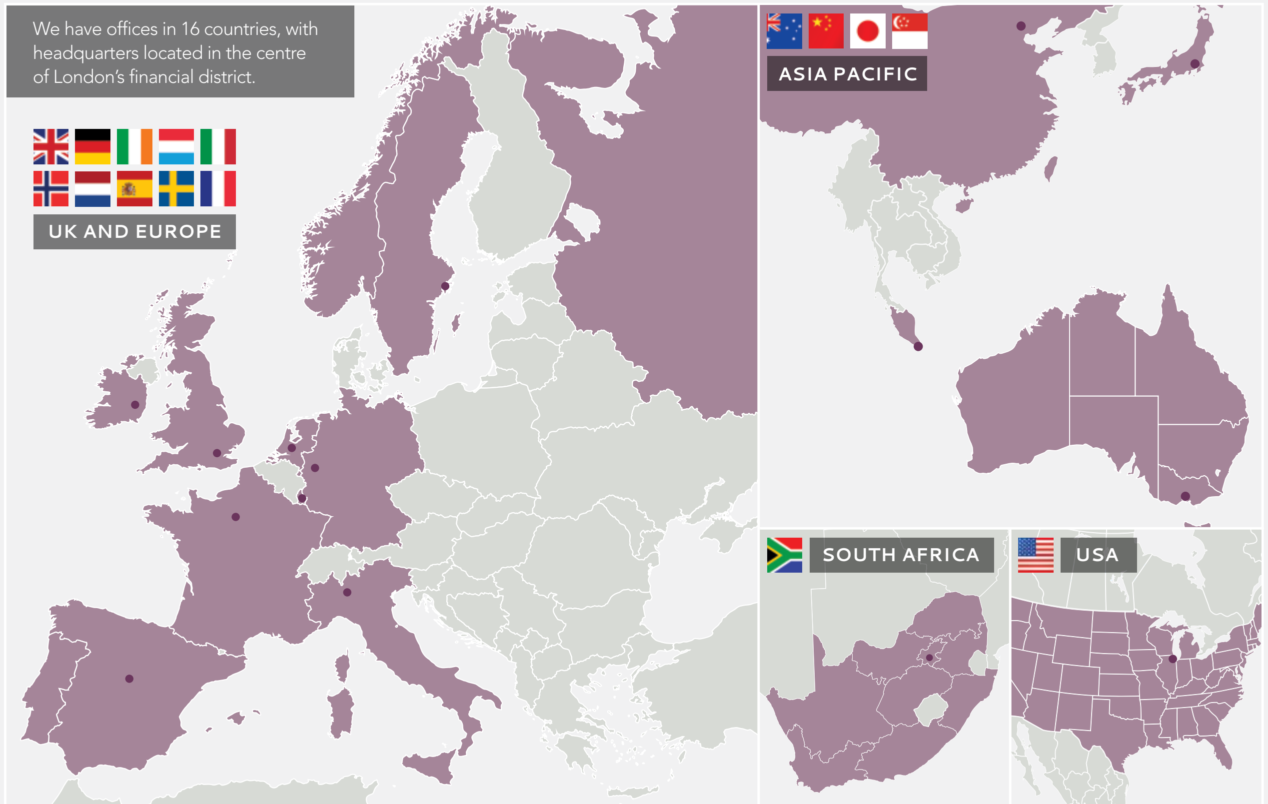
ANNUAL REPORT 2013

IG Group Holdings plc | 31 May 2013

CONTENTS



SETTING THE STANDARD

A global leader in retail financial trading, we provide active retail traders with access to the world's financial markets.

Our reputation is built on quality of service, transparency in dealing and award-winning technology. We are an established member of the FTSE 250, with a market capitalisation of £2.1 billion (as at 31 May 2013) and almost 140,000 clients across more than 130 countries.

ADVANCED TECHNOLOGY

Our dealing platforms are the product of extensive, ongoing research and development and combine market-leading features with robust and reliable infrastructure.

We offer a range of key resources designed to meet our clients' needs, including real-time market pricing, news and professional charts. Alongside our own platforms and charting solutions, we will soon give our clients access to MetaTrader 4 – a third-party online trading platform particularly favoured by forex traders for its automated trading and technical analysis.

Our dealing technology is available via web-based and downloadable platforms, and a range of tailored apps for mobile and tablet devices. Our clients benefit from seamless deal execution that takes less than 0.1 seconds and a trading platform that experiences less than 0.05% downtime.(1)

FINANCIAL STRENGTH

Building on our long history of profitability we do not initiate speculative positions in the market and the majority of the risk arising from client positions is either offset against opposing client positions or hedged in the underlying markets. We maintain capital resources in excess of regulatory requirements and a debt-free balance sheet. This means we have additional financial capacity that enables us to provide a continuous service to clients during times of exceptional market volatility.

Our high profit-to-cash conversion ratio gives us strong liquidity, which is central to the robust risk-management strategy that underpins our financial strength. It enables us to meet the liquidity requirements of hedging client trades and therefore limit our exposure to market movements. We have consistently paid out around 60% of our earnings as ordinary dividends.(2)

SEGREGATING OUR CLIENTS' MONEY

In all of the jurisdictions where we operate, we fully comply with, or exceed, the statutory requirements relating to client money segregation.

We only use our own funds for hedging and we never pass individual clients' money to counterparties or to any part of the business as working capital.

All retail clients' money is kept entirely separate from our own funds. It is 'ring-fenced' and held in segregated accounts with a range of major banks. This ensures that the money cannot be treated as a recoverable asset by general creditors, in the event of default.

NET TRADING REVENUE(3)

-1.4%

PROFIT BEFORE TAX

+3.5%

DILUTED EARNINGS PER SHARE (EPS)

+3.4%

(1) 99.51% of trades executed by IG globally in 0.1 seconds, January 2013 – May 2013; 99.95% core platform uptime, January 2010 – April 2013
(2) See our five-year summary on page 156
(3) Net trading revenue is trading revenue excluding interest on segregated client funds and is net of introducing broker commissions

CHAIRMAN'S STATEMENT

I am pleased to report another year of record profitability for the Group, a significant achievement given the particularly challenging trading environment in the first half of the year.

While our revenue decreased by 1% to £361.9 million (2012: £366.8 million), our diluted earnings per share increased by 3.4% to 38.80 pence per share (2012: 37.54 pence per share), thanks primarily to tight expense control and materially lower employee variable compensation.

We have continued to develop our business through the opening of new offices in Ireland and Norway, together with ongoing investment in our brand and technology to meet customer demand, particularly in mobile delivery and leading-edge platform functionality. Our risk management capabilities and strict credit policies have continued to perform well, resulting once again in daily revenue remaining positive with a very low level of bad debts. Your Board remains committed to driving further growth in the business and we are presently looking at several interesting strategic initiatives to achieve this.

IG strives to conduct its business with integrity and in a way that delivers fair outcomes for its customers. While it is always possible to make mistakes, if we are accused unjustly of inappropriate practices endangering the strong reputation we have worked hard to earn, we will defend ourselves vigorously. Our recent victory in the High Court in a case which arose from the collapse of Echelon Wealth Management a few years ago is testament to this. On dismissal of the case the plaintiffs chose not to appeal and we also recovered an acceptable amount of our costs. We also successfully won other legal victories, including the recovery of some substantial historic debts this year. I am particularly grateful to our legal team for bringing all these matters to a very satisfactory conclusion for our business and our shareholders.

DIVIDEND

At the forthcoming AGM your Board will recommend a final ordinary dividend of 17.50 pence per share. This will bring the total ordinary dividend for the year to 23.25 pence per share, an increase of 3.3% on the prior year. The Board is pleased to be able to recommend this level of payout at the end of a challenging year.

The Board has adopted a progressive dividend policy that reflects the long-term earnings and cash flow potential of the Group. Our dividend payout target is in the region of 60% of profit after tax.

REGULATION

As I have mentioned in previous statements, IG operates in highly regulated financial markets. Our policy is to ensure we remain in compliance with all relevant regulatory and legal obligations and to maintain collaborative relationships with the relevant authorities.

Client money continues to be one area of particular regulatory focus. Our Client Money Committee, under the chairmanship of Christopher Hill, has continued to pursue best practice, through constant review of processes and controls and investment in technology, to ensure we meet all the relevant requirements, while reducing the amount of human intervention needed in a business of IG's complexity.

We will be spending time addressing new Financial Conduct Authority (FCA) initiatives, including conduct risk, cultural risk and the increasingly widely recognised problem of cyber-attacks.

BOARD EVALUATION AND COMPOSITION

The Board undertook a full evaluation under the guidance of Dr Tracy Long in our previous financial year; consequently it was felt appropriate to conduct an internal review this year under the guidance of our Company Secretary. I am pleased to say that the outcome of this review was satisfactory but also produced some insights as to how we can improve our processes.

CHAIRMAN'S STATEMENT (continued)

I am pleased to welcome Sam Tymms to our Board to replace Lord David Currie, who had to retire from the Board last October to take on his new role as Chairman of the Competition and Markets Authority. Sam is a Managing Director at Promontory, a leading strategy, risk management and regulatory compliance consulting firm, focusing primarily on the financial services industry. Her expertise is already proving extremely helpful to the Board, particularly during a period of increasing regulatory focus. The Board wishes to thank David Currie for his contribution to the business and to wish him every success in his new role.

Martin Jackson, our Chairman of the Audit Committee, and I will have completed our nine years of service with IG next year; consequently we will be stepping down from the IG Board at the AGM in October 2014. We are presently at an advanced stage of finding a successor to Martin, who will join the Board as soon as possible to build up the relevant knowledge of IG and the workings of the Audit Committee and Board prior to Martin's retirement. The Board has agreed that our Senior Independent Director, Roger Yates, will commence a search for a new Chairman in September with the objective of having the candidate on our Board by March 2014 to ensure a smooth handover by our AGM.

It is again our intention this year to put every Board Director up for re-election at the AGM, in compliance with paragraph B.7.1 of the UK Corporate Governance Code. In the case of Sam Tymms, this will be the first opportunity for election following her appointment as a Director in May 2013. All other Directors are being put forward for re-election.

REMUNERATION

The Remuneration Committee, under the Chairmanship of Roger Yates, the Senior Independent Director, has reviewed the remuneration for senior management during the past year.

The Committee has decided to undertake a complete review of our executive compensation, including changing our external advisors. This decision was taken to reflect a realistic view of the medium-term growth prospects of IG and the need to retain and motivate our management team, who have produced outstanding results for shareholders in the past few years. To this end Roger and I have spent time with our leading shareholders to seek their views on the design of a remuneration package which aligns management with shareholders' interests and incentivises them competitively for the long term.

This resulted in the proposal that we are putting before shareholders at our forthcoming AGM and which we believe achieves our objectives and reflect the Financial Conduct Authority's remuneration principles.

CONCLUSION

This has been a challenging year for IG. Given the extremely difficult trading environment in the first half of the year, I believe management responded rapidly and appropriately with actions to reduce operating costs, while still managing to reap the benefits of a more supportive second half and ultimately delivering earnings growth.

We remain committed to delivering superior technology, innovative products and the best trading experience, putting the needs of our customers at the forefront of everything we do. If we continue to do this successfully, I strongly believe IG will prosper in a world where constant changes in the economic backdrop on the road to recovery, both positive and negative, will continue to create opportunities for our clients to participate in financial markets.

As always, none of this could have been achieved without the commitment of all our employees. This has been particularly the case this year, with a disappointing first half-year creating the need to manage costs carefully, and the strong second half when the external backdrop was much more supportive. Our colleagues have been resolute throughout the year and responded extremely well to the challenges that the markets and competition have presented. My fellow Directors and I would like to express our sincere thanks to them for their personal contributions to the Group's success this year.

Jonathan Davie
Chairman

23 July 2013

CHIEF EXECUTIVE'S REVIEW

The year was characterised by two extremely different six-month periods. In the first half financial markets were very dull, presenting our clients with fewer opportunities to trade than normal. In the second half, while volatility remained low, a succession of significant news events produced more trading opportunities for our clients. These included the US fiscal cliff negotiations, a sustained period of rising equity markets, a crash in the price of gold, the Cyprus bail-in and a shift in monetary policy in Japan. I am pleased with how the business responded in both periods. In the first half our cost base flexed downwards naturally, particularly as a result of reduced employee variable compensation, and we chose to slow down our planned investment and trim our cost base. In the second half we captured the upside from the increased trading levels through our extremely robust trading platform and high-quality execution. As a result, despite the challenging conditions and a fall in revenue for the year as a whole, we were able to deliver modest growth in profit and earnings. Our profit before tax grew by 3.5% to £192.2 million and our diluted EPS increased by 3.4% to 38.80 pence.

A full review of the financial performance of the business during the year is set out in the 'Operating and Financial Review'.

BUSINESS DEVELOPMENTS

Over the last couple of years we have increasingly focused IG on active retail traders – individuals who have the knowledge and desire to trade the financial markets on a regular basis. During this year we undertook a major project to relaunch our main brands as IG. This ensures that our websites, platforms, advertising and all of our other manifestations are consistent worldwide, and represent more accurately the scale of our business and its stature as the standard bearer for our industry. As part of this we acquired a number of domain names, including IG.com and a wide range of local IG domains, such as IG.co.uk and IG.de. Shortly after the year-end we launched IG.com for our UK clients. This website has a number of new features for both current and prospective clients. We have consolidated spread betting and CFDs into a single website, and for the first time our clients are now able to access multiple accounts, and hence multiple products and platforms, from a single login. IG.com also makes our market insight research content available to non-clients. Over the next few months we will be migrating all of our websites to IG.com, consolidating our online traffic worldwide on a single domain. We believe that this will deliver significant benefits to our ranking on search engines, as well as improving our buying power for paid search, thereby enhancing our client acquisition rates.

Technology is a key competitive differentiator and we continue to invest heavily in this area, further developing our core platforms, both web-based and mobile. The proportion of client transactions placed using our mobile apps is increasing steadily, and in the last few weeks of the year approached 30% of all client trades. We expect ongoing growth in the use of mobile platforms, and we continue to develop our apps to ensure that they remain at the forefront of mobile trading and provide our clients with all the features and tools necessary to trade with us.

Alongside our core platforms we also offer a number of platforms which cater for clients with specific trading requirements. For some time we have had a direct market access (DMA) platform, L2, for our most advanced share-trading clients. During the coming year we will pilot the ability for clients to trade and hold cash equities alongside equity CFDs within this platform. If this pilot is successful we would expect to add this functionality to our core platforms in the following financial year.

We are already the largest retail forex provider in a number of our markets, but our market lead is not as decisive as it is for some other products. This may in part reflect that until recently we have not had a specialist forex trading platform. One of the most popular trading platforms for retail forex traders is MetaTrader 4 and we have recently completed the necessary development work to connect this to our pricing, execution and back office systems. We are currently offering MetaTrader 4 to a pilot group of clients before making it generally available in the coming months. This platform has a large and loyal user base around the world, who we believe will welcome the opportunity to trade forex with IG using this platform. I am optimistic that we will see incremental client gains over the coming years as a result of offering MetaTrader 4.

Early in the financial year we received the unwelcome news that PFG Best, the only broker connected to Nadex, our US regulated exchange, was going into bankruptcy. Towards the end of the year we purchased PFG's software from the Trustee in Bankruptcy. This software includes a full suite of front, middle and back office components.

CHIEF EXECUTIVE'S REVIEW (continued)

We are currently developing this into Nadex Connect, an 'out of the box' offering, providing a complete software solution for brokers to offer Nadex products. This technology constraint was a significant barrier to opening up this intermediated distribution channel. Meanwhile, we have seen promising growth in the number of members trading on the Nadex exchange, albeit from a low base, as a result of focusing on direct retail marketing. Over the last few weeks we have also seen increasing regulatory action against over-the-counter (OTC) binary option providers who have been offering these products illegally in the US. Both the US Commodities Futures Trading Commission (CFTC) and the US Securities and Exchange Commission (SEC) have made it clear that it is only legal for a US resident to trade binaries on a regulated exchange such as Nadex. Nadex remains a long-term project, and I do not underestimate the challenges of developing a substantial business in a market as large and competitive as the United States. However, we have made good progress over the last year and I am increasingly optimistic that Nadex can reach profitability within a reasonable timeframe. This will be an important milestone in establishing the long-term prospects of our US business.

INTERNATIONAL GROWTH

International expansion remains a key part of our strategy. There are several parts to this.

Firstly, we continue to seek to establish new offices in countries where we do not currently have a presence, and during the year we opened new offices in Ireland and Norway. This is a driver of longer-term growth and does, of course, require expenditure in advance of any new office beginning to generate revenue. It can also take several years for new offices to reach the profitability levels of our existing offices. We are currently at varying stages of discussion with regulators in three new jurisdictions that have the potential to contribute to our growth outside the UK and Europe. These discussions may or may not ultimately result in us being able to operate in all these countries.

Secondly, I believe that there remains very significant growth potential from the offices we have established over the last seven years. Many of the markets in which we operate are still at an early stage in their development, are small relative to our established businesses in the UK and Australia, and have spent most of their early years battling poor macro-economic conditions. We continue to see strong growth rates from our German and Singaporean offices, with revenue in the second half up 36% and 29% respectively. Together these two offices now generate almost the same level of revenue as Australia, which grew at a more modest 12% in the second half of the year. Given these relative growth rates, Germany and Singapore, and the regions in which they sit, are likely to become increasingly important drivers of overall revenue growth for the Group over the coming years. Both of these offices were established approximately seven years ago and the fact that they continue to grow strongly is promising for the long-term prospects of our more recently established offices.

Finally, we are being increasingly successful at recruiting clients from countries in the world where we do not have a local office, particularly in the Asia Pacific region. Although our ability to undertake targeted marketing is limited, a growing number of clients are finding us online and the IG.com domain will further help this. We are also introducing a number of changes which will make it easier for clients in these countries to open accounts with us and then to fund and trade through those accounts.

A FOCUSED APPROACH TO CLIENT SERVICE

Our aim is to deliver the best possible trading experience for active traders and to provide the best possible range of tools to support their trading activities. We give our largest and most valuable clients a very personalised service, while ensuring that all of our clients enjoy the highest standards of pricing, execution and client service. Our focus on active retail traders means that we expect to recruit fewer new clients than we have in the past, but we also expect these clients will be on average of higher value. We believe this is already one of the drivers of the increase in revenue per client of 6% for the year within our established markets.

We have introduced a rolling survey of our clients in all of our markets to enable us to continually monitor satisfaction levels. In addition, independent market research gives us annual data on satisfaction levels and Net Promoter Scores (NPS) for us and our competitors across our five largest markets. We saw significant improvements in our already strong NPS in most of these markets and in all cases we enjoy a score substantially above the industry average. NPS is a widely recognised measure of customer loyalty, with a high score normally associated with strong, sustainable long-term revenue growth. Word of mouth recommendation remains a major source of new clients, and independent research[1] indicates that we are the largest beneficiary of switching between providers within our industry. All of this, I believe, bodes well for continued gains in market share in our main markets.

(1) All market share data has been provided by Investment Trends Limited (refer to the Investor Resources section for details)

REGULATION

There remains uncertainty about the impact that a European Financial Transaction Tax (FTT) might have on our business. Over the last couple of months it has become increasingly clear that progress on introducing this tax is likely to be quite slow, and that there is no consensus among the participating member states on the form any tax should take. It appears increasingly likely that any tax eventually introduced could be of a more limited scope, perhaps only applying to cash equities in a similar way to the current unilateral French FTT. The tax in France has no adverse impact on our business as it does not apply to our transactions with our clients or those we carry out to hedge our residual risk. In Italy, a complex FTT was due to be introduced in two stages, with the second stage on 1 July. The first stage, which applies only to cash equities, came into force in March. Introduction of the second stage, applicable to derivatives, has been deferred. The first stage necessitated some changes to our pricing, but it is not yet clear what impact the second stage may have, if and when it is eventually introduced.

In Japan, new rules are being introduced on binaries, which accounted for approximately 25% of the revenue from our Japanese office in the year. On the one hand these new regulations provide a beneficial shift in the competitive landscape, because they outlaw forms of binary which are offered by the majority of our competitors in Japan, but not by us. On the other hand, the new rules are likely to make it significantly harder to sign up new binary clients, as they introduce a detailed test which new clients must pass before being permitted to trade the products. Further clarity is still required around the implementation of these rules, but we currently anticipate they will come into force towards the end of this calendar year.

THE ECONOMIC BACKDROP

There is considerable economic stress in the majority of the countries in which we operate and the global economic outlook remains uncertain. This undoubtedly has an impact on our industry and has impacted our ability to recruit new clients. More positively, the flow of economic news has provided a wealth of trading opportunities for our installed client base. In the short to medium term I believe that we will continue to see a flow of mixed economic data, providing continuing trading opportunities for our clients.

Over the longer term, the Group should benefit as economic conditions improve, providing an easier backdrop against which to recruit new clients. Additionally, when interest rates eventually start to rise again, the interest that we earn on client money, which is currently in decline, has the potential to once again become a more significant contributor to our profitability.

OUTLOOK

In the coming year we face relatively benign comparatives for the first two quarters, and then increasingly challenging comparatives for the final two quarters of the year. Trading to this point in the 2014 year has been in line with expectations, with a strong June followed by a quieter July as we head into holiday season in the Northern Hemisphere. Following the reduction in our operating costs in 2013, we plan for these to rise in 2014. The primary drivers of this increase are the resetting of employee variable compensation into the new financial year, the impact of inflation on overall remuneration, an assumed increase in regulatory fees and additional investment in growing the business.

We have made considerable progress over the last year with our rebranding, the launch of IG.com and the development of our platform offering. Our additional investment in the next financial year will focus on specific initiatives aimed at further enhancing the Group's offerings for active traders, including introducing MetaTrader 4, development of our mobile platforms, and further geographic expansion.

This is a business in which we need to continue to invest for the longer term. Our business is highly cash generative and has a strong balance sheet, giving us significant competitive advantage and a high level of resilience. The investments we will make in the coming year should leave us well placed for future growth. I am confident in the prospects for the business going forward.

Tim Howkins
Chief Executive

23 July 2013

BUSINESS REVIEW

WHAT WE DO

We provide active retail traders with fast and flexible access to the financial markets.

Using our award-winning dealing platform, our clients take positions on financial market movements without needing to own the underlying asset. Clients are able to capitalise on both rising and falling markets, taking advantage of leverage with our competitive margin rates.

Our range of over 10,000 global financial markets includes:

- **Forex** – the value of one currency in relation to another, such as the pound versus the dollar
- **Indices** – the movements of global stock indices such as the DAX, the Dow Jones and the FTSE 100
- **Shares** – the performance of thousands of individual companies
- **Commodities** – the prices of key resources such as gold, oil and wheat

We also offer trading opportunities on interest rates, government bonds, exchange-traded funds (ETFs) and a number of other markets.

Our clients can deal 24 hours a day and access their accounts on the move using our range of customised apps for mobile devices.

OUR PRODUCTS

We offer a variety of products in line with the differing regulatory environments in the territories where we operate.

SPREAD BETTING

Financial spread betting in the UK is a tax-free[1] way to deal by betting on the price movement of an asset. The size of a client's win or loss depends on the degree and direction of the price movement.

- We are the UK's largest and longest-running spread betting provider[2]
- We are the UK's No.1 financial spread betting provider

See page 160 for an example of a spread bet.

CONTRACTS FOR DIFFERENCE (CFDs)

CFDs are derivatives that enable clients to take advantage of changes in an asset's price, without owning the asset itself.

- We are the world's No.1 CFD provider
- We offer global CFD trading, including direct market access (DMA) to shares and forex markets

See page 162 for an example of a CFD trade.

BINARIES

Our pioneering binary markets are based on a single question: 'Will the underlying market behave in a specific way before the binary expires?' Clients predict whether the answer will be yes or no.

- Binaries are unrestricted by volatility, remaining attractive to clients when markets are stable
- Our binaries enable clients to trade with limited risk

NORTH AMERICAN DERIVATIVES EXCHANGE (NADEX)

Nadex is our US derivatives exchange, enabling US investors to trade global financial markets in retail-sized contracts.

- Nadex is the first US-based retail-oriented exchange
- We provide a flexible way for our clients to trade with limited risk

HOW WE GENERATE REVENUE AND PROFIT

Our principal revenue sources are the dealing spreads or commission charges we apply to each transaction, according to the asset and product type being traded. We also charge funding for positions held overnight.

We derive our earnings from the volume of our clients' dealing transactions, which can be influenced by the level of activity in the underlying financial markets. Since our clients can choose to 'buy' or 'sell', dealing volumes can be maintained and we are able to profit irrespective of the direction in which markets are moving.

A centralised operating model enables us to maintain low-cost and capital-efficient processes, while robust risk management procedures help us monitor and control the impact of market and credit risk.

(1) Tax laws are subject to change and depend on individual circumstances
(2) All market share data presented in this report is provided by Investment Trends Limited (please refer to 'Investor resources' section for details)

OUR ACHIEVEMENTS

THE NUMBER ONE

In 1974 we founded the world's first financial spread betting company, Investors Gold Index. Our goal was to give retail investors a new opportunity to access financial markets without the need to own the underlying asset, beginning with gold. Nearly 40 years later, we remain committed to creating opportunity for our clients.

In 1982 we were the first to offer spread betting on the FT30. Our other firsts have included spread betting on individual shares (1995), the first online dealing platform for financial spread betting (1998) and the UK's first browser-based direct market access (DMA) CFD trading service (2009).

DRIVING TECHNOLOGY FORWARD

Our recent developments include a Chrome browser extension enabling clients to deal from almost any page on the web, push alerts to mobile devices, an interactive preview allowing prospective clients to explore our web-based platform and mobile app with no login.

A GLOBAL BUSINESS

We began our international expansion in 2002, when we became Australia's first CFD provider. We opened offices in Germany and Singapore in 2006, and more territories have followed regularly.

We currently have operations based in 16 countries, providing clients from over 130 countries with access to the financial markets. This year we opened two offices, in Ireland and Norway.

OUR BUSINESS MODEL

We have developed our commercial model to harness the demand from active retail traders for fast, flexible and secure online trading services.

Our superior **technology** gives our clients rapid and reliable access to thousands of global **financial markets** through a variety of routes. We offer a selection of **products**, complemented by efficient execution and a range of other **advantages** which enable our clients to trade with confidence.

We optimise our **earnings** through careful management of our processes and operational risks. We reinvest in technology, product development and marketing, improving our offering and attracting new clients.

OUR EARNINGS

Our systems and processes are designed to manage market and credit risk and enable us to consistently generate earnings based on the volume of our clients' trades.

SOURCES OF TRADING REVENUE

Across multiple asset classes, we receive:

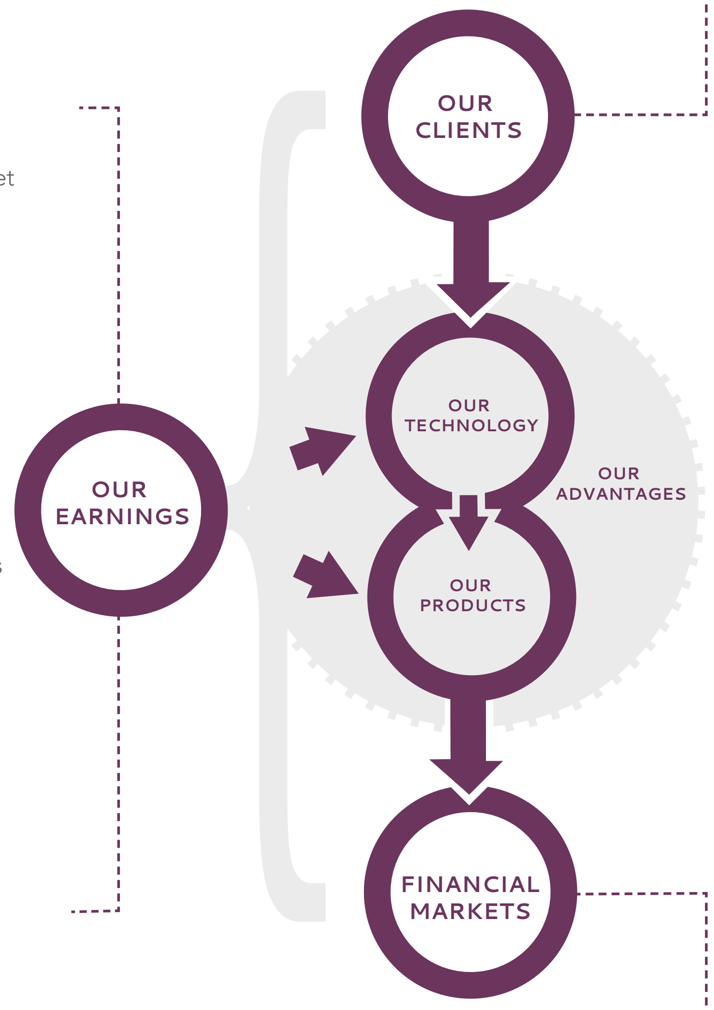
- Spread or commission for each trade
- Overnight funding charges to reflect leverage

RISK MANAGEMENT

- Scale of operations creates natural hedging, with client positions often offsetting each other
- Our liquidity enables funding of large hedging positions with brokers
- Clients must provide margin up-front, and positions are closed out if margin is significantly eroded
- Real-time mark-to-market trading platform calculates client profit and loss continuously, enabling us to manage risk

CONSISTENT PERFORMANCE

- Award-winning performance and proven resilience



OUR CLIENTS

Our international network of offices and high-quality partners, supported by targeted advertising campaigns, enables us to attract clients globally.

- Almost 56,000 new clients opened accounts in the 2013 financial year
- Almost 140,000 clients traded in the year
- 16 international sales offices
- Online presence in 20 countries
- 282 global business partners

OUR ADVANTAGES

We grow and retain our client base by offering a superior trading experience, peerless service, and the assurance only a market leader can provide.

STRENGTH AND STABILITY

- Established FTSE 250 member with surplus liquid regulatory capital
- Consistent profitability enables investment in technology, product development and marketing

AUTHORITY AND EXPERTISE

- Market leader for almost 40 years
- Multiple awards won every year

CLIENT FOCUS

- 24-hour customer support Monday to Friday
- Comprehensive range of educational resources
- Committed to the treating customers fairly (TCF) initiative upheld by the FCA

HIGH CALIBRE STAFF

- One of the UK's top employers, consistently attracting top people
- Continually growing and developing our skill set to meet business needs and support our technology investment

OUR TECHNOLOGY

We provide a range of in-house platforms and third-party solutions equipped with features to support our clients' individual dealing preferences.

- Award-winning dealing platforms deliver high-speed execution
- Tailored apps for all mobile devices enable clients to manage their accounts on the move
- Third-party software provides capabilities for analysis and automated trading

OUR PRODUCTS

Our clients can capitalise on both rising and falling markets and take advantage of leverage with our derivative products.

- Contracts for difference (CFDs)
- Financial spread betting
- Binaries

FINANCIAL MARKETS

Our retail clients can trade across a wide variety of markets, geographies and asset classes.

- Forex
- Indices
- Shares
- Commodities
- Interest rates
- Bonds
- ETFs
- Industry sectors

OUR STRATEGY

MAINTAINING OUR MARKET LEADERSHIP

We aspire to be the market leader in online trading for active retail traders, and we are currently the No.1 global provider of CFDs and financial spread betting.

We have achieved our position at the forefront of the industry by recruiting talented people, developing superior technology and building on our financial strength. We continue to leverage this combination of key advantages to grow the lead we have established in the major markets where we operate.

See page 20

SUSTAINING OUR LEADERSHIP IN TECHNOLOGY

Our financial strength has enabled us to invest in IT development and build superior platform technology, tools and resources for our clients.

Our market-leading position is underpinned by our platform's award-winning performance and proven resilience. We work continually to introduce enhancements and create a flexible trading environment that supports our clients' individual needs.

See page 22

Leveraging the strengths of our established reputation and unified global brand, we are focusing on four strategic objectives to drive our continued growth and maximise returns for our shareholders.

STRENGTHENING OUR GLOBAL PRESENCE

We have offices in 16 countries, serving clients in over 130 countries, and we continue to seek opportunities to grow our client base in both established and new territories.

Our new single global identity – IG – will help us to develop our brand reach, increase our market penetration and target regional markets from the countries in which we already operate.

See page 24

DELIVERING QUALITY SERVICE

We maintain absolute integrity in our relationship with clients, and our responsive approach has won us top ratings for customer satisfaction in independent research.

By combining fast and reliable execution with transparent pricing and segregation of retail client funds in accordance with FCA rules, we help our clients to feel secure and confident in trading with us. We also support our clients with educational programmes, market insight resources and 24-hour technical help.

See page 26

OUR STRATEGY (continued)

MAINTAINING OUR MARKET LEADERSHIP

ESTABLISHED GLOBAL LEADER

We hold a market-leading position in many countries including the UK, Australia, Singapore and France. Since 1974 we've helped people from over 130 countries deal on the financial markets. In the last year alone, nearly 140,000 clients traded with us.

We are the No.1 global provider of CFDs and financial spread betting. Independent research by Investment Trends has confirmed our market share of primary accounts for CFDs at 32% in the UK, 37% in Australia, and 22% in France. We hold a 44% market share of primary accounts for spread betting in the UK.

We maintain our position by focussing on quality service and continued development of our product offering. Globally, 81% of new clients who have traded with us said they're likely to continue doing business with us.

AWARD-WINNING BUSINESS

Feedback from satisfied clients about our service, our range of products and superior technology is the most important measure of our success, but we're proud to have been recognised and endorsed with recent industry awards:

2012 MoneyAM Awards (UK)
Best online CFD Provider

2012 UK Forex Awards
Best Forex Trading Tools

2012 Shares Magazine Awards (UK)
Best Spread Betting Service and Best Online Trading Platform

2012 Investors Chronicle/Financial Times Investment Awards (UK)
Best Spread Betting Service and Best Online Trading Platform

TheBull 'Stockies' Awards (Australia)
2013 Best Forex Provider
2012 Best CFD Provider – awarded for the fourth consecutive year

COMPETITIVE ADVANTAGE

The scale of our operations and the strength of our balance sheet enable us to invest continuously in technological development and high-quality marketing. This, in turn, helps us maintain and increase our lead, driving sustainable competitive advantage and stronger financial results.

CAPITALISING ON OUR STRENGTHS

Our strengths lie in our size and stability, our heritage and our reputation. Here are some of the ways we continue to build on these strengths to drive revenue:

SECURITY AND INTEGRITY

Our clients look to us to provide a secure and trusted way to trade, and we respond by taking an industry-leading stance towards segregating client money.

In the UK we are regulated by the Financial Conduct Authority (FCA). We offer full segregation of all individual client funds, even in those territories where regulations don't require this level of protection – our clients can rest assured we only ever use our own funds for hedging.

TALENTED PEOPLE

Listed as one of Britain's Top Employers for six consecutive years, we are able to attract and recruit high-calibre staff who bring specialist skills, knowledge and expertise to our business.

SUPERIOR TECHNOLOGY

We understand that the performance and resilience of our technology is essential to maintain high levels of client satisfaction and retention and keep us at the forefront of the industry. That's why we're continuing to innovate, invest in new technology, and improve our trading platforms.

Recent developments include our Chrome browser extension, enabling clients to open deals from almost any page on the web, and our platform preview which allows prospective clients to experience our technology before opening an account.

MARKETING EXPERTISE

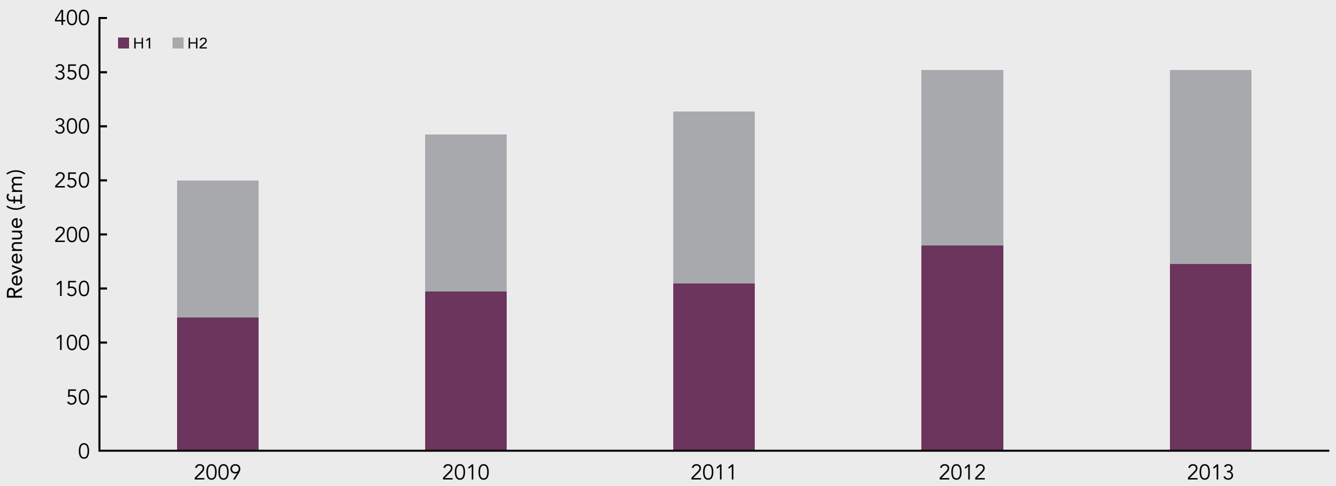
By targeting the right people at the right time and through the right channels, we aim to increase the average revenue per client and quality of our new accounts. Our in-house marketing team creates high-profile campaigns and tailored messages to address individuals already familiar with derivative trading products, as well as materials that support and educate those who are new to CFDs and spread betting.

We've recently rebranded and merged our spread betting and CFD websites into one easy, memorable domain – IG.com. This helps us to improve the efficiency of our international online marketing and maximise our resources, as well as supporting our stronger, unified global brand.

KEY PERFORMANCE INDICATORS (KPIs)

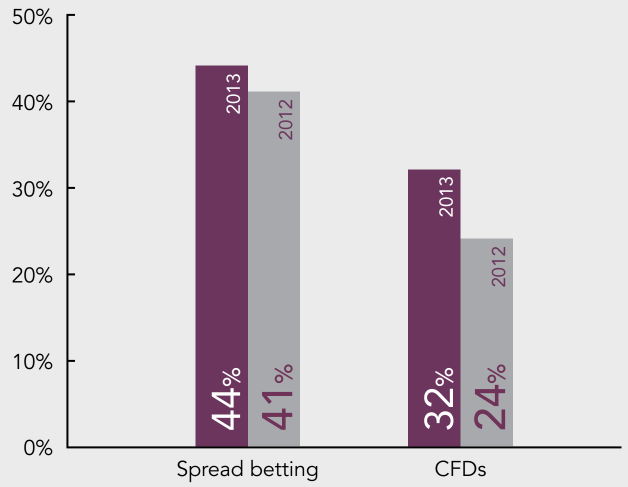
We analyse a suite of metrics to ensure we are achieving our objectives.

GROUP REVENUE 2009–2013



UK MARKET SHARE PERCENTAGE

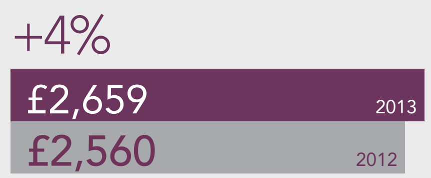
We use independent research to evaluate our market share performance.



NUMBER OF ACTIVE CLIENTS

We continuously monitor the number of active clients and revenue per client, as our Group revenue is a product of these factors.

AVERAGE REVENUE PER CLIENT



OUR STRATEGY (continued)

SUSTAINING OUR LEADERSHIP IN TECHNOLOGY

AWARD-WINNING PLATFORMS

In the last year almost 140,000 clients used our online dealing platforms and tailored mobile apps to make over two million transactions per month.

We have won multiple awards for our trading technology, recognising its security, reliability and speed. Recent accolades in the UK include Best Online Trading Platform 2012 (Shares Magazine) and Best Spread Betting App 2012 (Financial Times/Investors Chronicle). We have been ranked as Australia's No.1 forex provider in terms of our mobile app, and Singapore's leading CFD provider for platform efficiency, reliability and ease of use.

We currently execute 99.51% of deals in under 0.1 seconds, and our core platform uptime is 99.95%.(1)

ONGOING IT INVESTMENT

We have an in-house team of developers who work on multiple IT projects simultaneously and deliver a continuous stream of new features to our clients.

The efficiency and resilience of our systems help us to achieve consistent platform performance in volatile market conditions and peak periods of trading activity.

We have also created a robust back-office infrastructure to streamline and expedite processes such as account opening, and to monitor and control our own exposure to risk with greater precision.

We recognise the increasing significance of mobile technology and continue to develop and invest in our range of tailored apps. This year 25% of transactions were placed on mobile devices. In all, 28% of our revenue is now generated from mobile, and giving clients the ability to access their accounts and trade all our markets securely while on the move is key in driving this growth.

(1) 99.51% of trades executed by IG globally in 0.1 seconds, January 2013 – May 2013; 99.95% core platform uptime, January 2010 – April 2013

RECENT INITIATIVES

Our latest developments focus on creating a flexible trading environment that supports our clients' individual dealing styles. We have also enhanced our websites to make it easier for visitors to explore the services we offer and quickly gain access to the financial markets.

INTERACTIVE PLATFORM PREVIEW

Prospective clients can experience a simulation of our web-based platform and mobile app, and try a selection of tools and features, without the need to create an account.

CONTEXTUAL PLATFORM HELP

Our new tips provide an instantly accessible guide within our platform. As well as explaining functionality, they encourage clients to try new features and engage further with our technology.

ALTERNATIVE ACCESS ROUTES

Our clients will soon be able to trade our products through MetaTrader 4, a third-party online trading platform particularly favoured by forex traders for its automated trading and technical analysis, as well as via Bloomberg terminals and the Financial Information eXchange (FIX) API.

EASIER ACCESS TO IG ACCOUNTS

Clients holding multiple accounts with us can now manage them all together from one login. In addition, we have created a single app for both spread betting and CFD trading on mobile devices.

PUSH ALERTS

Clients can choose to receive immediate notifications via their mobile device or by email, alerting them to potential dealing opportunities or confirming when we have executed automated trades.

CHROME BROWSER EXTENSION

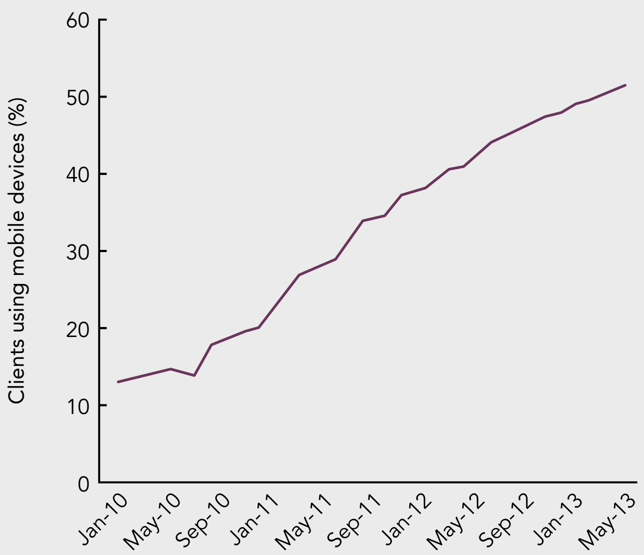
Our browser extension helps clients to identify dealing opportunities via financial news and other websites and react instantly, enabling them to open positions with us from almost any page on the web.

KEY PERFORMANCE INDICATORS (KPIs)

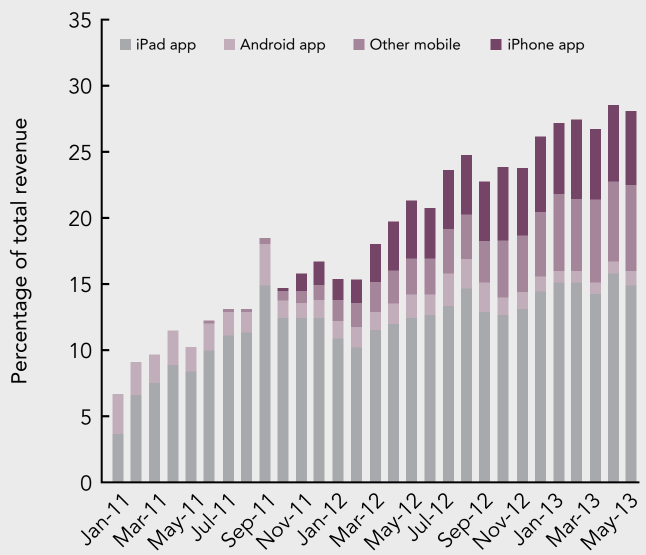
We analyse a suite of metrics to ensure we are achieving our objectives.

