

IG Markets Limited

Annual Report and Financial Statements

Year ended 31 May 2020

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COMPANIES HOUSE

IG Markets Limited

Registered No: 4008957

Directors and advisors:

Directors

J Felix

P Mainwaring (resigned 01 June 2020)

B Messer

J Noble

C Rozes (appointed 01 June 2020)

Company Secretary

T Lee (resigned 12 November 2019)

C Chow (appointed 12 November 2019)

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

280 Bishopsgate

London EC2M 4RB

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 and New Zealand. For OTC leveraged derivatives, clients enter into derivative instruments called contracts for difference.

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 amounts 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) amounts 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. Share dealing trading revenue now includes income derived from foreign exchange conversion which was previously reported within the OTC Leveraged revenue.

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 2020 (FY20)

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 FY20 of £341.8 million (FY19: £247.9 million).

Profit before taxation for FY20 was £154.3 million (FY19: £98.2 million). Operating expenses increased by 16.2% year-on-year.

Profit for the financial year for FY20 was £125.4 million (FY19: £73.8 million).

Shareholders' equity increased from £356.7 million as at 31 May 2019 to £424.6 million as at 31 May 2020.

At 31 May 2020, under FCA rules, the Company had a Total Capital Ratio of 31.4% (FY19: 24.9%). Total regulatory capital resources as at 31 May 2020 were £423.0 million (FY19: £355.9 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 2020	31 May 2019
Return on equity	29.5%	20.7%

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.

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.

The Company has continued to customise its offering for its three key client segments (professional, retail and institutional) to ensure it effectively meet the needs of each.

For the professional segment, the Company has continued to supply new and real-time content, tools and webinar events with keynote speakers to support their sophisticated trading strategies. For retail clients, IG Academy provides educational resources, both on desktop and on the go via a mobile app. Retail clients also have access to an enhanced library of trading videos and courses, with interactive tests so they can check their understanding.

The Company identified the underserved small hedge fund and family office segment as a potential market opportunity. With this segment in mind, and despite the Covid-19 crisis, The Company continued with the launch of IG Prime in March. As IG Prime develops further, it will give institutional clients access to an increasingly broad suite of prime brokerage services across synthetic, custody, trading and financing solutions.

Through the resilience of our market-leading technology infrastructure, IG has demonstrated its ability to perform strongly throughout the period of unprecedented market volatility triggered by the Covid-19 pandemic. We've followed the letter and spirit of governments' guidance in countries where the virus has been present, as they work to contain and defeat it. Our significant long-term investment in communications and technology infrastructure has enabled all employees to work safely from home, and we continue to provide the best possible service for our clients when they choose to trade the financial markets.

Engaging with our stakeholders

Section 172(1) statement by the Board

The board continues to uphold the highest standards of conduct and make decisions for the long-term success of the Company. The board recognises that the Company can only grow and prosper if we understand and respect the views and needs of our stakeholders.

Under the Companies Act 2006, the Directors must act in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing this, the Directors must take into account, among other factors:

- The likely consequences of any decision in the long term;
- The interests of Company's employees
- The need to foster our business relationships with suppliers, customers and others
- The impact of our operations on the community and the environment
- The desirability of the Company maintaining a reputation for high standards of business conduct
- The need to act fairly between members of the Company

Strategic Report

Our key stakeholders

The Directors have identified certain key stakeholders who are essential to the success of the Company – see pages 4 to 6.

The Board will sometimes engage directly with certain stakeholders on specific issues. This stakeholder engagement often takes place at an operational level. Key stakeholders are considered when discussing and making decisions relating to strategic matters, financial and operational performance, risk management and legal and regulatory compliance. Information in relation to these areas is provided to the Board through reports sent in advance of each Board meeting, and through presentations to the Board.

As a result of these activities, the Board has an overview of engagement with stakeholders and other relevant factors, which enables the Directors to comply with their legal duties under section 172 of the Companies Act 2006.

Board decision-making and stakeholder considerations

The Company is fully committed to effectively engaging with all key stakeholders. The Company defines 'principal decisions' as those that are material to the Company and are significant to any one or more of our key stakeholder groups – as set out on pages 4 to 6.

In making the following principal decisions, the board considered the outcome from our stakeholder engagement, as well as the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of the Company.

- **Principal decision 1: commitment to IG Brighter Future Fund**

The Group Board approved a commitment of £5 million from the Group profit before tax for the 2020 financial year to the IG Brighter Future Fund. This fund will be used to improve educational opportunities for the least privileged young people in our global communities, and to offer immediate assistance to those that have been hardest hit by the Covid-19 pandemic. Brighter Future provides a framework that focuses our ESG activities to maximise the positive outcomes that we can achieve.

The Board took into account the fact that many businesses and individuals in the communities in which it operates are facing considerable hardship as a result of the Covid-19 pandemic. In contract, the Company has performed well during this period of increased volatility in the financial markets.

In deciding choosing where investments should be made, the Board took into account the views of the Company's employees. The Company further took into account the views of IG employees in setting aside a £160,000 of the Brighter Future Fund to respond to immediate crises linked to the Covid-19 pandemic.

- **Principal decision 2: Covid-19 – people considerations**

The Group successfully implemented its comprehensive business continuity plan in response to the Covid-19 pandemic. Thanks to the significant long-term investment in communications and technology infrastructure, our people have been able to work safely from home during the pandemic.

The Directors have been in regular communication with employees to ensure their safety, and that of their families, during this challenging time. The Company also considered the steps needed to alter the working environment in preparation for employees returning to the office, and how and when employees should return, on a location-by-location basis. The Company's priority has been the health and safety of its employees, and we continuously monitor best practice and government advice.

The Board agreed to a phased return-to-work approach for all employees, taking into account employees safety when commuting to work and adjustments to be made at the workplace as a result of Covid-19.

