and which is repayable on maturing of the facility in June 2021. The term loan is stated in the Statement of Financial Position net of £0.4 million of unamortised arrangement fees.

The Group also has access to a £100.0 million Revolving Credit Facility under this credit facility with a maturity date of June 2020, having been extended by one year in June 2019. The Revolving Credit Facility was not drawn as at 31 May 2019.

Notes to the Financial Statements
for the year ended 31 May 2019

18. Trade payables

	31 May 2019 £m	31 May 2018 £m
Client funds held on balance sheet	55.5	74.0
Amounts due to clients	0.3	0.3
Amounts due to group companies	-	17.8
	55.8	92.1

Client funds held on balance sheet comprise 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 and similar rules of other regulators in whose jurisdiction the Company operates.

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

19. Other payables

	31 May 2019 £m	31 May 2018 £m
Accruals	10.4	13.4
Payroll taxes, social security and other taxes	0.5	0.4
Amounts due to group companies	198.3	195.8
	209.2	209.6

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

20. Contingent liabilities and provisions

There are no contingent liabilities expected to have a material adverse financial impact on the Company's Financial Statements. The Company had no material provisions at 31 May 2019 (31 May 2018: £nil).

21. Share capital

	31 May 2019 £m	31 May 2018 £m
Authorised, allotted, called up and fully paid:		
13,000,000 (FY18: 13,000,000) ordinary shares of £1 each	13.0	13.0

Notes to the Financial Statements

for the year ended 31 May 2019

22. Other reserves

	Share-based payments £m	Available-for-sale reserve £m	FVOCI £m	Total other reserves £m
At 1 June 2017	2.3	0.1	-	2.4
Equity-settled employee share-based payments	0.4	-	-	0.4
Transfer of share-based payment reserve	(2.3)	-	-	(2.3)
Change in value of available-for-sale financial assets, net of tax	-	(0.2)	-	(0.2)
At 31 May 2018	0.4	(0.1)	-	0.3
Equity-settled employee share-based payments	0.1	-	-	0.1
Transfer of share-based payment reserve	(0.4)	-	-	(0.4)
Reclassification on IFRS 9 adoption	-	0.1	(0.1)	-
Change in the fair value of financial assets held at fair value through other comprehensive income, net of tax	-	-	0.6	0.6
At 31 May 2019	0.1	-	0.5	0.6

The share-based payment reserve relates to the estimated cost of equity-settled employee share plans net of tax based on a straight-line basis over the vesting period. The available-for-sale reserve and fair value through other comprehensive income reserve (FVOCI) includes unrealised gains or losses in respect of financial investments, net of tax.

23. Discontinued operations

In January 2019, the Company entered into an agreement with a fellow Group company, IG Europe GmbH, to cease marketing OTC leveraged derivatives to new clients in mainland Europe and transfer part of its existing business relating to EEA clients. In addition, the Company agreed to transfer the existing fixed assets and personnel in its European branches to the buyer. The profit on disposal these assets is set out below:

	£m
Cash proceeds	4.9
Net assets disposed of:	
Property, plant and equipment	(0.1)
Profit on disposal before tax	4.8

The discontinued operations did not include the disposal of any cash. There were no discontinued operations in the year ended 31 May 2018.

24. Obligations under leases

Operating lease agreements

The company has entered into commercial leases on certain properties. The future minimum rentals payable under non-cancellable operating leases are as follows:

	31 May 2019	31 May 2018
Future minimum payments due:	£m	£m
Within one year	0.2	0.4
After one year but not more than five years	0.1	0.3
After more than five years	-	-
	0.3	0.7

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for the year ended 31 May 2019

Future minimum payments due under non-cancellable operating leases does not include amounts recharged to the Company in respect of lease agreements entered in to by other group companies.

Future minimum payments due under non-cancellable operating leases will be recharged to other group companies in line with agreements entered in to with other group companies.

25. Directors' shareholdings

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

26. Financial instruments

Accounting classifications and fair values

The table below sets out the classification of each class of financial assets and liabilities. 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.