With clients increasingly moving towards trading on mobile devices, mobile usage metrics are key drivers for our decision-making.

CLIENTS USING MOBILE DEVICES



COMPOSITION OF MOBILE REVENUE



We constantly upgrade and monitor the performance of our operating systems to ensure we can maintain service when trading volumes peak.

AUTOMATED TRADES EXECUTED IN LESS THAN 0.1 SECONDS

CORE PLATFORM UPTIME

OUR STRATEGY (continued)

STRENGTHENING OUR GLOBAL PRESENCE

INCREASED MARKET PENETRATION

Over the past six years we have opened 13 new offices around the world. This year has seen two new additions, Norway and Ireland, giving us a physical presence in eight countries in and around the European Economic Area. We are excited about the opportunities presented by Norway and Ireland, as these regions have an established trading market and competition has weakened recently.

The larger European economies have established online trading communities, which are a natural target audience for our product set. We expect to see continued growth from these sources. We are also actively exploring other new territories, where regulatory conditions are favourable or are expected to become favourable.

We have recently moved to new premises in Australia, Singapore and South Africa and extended our premises in France, as we now have a clearer sense of the size of the longer-term opportunity in these countries and neighbouring areas.

While we continue to grow our client base in markets where we already have an established commercial presence, our network of global offices enables us to drive further growth by targeting additional regional markets from the countries where we already operate. This is already particularly relevant in the Asia Pacific region.

A UNIFIED GLOBAL BRAND

In 2012 we initiated a major business development: we consolidated our spread betting and CFD brands, IG Index and IG Markets, into a simple and memorable single identity – IG.

Our new name recognises and leverages the strength of the IG brand, positioning us as a unified global business that delivers consistently high service across all territories. Our new identity is powerful in its clarity, and will help us to develop our brand reach further worldwide.

Our single identity, outside the US, is supported by our investment in a suite of domain names centred around IG.com. This reflects our new brand name and provides users with a straightforward route to our network of websites, as well as significantly increasing the efficiency of our online marketing. We have recently merged our UK spread betting and CFD sites and created a consistent structure and style across all sites, and this has enabled us to optimise our use of resources.

NADEX

We continue to develop our US subsidiary, Nadex, and produce integrated marketing campaigns across multiple channels to promote our unique product range. As a result, the number of active Nadex clients has almost doubled over the past year.

While Nadex remains an ongoing project and is still a small part of our operations, we are optimistic our exchange has long-term prospects in the US.

CENTRALISED OPERATIONS

Our centralised operating model promotes the effective management of our global businesses. It supports organic growth and ensures that our commercial activities are both low-cost and capital-efficient.

KEY PERFORMANCE INDICATORS (KPIs)

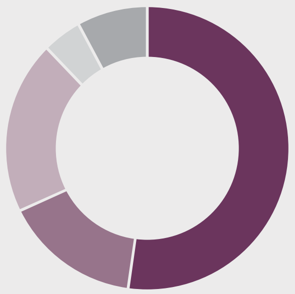
We analyse a suite of metrics to ensure we are achieving our objectives.

GEOGRAPHIC NET TRADING REVENUE

We monitor net trading revenue by region and compare against other regions at a similar stage of maturity.

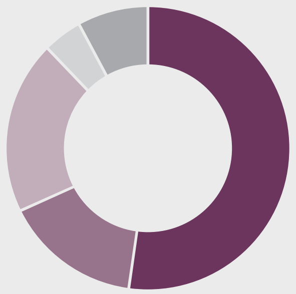
2012

- £191.8m UK
- £58.0m Australia
- £72.2m Europe
- £16.4m Japan
- £28.4m Rest of World



2013

- £186.5m UK
- £56.3m Australia
- £71.0m Europe
- £15.9m Japan
- £32.2m Rest of World

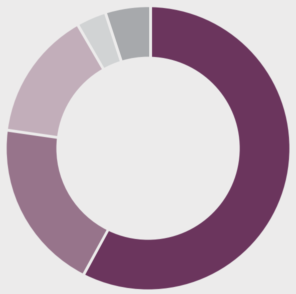


GEOGRAPHIC OPERATING PROFIT

We assess operating profit by geographical area.

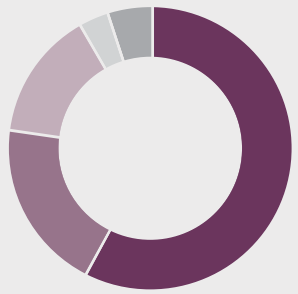
2012

- £107.1m UK
- £36.1m Australia
- £26.1m Europe
- £6.2m Japan
- £10.0m Rest of World



2013

- £110.2m UK
- £36.6m Australia
- £26.6m Europe
- £7.2m Japan
- £11.3m Rest of World



OUR STRATEGY (continued)

DELIVERING QUALITY SERVICE

CLIENT MONEY SEGREGATION

We adopt a best-practice approach to holding client money. In all of the jurisdictions where we operate, we fully comply with the statutory requirements relating to client money segregation. We segregate all individual clients' funds into client money bank accounts.

In the UK we follow the client-asset rules set by the Financial Conduct Authority (FCA) and in other jurisdictions we adhere to similar rules set by local regulators, including the Monetary Authority of Singapore (MAS), the Australian Securities and Investments Commission (ASIC) and the Japanese Financial Services Authority (JFSA).

We also commissioned an independent assurance assessment of our client money processes, which was completed to the International Standard on Assurance Engagements (ISAE) 3000 standard. We believe we are the first firm in our industry to do so.

- ✓ We are regulated by the FCA in the UK, as well as other major regulators in our overseas locations
- ✓ We hold all retail client money in segregated accounts with a range of major banks
- ✓ We only use our own funds for hedging
- ✓ We do not pass individual clients' money through to hedging counterparties

COMPETITIVE CHARGES, TRANSPARENT PRICING

We offer competitive prices, such as our spreads starting from just 0.8 pips on major currency pairs, without compromising on the quality of our service.

Where available, we source equity prices from multilateral trading facilities (MTFs) as well as primary exchanges, for greater liquidity and better prices for our clients.

RESPONDING TO CLIENT FEEDBACK

We always listen carefully to comments from clients, and often ask for their input through tailored surveys and focus groups linked to marketing campaigns or trials of new technology.

We create new functionality to meet clients' needs and requests. Recent examples include the ability to withdraw funds using mobile apps, push alerts to mobile devices, and the integration of popular third-party charting packages. We have brought together our CFD and spread betting websites at IG.com and created a single client login – making it easy for clients to access, manage and trade from multiple accounts.

TREATING CUSTOMERS FAIRLY

We are proud of our reputation for excellent customer service and client support, and continually seek ways to improve. We have developed our own unique set of measures to help us monitor our treatment of clients, demonstrating our commitment to the FCA's Treating Customers Fairly (TCF) initiative.

We offer high-speed execution, our own dealing technology never requotes prices[(1)], and we only fill orders at the price the client requested or better (within our set margin of tolerance).

These are just some of the reasons why over 50% of our clients rate us as 'very good' or 'excellent', and we receive a very low level of complaints.

CLIENT SUPPORT AND EDUCATION

We recognise the importance of educating and supporting our clients, so our extensive range of resources includes:

- An introductory education programme promoting responsible trading
- A wide range of client seminars and webinars, available online and in person
- Daily research bulletins on major financial markets, plus regular technical analysis from in-house and third-party sources
- A dedicated market insight section on our website
- A comprehensive online help portal
- 24-hour support Monday to Friday – over the phone, by email, live chat and Twitter

(1) Excludes MT4, a third-party platform offered by IG

NET PROMOTER SCORE

Our Net Promoter Score (NPS) is one of the Key Performance Indicators (KPIs) that we use to gauge how successfully we are achieving our strategic objectives. This is a widely recognised measure of customer loyalty, with a high score normally associated with strong, sustainable long-term revenue growth.

Independent research company Investment Trends used the NPS method to survey spread betting and CFD trading clients in various countries, asking if they would recommend their provider to a friend or colleague. We were among the highest ranking companies in all the regions they studied. Word of mouth recommendation remains a major source of new clients and independent research indicated that we are the largest beneficiary in our industry of traders switching between providers.

We achieved the top score of all providers in Australia, and in the UK we ranked second for spread betting and third for CFDs. In the UK we scored 25 for spread betting and 20 for CFD trading, against industry averages of 6 and 3 respectively.

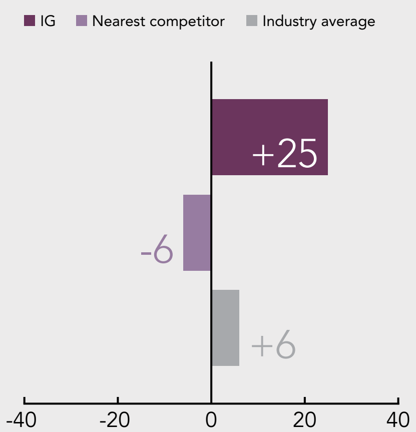
NPS is calculated by asking respondents: 'How likely are you to recommend this company to a friend or colleague?' Respondents reply on a 0-10 scale, with the final NPS calculated as the percentage of promoters (those answering 9 or 10) minus the percentage of detractors (those answering 0-6).

KEY PERFORMANCE INDICATORS (KPIs)

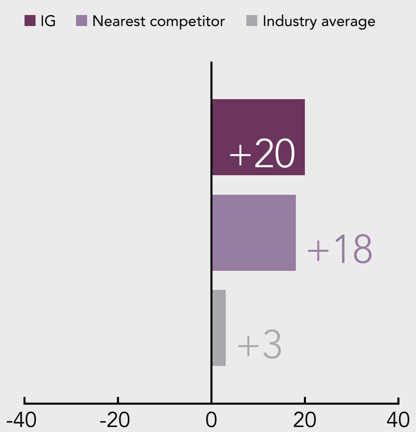
We analyse a suite of metrics to ensure we are achieving our objectives.

NET PROMOTER SCORE

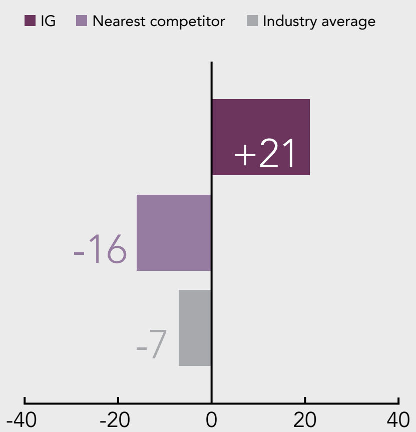
UK spread betting



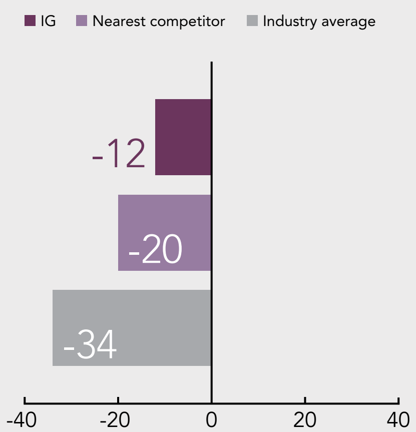
UK CFDs



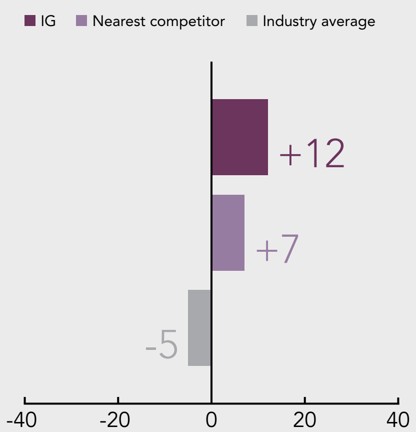
Australia



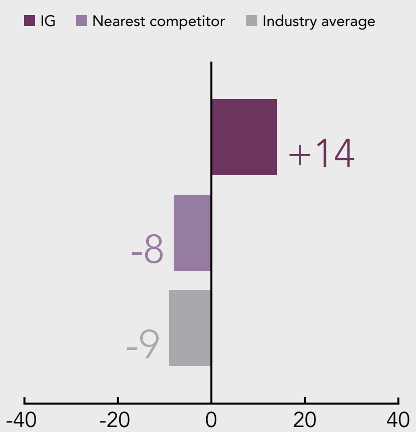
Singapore



France



Germany



MANAGING OUR BUSINESS RISK

Effective management of our business risks is critical to the successful delivery of our strategy. It is imperative that we identify the nature and potential impact of these risks, in order to maintain a risk-controlled environment throughout the business.

In this section we explain how we manage risk in accordance with our Risk Appetite Statement and Risk Management Framework. We also explain in detail the key risks we face, our governance structure for risk, and the reporting cycle that we use to monitor and report on risk.

OUR RISK MANAGEMENT FRAMEWORK

In order to establish an effective risk-management environment, we have developed a Risk Management Framework to identify, measure, manage and monitor risks faced by the business. Our Risk Management Framework provides the Board with assurance that our risks are understood and managed within appropriate boundaries, and comprises both our Risk Governance Framework and Risk Reporting Cycle.

RISK CATEGORIES

We have identified three main categories of risk affecting our business, and we explain these in more detail later in this section.

1. BUSINESS MODEL RISKS

These are risks we actively manage and are able to measure, control and assign limits and parameters to:

- Credit risk
- Market risk
- Liquidity risk

2. INDUSTRY RISKS

These are risks we accept as arising from operating in the financial services sector. For these risks we set a risk tolerance rather than a risk appetite. They include (but are not limited to):

- Financial institution credit risk
- Operational risk
- Regulatory risk

3. ENVIRONMENTAL RISKS

These are risks over which we have minimal control. They include (but are not limited to):

- Natural disasters such as floods, earthquakes and disease epidemics
- Strikes and civil unrest

OUR RISK GOVERNANCE FRAMEWORK

The following Risk Governance Framework diagram sets out the framework for the Board and executive committees, Non-Executive Director (NED) review, independent control functions and ongoing business operations that exercise governance over risk.

OUR RISK APPETITE STATEMENT

Our Risk Appetite Statement establishes guidelines for risk management throughout the business. We aim to maintain a conservative risk-reward profile, and the Board has developed our Risk Appetite Statement based on the following four key principles:

- The Board will adopt measures to ensure a low level of volatility in revenues and earnings
- The Board will promote orderly business operations to guard against a loss of confidence by shareholders, clients, employees and business partners
- The Board will adopt measures to minimise regulatory risk
- The Board will review the risk profile of strategic projects against the risk profile of the core business

To report our performance against the Risk Appetite Statement, the Board has implemented a set of Key Risk Indicators (KRIs). The Board reviews the KRIs in conjunction with the Risk Appetite Statement twice a year. Taken together, the KRIs are a balanced mix of quantitative and qualitative measures that provide an important indication of increasing or decreasing levels of risk.

RESPONSIBILITIES OF THE BOARD

The responsibilities of the Board in relation to risk management are to:

- Set and review the Risk Appetite Statement
- Approve the Key Risk Indicators
- Review and challenge biannual updates from the risk department
- Review and challenge the system of internal control and risk management
- Review and challenge capital and liquidity stress testing, including the ICAAP (Internal Capital Adequacy Assessment Process) and ILAA (Individual Liquidity Adequacy Assessment) required by the FCA
- Approve the Corporate Governance Report in the Annual Report

RESPONSIBILITIES OF THE BOARD COMMITTEES

The Board is supported in its monitoring of the Risk Framework by the Audit and Remuneration Committees. The Audit Committee's responsibilities in relation to risk management are to:

- Review the design and effectiveness of the Group's internal control and risk management system
- Approve the Key Risk Indicators in conjunction with the Board
- Approve the internal audit programme
- Review internal and external audit reports and monitor recommendations

The Remuneration Committee's responsibility in relation to risk management is to review the structure and level of remuneration throughout the business and assess the impact of remuneration on risk.

An overview of both the Audit and Remuneration Committees' main duties and activity during the financial year is set out in the Corporate Governance Report.

MANAGING OUR BUSINESS RISK (continued)

EXECUTIVE COMMITTEES AND INDEPENDENT REVIEW

RISK COMMITTEE

The Risk Committee generally meets on a weekly basis, and may meet more often if required. The committee is chaired by the Chief Risk Officer and made up of the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Head of Dealing and the Head of Legal and Compliance. Roger Yates, Senior Independent Director, attends the committee on a periodic basis. If any material risks are identified it will inform the Board. Members of the Risk Committee receive a monthly risk report from the risk department.

An overview of the Risk Committee's main responsibilities and activity during the financial year is set out in the Corporate Governance Report.

CLIENT MONEY COMMITTEE

Regulatory authorities continue to emphasise the importance of client money segregation. The FCA in particular now requires that all firms designate a named individual, the CF10a, who is responsible for overseeing processes and controls over the segregation of client funds and the FCA's CASS operational oversight function.

The Chief Financial Officer is the CF10a and Chairman of the committee. The committee meets monthly and receives periodic reports from a number of control functions, enabling it to monitor the effectiveness of our global processes and controls for segregating client money. The committee also assesses risks in relation to client money by reviewing our client money policy, monitoring regulatory changes that impact client money treatment and reviewing the implementation of these changes.

An overview of the Client Money Committee's main duties and activity during the financial year is set out in the Corporate Governance Report.

ICAAP AND ILAA COMMITTEE

In addition to the management of individual risks, the ICAAP (Internal Capital Adequacy Assessment Process) and ILAA (Individual Liquidity Adequacy Assessment) Committee undertakes stress and scenario testing as part of the capital adequacy and liquidity review process. These assessments stress-test the potential impact on capital and liquidity of a series of combined risk events, to ensure that the business is prepared for any major changes in our operating environment or strategy.

The ICAAP and ILAA are prepared according to FCA requirements and are subject to independent review by a subgroup of the Non-Executive Directors (NEDs). The ICAAP and ILAA Committee is chaired by the Chief Risk Officer and is made up of the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Head of Dealing and the Head of Legal and Compliance.

NON–EXECUTIVE RISK REVIEW

Twice a year, a sub-group of the Non-Executive Directors conducts a risk review, in discussion with the Chief Risk Officer and control functions. As the Non-Executive Directors are a step removed from the daily operations of the business, this enables them to assess and challenge the risk management processes from an independent standpoint.

SENIOR ACCOUNTING OFFICER COMMITTEE

The Senior Accounting Officer (SAO) Committee is responsible for reviewing and challenging processes and controls put in place to ensure we comply with HMRC requirements in certifying that each of our UK subsidiaries 'had appropriate tax arrangements throughout the financial year'. The committee reports to the Chief Financial Officer, who is the designated SAO.

BUSINESS OPERATIONS

We have embedded risk management into underlying business operations. Heads of department are responsible for the maintenance of risk registers and, where necessary, taking action to mitigate risks and enhance the control environment. The risk and compliance control functions use these registers in co-ordinating the identification, measurement and monitoring of risk across the business.

CONTROL FUNCTIONS

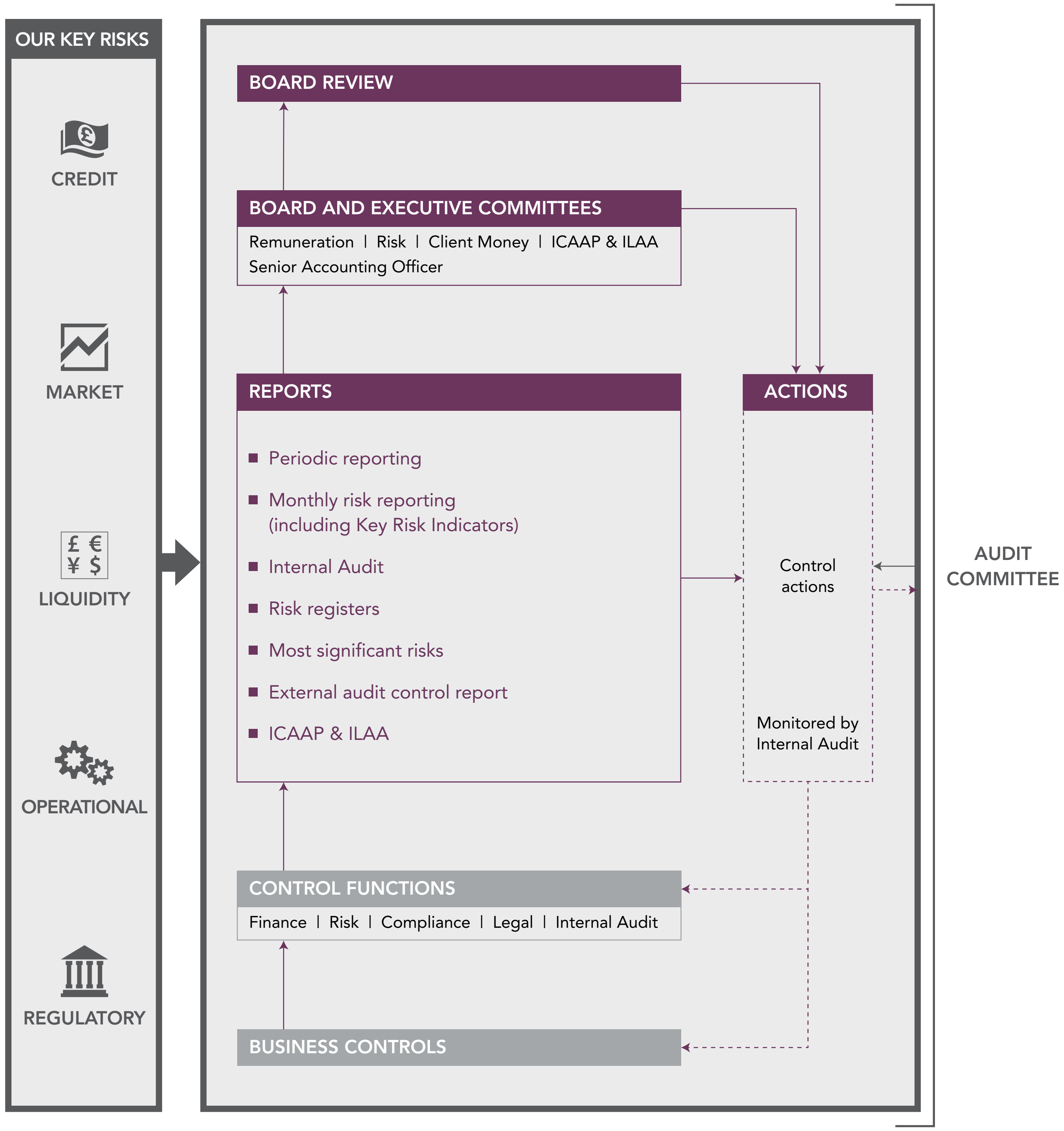
Additional levels of assurance are provided by control functions which are independent of the business, namely finance, risk, compliance and legal. The control functions provide periodic reporting to the Board and executive committees as appropriate.

INTERNAL AUDIT

The final level of assurance is provided by Internal Audit, who report to the Audit Committee.

OUR RISK REPORTING CYCLE

This diagram represents the flow of information and feedback that supports the Risk Governance Framework.



MANAGING OUR BUSINESS RISK (continued)

OUR KEY RISKS

The following section describes the key risks that we face and the steps that we take in order to manage these risks.

CREDIT RISK

Credit risk is the risk that a counterparty fails to perform its obligations, resulting in financial loss. Our credit risk is managed on a Group-wide basis. The principal sources of credit risk to our business are from financial institutions and individual clients.

Financial institution credit risk

All financial institutions with whom the Group has a relationship are subject to a credit review. Exposure limits are set and approved by the Risk Committee.

We monitor a number of key metrics on a daily basis in respect of financial institution credit risk, including: balances held, change in short- and long-term credit rating and any change in credit default swap (CDS) price.

The Group is responsible, under various regulatory regimes, for the stewardship of client monies. These responsibilities include the appointment and periodic review of institutions where we deposit client money. Our aim is that all financial institutions holding client money and the Group's own cash and assets should have strong short- and long-term ratings from the credit rating agencies. In some operating jurisdictions it can be problematic to find a counterparty satisfying these requirements, and in these cases we set low exposure limits and seek to use the best available counterparty – preferably one that is considered locally systemic and therefore likely to be supported in the event of failure. We also maintain multiple brokers for each asset class.

All deposits that we place with these institutions are on an overnight or breakable-term basis, which enables us to react immediately to any downgrade of credit rating status or material widening of CDS spreads. We do not have any deposits of an unbreakable nature or that require notice.

Client credit risk

Client credit risk principally arises when a client's total funds deposited are insufficient to cover any trading losses incurred. In particular, client credit risk can arise where there are significant and sudden movements in the market, due to high general market volatility or specific volatility relating to an instrument in which the client has an open position.

We mitigate client credit risk in a number of ways. We only accept clients that pass certain suitability criteria, and our training programme aims to educate clients in all aspects of trading and risk management and encourages them to collateralise their accounts to an appropriate level.

We offer a number of risk management tools that enable clients to manage their exposures including: guaranteed and non-guaranteed stops, stop and order limits, the ability to hedge positions, the availability of liquid, tradable contracts when underlying markets are closed (eg 24-hour quoted indices) and full trading capability on a wide range of mobile devices.

In addition, we manage our overall credit risk exposure through real-time monitoring of client positions via our close-out monitor and through the use of tiered margining.

For a small number of generally long-standing clients, we grant credit against unrealised losses, with credit terms stipulating that any losses arising are payable immediately when transactions are closed. The total credit of this type utilised at 31 May 2013 was £0.7 million, representing 0.1% of net assets (31 May 2012: £1.4 million, 0.2% of net assets).

For more information refer to note 37 to the Financial Statements.

The effectiveness of our client credit risk control is demonstrated by the fact that our provision for new doubtful debts recognised in the year was £1.0 million, representing less than 0.2% of revenue (2012: £2.3 million, less than 0.6% of revenue).

MARKET RISK

Market risk is the risk that the fair value of financial assets and financial liabilities will change due to movements in market prices.

We manage market risk on a real-time basis, monitoring all client positions against market risk limits set by the Risk Committee. The Group operates within these limits by hedging our market risk exposure as and when required. We do not take proprietary positions based on the expectation of market movement.

Our technology enables us to monitor our market exposure constantly and in real time. If exposures exceed our pre-agreed limits, our risk management policy requires that we hedge the positions to bring the exposure back into line with these limits.

Our conservative management of market risk, and the consistency and distribution of our daily revenue, can be seen in the chart in the 'Operating and Financial Review'. For more information, including our risk limits and residual exposures at 31 May 2013, refer to note 37 to the Financial Statements.

LIQUIDITY RISK

Liquidity risk is the risk that we will be unable to meet payment obligations as they fall due.

We manage liquidity risk by ensuring that we have sufficient liquidity to meet our broker margin requirements and other financial liabilities when due, under both normal and stressed conditions. We carried out an ILAA during the year, and while this applies specifically to the Group's FCA regulated entities, it provides the context within which we manage liquidity throughout the business.

Due to the very short-term nature of our financial assets and liabilities, we do not have any material mismatches in our liquidity maturity profiles. Short-term liquidity 'gaps' can arise, however, in special circumstances, due to our commitment to segregate all individual client funds. If there are significant market falls we are required to fund margin payments to brokers prior to releasing funds from segregation. During periods of very high client activity, or significant directional movements in global markets, we may be required to fund higher margin requirements with our brokers to hedge increased underlying client positions. We fund these requirements from our own available liquidity.

At 31 May 2013 we had total available liquid assets including committed facilities of £627.8 million (2012: £628.1 million). For 2013, our available liquidity includes the liquid assets buffer, which consists of £50.5 million of UK government securities. We hold the liquid assets buffer as required by the FCA, and it is kept in reserve, and only to be used in times of liquidity stress.

We monitor total available liquidity on a daily basis, including our committed unsecured facilities. We perform daily stress tests and regularly stress-test our three-year liquidity forecast to validate the level of committed unsecured bank facilities we hold. At the year-end, these amounted to £180.0 million (2012: £180.0 million). Subsequent to the year-end, in accordance with the phased transfer agreed with the FCA for the Group to hold a liquid assets buffer of up to £100.0 million by August 2013, the Group has purchased £32.6 million of additional UK government securities and the Group held £83.1 million of qualifying assets.

Further, on 19 July 2013 the Group completed the renegotiation of the liquidity facilities with a syndicate of three banks. In doing so the Group has increased the size of the overall facility to £200.0 million and established a longer-term liquidity funding arrangement. Of the total facility £120.0 million is available for a period of one year and £80.0 million is available for three years respectively from the facility signing date.

For more information on how we calculate our total available liquidity see note 20 to the Financial Statements.

MANAGING OUR BUSINESS RISK (continued)

OPERATIONAL RISK

Operational risk is the risk of financial loss due to inadequate or failed internal processes and systems. It can also arise from human error or external events that we cannot influence.

Our approach to managing operational risk is governed by the Risk Appetite Statement and Risk Management Framework. We have designed and implemented a system of internal controls to manage, rather than eliminate, operational risk.

The reliability of our client trading platforms is key to delivering our strategy, and we invest significantly in IT infrastructure to ensure that these platforms are resilient. On a monthly basis, the Risk Committee reviews our Key Risk Indicators, which includes monitoring levels of core system uptime and deal latency.

To ensure that we provide our clients with a consistent and uninterrupted level of service, we run a complete disaster recovery solution, which involves a fully-functional secondary site with real-time replication of all systems across the two locations. We support these systems with ongoing business continuity planning and regular testing. All our IT and data security systems conform to the ISO27001:2005 Information Security Management System standards.

REGULATORY RISK

We regard regulatory risk as one of our most significant risks. In short, we define regulatory risk as:

- Breach risk: we breach a regulation that applies to our business, leading to sanctions, fines, reputational damage and in extreme situations, loss of licence
- Change risk: our regulators introduce new regulations that make our business less profitable or impossible
- Expansion risk: policy and regulation in jurisdictions in which we don't operate remain onerous and closed to our business model, limiting our geographic expansion opportunities

We invest significant time and resources in managing and controlling our regulatory risk. More specifically:

Breach risk

Our compliance, legal and risk teams provide a robust line of defence to ensure that our processes and controls are effective in ensuring we are complying with our regulatory obligations. During the year, the Group has undergone a number of external reviews into key areas such as client money, which have provided comfort that we are managing and controlling this risk well. Obviously, as our business becomes more complex this risk also grows, however the Group remains committed to increasing its investment in breach risk controls as the complexity of the business grows.

Change risk

The regulatory environment continues to evolve and there are currently a number of policy initiatives and proposals in development that may impact or have already impacted our sector, as described below:

- Financial Transactions Tax (FTT): during the year we have seen many developments in this area, from the introduction of unilateral FTT regimes in France and Italy, to the attempted Enhanced Cooperation efforts of the 11 member states wishing to bring in a harmonised FTT with a wide scope. We have expended significant efforts throughout the year to both maintain accurate knowledge of the status of these tax initiatives and to understand the many stakeholders' interests and views. It is not yet clear where the Enhanced Cooperation FTT will end up, but we are cautiously optimistic that it won't be passed as originally proposed, and certainly not within the time frame initially proposed. The outcome of an Enhanced Cooperation FTT is very difficult to assess and potentially ranges from extremely negative to mildly positive, depending on the scope of the tax. We continue to monitor developments carefully
- European Markets Infrastructure Regulation: the main impact of this legislation on our business is increased reporting requirements to trade repositories. Potentially, we will also be impacted by International Organisation of Securities Commission work on margin for over-the-counter trading, but the rules on this have not yet been settled. If these proposals do affect the business it may be some years before any impact will take effect
- MiFID II: we have continued to monitor developments on this regulatory initiative and remain of the view that MiFID II is unlikely to pose a threat to our UK and European businesses. We continue to monitor the situation carefully. If these proposals do affect the business it may be some years before any impact will take effect
- The FCA has indicated it will undertake thematic reviews into: conduct, cyber, culture and IT resilience. These matters are under review in the business as a result
- Singapore MAS Regulatory framework for margined derivatives: The consultation issued by the Monetary Authority of Singapore in May 2012 proposed an increase in margin for non-accredited investors on a forex trade from 2% to 5%. To date there have been no further public updates on this proposal
- Japan Binary Regulation: These new regulations outlaw forms of binaries which are offered by the majority of our competitors in Japan but not by us, and introduce a detailed test which new clients must pass before being permitted to trade these products. Further clarity is still required around the precise implementation of these rules

We seek to mitigate change risk by engaging with our regulators and policy-makers as much as possible (as part of policy consultations and more generally), by investing in public relations programmes and by ensuring we have access to up-to-date information on regulatory change.

Expansion risk

Like change risk, we seek to mitigate expansion risk by engaging with regulators and policy-makers in countries where we do not yet operate, but where we would like to. Of course, regulatory change can also represent an opportunity for our business and we are in talks with a number of regulators who are considering changing their regulations in order to allow retail derivatives trading. These discussions are still at an early stage.

In summary, we work closely with our regulators to ensure that we operate to the highest regulatory standards and can adapt quickly to regulatory change. We are committed to engaging proactively with regulators and industry bodies, and will continue to support changes which promote protection for clients and greater clarity of the risks they face. However, we cannot provide certainty that future regulatory changes will not have an adverse impact on our business.

OPERATING AND FINANCIAL REVIEW

This section reviews the Group's operating performance and financial results for the year.

An overview of the Group's financial performance is provided in both the Chairman's Statement and the Chief Executive's Review.

The following section provides a more detailed analysis of the Group's financial performance for the year ended 31 May 2013, including a discussion of the Key Performance Indicators (KPIs) used to monitor and control our business, expanding upon those presented in the 'Our strategy' section.

The critical accounting estimates and judgements that impact the Group's financial performance, together with new and amended accounting standards adopted in the preparation of the Financial Statements, are set out in notes 1 and 41 to the Financial Statements.

For disclosure relating to the regulatory environment please refer to the Chief Executive's Statement and 'Managing our business risk' section.

PBT UP

3.5%

TOTAL DIVIDEND UP

3.3%

DIVIDEND PAYOUT

60%

OF CONTINUING DILUTED EARNINGS PER SHARE

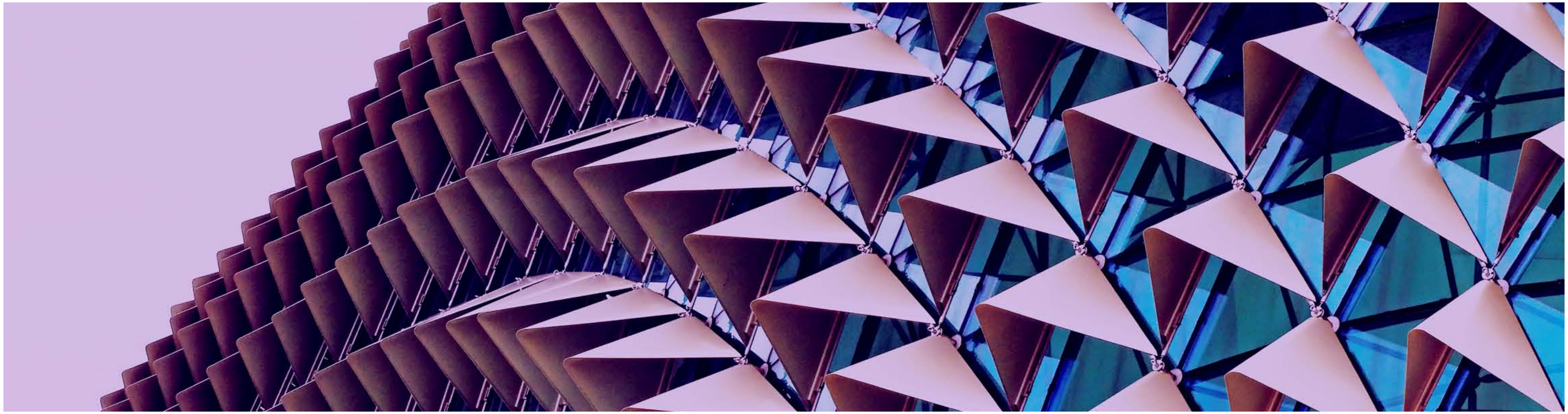
OPERATING REVIEW

Net trading revenue for the Group in the year was down by 1% at £361.9 million (2012: £366.8 million). There was a stark contrast in performance for the two halves of the year, with revenue behind in the first half by 14% and ahead in the second half by 13%. The trading backdrop in the first half of the year was extremely dull, with the market providing few trading opportunities for clients. In the second half, although certain measures of volatility remained low, there were a number of macro stories which encouraged increased activity from clients. This led to a particularly strong finish to the year.

NET TRADING REVENUE

The table below shows the geographical split of revenue, changes in active client numbers and revenue per client for the year ending 31 May 2013. A summary of these underlying Group metrics is presented in the 'Investor Resources' section. The following commentary explains the drivers and impact of these KPIs on the net trading revenue of the Group.

	Net trading revenue			Year-on-year change in Key Performance Indicators	
	2013 £m	2012 £m	Change	Number of active clients	Average revenue per client
UK	186.5	191.8	(3%)	(9%)	7%
Australia	56.3	58.0	(3%)	(8%)	6%
Europe	71.0	72.2	(2%)	6%	(7%)
Rest of World	32.2	28.4	13%	19%	(5%)
Total excluding Japan	346.0	350.4	(1%)	(4%)	2%
Japan	15.9	16.4	(3%)	(19%)	19%
Total	361.9	366.8	(1%)	(5%)	4%



OPERATING AND FINANCIAL REVIEW (continued)

UK

The UK segment comprised the offices in London and Dublin. Net trading revenue in the UK was behind the prior year by 3% at £186.5 million (2012: £191.8 million). Performance in the two halves of the year was very different, driven by factors described earlier, with revenue down in the first half by 15% and up in the second half by 11%.

Active client numbers were down by 9% in the year, while average revenue per client was up by 7%. The weak economic backdrop and a reduction in marketing from many competitors in the industry made the 2013 financial year a more difficult period in which to introduce new clients to the industry. Almost offsetting this was an increase in activity from existing clients, with more trading opportunities presented in the second half of the year and an increasing level of reactivation among clients who had been inactive for a period of time.

A market research study released in November concluded that for the 12 months to July 2012, IG had increased its share of the financial spread betting market in the UK from 41% to 44% and the CFD market from 24% to 32%. The study also showed that the size of the UK leveraged trading market had grown by 6% to reach approximately 104,000 active participants.

Late in the year the technological work to establish a single customer identity within IG was completed. This allows UK clients with a spread betting and CFD trading account to access them both through a single login and move funds between them. We also acquired IG.co.uk as part of the broader online strategy centred around IG.com; this single domain name will replace IGindex and IGmarkets.

AUSTRALIA

The Australia segment comprised the Melbourne office and revenue from New Zealand and other countries in the Asia Pacific region. Net trading revenue in Australia for the year was down by 3% to £56.3 million (2012: £58.0 million), with a stark split between the first half and the second half. Revenue was down in the first half by 14% and ahead in the second half by 11%. Active client numbers in the year were down by 8%, but this was partially offset by strong growth of 6% in revenue per client.

Consumer sentiment appeared weak during the first half of the year, with the fall in commodities prices hitting the key mining industry and relatively high interest rates putting pressure on household budgets. Sentiment improved in the second half with a steady drop in base rates from 4.50% to 2.75% and the recovery in global equity markets. Although reactivation rates among the client base were high towards the end of the year, opening new accounts remains challenging.

During the year an annual market research study found that IG had grown its market share of the retail CFD industry by three percentage points to 37%, extending its leadership by two percentage points. IG continued to lobby the regulator to prevent client funds being used for hedging purposes, an approach IG adopted some time ago. The business increased its efforts to encourage account sign-up from around the Asia Pacific region by improving marketing, education and account application and money transfer processes.

EUROPE

The Europe segment comprised the German, French, Italian, Spanish, Dutch, Swedish, Norwegian and Luxembourg offices. The economic backdrop in Europe continued to weaken, with the corresponding impact on consumer sentiment making it more difficult to open new accounts and expand the category in the short-term. Net trading revenue in Europe for the year was down by 2% at £71.0 million (2012: £72.2 million), with a strong second half almost offsetting the very weak trading environment in the first half.

Active client numbers grew by 6% across the region, with a particularly strong performance from the newer offices in Sweden and The Netherlands, and continued active client gains in Germany, Spain and Italy. An annual market research report for France concluded that IG's market share had declined by two percentage points to 22%. This is within a market which has grown by 20%, with certain prominent local brokers increasingly promoting CFDs as a preferred method of leveraged trading.

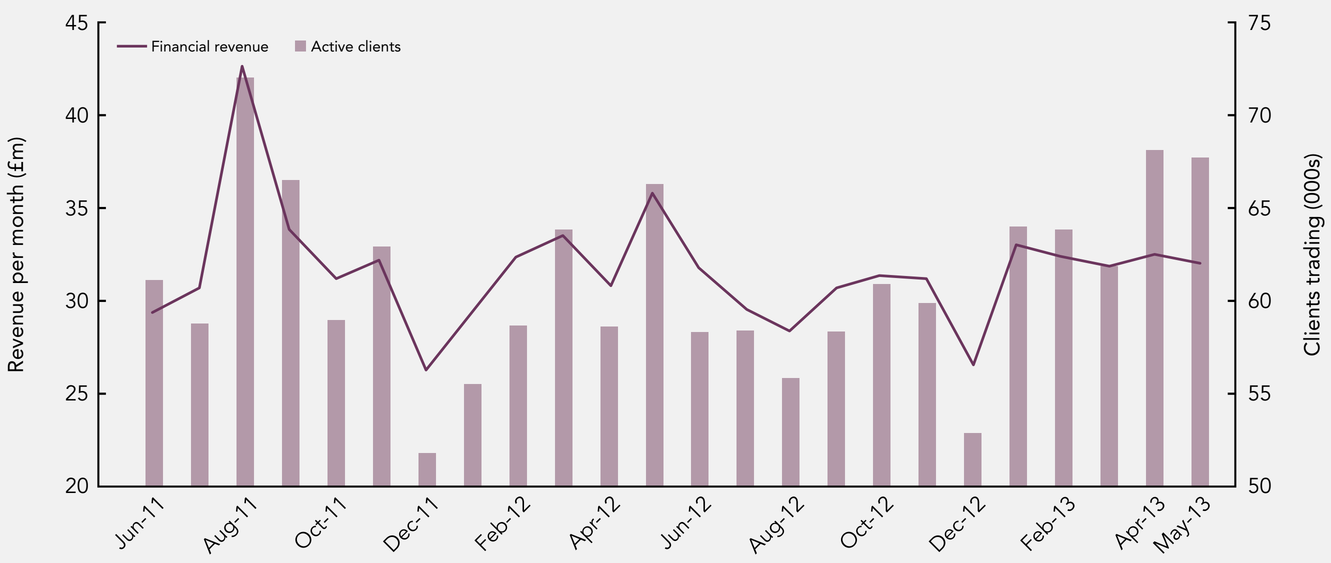
REST OF WORLD

The Rest of World segment comprised the Singapore and South African offices and Nadex, the Group's only retail exchange, in the US. Net trading revenue in the Rest of World was ahead of the prior year by 13% at £32.2 million (2012: £28.4 million), with the first half slightly behind and the second half ahead by 21%.

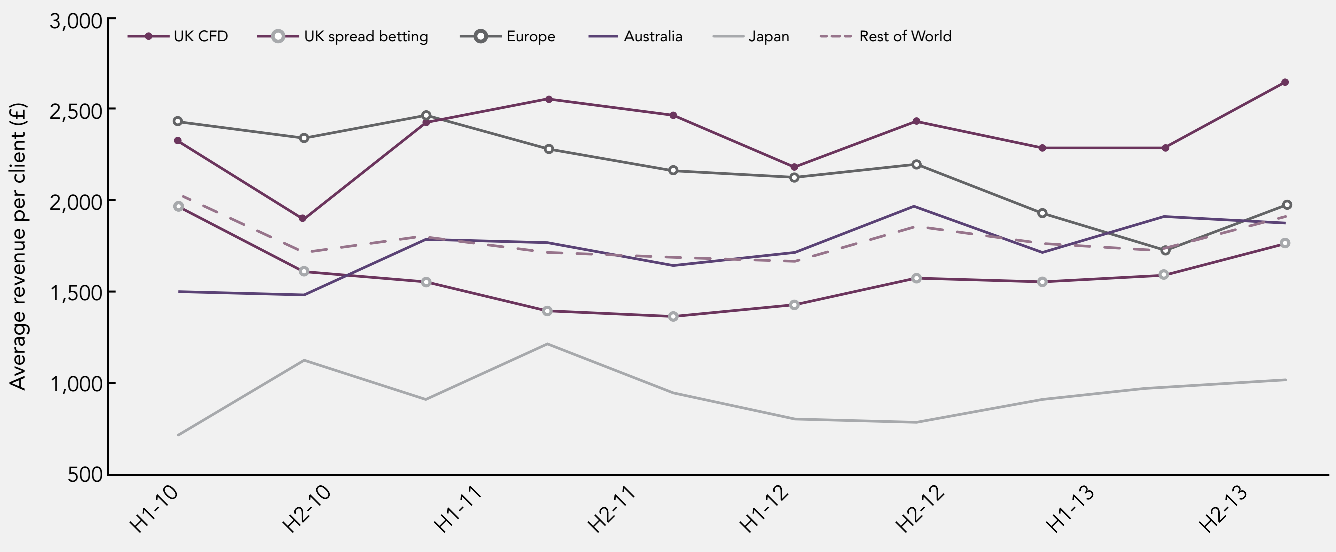
Singapore revenue was ahead by 12%, driven by an increase in revenue per client. During the year it was confirmed in a survey that IG is the joint largest forex provider, with a market share of 13%, and that IG increased its share of the CFD market by three percentage points to 15%. The survey concluded that the size of the CFD market remained flat, with approximately 23,000 retail traders, while the forex market declined by 20% to around 20,000.