Stakeholder engagement

Clients

Why we engage with our clients

The Company's clients are informed, decisive, adventurous people, and they have high expectations of their trading provider. If the Company fails to meet those expectations, these clients will go elsewhere. There are many firms operating in the Company's industry, and thus engaging with clients to ensure that the Company's proposition continues to stay ahead of the competition is important.

Clients use the Company's trading platforms for hours every day, and that makes them the most valuable source of feedback – helping the Company to provide the best experience.

How we engage with our clients

Day to day, the Company engages with its clients through customer support teams, who are multilingual, highly trained and available 24 hours a day, 6.5 days a week, 365 days a year. The Company offers best-in-class customer service to all clients, and provides a variety of channels for them to get in touch.

The Company also provides clients with a range of tools and features to help them trade, including a wide education offering, plus breaking financial news and live analysis of the markets. These are available for all clients to use in a way that suits them, free of charge.

Strategic Report

To ensure that the Company is meeting clients' expectations, the Company conducts regular research to get feedback on its products and services. This feedback directly helps to shape the Company's prioritisation roadmaps and improvement programmes.

What matters most to our clients

The Company provides access to the financial markets that lets clients take advantage of opportunities. The Company can only do this if our platform is stable, secure and reliable, and trade execution is seamless. So the reliability of the technology is paramount.

The Company's clients need us to be 'always on', as opportunities can arise around the clock. The Company's 24-hour trading coverage is a unique selling point and a key feature of the service provided.

Clients also expect the Company to be there when they need guidance, have an issue, or want to ask a simple question. Access to the Company's highly trained customer service team is important for clients who rely on their expertise.

People

Why we engage with our people

Nurturing a team of talented and dedicated people is central to the Company's strategy, enabling the Company to deliver the exceptional products and services that keep it at the forefront of our industry.

How we engage with our people

The Company has a variety of means to engage with our people. These include two surveys per year, functionality in the Company's employee communication portal that we can use to collect feedback and comments at any time, and townhalls and small group meetings that allow senior managers to meet and understand employee's views. Employee network groups also offer an important channel to better understand the experience of employees that are currently underrepresented.

What matters most to our people

We hear consistently that employees want to be kept informed about the Company's strategy and changes to the industry in which it operates. They want the chance to be involved in planning changes that will impact them and their teams. They also expect the organisation to provide opportunities for development.

Regulators

Why we engage with our regulators

Regulations affect how the Company is able to market and provide services to clients. It's essential that the Company engage with its regulators to ensure they understand the products and business model the Company operates, so the Company can remain active and grow into new markets.

By maintaining relationships with key regulators and actively engaging on both a local and global scale, the Company positions itself to be well informed about impending developments in the regulatory environment.

How we engage with our regulators

The Company maintains constructive relationships with regulators, communicating in an open and transparent manner, and ensuring that the Company's actions are consistent with regulatory expectations.

The Company works with its regulators in multiple ways – from proactive engagement on new business proposals to assisting in their investigations and regulatory requests.

The Company's employees are responsible for maintaining an open and constructive dialogue with local regulators, to facilitate strong relationships and understand the expectations that are critical to the Company.

What matters most to our regulators

Regulators focus on protecting consumers from bad outcomes, safeguarding clients' best interests and ensuring that all clients are treated fairly. They value firms that respect and follow both the letter and the spirit of the regulations and guidelines they set out.

Communities

Why we engage with communities

Sustainability and social awareness are firmly embedded into the Company's purpose and values, and are integral components of the firm's culture. The Company also recognises that community engagement is vital to its ability to deliver long-term returns for stakeholders. These factors mean that the Company carefully consider the impact on the communities in which we operate and on the environment.

How we engage with communities

Through the Brighter Future framework, the Company partners with local charities that support the communities in which it operates.

Strategic Report

All of the Company's employees have opportunities to engage with our partners through employee volunteering and fundraising.

What matters most to our communities

Our communities value sustained and long-term support. This is achieved through a combination of continual dialogue, financial donations and meaningful employee engagement. It also matters to our communities that we're conscious of our impact on the environment.

Suppliers

Why we engage with suppliers

The Company engages with suppliers to develop mutually beneficial and lasting partnerships. Suppliers play an important role in the quality of the service the Company provides, supporting the Company to meet the high expectations of the sophisticated client base.

How we engage with suppliers

The Company frequently engages with its supplier base to ensure that all parties are getting the desired value from the relationships. Typically we do this through a series of engagements. These range from informal conversations to exchange information and discuss priorities to formal interactions. The latter might focus on contractual terms or involve reviewing the performance of the supplier, to ensure we're getting value for the service being provided.

What matters most to our suppliers

The Company has found that its suppliers value clarity on our expectations of the relationship and the services they provide. The Company's suppliers also appreciate fair, open and honest two-way communication and value the feedback the Company can give them.

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 prior financial year (Q1 FY19). The actions taken by the Company in preparation for these regulatory changes have resulted in the Company successfully navigating the introduction of the ESMA measures.

The Company had 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.

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 and liquidity resources.

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

Strategic Report

Future Developments

FY20 is the first full year since ESMA implemented new regulatory changes that impacted the Company's core business. The Company's robust business model faced these changes head on and adapted to a new market landscape.

Subsequent events

There have been no material post balance sheet events between 31 May 2020 and the date of signing the report which require separate disclosure.

On behalf of the Board



C Rozes

Director

23 July 2020

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 2020.

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:

J Felix
P Mainwaring (resigned 1 June 2020)
B Messer
J Noble
C Rozes (appointed 1 June 2020)

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

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

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 in Australia, New Zealand which provide support services to clients. The Company has a branch in Poland which provides back office, marketing and sales support. The Company has branches in Germany, France, Italy, Spain, Sweden, Luxembourg, Ireland, Norway, Netherlands and South Africa which are non-trading.