		FVTPL	Amortised cost	FVOCI	Total carrying amount
As at 31 May 2019	Note	£m	£m	£m	£m
Financial assets:					
Cash and cash equivalents		-	180.4	-	180.4
Financial investments	16	-	-	225.2	225.2
Trade receivables - amounts due (to)/from brokers	13	(26.7)	268.3	-	241.6
Trade receivables - amounts due from clients	13	-	0.6	-	0.6
Trade receivables - own funds in client money	13	-	17.0	-	17.0
Other receivables	15	-	24.0	-	24.0
		(26.7)	490.3	225.2	688.8
Financial liabilities:					
Trade payables - client funds held on balance sheet	18	-	(55.5)	-	(55.5)
Trade payables - amounts due to clients	18	-	(0.3)	-	(0.3)
Trade payables - amounts due to group companies	18	-	-	-	-
Other payables - amounts due to group companies	19	-	(198.3)	-	(198.3)
Borrowings		-	(99.6)	-	(99.6)
		-	(353.7)	-	(353.7)

Notes to the Financial Statements

for the year ended 31 May 2019

As at 31 May 2018	Note	FVTPL – held for trading £m	Loans and receivables £m	Amortised costs £m	Available for sale £m	Total carrying amount £m
Financial assets:						
Cash and cash equivalents		-	132.1	-	-	132.1
Financial investments	16	-	-	-	173.6	173.6
Trade receivables - amounts due (to)/from brokers	13	(17.0)	344.5	-	-	327.5
Trade receivables - amounts due from clients	13	-	0.5	-	-	0.5
Trade receivables - own funds in client money	13	-	24.7	-	-	24.7
Other receivables	15	-	20.6	-	-	20.6
		(17.0)	522.4	-	173.6	679.0
Financial liabilities:						
Trade payables - client funds held on balance sheet	18	-	-	74.0	-	74.0
Trade payables - amounts due to clients	18	-	-	0.3	-	0.3
Trade payables - amounts due to group companies	18	-	-	17.8	-	17.8
Other payables - amounts due to group companies	19	-	-	195.8	-	195.8
Borrowings		-	-	-	-	-
		-	-	287.9	-	287.9

Financial instrument valuation hierarchy

The hierarchy of the Company's financial instruments carried at fair value is as follows:

As at 31 May 2019	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial assets:				
Trade receivables - amounts due from/(to) brokers	6.9	(33.6)	-	(26.7)
Financial investments	225.2	-	-	225.2

The fair value hierarchy, valuation techniques and accounting estimates have not changed as a result of new accounting policies taking effect.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable.

Level 1 assets are valued using unadjusted quoted prices in active markets for identical financial instruments. This category includes the Company's open exchange-traded hedging positions. The quoted market price used for financial assets held by the Company is the period end bid price.

Level 2 assets are valued using techniques where a price is derived based significantly on observable market data. For example, where an active market for an identical financial instrument to the product offered by the Company to its clients or used by the Company to hedge its market risk does not exist. This category includes the Company's open non-exchange-traded hedging positions, which comprise shares, foreign currency and foreign currency options. The fair values used in the valuation of these products are sometimes brokered values and may occur after the close of a market but before the measurement date. The effects of discounting are generally insignificant for these Level 2 financial instruments.

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Level 3 assets are valued using techniques that incorporate information other than observable market data that is significant to the overall valuation.

There have been no changes in the valuation techniques for any of the Company's financial instruments held at fair value in the year (year ended 31 May 2018: 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 2019 and 31 May 2018.

	Level 1	Level 2	Level 3	Total fair value
As at 31 May 2018	£m	£m	£m	£m
Financial assets:				
Trade receivables - amounts due from/(to) brokers	2.9	(19.9)	-	(17.0)
Financial investments	173.6	-	-	173.6

Items of income, expense, gains or losses

All of the Company's gains and losses arising from financial assets and liabilities classified as fair value through the profit and loss held for trading are included in net trading revenue for the year ended 31 May 2019 and 31 May 2018.

Offsetting financial assets and liabilities

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 2019	£m	£m	£m
Trade receivables – amounts due from/(to) brokers	612.0	(370.4)	241.6
	612.0	(370.4)	241.6
As at 31 May 2018			
Trade receivables – amounts due from/(to) brokers	638.0	(310.5)	327.5
	638.0	(310.5)	327.5

Trade receivables – due from/(to) brokers have been presented gross to present the impact of offsetting. The Company is entitled to offset amounts due from/(to) brokers on a broker account level.

27. Financial risk management

Risks arising from financial instruments are analysed into market, credit, concentration and liquidity risks.