The Client Knowledge Assessment regime introduced at the start of 2012 increased the barriers to entry for new traders into the market, with its requirement for a relevant educational or employment background or trading experience. IG is in negotiations with the regulator to gain approval for an online training module which would provide sufficient education to facilitate the flow of new traders into the market. The consultation issued by the Monetary Authority of Singapore in May 2012 proposed an increase in margin for non-accredited investors on a forex

ACTIVE CLIENTS AND TRADING REVENUE



AVERAGE REVENUE PER CLIENT



OPERATING AND FINANCIAL REVIEW (continued)

REST OF WORLD (CONTINUED)

trade from 2% to 5%. To date there have been no further public updates on this proposal.

In South Africa, although the absolute numbers are still relatively small, revenue was ahead by 14% at £4.6 million, driven primarily by strong growth in active client numbers, even after taking into account the rapid appreciation in the rand which held back the reported results.

In the US, Nadex revenue was up by 40% in the year, with over 1,300 clients per month now regularly trading on the exchange; this compares to approximately 700 at the end of the prior year. During the period the Commodity Futures Trading Commission (CFTC) took action to halt the activities of three companies offering over-the-counter binary options in contravention of US law. In the last of these actions both the CFTC and the Securities and Exchange Commission (SEC) made it clear that it is only legal to trade these products on a regulated exchange, such as Nadex.
In June 2012 the one broker connected to Nadex, PFG Best, went into bankruptcy. Late in the year IG acquired some software assets of PFG Best from the trustee, to enable the development of a full technology solution which could allow other brokers to connect to the Nadex platform without large scale investment on their part.

JAPAN

The Japan segment comprised only clients of the Tokyo office. Net trading revenue in Japan for the year was down by 3% to £15.9 million (2012: £16.4 million). There was particular weakness in the first half, down 9%, caused by the quieter market backdrop. Active client numbers for the year were down by 19%, while average revenue per client was up by 19%.

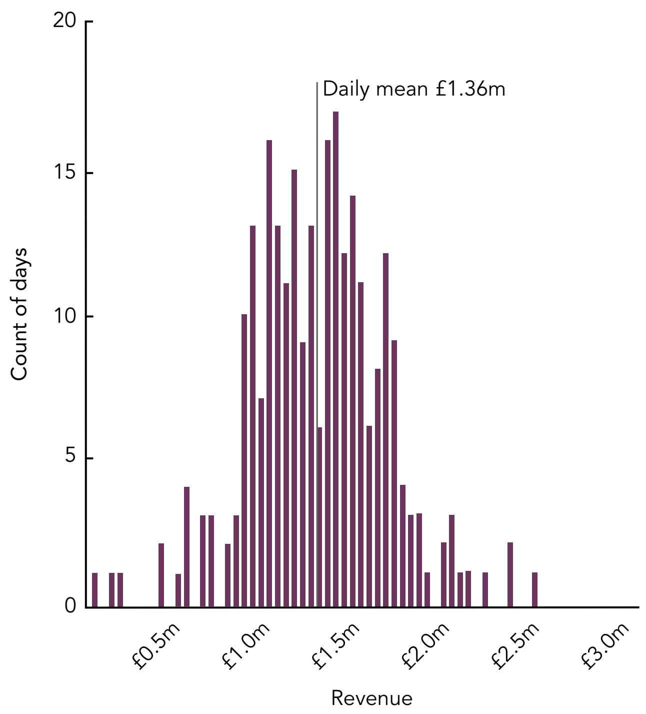
Following the leverage reductions in 2011 and 2012, the last of which took place in August 2012, the business has been reasonably stable and remains profitable. Nevertheless it has proven difficult to grow against the larger local competition. One area where business has continued to grow is binary options, which made up 25% of the revenue in 2013 (2012: 18%). In May this year the regulator clarified its approach to binaries. New rules will prevent the offering of very short term contracts and those which can only run to expiry. IG does not currently offer these types of contract, but they do constitute the principle forms of binary offered by a large number of competitors. However, a new requirement for a client knowledge assessment, in the form of an online test, is likely to make the recruitment of new binary clients more difficult than at present.

FACTORS IMPACTING NET TRADING REVENUE

Distribution of daily revenue

The stability of our revenue is illustrated in the chart below, which shows the distribution of daily revenue during the financial year. This demonstrates the quality of the Group's earnings and also the effectiveness of our systems and process for market risk management. We do not take proprietary market positions based on the expectation of market movements, and this is a significant factor to trading stability.

DISTRIBUTION OF DAILY REVENUE



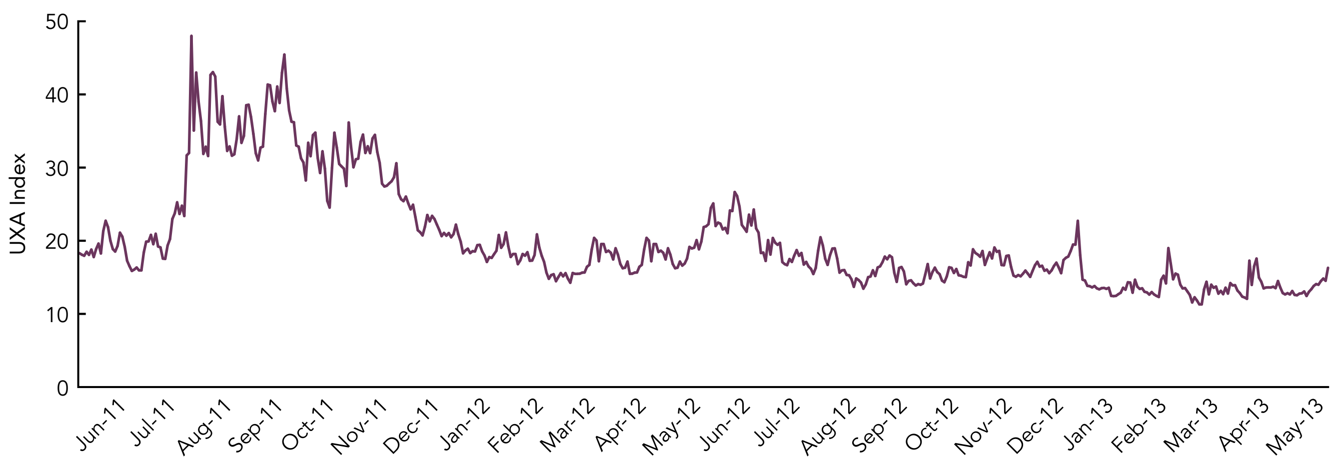
VIX Volatility

The Chicago Board Options Exchange Market Volatility Index (VIX) provides an indicative measure of the broader market volatility in the year. Changes in market volatility can have an important impact on net trading revenue in the period.

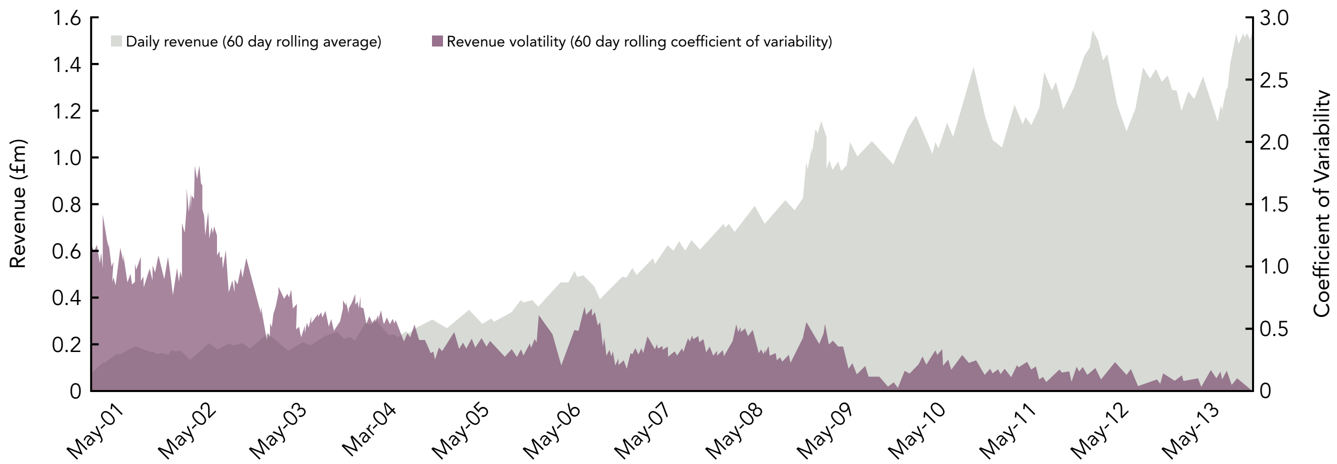
There was no significant volatility in the VIX during the year ending 31 May 2013, as demonstrated in the VIX Volatility graph below. However there were a number of news events in the second half of the year which did create opportunities for clients to trade.

The Daily Trading Revenue Against Volatility of Revenue graph below shows how daily revenue has risen progressively over the years, and that the dispersion of daily revenue, ie how variable it is, has fallen. This is indicative of strong risk control within tight limits and no proprietary trading.

VIX VOLATILITY



DAILY TRADING REVENUE AGAINST VOLATILITY OF REVENUE



OPERATING AND FINANCIAL REVIEW (continued)

FINANCIAL REVIEW

SUMMARY GROUP INCOME STATEMENT

	2013 £000	2012 £000	% change
Net trading revenue[1]	361,857	366,812	(1.4%)
Other net operating income	6,051	2,358	
Net operating income	367,908	369,170	
Operating expenses	(163,814)	(172,897)	(5.3%)
Depreciation, amortisation and amounts written off property, plant and equipment	(12,166)	(10,760)	
Operating profit	191,928	185,513	3.5%
Net finance income	280	204	
Profit before tax	192,208	185,717	3.5%
Tax expense	(50,460)	(48,583)	
Profit for the year from continuing operations	141,748	137,134	
Loss from discontinued operations[2]	–	(374)	
Profit after tax and discontinued operations	141,748	136,760	
Diluted earnings per share from continuing operations	38.80p	37.54p[2]	3.4%
Total dividend per share	23.25p	22.50p	3.3%

(1) Net trading revenue is trading revenue excluding interest on segregated client funds and is net of introductory broker commissions

(2) The Group's Sport business was discontinued in the year ended 31 May 2012

OTHER NET OPERATING INCOME

Other net operating income of £6.1 million (2012: £2.4 million) includes:

- Betting duties paid by the Group in relation to spread betting clients of £5.2 million (2012: £8.9 million). The reduction of £3.7 million is in line with reduced trading revenue and lower client losses
- Receipt of £1.3 million (2012: £nil) from a third party's insurer in relation to remedial work performed on the fit out of the London office
- Inactivity fees charged of £0.5 million (2012: £nil). In the year ended 31 May 2013, the Group commenced charging an inactivity fee of £10 per month to any client who had not traded for a period of two years and who has a positive account balance
- Income of £1.3 million (2012: £1.0 million) in relation to a revenue share arrangement with Spreadex Limited following the sale of the Group's Sport business client list. Under this arrangement, which ends on 31 May 2014, the Group receives semi-annual payments, calculated by reference to the revenue that the acquirer generates from clients on the list
- Net interest income on segregated client funds of £8.2 million (2012: £10.3 million). The reduction of 20% from the prior period results from lower interest rates in Australia and the impact of the UK Government's funding for lending schemes which has resulted in UK banks offering lower interest rates to depositors such as IG

OPERATING EXPENSES

Operating expenses, as detailed below, decreased by £7.7 million to £176.0 million (2012: £183.7 million). Underlying operating expenses which exclude depreciation, amortisation and exceptional items, decreased by £10.2 million to £163.8 million (2012: £174.0 million).

The reduction in underlying operating expenses followed the cautious approach taken to managing cost in response to the subdued trading in the first half. Some costs, notably bonuses, flexed with financial performance, while cost actions with regard to headcount, marketing and general other spend all contributed to lower underlying operating expenses.

	2013 £000	2012 £000
Employee remuneration costs	86,276	92,669
Advertising and marketing	32,558	31,068
Premises-related costs	10,164	10,384
IT, market data and communications	12,211	12,724
Legal and professional	4,772	5,777
Regulatory fees	6,394	6,300
Bad and doubtful debts	(348)	1,337
Other costs	11,787	13,729
Underlying operating expenses	163,814	173,988
Depreciation, amortisation and amounts written off property plant and equipment	12,166	10,760
Exceptional items (including depreciation)	–	(1,091)
Total operating expenses	175,980	183,657

EMPLOYEE REMUNERATION COSTS

Employee remuneration costs decreased by £6.4 million to £86.3 million (2012: £92.7 million) in the year. This was as a result of a £10.6 million reduction in performance-related bonuses as the financial elements of staff bonus schemes flexed with below-expectation revenue performance. This was partly offset by inflationary pay rises and a year-on-year increase of 45 in the average headcount.

In the first half of the year, a redundancy programme was carried out as part of the Group's approach to cost management. The redundancy programme costs included in remuneration totalled £1.3 million. Following the redundancy programme and cautious approach to headcount through the second half, headcount was marginally lower than the prior year, with year-end employees totalling 991 (2012: 1,012).

The Group pays performance-related bonuses to most staff and makes awards under the value-sharing plan (VSP) to key personnel. In addition, the opportunity to acquire shares under various share incentive plans (SIPs) has been made available to all UK, Australian and US staff. These awards reward employees for past performance and help to retain them in the future. We also provide a range of other benefits to employees, including pension contributions and private health insurance.

Inclusive of national insurance and pension costs, employee remuneration costs comprise:

	2013 £000	2012 £000
Fixed employment costs	63,306	59,719
Performance-related bonuses and commissions:	17,304	27,945
Share-based payment schemes	4,414	5,005
Redundancy programme costs	1,252	–
Total employee remuneration costs	86,276	92,669

Investment in IT development resource allows the advancement of multiple technology initiatives, such as the single client log-in, roll out of IG.com, the development of MetaTrader 4 and other initiatives (as discussed in the 'Sustaining our leadership in technology' section). This resource also ensures we maintain high levels of platform resilience and availability. At 31 May 2013 year-end IT headcount was 411 (2012: 397) an increase of 4% over the level at the prior year-end.

ADVERTISING AND MARKETING COSTS

Advertising and marketing costs have increased by £1.5 million to £32.6 million (2012: £31.1 million) during the year and include £1.1 million for the brand relaunch as IG (further details are provided in the 'Chief Executive's Review') in the first half of the financial year.

Marketing resource during the year has focused on the roll-out of the new IG brand which will be further developed in the 2014 financial year with the launch and roll-out of IG.com, growing market share, an increased focus on forex and traditional shares traders and, in the APAC region, targeting out-of-country sales in regions where the Group does not have a local presence.

OTHER EXPENSES

Premises-related costs are in line with the prior year at £10.2 million (2012: £10.4 million). During the year there were new offices opened in Dublin and Oslo and a number of office moves either completed or in the planning phase, including Melbourne, Johannesburg and Singapore, in order to meet the demands of more developed business.

IT, market data and communication costs include the cost of IT maintenance and short-term license arrangements as well as market data fees from exchanges. A review of market data usage, contracts and terminals as part of the cost management focus has seen costs in this area reduce by £0.5 million.

Legal and professional fees, which include audit and taxation fees, decreased by £1.0 million to £4.8 million (2012: £5.8 million). Costs associated with litigation by a number of claimants in relation to the insolvency of Echelon Wealth Management Limited (Echelon) were £3.4 million (2012: £1.1 million) during the year ended 31 May 2013. These were partially offset by the recovery of £2.8 million of legal costs from the plaintiffs following the successful outcome of the litigation for the Group and their subsequent decision not to appeal the findings.

OPERATING AND FINANCIAL REVIEW (continued)

OTHER EXPENSES (CONTINUED)

Regulatory fees predominantly consist of charges levied on the Group by the Financial Services Compensation Scheme (FSCS) in relation to the failure of investment intermediary firms. These levies were consistent with those levied in the prior year – with a total levy for the FSCS year of £5.1 million (2012: £5.0 million). The Group also pays other regulatory fees to the FCA in the UK as well as regulatory bodies in other jurisdictions where we have operations. It is expected that there will be higher overall charges from the FCA over the coming year, as the cap on the FSCS levy pot, to which the Group is required to contribute (investment intermediaries), has been increased to £150.0 million (including management fees) from £100.0 million (excluding management fees).

The positive impact of our close-out monitor, which automatically reduces our exposure to bad debts, combined with the use of tiered-margining, again ensured that new bad debt provisions of £1.0 million (2012: £2.3 million) were less than 1% of net trading revenue. The Group recovered £1.4 million of cash against previously provided bad debts. A significant amount of the debt resulting from 2008 has now been recovered so a material level of recoveries is not expected to continue. The management of credit risk is described in both the 'Managing our business risk' section of the Business Review and in note 37 to the Financial Statements.

Other costs include bank charges, training, travel, recruitment and irrecoverable sales taxes. The decrease in other costs primarily results from a £1.1 million credit from the liquidation of a dormant overseas subsidiary.

Depreciation and amortisation increased to £12.2 million (2012: £10.8 million) following the higher levels of spend on IT development, software and licenses in the year.

OPERATING PROFIT MARGINS

The Group uses operating profit margin, which includes an allocation of central costs, as a key indicator of regional performance (refer to note 4 to the Financial Statements, 'Segment information').

Operating profit increased to £191.9 million (2012: £185.5 million). Operating profit margin (operating profit expressed as a percentage of net trading revenue) increased to 53.0% (2012: 50.6%).

The following table summarises operating profit margin by segment:

	Operating profit margin by region	
Segment	**2013**	**2012**
UK	59.1%	55.9%
Australia	65.0%	62.2%
Europe	37.5%	36.2%
Japan	45.4%	37.4%
Rest of World	35.1%	35.2%
Group	53.0%	50.6%

The UK and Australia currently have higher operating profit margin levels than the other regions because they operate in more established markets. In Europe, for example, markets are in early stages of development, and while these businesses reach operating profitability quickly, initially they have depressed operating profit margins, as marketing and other costs are higher relative to net trading revenue.

Operating profit margin, grew year-on-year across all regions with the exception of Rest of World, which remained flat.

The operating profit margin in Japan increased by eight percentage points in the year due to the prior year reorganisation and headcount reduction having a full-year impact on operating costs.

The UK segment's operating profit margin is higher than that in the prior financial year primarily as a result of lower betting duties, lower costs due to the Group's cost management programme and the reduction in performance-related bonuses.

PROFIT BEFORE TAXATION

As a result of the factors outlined above, profit before taxation grew 3.5% to £192.2 million (2012: £185.7 million). Profit before tax margin, calculated with reference to net trading revenue, increased to 53.1% (2012: 50.6%).

Profit before taxation is used as a primary measure of the Group's underlying profitability and the vesting of a proportion of the awards made under the Group's value-sharing plan are calculated with reference to this measure.

TAXATION EXPENSE

The effective rate of taxation for the year ended 31 May 2013 increased to 26.3% compared to a rate of 26.2% for the prior year. The effective rate for the current year is higher due to significant movements in deferred tax in the period largely in relation to changes in assumptions with regards to the vesting of the Group's value-sharing plan.

The calculation of the Group's tax charge involves a degree of estimation and judgement, in particular with respect to certain items whose tax treatment cannot be finally determined until agreement has been reached with the relevant tax authority. Further detail is provided in note 10 to the Financial Statements.

DISCONTINUED OPERATIONS

There were no discontinued operations in the current year. In the year ending 31 May 2012, the closure of the Group's Sport business was disclosed as a discontinued operation and contributed a loss after taxation of £0.4 million.

DILUTED EARNINGS PER SHARE

Diluted earnings per share from continuing operations increased to 38.80 pence (3.4% growth) from 37.54 pence in the year ended 31 May 2013 (refer to note 12 to the Financial Statements).

Diluted earnings per share is used as a primary measure of our underlying profitability and as a financial measure in relation to the annual Directors' performance-related bonuses.

DIVIDEND POLICY

At the forthcoming AGM, the Board will recommend the payment of a final ordinary dividend of 17.50 pence per share. This will bring the total ordinary dividend for the year to 23.25 pence per share, an increase of 3.3% on the prior year. The Board is pleased to be able to recommend this level of payout at the end of a challenging year.

The Board has adopted a progressive dividend policy that reflects the long-term earnings and cash flow potential of the Group. Our dividend payout target is in the region of 60% of profit after tax.

SUMMARY GROUP CASH FLOW – HIGH LEVELS OF CASH GENERATION

The following cash flow statement summarises the Group's cash generation during the year and excludes all cash flows in relation to monies held on behalf of clients. In order to provide a clear presentation of the Group's liquid assets both amounts due from brokers and financial investments held in the Group's liquid assets buffer in accordance with BIPRU 12 have been treated as 'cash equivalents' and included within 'own funds'. For an explanation of the derivation of 'own funds' please refer to the table presented in the following liquid assets section. A more detailed version of the cash flow presented below is provided in note 20 to the Financial Statements.

	2013 £000	2012 £000
Operating activities		
Profit before tax	192,208	185,329[1]
Depreciation and amortisation	12,166	10,760
Other non-cash adjustments	4,247	2,140
Income taxes paid	(53,247)	(57,554)
Own funds generated from operations	155,374	140,675
Movement in working capital	(13,081)	21,906
Outflow from investing and financing activities	(100,732)	(83,324)
Increase in own funds	41,561	79,257
Own funds at 1 June	388,221	309,228
Exchange gains on own funds	(491)	(264)
Own funds at 31 May	429,291	388,221

(1) Profit before tax for the year ending 31 May 2012 is stated inclusive of discontinued operations for the purposes of the cash flow statement

OPERATING AND FINANCIAL REVIEW (continued)

SUMMARY GROUP CASH FLOW – HIGH LEVELS OF CASH GENERATION (CONTINUED)

Own funds generated from operations were £155.4 million (2012: £140.7 million) during the year, reflecting the cash-generative nature of the business. Cash conversion, calculated as own funds generated from operations divided by profit before tax, remained at high absolute levels (2013: 80.9% 2012: 75.9%).

'Own funds' increased by £41.6 million (2012: £79.3 million) after adjustments for movements in working capital balances, largely in relation to variable remuneration schemes, and significant outflows in relation to investing and financing activities. The outflow from investing and financing activities includes £16.8 million in relation to capital expenditure (2012: £9.1 million). During the year the Group acquired the IG.com web domain and other such 'IG' domains and a software solution supporting the US business, Nadex for £5.0 million. The Group invested a further £8.0 million on a combination of IT development and software assets. Cash investment in tangible fixed assets of £4.8 million was primarily driven by £2.8 million of IT hardware to reduce latency and provide additional resilience, and £1.6 million in relation to office fit-out and renovations. This item also includes the payment of the final 2012 and interim 2013 dividend payments which total £81.6 million (2012: £73.9 million). Finally the year saw a cash outflow of £1.3 million in respect of the acquisition of the remaining minority interest in our South African business.

OWN FUNDS – HIGH LEVELS OF LIQUIDITY

The Group's liquid assets, as set out in the table opposite, comprise cash balances available to the Group for its own purposes and exclude all monies held on behalf of clients. Own funds are used in normal business operations as well as for the funding of broker margin requirements. Consequently own funds are held either with the Group's banking or broking counterparties. The Group is also entitled to use 'title transfer funds' in normal business operations and as broker margin. Title transfer funds are those held on behalf of corporate clients where the client agrees, under a Title Transfer Collateral Arrangement (TTCA), that full ownership of such monies is unconditionally transferred to the Group. The Group no longer accepts title transfer funds from individual clients – explaining the reduction in these monies held over the course of the year.

At 31 May 2013 'own funds' also include financial investments (UK Government Treasury Bills and Gilts) held in accordance with the BIPRU 12 liquidity standards and the Group's regulatory oversight by the FCA. These assets comprise the Group's 'liquid assets buffer' and are available to the Group in times of liquidity stress and therefore are considered as available for the purposes of overall liquidity planning. Own funds increased to £429.3 million (2012: £388.2 million) in the year to 31 May 2013 reflecting the high level of cash generation set out earlier in this report. An analysis of own funds is provided in the following table:

	2013 £000	2012 £000
Own cash and title transfer funds(1)	98,345	228,156
Amounts due from brokers(2)	283,940	206,997
Financial investments – liquid assets buffer(3)	50,468	–
Other amounts due to the Group(4)	15,003	12,920
Liquid assets	447,756	448,073
Liquid assets are analysed as:		
Own funds	429,291	388,221
Title transfer funds	18,465	59,852

(1) Own cash and title transfer funds represent cash held on demand with financial institutions

(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 Group. These positions are held to hedge client market exposures in accordance with the Group's market risk management

(3) Financial investments represent UK Government Treasury Bills and Gilts held in accordance with the BIPRU 12 liquidity standards and the Group's regulatory oversight by the FCA. This is the Group's liquid assets buffer

(4) Other amounts due to the Group include balances that will be transferred to the Group's own cash from segregated client funds on the following working day in accordance with the UK's Financial Conduct Authority (FCA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates. At 31 May 2013 this also includes amounts due from banking counterparties or held within segregated client funds in relation to monies transferred by clients to the Group that remain unsettled at the year-end. The Group is required to segregate these client funds at the point of client funding and not at cash settlement

An element of the Group's liquidity is not available for the purposes of the centrally performed market risk management as it is held in overseas businesses for the purposes of local regulatory and working capital requirements or is currently held within segregated client money bank accounts to ensure the Group's segregation obligations are met. At 31 May 2013 the unavailable cash totalled £47.5 million, having increased by £13.6 million from that unavailable in the prior year as a result of both a higher cash capital holding in the Group's US subsidiary, Nadex, and the requirement to segregate client card transfers to the Group from the point of transaction and not when client funds settle into a client money bank account.

Available own funds enable the funding of large broker margin requirements when required and should be considered in the context of the intra-year high broker margin requirement of £297.5 million (2012: £277.1 million), the requirement to hold a liquid assets buffer, the continued growth of the business, the Group's commitment to segregation of individual clients money as well the final proposed dividend for the year ending 31 May 2013 all of which draw upon the Group's liquidity.

'Net available own funds' decreased to £136.1 million (2012: £159.0 million) following an increase in the year-end broker margin requirement to £245.7 million (2012: 196.0 million). 'Net available own funds' is disclosed in the table below and represents the Group's available own liquidity inclusive of the liquid assets buffer and after the payment of broker margin.

	2013 £000	2012 £000
Own funds	429,291	388,221
Less amounts required to ensure appropriate client money segregation – other amounts due to the Group	(15,003)	(12,920)
Less amounts required for regulatory and working capital of overseas subsidiaries	(32,542)	(21,064)
Available own funds	381,746	354,948
Less broker margin requirement	(245,689)	(195,954)
Net available own funds	136,057	158,994
Of which held as a liquid assets buffer	50,468	–

In order to mitigate liquidity risks, the Group regularly stress-tests its three-year liquidity forecast to validate the appropriate level of committed unsecured bank facilities held. At the year-end, these amounted to £180.0 million (2012: £180.0 million). These facilities were drawn to a maximum of £25.0 million for a period of 22 days in April 2013 where the broker margin requirement reached a level of £294.7 million and the Group held a liquid assets buffer of £50.5 million.

A detailed analysis of the Group's liquidity and our management of liquidity risk is provided in note 20 to the Financial Statements.

REGULATORY CAPITAL RESOURCES

Throughout the year, the Group maintained a significant excess over the capital resources requirement, both on a consolidated and individual regulated entity basis. The Group's pillar 1 regulatory capital surplus is reflected in the own funds and available liquidity disclosed above.

The Group considers there are significant benefits to being well capitalised at a time of continuing global economic uncertainty. The Group is well placed in respect of any regulatory changes which may increase our capital or liquidity requirements, and high levels of liquidity are important in the event of significant market volatility. The Group's liquidity requirements have historically been, and remain, significantly in excess of its regulatory capital requirements. The total regulatory capital requirement remains significantly below the necessary liquidity levels.

The following table summarises the Group's Pillar 1 capital adequacy on a consolidated basis. The Group's capital management is reviewed further in note 38 to the Financial Statements.

	2013 £m	2012 £m
Total Tier 1 capital	508.4	448.7
Less intangible assets	(120.5)	(115.4)
Less investment in own shares	(1.5)	(1.5)
Total capital resources (CR)	386.4	331.8
Capital resources requirement (CRR) – Pillar 1	(115.1)	(100.4)
Pillar 1 Surplus	271.3	231.4

OPERATING AND FINANCIAL REVIEW (continued)

SUMMARY GROUP STATEMENT OF FINANCIAL POSITION

	2013 £000	2012 £000
Property, plant and equipment	14,469	15,555
Intangible assets	120,479	115,366
Deferred tax assets	9,470	11,915
Non-current assets	144,418	142,836
Trade and other receivables	310,914	232,087
Cash and cash equivalents	98,345	228,156
Financial investments	50,468	–
Current assets	459,727	460,243
Total assets	604,145	603,079
Trade and other payables	72,828	125,891
Provisions	–	1,353
Income tax payable	24,289	28,652
Current liabilities	97,117	155,896
Redeemable preference shares	40	40
Non-current liabilities	40	40
Total liabilities	97,157	155,936
Total equity	506,988	447,143
Total equity and liabilities	604,145	603,079

NON–CURRENT ASSETS

As discussed in the Business Review, the Group continues to invest in technology both to enhance client experience and to improve the capacity and resilience of dealing platforms, each of which is critical to the success of the business.

Intangible assets includes £5.0 million, for a software solution supporting the US business, Nadex, and a suite of domain names purchased during the year, including IG.com. These assets support the global single rebrand project.

Intangible assets also include goodwill of £107.3 million (2012: £107.5 million), primarily arising on the acquisition of IG Group plc and its subsidiaries in 2003, the goodwill associated with the acquisition of Nadex of £5.0 million (2012: £4.9 million) and the goodwill (£1.4 million) arising on the acquisition of our South African business (refer to note 16(a) to the Financial Statements).

Capitalised investment in relation to development costs and software and licenses amounted to £2.5 million (2012: £3.0 million) largely relating to the development of the client trading platform and software relating to enhanced marketing capability. During the year the Group also invested £4.4 million in property, plant and equipment (2012: £4.7 million) including £2.5 million (2012: £2.4 million) in relation to IT equipment.

CURRENT ASSETS

Trade and other receivables include amounts due from brokers, amounts due to be received from segregated client money accounts on the following working day, and prepayments. Amounts due from brokers represent cash placed with counterparties in order to provide initial and variation margin in relation to the Group's market risk management. Amounts due from brokers have increased to £283.9 million (2012: £207.0 million) primarily as a result of an increase in the excess of funds held at broker and higher equity positions than at the prior year-end with an intra-year high broker margin requirement of £297.5 million (2012: £277.1 million).

During the year the Group completed the acquisition of the final 10% of IG Markets South Africa Limited, for £1.3 million. As a result there is no minority interest presented in the statement of financial position.

CLIENT MONEY

Total monies held on behalf of clients at year-end was £842.0 million (2012: £792.6 million) of which £823.5 million (2012: £732.7 million) is segregated in trust bank accounts and treated as 'segregated client money' and therefore excluded from the Group Statement of Financial Position. The remaining monies held on behalf of clients of £18.5 million (2012: £59.9 million) represents 'title transfer funds' where the client agrees, under a Title Transfer Collateral Arrangement (TTCA), that full ownership of such monies is unconditionally transferred to the Group. Title transfer funds have reduced in the current year following the Group's decision not to accept title transfer funds from individual clients, consequently title transfer funds now include only corporate clients. Monies subject to title transfer arrangements are included in the Group Statement of Financial Position.

Although the levels of client money can vary depending on the overall mix of financial products being traded by clients, the long-term increase in the level of client money placed by clients with the Group is a positive indicator of future client propensity to trade.

LIABILITIES

Trade and other payables include amounts due to clients in relation to title transfer funds, accruals and other payables.

Trade payables have reduced by £42.0 million following the Group's decision not accept title transfer funds from all individual clients in the prior year. The level of other payables is £11.0 million lower at 31 May 2013 largely as a result of the lower performance-related bonus accruals discussed earlier in this section.

CORPORATE SOCIAL RESPONSIBILITY

An overview of our commitment to corporate and social responsibility is included within the Directors' Statutory Report and in more detail on our corporate website at www.iggroup.com.

PREPARATION OF THE OPERATING AND FINANCIAL REVIEW

This Operating and Financial Review (OFR) has been prepared solely to provide additional information to shareholders to assess our strategies and the potential for those strategies to succeed. The OFR should not be relied on by any other party or for any other purpose.

The OFR contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report. Such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The Directors, in preparing the OFR, have sought to comply with the guidance set out in the Accounting Standards Board's Reporting Statement: Operating and Financial Review. The Directors also believe they have adequately discharged their responsibilities under Section 417(3) of the Companies Act 2006 in providing this business review.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

The Corporate Governance Report details the Group's governance framework and its management practices and, together with the Directors' remuneration report, sets out how the Group has complied with the UK Corporate Governance Code for the year ended 31 May 2013.

Accordingly the Corporate Governance Report follows this structure:

CORPORATE GOVERNANCE STATEMENT

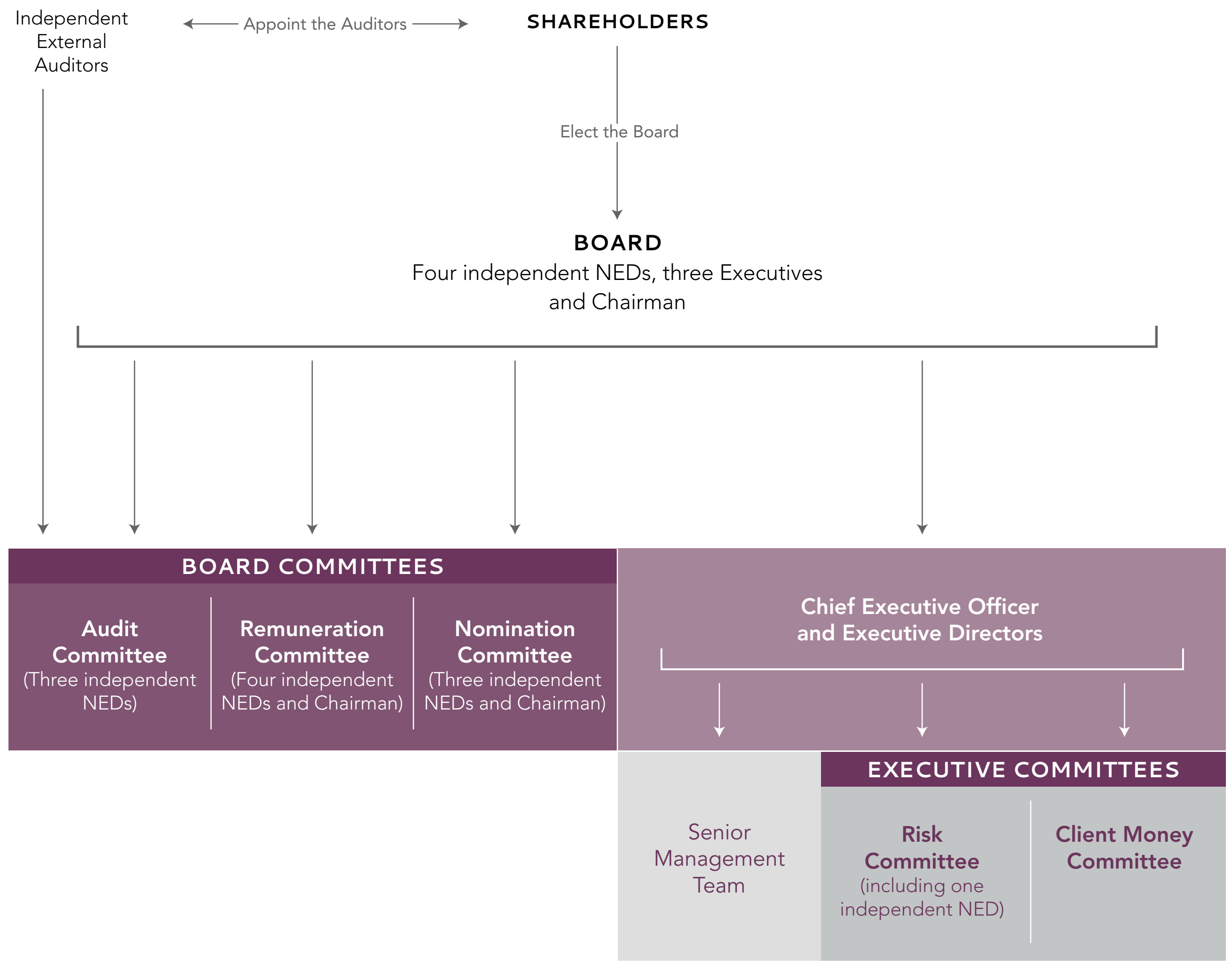
STATEMENT OF COMPLIANCE

The Board has reviewed the UK Corporate Governance Code (the Code) and considers that the Company has been compliant with the Code for the year ended 31 May 2013.

During the year, Nat Le Roux, Lord David Currie and Andrew MacKay stepped down from the Board, and on 22 May 2013 the Board was pleased to announce the appointment of Sam Tymms as a Non-Executive Director of the Company. The Board currently comprises three Executive Directors and four Non-Executive Directors excluding the Chairman. This means that the Board is fully compliant with Code provision B.1.2, which requires that at least half of the Board, excluding the Chairman, should comprise Non-Executive Directors (NEDs) who are determined by the Board to be independent.

Further information on the Code can be found on the Financial Reporting Council website at www.frc.org.uk.

OVERVIEW OF CORPORATE GOVERNANCE FRAMEWORK



CORPORATE GOVERNANCE REPORT (continued)

THE BOARD

Jonathan Davie
Non-Executive Chairman, 66 years old

Jonathan joined George M. Hill and Co, a jobber on the London Stock Exchange, in 1969. Wedd Durlacher Mordaunt and Co then acquired the firm, where Jonathan became a partner in 1975. He was the senior dealing partner of the company when it was later acquired by Barclays Bank to form BZW in 1986. Jonathan developed BZW's fixed income business prior to becoming CEO of the global equities business in 1991. In 1996 Jonathan became Deputy Chairman of BZW and then Vice Chairman of Credit Suisse First Boston in 1998, when they acquired most of BZW's businesses. Jonathan is presently a Non-Executive Director of Persimmon plc and Hansa Trust plc, and Chairman of First Avenue, an alternatives advisory boutique. Jonathan is a fellow of the Institute of Chartered Accountants.

Christopher Hill
Chief Financial Officer, 42 years old

Christopher read Modern History at Oxford University. He is a Chartered Accountant and an associate member of the Association of Corporate Treasurers. He joined IG Group in April 2011 from Travelex, a group providing cross-border payment and foreign exchange services to corporate and retail customers, where he was Chief Financial Officer. Prior to joining Travelex in 2007, Christopher worked at VWR international, a global laboratory supply company (from 2005 to 2007), at General Electric (from 2000 to 2005) and at Arthur Andersen (from 1992 to 2000).

Peter Hetherington
Chief Operating Officer, 44 years old

Peter read Economics at Nottingham University and has a Masters in Finance from the London Business School. Peter was an officer in the Royal Navy before joining IG Group, as a graduate trainee, in 1994. He became Head of Financial Dealing in 1999 and was appointed as Chief Operating Officer of IG Group in 2002.

Roger Yates
Senior Independent
Non-Executive Director, 56 years old

Roger joined the Board as senior independent Non-Executive Director in February 2006. Roger read Modern History at Worcester College, Oxford, and has 28 years' experience in the fund management industry as an investment professional and business manager. Previously he was Chief Investment Officer of Invesco Global and held senior roles for fund management companies LGT and Morgan Grenfell. He joined Henderson Global Investors as Chief Executive in 1999. In 2003, Roger went on to lead the de-merger from its then parent AMP, becoming Chief Executive of the resulting listed entity (now Henderson Group plc) until November 2008. From December 2009 until July 2010, Roger was CEO of global asset manager Pioneer Investments. He is a Non-Executive Director of JP Morgan Elect Investment Trust plc and of Electra Private Equity Trust plc.

Tim Howkins
Chief Executive, 50 years old

Tim has a first class degree in Mathematics and Computer Science from Reading. He qualified as a Chartered Accountant with Ernst & Young and is also a member of the Chartered Institute of Taxation. Tim was one of a group of partners and staff who left Ernst & Young in 1990 to form Rees Pollock, a firm of Chartered Accountants targeted at entrepreneurial, owner-managed businesses. Tim was a partner in Rees Pollock for seven years, where he was responsible for the Group's audit. He then joined IG as Finance Director in 1999, and became Chief Executive in 2006. Tim is a member of the board and executive committee of the Futures and Options Association.

Stephen Hill
Non-Executive Director, 53 years old

Stephen served as CEO of the Financial Times for Pearson plc between 1996 and 2002, and on Pearson's management board. He was the CEO of Betfair plc from 2003 to 2005. Currently he is Chairman and CEO of D'Aval Limited, a private investment company, and Trustee and Chairman of the Royal National Institute for Deaf People – Action on Hearing Loss. Stephen also serves as a member of the Advisory Board of the Cambridge University Judge Business School. Stephen is an experienced Non-Executive Director, having previously served on the boards of the Royal SunAlliance Insurance Group plc, Psion plc and Channel 4. He was also Chairman of Interactive Data Corporation of the US from 1998 to 2002.

Sam Tymms
Non-Executive Director, 46 years old

On graduating in 1987 Sam joined the London Stock Exchange's Surveillance Division, which over time became the Securities and Futures Authority and eventually the Financial Services Authority in 1998. During that time she held a range of supervisory roles, worked for two years in the Investigations and Enforcement Division and spent a short period at the Bank of England leading the work on integrated supervision, as the regulators were merged. As a supervisor she ran departments supervising global investment firms, retail and investment banks and major insurance groups. In 2007 Sam joined Promontory Financial Group as a Managing Director. Promontory is a leading strategy, risk management and regulatory compliance consulting firm, where Sam advises financial services firms on a wide range of risk and regulatory matters.

Martin Jackson
Non-Executive Director, 64 years old

Martin was appointed a Non-Executive Director of IG Group and Chairman of the Audit Committee in April 2005. He was the Group Finance Director of Friends Provident plc between 2001 and 2003, of Friends Provident Life Office between 1999 and 2001, and of London & Manchester Group plc from 1992 to 1998 (up until its acquisition by Friends Provident Life Office). He is a Non-Executive Director and Chairman of the Group Risk Committee of Admiral Group plc. He is also a fellow of the Institute of Chartered Accountants.

THE BOARD (continued)

LEADERSHIP

ROLE OF THE BOARD

The Board is responsible for the long-term success of the Group. It is accountable for ensuring that, as a collective body, it has the appropriate skills, knowledge and experience to perform its role effectively. It provides guidance and leadership by challenging business performance, and sets the strategic direction of the Group.

The powers of the Board are set out in the Company's articles of association, which are available on the Group's website, www.iggroup.com. The articles may be amended by way of a special resolution of the members of the Company. The Board may exercise all powers conferred on it by the articles and in accordance with the Companies Act 2006, and other applicable legislation.