Dividends

A dividend of £nil was received during the year (FY19: £4.8 million) and a dividend of £58.8 million was paid during the year (FY19: £128.0 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 28.

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



C Rozes
Director
23 July 2020

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



C Rozes

Director

23 July 2020

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 2020 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 2020; the income statement, 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- 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.

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.

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 2020 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 the Directors' Responsibilities set out on page 9, 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 member 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.

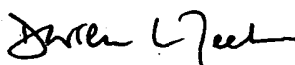
Other required reporting

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 Meek (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 July 2020

Income Statement

for the year ended 31 May 2020

	Note	31 May 2020	31 May 2019	
		Total	Continuing operations	Discontinued operations
		£m	£m	£m
Trading revenue		345.0	239.5	15.5
Introducing partner commissions		(3.2)	(5.4)	(1.7)
Net trading revenue	3	341.8	234.1	13.8
Financial transaction taxes		(0.2)	-	(0.3)
Interest income on segregated client funds		2.0	2.4	0.6
Other operating income		0.6	0.6	-
Net operating income		344.2	237.1	14.1
Operating expenses	4	(188.0)	(147.8)	(14.1)
Operating profit		156.2	89.3	-
Profit on disposal of operations	24	-	-	4.8
Finance income	8	3.8	3.7	-
Finance costs	9	(5.7)	(4.4)	-
Dividend income		-	4.8	-
Profit before taxation		154.3	93.4	4.8
Tax on profit	10	(28.9)	(22.3)	(2.1)
Profit for the financial year		125.4	71.1	2.7

All of the profit for the financial year relates to continuing operations.

Statement of Comprehensive Income

for the year ended 31 May 2019

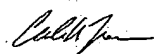
	31 May 2020		31 May 2019			
	Total		Continuing operations		Discontinued operations	
	£m	£m	£m	£m	£m	£m
Profit for the year		125.4		71.1		2.7
Other comprehensive income/(expense):						
Items that may be subsequently reclassified to the Income Statement:						
Changes in the fair value of financial assets held at fair value through other comprehensive income, net of tax	0.7		0.6		-	0.6
Changes in value of available-for-sale financial assets, net of tax			-		-	-
Other comprehensive income/(expense) for the year		0.7		0.6		-
Total comprehensive income for the year		126.1		71.7		2.7
						74.4

Statement of Financial Position

as at 31 May 2020

	Note	31 May 2020 £m	31 May 2019 £m
Assets			
Non-current assets			
Property, plant and equipment	11	1.2	0.2
Investment in subsidiaries	12	3.9	3.8
Financial investments	17	83.8	189.9
Deferred income tax assets	10	0.2	0.2
		89.1	194.1
Current assets			
Trade receivables	14	268.9	259.2
Other assets	15	22.1	33.1
Prepayments		1.7	1.8
Other receivables	16	13.7	24.0
Cash and cash equivalents		309.7	180.4
Financial investments	17	140.5	35.3
		756.6	533.8
TOTAL ASSETS		845.7	727.9
Liabilities			
Non-current liabilities			
Borrowings	18	99.7	99.6
Lease liabilities	25	0.3	-
Deferred income tax liabilities	10	0.3	-
		100.3	99.6
Current liabilities			
Trade payables	19	63.9	55.8
Other payables	20	250.2	209.2
Income tax payable		6.7	6.6
		320.8	271.6
Total liabilities		421.1	371.2
Equity			
Share capital	22	13.0	13.0
Other reserves	23	1.6	0.6
Retained earnings		410.0	343.1
Total equity		424.6	356.7
TOTAL EQUITY AND LIABILITIES		845.7	727.9

The Financial Statements on pages 12 to 42 were approved by the Board of Directors and signed on their behalf by:



C Rozes
Director
23 July 2020

Statement of Changes in Equity

for the year ended 31 May 2020

	Share capital	Other reserves	Retained earnings	Total equity
	£m	£m	£m	£m
At 1 June 2018	13.0	0.3	396.9	410.2
Profit for the financial year	-	-	73.8	73.8
Other comprehensive expense 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
IFRS16 transitional adjustment	-	-	0.2	0.2
At 1 June 2019	13.0	0.6	343.3	356.9
Profit for the financial year	-	-	125.4	125.4
Other comprehensive income for the year	-	0.7	-	0.7
Total comprehensive income for the year	-	0.7	125.4	126.1
Equity-settled employee share-based payments	-	0.4	-	0.4
Dividends paid	-	-	(58.8)	(58.8)
Transfer of share-based payment reserve	-	(0.1)	0.1	-
Movement in equity	-	1.0	66.7	67.7
At 31 May 2020	13.0	1.6	410.0	424.6

Notes to the Financial Statements

for the year ended 31 May 2020

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

The Financial Statements of the Company for the year ended 31 May 2020 were authorised for issue by the Board of Directors on 23 July 2020 and the Statement of Financial Position was signed on behalf of the Board by C Rozes. 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 estimate or judgement that has the most significant impact on the presentation or measurement of items recorded in the Financial Statements is Accounting for Cryptocurrencies (judgement). The Company recognised £22.1 million of cryptocurrency assets and rights to cryptocurrency assets as at 31 May 2020 (FY19: £33.1 million). These assets are held for sale in the ordinary course of business and a judgement has been made to apply IAS 2 Inventories in accounting for these assets. The assets are presented as 'Other assets' on the statement of financial position. The accounting treatment of cryptocurrency assets is considered to be a critical accounting judgement.

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.

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 and interpretations 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 2019, except for the change related to IFRS16 Leases as described below.