Market risk

Market risk disclosures are analysed into these categories:

- Non trading interest rate and
- Price and foreign currency risk, which is further analysed between the impact on financial investments held at fair value through other comprehensive income and the impact on the Company's net trading book position.

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

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for the year ended 31 May 2019

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		Total	
	31 May 2019	31 May 2018	31 May 2019	31 May 2018	31 May 2019	31 May 2018
	£m	£m	£m	£m	£m	£m
Fixed rate:						
Financial investments	35.3	62.0	189.9	111.6	225.2	173.6
Floating rate:						
Cash and cash equivalents	180.4	132.1	-	-	180.4	132.1
Trade receivables - due from brokers	241.6	327.5	-	-	241.6	327.5
Trade receivables - own funds in client money	17.0	24.7	-	-	17.0	24.7
Trade payables - client funds held on balance sheet	(55.5)	(74.0)	-	-	(55.5)	(74.0)
Borrowings	-	-	(99.6)	-	(99.6)	-
	418.8	472.3	90.3	111.6	509.1	583.9

There are no financial assets and liabilities which are held for a period over 5 years.

Non-trading interest rate risk sensitivity analysis – fixed rate

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The level of future fixed interest receivable would be similar to that received in the year and is considered immaterial to the Group's profit for the year.

Non-trading interest rate risk sensitivity analysis – floating rate

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year. Trade receivables and payables include client and broker balances upon which interest is paid or received based upon market rates.

Interest rate sensitivity has been performed on floating rate financial instruments by considering a 0.5% interest rate increase/decrease on the financial assets and liabilities held at statement of financial position date. The impact of such a movement on the Company's profit before tax is below.

Year ended 31 May 2019

	Cash and cash equivalents	Trade receivables - due from brokers	Trade receivables – own funds in client money	Trade payables - client funds held on balance sheet	Borrowings
	£m	£m	£m	£m	£m
Impact:	+/-0.9	+/-1.2	+/-0.1	+/-0.3	+/-0.5

Year ended 31 May 2018

	Cash and cash equivalents	Trade receivables - due from brokers	Trade receivables – own funds in client money	Trade payables - client funds held on balance sheet	Borrowings
	£m	£m	£m	£m	£m
Impact:	+/-0.7	+/- 1.6	+/- 0.1	+/-0.4	-

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

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for the year ended 31 May 2019

Price risk

The Company is exposed to investment securities price risk because financial investments held by the Company and classified on the Company's statement of financial position as available-for-sale are based on closing market prices published by the UK Debt Management Office. These exposures are not hedged.

The table below summarises the sensitivity analysis of increases/decreases in the value of the financial investments on the Company's post-tax gain or loss on equity. The analysis is based on the assumption that the value of financial investments has increased/decreased by 1% with all other variables held constant:

	Year ended 31 May 2019	Year ended 31 May 2018
	£m	£m
Impact on FVOCI reserve (equity)	+/-1.8	-
Impact on available for sale reserve (equity)	-	+/- 1.4

The Company is also exposed to price and foreign currency risk in relation to its net trading book position. The Company accepts some exposure to market risk in order to optimise the efficiency and effectiveness of its services to clients. The Company manages the market risk it faces in providing its services to clients and other group companies by internalising trading flow (allowing individual trades to offset one another) and hedging when the residual exposures reach pre-defined limits. The risk management framework is set out in the Group Annual Report.

The table below summarises the impact on the Company's net trading revenue of a 5% adverse market movement on the Company's residual exposure at 31 May 2019. The analysis is based on the assumption that the value of each asset class has decreased with all other variables held constant:

	As at 31 May 2019		As at 31 May 2018	
	Notional exposure £m	Impact £m	Notional exposure £m	Impact £m
Indices and equities	7.5	(0.5)	28.8	(1.4)
Foreign exchange	7.0	(0.3)	10.0	(0.5)
Commodities	5.4	(0.3)	2.0	(0.1)

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 are not material to the Company's net trading revenue as the hedging would leave the Company in a neutral position.

Credit risk

The principal sources of credit risk to the Company's business are from financial institutions and individual clients. These risks are managed at a group wide level and details are in the risk management section of the Group Annual Report.