Specific key decisions are reserved for the Board in order to ensure that it meets its responsibilities. These include:

- Setting Group strategy
- Approving major acquisitions, divestments and capital expenditure
- Approving expansion into new business or geographic areas
- Approving annual budgets
- Approving changes relating to the Group's capital structure including reduction of capital
- Reviewing operational and financial performance
- Setting the risk appetite of the Group
- Approving any changes to the Group's risk management policy which materially increase the Group's risk profile
- Reviewing the Group's systems of internal control and risk management
- Approving Board, Board committee and Company Secretarial appointments
- Ensuring adequate succession planning for the Board and senior management
- Defining and setting Board committee terms of reference
- Approving policies relating to Directors' remuneration and the severance of Directors' contracts
- Receiving reports on the views of the Company's shareholders

A formal schedule of matters specifically reserved for the Board can be found on the Group's website, at www.iggroup.com.

Matters not specifically reserved for the Board are delegated to the Executive Directors. These include:

- Developing and recommending strategic plans for the Group
- Implementing strategies of the Group
- Day-to-day monitoring of the operating and financial results of the Group
- Prioritising the allocation of capital, technical and human resources
- Developing and implementing risk management systems, policies and procedures
- Promoting good standards of corporate governance and shareholder engagement

BOARD STRUCTURE

During the year, the Company was headed by an experienced Board of seven Directors, comprising an independent Non-Executive Chairman, three Executive Directors, including the Group Chief Executive Officer, and three independent Non-Executive Directors. The Board was pleased to announce the appointment of Sam Tymms as a Non-Executive Director of the Company on 22 May 2013, taking the total number of Directors on the Board to eight.

The division of responsibilities between the Chairman and the Chief Executive Officer is clearly defined in writing and has been approved by the Board. The Chairman is responsible for the leadership of the Board and creating the conditions for its effective working. The Chairman sets the Board's agenda in consultation with the Chief Executive Officer and Company Secretary, taking full account of the issues and concerns of Board members and giving consideration to the need to allow sufficient time for the discussion of items on the agenda.

All Non-Executive Directors are independent of management and are considered by the Board to be free from any business or other relationships which could interfere with the exercise of their independence. Their role is to advise and constructively challenge management, along with monitoring management's success in delivering the agreed strategy within the risk appetite and control framework set by the Board. They are also responsible for determining appropriate levels of remuneration for the Executive Directors.

Roger Yates is the Senior Independent Director and provides support to the Chairman, serving as an intermediary for the other Directors when necessary. The Senior Independent Director is available to shareholders if they have concerns which communication via the normal channels of Chairman, Chief Executive Officer or other Executive Directors has failed to resolve, or for which such communication is inappropriate.

HOW THE BOARD OPERATES

The Board meets regularly: at least five times a year, and attends an additional off-site strategy day.

The Board also meets when necessary to discuss important ad-hoc emerging issues that require consideration between standard Board meetings. All Directors make every effort to attend each meeting; each Director committed an appropriate amount of time to their duties during the financial year and the Non-Executive Directors met the time commitment specified in their letters of appointment.

The Chairman and Non-Executive Directors meet formally in the absence of the Executive Directors at least once a year.

ATTENDANCE AT BOARD MEETINGS

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

Board attendance	Scheduled Board meetings eligible to attend	Scheduled Board meetings attended
Group Chairman		
J R Davie	7	7
Executive Directors		
T A Howkins (Chief Executive Officer)	7	7
C F Hill	7	7
P G Hetherington	7	7
A R MacKay	1	1
Independent Non-Executive Directors		
D Currie	1	1
S G Hill	7	7
D M Jackson	7	7
R P Yates	7	6
S J Tymms	1	1
Non-independent Non-Executive Director		
N B le Roux	1	1

HOW THE BOARD DISCHARGED ITS RESPONSIBILITIES DURING THE FINANCIAL YEAR

During the year, the Board has been engaged across the key areas of financial performance, strategy, governance and risk as highlighted in the following chart. In addition to regular reviews of performance, the Board has further discussed risk appetite, capital and liquidity planning, and talent management, including succession planning. It has also held an off-site strategy day to review strategic options open to the Group in light of the regulatory and economic environment.

BOARD AND EXECUTIVE COMMITTEES

The Board has delegated certain governance responsibilities to Board committees in order both to assist it with carrying out its responsibilities and to ensure that there is independent oversight of internal control and risk. These Board committees comprise independent Non-Executive Directors only and have agreed terms of reference, which are available on our corporate website, www.iggroup.com.

The Chairman of each Board committee reports to the Board on the matters discussed at committee meetings, and the minutes of each of the committee meetings are made available to all Directors. Please see the following section for reports on the year from the Chairman of each Board committee.

Certain governance responsibilities have also been delegated to executive committees, whose members include Executive Directors and members of senior management. Please see the following section for reports on the year from both the Risk and Client Money Committees.

EFFECTIVENESS

BOARD STRUCTURE

The size, composition and qualifications of the members of the Board have a significant impact on its effectiveness. There is an appropriate combination of Executive Directors and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision making. This is regularly reviewed to ensure that the Board has the right mix for constructive discussion and, ultimately, effective Board decisions.

SUCCESSION PLANNING AND APPOINTMENTS TO THE BOARD

Succession planning is used by the Board to ensure that the Group is managed by executives with the necessary skills, experience and knowledge, and to ensure that the Board has the right balance of individuals to be able to discharge its responsibilities. The search for Board candidates is conducted, and appointments are made, on merit against objective criteria.

CORPORATE GOVERNANCE REPORT (continued)

THE BOARD (continued)

SUCCESSION PLANNING AND APPOINTMENTS TO THE BOARD (CONTINUED)

The Nomination Committee has specific responsibility for the appointment of Non-Executive and Executive Directors, but the Board as a whole is also involved in overseeing the development of management resources across the Group.

INDUCTION AND TRAINING

New Directors to the Board are provided with appropriate training and briefings to familiarise them with their duties and the business operations, risk and governance arrangements. The induction programme includes meetings with senior management. Ongoing professional development is important given the rapidly changing environment in which the Group operates. During their term of office all Directors receive regular briefings on changes and developments in the business and on any relevant market, legislative and regulatory changes.

INFORMATION PROVIDED TO THE BOARD

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. All Directors receive appropriate and timely information to enable the Board to exercise its judgement in the discharge of its duties. Briefing papers are distributed to all Directors in advance of Board meetings via a secure electronic system, and financial information is distributed monthly.

RE-ELECTION OF DIRECTORS

The UK Corporate Governance Code requires that all Directors submit themselves for re-election at the Company's AGM, which this year will be held on 17 October 2013. Following a performance evaluation of each Director and the Board as a whole, all the Directors, with the exception of S J Tymms, are submitting themselves for re-election.

In accordance with the UK Corporate Governance Code Provision B.7.1, S J Tymms will be submitting herself for election by shareholders at the first AGM after her appointment, which will be held on 17 October 2013.

Biographical details of each of the Directors are found earlier in this section.

BOARD EVALUATION

The UK Corporate Governance Code and the Financial Reporting Council's guidance on board effectiveness require the Board to evaluate performance annually, and recommend that the evaluation of the Board should be externally facilitated every three years.

Last year, the Board commissioned an independent external Board effectiveness facilitator, Dr Tracy Long of Boardroom Review, to assist in an evaluation of its effectiveness.

In response to the recommendations from the evaluation, the Board has implemented the following changes:

- Review of management information received by the Board
- Increased focus on strategy, with an annual strategy day being put in place
- An increased number of, and more evenly spaced, Board meetings throughout the year
- An increased focus on the long-term composition of the Board
- Increased informal interaction between Board members and senior management outside of formal Board meetings

Further to last year's external evaluation, this year the Board carried out an internal Board evaluation using a questionnaire covering the Board's composition and processes and its activities and behaviours. During this process, the Board reviewed the recommendations arising out of last year's external evaluation, in order to continue improving the overall effectiveness of the Board.

In addition to the external Board evaluation, the performance of the individual Executive Directors, other than the Chief Executive, is appraised annually by the Chief Executive, to whom they report. The performance of the Chief Executive is appraised annually by the Chairman. The performance of the Chairman is reviewed by the Non-Executive Directors, led by the Senior Independent Non-Executive Director (Roger Yates) and taking into account the feedback from the Executive Directors.

NOMINATION COMMITTEE

Jonathan Davie, Chairman of the Nomination Committee, reviews the committee's activities during the financial year

CHAIRMAN'S OVERVIEW

The focus and attention of the committee in the year has been the need to strengthen and implement effective succession planning for the Board. In addition, particular attention was given to the diversity of skills, knowledge, gender and experience of the Board, especially following publication of the Davies review on Women on Boards.

NOMINATION COMMITTEE – MEMBERSHIP AND ATTENDANCE

	Scheduled meetings eligible to attend	Scheduled meetings attended
Group Chairman and Chairman of Nomination Committee		
J R Davie	4	4
Independent Non-Executive Directors		
D Currie	2	2
D M Jackson	4	4
R P Yates	4	4

The committee meets as necessary to consider appointments to the Board. The Chief Executive Officer also attends, but is not involved in decisions relating to his own succession.

ROLE OF THE NOMINATION COMMITTEE

The committee spent its time equally between succession planning and Board composition during the year ended 31 May 2013.

Nomination Committee Allocation of time

- Succession planning
- Board composition

The responsibilities of the committee are to:

- Review the composition of the Board and Board committees to ensure that they are appropriately balanced in terms of skills, knowledge and experience
- Ensure that there is a formal, rigorous and transparent procedure for the appointment of new Directors and recommend appointments to the Board
- Ensure that plans are in place for orderly succession for appointments to the Board, and to other senior management positions

ACTIVITY DURING THE FINANCIAL YEAR

The committee has continued to focus on reviewing the structure, size and composition of the Board. Following the decisions of Nat le Roux, David Currie and Andrew MacKay to step down from the Board, an external recruitment firm was engaged to assist the Committee with a search for a potential Non-Executive Director, and to identify candidates against the role specification and the skills, knowledge and experience desirable for the role.

Sam Tymms was identified as a strong candidate, being a seasoned regulator with experience in enforcement and supervision. Sam spent 20 years with the UK Financial Services Authority and its predecessor agencies, where she oversaw investment firms, retail banks, investment banks and insurance groups. Following detailed due diligence and an extensive interview process, the Committee recommended Sam's appointment. This was approved by the Board and Sam was formally appointed on 22 May 2013.

In addition, myself and Martin Jackson will be stepping down from the Board at the AGM in October 2014. The committee is currently undertaking a thorough search for Martin's replacement. In September, Roger Yates, the Senior Independant Director, will commence a search for my replacement.

Jonathan Davie
Chairman, Nomination Committee

23 July 2013

CORPORATE GOVERNANCE REPORT (continued)

REMUNERATION COMMITTEE

Roger Yates, Chairman of the Remuneration Committee, reviews the committee's activities during the financial year

CHAIRMAN'S OVERVIEW

The committee's focus during the financial year has been on ensuring an appropriate balance between the levels of remuneration required to attract, retain and motivate talented leaders in a competitive market, and setting policies that are aligned with the interests of shareholders and regulatory requirements. This included a comprehensive review into Executive Director remuneration and, at the time of writing, major shareholders are being consulted on the changes. Details of the conclusions of the remuneration review and any changes to remuneration will be provided in the notice of AGM.

REMUNERATION COMMITTEE – MEMBERSHIP AND ATTENDANCE

	Scheduled meetings eligible to attend	Scheduled meetings attended
Chairman of Remuneration Committee		
R P Yates	4	4
Independent Non-Executive Directors		
D Currie	3	3
D M Jackson	4	4
S G Hill	4	4
J R Davie	4	4

The committee meets four times a year, and as and when required.

ROLE OF THE REMUNERATION COMMITTEE

The committee is responsible for making recommendations to the Board on the Group's remuneration policy. Operating within agreed terms of reference, it determines an overall remuneration package for the Executive Directors in order to attract and retain high-quality Directors capable of achieving the Group's objectives.

The committee determines the contractual terms, remuneration and other benefits for each of the Executive Directors, including performance-related bonus schemes, pension rights, compensation payments and contingent share awards. In setting the remuneration for Executive Directors, the committee has the discretion to take performance on environmental, social, regulatory and governance matters into account.

The committee's other responsibilities are to:

- Determine and review the Group's remuneration policy, ensuring it is consistent with effective risk management across the Group, and to consider the implications of this remuneration policy on risk
- Approve the remuneration of the Chairman
- Approve all share-based awards under the Group's employee incentive schemes, to determine each year whether awards will be made and, if awards are made, to monitor their operation, the size of such awards and the performance targets to be used
- Establish the selection criteria, appoint and set the terms of reference for any remuneration consultants who advise the committee

The Board determines the remuneration of Non-Executive Directors.

ACTIVITY DURING THE FINANCIAL YEAR

Remuneration framework

The committee recognises that the Group must be able to attract, retain and motivate leaders who are focused on delivering the business strategy in line with the interests of stakeholders, and the committee strives to ensure that the Group's remuneration framework is structured in order to enable this.

Last year, the committee reviewed the bonus arrangements for the Executive Directors and employees participating in the general staff bonus scheme, in order to ensure that there is an ongoing link between performance and reward. The committee determined it was appropriate, from periods beginning after 1 June 2012, to incorporate some non-financial measures into the metrics for both bonus schemes, to ensure that rewards were balanced between financial and strategic goals.

For Executive Directors, whose maximum bonus potential is 200% of salary, the potential bonus profile is as follows:

- 75% of maximum bonus potential (ie 150% of salary) for financial measures (diluted earnings per share 'DEPS')
- 25% of maximum bonus potential (ie 50% of salary) for non-financial measures, comprising:
  - 12.5% Execution and delivery of key strategic initiatives
  - 12.5% Performance against key non-financial metrics: system reliability/uptime, maintaining good standing with regulators, customer satisfaction, reputation and PR, and risk management

A bonus of 46.8% of the maximum entitlement was awarded to Executive Directors for performance during the financial year. During the year, the 2010 value-sharing plan (VSP) performance period ended and this will result in a vesting of only the PBT award at 14.5% of the maximum awards made. The committee feels that the level of payout/vesting under the bonus and long-term scheme is a fair representation of the financial performance of the Company as set out in the 'Operating and Financial Review'. Specifically, over the three years to 31 May 2013, IG's profits grew by 37%.

Pages 70 to 74 of the 'Directors' remuneration report' provides details of the committee's assessment of the Executive Directors' performance against these financial and non-financial measures. This section also details the profit before tax and total shareholder return performance against the target/benchmark of awards made under the 2010 value-sharing plan for which the performance period ended on 31 May 2013.

As set out in the Remuneration Committee's Chairman's overview, the committee has furthered its work on the Group's remuneration framework this year by conducting a thorough review on Executive Director remuneration.

Remuneration regulation

The committee continues to monitor the developments in this area, including the government's reforms to enhance shareholder voting rights in relation to executive remuneration and to strengthen the legislation and regulation around remuneration governance which will take effect on 1 October 2013. The Enterprise and Regulatory Reform Act 2013 received Royal Assent on 25 April 2013 and was published on 2 May 2013. The committee has decided to adopt a number of the new reporting requirements early. This year's remuneration report, consistent with previous years, will be subject to a single advisory vote at the AGM on 17 October 2013.

Another area of regulatory development is the cap on variable remuneration (as a percentage of fixed pay) brought in by the Capital Requirements Directive IV. We are awaiting guidance from the Prudential Regulatory Authority as to whether or not a cap will apply to the Group, from a proportionality perspective.

The European Banking Authority is also consulting on changes to the definition of Code Staff. We are engaged with this consultation and will review our Code Staff policy if required.

Further, and since the end of the last financial year, the Financial Conduct Authority has updated its proportionality guidelines meaning the Group, as a 'level 3' firm, does not need to comply with the current FCA Remuneration Code Rules on retained shares (SYSC 19A.3.47R), deferral (SYSC 19A.3.49R) and performance adjustment (SYSC 19A.3.51R).

Other activities

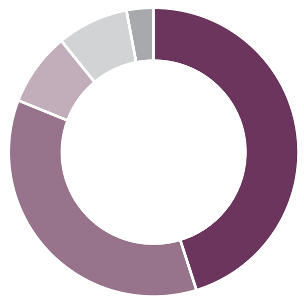
During the year, the committee also completed the following:

- Review and approval of the 2012 Directors' remuneration report and review of the final outcome of AGM voting on the report
- Review of the draft Directors' remuneration report for the year ended 31 May 2013
- Review and approval of both the share incentive plan and the value-sharing plan offerings
- Review of the Group remuneration policy and the risk report on remuneration policy

The following chart highlights how the committee spent its time during the year ended 31 May 2013:

Remuneration Committee Allocation of time

- Salary and bonus scheme arrangements
- Incentive awards
- Remuneration regulation
- Remuneration reporting
- Remuneration policy



ADVISORS

The committee's work is supported by independent professional advice received from Kepler Associates and New Bridge Street. During the year both Kepler Associates and New Bridge Street provided advice in relation to trends in executive remuneration, the Executive Directors' salaries, and the Group's bonus scheme for Executive Directors and employees. New Bridge Street also provided remuneration benchmarking data to the Group.

The committee will continue to report transparently on all aspects of Directors' remuneration and to actively engage with shareholders when developing executive remuneration policies and structures.

Roger Yates
Chairman of the Remuneration Committee

23 July 2013

DIRECTORS' REMUNERATION REPORT

PREPARATION OF THE DIRECTORS' REMUNERATION REPORT

The following remuneration report has been prepared on behalf of the Board by the Remuneration Committee. The committee adopts the principles of good governance as set out in the UK Corporate Governance Code, and complies with the Listing Rules of the Financial Conduct Authority, the relevant schedules of the Companies Act 2006 and the Directors' Remuneration Report Regulations in schedules 5 and 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008.

Unless otherwise stated, information and disclosures within the Directors' remuneration report are unaudited. The regulations require the Company's auditors to report on the audited information in the report and to state that this section has been properly prepared in accordance with these regulations. For this reason, the 'audited information' contained in the report is clearly identified. The Directors' remuneration report is subject to shareholder approval at the Annual General Meeting (AGM) on 17 October 2013.

STRUCTURE

The Directors' remuneration report is separated into two sections. The first covers the Group's future remuneration policy; the second covers the implementation of the policy and the actual remuneration in the current reporting period.

	TITLE	EXPLANATION
Future remuneration policy	Remuneration governance	An overview of remuneration governance, and the Group's policies and principles with regard to future remuneration
	Remuneration policies that support the Group's strategy	An explanation of the alignment of the Group's remuneration policy with the Group's strategy for the wider employee base and the Executive Directors, as well as an overview of the key elements of remuneration for the forthcoming financial year
	Remuneration arrangements for Executive Directors	Detailed explanation of the elements of remuneration, including analysis of prospective remuneration for the forthcoming financial year
Actual remuneration	Implementation of remuneration policy in the current year	Detailed disclosure of the actual Executive Directors' remuneration for the year ended 31 May 2013, including audited information and an analysis of actual performance against current year remuneration targets This section also includes a distribution statement illustrating how executive remuneration compares with other dispersals of the Group
	Other remuneration disclosures	Includes other general disclosures such as Total Shareholder Return, details of Executive Directors' service contracts, interests in share capital and audited information relating to share schemes

REMUNERATION GOVERNANCE

Remuneration policy and principles

The objective of the Remuneration Committee is to ensure that remuneration encourages, reinforces and rewards the delivery of shareholder value. As such, it has implemented a remuneration policy which provides a framework for making decisions, including those covering the remuneration of Executive Directors and Code Staff. The remuneration policy is set to ensure that remuneration remains competitive and provides appropriate incentive for performance.

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

- Align with the best interests of the Company's shareholders and other stakeholders
- Recognise and reward good and excellent performance of employees that helps drive sustainable growth of the Group
- Focus on retaining high-performing senior management
- Be consistent with regulatory and corporate governance requirements
- Be designed to achieve effective risk management
- Be straightforward, easy for employees to understand and easy for the Group to monitor
- Not be used to reward behaviour that inappropriately increases the Group's exposure to risks
- Not guarantee variable remuneration unless the payment is exceptional, warranted and documented, and does not impact the sound and effective risk management of the Group, with additional rules applying to Code Staff

REMUNERATION POLICIES THAT SUPPORT THE GROUP'S STRATEGY

As highlighted in the Remuneration Committee Chairman's overview, the committee has undertaken a comprehensive review of the senior remuneration framework to ensure that it is aligned to the Group's strategy and Key Performance Indicators. Any revisions to the senior remuneration framework are designed to be effective not only in delivering strong financial results, but also integrally aligned to the current business strategy and therefore the interests of the Group's shareholders.

Remuneration regulation

In accordance with the FCA's Remuneration Code (FCA Code), Code Staff are defined as the Group's employees whose professional activities could have a material impact on the Group's risk profile, and who fall into the Code Staff categories set by the FCA Code. During the financial year, Code Staff have been identified, made aware of the implications of their status and had their remuneration reviewed by the Remuneration Committee. The committee has ensured that remuneration arrangements are in accordance with the FCA Code, as varied where applicable by the FCA's guidance on proportionality.

The disclosure of the aggregate remuneration of Code Staff is set out later in this report.

Dilution limits

Awards granted under each of the long-term incentive plan and value-sharing plan schemes are met by the issue of new shares when the options are exercised. The Group monitors the number of shares issued under these schemes and their impact on dilution limits.

CORPORATE GOVERNANCE REPORT (continued)

DIRECTORS' REMUNERATION REPORT (continued)

KEY ELEMENTS OF REMUNERATION EXPLAINED

At 31 May 2013 the Group employed 991 people in 16 countries. It is necessary to structure compensation and benefits in a way that ensures an appropriate balance between reward for short-term success and long-term growth. Compensation and benefits comprise fixed and variable elements.

The following table demonstrates the alignment of the remuneration structures the Group currently has in place with the Group strategy. It also summarises the key components of the Group's typical reward arrangements. Please note that it does not include details of the proposed new Executive Director incentives for the forthcoming year as this will be presented to shareholders for approval at the Annual General Meeting. The new arrangements could have an impact on all elements of Executive Director remuneration including salary, short and long-term incentives and personal shareholding requirements. The new arrangements might also have an effect on the remuneration of some senior management within the business (but such impact is expected to be restricted to short and long-term incentives).

ALIGNMENT WITH GROUP STRATEGY	COMPONENT OF REMUNERATION	ROLE WITHIN REMUNERATION FRAMEWORK AND OBJECTIVE	DETAILS	APPLIES TO	KEY PERFORMANCE INDICATOR FOR EXECUTIVE DIRECTORS' VARIABLE REMUNERATION
SHORT TERM	**Base salary (fixed)**	To attract and retain talent by ensuring salaries are competitive to the market in which the individual is employed. Salaries are effective from 1 June each year	Based on conditions in the relevant market and recognises the value of an individual's sustained personal performance and contribution to the business	All employees	Not applicable
SHORT TERM	**Pension arrangements (fixed)**	To provide competitive retirement benefits	Percentage of salary is contributed to personal pensions	All employees	Not applicable
SHORT TERM	**Benefits (fixed)**	To provide standard benefits, consistent with the Group's values	Includes private healthcare cover and health club membership	All employees	Not applicable
SHORT TERM / MEDIUM TERM	**Bonus (variable)**	To focus participants on the achievement of annual objectives, which align the Group's short-term performance with the sustainable delivery of shareholder value	Executive Directors' bonuses for the year ending 31 May 2013 are subject to partial deferral in shares All other employees: Specific and General Staff Bonus Scheme determined by reference to Group, functional and individual performance measured over a single financial year	All eligible employees	Earnings per share (EPS) performance against stretching targets and non-financial measures Revenue performance against budget and non-financial measures
MEDIUM TERM / LONG TERM	**Value Share plan (variable)**	To provide Executive Directors and senior employees with total compensation opportunities that are competitive against local market practice, while closely aligning their interests with those of shareholders	Comprise annual awards, providing those eligible with a pre-defined number of shares for each £10.0 million of surplus shareholder value created over three years above two hurdles 50% of shares vest at the end of the three year period and 50% are deferred for a further year	Executive Directors and senior employees – no further awards are expected be made under this plan	Total Shareholder Return and Growth in Profit Before Tax
MEDIUM TERM / LONG TERM	**Other share plans (variable)**	To provide a Share Incentive Plan (SIP) to ensure that the interests of the wider employee population are aligned with shareholders	In the UK, the Group operates a HMRC approved SIP under which matching shares are provided up to a maximum of £1,500 Similar schemes are available to employees in Australia and the US	All eligible employees are invited to participate	Not applicable
MEDIUM TERM / LONG TERM	**Personal shareholdings – Executive Directors**	There is not currently a formal policy for personal shareholdings for Executive Directors. Please refer to page 69 for details of personal shareholdings	Personal shareholdings are encouraged through both mandatory bonus deferral and longer term share incentive plans	Executive Directors	Share price performance and dividend per share

DIRECTORS' REMUNERATION REPORT (continued)

FUTURE REMUNERATION POLICY: REMUNERATION ARRANGEMENTS FOR EXECUTIVE DIRECTORS IN FUTURE PERIODS

Overall remuneration package review

As indicated in last year's annual report, the Remuneration Committee has undertaken a wholesale review of Executive Remuneration. The review concluded the following:

- For a business at IG Group's current stage of development, the existing arrangements are too highly 'geared', with high upside in the value-sharing plan (VSP) linked to exceptional growth, but with insufficient emphasis on sustained, reliable performance
- Base salaries are significantly behind market levels, which is designed to complement the high gearing of the VSP
- The package should be simplified with a focus on delivering sustained performance, through a mix of financial, non-financial and TSR-related measures
- Further shareholder alignment should be achieved by increasing the emphasis on equity and through the introduction of a formal shareholding requirement

The Remuneration Committee has proposed changes to the Executive Director remuneration policy as a result of the review. The Committee believes that the proposed changes provide a reward policy which is more closely tailored to the Group's business aims and are being discussed with the Group's major shareholders. Full details will be set out in the Notice of AGM documents. In summary, the proposed changes aim to:

- Simplify the overall remuneration package
- Ensure a rounded assessment of performance while retaining a focus on earnings and total shareholder return
- Provide an increased emphasis on equity through a shareholding requirement, delivery of awards in shares, and the deferral of equity
- Provide a better balance between fixed and variable pay, while retaining an emphasis on reward for performance

Basic salary

Base salaries have previously been set at below market levels by reference to equivalent roles in companies selected on the basis of comparable size, geographic spread and business focus, taking into account the highly geared nature of the long-term share based incentive scheme. Individual salary decisions take into account personal contribution and business performance, as well as general pay conditions of employees elsewhere in the Group.

The intention of the Committee is that the proposed Executive Directors salaries are presented to shareholders in the notice of AGM as part of the overall changes to remuneration.

Pensions

The Group contributes 15% of basic salary to personal pensions for each of the Executive Directors, who also have the option to receive part, or all, of their pension entitlement in cash. The additional cash payment is counted in lieu of pension, and is not treated as base salary for the purposes of calculating other benefits. As an alternative to part-payment of a performance-related bonus or basic salary, Executive Directors may choose to receive an equivalent contribution to their pension.

The Executive Directors have elected to:

T A Howkins	Restrict pension contribution to £50,000 and receive the balance of the pension contribution as an additional cash payment
C F Hill	Receive the full pension contribution
P G Hetherington	Receive the full pension contribution as an additional cash payment

Benefits

The Group provides a range of benefits to employees, including private health cover and discounted health club membership. The Executive Directors are entitled to participate in these non-cash benefits on equal terms with all other staff.

Performance-related bonuses

For the financial year ending 31 May 2014, the Remuneration Committee is proposing that the Executive Directors' and Senior Management bonus scheme be replaced by a new incentive scheme as mentioned earlier in this section.

It is intended the general staff bonus scheme, which applies to the vast majority of the Group's employees, will continue unchanged.

For the current bonus scheme, the Remuneration Committee retains the right to reduce, but not increase, the bonuses payable, if it considers that the formulaic financial measures have not produced an appropriate bonus outcome. Assessment of performance against the non-financial measure is entirely at the discretion of the committee.

In line with the final FCA Code rules on disclosure of remuneration published in December 2010, there is a deferral element in the current bonus scheme. The first £100,000 of any bonus granted, plus one third of the remainder, is to be paid in cash, with the excess balance deferred for 12 months basis share price and settled in

shares or cash. The cash elements of performance-related bonuses are paid in full within three months of the year-end.

Long-term value-sharing plans vesting in the future

The value-sharing plan (VSP), which was approved by shareholders in 2010, comprises annual awards, providing the Executive Directors and other senior staff with a pre-defined number of shares for each £10.0 million of surplus shareholder value created over three years above a hurdle. Surplus value is calculated under two criteria:

(i) Value created from the difference between the Total Shareholder Return (TSR) of IG Group Holdings plc and that of the FTSE350 Financial Services Index, multiplied by the IG Group Holdings plc starting market capitalisation, defined as the average market capitalisation in the three months to 31 May, in the year in question

(ii) Growth in profit before taxation (PBT) multiplied by a fixed multiple determined by the IG Group Holdings plc starting market capitalisation, plus net equity cash flows to shareholders above a hurdle return. For example, for the 2012 VSP the hurdle return was 12% per annum, with the multiple being 8.829

For Executive Directors, 60% of the shares will vest based upon the first criteria and 40% will vest based upon the second. The 60:40 ratio between TSR and PBT applies only to Executive Directors. Code Staff and other senior employees are paid on either a 50:50 TSR and PBT ratio or a 40:60 TSR and PBT ratio, depending on seniority and role.

The decision to split the awards on this basis was made by the Remuneration Committee (after taking advice from Kepler Associates). It was agreed that the Executive Directors are better placed to influence the performance of the Group relative to its peers.

The Remuneration Committee considers that profit before taxation (excluding impairment of goodwill and intangibles) is an appropriate measure of the Group's financial performance as it is highly visible and regularly monitored and reported. The use of TSR introduces an element of relative performance into the Group's remuneration package, which is intended to protect against general stock market movements and focus more closely on the value created for shareholders by management, over and above that delivered by peers.

The blend of PBT and TSR measures provides strong alignment with shareholder interests and provides an appropriate balance between internal and external, as well as absolute and relative, performance.

For all participating employees, including the Executive Directors, 50% of shares vest at the end of the three-year period and 50% are deferred for a further year. Awards made under the VSP are discussed further in note 31 to the Financial Statements.

Additional awards are not expected to be made under the VSP. However, the 2011 and 2012 VSP performance periods run to 31 May 2014 and 31 May 2015 respectively.

CORPORATE GOVERNANCE REPORT (continued)

DIRECTORS' REMUNERATION REPORT (continued)

ACTUAL REMUNERATION: IMPLEMENTATION OF REMUNERATION POLICY IN THE CURRENT YEAR

This section sets out the remuneration of the Executive Directors for the year ended 31 May 2013.

Directors' remuneration

The remuneration of the Executive Directors who served during the year was as follows:

	Basic salary and fees £000	Other benefits and payments[1] £000	Performance-related bonuses[2] Paid in cash £000	Performance-related bonuses[2] Deferred into shares £000	Year ended 2013 £000	Year ended 2012 £000
Executive Directors:						
T A Howkins	427	1	200	199	827	1,234
C F Hill	299	1	160	120	580	856
P G Hetherington[3]	256	1	167	133	557	863
A R MacKay	47	140	–	–	187	833
	1,029	143	527	452	2,151	3,786
Non-Executive Directors:						
J R Davie	186	–	–	–	186	180
D M Jackson	65	–	–	–	65	63
R P Yates	52	–	–	–	52	50
S G Hill	52	–	–	–	52	50
S J Tymms[4]	1	–	–	–	1	–
N B le Roux[4]	25	–	–	–	25	50
D Currie[4]	26	–	–	–	26	50
	1,436	143	527	452	2,558	4,229

(1) All Executive Directors are entitled to receive professional subscriptions, private health cover and 50% of health club membership. For A R Mackay, a sum of £47,000 was payable for the two months that he served as a Director. The other amount comprises the value of salary and other benefits paid after A R MacKay stepped down as Director, but continued to be an employee for his six month notice period

(2) The first £100,000 of any bonus granted, plus one third of the remainder, is to be paid in cash with the excess balance deferred for 12 months basis share price and settled in shares or cash

(3) P G Hetherington is to be paid a reduced pro rata salary of £256,000 based upon a £320,000 full-time equivalent salary to reflect his flexible working arrangements. Any bonus payments are based on his full time equivalent salary. P G Hetherington carries out the work of a full-time Executive but in a flexible way. While the reduced salary reflects these arrangements, the Remuneration Committee considers his workload and commitment to the business are commensurate with full-time bonus and share plan arrangements

(4) S J Tymms joined the Board on 22 May 2013. N B le Roux and D Currie stepped down from the Board on 18 October 2012

Pension contribution

	2013 £000	2012 £000
T A Howkins	64	62
C F Hill	45	44
P G Hetherington	38	37
A R MacKay	28	42
	175	185

There were no contributions made for the Non-Executive Directors during the year ended 31 May 2013.

Gains made by Directors on share options

The table below shows gains made by individual Directors from the exercise of share options during the year. The gains are calculated by reference to the share price as at the respective exercise date, although the shares may have been retained.

	2013 £000	2012 £000
T A Howkins	36	422
P G Hetherington	49	457
A R MacKay	796	385
C F Hill	–	–
	881	1,264

Directors interest in shares

The Directors who held office at the end of the year and their beneficial interests in the share capital of the Company were as follows:

	31 May 2013 Ordinary shares	31 May 2013 Deferred bonus shares	31 May 2012 Ordinary shares	31 May 2012 Deferred bonus shares
T A Howkins[1]	3,901,692	183,133	3,891,389	76,750
P G Hetherington[1]	113,693	139,849	256,012	64,105
C F Hill	328	98,589	–	26,293
J R Davie	200,000	–	400,000	–
R P Yates	25,000	–	25,000	–
D M Jackson	–	–	–	–
S G Hill	111,736	–	111,736	–
S J Tymms	–	–	–	–

(1) T A Howkins and P G Hetherington also held 10,000 preference shares each at 31 May 2013 and 31 May 2012

Deferred bonus shares result from the mandatory deferral of the Executive Directors annual bonus in prior periods and exclude those deferred as a result of the annual bonus plan for the period ending 31 May 2013. All of the deferred shares as at 31 May 2013 will have vested on 1 August 2013. Deferred shares can be exercised as shares or cash and will be subject to income tax and social security.

The Directors' interests in share capital have remained unchanged between the year-end and the date of the Annual Report.

Departing director

Included in the Directors' remuneration for the year are amounts paid to A R Mackay who stepped down from the Board with effect from 31 July 2012. As A R Mackay remained an employee of the Group until 31 January 2013 the following amounts were paid:

- The salary and benefits that were paid for the period from 1 August 2012 until the cessation of employment on 31 January 2013 of £140,000 and associated pension contributions of £21,000 per his contractual entitlement
- The 2010 and 2011 VSP awards made to A R Mackay, at the discretion of the remuneration committee taking into account his length of service and his contribution to the success of the Group, were allowed to vest on 31 January 2013 with the number of shares vesting reduced so as to be pro-rata to the proportion of the original service period completed at 31 January 2013. These awards remained subject to the performance metrics established at grant, albeit measurement was undertaken based on performance for the period to 31 November 2012. This resulted in the vesting of 24,016 and 36,645 nil cost options over shares of the Group under the 2010 and 2011 VSP schemes respectively

Linking variable remuneration to performance and strategy

The following section summarises the variable remuneration that have vested or earned in the year to 31 May 2013.

Performance-related bonuses

For the year ended 31 May 2013:

- The maximum bonus potential for Executive Directors was set to 200% of salary
- 75% of the maximum award (ie 150% of salary) was based on performance against a financial metric, namely growth in diluted earnings per share (DEPS) with bonus payout increasing with growth in DEPS on a tiered linear scale up to the maximum award
- 25% of the maximum award (ie 50% of salary) was based on performance against various non-financial metrics

Performance against financial metrics

Actual growth in DEPS was 3.4% which resulted in a bonus of 47.6% of basic salary for each of the Executive Directors (ie approximately a third of the maximum bonus payable on financial measures).

Performance against non-financial metrics

For the first time, part of the Executive Directors' bonus for the year-ended 31 May 2013 was driven by performance against a set of non-financial metrics. The purpose of including non-financial metrics in the bonus calculation is to ensure that the management of the Group focusses on all areas of performance, not just short-term financial performance, in order to achieve appropriate risk management, and to secure a sustainable future, for the Group.

DIRECTORS' REMUNERATION REPORT (continued)

ACTUAL REMUNERATION: IMPLEMENTATION OF REMUNERATION POLICY IN THE CURRENT YEAR (CONTINUED)

The Remuneration Committee selected the measures that would be used to assess non-financial performance during the previous year. These measures are:

- Specific non-financial measures:
  - System reliability/uptime
  - Maintaining good standing with regulators
  - Customer satisfaction
  - Reputation and PR
  - Risk management
- Execution and delivery of key strategic initiatives

The specific non-financial measures can count for up to 12.5% of maximum bonus potential (or 25% of salary). The Remuneration Committee has freedom as to the relative weightings it gives to each of the business-as-usual measures and, for example, a catastrophic performance in one measure might be sufficient to result in a zero award for the whole of the business-as-usual portion of the bonus calculation. The execution and delivery of key strategic initiatives measure can count for up to 12.5% of maximum bonus potential (or 25% of salary).

After reviewing the performance against the non-financial measures the Remuneration Committee approved a bonus of 92% of the maximum award under this element of scheme, which results in a bonus of 46% of basic salary for each of the Executive Directors. Further details of the Remuneration Committee's assessment in this regard are provided below:

METRIC	PERFORMANCE	ASSESSMENT
Specific non-financial measures		
System reliability/ uptime	The two main measures used by the Remuneration Committee to assess performance against this metric are core dealing availability per month and maximum percentage downtime in any one day. The Group strives to achieve 99.8% for the first measure and less than 4% for the second measure. During the year, the Group breached both of these targets once. This was compared to no breaches in the prior year. The Group has undertaken a significant piece of work to remedy the root cause of the two breaches from this year. This work should significantly reduce the possibility of a repeat occurrence	88.5% of maximum potential
Maintaining good standing with regulators	It was the Remuneration Committee's assessment that the Group enjoys constructive and open relationships with its Regulators. Based upon Regulators' willingness to enter into dialogue with the Group, results of supervisory issues and breaches of rules, the Remuneration Committee concluded that the Group has made progress in its performance against this metric since the end of the prior financial year	
Customer satisfaction	The Remuneration Committee used a number of indicators to measure performance against this metric. One indicator that the Remuneration Committee considered was the result of customer satisfaction surveys carried out by the Group. The Remuneration Committee saw a clear upward trend in satisfaction of IG clients who interact with the Group's trading services department and other results of the survey remained relatively stable, with more than 90% of the Group's active clients likely to continue trading in the next 3 months. Another key metric used by the Remuneration Committee was the Net Promoter Score data supplied by Investment Trends. In studying this data, the Remuneration Committee found that Net Promoter Score has improved almost across the Board	
Reputation and PR	The Remuneration Committee judges performance against this metric by the level of negative PR or reputational damage sustained during the year. For the year ended 31 May 2013 it was determined by the Remuneration Committee that there had been an almost complete absence of negative PR and reputational damage	

METRIC (CONTINUED)	PERFORMANCE (CONTINUED)	ASSESSMENT (CONTINUED)
Risk management	The Remuneration Committee used a number of indicators to judge performance against this metric: the incidence of bad debts throughout the year, the number of material market risk incidents throughout the year, and the number of loss making days throughout the year. This year the Group enjoyed very low incidence of bad debt (less than 0.3% of revenue), which was further offset by good recoveries of older debts. There were no material market risk events nor any loss making days during the year	88.5% of maximum potential
Execution and delivery of key strategic initiatives		
Execution and delivery of key strategic initiatives	As part of the Board's strategy planning, there is a clear list of strategic projects set down for delivery in the short to medium term. The Remuneration Committee uses this list to judge performance against this metric. There were several key strategic projects delivered in, or just after, the year, all of which were delivered successfully and on time. Examples of such projects include the new brand and the new ig.com domain; the repurposing of the Insight platform for public consumption; and a simple interactive guide for new clients. The Remuneration Committee reviewed data showing the success of these projects, including brand tracking that shows brand awareness increasing in most of the Group's main markets	95% of maximum potential

Mandatory deferral in shares

In line with the Corporate Governance Code and the FCA's Remuneration Code, there is a deferral element in the bonus scheme. The first £100,000 of any bonus granted, plus one third of the remainder, is to be paid in cash with the excess balance deferred for 12 months and provided in shares and settled in shares or cash. The cash elements of performance-related bonuses are paid in full within three months of the year-end.

In total the Executive Directors have a bonus equivalent to 93.6% of basic salary (£979,000) of which £452,000 is subject to the mandatory deferral discussed above.

Long term incentive plan

Awards under the Group's long-term incentive plan (LTIP) were previously awarded to management, including the Executive Directors. The final LTIP award was made in the year ended 31 May 2010 and this vested on 25 September 2012 based on a three-year performance period to 31 May 2012.

Performance under the LTIP was measured using the compound annual growth rate in both diluted adjusted earnings per share (EPS) and share price over the three-year performance period. For each award a minimum performance target (12% p.a. for EPS and 22.5% p.a. of share price growth) had to be achieved before any shares vested and the awards vested fully once the maximum performance target is achieved. Based on the three-year performance period to 31 May 2012, 23.4% of the earning per share award (EPS grew from 24.74 pence per share to 37.54 pence per share over the three-year performance period) and 98.2% of the share price awards vested. This resulted in 202,153 and 152,569 shares vesting for T A Howkins and P G Hetherington respectively – as disclosed in the audited section of the Directors Remuneration Report.

Value-sharing plan (VSP)

Awards made under the VSP on 29 October 2010 (the 2010 VSP) have a three-year performance period ended 31 May 2013. Vesting of these awards requires completion of the three-year and four-year service periods (awards were split 50:50 between three-year and four-year service periods) to 29 October 2013 and 2014 respectively.

The measurement of both the total shareholder return (TSR) and profit before tax (PBT) elements of the 2010 VSP against the performance of the Group for the period ended 31 May 2013 is provided in the table overleaf.

CORPORATE GOVERNANCE REPORT (continued)

DIRECTORS' REMUNERATION REPORT (continued)

ACTUAL REMUNERATION: IMPLEMENTATION OF REMUNERATION POLICY IN THE CURRENT YEAR (CONTINUED)

Total variable remuneration for the year

The following table sets out the elements of variable remuneration for which performance is measured for the period ending or the service period completed on 31 May 2013.

VARIABLE REMUNERATION MEASURE	TARGET	ACTUAL PERFORMANCE
FY13 bonus	Growth in diluted earnings per share and Non-financial measures as disclosed in the preceding section	The total performance-related bonuses payable to the Executive Directors was £979,000 of which £452,000 is subject to mandatory deferral into shares
FY12 deferred bonus	At 31 May 2012 £1,120,000 was deferred into shares and subject to a further 12 months service period	Following completion of the service period on 23 July 2013 a total of 260,804 shares will vest and be available for exercise
31 May 2009 Long Term Incentive Plan (LTIP) awarded 25 September 2009	For each award a minimum performance target of 12% compound annual for EPS and 22.5% compound annual share price growth had to be achieved before any shares vested	Based on the three-year performance period to 31 May 2012 23.4% of earning per share award (EPS grew from 24.74 to 37.54 pence per share over the three-year performance period) and 98.2% of the share price awards vested. This resulted in 202,153 and 152,569 shares vesting for T A Howkins and P G Hetherington respectively
31 May 2010 value-sharing plan (VSP) awarded 29 October 2010	TSR outperformance of IG Group Holdings plc versus the FTSE350 Financial Services Index over the three-year performance period ended 31 May 2013	TSR for the Group over the three-year performance period was 53%, however no awards will vest under the TSR element of the 2010 VSP
The required service periods under this scheme are to 29 October 2013 and 29 October 2014 respectively	Growth in profit before tax (PBT) multiplied by a fixed multiple determined by the IG Group Holdings plc starting market capitalisation, plus net equity cash flows to shareholders above a 12% hurdle return over the three-year performance period to 31 May 2013	PBT over the 3-year performance period has grown from £140.3 million for the year-ended 31 May 2010 to £192.2 million for the year ended 31 May 2013 (37% growth). This growth in profit allied to the dividends of £223.7 million cash paid to shareholders during the three-year performance period resulted in 14.5% of the maximum awards made under the PBT element of the 2010 VSP scheme vesting subject to the completion of the three-year and four-year service periods

An overview of the actual performance for each of the key financial and non-financial performance measures noted above is detailed within the 'Business Review' section.

Distribution statement

The table below, in line with the proposals set out in the Executive Remuneration discussion paper published by the Department for Business Innovation & Skills, is a distribution statement illustrating how executive remuneration compares with other dispersals of the Group.