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

IFRS 16 – Leases

IFRS 16 is effective for periods beginning on or after 1 January 2019. IFRS 16 reflects a major change in the way that operating leases are accounted for by the Company. Previously the annual lease expense was recognised in the Income Statement, with future minimum rentals payments disclosed in the notes, whereas IFRS 16 requires all leased assets, except for short-term or low value leases, to be recognised as an asset on the Statement of Financial Position, with a corresponding lease liability. This has the effect of grossing up the Statement of Financial Position. The depreciation of the asset is recognised in the Income Statement, along with a corresponding finance cost.

Where the Company is the lessee, it now recognises a right-of-use (RoU) asset and a related lease liability from the date at which the RoU asset has been obtained. The lease liability is measured as the net present value of future lease payments, which are discounted at the Company's estimated incremental secured borrowing rate. For low value or short-term leases, payments are recognised as lease payments on a straight-line basis over the lease term. These are recognised as premises costs in operating expenses.

Transition considerations

The Company adopted IFRS 16 as of 1 June 2019 using the modified retrospective approach and as permitted by the standard, the Company has not restated comparatives. Prior to adoption, the future minimum rentals payable for operating leases, all of which relate to office accommodation in various locations, totalled £0.3 million at 31 May 2019 (31 May 2018: £0.7 million). As at 1 June 2019, the Company recognised a RoU asset of £1.5 million, a lease liability of £1.3 million and an adjustment to retained earnings of £0.2 million.

Notes to the Financial Statements

for the year ended 31 May 2020

Lease related depreciation of £0.5 million and an interest expense of £nil million has been recognised in the Income Statement for the year ended 31 May 2020. Under IAS 17, Leases, the corresponding operating lease expense recognised in operating expenses would have been £0.5 million.

The lease liability is measured at the present value of future lease payments, discounted using the Company's estimated incremental secured borrowing rate. The lease liability recognised on 1 June 2019 can be reconciled to operating lease commitments disclosed in note 25 as follows:

	31 May 2019
	£m
Operating lease commitments disclosed as at 31 May 2019	0.3
Discounted lease commitment using the incremental secured borrowing rate	1.3
Less: short term leases not recognised as a liability	-
Less: leases effective on 1st of June not being part of transition balance	-
Lease liability recognised as at 1 June 2019	1.3
Of which are:	
Current lease liabilities	0.5
Non-current lease liabilities	0.8
	1.3

The RoU asset is initially measured at cost, comprising the initial measurement of lease liability, adjusted for lease payments made at or before commencement date, restoration costs, and lease incentives. The RoU can be reconciled to the lease liability as follows:

	£m
Lease liability recognised as at 1 June 2019	1.3
Restoration costs	-
Less: lease incentives	-
Add: prepaid expenses	0.2
RoU asset recognised as at 1 June 2019	1.5

The adjustment of £0.2m relating to restoration costs resulted in a £0.2m adjustment to retained earnings.

In applying IFRS 16 for the first time, the Company has used the following practical expedients as at 1 June 2019:

- applying the use of hindsight in determining the lease term where the contract contains an option to extend,
- accounting for operating leases with a remaining lease term of less than 12 months as short-term leases

The Company did not need to make any adjustments to lessor accounting as a result of the adoption of IFRS 16.

Going concern

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

Parent company and Group Financial Statements

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

The Financial Statements of IG Group Holdings plc and its subsidiary companies, which include the results of the Company, may be obtained from Cannon Bridge House, 25 Dowgate Hill, London EC4R 2YA.

Foreign currencies

The Company's functional currency is Pound Sterling. Transactions in other currencies are initially recorded in the functional currency by applying spot exchange rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are revalued at the Company's functional currency rate of exchange prevailing at the Statement of Financial Position date. Gains and losses arising on revaluation are taken to the Income Statement. Non-monetary assets and liabilities carried at fair value and denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Notes to the Financial Statements

for the year ended 31 May 2020

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) amounts 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 daily and gains and losses arising on this valuation recognised in revenue. The policies and methodologies associated with the determination of fair value are disclosed in note 27, 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 adjusting for 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 and expense on segregated client funds is accrued on a time basis, by reference to the principal amount outstanding and at the applicable interest rate.

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 shareholder are 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.

Employee Benefits

(a) Pension obligations

The Company operates defined contribution schemes. Contributions are charged to the Income Statement 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 takes into consideration specific financial and non-financial measures.

Notes to the Financial Statements

for the year ended 31 May 2020

(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.

Leases

Prior to 1 June 2019, leases were 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.

From 1 June 2019, the Company's leases are recognised as a right-of-use asset with a corresponding lease liability from the date at which the asset is available for use.

Leasing arrangements can contain both lease and non-lease components. The Company has elected to separate out the non-lease component and to account for these separately from the right-of-use asset.

The lease liability is initially measured as the net present value of the following payments;

- fixed payments less any lease incentives;
- variable lease payments dependent on an index or rate initially measured as at the commencement date;
- amounts payable by the group under residual guarantees; and
- payments of penalties for terminating the lease.
- Lease payments are discounted at the Company's estimated incremental secured borrowing rate. This represents the cost to borrow funds to obtain a similar valued right-of-use asset in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising of:

- lease liability at initial recognition;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are depreciated over the duration of the lease term.

Lease payments for low value assets or with a period of 12 months or less are recognised on a straight-line basis as an expense.

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 or Other Comprehensive Income, in which case the deferred tax is also dealt with in equity or Other Comprehensive Income.

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.

Notes to the Financial Statements

for the year ended 31 May 2020

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 annually 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 |
| • Right of use asset | - over the lease term |

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 is determined as the difference between the sale proceeds and the carrying amount of the asset and is immediately recognised in the Income Statement.

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 of impairment. If any such indication exists, the recoverable amount of the asset is estimated 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 Statement of Financial Position 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 and previously recognised impairment losses are 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

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 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 27 of the Financial Statements.

(a) Financial assets measured 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'.

Notes to the Financial Statements

for the year ended 31 May 2020

(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, lease liabilities, 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.