Amounts due from financial institutions, which are stated net of an expected credit loss of £nil, are all less than 30 days due. Amounts due from clients, which are stated net of an expected credit loss of £2.8 million at 31 May 2019 (31 May 2018: impairment of £0.5 million), include both amounts less than and greater than 30 days due.

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The analysis in the following table shows credit exposures by credit rating:

	Cash and cash equivalents		Trade receivables – due from brokers		Trade receivables – due from clients		Trade receivables – own funds in client money	
	31 May 2019	31 May 2018	31 May 2019	31 May 2018	31 May 2019	31 May 2018	31 May 2019	31 May 2018
	£m	£m	£m	£m	£m	£m	£m	£m
Credit rating:								
AA to AA-	15.5	6.6	44.5	42.3	-	-	12.0	0.8
A+ to A-	164.5	87.6	183.3	183.6	-	-	3.6	17.8
BBB+ to BBB-	0.4	37.6	13.8	70.2	-	-	0.8	5.1
BB+ to B	-	-	-	27.3	-	-	-	-
Unrated	-	0.3	-	4.1	0.6	0.5	0.6	1.0
Total carrying amount	180.4	132.1	241.6	327.5	0.6	0.5	17.0	24.7

Loss allowance

Below is a reconciliation of the total loss allowance:

	31 May 2019	31 May 2018
	£m	£m
Balance at 1 June	4.5	6.2
Loss allowance for the year:		
- gross charge for the year	0.8	0.8
- recoveries	(0.4)	(0.7)
Debts written off	(2.1)	(1.9)
Foreign exchange	-	0.1
Balance at 31 May	2.8	4.5

The loss allowance has been calculated in accordance with the Company's expected credit loss model. The following table provides an overview of the Company's credit risk by Stage and the associated loss allowance. The financial instruments that are assessed in accordance with the simplified approach as permitted by IFRS 9 are trade receivables (excluding derivative amounts due from brokers) and other receivables.

	2019					2018
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	Simplified Approach	Total	Total
Credit grade:	£m	£m	£m	£m	£m	£m
Investment grade	405.5	-	-	284.7	690.2	642.4
Non-investment grade	22.8	-	-	5.1	27.9	58.0
Gross carrying amount	428.3	-	-	289.8	718.1	700.4
Loss allowance	-	-	-	(2.8)	(2.8)	(4.5)
Total carrying amount	428.3	-	-	287.0	715.3	695.9

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Concentration risk

The Company's largest credit exposure to any one individual broker at 31 May 2019 was £58.6 million (A+ rated) (31 May 2018: £72.9 million (BBB+ rated)). Included in cash and cash equivalents, the Company's largest credit exposure to any bank at 31 May 2019 was £76.9 million (A rated) (31 May 2018: £77.9 million (A rated)).

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

This risk is managed at a group wide level and details are in the risk management section of the Group Annual Report.

Liquidity risk

Derivative and non-derivative cash flows by remaining contractual maturity

The Company's cash flows associated with financial assets and liabilities are receivable/(payable) on demand, although the remaining contractual maturities may be longer, with the exception of Borrowings.

The Company's cash flows associated with Borrowings are repayable in full on maturing of the facility in June 2021.

The following table presents the undiscounted cash flows receivable (excluding interest payments) by the Company under derivative financial assets and under non-derivative financial assets, where these are not directly identifiable in the financial statements:

Amounts receivable/(payable) on demand:

As at 31 May 2019	Derivative	Non-derivative	Total
	£m	£m	£m
Financial assets:			
Trade receivables - amounts due (to)/from brokers	(26.7)	268.3	241.6

As at 31 May 2018	Derivative	Non-derivative	Total
Financial assets:	£m	£m	£m
Trade receivables - amounts due (to)/from brokers	(17.0)	344.5	327.5

The Company's non-derivative cash flows at 31 May 2019 are:

- receivable/payable on demand, totalling financial assets of £715.5 million and financial liabilities of £254.1 million (31 May 2018: financial assets of £696.0 million and financial liabilities of £287.9 million); and
- payable in full on maturing of the facility in June 2021, totalling financial liabilities of £100.0 million (31 May 2018: £nil).

This risk is managed at a group-wide level and details are in the risk management section of the Group Annual Report.

28. Subsequent events

In June 2019 the Group extended its £100.0 million revolving credit facility by one year. The Company and another group company are borrowers under this facility.