Total executive remuneration including base salary, other benefits, current year bonus (including amounts deferred) and pensions for the three Executive Directors was £2.1 million for the year ended 31 May 2013.

Comparator distribution	Amount paid in the year-ended 31 May 2013	Distribution percentage(1)
Dividends (interim paid and final declared dividend for FY13)	81.6m	2.6%
Income taxes paid (refer to the Group cash flow statement)	53.2m	3.9%
Total remuneration costs (refer to note 7 to the Financial Statements)	86.3m	2.4%
Capital investment (refer to the Group cash flow statement)(2)	16.8m	12.5%

(1) The distribution percentage is calculated as the total Executive remuneration divided by the comparator distribution amount

(2) Capital investment calculated as the total cash outflow in relation to property, plant and equipment and intangible assets for the year ended 31 May 2013

OTHER REMUNERATION DISCLOSURES

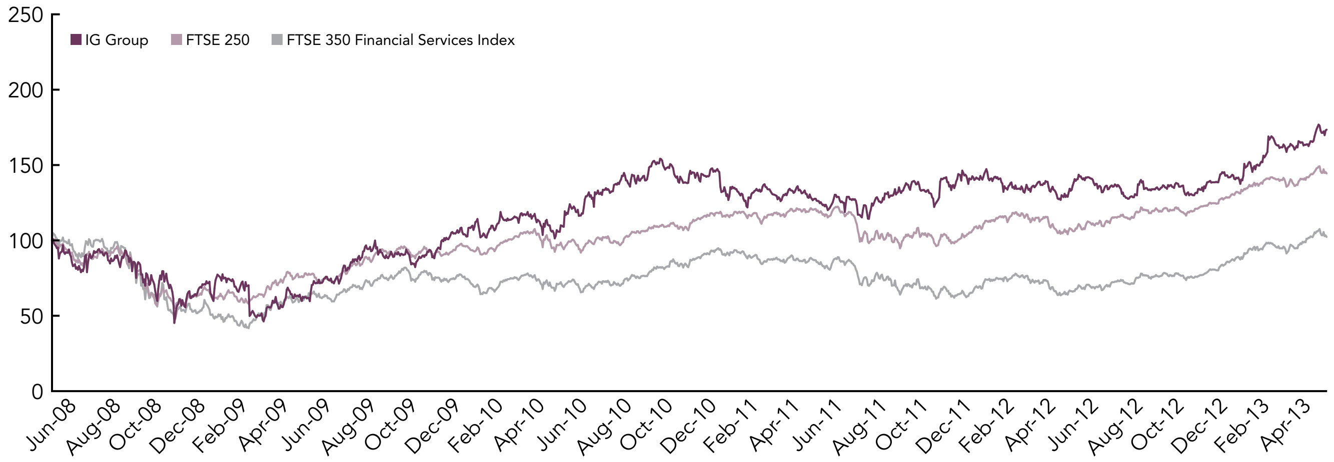
Total Shareholder Return

The following graph illustrates the performance of IG Group Holdings plc ordinary shares measured by Total Shareholder Return (share price growth plus dividends paid) in the five-year period from 1 June 2008.

The Directors consider the most appropriate benchmarks to be:

- The FTSE 250 as it represents a broad equity market index of which the Company is a constituent member
- The FTSE 350 Financial Services Index, given this is the benchmark index for the Group's value-sharing plan

The figures have been rebased to 100 at 1 June 2008 in order to aid comparison.



The market price of the Company's ordinary shares on 31 May 2013 was 579.0 pence and the high and low share prices in the year were 592.0 pence and 416.8 pence respectively.

CORPORATE GOVERNANCE REPORT (continued)

DIRECTORS' REMUNERATION REPORT (continued)

OTHER REMUNERATION DISCLOSURES (CONTINUED)

AUDITED INFORMATION

Interests in value-sharing plan and in Long-Term Incentive Plans

In the following tables awards made on or before 25 September 2009 have vested and are available for exercise.

	Award date	Share price at award date	Number as at 31 May 2012	Number awarded during the year	Number lapsed during the year	Number exercised during the year	Number as at 31 May 2013
T A Howkins							
LTIP: Earnings per share award	23 Jul 07	312.25p	151,672	–	–	–	151,672
LTIP: Share price growth award	23 Jul 07	312.25p	11,701	–	–	–	11,701
LTIP: Earnings per share	30 Sep 08	313.75p	26,015	–	–	–	26,015
LTIP: Share price growth award	30 Sep 08	313.75p	21,865	–	–	–	21,865
LTIP: Earnings per share award	25 Sep 09	318.80p	166,248	–	(127,322)	(1,984)	36,942
LTIP: Share price growth award	25 Sep 09	318.80p	166,249	–	(3,022)	(8,319)	154,908
VSP: Profit award – 3 year	29 Oct 10	528.50p	117,511	–	–	–	117,511
VSP: Profit award – 4 year	29 Oct 10	528.50p	117,512	–	–	–	117,512
VSP: Total shareholder return award – 3 year	29 Oct 10	528.50p	176,267	–	–	–	176,267
VSP: Total shareholder return award – 4 year	29 Oct 10	528.50p	176,268	–	–	–	176,268
VSP: Profit award – 3 year	20 Jul 11	450.00p	167,099	–	–	–	167,099
VSP: Profit award – 4 year	20 Jul 11	450.00p	167,098	–	–	–	167,098
VSP: Total shareholder return award – 3 year	20 Jul 11	450.00p	250,648	–	–	–	250,648
VSP: Total shareholder return award – 4 year	20 Jul 11	450.00p	250,648	–	–	–	250,648
VSP: Profit award – 3 year	01 Aug 12	449.70p	–	163,636	–	–	163,636
VSP: Profit award – 4 year	01 Aug 12	449.70p	–	163,636	–	–	163,636
VSP: Total shareholder return award – 3 year	01 Aug 12	449.70p	–	245,454	–	–	245,454
VSP: Total shareholder return award – 4 year	01 Aug 12	449.70p	–	245,453	–	–	245,453
			1,966,801	818,179	(130,344)	(10,303)	2,644,333

	Award date	Share price at award date	Number as at 31 May 2012	Number awarded during the year	Number lapsed during the year	Number exercised during the year	Number as at 31 May 2013
C F Hill							
VSP: Profit award – 3 year	20 Jul 11	450.00p	100,259	–	–	–	100,259
VSP: Profit award – 4 year	20 Jul 11	450.00p	100,259	–	–	–	100,259
VSP: Total shareholder return award – 3 year	20 Jul 11	450.00p	150,389	–	–	–	150,389
VSP: Total shareholder return award – 4 year	20 Jul 11	450.00p	150,389	–	–	–	150,389
VSP: Profit award – 3 year	01 Aug 12	449.70p	–	130,909	–	–	130,909
VSP: Profit award – 4 year	01 Aug 12	449.70p	–	130,908	–	–	130,908
VSP: Total shareholder return award – 3 year	01 Aug 12	449.70p	–	196,363	–	–	196,363
VSP: Total shareholder return award – 4 year	01 Aug 12	449.70p	–	196,363	–	–	196,363
			501,296	654,453	–	–	1,155,839

	Award date	Share price at award date	Number as at 31 May 2012	Number awarded during the year	Number lapsed during the year	Number exercised during the year	Number as at 31 May 2013
A R MacKay							
LTIP: Earnings per share award	25 Sep 09	318.80p	144,291	–	(110,506)	(33,785)	–
LTIP: Share price growth award	25 Sep 09	318.80p	144,292	–	(2,621)	(141,671)	–
VSP: Profit award – 3 year	29 Oct 10	528.50p	73,445	–	(67,716)	–	5,729
VSP: Profit award – 4 year	29 Oct 10	528.50p	73,445	–	(67,716)	–	5,729
VSP: Total shareholder return award – 3 year	29 Oct 10	528.50p	110,167	–	(103,888)	–	6,279
VSP: Total shareholder return award – 4 year	29 Oct 10	528.50p	110,168	–	(103,889)	–	6,279
VSP: Profit award – 3 year	20 Jul 11	450.00p	100,259	–	(95,288)	–	4,971
VSP: Profit award – 4 year	20 Jul 11	450.00p	100,259	–	(95,289)	–	4,970
VSP: Total shareholder return award – 3 year	20 Jul 11	450.00p	150,389	–	(137,037)	–	13,352
VSP: Total shareholder return award – 4 year	20 Jul 11	450.00p	150,389	–	(137,037)	–	13,352
			1,157,104	–	(920,987)	(175,456)	60,661

	Award date	Share price at award date	Number as at 31 May 2012	Number awarded during the year	Number lapsed during the year	Number exercised during the year	Number as at 31 May 2013
P G Hetherington							
LTIP: Earnings per share award	25 Sep 09	318.80p	125,471	–	(96,092)	(2,637)	26,742
LTIP: Share price growth award	25 Sep 09	318.80p	125,471	–	(2,281)	(11,056)	112,134
VSP: Profit award – 3 year	29 Oct 10	528.50p	73,445	–	–	–	73,445
VSP: Profit award – 4 year	29 Oct 10	528.50p	73,445	–	–	–	73,445
VSP: Total shareholder return award – 3 year	29 Oct 10	528.50p	110,167	–	–	–	110,167
VSP: Total shareholder return award – 4 year	29 Oct 10	528.50p	110,168	–	–	–	110,168
VSP: Profit award – 3 year	20 Jul 11	450.00p	100,259	–	–	–	100,259
VSP: Profit award – 4 year	20 Jul 11	450.00p	100,259	–	–	–	100,259
VSP: Total shareholder return award – 3 year	20 Jul 11	450.00p	150,389	–	–	–	150,389
VSP: Total shareholder return award – 4 year	20 Jul 11	450.00p	150,389	–	–	–	150,389
VSP: Profit award – 3 year	01 Aug 12	449.70p	–	130,909	–	–	130,909
VSP: Profit award – 4 year	01 Aug 12	449.70p	–	130,908	–	–	130,908
VSP: Total shareholder return award – 3 year	01 Aug 12	449.70p	–	196,363	–	–	196,363
VSP: Total shareholder return award – 4 year	01 Aug 12	449.70p	–	196,363	–	–	196,363
			1,119,463	654,543	(98,373)	(13,693)	1,661,940

Code Staff aggregate remuneration

The aggregate remuneration of senior management and Code Staff, whose actions have a material impact on the risk profile of the Group, are disclosed in the following table:

	Executive Directors £000	Other Code Staff £000	Total £000
Fixed remuneration	1,347	1,355	2,702
Variable remuneration	979(2)	554	1,533
Share-based payment schemes(1)	4,378	2,462	6,840
Number of staff	3(3)	8	11

(1) Represents the fair value at the date of award and not the actual gain made on exercise of share-based payments or the income statement charge taken in the period

(2) Of the total amount disclosed £452,000 has been subject to mandatory deferral

(3) Number of Executive Directors at end of year

CORPORATE GOVERNANCE REPORT (continued)

DIRECTORS' REMUNERATION REPORT (continued)

OTHER REMUNERATION DISCLOSURES (CONTINUED)

Service contracts
Each of the Executive Directors is employed under a service contract with IG Group Limited (a wholly-owned intermediate holding company) for the benefit of the Company and the Group. Either the Company or the Executive Director may terminate this contract on six months' notice. All service contracts are continuous, and contractual termination payments relate to the unexpired notice period. In the event of termination for gross misconduct, neither notice nor a payment in lieu of notice will be given. When considering payments in the event of termination, the Remuneration Committee takes into account individual circumstances. Relevant factors include the reasons for termination, contractual obligations and cash, share and long-term incentive plan and pension plan rules. There are no special provisions for compensation in the event of loss of office. The effective dates of the service contracts for each of the Executive Directors as at the date of this report are:

T A Howkins	12 April 2005
C F Hill	18 January 2011
P G Hetherington	12 April 2005

Group Chairman and Non-Executive Directors
The Non-Executive Directors do not have service contracts with the Company, but instead have letters of appointment under which they receive fees reflecting their individual responsibilities and membership of Board committees. Each Non-Executive Director is appointed for an initial term of twelve months, with appointment continuing indefinitely subject to re-election, but capable of being terminated on three months' notice.

The Remuneration Committee determines the fees for the Group Chairman and the Board is responsible for the Non-Executive Directors' fees. The Non-Executive Directors are not involved in any discussions or decisions by the Board about their own remuneration.

On behalf of the Board

Christopher Hill
Chief Financial Officer

23 July 2013

AUDIT COMMITTEE

Martin Jackson, Chairman of the Audit Committee, gives his review of the committee's activities during the financial year

CHAIRMAN'S OVERVIEW

During the year, the Audit Committee carried out its responsibilities to review results and formal announcements of the Group and reviewed the effectiveness of the external audit function. Given the importance of managing the appropriate segregation of client monies, the committee applied additional focus to this area, as well as giving further consideration to the policy governing the provision of non-audit work by the Group's auditors.

The committee also reviewed the effectiveness of the internal audit function and, for the forthcoming period authorised additional investment in internal audit resources.

AUDIT COMMITTEE – MEMBERSHIP AND ATTENDANCE

	Scheduled meetings eligible to attend	Scheduled meetings attended
Chairman of Audit Committee		
D M Jackson	4	4
Independent Non-Executive Directors		
D Currie	1	1
S G Hill	3	3
R P Yates	4	4

All Audit Committee members are independent Non-Executive Directors and can draw on considerable, recent, financial services experience.

The Chief Financial Officer, Group Financial Controller, Head of Internal Audit, Chief Risk Officer, Global Head of Legal and Compliance, Head of UK Compliance, Company Secretary and the external auditors attend the Audit Committee by invitation appropriate to the matters under consideration. Other Directors, representatives from the finance function and other areas of the business may attend the Audit Committee as necessary.

The committee normally meets four times a year and as and when required. Members of the committee also meet privately in separate meetings with the Head of Internal Audit, Head of Compliance and external auditors to focus on respective areas of responsibility and to discuss any potential issues where support from the committee may be required to address any issues arising.

ROLE OF THE AUDIT COMMITTEE

The responsibilities of the committee are to:

- Monitor the integrity of the Financial Statements of the Group including Annual and Interim Reports, Interim Management Statements, Trading Updates and any other formal announcements relating to the Group's financial performance, reviewing significant issues and judgements included therein
- Keep up-to-date with changes to accounting standards and review any changes to accounting polices each year
- Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process
- Consider and make recommendations to the Board on appointing, re-appointing and removing the Company's external auditors, which are subject to shareholder approval
- Review the design and effectiveness of the Group's internal control and risk management systems
- Monitor and review the effectiveness of the internal audit function, with focus on the three-year rolling risk-based audit plan
- Review implementation of the FCA's Treating Customers Fairly (TCF) requirements
- Review the compliance systems and controls to ensure that adequate procedures are in place to comply with regulatory obligations
- Ensure that there are suitable whistle-blowing arrangements for employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters

The Company Secretary drafts the agenda for each committee meeting, ensuring that each item in the terms of reference is covered at least once in the financial year, and more frequently if required.

CORPORATE GOVERNANCE REPORT (continued)

AUDIT COMMITTEE (continued)

ACTIVITY DURING THE FINANCIAL YEAR

In addition to discharging its responsibilities as described above, the committee focused on the following key areas:

Client money

In recent years the failures of firms such as MF Global and Worldspreads have further highlighted the importance of appropriate segregation of client monies. In response to its client money obligations, the Group has continued to take proactive steps to ensure it segregates client monies appropriately in each of our jurisdictions. The Group also commissioned an independent controls opinion (International Standard on Assurance Engagement 'ISAE' 3000) by it's audit firm, in relation to both the design and the effective operation of controls over the segregation of client monies. This is reported in further detail in the following pages. In addition, during the year the committee reviewed the work performed by internal audit in support of the key processes and controls relating to segregation.

Non-audit fees

To safeguard the objectivity and independence of the external auditors from becoming compromised, the committee has a formal policy governing the engagement of the external auditors to provide non-audit services. This year, the committee has again reviewed the Group's policy governing non-audit work, details of which are provided on the corporate website, www.iggroup.com. The policy was developed with reference to the Smith report, the Auditing Practice Board (APB) Ethical Standard 5 Non-Audit Services Provided to Audit Clients and the Institute of Chartered Accountants in England and Wales (ICAEW) Guidance for Audit Committees.

The policy makes an important distinction between 'audit-related services' and all other 'non-audit services', as a number of 'audit-related services' are specifically required of the Group's Auditors, through regulatory, legislative or contractual obligations, in addition to the statutory audit services. The policy also sets out the considerations and safeguards that are required in relation to the provision of non-audit services by the Auditors, and the specific services the Auditors are precluded from providing. Additionally, the policy sets out certain permitted services for which the committee has pre-approved the engagement of the Auditors by management, subject to the considerations and safeguards set out above, and subject to specified fee limits for individual engagements, as well as the reporting requirements for all non-audit services to the committee.

The Group has established relationships with two independent advisory and assurance firms in order to provide alternatives to the engagement of the audit firm. During the year, PricewaterhouseCoopers LLP has performed non-audit services in accordance with the non-audit policy. The committee has reviewed the independence of PricewaterhouseCoopers LLP to ensure that under no circumstances has work been performed which affects its independence. This was done through carefully reviewing the nature of all non-audit work performed, reviewing the non-audit policy and ensuring appropriate safeguards were in place in relation to each non-audit engagement.

Detail of the Group's audit-related fees of £602,000, and other fees payable to Auditors of £810,000 for the year ended 31 May 2013, are disclosed in note 6 to the Financial Statements. Audit-related fees include the statutory audit of the Group and its subsidiaries as well as audits required as a result of the regulated nature of our business. Also included are fees associated with the ISAE 3000 controls opinion in relation to the segregation of client money. Other fees payable to the Auditors are largely in relation to taxation services of a compliance and filing nature, in connection with corporation tax and other local taxes. Tax advisory services relate primarily to sales tax advice and compliance, in terms of both the Group's products and our ability to recover some of the sales taxes suffered. Regulatory advice results from an in-depth review of the regulatory returns for one of the Group's regulated subsidiaries, and support with regards to the developing regulatory landscape. Overall other fees to auditors incurred have fallen by more than 26% compared to the prior year.

Internal audit

During the financial year, the committee reviewed the reports and recommendations of the internal audit function. The main focus of these was of a regulatory nature, including client money, as well as a number of operational internal audits. The committee also monitored progress on the implementation of the audit recommendations raised by the internal audit function, and the effectiveness of the coordination between internal and external audit.

In addition, the committee reviewed the resources allocated to both internal audit and the three-year rolling risk-based internal audit plan. The latter consists of a variety of different types of internal audits, in order to provide adequate coverage across the Group.

In prior years, the Group has employed an entirely in-house internal audit function. In the current year, internal resources have been supplemented with sector specialism from external advisory companies, for example in auditing our information technology. For the forthcoming period, the committee has authorised additional investment both in internal audit resources, through the addition of another internal audit manager, and in external expertise, enabling an increase in the number of audits performed with support from external sector specialists. The committee considers this additional investment will ensure that internal audit resources remain sufficient to provide appropriate coverage of the Group's risks, while retaining adequate flexibility to address new risks as they arise over the three-year plan period.

Compliance

The committee has continued to monitor the work of the compliance department during the financial year. The focus has been on both conduct and prudential monitoring of all areas of the Group, as well as client money and transaction reporting and the Group's development of consumer outcome initiatives. The compliance department regularly reports to the committee in relation to regulatory developments.

Financial crime

Monitoring for, and preventing, financial crime remains a key objective of the Group. During the year, the Committee reviewed the annual Money Laundering Reporting Officer (MRLO) report, bi-annual fraud reports and suspicious activity report data. In addition, the committee reviewed the Group's monitoring processes for financial crime and receives quarterly updates on the results of such monitoring.

Information technology controls

The Group's operations are heavily dependent on information technology (IT), and accordingly the committee has reviewed internal audit reports in relation to IT controls and assessments of external penetration tests performed. All of these have been supported or performed by external specialists. Additionally, during the year a new role of IT Risk Director has been established within the Group's risk department.

Audit committee effectiveness

The committee undertook a review of its own effectiveness during the year. As a result it has, among other actions, begun a schedule of training for all audit committee members, covering certain of the Group's key functions. These include sales, trading services, risk, IT and internal audit.

Financial reporting

The primary role of the committee in relation to financial reporting is to work with management and the external Auditors in reviewing the appropriateness of the half-year and annual Financial Statements. The committee has discharged its responsibilities in this area through concentrating on, among other matters:

- Assessing the quality and acceptability of accounting policies and practices
- Ensuring disclosures are clear and compliant with financial reporting standards and relevant financial and governance reporting requirements
- Considering the significant judgements that have been applied
- Reviewing trading updates and interim management statements prior to issuance
- Evaluating whether the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy

To aid this review, the committee has considered reports from the Chief Financial Officer and Group Financial Controller. It has also received reports from the external Auditors on the outcomes of their half-year review and annual audit. The critical accounting estimates and judgements made in the preparation of the annual Financial Statements are disclosed in note 1 to the Financial Statements.

The following chart highlights how the committee spent its time during the year ended 31 May 2013:

Audit Committee
Allocation of time

- Internal audit matters
- Compliance
- Financial crime
- Risks and controls
- External audit matters
- Other
- Statutory reporting

Martin Jackson
Chairman, Audit Committee

23 July 2013

RISK COMMITTEE

The Risk Committee is an executive committee chaired by the Chief Risk Officer. The committee generally meets weekly to ensure that it deals with issues as they arise. This reflects the corporate commitment of senior management to play an active role in day-to-day risk management decision making, and sets the tone across the Group that risk management is central to corporate culture. The Board receives copies of the Risk Committee minutes.

The Risk Committee comprises the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Chief Information Officer and Dealing Director, the Head of Financial Dealing, the Chief Risk Officer and other members of the Risk function. In addition, Roger Yates, Senior Independent Non-Executive Director, attends the committee meetings periodically. Other members of staff may also be called on to attend, when the committee is discussing specific matters appropriate to them.

ROLE OF THE RISK COMMITTEE

The committee's role is to:

- Identify and evaluate the different risks to which the Group is exposed and assist the Board in defining the risk appetite of the Group
- Ensure that the necessary infrastructure, resources and systems are in place to manage risk adequately
- Monitor and control the Group's risks, in line with the risk appetite set by the Board

The committee's responsibilities are to:

- Ensure that the Group has adequate procedures in place to identify, record, control, monitor and evaluate the current and future risks to which the Group is exposed
- Review regular risk management reports which enable the committee to assess the risks involved in the Group's business and how they are controlled and monitored against the Group's risk appetite, and to suggest changes in either the risk profile or risk appetite to the Board
- Evaluate the nature and extent of the significant risks facing the Group, and challenge management's assessment of the likelihood and impact of this risk, and the mitigating actions needed
- Monitor and review the ICAAP and ILAA, including the stress-testing, liquidity and regulatory capital position of the Group, the size of the liquidity and capital buffers, and the appropriateness of management mitigation actions
- Approve and assign limits for proposed counterparties, and review and approve limits, at least annually, for the Group's existing counterparty exposures, including banks which hold client money
- Review relationships with the regulatory authorities in the UK, and where appropriate other geographies where the Group has a significant presence, in relation to prudential regulations, and to review developments and prospective changes in the regulatory environment and their impact on the Group
- Work with the Remuneration Committee to ensure that risk is properly considered in setting the overall remuneration policy for the Group and the remuneration of the executive directors and other senior management

OVERVIEW OF THE FINANCIAL YEAR

The constant developments in the regulatory landscape and the regulatory dialogue, both in Europe and around the world, have been a primary focus of the committee's attention for much of the year.

The lead regulator in the UK has changed from the Financial Services Authority (FSA) to the Financial Conduct Authority (FCA).

ACTIVITY DURING THE FINANCIAL YEAR

During the year, the committee monitored the overall level of risk faced by the Group and reviewed the design and operating effectiveness of the Risk Management Framework. This included a review of:

- Regulatory issues and developments
- The risk appetite for credit, market and liquidity risk
- Liquidity management and stress-testing
- Financial institution credit risk
- Individual client credit exposures
- Operational risk registers and Key Risk Indicators
- The continued fallout of the euro crisis and sovereign downgrades
- IT risk
- The implementation of enhanced risk reporting requirements
- Physical security risk
- Global business continuity and disaster recovery plans

In addition, the committee continued to push the operational risk agenda, creating a specific IT Risk Control function, overseeing a review of the global business continuity and disaster recovery plans and instigating a physical security assessment.

The following chart highlights how the committee spent its time during the year ended 31 May 2013:

Risk Committee
Allocation of time

- Client credit risk
- Market risk
- Operational risk
- Regulatory risk
- Liquidity risk
- Counterparty risk

CLIENT MONEY COMMITTEE

The Client Money Committee is an executive committee which monitors the design and effectiveness of the Group's framework of processes and controls for segregating client monies.

The committee meets monthly and is chaired by the Chief Financial Officer, the Group's designated CF10a, who is registered with the FCA as the approved person responsible for client money. It is attended by the Chief Risk Officer, the Group Head of Legal and Compliance, the Group Financial Controller and members of the risk, finance, compliance and other business functions.

OVERVIEW OF THE FINANCIAL YEAR

During the year, regulatory authorities have continued to emphasise the importance of client money segregation. The committee has met to ensure that the Group is kept up to date with regulatory requirements. The committee has reviewed key processes and controls as well as the monthly reporting to the FCA on a number of client-money-related metrics to provide assurance over the submission of this reporting.

In addition, the Group has engaged its audit firm (PricewaterhouseCoopers LLP) to provide independent assurance on client asset segregation processes and controls, so that it may reassure customers as to the control environment over money held by the Group on their behalf. During this year, PricewaterhouseCoopers LLP completed two reports under the appropriate standard (ISAE 3000): an inital report on the design effectiveness of controls and a subsequent report on the operating effectiveness of these controls. We have made both reports available to clients on request. This assurance work is over and above PricewaterhouseCoopers LLP's reporting requirements to the Group's various regulators.

ROLE OF THE CLIENT MONEY COMMITTEE

The main responsibilities of the committee are to:

- Ensure that internal systems, controls, processes and procedures are operating effectively to maintain and safeguard the protection and segregation of client money
- Ensure compliance with applicable legislation concerning the protection and segregation of client money
- Review the accuracy and timeliness of client money regulatory reporting
- Review any breaches of client money rules or legislation and ensure that processes and controls are appropriately rectified
- Monitor client money reports prepared by the finance department
- Respond to regulatory consultation papers that relate to client money
- Implement and maintain the appropriate client money and asset resolution packs required for each FCA-regulated entity
- Review and respond to issues raised by internal auditors and external auditors in connection with regulatory audits of client money and assurance reports over controls and their operation

ACTIVITY DURING THE FINANCIAL YEAR

The committee's main activities during the financial year included:

- Reviewing global client money regulatory requirements
- Reviewing processes and controls over client money segregation in each regulatory jurisdiction
- Reviewing external auditor opinions on client money
- Reviewing internal audit reports on client money
- Reviewing ISAE 3000 controls reports
- Overseeing processes required to monitor and complete FCA client money reporting
- Reviewing the implementation of the FCA-required resolution packs for UK entities
- Reviewing responses to periodic regulatory reviews and requests for information from regulators

The activity of the Client Money Committee is reported to the Risk Committee on an annual basis. If necessary, the Chairman of the Risk Committee will provide a report to the Board and, or, the Audit Committee on any pertinent issues.

The following chart highlights how the committee spent its time during the year ended 31 May 2013:

Client Money Committee
Allocation of time

- Processes and controls
- Client money reporting
- Regulatory compliance
- Regulatory developments
- Business and industry developments
- Client money placement

CORPORATE GOVERNANCE REPORT (continued)

DIRECTORS' STATUTORY REPORT

The Directors are pleased to submit their report together with the audited Group Financial Statements for the year ended 31 May 2013.

RELATIONS WITH SHAREHOLDERS

The Board recognises the importance of communications with shareholders. The Chairman's statement, Chief Executive's review and the 'Operating and Financial Review' include detailed reviews of the business and future developments. There is regular dialogue with institutional shareholders, including presentations by management around the time of the Group's preliminary announcement of the year-end results and at the half-year. These presentations are made available on the Group's website at www.iggroup.com, which also provides information to shareholders and prospective shareholders. Feedback is provided to the Board following these investor presentations of any views or concerns expressed by shareholders.

The Board uses the Annual General Meeting (AGM) to communicate with private and institutional investors and welcomes their participation. The Chairman aims to ensure that all of the Directors, including the Chairmen of the Remuneration and Audit Committees, are available at the AGM to answer questions. The Annual Report and notice of the AGM are sent, or made available on the Group's website at www.iggroup.com, to the shareholders at least 20 working days prior to the meeting being held.

Roger Yates, the Senior Independent Director, is available to meet shareholders on request and to ensure that the Board is aware of shareholder concerns not resolved through other mechanisms for shareholder communication.

The Chairman and the Senior Independent Director provide feedback to the Board of any views or concerns expressed to them by shareholders.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Group is exposed to a number of business risks in providing products and services to its clients. The Board is responsible for establishing the overall appetite for these risks, which is detailed and approved in the Risk Appetite Statement. The Risk Management Framework is supported by a system of internal controls that is designed to embed the management of business risk throughout the Group. Both the risks to which the Group is exposed and the Risk Management Framework are outlined in the 'Managing our business risk' section of the 'Business Review'.

Internal control

Management has designed and implemented a system of internal control to manage, rather than eliminate, the risk of failure to achieve business objectives and provide reasonable, but not absolute, assurance against the risk of material misstatement or loss.

Management is also responsible for establishing and maintaining adequate internal control over financial reporting. Internal controls over financial reporting are carried out under the supervision of the Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated Financial Statements for external reporting purposes, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Internal controls over financial reporting focus on the most material financial statement items and include policies and procedures that pertain to the maintenance of records that:

- Fairly reflect transactions and dispositions of assets, accurately and in reasonable detail
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS
- Ensure that receipts and expenditures are being processed only in accordance with authorisations from management and the Directors
- Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of assets that could have a material effect on the financial statements

The Annual Report is reviewed by the Audit Committee and the Board prior to publication.

Internal control systems, no matter how well designed, have inherent limitations and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that internal controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Risk Management Framework has been in place for the full year under review and up to the date of approval of the Annual Report, and is in accordance with the Turnbull guidance, Internal Control: Revised Guidance for Directors on the Combined Code, published by the Financial Reporting Council.

The Board and Audit Committee have reviewed the design and effectiveness of managements system of internal control covering financial, operational, compliance and risk management systems. No significant weaknesses were identified during this review.

Accountability and audit

A statement of the Directors' responsibilities in respect of the Financial Statements is set out immediately prior to the Financial Statements, and a statement regarding the use of the going concern basis in preparing these Financial Statements is given later in this report.

The independent Auditors' report, which sets out the Auditors' reporting responsibilities, is also given immediately prior to the Financial Statements.

Principal activities

An overview of the principal activities of the Group is provided in the 'Business Review'.

Operations outside the United Kingdom

In line with strategic objectives, the Group has branches in each of Australia, South Africa, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Ireland, Spain and Sweden, a representative office in China and subsidiaries in the US, Singapore and Japan.

Review of business and future developments

A review of the Group's progress, outlining developments during the year and giving an indication of future developments, is provided in the 'Operating and Financial Review'. The 'Operating and Financial Review' also covers an analysis of the financial position of the Group at the year-end and Key Performance Indicators.

Results

The Group's statutory profit for the year, after taxation amounted to £141,748,000 (2012: £136,760,000), of which a profit of £141,692,000 (2012: £136,792,000) is attributable to the equity members of the Company.

Related party transactions

Details of related party transactions are set out in note 35 to the Financial Statements.

Subsequent events

Subsequent to the year-end, in accordance with the phased transfer agreed with the FCA for the Group to hold a liquid assets buffer of up to £100.0 million by August 2013, the Group has purchased £32.3 million of additional BIPRU 12 qualifying assets (please refer to note 20 to the Financial Statements for further details). Following this purchase the Group now holds £83.1 million of BIPRU 12 qualifying assets within the liquid assets buffer.

Further, on 19 July 2013 the Group completed the renegotiation of the liquidity facilities with a syndicate of three banks. In doing so the Group has increased the size of the overall facility to £200.0 million and established a longer-term liquidity funding arrangement. Of the total facility £120.0 million is available for a period of one year and £80.0 million is available for three years respectively from the facility signing date.

Dividends

The Directors recommend a final ordinary dividend of 17.50 pence per share, amounting to £63,767,000, making a total of 23.25 pence per share and £84,612,000 for the year. Dividends are recognised in the 'Financial Statements' in the year in which they are paid, or in the case of a final dividend, when approved by the shareholders. The amount recognised in the Financial Statements, as described in note 13, is made up of this financial year's interim dividend and the final dividend from the previous year, which were both paid.

The final ordinary dividend, if approved, will be paid on 22 October 2013 to those shareholders on the register at 20 September 2013.

Directors and their interests

Biographical details of the Directors who held office at the end of the year are given at the beginning of this Corporate Governance Report. Details of the service contracts for those Directors and the Directors' interests in the share capital of the Company are set out in the 'Directors' remuneration report'.

Share capital

Details of the Company's equity and preference share capital are given in notes 28 and 27 respectively to the Financial Statements. Details of the Group's required regulatory capital are disclosed in note 38 to the Financial Statements and in the 'Operating and Financial Review'.

The Group purchases its own shares in order to satisfy awards under the Group's share incentive plan schemes and the Group issues shares in respect of long-term incentive plan and value-sharing plan schemes. Details of the shares held by the Group's Employee Benefit Trusts and the amounts paid during the year are disclosed in note 29 to the Financial Statements.

CORPORATE GOVERNANCE REPORT (continued)

DIRECTORS' STATUTORY REPORT (continued)

Major interests in shares
Notifications shown below have been received by the Company of shareholdings of three percent or more of the issued ordinary share capital:

	As at 19 July 2013 Number of shares	%	As at 31 May 2013 Number of shares	%
Black Rock Inc.	18,303,280	5.0%	18,303,280	5.0%
Cantillon Capital Management LLC	18,246,245	5.0%	18,246,245	5.0%
Massachusetts Financial Services Company	18,150,880	5.0%	18,150,880	5.0%
Baillie Gifford & Co	12,683,186	3.5%	12,690,176	3.5%
Artemis Investment Management Limited	11,873,020	3.3%	11,873,020	3.3%
M&G Investment Management	11,066,417	3.0%	11,066,417	3.0%

Change of control
Following any future change of control of the Company, the Group's banking facilities, which are currently undrawn (refer to note 37 to the Financial Statements), will be cancelled and any obligations will become immediately due and payable.

Annual General Meeting
The Group's Annual General Meeting will be held on 17 October 2013. Details of the resolutions to be proposed at the Annual General Meeting are set out in a separate circular sent to all shareholders.

Registered number
The registered number of IG Group Holdings plc is 04677092.

Conflicts of interest
In accordance with the Companies Act 2006, all Directors must disclose both the nature and extent of any potential or actual conflicts with the interests of the Company. The articles of association allow the Board to authorise potential conflicts that may arise and to impose such conditions or limitations as it sees fit. There were no conflicts of interest raised in the year.

Insurance and indemnities
The Group purchases appropriate liability insurance for all Directors and officers.

Supplier payment policy and practice
The Group does not follow any stated code on payment practice. It is the Group's policy to agree terms of payment with suppliers when agreeing the terms for each transaction and to abide by those terms. Standard terms provide for payment of all invoices within 30 days after the date of the invoice except where different terms have been agreed with the supplier at the outset. There were 0.7 creditor days of suppliers' invoices outstanding at the year-end (2012: 4.9) for the Group.

Donations
The Group made no political donations in the year (2012: £nil). The Group made charitable donations of £79,360 in the year (2012: £56,667) as follows:

	£
New Entrepreneurs	20,000
Responsible Gambling Trust	10,000
London to Paris cycle ride	8,500
Shakespeares' Globe	2,500
Volunteer reading	3,525
Employee matched giving	8,010
Other	26,825
Total	79,360

Independent auditors
A resolution to re-appoint the Group's Auditors, PricewaterhouseCoopers LLP, will be put to shareholders at the forthcoming AGM on 17 October 2013.

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

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

Directors' statement as to disclosure of information to auditors
So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the Auditors in connection with preparing their report, of which the Auditors are unaware. Each Director has taken all the steps that he/she is obliged to take as a Director in order to make him/her aware of any relevant audit information and to establish that the Auditors are aware of that information.

CORPORATE SOCIAL RESPONSIBILITY

BUSINESS STANDARDS
We recognise the fundamental importance of a reputation for honesty and transparency in the financial services industry, and commitment to these values is a cornerstone of our success. The Group applies high standards across its businesses, and we also support and adhere to high standards of corporate governance – as set out in the Corporate Governance Report and the statement by the Directors in compliance with the Combined Code.

Our commitment to high standards is embodied within each of the following service offerings and behaviours:

Commitment to our customers
- We seek to put our customers at the heart of everything we do and we strive to ensure that we are consistently delivering good outcomes for our customers. We achieve this in part by ensuring that we comply with the FCA's Treating Customers Fairly (TCF) initiative and we have developed a scorecard of measures to monitor how we treat our clients. We also achieve this by ensuring that our culture promotes a commitment to our customers
- Central to our commitment to our customers is the quality of our order execution. We offer near-instantaneous execution, with around 99% of client orders accepted automatically. We never re-quote prices and, within our set margin of tolerance, we will accept orders even if the market moves

Client support and education
- We provide extensive educational resources for clients, including enrolling new clients on our introductory education programme, TradeSense, promoting responsible trading, and a wide range of client seminars and webinars, available online and in person

Client suitability
We have a number of procedures to ensure that our products reach the right audience and that our clients understand how our products work:

- Our products are not suitable for everyone. It is for this reason that we apply strict rules to ensure that we only promote our products to the right audience. We also apply strict rules to ensure that any promotion is clear, fair and not misleading, and contains a balanced description of risks alongside the benefits of our product
- Before we allow clients to open an account, we will undertake an assessment to determine whether our products are appropriate or suitable for the client in question. This involves asking the client about their trading knowledge and experience and about their income and savings. Based on the results of this assessment, we may choose to provide the client with a warning about the appropriateness of the account or we may decline to open an account

Limiting client losses
We have a number of service offerings that can limit client losses: for example, we offer clients the ability to attach guaranteed stops to positions so that the maximum possible loss to the client is known at the outset of the trade.

Additionally, our close-out monitor (COM), which automatically liquidates client positions where their margin has been significantly eroded, can also limit potential client losses. At 31 May 2013 98.83% of all client accounts are either subject to guaranteed stops or the automatic COM procedure. Further details are set out in note 37 to the Financial Statements.

Protection of our clients' data and funds
We prioritise the security of our clients' information and have achieved the ISO 27001:2005 certificate for Information Security Management Systems.

We segregate all funds for individuals, whether required by regulation or not. Segregated client money is held entirely separate from IG's own money, ensuring that in the event of default by IG, client funds will be returned to the clients rather than being treated as a recoverable asset by general creditors of IG. During the year, we engaged PricewaterhouseCoopers LLP to conduct an independent review of our controls and procedures for client money calculation and segregation (ISAE 3000). By commissioning this report we have taken an additional step, over and above standard audit and assurance processes which reflects our commitment to keeping our clients' funds secure and delivering good outcomes for customers.

CLIENT SERVICES
Impeccable client service is at the heart of our commitment to the responsible treatment of all our clients. Our large team of highly-trained, dedicated client service staff delivers a professional and responsive value-based approach to client service.

OUR PEOPLE
The Group is rapidly growing and provides a fast-moving and successful working environment. As at 31 May 2013, the Group had 991 employees working in 16 countries globally. Our employees take pride in what we have achieved.

CORPORATE GOVERNANCE REPORT (continued)

CORPORATE SOCIAL RESPONSIBILITY (continued)

OUR PEOPLE (CONTINUED)

The Group appreciates that the quality of its employees is crucial to the success of the business, and offers competitive packages to recognise past performance and retain key talent in the future. The Group pays performance-related bonuses to most staff and has made awards under value-sharing plans to key personnel. In addition, the opportunity to acquire shares under various share incentive plans has been made available to all UK, Australian and US staff. We also provide a range of other benefits to employees, including pension contributions, where in the UK the Group contributes up to 10% of the employee's basic salary to the employee's pension, as long as the employee contributes 5% of their salary (if the employee chooses to contribute less than 5%, the Group will contribute double the individual rate).

During the year the Group carried out an employee survey. Of those who completed the survey, over 80% agreed that IG had a strong and positive working culture. For those areas where issues were noted, development plans have been formulated to address these and the progress made will be monitored by department heads. The Group has committed to run an annual employee engagement survey going forward. The next employee survey will be commissioned later in the year, and the Group's results will be benchmarked against other high performing organisations.

The Group is keen to support the continuing personal and professional training and development of its staff, and encourages attendance on external and industry-recognised training courses, sponsors staff to undertake a programme of formal education and professional qualification, and often offers internal secondments. The Group has invested in training on a global level to improve the quality of learning opportunities and to encourage employees to progress within the business. The Group spent £421,000 on training in the financial year ending 31 May 2013 (2012: £409,000).

The Group is further committed to developing high-calibre employees and offers three separate graduate schemes in IT, a composite Sales, Dealing and Operations, and Finance. The IT and Sales, and Dealing and Operations schemes have a 12-month training plan before assigning graduates to a permanent position. The Finance scheme is longer term, with the aim of training graduates as qualified accountants within the team. The Group introduced an Apprentice scheme during the year, and took on two apprentices to learn and develop through on-the-job training.

The Group has implemented a detailed career development plan at all levels of the organisation, defining roles and responsibilities at each career level. A mentoring program is also in place to motivate and develop the careers of high potential employees, providing insight into IG's operations and support from members of the senior management team, thereby strengthening the talent pool.

EMPLOYEE INVOLVEMENT

We take pride in being an open, non-hierarchical organisation with direct and open access amongst all teams and at all levels. The Chief Executive Officer leads a quarterly management forum which is recorded and broadcast to our overseas offices.

Employees participate directly in the success of the business through the Group's performance-related bonus schemes and employee share plans, and we regularly have around 35% to 40% of eligible employees participating in our share incentive plan. Bonus payments are based on a communal pool driven by both revenue performance against budget and a scorecard of non-financial measures. The pool is first apportioned by department, and then the discretionary payment is distributed to individuals, based upon their performance, by department heads.

TOP EMPLOYER

Our positive working culture was recognised when IG was named one of Britain's Top Employers for the sixth year running in 2013. The Top Employers Certification is awarded only to organisations that meet the highest standard in Human Resources. The award, by the Corporate Research Foundation, was based on a strong performance in each of the surveyed categories: pay and benefits, training and development, corporate culture, and particularly in career development.

EQUALITY AND DIVERSITY

We are an equal opportunities employer and have extensive human resource policies in place to ensure that employees can expect to work in an environment free from discrimination and harassment.

It is therefore key to our success that we reinforce the need to treat all employees fairly, with dignity and without any unlawful discrimination. We are committed to creating a work environment free of harassment and bullying, where everyone is treated with dignity and respect.

The Group gives full consideration to applications for employment from disabled persons, where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or alternative position, and to provide appropriate training to achieve this aim.

SOCIETY

We are keen to encourage employees to engage in activities that help their development and support local communities. For example, we match any funds employees have raised for sponsored events. A summary of our charitable donations, including the employee matched giving, is provided in the 'Directors' statutory report'.

We also work with the Charities Aid Foundation (CAF) to allow employees to operate a charity fund and contribute directly to selected charities from gross earnings directly from their monthly pay.

The Group not only continues to support charities through the giving of money, but also through the provision of time and resource. Our absence management policy offers the opportunity for employees to take up voluntary work, for which we grant additional leave on a like-for-like basis up to a maximum of five matched days per annual leave year.

Additionally, the Group continue to be involved with a volunteering scheme with Volunteer Reading Help, a national registered charity with 17 regional branches that gives one-to- one literacy support to children in primary schools in the most deprived areas of England. Reading helpers volunteer once a week for an hour, and commit for a minimum of one year to work with the same children each week.

HEALTH AND SAFETY

The Group believes that its employees are one of its most valuable assets, and therefore is committed to providing each employee with a safe and healthy working environment. Health and safety is an integral part of our business, and by providing key members of staff with the relevant external training and all other staff with the relevant in-house training, this ensures compliance with all statutory health and safety requirements. Details of all incidents, no matter how small, are held on the HR database.

There were no reportable incidents in the year.

WELLBEING

We are fully committed to our employee's health and wellbeing, and the benefits provided to all employees include private medical cover, permanent health insurance and life assurance. Additionally, we reimburse 50% of the costs of employees' annual gym subscriptions (to a specified amount) for all UK, Australian and European employees. We further show commitment to the health of our staff by providing free fruit on a daily basis and offering flu vaccinations to all UK staff.