(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 13. 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 (excluding amounts due from brokers held at fair value through profit and loss), 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 and loss given 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. In accordance with the Group's internal credit risk management definition to which the Company adheres, financial instruments have a low credit risk when it has an external credit rating of 'investment grade' or if no external credit rating is available.

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. The Company determines that a default occurs when a payment is 90 days past due for all assets except for receivables from clients where it uses 180 days. This is aligned with the Group's risk management practices.

All changes in expected credit losses subsequent to the assets' initial recognition are recognised as an impairment loss or gain. Financial assets are written off, either partially or in full, against the related allowance when the Company has no reasonable expectations of 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

Notes to the Financial Statements

for the year ended 31 May 2020

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.

(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 applied the simplified approach. The expected lifetime credit loss is recognised at initial recognition of the financial asset, with the loss allowance calculated by reference to an aging debt profile. 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 cryptocurrency and cryptocurrency owned and 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 applied the simplified approach, except for amounts due from group companies. The expected lifetime credit loss is recognised at initial recognition of the financial asset, with the loss allowance calculated by reference to an aging debt profile. 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 made in advance for services or goods. They do not qualify as trading or financial assets and are amortised over the period in which the economic benefit is expected to be consumed.

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 if 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

Notes to the Financial Statements

for the year ended 31 May 2020

requirements. Segregated client funds comprise individual client funds held in segregated client money accounts. Segregated client money accounts restrict the Company's ability to control the monies and accordingly such amounts are not held on the Statement of Financial Position.

The Company holds client assets on behalf of clients in accordance with the client asset rules of the of the UK Financial Conduct Authority (FCA) and other regulatory bodies. Such assets are classified as 'segregated client assets' in accordance with the relevant regulatory requirements. Segregated client assets comprise individual client assets held in segregated custody accounts. Segregated custody accounts restrict the Company's ability to control the assets and accordingly such amounts are not held on the Statement of Financial Position.

The amount of segregated client funds held at year-end was £771.6 million (31 May 2019: £512.3 million) and the amount of segregated client assets was £1,509.8 million (31 May 2019: £1,096.8 million). These amounts are held off-balance sheet. The return received on managing 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 other borrowing costs are expensed as they are incurred.

Share Capital

(a) Classification of shares

Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs. Equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Notes to the Financial Statements

for the year ended 31 May 2020

(b) 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.

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 2020	Year ended 31 May 2019
	£m	£m
OTC leveraged derivatives	328.2	242.0
Share Dealing and Investments	13.6	5.9
	<u>341.8</u>	<u>247.9</u>

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

Notes to the Financial Statements

for the year ended 31 May 2020

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 2020	Year ended 31 May 2019
	£m	£m
Employee related expenses (note 7)	51.0	45.0
Advertising and marketing	15.4	22.2
Premises related costs	2.4	4.8
IT, Market Data and Communications	14.2	12.7
Legal and professional costs	3.6	3.4
Regulatory fees	4.1	2.2
Royalty expense	78.6	57.2
Credit loss allowance	0.4	1.0
Depreciation	0.6	0.1
Other costs	17.7	13.3
	<u>188.0</u>	<u>161.9</u>

Included in depreciation are lease rentals for office space of £0.5 million (FY19: £1.9 million which was included in premises-related costs)

5. Auditors' remuneration

Audit fees in relation to the statutory audit of the Financial Statements of the Company amounted to £76,000 (FY19: £39,161).

Audit related fees in relation to services supplied pursuant to legislation amounted to £168,672 (FY19: £176,030). 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 £nil (FY19 £205,000). These services related 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 (FY19: £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 120 (FY19: 174).

Notes to the Financial Statements

for the year ended 31 May 2020

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

	Year ended 31 May 2020	Year ended 31 May 2019
	£m	£m
Wages, salaries and benefit allowances	3.2	7.1
Equity-settled share-based payment awards and related social security costs	0.4	0.1
Performance related bonus and related social security costs	0.1	1.1
Total staff costs for employees of the Company	3.7	8.3
Costs recharged to the Company from other group companies for services provided to the Company	47.3	36.7
Amount recognised in the Company's income statement	51.0	45.0

The staff costs for the year were as follows:

	Year ended 31 May 2020	Year ended 31 May 2019
	£m	£m
Wages and salaries, performance related bonus and equity-settled share-based payment awards	43.4	37.9
Social security costs	5.6	5.1
Other pension costs	2.0	2.0
	51.0	45.0

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

8. Finance income

	Year ended 31 May 2020	Year ended 31 May 2019
	£m	£m
Bank interest receivable	1.1	1.6
Interest receivable on cash held at brokers	1.1	1.0
Interest accretion on financial investments	1.6	1.1
	3.8	3.7

9. Finance costs

	Year ended 31 May 2020	Year ended 31 May 2019
	£m	£m
Revolving credit facility interest and fees	0.9	0.5
Term loan interest and fees	2.8	2.7
Interest payable to brokers	1.1	0.8
Interest paid to other group companies	0.9	0.4
	5.7	4.4

Notes to the Financial Statements

for the year ended 31 May 2020

10. Tax on profit

Tax charged/(credited) in the income statement:

	Year ended 31 May 2020	Year ended 31 May 2019
	£m	£m
Current income tax:		
UK Corporation tax	28.6	15.3
Non-UK Corporation tax	0.2	1.6
Adjustments in respect of prior years	-	7.3
Total current income tax	28.8	24.2
Deferred income tax:		
Origination and reversal of temporary differences	(0.1)	(0.1)
Adjustments in respect of prior years	0.2	0.3
Total deferred income tax	0.1	0.2
Tax expense in the income statement	28.9	24.4

Tax not charged to the income statement:

Tax recognised in other comprehensive income	0.2	-
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Reconciliation of the total tax charge

The standard rate of corporation tax in the UK for the year ended 31 May 2020 was 19.0% (year ended 31 May 2019: 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 2020	Year ended 31 May 2019
	£m	£m
Profit before taxation	154.3	98.2
Profit before taxation multiplied by the UK standard rate of corporation tax of 19.0% (year ended 31 May 2019: 19.0%)	29.3	18.7
Expenses not deductible for tax purposes	0.8	1.1
Non-taxable dividend income	-	(1.0)
Adjustments in respect of prior years	0.2	7.6
Higher taxes on overseas earnings	-	0.1
Group relief for which no payment is made	(1.4)	(2.1)
Total tax expense reported in the income statement	28.9	24.4

The effective tax rate is 18.7% (year ended 31 May 2019: 24.9%).

Notes to the Financial Statements

for the year ended 31 May 2020

Deferred income tax assets

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

	Year ended 31 May 2020	Year ended 31 May 2019
	£m	£m
Other temporary differences	0.2	0.2
	<u>0.2</u>	<u>0.2</u>

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

	Year ended 31 May 2020	Year ended 31 May 2019
	£m	£m
At the beginning of the year	0.2	0.5
- Income statement credit/(charge)	(0.1)	(0.2)
- Reclassification from deferred tax asset to deferred tax liability	0.1	-
- Tax charged directly to equity	-	(0.1)
At the end of the year	<u>0.2</u>	<u>0.2</u>

Deferred income tax liabilities

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

	Year ended 31 May 2020	Year ended 31 May 2019
	£m	£m
Other temporary differences	0.3	-
	<u>0.3</u>	<u>-</u>

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

	Year ended 31 May 2020	Year ended 31 May 2019
	£m	£m
At the beginning of the year	-	-
- Reclassification from deferred tax asset to deferred tax liability	(0.1)	-
- Tax charged to other comprehensive income	(0.2)	-
At the end of the year	<u>(0.3)</u>	<u>-</u>

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.

Notes to the Financial Statements

for the year ended 31 May 2020

Taxation on discontinued operations

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

	Year ended 31 May 2020	Year ended 31 May 2019
	£m	£m
Profit from continuing operations	28.9	22.3
Profit from discontinued operations	-	2.1
	<u>28.9</u>	<u>24.4</u>

11. Property, plant and equipment

	Leasehold improvements	Office equipment, fixtures and fittings	Computer, and other equipment	Right of use asset	Total
	£m	£m	£m	£m	£m
Cost:					
At 31 Jun 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
IFRS16 transitional adjustment	-	-	-	1.5	1.5
At 1 June 2019	-	0.1	0.4	1.5	2.0
Additions	-	-	0.1	-	0.1
At 31 May 2020	-	0.1	0.5	1.5	2.1
Accumulated depreciation:					
At 1 Jun 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
Provided during the year	-	-	0.1	0.5	0.6
At 31 May 2020	-	-	0.4	0.5	0.9
Net book value - 31 May 2020	<u>-</u>	<u>0.1</u>	<u>0.1</u>	<u>1.0</u>	<u>1.2</u>
Net book value - 31 May 2019	<u>-</u>	<u>0.1</u>	<u>0.1</u>	<u>-</u>	<u>0.2</u>

Notes to the Financial Statements

for the year ended 31 May 2020

12. Investment in subsidiaries

	31 May 2020	31 May 2019
	£m	£m
At cost less accumulated impairment losses:		
At beginning and end of the year	3.9	3.9

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

Name of company	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	Ordinary shares	100%	Nominee company
IG Finance 9 Limited	EC4R 2YA, United Kingdom	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. Employee share plans

The ultimate parent company operates a Long-Term Incentive Plan (LTIP) which is equity-settled. The disclosures below relate to employees employed directly by the Company.

Long Term Incentive Plan (LTIP)

Awards under the LTIP are nominal cost options, which vest after three years, conditional upon continued employment at the vesting date. For each award made on 1 August 2017 and earlier a minimum performance target has to be achieved before any options vest and the options vest fully if the maximum performance target is achieved. For awards made from August 2018, there are no performance targets.

The exercise price of all outstanding options awarded under the LTIP at 31 May 2020 is 0.005p and the weighted average remaining contractual life is 1.62 years.

14. Trade receivables

	31 May 2020	31 May 2019
	£m	£m
Amounts due from brokers	243.7	241.6
Own funds in client money	23.1	17.0
Amounts due from clients	2.1	0.6
	268.9	259.2

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 £4.4 million (31 May 2019: £2.4 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.

Notes to the Financial Statements

for the year ended 31 May 2020

15. Other assets

Other assets represent rights to cryptocurrency and cryptocurrency owned and 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. The Company holds cryptocurrency assets on exchange and directly in vault as follows:

	31 May 2020	31 May 2019
	£m	£m
Exchange	6.0	14.2
Vault	16.1	18.9
	<u>22.1</u>	<u>33.1</u>

Other assets are measured at fair value less costs to sell. The fair value hierarchy is set out in note 27. 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.

16. Other receivables

	31 May 2020	31 May 2019
	£m	£m
Other debtors	1.1	1.2
Amounts due from group companies	12.6	22.8
	<u>13.7</u>	<u>24.0</u>

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

17. Financial investments

Financial investments are UK Government securities:

Held as:	31 May 2020	31 May 2019
	£m	£m
Liquid asset buffer	83.8	84.4
Collateral at brokers	140.5	140.8
	<u>224.3</u>	<u>225.2</u>
Of which:		
- Non-current portion	83.8	189.9
- Current portion	140.5	35.3
	<u>224.3</u>	<u>225.2</u>

The effective interest rates of securities held at the year-end range from 0.18% to 1.04% (FY19: 0.08% to 1.04%).

18. Borrowings

In May 2020 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 2022. The term loan is stated in the Statement of Financial Position net of £0.3 million of unamortised arrangement fees (31 May 2019: £0.4 million).