The Group encourages cycling, through providing savings on bikes under the government-backed cycle to work initiative, and offers free-of-charge bicycle parking in our London office.

The Group encourages involvement with team sport and there are IG football, netball and rugby teams. We also supported the Six in the City, a competition run by Chance to Shine, a charity supporting education through cricket.

We have a confidential employee assistance programme which provides a 24/7 impartial telephone counselling service to all our European office employees and their immediate families, offering impartial advice on all matters from housing to personal finance.

OPERATIONS AND ENVIRONMENT

As a business which conducts nearly all of its client trades online, we do not see ourselves as a significant emitter of environmentally-harmful substances. However, we do understand that our operations have an impact on the environment and take steps to manage this.

ENERGY CONSUMPTION AND CARBON MANAGEMENT

We have taken steps to minimise the impact of our offices on the environment. These include the installation of automated sensor lighting and air conditioning, both of which minimise energy usage when offices are not in use. We have also invested in the latest systems at our data centre site, enabling maximum energy efficiency.

With the encouragement of employees, we have also improved our recycling facilities, including IT equipment. Cannon Bridge House, our London head office, has received the ISO 14001 certification for an effective environmental management system. We will assess, minimise and continually improve how our operations negatively affect the environment and comply with applicable laws, regulations, and other environmentally-oriented requirements.

By order of the Board

Christopher Hill
Chief Financial Officer

23 July 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, the 'Directors' remuneration 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 Group and parent Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of 'Financial Statements' may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed in the Corporate Governance Report confirm that, to the best of their knowledge:

- The Group Financial Statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group
- The 'Business Review' and the 'Directors' statutory report' contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces

By order of the Board

Christopher Hill
Chief Financial Officer

23 July 2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IG GROUP HOLDINGS PLC

We have audited the financial statements of IG Group Holdings plc for the year ended 31 May 2013 which comprise the Group income statement, the Group statement of comprehensive income, the Group and parent Company statements of financial position, the Group and parent Company statements of changes in equity, the Group and parent Company cash flow statements, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the statement of Directors' responsibilities set out on page 88, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 May 2013 and of the Group's profit and Group's and parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' statutory report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Report set out on page 82 of the Annual Report with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- A corporate governance statement has not been prepared by the parent Company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 84, in relation to going concern;
- the parts of the Corporate Governance Report relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Darren Ketteringham (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London

23 July 2013

FINANCIAL STATEMENTS

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY 2013

	Note	2013 Total £000	2012 Total £000
Trading revenue		397,946	400,262
Interest income on segregated client funds		8,477	10,509
Revenue		406,423	410,771
Interest expense on segregated client funds		(289)	(257)
Introducing broker commissions		(36,089)	(33,450)
Betting duty		(5,204)	(8,907)
Other operating income	3	3,067	1,013
Net operating income	4	367,908	369,170
Analysed as:			
Net trading revenue	*2, 4*	*361,857*	*366,812*
Other net operating income		*6,051*	*2,358*
Administrative expenses		(175,980)	(183,657)
Operating profit	5	191,928	185,513
Finance income	8	2,036	2,487
Finance costs	9	(1,756)	(2,283)
Profit before taxation from continuing operations		192,208	185,717
Tax expense	10	(50,460)	(48,583)
Profit for the year from continuing operations		141,748	137,134
Loss for the year from discontinued operations	11	–	(374)
		141,748	136,760
Profit for the year attributable to:			
Equity holders of the parent		141,692	136,792
Non-controlling interests		56	(32)
		141,748	136,760

Earnings per ordinary share from continuing operations	**Note**	**2013**	**2012**
Basic	12	39.02p	37.90p
Diluted	12	38.80p	37.54p

The notes on pages 101 to 153 are an integral part of these Financial Statements.

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2013

	2013		2012	
Group	**£000**	**£000**	**£000**	**£000**
Profit for the year		141,748		136,760
Other comprehensive (expense) / income:				
Foreign currency translation on overseas subsidiaries	(4,578)		751	
Other comprehensive (expense) / income for the year		(4,578)		751
Total comprehensive income for the year		137,170		137,511
Total comprehensive income attributable to:				
Equity holders of the parent		137,117		137,566
Non-controlling interests		53		(55)
		137,170		137,511

The items of comprehensive income noted above are stated net of related tax effects.
The notes on pages 101 to 153 are an integral part of these Financial Statements.

STATEMENTS OF FINANCIAL POSITION

AT 31 MAY 2013

	Note	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Assets					
Non-current assets					
Property, plant and equipment	14	14,469	15,555	–	–
Intangible assets	15	120,479	115,366	–	–
Investment in subsidiaries	16	–	–	459,977	438,128
Deferred tax assets	10	9,470	11,915	–	–
		144,418	142,836	459,977	438,128
Current assets					
Trade receivables	18	300,636	222,342	–	–
Prepayments and other receivables		10,278	9,745	165,616	144,586
Cash and cash equivalents	19	98,345	228,156	245	151
Financial investments	22	50,468	–	–	–
		459,727	460,243	165,861	144,737
TOTAL ASSETS		604,145	603,079	625,838	582,865
Liabilities					
Current liabilities					
Trade payables	23	19,047	61,076	–	–
Other payables	24	53,781	64,815	32,460	32,974
Provisions	25	–	1,353	–	–
Income tax payable		24,289	28,652	–	3,550
		97,117	155,896	32,460	36,524
Non-current liabilities					
Redeemable preference shares	27	40	40	40	40
		40	40	40	40
Total liabilities		97,157	155,936	32,500	36,564
Capital and reserves					
Share capital	28	18	18	18	18
Share premium	28	206,758	206,291	206,758	206,291
Other reserves	30	84,990	85,543	27,444	23,596
Retained earnings		215,222	155,145	359,118	316,396
Shareholders' equity		506,988	446,997	593,338	546,301
Non-controlling interests		–	146	–	–
Total equity		506,988	447,143	593,338	546,301
TOTAL EQUITY AND LIABILITIES		604,145	603,079	625,838	582,865

The Financial Statements on pages 94 to 153 were approved by the Board of Directors on 23 July 2013 and signed on its behalf by:

Tim Howkins
Chief Executive

Christopher Hill
Chief Financial Officer

Registered Company number: 04677092

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2013

Group	Share capital £000 (note 28)	Share premium account £000 (note 28)	Other reserves £000 (note 30)	Retained earnings £000	Shareholders' equity £000	Non-controlling interests £000	Total equity £000
At 1 June 2011	18	206,246	80,173	92,263	378,700	201	378,901
Profit / (loss) for the year	–	–	–	136,792	136,792	(32)	136,760
Other comprehensive income / (expense) for the year	–	–	774	–	774	(23)	751
Total comprehensive income / (expense) for the year	–	–	774	136,792	137,566	(55)	137,511
Equity-settled employee share-based payments (note 31)	–	–	5,005	–	5,005	–	5,005
Excess of tax deduction benefit on share-based payments recognised directly in shareholders' equity (note 10)	–	–	(101)	–	(101)	–	(101)
Issuance of shares		45	–	–	45	–	45
Purchase of own shares	–	–	(298)	–	(298)	–	(298)
Exercise of US share incentive plans	–	–	(10)	–	(10)	–	(10)
Equity dividends paid (note 13)	–	–	–	(73,910)	(73,910)	–	(73,910)
Movement in equity	–	45	5,370	62,882	68,297	(55)	68,242
At 31 May 2012	18	206,291	85,543	155,145	446,997	146	447,143
Profit for the year	–	–	–	141,692	141,692	56	141,748
Other comprehensive expense for the year	–	–	(4,575)	–	(4,575)	(3)	(4,578)
Total comprehensive (expense) / income for the year	–	–	(4,575)	141,692	137,117	53	137,170
Equity-settled employee share-based payments (note 31)	–	–	4,309	–	4,309	–	4,309
Excess of tax deduction benefit on share-based payments recognised directly in shareholders' equity (note 10)	–	–	13	–	13	–	13
Issuance of shares	–	467	–	–	467	–	467
Exercise of US share incentive plans	–	–	(20)	–	(20)	–	(20)
Purchase of own shares	–	–	(441)	–	(441)	–	(441)
Equity dividends paid (note 13)	–	–	–	(81,615)	(81,615)	–	(81,615)
Acquisition of non-controlling interests	–	–	199	–	199	(199)	–
Loss on financial investments	–	–	(38)	–	(38)	–	(38)
Movement in equity	–	467	(553)	60,077	59,991	(146)	59,845
At 31 May 2013	18	206,758	84,990	215,222	506,988	–	506,988

The notes on pages 101 to 153 are an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE YEAR ENDED 31 MAY 2013

Company	Share capital £000 (note 28)	Share premium account £000 (note 28)	Other reserves £000 (note 30)	Retained earnings £000	Total equity £000
At 1 June 2011	18	206,246	18,899	262,374	487,537
Total comprehensive income for the year	–	–	–	127,932	127,932
Equity-settled employee share-based payments (note 31)	–	–	5,005	–	5,005
Issuance of shares	–	45	–	–	45
Purchase of own shares	–	–	(298)	–	(298)
Exercise of US share incentive plans	–	–	(10)	–	(10)
Equity dividends paid (note 13)	–	–	–	(73,910)	(73,910)
Movement in equity	–	45	4,697	54,022	58,764
At 31 May 2012	18	206,291	23,596	316,396	546,301
Total comprehensive income for the year	–	–	–	124,337	124,337
Equity-settled employee share-based payments (note 31)	–	–	4,309	–	4,309
Issuance of shares	–	467	–	–	467
Purchase of own shares	–	–	(441)	–	(441)
Exercise of US share incentive plans	–	–	(20)	–	(20)
Equity dividends paid (note 13)	–	–	–	(81,615)	(81,615)
Movement in equity	–	467	3,848	42,722	47,037
At 31 May 2013	18	206,758	27,444	359,118	593,338

The notes on pages 101 to 153 are an integral part of these Financial Statements.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 MAY 2013

	Note	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Cash generated from operations	21	66,402	234,916	82,347	75,369
Income taxes paid		(53,247)	(57,554)	–	–
Interest received on segregated client funds		9,013	10,111	–	–
Interest paid on segregated client funds		(289)	(257)	–	–
Net cash flow from operating activities		21,879	187,216	82,347	75,369
Investing activities					
Interest received		2,155	2,004	–	–
Purchase of property, plant and equipment		(4,813)	(4,709)	–	–
Payments to acquire intangible fixed assets		(11,949)	(4,432)	–	–
Purchase of a non-controlling interest		(1,319)	–	–	–
Purchase of financial investments		(50,486)	–	–	–
Net cash flow used in investing activities		(66,412)	(7,137)	–	–
Financing activities					
Interest paid		(3,175)	(2,013)	(641)	(1,311)
Equity dividends paid to equity holders of the parent		(81,615)	(73,910)	(81,615)	(73,910)
Purchase of own shares		(461)	(298)	(461)	(298)
Proceeds from the issuance of shares		467	37	467	–
Payment of redeemable preference share dividends		(3)	(3)	(3)	(3)
Net cash flow used in financing activities		(84,787)	(76,187)	(82,253)	(75,522)
Net (decrease) / increase in cash and cash equivalents		(129,320)	103,892	94	(153)
Cash and cash equivalents at the beginning of the year		228,156	124,528	151	304
Exchange loss on cash and cash equivalents		(491)	(264)	–	–
Cash and cash equivalents at the end of the year	19	98,345	228,156	245	151

The cash flows stated above are inclusive of discontinued operations for the year ended 31 May 2012.
The notes on pages 101 to 153 are an integral part of these Financial Statements.

INDEX TO NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1. PRESENTATION, CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Critical accounting estimates and judgments

The preparation of Financial Statements requires the Group to make estimates and judgments that affect the amounts reported for assets and liabilities as at the year-end and the amounts reported for revenues and expenses during the year. The nature of estimates means that actual outcomes could differ from those estimates.

In the Directors' opinion, the accounting estimates or judgments that have the most significant impact on the measurement of items recorded in the Financial Statements remain the impairment of goodwill (refer to note 17), the impairment of trade receivables – amounts due from clients (refer to note 37), the useful economic life applied to the intangible fixed assets and the calculation of the Group's current corporation tax charge and recognition of deferred tax assets (refer to note 10(c) and 10(e)).

The judgments in relation to the impairment of goodwill largely relate to the assumptions underlying the calculation of the value in use of the business being tested for impairment, primarily the achievability of the long-term business plan and macroeconomic assumptions underlying the valuation process.

The judgments in relation to impairment of trade receivables – amounts due from clients are dependent on historic levels of repayment and based upon individual circumstances.

The assessment of the useful economic life of the Group's technology based intangible assets is judgmental and can change as a result of unforeseen technological developments.

The calculation of the Group's current corporation tax charge involves a degree of estimation and judgment with respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority. The Group holds tax provisions in respect of the potential tax liability that may arise on these unresolved items, however, the amount ultimately payable may be materially lower than the amount accrued and could therefore improve the overall profitability and cash flows of the Group in future periods.

A deferred tax asset is only recognised to the extent it is considered to be probable that future operating profits will exceed the losses that have arisen to date.

The measurement of the Group's net trading revenue is predominately based on quoted market prices (please refer to note 36 for the financial instrument valuation hierarchy disclosures) and accordingly involves little judgment. However, the calculation of the segmental net trading revenue, as the Group manages risk and hedges on a group-wide portfolio basis, involves the use of an allocation methodology. This allocation methodology does not impact on the overall Group net trading revenue disclosed.

Income statement presentation – Discontinued operations

In the year ended 31 May 2012 the Group's Sport business was disclosed as a discontinued operation.

Discontinued operations consist of a single major line of business or a geographical area that has either been closed or sold during the period or is classified as held for sale at the year-end. The financial performance and cash flows of discontinued operations are separately reported.

Please refer to note 11 for additional detail.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. NET TRADING REVENUE

Net trading revenue represents trading revenue from financial instruments carried at fair value through profit or loss net of introducing broker commission. This is consistent with the management information received by the Chief Operating Decision Maker (refer to note 4). Revenue from external customers includes interest income on segregated client funds and is analysed as follows:

	2013 £000	2012 £000
Net trading revenue		
Contracts for difference	210,992	214,967
Spread betting	129,881	133,768
Binaries	20,984	18,077
Total net trading revenue	361,857	366,812
Interest income on segregated client funds	8,477	10,509
Revenue from external customers	370,334	377,321

In addition to the above, finance income is disclosed in note 8. The Group does not derive more than 10% of external revenue from any one single customer.

3. OTHER OPERATING INCOME

	2013 £000	2012 £000
Revenue share arrangement(1)	1,333	1,013
Inactivity fees(2)	484	–
Settlement income(3)	1,250	–
	3,067	1,013

(1) On 8 June 2011, the Group reached an agreement to sell the majority of the client list relating to the Group's Sport business to Spreadex Limited under a revenue share agreement where the Group would receive semi-annual payments for the subsequent three years, calculated by reference to the revenue that the acquirer generates from clients on the list

(2) In the year ended 31 May 2013, the Group commenced charging inactivity fees for those accounts on which clients had not traded for two years

(3) In the year ended 31 May 2013, the Group received one-off income in relation to settlement of an insurance claim made regarding the fit out of the London head office

4. SEGMENT INFORMATION

The segment information is presented as follows:

- Segment net trading revenue has been disclosed net of introducing broker commissions as this is consistent with the management information received by the Chief Operating Decision Maker (CODM) who are the Executive Directors
- Net trading revenue is reported by the location of the office that manages the underlying client relationship and aggregated into the disclosable segments of UK, Australia, Europe, Japan and Rest of World. The Rest of World segment comprises the Group's operations in each of South Africa, Singapore and the United States
- The Europe segment comprises the Group's operations in each of France, Germany, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and Norway
- Segment contribution, being segment trading revenue less directly incurred costs, as the measure of segment profit and loss reported to the CODM

The UK segment derives its revenue from financial spread bets, contracts for difference (CFDs) and binary options. The Australian, Japanese and European segments derive their revenue from CFDs and binary options. The businesses reported within the Rest of World derive revenue from the operation of a regulated futures and options exchange as well as CFDs, margined forex and binary options.

The Group employs a centralised operating model whereby market risk is managed principally in the UK, switching to Australia outside of UK hours. The costs associated with these operations are included in the Central segment, together with central costs of senior management, middle office, IT development, marketing and other support functions. As the Group manages risk and hedges on a group-wide portfolio basis, the following segmental revenue analysis involves the use of an allocation methodology. Interest income and expense on segregated client funds is managed and reported to the CODM centrally and thus has been reported in the Central segment. In the following analysis, the Central segment costs have been further allocated to the other reportable segments based on a number of cost allocation assumptions and segment net trading revenue.

Year ended 31 May 2013	UK £000	Australia £000	Europe £000	Japan £000	Rest of World £000	Central £000	Total £000
Segment net trading revenue	186,450	56,251	71,047	15,918	32,191	–	361,857
Interest income on segregated client funds	–	–	–	–	–	8,477	8,477
Revenue from external customers	186,450	56,251	71,047	15,918	32,191	8,477	370,334
Interest expense on segregated client funds	–	–	–	–	–	(289)	(289)
Other operating income	–	–	–	–	–	3,067	3,067
Betting duty	(5,204)	–	–	–	–	–	(5,204)
Net operating income	181,246	56,251	71,047	15,918	32,191	11,255	367,908
Segment contribution	151,337	49,297	43,870	11,043	20,245	(71,698)	204,094
Allocation of central costs	(35,251)	(11,165)	(15,074)	(3,290)	(6,918)	71,698	–
Depreciation and amortisation	(5,888)	(1,544)	(2,170)	(524)	(2,040)	–	(12,166)
Operating profit	110,198	36,588	26,626	7,229	11,287	–	191,928
Net finance income							280
Profit before taxation from continuing operations							192,208

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. SEGMENT INFORMATION (CONTINUED)

Year ended 31 May 2012	UK £000	Australia £000	Europe £000	Japan £000	Rest of World £000	Central £000	Total £000
Segment net trading revenue	191,781	57,962	72,217	16,457	28,395	–	366,812
Interest income on segregated client funds	–	–	–	–	–	10,509	10,509
Revenue from external customers	191,781	57,962	72,217	16,457	28,395	10,509	377,321
Interest expense on segregated client funds	–	–	–	–	–	(257)	(257)
Other operating income	–	–	–	–	–	1,013	1,013
Betting duty	(8,907)	–	–	–	–	–	(8,907)
Net operating income	182,874	57,962	72,217	16,457	28,395	11,265	369,170
Segment contribution	151,529	49,833	43,447	10,377	17,909	(76,822)	196,273
Allocation of central costs	(39,378)	(12,336)	(15,422)	(3,598)	(6,088)	76,822	–
Depreciation and amortisation	(4,998)	(1,424)	(1,893)	(623)	(1,822)	–	(10,760)
Operating profit	107,153	36,073	26,132	6,156	9,999	–	185,513
Net finance income							204
Profit before taxation from continuing operations							185,717

5. OPERATING PROFIT

	Group 2013 £000	Group 2012 £000
This is stated inclusive of exceptional items and after charging / (crediting):		
Exceptional items(1)	–	(1,091)
Depreciation of property, plant and equipment	6,050	5,934
Amortisation of intangible assets	6,116	4,826
Advertising and marketing	32,558	31,068
Net (recovery) / charge of impaired trade receivables	(348)	1,337
Operating lease rentals for land and buildings	4,375	3,988(2)
Foreign exchange gains(3)	(2,621)	(2,180)
Legal and professional(4)	4,772	5,777

(1) In the prior year the Group reached agreement with the lessor for both the early surrender and the settlement of all outstanding dilapidation obligations with regards to the lease of the Group's previous London headquarters. This resulted in a release of amounts provided or accrued in relation to onerous lease and dilapidation obligations. The release was considered to be exceptional in nature as onerous lease and dilapidation charges incurred in relation to the lease in the years ended 31 May 2010 and 31 May 2011 were previously disclosed as exceptional. There were no exceptional items in the year ended 31 May 2013

(2) Operating lease rentals, in the year ended 31 May 2012, are stated net of exceptional items

(3) All of the above, except foreign exchange differences, are included in administrative expenses within the income statement. Foreign exchange gains are included in revenue

(4) Legal and professional fees include costs of £3.4 million (2012: £1.1 million) incurred in defence of claims made in relation to the insolvency of Echelon Wealth Management Limited. Following the closure of this claim against the Group the plaintiffs have paid a £2.8 million contribution to the Group's legal costs. This contribution has been recorded within legal and professional fees

6. AUDITORS' REMUNERATION

Audit and audit-related fees(1)	Group 2013 £000	Group 2012 £000
Fees payable to the Company's auditor for the audit of the parent company and consolidated Financial Statements	195	190
Statutory and regulatory audit of subsidiaries and branches of the Company pursuant to legislation	192	98
Other services supplied pursuant to legislation	115	121
Other assurance services	100	–
Total audit and audit-related fees	602	409
Other fees to auditors		
Other services relating to taxation		
– Compliance-related services(2)	351	270
– Advisory-related services(3)	214	693
Services relating to corporate finance transactions	–	49
Services relating to regulatory advice(4)	109	–
All other services	136	87
Total other fees	810	1,099

(1) Includes the Group's audit fee as well as services that are specifically required of the Group's auditors through legislative or contractual requirements, controls assurance engagements required of the auditors by the regulatory authorities in whose jurisdiction the Group operates and other audit-related assurance services

(2) Includes corporate and other tax compliance and filing services which are closely related to the audit process and are therefore efficiently provided by the auditors due to their existing knowledge of the business

(3) Includes advice relating to the Group's transfer pricing policies of £18,000 (2012: £386,000) and sales taxes of £196,000 (2012: £248,000)

(4) Includes services provided in the review of regulatory filings and other regulatory advice

An overview of the Audit Committee's review of Auditors' remuneration and non-audit fee policy can be found in the Corporate Governance Report.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. STAFF COSTS

The staff costs for the year, including Directors, were as follows:

	Group 2013 £000	Group 2012 £000
Wages and salaries[(1)]	73,189	78,741
Social security costs	8,016	9,170
Other pension costs (in relation to defined contribution schemes)	5,071	4,758
	86,276	92,669

(1) Includes redundancy programme costs of £1.3 million

Staff costs including Directors, include the following amounts in respect of performance-related bonuses, inclusive of national insurance and share-based payments charged to the income statement:

	Group 2013 £000	Group 2012 £000
Performance-related bonuses	17,304	27,945
Equity-settled share-based payment schemes	4,414	5,005
	21,718	32,950

The Directors' emoluments for the years ended 31 May 2013 and 31 May 2012, including amounts in relation to compensation for loss of office, can be found in the Directors' Remuneration Report.

The average monthly number of employees, including Directors, was made up as follows:

	Group 2013 Number	Group 2012 Number
IT development	341	313
IT support	65	55
Sales, marketing and client support	415	415
Dealing	35	41
Management and administrative	149	136
	1,005	960

8. FINANCE INCOME

	Group 2013 £000	Group 2012 £000
Bank interest receivable	983	1,485
Interest receivable from brokers	991	673
Other finance income	42	306
Interest receivable from clients	–	23
Interest accretion on financial investments	20	–
	2,036	2,487

9. FINANCE COSTS

	Group 2013 £000	Group 2012 £000
Liquidity facility arrangement and non-utilisation fees	1,473	1,314
Interest payable to clients	73	242
Interest payable to brokers	128	165
Bank interest payable	3	11
Dividend on redeemable preference shares	3	3
Other charges	76	548
	1,756	2,283

Interest payable to clients relates to interest paid or accrued to clients in relation to title transfer funds (refer to note 19).

NOTES TO THE FINANCIAL STATEMENTS
(continued)

10. TAXATION

10(a) Tax on continuing profit on ordinary activities

Tax charged in the income statement:

	Group 2013 £000	Group 2012 £000
Current income tax		
UK corporation tax	43,680	46,756
Foreign tax	4,197	2,738
Adjustment in respect of prior years	174	(265)
Total current income tax	48,051	49,229
Deferred tax:		
Origination and reversal of temporary differences	2,409	(646)
Continuing tax expense in the income statement (note 10(b))	50,460	48,583

10(b) Reconciliation of the total tax charge

Corporation tax is calculated at 23.83% (2012: 25.67%) of the estimated assessable profit in the UK. Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions. The tax expense in the income statement for the year can be reconciled to the income statement as set out below:

	2013 £000	2012 £000
Continuing profit before taxation	192,208	185,717
Continuing profit multiplied by the UK standard rate of corporation tax of 23.83% (2012: 25.67%)	45,803	47,674
Expenses not deductible for tax purposes	1,892	1,193
Impact of previously unrecognised timing differences	1,428	–
Higher / (lower) taxes on overseas earnings	1,163	(19)
Adjustment in respect of prior years	174	(265)
Total tax expense reported in the income statement	50,460	48,583

The effective tax rate is 26.3% (2012: 26.2%).

10(c) Deferred income tax assets

The deferred income tax assets included in the Statement of Financial Position are as follows:

	Group 2013 £000	Group 2012 £000
Decelerated capital allowances	727	2,019
Tax losses available for offset against future tax	1,767	1,810
Share-based payments	2,062	3,415
Other timing differences	4,914	4,671
	9,470	11,915

The tax losses available for offset against future tax relate to operating losses arising in overseas subsidiary companies, the recoverability of which is dependent on sufficient future operating profits in those entities. A deferred tax asset is recognised where it is considered to be probable that future operating profits will exceed the losses that have arisen to date. Where it is not anticipated that future operating profits will exceed the losses that have arisen to date, a deferred tax asset is not recognised.

Share-based payment awards have been charged to the Income Statement but are not allowable as a tax deduction until the awards vest. The excess of tax relief in future years over the amount charged to the Income Statement is recognised as a credit directly to equity. The movement in the deferred income tax assets included in the Statement of Financial Position is as follows:

	Group 2013 £000	Group 2012 £000
At the beginning of the year	11,915	11,264
Income statement (charge) / credit (note 10 (d))	(2,409)	646
Tax credited / (debited) directly to equity	13	(101)
Foreign currency adjustment	(49)	106
At the end of the year	9,470	11,915

10(d) Deferred income tax – income statement credit

	Group 2013 £000	Group 2012 £000
The deferred income tax (charge) / credit included in the Income Statement is made up as follows:		
(Accelerated) / decelerated capital allowances	(1,292)	357
Tax losses available for offset against future tax	–	(3,071)
Share-based payments	(1,360)	(197)
Other timing differences	243	3,557
Income statement (charge) / credit	(2,409)	646
The deferred tax credited / (charged) to equity during the year is as follows:		
Share-based payments	13	(101)

Closing deferred tax on UK temporary differences has been calculated at the substantively enacted rate of 23% (2012: 24%). The effect of the change in UK corporation tax to 23% from 1 April 2013 on the deferred tax assets is a deferred income tax charge of £275,000 (2012: £373,000), which is included in the movements above.

10(e) Factors affecting the tax charge in future years

Factors that may affect the Group's future tax charge include the geographic location of the Group's earnings, the transfer pricing policies, the tax rates in those locations, changes in tax legislation, future planning opportunities, the use of brought-forward tax losses and the resolution of open tax issues. The calculation of the Group's total tax charge involves a degree of estimation and judgment with respect to the recognition of deferred tax assets (refer to note 10(c)) and of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority. The Group holds tax provisions in respect of the potential tax liability that may arise on these unresolved items, however, the amount ultimately payable may be materially lower than the amount accrued and could therefore improve the overall profitability and cash flows of the Group in future periods.

On 1 April 2013 the main rate of corporation tax reduced from 24% to 23%. A further 2% reduction to 21% at 1 April 2014 and 20% on 1 April 2015 is expected to be legislated in the Finance Bill 2013. The Group will assess the impact of the reductions in line with its accounting policy in respect of deferred tax at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. DISCONTINUED OPERATIONS

There were no discontinued operations in the year ended 31 May 2013.

The discontinued operations presented for the year ended 31 May 2012 related to the closure of the Sport business, extrabet. On 12 July 2011 the Group completed a redundancy consultation process with the employees of extrabet and all extrabet employees unable to find a role within the Group were made redundant as of 19 July 2011 and the business was closed.

Loss from discontinued operations	2012 £000
Net trading revenue	159
Other net operating expense	(47)
Exceptional closure credit	261
Administrative expenses	(761)
Loss before tax from discontinued operations	(388)
Tax credit	14
Loss after tax from discontinued operations	(374)

There were no items of cumulative income or expense recognised in other comprehensive income relating to the discontinued operations in the year ending 31 May 2012.

The operating cash flows for the year ending 31 May 2012 disclosed in the table below are included in the Group statement of cash flows.

Cash flows from discontinued operations	Year ended 31 May 2012 £000
Operating cash flows	(467)
Investing cash flows	–
Financing cash flows	–
Total cash flows from discontinued operations	(467)

12. EARNINGS PER ORDINARY SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as own shares in Employee Benefit Trusts. Diluted earnings per share is calculated using the same profit figure as that used in basic earnings per share and by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive ordinary shares arising from share schemes. The following reflects the income and share data used in the earnings per share computation:

	Group 2013 £000	Group 2012 £000
Continuing earnings attributable to equity shareholders of the Company	141,692	137,166
Discontinued earnings attributable to equity shareholders of the Company	–	(374)
Total earnings attributable to equity shareholders of the Company	141,692	136,792

	Group 2013	Group 2012
Weighted average number of shares		
Basic	363,172,810	361,915,111
Dilutive effect of share-based payments	2,016,025	3,404,455
Diluted	365,188,835	365,319,566

	Group 2013	Group 2012
Earnings per share		
Basic earnings per share from continuing operations	39.02p	37.90p
Basic loss per share from discontinued operations	–	(0.10p)
Basic earnings per share	39.02p	37.80p
Diluted earnings per share		
Diluted earnings per share from continuing operations	38.80p	37.54p
Diluted loss per share from discontinued operations	–	(0.10p)
Diluted earnings per share	38.80p	37.44p

13. DIVIDENDS

	Company and Group 2013 £000	Company and Group 2012 £000
Declared and paid during the year:		
Final dividend for 2012 at 16.75p per share (2011: 14.75p)	60,769	53,051
Interim dividend for 2013 at 5.75p per share (2012: 5.75p)	20,846	20,859
	81,615	73,910
Proposed for approval by shareholders at the AGM:		
Final dividend for 2013 at 17.50p per share (2012: 16.75p)	63,767	60,769

The final dividend for 2013 of 17.50 pence per share amounting to £63,767,000 was approved by the Board on 19 July 2013 and has not been included as a liability at 31 May 2013. This dividend will be paid on 22 October 2013 to those members on the register at the close of business on 20 September 2013.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements £000	Office equipment, fixtures and fittings £000	Computer and other equipment £000	Total £000
Cost:				
At 1 June 2011	15,224	2,158	14,938	32,320
Foreign currency adjustment	47	9	90	146
Additions	2,145	177	2,387	4,709
Written off	(732)	(56)	(1,693)	(2,481)
At 31 May 2012	16,684	2,288	15,722	34,694
Foreign currency adjustment	340	99	(118)	321
Additions	1,616	333	2,483	4,432
Written off	(1,188)	(245)	(116)	(1,549)
At 31 May 2013	17,452	2,475	17,971	37,898
Accumulated depreciation:				
At 1 June 2011	4,257	929	10,373	15,559
Foreign currency adjustment	22	(26)	131	127
Provided during the year	2,423	484	3,027	5,934
Written off	(732)	(56)	(1,693)	(2,481)
At 31 May 2012	5,970	1,331	11,838	19,139
Foreign currency adjustment	(52)	22	(181)	(211)
Provided during the year	2,321	443	3,286	6,050
Written off	(1,188)	(245)	(116)	(1,549)
At 31 May 2013	7,051	1,551	14,827	23,429
Net book value – 31 May 2013	10,401	924	3,144	14,469
Net book value – 31 May 2012	10,714	957	3,884	15,555
Net book value – 1 June 2011	10,967	1,229	4,565	16,761

15. INTANGIBLE ASSETS

Group	Goodwill £000	Client lists and customer relationships £000	Trade and domain names £000	Development costs £000	Software and licences £000	Total £000
Cost:						
At 1 June 2011	235,638	65,519	1,097	2,499	11,715	316,468
Foreign currency adjustment	37	(400)	122	58	80	(103)
Additions	–	–	–	1,649	1,388	3,037
Written off	–	(61,966)	–	–	(909)	(62,875)
At 31 May 2012	235,675	3,153	1,219	4,206	12,274	256,527
Foreign currency adjustment	(162)	(1,182)	(227)	(337)	(103)	(2,011)
Additions	–	–	3,966	3,386	3,909	11,261
Written off	–	–	(963)	–	(147)	(1,110)
At 31 May 2013	235,513	1,971	3,995	7,255	15,933	264,667
Accumulated amortisation:						
At 1 June 2011	128,210	63,985	1,097	60	5,914	199,266
Foreign currency adjustment	–	(250)	122	–	72	(56)
Provided during the year	–	972	–	595	3,259	4,826
Written off	–	(61,966)	–	–	(909)	(62,875)
At 31 May 2012	128,210	2,741	1,219	655	8,336	141,161
Foreign currency adjustment	–	(1,154)	(222)	(525)	(78)	(1,979)
Provided during the year	–	369	97	1,765	3,885	6,116
Written off	–	–	(963)	–	(147)	(1,110)
At 31 May 2013	128,210	1,956	131	1,895	11,996	144,188
Net book value – 31 May 2013	107,303	15	3,864	5,360	3,937	120,479
Net book value – 31 May 2012	107,465	412	–	3,551	3,938	115,366
Net book value – 1 June 2011	107,428	1,534	–	2,439	5,801	117,202

Goodwill primarily relates to the purchase of IG Group plc by IG Group Holdings plc – detail is provided in note 17. The client list acquired with the business of Ideal CFDs (refer note 16(a)) is being amortised on a sum-of-digits basis over three years.

Development costs are entirely internally generated intangible assets. Software and licenses relate entirely to external purchases. Domain names relate to the purchase of domain names to support the Group's global rebrand project and include IG.com.

The expected useful lives of each class of intangible asset are set out in note 41 'Accounting Policies'.

16. INVESTMENT IN SUBSIDIARIES

16(a) Acquisition of the client list and business of Ideal CFD Financial Services Pty Limited (Ideal)

In January 2013, the Group exercised the call option over the remaining 10% of IG Markets South Africa Limited (IGMSA) that transferred to the vendor of Ideal on completion of the original transaction. The amount paid of £1.3 million was based on a multiple of eight times average pro forma annual post-tax profits of IGMSA over the period from 1 September 2010 to 30 November 2012.

This had no impact on the goodwill associated with Ideal as the present value of the forecast redemption amount was recorded in the calculation of goodwill at the time of the original transaction. In total the consideration paid for IGMSA was £4.1 million.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

16(b) Parent company – investment in subsidiaries

	Company	
	2013	2012
At cost	£000	£000
At the beginning of the year	438,128	433,078
Additions(1)	21,849	5,050
At the end of the year	459,977	438,128

(1) Additions in the year ended 31 May 2013 comprise the investment relating to equity-settled share-based payments for subsidiary employees of £4,309,000 (2012: £5,005,000) and the purchase of shares in the Company's immediate subsidiary, IG Group Limited, of £17,540,000 (2012: £45,000)

The following companies are all owned directly or indirectly by IG Group Holdings plc:

Name of Company	Country of incorporation	Holding	Voting rights	Nature of business
Subsidiary undertakings held directly:				
IG Group Limited	UK	Ordinary shares	100%(1)	Holding company
IG Jersey Cashbox Limited	Jersey	Ordinary shares	100%	Dormant
Subsidiary undertakings held indirectly:				
IG Index Limited	UK	Ordinary shares	100%	Spread betting
IG Markets Limited	UK	Ordinary shares	100%	CFD trading and foreign exchange
extrabet Limited	UK	Ordinary shares	100%	Non-trading
IG Markets South Africa Limited	UK	Ordinary shares	100%(2)	CFD trading
IG Australia Pty Limited	Australia	Ordinary shares	100%	Australia sales and marketing office
IG Asia Pte Limited	Singapore	Ordinary shares	100%	CFD trading and foreign exchange
North American Derivatives Exchange Inc	US	Ordinary shares	100%	Exchange
IG Markets Securities Limited(3)	Japan	Ordinary shares	100%	CFD trading and foreign exchange
Market Data Limited	UK	Ordinary shares	100%	Data distribution
Market Risk Management Inc	US	Ordinary shares	100%	Market maker
IG Infotech (India) Private Limited	India	Ordinary shares	100%	Software development
IG Nominees Limited	UK	Ordinary shares	100%	Nominee company
IG Knowhow Limited	UK	Ordinary shares	100%	Software development
IG Finance	UK	Ordinary shares	100%	Financing
IG Finance Two	UK	Ordinary shares	100%	Financing
IG Finance Three	UK	Ordinary shares	100%	Financing
IG Finance Four	UK	Ordinary shares	100%	Financing
IG Finance 5 Limited	UK	Ordinary shares	100%	Financing
IG Finance 6 Limited	UK	Ordinary shares	100%	Financing
IG Finance 7 Limited	UK	Ordinary shares	100%	Financing
IG Finance 8 Limited	UK	Ordinary shares	100%	Financing
IG Finance 9 Limited	UK	Ordinary shares	100%	Financing
Fox Sub Limited	Gibraltar	Ordinary shares	100%	Financing
Fox Sub Two Limited	Gibraltar	Ordinary shares	100%	Financing
Fox Japan Holdings(3)	Gibraltar	Ordinary shares	100%	Holding company
IG US Holdings Inc	US	Ordinary shares	100%	Holding company
Market Data Japan KK	Japan	Ordinary shares	100%	Holding company
FXOnline Japan Co., Limited(3)	Japan	Ordinary shares	100%	Non-trading

(1) IG Group Limited had preference shares in issue at 31 May 2012. These preference shares were redesignated as ordinary share capital during the year ended 31 May 2013
(2) The Group purchased the non-controlling interest during the year ended 31 May 2013 and now owns 100% of this Company (refer to note 16(a))
(3) IG Markets Securities Limited, Fox Japan Holdings and FXOnline Japan Co., Limited have a year-end of 31 March

Employee Benefit Trusts:
IG Group Holdings plc Inland Revenue Approved Share Incentive Plan (UK Trust)
IG Group Limited Employee Benefit Trust (Jersey Trust)

The following UK entities, all of which are 100% owned by the Group, are not subject to an audit by virtue of s479A of the Companies Act 2006 relating to subsidiary companies: IG Nominees Limited, IG Finance, IG Finance Two, IG Finance Three, IG Finance Four, IG Finance 5 Limited, IG Finance 6 Limited, IG Finance 7 Limited, IG Finance 8 Limited, IG Finance 9 Limited, and extrabet Limited.

17. IMPAIRMENT OF GOODWILL

17(a) Analysis of goodwill

Goodwill has been allocated for impairment testing purposes to the cash-generating units (CGUs), as follows:

	Group	
	2013	2012
	£000	£000
UK – Financial	100,012	100,012
Australia – Financial	934	934
US – Nadex	4,998	4,931
South Africa – Ideal CFDs	1,359	1,588
	107,303	107,465

Goodwill arising on the purchase of IG Group plc by IG Group Holdings plc on 5 September 2003 was previously allocated according to the profitability of the Financial and Sport CGUs at that date. Goodwill disclosed as Australia – Financial arose on the acquisition of the non-controlling interest in IG Australia in the year ended 31 May 2006. Goodwill arising on the acquisitions of each of Nadex and Ideal CFDs has been allocated to the separate US and South African CGUs respectively.

17(b) Impairments in the year ended 31 May 2013

During the year ended 31 May 2013 there was no indication of an 'impairment trigger' existing on any of the CGUs.

17(c) Impairment testing at period end

The goodwill associated with the UK, Australian, US and South African CGUs has been subject to an impairment test at 31 May 2013 as set out in the following disclosures.

Methodology utilised in the impairment testing

For the purposes of impairment testing of goodwill, the carrying amount of each CGU is compared to the recoverable amount of each CGU and any deficits are provided. The carrying amount of a CGU includes only those assets that can be attributed directly, or allocated on a reasonable and consistent basis.

The estimated recoverable amount of each CGU is based upon value-in-use calculated as the total of the present value of projected five-year future cash flows and a terminal value.

Key assumptions used in value-in-use calculations

The calculation of value-in-use for the CGUs is most sensitive to the following assumptions:

- Growth rates used to extrapolate cash flows
- The discount rate
- The long-term growth rate used for the terminal value calculation
- Client recruitment and retention rates
- Average revenue per client

Projected future cash flows for each CGU were based upon the Board-approved budget for the year ending 31 May 2014 and forecasts to the year ending 31 May 2018 extrapolated from the budget. Cash flows beyond the year ending 31 May 2014 were estimated using a range of Board-approved subsequent growth rates in order to allow for differing growth scenarios. This methodology is consistent with that used for the 31 May 2012 year-end impairment review. The revenue growth rates assumed are consistent with the long-term growth rates of the Group's businesses measured over a five-year period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. IMPAIRMENT OF GOODWILL (CONTINUED)

The cash flows for the US and South African CGUs were translated into sterling using year-end exchange rates.

The cash flows were discounted using pre-tax discount rates as disclosed in the table below. These were derived using region specific, market-based cost of equity and debt assumptions in order to reflect both the financing cost and risk associated with each CGU. The long-term growth rates (g) used in the terminal value calculations are disclosed below and are equivalent to, or lower than, the respective long-term growth rate for the economy in which the CGU operates.

Cash-generating unit	2013 Discount rate	2012 Discount rate	2013 Years 4-5 growth rate	2012 Years 4-5 growth rate	2013 g	2012 g
Financial (UK and Australia)	11.5%	12.0%	4.0%	4.0%	2.2%	2.0%
US	14.9%	15.3%	21.0%	32.0%	1.9%	2.0%
South Africa	16.2%	23.2%	10.0%	16.0%	4.9%	4.5%

Client recruitment and retention rates and average revenue per client were based upon actual amounts measured in prior periods which were projected forward in accordance with expected trends.

On the basis of the results of the above analysis there was no impairment of goodwill during the year.

Sensitivity to changes in assumptions

The UK and Australian CGUs represent approximately 50% and 15% of the Group's net trading revenue and reported a segment operating profit, after the allocation of central costs, of £110.2 million and £36.6 million respectively for the year ended 31 May 2013 (refer to note 4, 'Segment information'). The Board-approved budget for the year ending 31 May 2014 and longer-term financial forecasts for both these CGUs forecast a similar level of performance to continue. As a result the recoverable amount of the UK and Australian CGUs is significantly in excess of the carrying value and accordingly the outcome of the impairment review is not considered to be sensitive to the assumptions used.

The South Africa CGU generated in the current financial year and is forecast to generate, in the Board-approved budget for the year ending 31 May 2014, a direct contribution that is more than sufficient to support the goodwill carrying value. Accordingly the outcome of the impairment review is not considered to be sensitive to the assumptions used.

The US business and thus CGU is in the early stages of development and remains a long-term project for the Group. The Directors have therefore performed a sensitivity analysis around the assumptions used in the value-in-use calculation – should the use of the exchange platform not continue to provide economic benefits and Nadex client recruitment and retention not reach the levels required to generate sufficient profits within the five-year forecast period then the Directors would have to consider the carrying amount of the US CGU.

18. TRADE RECEIVABLES

	Group 2013 £000	Group 2012 £000
Amounts due from brokers(1)	283,940	206,997
Other amounts due to the Group(2)	15,003	12,920
Amounts due from clients(3)	1,693	2,425
	300,636	222,342

(1) Amounts due from brokers represent balances with brokers where the combination of cash held on account and the valuation of financial derivative open positions results in an amount due to the Group. At 31 May 2013 the actual broker margin requirement was £245.7 million (2012: £196.0 million)

(2) Other amounts due to the Group include balances that will be transferred to the Group's own cash from segregated client funds on the following working day in accordance with the UK's Financial Conduct Authority (FCA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates. At 31 May 2013 this also includes amounts due from banking counterparties or held within segregated client funds in relation to monies transferred by clients to the Group that remain unsettled at the year-end. The Group is required to segregate these client funds at the point of client funding and not at cash settlement

(3) Amounts due from clients arise when a client's total funds deposited with the Group are insufficient to cover any trading losses incurred and are stated net of an allowance for impairment (refer to note 37)

19. CASH AND CASH EQUIVALENTS

	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Gross cash and cash equivalents(1)	921,869	960,894	245	151
Less: Segregated client funds(2)	(823,524)	(732,738)	–	–
Own cash and title transfer funds(3)	98,345	228,156	245	151

(1) Gross cash and cash equivalents includes the Group's own cash as well as all client monies held including both segregated client and title transfer funds

(2) Segregated client funds comprise individual client funds held in segregated client money established under the UK's Financial Conduct Authority (FCA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates. Such monies are not included in the Group's Statement of Financial Position

(3) Title transfer funds are held by the Group under a Title Transfer Collateral Arrangement (TTCA) by which a corporate client agrees that full ownership of such monies is unconditionally transferred to the Group (refer to note 23)

The Group's total available liquidity including undrawn committed borrowing facilities is disclosed in note 20 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. LIQUIDITY ANALYSIS AND RISK MANAGEMENT

The following section provides an analysis of the Group's available liquidity, the liquidity requirements that result from the Group's business model, and sets out the key measures used by the Group to monitor and manage the level of liquidity available to the Group.