The Group also has access to a £100.0 million Revolving Credit Facility under this credit facility with a maturity date of June 2021, having been extended by one year in May 2020. The Revolving Credit Facility was not drawn as at 31 May 2020 (31 May 2019: not drawn).

Notes to the Financial Statements

for the year ended 31 May 2020

19. Trade payables

	31 May 2020	31 May 2019
	£m	£m
Client funds held on balance sheet	62.8	55.5
Amounts due to clients	0.6	0.3
Other trade payables	0.5	-
	<u>63.9</u>	<u>55.8</u>

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.

20. Other payables

	31 May 2020	31 May 2019
	£m	£m
Accruals	11.8	10.4
Payroll taxes, social security and other taxes	-	0.5
Amounts due to group companies	238.4	198.3
	<u>250.2</u>	<u>209.2</u>

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

21. 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 2020 (31 May 2019: £nil).

22. Share capital

	31 May 2020	31 May 2019
	£m	£m
Authorised, allotted, called up and fully paid:		
13,000,000 (FY19: 13,000,000) ordinary shares of £1 each	13.0	13.0
	<u>13.0</u>	<u>13.0</u>

Notes to the Financial Statements

for the year ended 31 May 2020

23. Other reserves

	Share-based payments £m	Available-for-sale reserve £m	FVOCI £m	Total other reserves £m
At 1 June 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
Equity-settled employee share-based payments	0.4	-	-	0.4
Transfer of share-based payment reserve	(0.1)	-	-	(0.1)
Change in the fair value of financial assets held at fair value through other comprehensive income, net of tax	-	-	0.7	0.7
At 31 May 2020	0.4	-	1.2	1.6

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.

24. Discontinued operations

There were no discontinued operations in the year ended 31 May 2020.

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.

25. Lease liabilities

Obligations under leases

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 2020 £m	31 May 2019 £m
Future minimum payments due:		
Within one year	-	0.2
After one year but not more than five years	-	0.1
After more than five years	-	-
	-	0.3

Notes to the Financial Statements

for the year ended 31 May 2020

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

IFRS16

The Group has leases which are capitalised as fixed assets under IFRS 16. The movements in balances associated with IFRS can be reconciled as follows:

	Year ended 31 May 2020 £m
Right-of-use asset	
Lease asset initially recognised at 1 June 2019	1.5
New lease agreements – present value of lease liabilities	-
New lease agreements – restoration costs	-
Depreciation in the year	(0.5)
	<u>1.0</u>
	Year ended 31 May 2020 £m
Lease liability	
Lease liability initially recognised at 1 June 2019	1.3
New lease agreements – present value of lease liabilities	-
Payments made in the year	(0.4)
Unwinding of discount	-
	<u>0.9</u>

26. Directors' shareholdings

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

Notes to the Financial Statements

for the year ended 31 May 2020

27. 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.

As at 31 May 2020	Note	FVTPL £m	Amortised cost £m	FVOCI £m	Total carrying amount £m
Financial assets:					
Cash and cash equivalents		-	309.7	-	309.7
Financial investments	17	-	-	224.3	224.3
Trade receivables - amounts due (to)/from brokers	14	(1.7)	245.4	-	243.7
Trade receivables - amounts due from clients	14	-	23.1	-	23.1
Trade receivables - own funds in client money	14	-	2.1	-	2.1
Other receivables	16	-	13.7	-	13.7
		(1.7)	594.0	224.3	816.6
Financial liabilities:					
Trade payables - client funds held on balance sheet	19	4.2	(67.0)	-	(62.8)
Trade payables - amounts due to clients	19	-	(0.6)	-	(0.6)
Trade payables - other trade payables	19	-	(0.5)	-	(0.5)
Other payables - amounts due to group companies	20	-	(238.4)	-	(238.4)
Borrowings		-	(99.7)	-	(99.7)
		4.2	(406.2)	-	(402.0)

Notes to the Financial Statements

for the year ended 31 May 2020

		FVTPL	Amortised costs	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	17	-	-	225.2	225.2
Trade receivables - amounts due (to)/from brokers	14	(26.7)	268.3	-	241.6
Trade receivables - amounts due from clients	14	-	0.6	-	0.6
Trade receivables - own funds in client money	14	-	17.0	-	17.0
Other receivables	16	-	24.0	-	24.0
		(26.7)	490.3	225.2	688.8
Financial liabilities:					
Trade payables - client funds held on balance sheet	17	32.5	(88.0)	-	(55.5)
Trade payables - amounts due to clients	17	-	(0.3)	-	(0.3)
Other payables - amounts due to group companies	20	-	(198.3)	-	(198.3)
Borrowings		-	(99.6)	-	(99.6)
		32.5	(386.2)	-	(353.7)

Financial instrument valuation hierarchy

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

	Level 1	Level 2	Level 3	Total fair value
As at 31 May 2020	£m	£m	£m	£m
Financial assets:				
Trade receivables - amounts due from/(to) brokers	(3.4)	1.7	-	(1.7)
Financial investments	224.3	-	-	224.3
Financial liabilities:				
Trade payables - client funds held on balance sheet	-	4.2	-	4.2
	Level 1	Level 2	Level 3	Total fair value
As at 31 May 2019	£m	£m	£m	£m
Financial assets:				
Trade receivables - amounts due from/(to) brokers	6.9	(33.6)	-	(26.7)
Financial investments	225.2	-	-	225.2
Financial liabilities:				
Trade payables - client funds held on balance sheet	-	32.5	-	32.5

Notes to the Financial Statements

for the year ended 31 May 2020

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.

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 2019: 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 2020 and 31 May 2019.

Fair value of financial assets and liabilities measured at amortised cost

The Company's financial instruments not carried at fair value are all valued at Level 2. The fair value of the financial assets and liabilities measured at amortised cost approximate their carrying amount.