The key measures used by the Group are explained below:

Liquid assets: These are total liquid assets that the Group can access. These include cash held at bank (both own cash and title transfer funds) as well as at broker, the liquid assets buffer held by the Group and other cash amounts due to the Group.

Own funds: These are liquid assets less title transfer funds. Title transfer funds are client monies held by the Group under a Title Transfer Collateral Arrangement (TTCA).

Available liquid assets: Certain of the Group's funds are not immediately available for the purposes of central market risk management as they are required to provide regulatory capital balances in regulated subsidiaries. Additionally the Group's overseas businesses also require working capital balances to both fund daily operations and to ensure sufficient liquidity is available to fund the local client segregation requirements. Available liquid assets are therefore liquid assets less both amounts held in overseas subsidiaries and amounts due from segregation to the Group – each of which are not considered immediately available to the Group.

Net available liquidity: This is the remaining liquidity available to the Group after the funding of the broker margin requirement associated with market risk management.

Total available liquidity: This measure is the total of the Group's liquid assets and the Group's undrawn committed banking facilities.

20(a) Liquid assets and own funds

'Liquid assets' and 'own funds' are the key measures the Group uses to monitor the overall level of liquid assets available to the Group. The derivation of both liquid assets and own funds is shown in the following table:

	Note	2013 £000	2012 £000
Own cash and title transfer funds[1]	19	98,345	228,156
Amounts due from brokers[2]	18	283,940	206,997
Financial investments – liquid assets buffer[3]	22	50,468	–
Other amounts due to the Group[4]	18	15,003	12,920
Liquid assets		447,756	448,073
Analysed as:			
Own funds		429,291	388,221
Title transfer funds	23	18,465	59,852

(1) Own cash and title transfer funds represent cash held on demand with financial institutions (refer to note 19)
(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 Group. These positions are held to hedge client market exposures in accordance with the Group's market risk management (refer to note 37(a))
(3) Financial investments represent UK Government Treasury Bills and Gilts held in accordance with the BIPRU 12 liquidity standards and the Group's regulatory oversight by the FCA. This is the Group's liquid assets buffer
(4) Other amounts due to the Group include balances that will be transferred to the Group's own cash from segregated client funds on the following working day in accordance with the UK's Financial Conduct Authority (FCA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates. At 31 May 2013 this also includes amounts due from banking counterparties or held within segregated client funds in relation to monies transferred by clients to the Group that remain unsettled at the year-end. The Group is required to segregate these client funds at the point of client funding and not at cash settlement

The following notes have been provided in order to further explain the derivation of liquid assets and own funds. The generation of own funds from operations is disclosed in note 20(d).

20(b) The Group's liquidity requirements

The Group requires liquidity for each of: the full segregation of client monies; the funding of regulatory and working capital in overseas businesses; the funding of margin requirements at brokers to hedge the underlying client positions under both normal and stressed conditions; the funding of a liquid assets buffer; and amounts associated with general working capital.

The available liquid assets measure excludes cash amounts tied up in both the requirement to segregate client funds and in regulatory and working capital of overseas businesses as they are not considered to be available for the purposes of central market risk management.

These requirements are analysed in the following table:

	Note	As at 31 May 2013 £000	As at 31 May 2012 £000
Liquid assets	20(a)	447,756	448,073
Less amounts required to ensure appropriate client money segregation – other amounts due to the Group[1]	18	(15,003)	(12,920)
Less amounts required for regulatory and working capital of overseas businesses[2]		(32,542)	(21,064)
Available liquid assets		400,211	414,089
Less broker margin requirement[3]		(245,689)	(195,954)
Net available liquidity		154,522	218,135
Of which held as a liquid assets buffer[4]	22	50,468	–

(1) Refer to note 20(a) for details of the amounts included in this balance. These cash balances are not immediately available to the Group for the purposes of broker margin payments
(2) The Group's regulated subsidiaries in Singapore, Japan, South Africa and the US all have minimum cash holding requirements associated with their respective regulatory capital requirements. Additionally the Group's regulated business or subsidiaries in Australia, Singapore, Japan, South Africa and the US are required to segregate individual client funds in segregated client money bank accounts. This daily segregation requirement occurs prior to the release of funds from the UK (note: market risk management is performed centrally for the Group in the UK) in relation to the associated hedging positions held at external brokers. Accordingly cash balances are held in each of the overseas businesses in order to ensure client money segregation obligations are met. These regulatory or working capital cash balances are not available to the Group for the purposes of market risk management
(3) Positions are held with external brokers in order to hedge client market risk exposures in accordance with the Group's market risk management policies (please refer to note 37)
(4) The liquid assets buffer is not available to the Group in the ordinary course of business, however utilisation is allowed in times of liquidity stress and therefore it is considered as available for the purposes of overall liquidity planning

The reduction in net available liquidity from £218.1 million at 31 May 2012 to £154.5 million at 31 May 2013 primarily results from a £49.7 million increase in the year-end broker margin requirement. At 31 May 2013 £50.5 million of the net available liquidity is held in a liquid assets buffer in accordance with BIPRU 12.

The following notes have been provided in order to further explain the derivation of available liquid assets and net available liquidity.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. LIQUIDITY ANALYSIS AND RISK MANAGEMENT (CONTINUED)

20(c) Liquidity management and liquidity risk

Liquidity risk is managed centrally and on a Group-wide basis. The Group's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its broker margin requirements and other financial liabilities when due, under both normal circumstances and stressed conditions. The Group has carried out an Individual Liquidity Adequacy Assessment ('ILAA') during the year, and while this applies specifically to the Group's FCA regulated entities, it provides the context in which liquidity is managed on a continuous basis for the whole Group.

The Group does not have any material liquidity mismatches with regard to liquidity maturity profiles due to the very short-term nature of its financial assets and liabilities. Liquidity risk can, however, arise as all individual client funds are required to be placed in segregated client money accounts. A result of this policy is that short-term (less than one week) liquidity 'gaps' can potentially arise in periods of very high client activity or significant increases or falls in global financial market levels.

During periods of significant market falls the Group will be required to fund margin payments to brokers prior to the release of funds from segregation, and in periods of significant market increases or increased client activity the Group will be required to fund higher margin requirements at brokers to hedge increased underlying client positions. These additional requirements are funded from the Group's liquidity available for market risk management while these individual client positions are open, as individual client funds remain in segregated client money bank accounts.

In order to mitigate this and other liquidity risks, the Group regularly stress tests its three-year liquidity forecast to validate the appropriate level of committed unsecured bank facilities held. At the year-end, these amounted to £180.0 million (2012: £180.0 million). These facilities were drawn to a maximum of £25.0 million for a period of 22 days in April 2013 where the broker margin requirement reached a level of £294.7 million and the Group held a liquid assets buffer of £50.5 million. Other than for testing purposes these facilities were not drawn upon during the prior financial year. As well as the three-year liquidity forecast, the Group also produces more detailed short-term liquidity forecasts and detailed stress tests such that appropriate management actions or liquidity facility drawdown can occur prior to a period of liquidity stress.

Additionally the Group's Japanese business, IG Markets Securities Limited, has a Yen 300 million (£2.5 million) liquidity facility as at 31 May 2013 (2012: Yen 300 million (£2.5 million)).

Please refer to section (e) of this note for details of the subsequent events with regards to the liquid assets buffer and the liquidity facility.

A number of measures are used by the Group for managing liquidity risk, one of which is the level of total available liquidity. For this purpose total liquid resources are calculated as set out in the following table inclusive of undrawn committed facilities:

	2013 £000	2012 £000
Liquid assets	447,756	448,073
Undrawn committed banking facilities(1)	180,000	180,000
Total available liquidity (including facilities)(2)	627,756	628,073

(1) Drawdown of the committed banking facilities is capped at 80% of the actual broker margin requirement on the drawdown date. Available drawdown was £180.0 million and £156.8 million at 31 May 2013 and 31 May 2012 respectively based on the broker margin requirements on those dates

(2) Stated inclusive of the liquid assets buffer of £50.5 million (2012: nil) that is held by the Group in satisfaction of the FCA requirements to hold a 'liquid asset buffer' against potential liquidity stress under BIPRU 12. Utilisation of the liquid assets buffer is allowed in times of liquidity stress and therefore it is considered as available for the purposes of overall liquidity planning

The Group's total available liquidity enables the funding of large broker margin requirements when required – the level of available liquid assets that can be utilised for market risk management at 31 May 2013 should be considered in light of the intra-year high broker margin requirement of £297.5 million (2012: £277.1 million), the requirement to hold a liquid assets buffer, the continued growth of the business, the Group's commitment to segregation of individual clients money as well as the final proposed dividend for the year ending 31 May 2013, all of which draw upon the Group's liquidity.

20(d) Own funds generated from operations

The following cash flow statement summarises the Group's generation of own funds during the year and excludes all cash flows in relation to monies held on behalf of clients. Additionally both amounts due from brokers and the liquid assets buffer have been treated as 'cash equivalents' and included within 'own funds' in order to provide a clear presentation of the Group's available cash resources. The derivation of own funds is explained in note 20(a). A narrative explanation of the key cash flows disclosed in the following cash flow statement is provided within the Operating and Financial Review:

	2013 £000	2012 £000
Operating activities		
Profit before tax	192,208	185,329(1)
Depreciation and amortisation	12,166	10,760
Other non-cash adjustments	4,247	2,140
Income taxes paid	(53,247)	(57,554)
Own funds generated from operations	155,374	140,675
Movement in working capital	(13,081)	21,906
Inflow / (outflow) from investing activities		
Interest received	2,172	2,004
Purchase of property, plant and equipment and intangible assets	(16,762)	(9,141)
Purchase of non-controlling interests	(1,319)	–
(Outflow) / inflow from financing activities		
Interest paid	(3,175)	(2,013)
Equity dividends paid to equity holders of the parent	(81,615)	(73,910)
Other outflow from financing activities	(33)	(264)
Total outflow from investing and financing activities	(100,732)	(83,324)
Increase in own funds	41,561	79,257
Own funds at 1 June	388,221	309,228
Exchange losses on own funds	(491)	(264)
Own funds at 31 May	429,291	388,221

(1) Profit before tax is stated inclusive of discontinued operations in the year ended 31 May 2012 for the purposes of the cash flow statement

20(e) Subsequent events

Subsequent to the year-end, in accordance with the phased transfer agreed with the FCA for the Group to hold a liquid assets buffer of up to £100.0 million by August 2013, the Group has purchased £32.3 million of additional BIPRU 12 qualifying assets (please refer to note 39 for further details). Following this purchase the Group now holds £83.1 million of BIPRU 12 qualifying assets within the liquid assets buffer.

Further, the Group has on 19 July 2013 completed the renegotiation of the liquidity facilities with a syndicate of three banks. In doing so the Group has increased the size of the overall facility to £200.0 million and established a longer-term liquidity funding arrangement. Of the total facility £120.0 million is available for a period of one year and £80.0 million is available for three years respectively from the facility signing date. Please refer to note 39.

A final dividend of 17.50 pence per share amounting to £63,767,000 was approved by the Board on 19 July 2013.

In the Directors' opinion the Group has sufficient liquidity available to meet operational requirements under both normal and stressed conditions. Liquidity management is also dependent on credit risk management previously described.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. CASH GENERATED FROM OPERATIONS

		Group		Company	
		2013	2012	2013	2012
Operating activities	**Note**	**£000**	**£000**	**£000**	**£000**
Operating profit / (loss)		191,928	185,126	(3,122)	(1,018)
Adjustments to reconcile operating profit to net cash generated from operating activities:					
Net interest income on segregated client funds		(8,188)	(10,252)	–	–
Depreciation of property, plant and equipment	14	6,050	5,934	–	–
Amortisation of intangible assets	15	6,116	4,826	–	–
Non-cash foreign exchange gains in operating profit		(2,399)	(2,190)	–	–
Share-based payments		4,309	5,005	4,309	–
Recovery of trade receivables		1,043	2,563	–	–
(Increase) / decrease in trade and other receivables		(79,415)	42,274	84,801	50,088
(Decrease) / increase in trade and other payables		(52,228)	2,572	(3,641)	26,864
Decrease in provisions		(202)	(714)	–	–
Other non-cash items		(612)	(228)	–	(565)
Cash generated from operations		66,402	234,916	82,347	75,369

(1) The operating profit disclosed for the year ending 31 May 2012 is stated inclusive of discontinued operations. Cash flows from discontinued operations are disclosed in note 11 to the financial statements

22. FINANCIAL INVESTMENTS

	Group	
	2013	2012
	£000	**£000**
UK Government securities	50,468	–

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

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

23. TRADE PAYABLES

	Group	
	2013	2012
	£000	**£000**
Amounts due to title transfer clients	18,465	59,852
Other trade payables	582	1,224
	19,047	61,076

24. OTHER PAYABLES

	Group		Company	
	2013	2012	2013	2012
	£000	**£000**	**£000**	**£000**
Accruals	51,534	62,652	6,164	6,212
Other taxes and social security	2,244	2,160	–	–
Amounts due to Group companies (note 35(b))	–	–	26,293	26,759
Dividends on redeemable preference shares	3	3	3	3
	53,781	64,815	32,460	32,974

Included within accruals are amounts in relation to employee bonuses.

25. PROVISIONS

	Group	
	2013	2012
	£000	**£000**
At the beginning of the year	1,353	3,418
Income statement charge	–	126
Utilised in the year	(1,353)	(1,408)
Released in the year	–	(783)
At the end of the year	–	1,353
Current	–	1,353
Total	–	1,353

During the prior year agreement was reached with the lessor, for the early surrender of the lease of the Group's previous London headquarters. The provision was settled in full in the year ended 31 May 2013.

26. LITIGATION

On 27 March 2013, the High Court dismissed the claim against IG Markets Limited, which dated from late 2010, in relation to the insolvency of Echelon Wealth Management Limited, a former client of IG Markets Limited. No provision had been made in the Group statement of financial position as at 31 May 2012.

Subsequently the plaintiffs chose not to appeal and have paid a substantial contribution to the legal costs incurred by the Group as disclosed in note 5.

27. REDEEMABLE PREFERENCE SHARES

	Company and Group	
	2013	2012
	£000	**£000**
Allotted, called up and fully paid:		
40,000 preference shares of £1 each	40	40

The preference shares are entitled to a fixed non-cumulative dividend of 8% paid in preference to any other dividend. Redemption is only permissible in accordance with capital distribution rules or on the winding up of the Company where the holders are entitled to £1 per share plus, if the Company has sufficient distributable reserves, any accrued or unpaid dividends. The preference shares have no voting rights, except that they are entitled to vote should the Company fail to pay any amount due on redemption of the shares. The effective interest rate on these shares is 8% (2012: 8%).

NOTES TO THE FINANCIAL STATEMENTS
(continued)

28. SHARE CAPITAL

	Number of shares	Ordinary share capital £000	Share premium account £000
Allotted, called up and fully paid:			
(i) Ordinary shares (0.005p)			
At 1 June 2011	362,233,554	18	206,246
Issued during the year	1,081,469	–	45
At 31 May 2012	363,315,023	18	206,291
Issued during the year	1,579,901	–	467
At 31 May 2013	364,894,924	18	206,758
(ii) B shares (0.001p)			
At 31 May 2012 and 31 May 2013	65,000	–	–

During the year ended 31 May 2013 1,579,901 (2012: 1,081,469) ordinary shares with an aggregate nominal value of £79 (2012: £54) were issued following the exercise of Long-Term Incentive Plan awards for a consideration of £467,000 (2012: £45,000).

Except as the ordinary shareholders have agreed or may otherwise agree, on a winding up of the Company, the balance of assets available for distribution after the payment of all of the Company's creditors and subject to any special rights attaching to other classes of shares are distributed among the shareholders according to the amounts paid up on shares by them.

B shares

The B shares carry no entitlement to dividends and no voting rights. To the extent not already received by them the B shareholders shall, on a winding up of the Company be entitled to receive, from the trustee, a consideration equal to the amount realised by the sale by the trustee of approximately 122 ordinary shares for every B share held.

29. OWN SHARES HELD IN EMPLOYEE BENEFIT TRUSTS

The movements in own shares held in Employee Benefit Trusts in respect of employee share plans during the year were as follows:

	Company and Group 2013 £000	2012 £000
At the beginning of the year:		
1,207,619 (2012: 1,143,616) ordinary shares of 0.005p each	1,508	1,223
Purchased during the year:		
97,075 (2012: 67,047) ordinary shares of 0.005p each	441	298
Exercised / re-allocated during the year:		
81,283 (2012: 3,044) ordinary shares of 0.005p each	(493)	(13)
At the end of the year:		
1,223,411 (2012: 1,207,619) ordinary shares of 0.005p each	1,456	1,508

The Group has a UK-resident Employee Benefit Trust in order to hold shares in the Company in respect of awards under the Group's HM Revenue and Customs approved Share Incentive Plan (SIP). At 31 May 2013, 559,762 ordinary shares (2012: 519,570) were held in the trust and at the year-end have reduced shareholders' equity by £3,241,022 (2012: £2,126,392). These include 252,580 ordinary shares (2012: 237,530) which were not allocated to employees and are available for future SIP awards. The market value of the shares held conditionally at the year-end was £1,462,438 (2012: £972,115).

The Group has a Jersey resident Employee Benefit Trust which holds shares in the Company. At 31 May 2013, the trust held 512,075 (2012: 512,075) ordinary shares which are available to satisfy awards under the SIP and value-sharing plan schemes. The shares held at the year-end have reduced shareholders' equity by £26 (2012: £26). The market value of the shares held conditionally at the year-end was £2,964,914 (2012: £2,221,797).

The Group has an Australian resident Employee Equity Plan Trust in order to hold shares in the Company in respect of awards under a SIP. At 31 May 2013, 12,412 ordinary shares (2012: 7,907) were held in the trust and at the year-end have reduced shareholders' equity by £71,865 (2012: £59,424). These include nil ordinary shares (2012: nil) which were not allocated to employees and are available for future SIP awards. The market value of the shares held conditionally at the year-end was nil (2012: nil).

Upon flotation of the Company on 4 May 2005, 5,861,497 ordinary shares and cash of £2.4 million were transferred to the Jersey Employee Benefit Trust by institutional shareholders in order to satisfy their obligations to holders of 48,059 and 16,941 B shares respectively. During the year ended 31 May 2013, 237 (2012: nil) B shares were sold by B shareholders to the Trust. The Trust sold 28,905 (2012: nil) ordinary shares in order to realise the funds necessary to purchase these B shares. The Trust unconditionally held 63,859 (2012: 63,622) B shares at the year-end. The Trust also held 1,141 (2012: 1,378) B shares and 139,162 (2012: 168,067) ordinary shares which it may sell in order to satisfy its obligations to B shareholders, all of whom are current or former employees.

NOTES TO THE FINANCIAL STATEMENTS (continued)

30. OTHER RESERVES

The share-based payments reserve relates to the estimated cost of equity-settled employee share plans based on a straight-line basis over the vesting period and the associated taxation. The foreign currency translation reserve includes amounts in relation to the translation of overseas subsidiaries. The available-for-sale reserve includes unrealised gains or losses in respect of financial investments.

Group	Share-based payments £000 (note 31)	Foreign currency translation £000	Own shares held in Employee Benefit Trusts £000 (note 29)	Other reserves £000	Available-for-sale reserve £000	Total other reserves £000
At 1 June 2011	24,596	59,102	(1,223)	(2,302)	–	80,173
Equity-settled employee share-based payments	5,005	–	–	–	–	5,005
Excess of tax deduction benefit on share-based payments recognised directly in equity (note 10)	(101)	–	–	–		(101)
Foreign currency translation on overseas subsidiaries	–	774	–	–	–	774
Exercise of Australian share incentive plans	(13)	–	13	–	–	–
Exercise of US share incentive plans	(10)	–	–	–	–	(10)
Purchase of own shares	–	–	(298)	–	–	(298)
At 31 May 2012	29,477	59,876	(1,508)	(2,302)	–	85,543
Equity-settled employee share-based payments	4,309	–	–	–	–	4,309
Excess of tax deduction benefit on share-based payments recognised directly in equity (note 10)	13	–	–	–	–	13
Foreign currency translation on overseas subsidiaries	–	(4,575)	–	–	–	(4,575)
Exercise of Australian share incentive plans	(5)	–	5	–	–	–
Exercise of US share incentive plans	(20)	–	–	–	–	(20)
Exercise of UK share incentive plans	(488)	–	488	–	–	–
Purchase of own shares	–	–	(441)	–	–	(441)
Acquisition of non-controlling interest	–	–	–	199	–	199
Loss on financial investments	–	–	–	–	(38)	(38)
At 31 May 2013	33,286	55,301	(1,456)	(2,103)	(38)	84,990

Company	Share-based payments £000 (note 31)	Own shares held in Employee Benefit Trusts £000 (note 29)	Total other reserves £000
At 1 June 2011	20,122	(1,223)	18,899
Equity-settled employee share-based payments	5,005	–	5,005
Exercise of Australian share incentive plans	(13)	13	–
Exercise of US share incentive plans	(10)	–	(10)
Purchase of own shares	–	(298)	(298)
At 31 May 2012	25,104	(1,508)	23,596
Equity-settled employee share-based payments	4,309	–	4,309
Exercise of Australian share incentive plans	(5)	5	–
Exercise of US share incentive plans	(20)	–	(20)
Exercise of UK share incentive plans	(488)	488	–
Purchase of own shares	–	(441)	(441)
At 31 May 2013	28,900	(1,456)	27,444

31. EMPLOYEE SHARE PLANS

The Company operates three employee share plans; a Share Incentive Plan (SIP), a value-sharing plan (VSP) and a Long-Term Incentive Plan (LTIP) all of which are equity-settled. The final awards made under the LTIP vested on 25 September 2012. The expense recognised in the income statement in respect of share-based payments was £4,414,000 (2012: £5,005,000).

Share Incentive Plan (SIP)

SIP awards are made available to all UK, Australian and US employees. The Executive Committee has responsibility for setting the terms of the award which are then approved by the Remuneration Committee.

The UK and Australian awards invite all employees to subscribe for up to £1,500 / A$3,000 of partnership shares, with the Company matching on a one-for-one basis. All matching shares vest after three years as long as the employee remains employed with the Group for the term of the award. Shares awarded under the scheme are held in trust in accordance with local tax authority rules. Employees are entitled to receive dividends on the shares held in trust for as long as they remain employees.

The US award invites employees to invest a maximum of 5% of their salary bi-annually to the award. The award runs for a six-month period and at the end of this period, the employees are invited to purchase shares in IG Group Holdings plc at a discount of 15% to the scheme price, being the lower of the opening share price and the closing share price for the period.

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

Country of award	Award date	Share price at award	Expected vesting date	At the start of the year Number	Awarded during the year Number	Lapsed during the year Number	Exercised during the year Number	At the end of the year Number
UK	22 Jul 2009	288.00p	22 Jul 2012	42,846	–	(521)	(42,325)	–
Australia	9 Feb 2010	367.42p	9 Feb 2013	3,377	–	–	(3,377)	–
UK	21 Jul 2010	483.85p	21 Jul 2013	50,155	–	(4,959)	(2,480)	42,716
Australia	5 Aug 2010	489.90p	5 Aug 2013	3,751	–	(354)	(354)	3,043
UK	28 Jul 2011	443.74p	28 Jul 2014	60,509	–	(6,417)	(2,748)	51,344
Australia	1 Aug 2011	444.77p	1 Aug 2014	4,510	–	–	(451)	4,059
UK	27 Jul 2012	456.00p	27 Jul 2015	–	90,939	(6,129)	(3,284)	81,526
Australia	22 Aug 2012	432.02p	22 Aug 2015	–	6,136	(472)	–	5,664
Total				165,148	97,075	(18,852)	(55,019)	188,352

Of the above SIP awards exercised during the year ending 31 May 2013, the average exercise price was:

Country of award	Award date	
UK	22 Jul 2009	441.20p
Australia	9 Feb 2010	491.90p
UK	21 Jul 2010	460.49p
Australia	5 Aug 2010	449.70p
UK	28 Jul 2011	469.27p
Australia	1 Aug 2011	457.80p
UK	27 July 2012	456.32p

Value-sharing plan (VSP)

The VSP award was introduced during the year ended 31 May 2011 to replace the LTIP award. VSP awards are conditional awards made available to Executive Directors and other senior staff. The Remuneration Committee has responsibility for agreeing any awards under the plan and for setting the policy for the operation of the plan, including agreeing performance targets and which employees should be invited to participate. Participants do not pay to receive awards or to receive release of shares. The VSP performance targets vest after three years with a pre-defined number of shares allocated, for each £10.0 million of surplus shareholder value created over the three-year period above a hurdle. Half of the shares vest after three years and can be exercised at that date, with the remaining half being deferred for a further year, conditional upon continued employment at the vesting date. The VSP is based upon two performance conditions, Total Shareholder Return (TSR) and profit before taxation.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

31. EMPLOYEE SHARE PLANS (CONTINUED)

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

Award date	Share price at award	Expected vesting date	At the start of the year Number	Awarded during the year Number	Lapsed during the year Number	Exercised during the year Number	At the end of the year Number
29 Oct 2010	528.50p	22 Oct 2013	2,052,754	–	(220,755)	–	1,831,999
29 Oct 2010	528.50p	22 Oct 2014	2,052,812	–	(244,372)	–	1,808,440
20 July 2011	450.00p	31 Jul 2014	3,387,935	–	(323,494)	–	3,064,441
20 July 2011	450.00p	31 Jul 2015	3,387,918	–	(347,166)	–	3,040,752
1 Aug 2012	449.70p	31 Jul 2015	–	3,829,060	(65,454)	–	3,763,606
1 Aug 2012	449.70p	31 Jul 2016	–	3,829,095	(65,454)	–	3,763,641
Total			10,881,419	7,658,155	(1,266,695)	–	17,272,879

Further information on the Group's VSP awards are given in the Directors' Remuneration Report.

Long Term Incentive Plan (LTIP)

LTIP awards were made available to Executive Directors and other senior staff in the years ended 31 May 2005 to 31 May 2010 which were then replaced by the VSP award.

LTIP awards allowed the award of nil cost or nominal cost shares which were legally classified as options and vested when specific performance targets were achieved, conditional upon continued employment at the vesting date. For each award a minimum performance target has to be achieved before any shares vest and the awards vest fully once the maximum performance target is achieved.

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

Award date	Share price at award	Expected vesting date	At the start of the year Number	Awarded during the year Number	Lapsed during the year Number	Exercised during the year Number	At the end of the year Number
4 Oct 2006	261.75p	4 Oct 2009	32,639	–	–	–	32,639
23 Jul 2007	312.25p	23 Jul 2010	210,684	–	–	(13,096)	197,588
14 Aug 2007	311.00p	14 Aug 2010	14,700	–	–	–	14,700
30 Sep 2008	313.75p	30 Sep 2011	90,886	–	–	(10,348)	80,538
25 Sep 2009	318.80p	25 Sep 2012	3,182,417	–	(1,247,553)	(1,556,462)	378,402
Total			3,531,326	–	(1,247,553)	(1,579,906)	703,867

Of the above LTIP awards exercised during the year ending 31 May 2013, the average exercise price was:

Award date	Average exercise price
23 Jul 2007	585.90p
30 Sept 2008	439.55p
25 Sept 2009	455.00p

Fair value of equity-settled awards

The fair value of the equity-settled share-based payments to employees is determined at the grant date. The weighted average fair value of the equity-settled awards granted during the year was £18,365,223 (2012: £19,025,911).

For SIP awards, the fair value is determined to be the share price at the grant date without making an adjustment for expected dividends as awardees are entitled to dividends over the vesting period.

For VSP awards made under the growth in profit before tax criteria, the fair value is determined to be the share price at the date of grant after a deduction for the expected present value of future dividends, over the vesting period. For VSP awards made under the Total Shareholder Return (TSR) criteria, fair value is calculated using a Monte-Carlo pricing model. Please refer to the Director's Remuneration Report for more information.

The inputs below were used to determine the fair value of the VSP award issued on 1 August 2012:

Share price at grant date (pence)	449.70
Three-month average market capitalisation at award date (£bn)	1.636
Expected life of awards (years)	2.75
Risk-free sterling interest rate (%)	0.13
IG expected volatility (%)(1)	29
Benchmark index expected volatility (%)	25
Expected dividend yield (%)(2)	4.6

(1) Based on historical TSR volatility of IG Group Holdings plc measured daily over a period prior to the date of grant and commensurate with the remaining performance period

(2) Based on historical TSR volatility of the FTSE 350 Financial Services Index measured daily over a period prior to the date of grant and commensurate with the remaining performance period

The weighted average fair values per award granted are as follows:

	At the beginning of the year	Awarded during the year	Lapsed during the year	Exercised during the year	At the end of the year
Year ended 31 May 2013	279.09p	238.61p	290.50p	192.01p	267.13p
Year ended 31 May 2012	266.29p	263.86p	188.44p	217.70p	279.09p

32. CAPITAL COMMITMENTS

Capital expenditure contracted for at the year-end but not yet incurred is as follows:

	Group 2013 £000	Group 2012 £000
Property, plant and equipment	189	470
Intangible assets	162	603
	351	1,073

NOTES TO THE FINANCIAL STATEMENTS (continued)

33. OBLIGATIONS UNDER LEASES

Operating lease agreements

The Group and Company have entered into commercial leases on certain properties. Future minimum rentals payable under non-cancellable operating leases are as follows:

Group	2013 £000	2012 £000
Future minimum payments due:		
Not later than one year	4,419	2,712
After one year but not more than five years	15,547	12,917
After more than five years	19,626	20,829
	39,592	36,458

Company	2013 £000	2012 £000
Future minimum payments due:		
Not later than one year	2,242	512
After one year but not more than five years	9,472	8,949
After more than five years	16,033	17,626
	27,747	27,087

34. TRANSACTIONS WITH DIRECTORS

The Group had no transactions with its Directors other than those disclosed in the Directors' Remuneration Report.

35. RELATED PARTY TRANSACTIONS

35(a) Group

There were no related party transactions during the current or prior year.

The Directors are considered to be the key management personnel of the Group in accordance with IAS 24. The Directors' Remuneration Report discloses all benefits and share-based payments made during the year and the preceding year to the Directors. The total compensation for key management personnel was as follows:

	2013 £000	2012 £000
Salaries and other short-term employee benefits	2,558(1)	4,229
Post-employment benefits	175(1)	185
Share-based payments	1,346	1,689
	4,079	6,103

(1) Includes £140,000 and £21,000 respectively for loss of office for A R MacKay (2012: £nil). For further information refer to the 'Directors' Remuneration Report'

35(b) Company

The Company pays for certain expenses incurred by subsidiaries and received preference dividends from IG Group Limited of £41.2 million (2012: £128.9 million). In the year ending 31 May 2013, post the receipt of the dividend, the preference shares held in IG Group Limited were redesignated as ordinary shares.

The Company had the following amounts outstanding with subsidiaries at the year-end:

	2013 £000	2012 £000
Loans to related parties	163,576	144,190
Loans from related parties	26,293	26,759

All amounts remain outstanding at the year-end and are repayable on demand. A number of intercompany amounts were subject to offset arrangements during the year.

36. FINANCIAL INSTRUMENTS

Accounting classifications and fair values – Group

The table overleaf sets out the classification of each class of financial assets and liabilities and their fair values (excluding accrued interest). The Group considers the carrying value of all financial assets and liabilities to be a reasonable approximation of fair value and represents the Group's maximum credit exposure without taking account of any collateral held or other credit enhancements.

'Cash and cash equivalents' represent cash held on demand and on deposit with financial institutions (note 19).

'Trade receivables – due from brokers' represent balances with brokers where the combination of cash held on account (disclosed as loans and receivables) and the valuation of financial derivative open positions (disclosed as held for trading) results in an amount due to the Group. These positions are held to hedge client market exposures and hence are considered to be held for trading and are accordingly accounted for at fair value through profit and loss (FVTPL). These transactions are conducted under terms that are usual and customary to standard margin trading activities and are reported net in the Group Statement of Financial Position as the Group has both the legal right and intention to settle on a net basis.

'Trade receivables – due from clients' represent balances owed to the Group by clients.

'Trade payables – due to clients' represent balances where the combination of client cash held on account and the valuation of financial derivative open positions results in an amount payable by the Group. 'Trade payables – due to clients' are reported net in the Group Statement of Financial Position as the Group adjusts the gross amount payable to clients (ie monies held on behalf of clients) for profits or losses incurred on a daily basis consistent with the legal right and intention to settle on a net basis.

'Redeemable preference shares' are disclosed in note 27.

'Financial investments' represent UK government securities held by the Group in satisfaction of the FCA requirements to hold a Liquid Assets Buffer against potential liquidity stresses (see note 22).

NOTES TO THE FINANCIAL STATEMENTS
(continued)

36. FINANCIAL INSTRUMENTS (CONTINUED)

The Group's financial instruments are classified as follows:

Group	FVTPL – held for trading £000	Loans and receivables £000	Other amortised cost £000	Available-for-sale £000	Total carrying amount £000	Fair value £000
As at 31 May 2013						
Financial assets						
Cash and cash equivalents	–	98,345	–	–	98,345	98,345
Financial investments	–	–	–	50,468	50,468	50,468
Trade receivables – due from brokers						
Non-exchange traded instruments	(1,071)	95,579	–	–	94,508	94,508
Exchange-traded instruments	(826)	190,258	–	–	189,432	189,432
Total trade receivables – due from brokers	(1,897)	285,837	–	–	283,940	283,940
Trade receivables – due from clients	–	1,693	–	–	1,693	1,693
Trade receivables – other amounts due from clients	–	15,003	–	–	15,003	15,003
	(1,897)	400,878	–	50,468	449,449	449,449
Financial liabilities						
Trade payables – due to title transfer clients	–	–	18,465	–	18,465	18,465
Redeemable preference shares	–	–	40	–	40	40
	–	–	18,505	–	18,505	18,505

Group	FVTPL – held for trading £000	Loans and receivables £000	Other amortised cost £000	Available-for-sale £000	Total carrying amount £000	Fair value £000
As at 31 May 2012						
Financial assets						
Cash and cash equivalents	–	228,156	–	–	228,156	228,156
Financial investments	–	–	–	–	–	–
Trade receivables – due from brokers						
Non-exchange traded instruments	(6,244)	175,710	–	–	169,466	169,466
Exchange-traded instruments	(4,599)	42,130	–	–	37,531	37,531
Total trade receivables – due from brokers	(10,843)	217,840	–	–	206,997	206,997
Trade receivables – due from clients	–	2,425	–	–	2,425	2,425
Trade receivables – other amounts due from clients	–	12,920	–	–	12,920	12,920
	(10,843)	461,341	–	–	450,498	450,498
Financial liabilities						
Trade payables – due to title transfer clients	–	–	59,852	–	59,852	59,852
Redeemable preference shares	–	–	40	–	40	40
	–	–	59,892	–	59,892	59,892

Financial instrument valuation hierarchy

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

Group	Level 1(1) £000	Level 2(2) £000	Level 3(3) £000	Total fair value £000
As at 31 May 2013				
Financial assets				
Trade receivables – due from brokers	(826)	(1,071)	–	(1,897)
Financial investments	50,468	–	–	–

(1) Valued using unadjusted quoted prices in active markets for identical financial instruments. This category includes the Group's exchange-traded open hedging positions

(2) Valued using techniques where a price is derived based significantly on observable market data. For example, where an active market for an identical financial instrument to the product offered by the Group to its clients or used by the Group to hedge its market risk does not exist

(3) Valued using techniques that incorporate information other than observable market data that is significant to the overall valuation

There have been no changes in the valuation techniques for any of the Group's financial instruments held at fair value in the year. During the year ended 31 May 2013, there were no transfers (2012: none) between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Group	Level 1 £000	Level 2 £000	Level 3 £000	Total fair value £000
As at 31 May 2012				
Financial assets				
Trade receivables – due from brokers	(4,599)	(6,244)	–	(10,843)

Reconciliation of the movement in Level 3 of the valuation hierarchy

Group	At 1 June 2012 £000	Gains or losses in revenue(1) £000	Cash settled positions(2) £000	Transfers £000	At 31 May 2013(3) £000
Financial liabilities					
Trade payables – due to clients	–	20,984	(20,984)	–	–

(1) Disclosed in trading revenue in the income statement. This represents client positions that have closed in the period as well as those open at the period end

(2) Value of client positions that have cash settled in the period

(3) Value of open, unsettled client positions at the period end disclosed in trading revenue in the income statement

The impact of a reasonably possible alternative valuation assumption on the valuation of 'trade payables – due to clients' reported within Level 3 of the valuation hierarchy is not significant.

Group	At 1 June 2011 £000	Gains or losses in revenue(1) £000	Cash settled positions(2) £000	Transfers £000	At 31 May 2012(3) £000
Financial liabilities					
Trade payables – due to clients	–	18,077	(18,077)	–	–

(1) Disclosed in trading revenue in the income statement. This represents client positions that have closed in the period as well as those open at the period end

(2) Value of client positions that have cash settled in the period

(3) Value of open, unsettled client positions at the period end disclosed in trading revenue in the income statement

Accounting classifications and fair values – Company

As at 31 May 2013, the Company held cash and cash equivalents of £245,000 (2012: £151,000) classified as 'loans and receivables' and redeemable preference shares of £40,000 (2012: £40,000) classified as 'other amortised cost'.

Items of income, expense, gains or losses – Group

Gains and losses arising from financial assets and liabilities classified as 'fair value through the profit and loss, held for trading' amounted to net gains of £361,857,000 (2012: £366,971,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

36. FINANCIAL INSTRUMENTS (CONTINUED)

Finance income (refer to note 8) totalled £2,036,000 (2012: £2,487,000). An amount of £1,994,000 (2012: £2,181,000) represents interest income on financial assets not at fair value through profit or loss and includes interest receivable in respect of non-segregated client balances, part of which is held with broker, and interest receivable calculated using the Effective Interest Rate methodology.

Finance costs (refer to note 9) totalled £1,756,000 (2012: £2,283,000). An amount of £283,000 represents interest expense on financial liabilities not at fair value through profit or loss (2012: £969,000). The remainder, £1,473,000 (2012: £1,314,000), represents fee expense arising from maintaining the Group's committed bank facilities.

37. FINANCIAL RISK MANAGEMENT

Responsibility for risk management, including financial risks, resides at all levels within the Group, starting with the Board of Directors. Our Corporate Governance structure, including details of how the Board delegates responsibility for internal control and risk management to our Audit and Risk committees, is described in detail in the Corporate Governance section of the Annual Report.

The Group's Internal Capital Adequacy Assessment Process (ICAAP) provides an ongoing assessment of the risks the Group believes have the potential to have a significant detrimental impact on its financial performance and future prospects and describes how the Group mitigates these risks subject to the Group's risk appetite.

Financial risks arising from financial instruments are analysed into market, credit, concentration and liquidity risks, and these are discussed below.

37(a) Market risk

Market risk is the risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments. This is analysed into market price, currency and interest rate risk components.

The Group's market risk is managed under the 'Market Risk Policy' on a group-wide basis and exposure to market risk at any point in time depends primarily on short-term market conditions and the levels of client activity. The Group utilises market position limits for 'operational efficiency' and does not take proprietary positions based on an expectation of market movements. As a result not all net client exposures are hedged and the Group may have a residual net position in any of the financial markets in which it offers products up to the market risk limit.

The Group's Market Risk Policy incorporates a methodology for setting market position limits, consistent with the Group's risk appetite, for each financial market in which the Group's clients can trade, as well as certain markets which the Board consider to be correlated. These limits are determined with reference to the liquidity and volatility of the underlying financial product or asset class and represent the maximum long and short client exposure that the Group will hold without hedging the net client exposure.

The Group's real-time market position monitoring system allows it to monitor its market exposure against these limits continuously. If exposures exceed these limits, the policy requires that hedging is undertaken to bring the exposure back within the defined limit.

There is a significant level of 'natural' hedging arising from the Group's global client base pursuing varying trading strategies which results in a significant portfolio hedging effect. This reduces the Group's net market exposure prior to the Group hedging any residual net client exposures.

Where the Group has residual positions in markets for which it has not been possible or cost-effective to hedge, the Risk Committee determines the appropriate action and reviews these exposures regularly, subject to the risk management framework approved by the Board.

Binary bets and options are typically difficult or not cost-effective to hedge and there is often no direct underlying market which can be utilised in setting the price which the Group quotes. The Group normally undertakes no hedging for these markets, but can hedge specific positions if considered necessary. The Group aims to reduce the volatility of revenue from these markets by offering a large number of different betting opportunities, the results of which should, to some extent, offset each other irrespective of the underlying market outcome. The overwhelmingly short-term nature of these contracts means that risk on these markets at any point in time is not considered to be significant.

Market price risk

This is the risk that the fair value of a financial instrument fluctuates as a result of changes in market prices other than due to the effect of currency or interest rate risks.

Equity market price risk

The most significant market risk faced by the Group is on equity positions including shares and indices which are highly correlated and managed on a portfolio basis.

The equity exposure at the year-end was £16,459,000 (2012: £16,535,000), against an exposure limit of £16,500,000 (2012: £16,500,000) and an average equity exposure limit for the year of £16,500,000 (2012: £16,500,000). As noted earlier in this section the Group's market risk policy requires that when the exposure exceeds the exposure limit hedging is undertaken to bring the exposure back within that limit as soon as is practical.

The Group has no significant concentration of market risk.

No sensitivity analysis is presented for equity market price risk as the impact of reasonably possible market movements on the Group's net trading revenue and equity is not significant, being less than the Group's average daily net trading revenue from financial instruments (2013: £1,386,000; 2012: £1,401,000). Changes in market risk variables have no direct impact on the Group's equity as the Group has no financial instruments designated in hedging relationships.

Other market price risk

The Group also has market price risk as a result of its trading activities (offering bets and Contracts for Difference (CFDs) on interest rate derivatives and commodities) which is hedged as part of the overall market risk management. The exposure is monitored on a Group-wide basis and is hedged using exchange-traded futures and options. Exposure limits are set by the Risk Committee for each product, and also for groups of products where it is considered that their price movements are likely to be positively correlated.

The exposure to interest rate derivatives and commodities at the year-end are as follows:

	2013 £000	2012 £000
Interest rate derivatives	(2,492)	11,278
Commodities	(6,177)	6,717

No sensitivity analysis is presented for other market price risk as the impact of reasonably possible market movements on the Group's net trading revenue is not significant. Changes in risk variables have no direct impact on the Group's equity as the Group has no financial instruments designated in hedging relationships.

Foreign currency risk

The Group is exposed to two sources of foreign currency risk.

Translational foreign currency risk

Translation exposures arise from financial and non-financial items held by an entity with a functional currency different from the Group's presentation currency. The functional currency of each company in the Group is that denominated by the country of incorporation as disclosed in note 16(b). The Group does not hedge translational exposures as they do not have a significant impact on the Group's capital resources.

Transactional foreign currency risk

Transactional foreign currency exposures represent financial assets or liabilities denominated in currencies other than the functional currency of the transacting entity. Transaction exposures arise in the normal course of business and the management of this risk forms part of the risk policies outlined above. Limits on the exposures which the Group will accept in each currency are set by the Risk Committee and the Group hedges its exposures as necessary with market counterparties. Foreign currency risk is managed on a group-wide basis, while the Company's exposure to foreign currency risk is not considered by the Directors to be significant.

NOTES TO THE FINANCIAL STATEMENTS (continued)

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37(a) Market risk (continued)

The Group monitors transactional foreign currency risks including currency statement of financial position exposures, equity, commodity, interest and other positions denominated in foreign currencies and bets and trades on foreign currencies. The Group's net exposure to foreign exchange risk based on notional amounts at each year-end was as follows:

	2013 £000	2012 £000
US Dollar	577	2,773
Euro	3,026	(8,037)
Australian Dollar	(1,799)	(5,348)
Yen	231	39
Other	(6,290)	4,046

No sensitivity analysis is presented for foreign exchange risk as the impact of reasonably possible market movements on the Group's net trading revenue are not significant. Changes in risk variables have no direct impact on the Group's equity as the Group has no financial instruments designated in hedging relationships.