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 2020 and 31 May 2019.

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 2020	£m	£m	£m
Financial assets			
Trade receivables – amounts due from/(to) brokers	700.8	(457.1)	243.7
Financial liabilities			
Trade payables - client funds held on balance sheet	4.2	(67.0)	(62.8)
	705.0	(524.1)	180.9
As at 31 May 2019			
Financial assets			
Trade receivables – amounts due from/(to) brokers	612.0	(370.4)	241.6
Financial liabilities			
Trade payables - client funds held on balance sheet	32.5	(88.0)	(55.5)
	644.5	(458.4)	186.1

Trade receivables – amounts due from/(to) brokers and Trade payables – client funds held on balance sheet 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. The Company is entitled to offset unrealised client positions with client funds held at a client account level.

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28. 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:

- o Non trading interest rate and
- o 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.

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 2020	31 May 2019	31 May 2020	31 May 2019	31 May 2020	31 May 2019
	£m	£m	£m	£m	£m	£m
Fixed rate:						
Financial investments	140.5	35.3	83.8	189.9	224.3	225.2
Floating rate:						
Cash and cash equivalents	309.7	180.4	-	-	309.7	180.4
Trade receivables - due from brokers	243.7	241.6	-	-	243.7	241.6
Trade receivables - own funds in client money	23.1	17.0	-	-	23.1	17.0
Trade payables - client funds held on balance sheet	(62.8)	(55.5)	-	-	(62.8)	(55.5)
Borrowings	-	-	(99.7)	(99.6)	(99.7)	(99.6)
	654.2	418.8	(15.9)	90.3	638.3	509.1

There are no financial assets and liabilities which have a maturity of 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 an adverse interest rate movement of 1.0% (year ended 31 May 2019: 0.5%) on financial assets and liabilities. The impact of such a movement on the Company's profit before tax is below.

	Year ended 31 May 2020	Year ended 31 May 2019
	£m	£m
Impact:		
Cash and cash equivalents	(3.1)	(0.9)
Trade receivables - due from brokers	(2.4)	(1.2)
Trade receivables – own funds in client money	(0.2)	(0.1)
Trade payables - client funds held on balance sheet	0.6	(0.3)
Borrowings	1.0	(0.5)

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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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 decreased by 1% with all other variables held constant:

	Year ended 31 May 2020	Year ended 31 May 2019
	£m	£m
Impact on FVOCI reserve (equity)	(2.2)	(1.8)

The Company is also exposed to price and foreign currency risk in relation to its net open position with clients and hedging brokers. 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 net exposure at 31 May 2020. 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 2020		As at 31 May 2019	
	Notional exposure £m	Impact £m	Notional exposure £m	Impact £m
Indices and equities	39.0	(2.0)	3.0	(0.2)
Foreign exchange	11.9	(0.6)	7.0	(0.3)
Commodities	24.9	(1.2)	9.9	(0.6)

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 £0.1 million (31 May 2019: £nil), are all less than 30 days due. Amounts due from clients, which are stated net of an expected credit loss of £3.7 million at 31 May 2020 (31 May 2019: £2.8 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 2020	31 May 2019	31 May 2020	31 May 2019	31 May 2020	31 May 2019	31 May 2020	31 May 2019
	£m	£m	£m	£m	£m	£m	£m	£m
Credit rating:								
AA to AA-	6.1	15.5	-	44.5	-	-	4.4	12.0
A+ to A-	303.3	164.5	241.2	183.3	-	-	17.9	3.6
BBB+ to BBB-	0.3	0.4	-	13.8	-	-	0.8	0.8
Unrated	-	-	2.5	-	2.1	0.6	-	0.6
Total carrying amount	309.7	180.4	243.7	241.6	2.1	0.6	23.1	17.0

Loss allowance

Below is a reconciliation of the total loss allowance:

	31 May 2020	31 May 2019
	£m	£m
Balance at 1 June	2.8	4.5
Loss allowance for the year:		
- gross charge for the year	2.4	0.8
- recoveries	(1.0)	(0.4)
Debts written off	(0.4)	(2.1)
Balance at 31 May	3.8	2.8

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.

	2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Simplified Approach	Total
Credit grade:	£m	£m	£m	£m	£m
Investment grade	309.7	-	-	257.5	567.2
Non-investment grade	12.6	-	-	16.6	29.2
Gross carrying amount	322.3	-	-	274.1	596.4
Loss allowance	-	-	-	(3.8)	(3.8)
Total carrying amount	322.3	-	-	270.3	592.6

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

Concentration risk

The Company's largest credit exposure to any one individual broker at 31 May 2020 was £70.2 million (A+ rated) (31 May 2019: £58.6 million (A+ rated)). Included in cash and cash equivalents, the Company's largest credit exposure to any bank at 31 May 2020 was £75.9 million (A+ rated) (31 May 2019: £76.9 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 2022.

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 2020	Derivative £m	Non-derivative £m	Total £m
Financial assets:			
Trade receivables - amounts due (to)/from brokers	(1.7)	245.3	243.6
Financial liabilities:			
Trade payables - client funds held on balance sheet	4.2	(67.0)	(62.8)
As at 31 May 2019			
Financial assets:	£m	£m	£m
Trade receivables - amounts due (to)/from brokers	(26.7)	268.3	241.6
Financial liabilities:			
Trade payables - client funds held on balance sheet	32.5	(88.0)	(55.5)

The Company's non-derivative cash flows at 31 May 2020 are:

- receivable/payable on demand, totalling financial assets of £818.0 million and financial liabilities of £306.4 million (31 May 2019: financial assets of £715.5 million and financial liabilities of £254.1 million); and
- payable in full on maturing of the facility in June 2022, totalling financial liabilities of £100.0 million (31 May 2019: £100 million).

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

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29. Subsequent events

There have been no subsequent events since 31 May 2020.