Non-trading interest rate risk

The Group also has interest rate risk relating to financial instruments not held at fair value through profit or loss. These exposures are not hedged.

The interest rate risk profile of the Group's financial assets and liabilities as at each year-end was as follows:

	Within 1 year		More than 5 years		Total	
Group	2013 £000	2012 £000	2013 £000	2012 £000	2013 £000	2012 £000
Fixed rate						
Redeemable preference shares (8%)	–	–	(40)	(40)	(40)	(40)
Financial investments	50,468	–	–	–	50,468	–
Floating rate						
Cash and cash equivalents	98,345	228,156	–	–	98,345	228,156
Trade receivables – due from brokers	283,940	206,997	–	–	283,940	206,997
Trade payables – amounts due to clients	(18,465)	(59,852)	–	–	(18,465)	(59,852)
	414,288	375,301	(40)	(40)	414,248	375,261

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

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 risk sensitivity analysis

A non-traded interest rate risk sensitivity analysis has been performed on net interest income on segregated client funds, based on the value of client funds held at the year-end, on the basis of a 0.25% (2012: 0.25%) per annum fall and a 0.5% (2012: 0.75%) rise in interest rates, at the beginning of the year, as these are considered 'reasonably possible'. The impact of such a fall in interest rates would reduce net interest income on segregated client funds by approximately £2.4 million (2012: £2.0 million) per annum. The impact of such a rise in interest rates would increase net interest income on segregated client funds by approximately £4.2 million (2012: £5.5 million) per annum. Changes in risk variables have no direct impact on the Group's equity as the Group has no financial instruments designated in hedging relationships.

37(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is managed on a group-wide basis.

The Group's principal sources of credit risk are financial institution and client credit risk.

Financial institution credit risk

Financial institution credit risk is managed in accordance with the Group's 'Counterparty Credit Management Policy'.

Financial institutional counterparties are subject to a credit review when a new relationship is entered into and this is updated semi-annually (or more frequently as required eg on change in the financial institution's corporate structure or a change in its external credit rating or credit default swap (CDS) price). Proposed maximum exposure limits for these financial institutions are then reviewed and approved by the Risk Committee.

As part of its management of concentration risk, the Group is also committed to maintaining multiple brokers for each asset class. Where possible, the Group negotiates for its funds to receive client money protection which can reduce direct credit exposure.

In respect of financial institution credit risk, the following key metrics are monitored on a daily basis:

- Balances held with each counterparty group, against limits approved by the Risk Committee
- Any change in short- and long-term credit rating
- Any change in CDS price

The Group is responsible under various regulatory regimes for the stewardship of client monies. These responsibilities are defined in the Group's Counterparty Credit Management Policy and include the appointment of and periodic review of institutions with which client money is deposited. The Group's general policy is that all financial institutional counterparties holding client money accounts must have minimum short- and long-term ratings of A-2 and A- respectively, although in some operating jurisdictions where accounts are maintained to provide local banking facilities for clients it can be problematic to find a banking counterparty satisfying these minimum ratings requirements. In such cases the Group will seek to use a locally systemically important institution. These criteria also apply for the Group's own bank accounts held with financial institutions. The Group also actively manages the credit exposure to each of its broking counterparties settling or recalling balances at each broker on a daily basis in line with the collateral requirements.

In addition, the majority of deposits are made on an overnight or breakable term basis which enables the Group to react immediately to any downgrading of credit rating or material widening of CDS spreads, and deposits of an unbreakable nature or requiring notice are only held with a subset of counterparties which have been approved by the Risk Committee. At 31 May 2013 there were no deposits held on an unbreakable basis (2012: £nil).

Client credit risk

The Group operates a real-time mark-to-market trading platform, with client profits and losses being constantly updated on each client's account.

Client credit risk principally arises when a client's total funds deposited with the Group are insufficient to cover any trading losses incurred. In addition, a small number of clients are granted credit limits to cover open losses and margin requirements as described below.

In particular, client credit risk can arise where there are significant, sudden movements in the market ie due to high general market volatility or specific volatility relating to an individual financial instrument in which the client has an open position. Credit risk is mitigated in part through our client suitability criteria, supported by an extensive training program which aims to educate clients in all aspects of trading and risk management and which encourages them to collateralise their accounts at an appropriate level in excess of the minimum requirement.

NOTES TO THE FINANCIAL STATEMENTS (continued)

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37(b) Credit risk (continued)

The principal types of client credit risk exposure are managed under the Group's Client Credit Management Policy and depend on the type of account and any credit offered to clients as follows:

Clients subject to the Group's 'close-out monitor'

The Group's management of client credit risk is supported by an automated liquidation process, the 'close-out monitor' (COM), whereby accounts which have broken the liquidation threshold are automatically identified. If the margin of a client which is subject to the COM liquidation process is eroded, the client is requested to deposit additional funds up to at least the required margin level and will also be restricted from increasing their market positions. If subsequently the client's intra-day losses increase such that their total equity falls below the specified liquidation level, positions will be liquidated immediately, resulting in reduced credit risk exposure for the Group.

In addition, a subset of clients has what are known as 'Limited Risk' accounts. For such accounts a level is set in advance (the 'guaranteed stop' level) at which the deal will be closed, meaning a maximum client loss can be calculated at the opening of the trade. Clients placing trades with guaranteed stop levels pay a small premium on each transaction. The maximum loss is then the amount the client is required to deposit to open the trade, meaning that in most circumstances the client can never lose more than their initial margin deposit. Although no longer offered to new clients, the Group still has a significant number of clients with this type of account. This type of account results in the transfer of an element of market risk to the Group, which is managed under the Group's Market Risk Policy, and only a subset of more liquid products are available to trade. Clients with any type of account may still choose to use guaranteed stops (where available and on payment of the premium).

The majority of client positions are monitored on the Group's real-time COM system or are limited risk accounts with guaranteed 'stop-losses'. As at 31 May 2013, 98.83% (2012: 98.92%) of financial client accounts are subject to the automatic COM procedure or are 'limited risk' accounts.

Credit accounts

Clients holding other types of accounts are permitted to deal in circumstances where they may be capable of suffering losses greater than the funds they have deposited on their account, or in limited circumstances are allowed credit. The Group has a formal credit policy which determines the financial and experience criteria which a client must satisfy before being given an account which exposes the Group to credit risk, including trading limits for each client and strict margining rules.

The Group may offer credit limits with the result that any 'open loss' can be paid subject to agreed credit terms. These accounts typically only create a credit exposure when the client's loss exceeds their initial margin deposit.

In addition to the waiver of payment of open losses on a trade, the Group may also offer clients credit in respect of their initial margin. This is a permanent waiving of initial margin requirements while the limit is active on the account subject to the credit limit.

Credit limits are only granted following provision by the client of evidence of their available financial resources. Credit account limits are continuously reviewed by the Group's Credit Department. Each client with a credit limit is also assigned a liquidation level, breach of which will result in closure of positions. Credit accounts are small in number, are not actively promoted and in general they are not made available to new clients.

Risk-based tiered margins

The Group applies a tiered margin requirement for equities and other instruments with risk-adjusted margin requirements dependent on several factors, including the volatility and liquidity of the underlying instrument.

This has resulted in a potential margin requirement of up to 90% of the value of the notional client position for large client positions but a reduced margin requirement for smaller client positions.

These tiered margins, in addition to the COM discussed earlier, contribute to the further mitigation of the Group's client counterparty credit risk exposure.

Management of non-cash client collateral

Previously the Group accepted non-cash collateral from clients in the form of shares or other securities which mitigate the Group's credit risk. In these circumstances, clients retained title to the securities lodged while their trading account was operating normally, but were required to sign a collateral agreement which would allow the Group to take title and sell the securities in the event of the client defaulting on any margin obligations.

This service was previously only ever used by a small number of clients and ceased to be offered during the year for operational reasons. The fair value of collateral held at 31 May 2013 against amounts due from clients was therefore £nil (2012: £3,864,000).

The following tables present further detail on the Group's and the Company's exposure to credit risk. External credit ratings are available for exposures to brokers and banks, and these are shown. No external credit rating of clients is available and therefore the balances are classified as unrated.

Amounts due from clients are considered past due from the date that positions are closed and are aged from that date. If debtors arise on open positions the amounts due from clients are considered neither past due nor impaired unless impairment is provided.

The analysis of neither past due nor impaired credit exposures in the following table excludes individual client funds held in segregated client money accounts, or money market facilities established under the UK's Financial Conduct Authority (FCA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates. Under these rules, client money funds held with trust status are protected in the event of the insolvency of the Group.

	Cash and cash equivalents		Trade receivables – due from brokers		Trade receivables – due from clients		Collateral held at fair value	
	2013 £000	2012 £000	2013 £000	2012 £000	2013 £000	2012 £000	2013 £000	2012 £000
Group	(note 19)		(note 18)		(note 18)			
Individually impaired								
Gross exposure	–	–	–	–	11,229	17,853	–	–
Allowance for impairment	–	–	–	–	(10,836)	(17,202)	–	–
	–	–	–	–	393	651	–	–
Past due but not impaired								
Ageing profile:								
0-3 months	–	–	–	–	410	246	–	–
4-6 months	–	–	–	–	–	–	–	–
7-9 months	–	–	–	–	–	–	–	–
10-12 months	–	–	–	–	–	61	–	–
>12 months	–	–	–	–	18	–	–	–
	–	–	–	–	428	307	–	–
Neither past due nor impaired								
Credit rating:								
AA+ & above	–	–	–	–	–	–	–	1,152
AA to AA-	11,905	509	61,103	54,839	–	–	–	22
A+ to A-	79,817	223,606	219,795	149,758	–	–	–	541
BBB+ to BBB-	5,009	3,469	6	–	–	–	–	885
BB+ to B	7	234	–	–	–	–	–	–
CCC	–	16	–	–	–	–	–	–
Unrated[1]	1,607	322	3,036	2,400	872	1,467	–	1,264
	98,345	228,156	283,940	206,997	872	1,467	–	3,864
Total carrying amount	98,345	228,156	283,940	206,997	1,693	2,425	–	3,864

(1) Balances are primarily related to the Group's operations in South Africa. Prepayments and other receivables are all unrated (2012: all unrated)

The financial investments are UK Government securities held by the Group in satisfaction of the FCA requirements to hold a 'liquid asset buffer' against potential liquidity stress under BIPRU 12. As such they are rated as AA+.

NOTES TO THE FINANCIAL STATEMENTS (continued)

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37(b) Credit risk (continued)

Impairment of trade receivables due from clients

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

Group	2013 £000	2012 £000
Balance at 1 June	17,202	18,382
Impairment loss for the year		
– gross charge for the year	955	2,337
– recoveries	(1,389)	(1,226)
Write-offs	(6,228)	(1,779)
Foreign exchange	296	(512)
Balance at 31 May	10,836	17,202

Credit risk – Company

Held within prepayments and other receivables in the Statement of Financial Position of the Company are amounts payable to the Company from related parties that are unrated. Refer to note 35(b). The Company is not otherwise exposed to material amounts of credit risk.

37(c) Concentration risk

Concentration risk is defined as all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position of the Group. In respect of financial risk, such exposures may be caused by credit risk, market risk, liquidity risk or a combination or interaction of those risks.

The following table analyses the Group's credit exposures, at their carrying amounts, by geographical region and excludes individual client funds held in segregated client money accounts established under the UK's Financial Conduct Authority (FCA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates.

Analysis of credit exposures at carrying amount by geographical segment:

Group As at 31 May 2013	UK £000	Europe £000	Australia £000	Japan £000	Rest of World £000	Total £000
Financial assets						
Cash and cash equivalents	66,964	2,658	6,028	4,322	18,373	98,345
Financial investments	50,468	–	–	–	–	50,468
Trade receivables – due from brokers	96,175	80,092	53,029	–	54,644	283,940
Trade receivables – due from clients	1,242	156	78	106	111	1,693
Total financial assets	214,849	82,906	59,135	4,428	73,128	434,446

Group As at 31 May 2012	UK £000	Europe £000	Australia £000	Japan £000	Rest of World £000	Total £000
Financial assets						
Cash and cash equivalents	163,022	51,788	483	1,980	10,903	228,156
Financial investments	–	–	–	–	–	–
Trade receivables – due from brokers	71,001	71,306	20,741	–	43,949	206,997
Trade receivables – due from clients	2,134	141	150	–	–	2,425
Total financial assets	236,137	123,235	21,374	1,980	54,852	437,578

The Group's largest credit exposure to any one individual broker at 31 May 2013 was £61,103,500 (AA- rated) (2012: £55,145,000, AA rated). Included in cash and cash equivalents, the Group's largest credit exposure to any bank at 31 May 2013 was £60,773,000 (A rated) (2012: £69,818,000, A+ rated). The Group has no significant exposure to any one particular client or group of connected clients.

All of the Company's credit exposures arise in the UK at both 31 May 2013 and 31 May 2012.

37(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or other financial assets. For further details refer to note 20.

Derivative and non-derivative cash flows by remaining contractual maturity – Group

The following tables present the undiscounted cash flows receivable and payable (excluding interest payments) by the Group under derivative and non-derivative financial assets and liabilities allocated to the earliest period in which the Group can be required to pay, although the remaining contractual maturities may be longer.

NOTES TO THE FINANCIAL STATEMENTS (continued)

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37(d) Liquidity risk (continued)

Amounts payable on demand:

As at 31 May 2013	Derivative £000	Non-derivative £000	Total £000
Financial assets			
Cash and cash equivalents	–	98,345	98,345
Financial investments	–	50,468	50,468
Trade receivables – due (to) / from brokers	(1,897)	285,837	283,940
Trade receivables – due from clients	–	1,693	1,693
Trade receivables – other amounts due to the Group	–	15,003	15,003
	(1,897)	451,346	449,449
Financial liabilities			
Trade payables – due to clients	–	(18,465)	(18,465)
	(1,897)	432,881	430,984

Derivative trade receivables and payables disclosed in the table above represent the Group's open positions with brokers. Non-derivative trade receivables and payables disclosed in the table above represent cash margin held at brokers, closed client debtors, UK Government securities and client trading margin held on deposit respectively. Derivative and non-derivative cash flows are presented alongside each other in the table above as they result from the same underlying trading relationship, and because the Group has both the legal right and intention to settle on a net basis.

Trade receivables are disclosed as repayable on demand as when client positions are closed the corresponding positions relating to the hedged position are closed with brokers. Accordingly the Group releases cash margin, which is repaid by brokers to the Group on demand.

Trade payables are disclosed in the table above as repayable on demand because positions can be closed at any time by clients and can also be closed by the Group, in accordance with the Group's margining rules. If after closing a position a client is in surplus, then the amount owing is repayable on demand by the Group.

Amounts payable on demand:

As at 31 May 2012	Derivative £000	Non-derivative £000	Total £000
Financial assets			
Cash and cash equivalents	–	228,156	228,156
Financial investments	–	–	–
Trade receivables – due (to) / from brokers	(10,843)	217,840	206,997
Trade receivables – due from clients	–	12,920	12,920
Trade receivables – other amounts due to the Group	–	2,425	2,425
	(10,843)	461,341	450,498
Financial liabilities			
Trade payables – due to clients	–	(59,852)	(59,852)
	(10,843)	401,489	390,646

Amounts payable over 5 years

The Group has non-derivative cash flows payable over 5 years in relation to the redeemable preference shares at 31 May 2013 and 2012, as disclosed in note 27.

Derivative and non-derivative cash flows by remaining contractual maturity – Company

There were no Company derivative cash flows as at 31 May 2013 (2012: £nil).

At 31 May 2013 the Company held cash and cash equivalents of £245,000 (2012: £151,000) available on demand and redeemable preference shares of £40,000 (2012: £40,000) the terms of which are disclosed in note 27.

NOTES TO THE FINANCIAL STATEMENTS (continued)

38. CAPITAL MANAGEMENT AND RESOURCES

Capital management

The Group is supervised on a consolidated basis by the UK's Financial Conduct Authority (FCA). The Group's operations in Australia, Japan, Singapore, South Africa and the United States, are also regulated. Individual capital requirements in these jurisdictions are taken into account when managing the Group's capital resources.

The Group's regulatory capital resources management objective is to ensure that the Group complies with the regulatory capital resources requirement set by the FCA and other global regulators in jurisdictions in which the Group's entities operate.

The Group's capital management policy aims to maximise returns on equity while maintaining a strong capital position to enable the Group to take advantage of growth opportunities, whether organic or by acquisition. The Group does not seek to generate higher returns on equity by introducing leverage through, for example, the use of long-term debt finance.

The Group's 2012 ICAAP was approved by the Board in January 2013. There have been no capital requirement breaches during the financial year. The Group also regularly undertakes three-year stress and scenario testing of its main financial and operational risks to project its future capital and liquidity adequacy requirements.

The Group's 'Pillar 3 Disclosures' are published on its website www.iggroup.com and these provide additional information on the Group's enterprise-wide Risk Management Framework and its management of regulatory capital on a consolidated and solo entity basis.

Capital resources

The Group had significant surplus regulatory capital resources over the Pillar 1 regulatory capital resources requirement throughout the year. An analysis of the Group's consolidated capital resources and capital resources requirement is provided in the 'Operating and Financial Review'.

The following table summarises the Group's capital adequacy on a consolidated basis.

	2013 £m	2012 £m
Total Tier 1 capital	508.4	448.7
Less: Intangible assets	(120.5)	(115.4)
Less: Investment in own shares	(1.5)	(1.5)
Total capital resources (CR)	386.4	331.8
Capital resources requirement (CRR) – Pillar 1	(115.1)	(100.4)
Surplus	271.3	231.4

39. SUBSEQUENT EVENTS

Subsequent to the year-end, in accordance with the phased transfer agreed with the FCA for the Group to hold a liquid assets buffer of up to £100.0 million by August 2013, the Group has purchased £32.3 million of additional BIPRU 12 qualifying assets (please refer to note 20 for further details). Following this purchase the Group now holds £83.1 million of BIPRU 12 qualifying assets within the liquid assets buffer.

Further, on 19 July 2013 the Group completed the renegotiation of the liquidity facilities with a syndicate of three banks. In doing so the Group has increased the size of the overall facility to £200.0 million and established a longer-term liquidity funding arrangement. Of the total facility £120.0 million is available for a period of one year and £80.0 million is available for three years respectively from the facility signing date.

40. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRS

The Financial Statements of IG Group Holdings plc (the Company) and its subsidiaries (together the Group) for the year ended 31 May 2013 were authorised for issue by the Board of the Directors on 23 July 2013 and the statements of financial position signed on the Board's behalf by T A Howkins and C F Hill. IG Group Holdings plc is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on the London Stock Exchange.

The Group and Company Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and IFRIC interpretations as they apply to the Financial Statements of the Group and of the Company for the year ended 31 May 2013 and applied in accordance with the provisions of the Companies Act 2006. The Group and Company Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivatives) at fair value through profit or loss.

The principal accounting policies adopted by the Group and the Company are set out in note 41.

41. ACCOUNTING POLICIES

Basis of preparation

The accounting policies which follow have been applied in preparing the Financial Statements for the year ended 31 May 2013.

As permitted by Section 408(1)(b), (4) of the Companies Act 2006, the individual income statement of IG Group Holdings plc (the Company) has not been presented in these Financial Statements. The amount of profit for the year dealt with in the Financial Statements of IG Group Holdings plc is £124,340,000 (2012: £127,932,000). A statement of comprehensive income for IG Group Holdings plc has also not been presented in these Financial Statements. No items of other comprehensive income arose in the year (2012: £nil).

The Group and Company Financial Statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000), except where otherwise indicated.

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

Basis of consolidation

The Group Financial Statements consolidate the Financial Statements of IG Group Holdings plc and the entities it controls (its subsidiaries) made up to the reporting date as listed in note 16.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights, or by way of contractual agreement. The Financial Statements of the subsidiaries used in the preparation of the consolidated Financial Statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All intercompany balances and transactions between Group entities, including unrealised profits arising from them, are eliminated on consolidation.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. The cost of an acquisition is measured at the fair value of consideration paid, including an estimate of any contingent or deferred consideration. Contingent or deferred consideration is remeasured at each statement of financial position date with periodic changes to the estimated liability recognised in the consolidated income statement. Acquisition-related costs are expensed as incurred. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (discount on acquisition) is credited to the profit and loss in the period of acquisition.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

Non-controlling interests

Where the Group and a non-controlling shareholder enter into a forward contract (symmetrical put and call options) under which the Group is required to purchase the non-controlling interest for its fair value (formulae based valuation) at the forward date, the Group continues to recognise the non-controlling interest at the proportionate share of the acquiree's identifiable net assets, until expiry of the arrangement. The forward liability is also recognised for management's best estimate of the present value of the redemption amount with a corresponding entry in equity. The accretion of the discount on the liability is recognised as a finance charge in the consolidated income statement. The liability is remeasured to the final redemption amount with any periodic changes to the estimated liability recognised in the consolidated income statement. On expiry of the forward, the liability is eliminated as paid and any difference in the value of the non-controlling interest to the exercise price deducted from equity.

On an acquisition by acquisition basis, non-controlling interests are measured either at fair value or at the non-controlling interest proportionate share of the acquiree's net assets.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of the non-controlling interest is recorded in equity.

NOTES TO THE FINANCIAL STATEMENTS (continued)

41. ACCOUNTING POLICIES (CONTINUED)

Losses applicable to the non-controlling shareholder in a consolidated subsidiary's equity may exceed the non-controlling interest in the subsidiary's equity. The excess, and any further losses applicable to the non-controlling shareholder, are allocated against the majority interest, except to the extent that the non-controlling shareholder has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interests until the non-controlling shareholder's share of losses previously absorbed by the majority has been recovered.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Foreign currencies

The functional currency of each company in the Group is that of the country of incorporation (as disclosed in note 16) as this is consistent with the primary economic environment in which the entity operates. The Group's most significant functional currency is Sterling. Transactions in other currencies are initially recorded in the functional currency by applying spot exchange rates prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing on the same date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on translation are taken to the income statement, except for exchange differences arising on monetary assets and liabilities that form part of the Group's net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into Sterling at exchange rates prevailing on the statement of financial position date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and taken directly to a translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

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

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

Leasehold improvements	–	over the lease term of up to 15 years
Office equipment, fixtures and fittings	–	over five years
Computer and other equipment	–	over two, three or five years

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

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

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition (fair value of consideration paid) over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a business at the date of acquisition. Goodwill is recognised as an asset and is allocated to cash-generating units for purposes of impairment testing. Cash-generating units represent the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Business combinations are accounted for using the purchase method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the statement of financial position as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the income statement. Any goodwill asset arising on the acquisition of equity accounted entities is included within the cost of those entities.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management, usually at business segment level or statutory company level as the case may be. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement.

The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it.

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination such as a trade name or customer relationship is recognised at fair value outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Expenditure on internally developed intangible assets, excluding development costs, is taken to the income statement in the year in which it is incurred. Development expenditure is recognised as an intangible asset only after all the following criteria are met:

- The project's technical feasibility and commercial viability can be demonstrated
- The availability of adequate technical and financial resources and an intention to complete the project have been confirmed
- The correlation between development costs and future revenue has been established

Following initial recognition, the historic cost model is applied, with intangible assets being carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets with a finite life are amortised over their expected useful lives, as follows:

Development costs	–	straight-line basis over three years
Software and licences	–	straight-line basis over the contract term of up to five years
Trade names	–	sum of digits method over two years
Client lists and customer relationships	–	sum of digits method over three to five years
Domain names	–	straight-line basis over 10 years

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. In addition, the carrying value of capitalised development expenditure is reviewed for impairment annually before being brought into use.

Impairment of assets

At least annually, or when impairment testing is required, the Directors review the carrying amounts of the Group's property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists (or at least annually for goodwill), the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less selling costs and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate. This rate reflects current market assessments of the time value of money as well as the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have

NOTES TO THE FINANCIAL STATEMENTS (continued)

41. ACCOUNTING POLICIES (CONTINUED)

been determined, had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, although impairment losses relating to goodwill may not be reversed.

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

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

Financial instruments
The Group determines the classification of its financial instruments at initial recognition in accordance with the categories outlined below and re-evaluates this designation at each financial year-end. When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, directly attributable transaction costs. Financial instruments are disclosed in note 36 to the Financial Statements.

Financial assets and financial liabilities at fair value through profit or loss
Financial assets and financial liabilities classified as held for trading, or designated as such on inception, are included in this category and relate to the financial derivative open positions included in trade receivables – due from brokers and trade payables – due to clients as shown in the statement of financial position and related notes. Financial instruments are classified as held for trading if they are expected to settle in the short-term. The Group uses derivative financial instruments, in order to hedge derivative exposures arising from open client positions, which are also classified as held for trading.

All financial instruments at fair value through the profit or loss are carried in the statement of financial position at fair value with gains or losses recognised in revenue in the consolidated income statement.

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

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

Derecognition of financial assets and liabilities
A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Financial assets
A financial asset is derecognised where the rights to receive cash flows from the asset have expired, the Group retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement, or the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

Trade receivables and trade payables
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 netted against other assets and liabilities with the same counterparty where a legally enforceable netting agreement is in place and where it is anticipated that assets and liabilities will be netted on settlement.

Trade receivables represent balances with counterparties and clients where the combination of cash held on account and the valuation of financial derivative open positions result in an amount due to the Group. A provision for impairment is established where there is objective evidence of non-collectability. Reference is made to an aged profile of debt and the provision is subject to management review.

Trade payables represent balances with counterparties and clients where the combination of cash held on account and the valuation of financial derivative open positions results in an amount payable by the Group.

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

Cash and cash equivalents
Cash comprises cash on hand and demand deposits which may be accessed without penalty. Cash equivalents comprise short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the consolidated cash flow statement, net cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

The Group holds money on behalf of clients in accordance with the client money rules of the UK Financial Conduct Authority (FCA) and other regulatory bodies. Such monies are classified as either 'cash and cash equivalents' or 'segregated client funds' in accordance with the relevant regulatory requirements. Segregated client funds comprise individual client funds held in segregated client money accounts or money market facilities. Segregated client money accounts hold statutory trust status restricting the Group's ability to control the monies and accordingly such amounts and are not held on the Group's statement of financial position.

The amount of segregated client funds held at year-end is disclosed in note 19 to the Financial Statements. The return received on managing segregated client funds is included within net operating income.

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

Financial investments
Financial investments are held as available-for-sale and are non-derivative financial assets that are not classified as held for trading, designated at fair value through profit or loss, or loans and receivables. Financial investments are recognised on a trade date basis. They are initially recognised at fair value plus directly related transactions costs. They are subsequently carried at fair value. Fair value is the quoted market price of the specific investments held.

Financial investments available-for-sale are carried at fair value. Unrealised gains or losses are reported in equity (in the available-for-sale reserve) and in other comprehensive income, until such investments are sold, collected or otherwise disposed of, or until any such investment is determined to be impaired. On disposal of an investment, the accumulated unrealised gain or loss included in equity is recycled to the income statement for the period and reported in other income. Gains and losses on disposal are determined using the average cost method.

Interest on financial investments is included in interest using the Effective Interest Rate (EIR) method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see IAS 18 Revenue), transaction costs, and all other premiums or discounts.

At the year-end date the Group considers whether there is objective evidence that a financial investment available-for-sale is impaired. In the case of such evidence, it is considered impaired if its cost exceeds the recoverable amount. The recoverable amount for a quoted financial investment available-for-sale is determined by reference to the market

NOTES TO THE FINANCIAL STATEMENTS (continued)

41. ACCOUNTING POLICIES (CONTINUED)

price. A quoted financial investment available-for-sale is considered impaired if objective evidence indicates that the decline in market price has reached such a level that recovery of the cost value cannot be reasonably expected within the foreseeable future.

If a financial investment available-for-sale is determined to be impaired, the cumulative unrealised loss previously recognised in equity is recycled to profit for the period and reported in other income.

Other payables
Non-trading financial liabilities are recognised initially at fair value and carried at amortised cost using the effective interest rate method if the time value of money is significant.

Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are in respect of onerous leases.

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

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

Deferred tax is accounted for on all temporary differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available, against which deductible temporary differences may be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Classification of shares as debt or equity
When shares are issued, any component that creates a financial liability of the Group is presented as a liability in the statement of financial position, measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption. The corresponding dividends relating to the liability component are charged as interest expense in the income statement.

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

Own shares held in Employee Benefit Trusts
Shares held in trust by the Company for the purposes of employee share schemes are classified as a deduction from shareholders' equity and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from the sale and the original cost being taken to revenue reserves. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of equity shares.

Revenue recognition
Trading revenue represents gains and losses arising on client trading activity primarily in financial spread betting, contracts for difference or binary bets and the transactions undertaken to hedge the risk associated with client trading activity. Open client and hedging positions are carried at fair market value and gains and losses arising on this valuation are recognised in revenue as well as gains and losses realised on positions that have closed. The policies and methodologies associated with the determination of fair value have been discussed above under Financial Instruments. Trading revenue also includes spread, commission and funding charges made to clients in respect of the opening, holding and closing of financial spread bets, contracts for difference or binary bets.

Revenue is recognised when it is probable that economic benefits associated with the transaction will flow to the Group and the revenue can be reliably measured.

Trading revenue also includes member fees charged by the Group's regulated futures and options exchange.

Trading revenue is reported gross of introductory broker commission as these amounts are directly linked to trading revenue. Introductory broker commission, along with betting duties paid, are disclosed as an expense in arriving at net operating income.

Finance revenue and interest income on segregated client funds is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. The effective interest rate is the rate which exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's net carrying amount. Interest income on segregated client funds is disclosed within revenue and therefore operating profit as this is consistent with the nature of the Group's operations.

Net trading revenue, disclosed on the face of the consolidated income statement and in the notes to the Financial Statements, represents trading revenue from financial instruments carried at fair value through profit and loss and has been disclosed net of introductory broker commission as this is consistent with the management information received by the Chief Operating Decision Maker.

Dividends receivable are recognised when the shareholder's right to receive the payment is established.

Operating profit
Operating profit is the sum of the results of the principal activities of the Group after charging depreciation of property, plant and equipment, amortisation of intangible assets, operating lease rentals on land and buildings, foreign exchange differences, profit or loss on sale of property, plant and equipment and other administrative expenses.

Exceptional items
Exceptional items are those items of income and expense that the Group considers are material and/or of such a nature that they merit separate presentation in order to aid a reader's understanding of the Group's financial performance.

Finance costs and interest expense on segregated client funds
Finance costs and interest expense on segregated client funds are accrued on a time basis by reference to the principal amount charged at the effective interest rate applicable. The effective interest rate is the rate that exactly discounts the future expected cash flows to the carrying amount of the liability. Issue costs are included in the determination of the effective interest rates.

Interest expense on segregated client funds is disclosed within operating profit as this is consistent with the nature of the Group's operations.

Retirement benefit costs
The Group operates defined contribution schemes. Contributions are charged to the income statement as and when they become payable according to the rules of the schemes.

Dividends
Dividend distribution to the company's shareholders is recognised as a liability in the Group's Financial Statements in the period in which the dividends are approved by the Company's shareholders.

Discontinued operations
Discontinued operations consist of a single major line of business or a geographical area that have either been closed or sold during the period or are classified as held for sale at the year-end. The financial performance and cash flows of discontinued operations are separately reported in note 11.

In the year ended 31 May 2012 the Group's Sport business was disclosed as a discontinued operation. There were no discontinued operations in the year ended 31 May 2013. Please refer to note 11 for additional detail.

NOTES TO THE FINANCIAL STATEMENTS (continued)

41. ACCOUNTING POLICIES (CONTINUED)

Share-based payments

The Company operates two employee share plans: a Share Incentive Plan and a value-sharing plan. Previously the Group operated a Long Term Incentive Plan (the last award of which was made in 2009), all of which are all equity-settled.

For market-based vesting conditions, the cost of these awards is measured at fair value calculated using option pricing models (refer to note 31 for additional detail of the models and assumptions used for the various award schemes) and are recognised as an expense in the income statement on a straight-line basis over the vesting period based on the Company's estimate of the number of shares that will eventually vest.

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

The grant by the Company of options over its equity instruments to employees of the subsidiary undertakings in the Group is treated as a capital contribution. The fair value of the employee services received is recognised over the vesting period as an increase in the investment in subsidiary undertakings, with a corresponding credit to equity.

Segment information

The Group's segmental information is disclosed in a manner consistent with the basis of internal reports regarding components of the Group that are regularly reviewed by the Chief Operating Decision Maker, who for the Group are the Executive Directors (CODM) in order to assess the performance and to allocate resources to those 'operating segments'. The Group has therefore determined its operating segments based on the management information received on a regular basis by the Executive Directors of the IG Group Holdings plc Board as they are considered to be the CODM. Operating segments that do not meet the quantitative thresholds required by IFRS 8 are aggregated.

The Group envisages that the reportable segments may change as overseas businesses move towards operational maturity, breaking through the quantitative thresholds of IFRS 8. The segments are therefore subject to annual review and the comparatives restated to reflect any reclassifications within the segmental reporting.

Changes in accounting policies

The accounting policies adopted in the preparation of Financial Statements are consistent with those followed in the preparation of the Group's Annual Report for the year ended 31 May 2012.

New and amended standards adopted by the Group

The Group has early adopted the following new or amended standards as of 1 June 2012:

- Amendment to IAS 1 'Presentation of items of Other Comprehensive Income' (effective for periods beginning after 1 July 2012)

Other new standards, amendments and interpretations, including those listed below, have been issued but are not effective for accounting periods beginning 1 June 2012 and have not been early adopted by the Group:

- IFRS 9 'Financial Instruments', issued in November 2009, amended 2010. This standard is the first step in the process to replace IAS 39, 'Financial Instruments, recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets. The standard is not applicable until 1 January 2015 and has not yet been endorsed by the EU. The Group has yet to assess the impact of IFRS 9
- IFRS 13 'Fair value measurement' (effective 1 January 2013)
- IFRS 10 'Consolidated Financial Statements' (effective 1 January 2013)
- IFRS 11 'Joint Arrangements' (effective 1 January 2013)
- IFRS 12 'Disclosure of Interests in Other Entities' (effective 1 January 2013)
- IAS 19 (revised 2011) 'Employee benefits' (effective 1 January 2013)
- Amendment to IFRS 7 'Financial instruments: Disclosures' (effective 1 July 2013)
- IAS 32 'Financial instruments: Presentation' (effective 1 January 2014)
- Amendment to IAS 28 'Investment in Associates and Joint Ventures' (effective 1 January 2013)
- Amendment to IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' (effective 1 January 2013)
- Amendment to IAS 27 'Separate Financial Statements' (effective 1 January 2013)
- Amendment to IAS 19 'Employee Benefits' (effective 1 January 2013)

The new standards and amendments above are not expected to have a material impact on the Group or Company.

INVESTOR RESOURCES AND OTHER INFORMATION

FIVE-YEAR SUMMARY

GROUP INCOME STATEMENT

For the year ended 31 May	2013 £000	2012[1] £000	2011[1] £000	2010 £000	2009 £000
Net trading revenue	**361,857**	**366,812**	**312,721**	**298,551**	**257,089**
Other net operating income	6,051	2,358	5,875	1,172	377
Net operating income	367,908	369,170	318,596	299,723	257,466
Administrative expenses	(163,804)	(172,897)	(145,075)	(133,782)	(126,380)
Depreciation, amortisation and amounts written off property, plant and equipment	(12,176)	(10,760)	(10,308)	(8,654)	(6,423)
Operating profit	191,928	185,513	163,213	157,287	124,663
Finance income	2,036	2,487	2,401	2,664	2,887
Finance costs	(1,756)	(2,283)	(2,411)	(2,312)	(1,678)
Profit before taxation	**192,208**	**185,717**	**163,203**	**157,639**	**125,872**
Amortisation and impairment of intangibles arising on consolidation	–	–	(150,703)	(17,298)	(14,613)
Profit before taxation from continuing operations	192,208	185,717	12,500	140,341	111,259
Tax expense	(50,460)	(48,583)	(32,792)	(38,855)	(32,607)
Loss from discontinued operations	–	(374)	(5,002)	–	–
Profit / (loss) for the year	141,748	136,760	(25,294)	101,486	78,652

(1) The 2012 and 2011 numbers have been restated to remove the discontinued Sport business and present as a discontinued operation

(2) In 2011, the Group presented adjusted administrative expenses and adjusted profit before taxation to adjust for the amortisation or impairment of intangible assets associated with the Group's Japanese or Sport business. In the year ending 31 May 2013, the adjusted and unadjusted administrative expenses and profit before taxation are equivalent

GROUP STATEMENT OF FINANCIAL POSITION

As at 31 May	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Assets					
Non-current assets					
Property, plant and equipment	14,469	15,555	16,761	9,632	11,632
Intangible assets	120,479	115,366	117,202	265,328	260,607
Deferred tax assets	9,470	11,915	11,264	14,264	7,562
	144,418	142,836	145,227	289,224	279,801
Current assets					
Trade receivables	300,636	222,342	270,104	206,243	183,085
Prepayments and other receivables	10,278	9,745	8,199	7,084	4,928
Cash and cash equivalents	98,345	228,156	124,528	128,097	99,407
Financial asset investments available-for-sale	50,468	–	–	–	–
	459,727	460,243	402,831	341,424	287,420
TOTAL ASSETS	604,145	603,079	548,058	630,648	567,221
Liabilities					
Current liabilities					
Trade payables	19,047	61,076	83,490	57,673	90,642
Other payables	53,781	64,815	45,149	44,825	27,326
Provisions	–	1,353	1,427	1,377	–
Income tax payable	24,289	28,652	37,060	38,863	36,560
	97,117	155,896	167,126	142,738	154,528
Non-current liabilities					
Deferred tax liabilities	–	–	–	11,463	16,740
Provisions	–	–	1,991	1,779	–
Redeemable preference shares	40	40	40	40	40
	40	40	2,031	13,282	16,780
Total liabilities	97,157	155,936	169,157	156,020	171,308
Capital and reserves					
Total shareholders' equity	506,988	446,197	378,700	471,449	393,364
Minority interests	–	146	201	3,179	2,549
Total equity	506,988	447,143	378,901	474,628	395,913
TOTAL EQUITY AND LIABILITIES	604,145	603,079	548,058	630,648	567,221

Each of the Statements of Financial Position presented above have been restated in order to be prepared consistently with the accounting policies disclosed in the Financial Statements for the year ended May 2013.

FIVE–YEAR SUMMARY (continued)

OTHER METRICS

Year ended 31 May	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Earnings per share					
Basic earnings per share	39.02p	37.90p[1]	32.86p[1]	30.98p	24.85p
Diluted earnings per share	38.80p	37.54p	32.57p	30.77p	24.74p
Dividend per share					
Interim dividend per share	5.75p	5.75p	5.25p	5.00p	4.00p
Final dividend per share	17.50p	16.75p	14.75p	13.50p	11.00p
Total dividend per share	23.25p	22.50p	20.00p	18.50p	15.00p
Dividend payout ratio (against basic EPS)	60.0%	60.0%	61.4%	59.7%	60.4%
Profit margin					
Profit before taxation margin[2]	53.1%	50.6%	52.2%	52.8%	49.0%

(1) EPS presented for the continuing business. Adjusted and unadjusted EPS measures are equivalent
(2) Calculated as profit before tax divided by net trading revenue

CLIENT METRICS

Year ended	2013	2012	2011	2010	2009
Average revenue per client (£)	2,659	2,560	2,341	2,425	2,263
Number of active clients	136,063	143,304	133,580	120,689	109,747
Number of accounts opened	55,889	67,593	71,344	81,155	74,331
Number of accounts trading for the first time	37,914	48,029	49,246	55,674	50,364

CLIENT METRICS – EXCLUDING IG MARKETS SECURITIES (FORMERLY FXONLINE)

Year ended	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Average revenue per client (£)	2,761	2,695	2,491	2,600	2,495
Number of active clients	125,295	130,006	117,252	103,338	88,336
Number of accounts opened	51,769	60,968	60,631	63,757	61,538
Number of accounts trading for the first time	35,854	45,292	44,803	46,612	44,291

EXAMPLES: BUYING A SPREAD BET

INTRODUCTION

In this example, you decide to buy A plc (assumed to be a FTSE 100 company) at £100 per point, as you expect that A plc's share price will rise. Later in the day the share price has indeed risen and you decide to close your position by selling A plc at our then current bid price.

Your profit is the difference between the buying and selling prices, plus or minus any funding charges or other costs (discussed in Steps 3 and 5).

As long as your bet is open, your account will show any 'running' profit or loss on your open position (not illustrated below). You must have deposited sufficient funds to cover any running losses.

You cannot place a bet without having any money in your account. In this example, we assume you have £1,000. It is important to note that you can make losses in excess of your initial deposit, if the market moves against you.

STEP 1
OPENING THE POSITION

A plc is trading in the market at 144.5p/144.7p and our quote for A plc on a Daily Funded Bet is 144.3p/144.9p. You decide to buy £100 per point at 144.9p, our offer price. In this example one point represents a 1p movement in the underlying share price, so your £100 per point bet is equivalent to buying 10,000 shares in A plc.

Bet details	You buy £100 per point of A plc at 144.9p (the offer price)
Your initial deposit requirement(1)	£723 (calculated as £100 (bet size) x 144.6p (the mid-price) x 5% (the deposit factor))
Spread(2)	£20 (calculated as the difference between the market price and our quote (144.9p – 144.7p) x £100 per point)

(1) The deposit factor (and therefore deposit requirement) depends on your account type and other factors such as the volatility and liquidity of the underlying share

(2) Our dealing spread varies depending on the market and asset class traded and can be variable, especially in volatile market conditions. For examples please see our website, IG.com

STEP 2

When you open the position, you are required to have the initial £723 deposit requirement in your account. The available funds in your account will therefore fall from £1,000 to £277 (ie £1,000 – £723). The available funds remaining in your account need to be enough to cover any running losses you may incur, or you run the risk of being closed out of the bet. It is important to note that the £723 is held as a deposit against the risk of the open position and will be released on the closing of the position: it is still your money but is not available for withdrawal from the account while the position is open.

STEP 3

We will also reflect the impact of any corporate action on the underlying share, such as a dividend or a rights issue. In this example we have kept things simple and assumed no corporate actions occur; however for more details please see our website, IG.com.

STEP 4
CLOSING THE POSITION

In the afternoon the A plc share price has indeed risen and you decide to close the position realising your profit on the bet. At this point A plc is trading in the market at 148.6/148.8p and our daily quote is 148.4p/150.0p.

Bet details	You sell £100 per point at 148.4p (the bid price)
Gross profit on the bet	£390 (calculated as the market price movement of the share (148.6p – 144.7p) x £100 per point)
Spread	£20 (calculated as 148.6p – 148.4p x £100 per point)

Of course, had the market moved in the opposite direction, you would have made a loss of £100 for every penny the share price fell, which may have exceeded your initial deposit.

STEP 5
CALCULATING THE PROFIT OR LOSS

	Client	IG Index(1)
Buying spread (Step 1)	(£20.00)	£20.00
Selling spread (Step 4)	(£20.00)	£20.00
Gross profit (Step 4)	£390.00	(£390.00)
IG Index hedging gain(1)	N/A	£390.00
Net gain	£350.00	£40.00

(1) This simple example assumes IG Index is 100% hedged on the client trade and makes an equal and opposite gain on our broker position to the amount paid to the client. The cost of our hedging with the broker has been ignored for simplicity. Therefore our net profit is £40.00, which is recorded in trading revenue and is equivalent to the spread included in our quoted prices

For many markets (for example index futures) we build funding charges into the quote price. For share Daily Funded Bets we make funding adjustments each day at 10pm. We apply funding at the rate of one-month LIBOR +/- a spread (generally 2.5%). In the example above, if the bet had remained open at 10pm, and assuming one-month LIBOR of 0.68%, a funding charge of £1.31 would have been applied against the client account and recorded as revenue for IG Index (calculated as (£100 x 150.0p (assumed closing price) x 3.18%) / 365 = £1.31).

EXAMPLES: SELLING A CFD

INTRODUCTION

In this example, on day one you decide to sell a CFD for 20,000 shares in B plc (assumed to be a FTSE 100 company) as you expect B plc's share price to fall. On day two the share price has indeed fallen, and you decide to close your position as you now believe the share price will rise again.

As long as your contract is open, your account will show any 'running' profit or loss on your open CFD position (not illustrated below). You must have deposited sufficient funds to cover any running losses.

You cannot place a trade without having any money in your account. In this example, we assume you have £1,000. It is important to note that you can make losses in excess of your initial deposit requirement (referred to as 'margin requirement' in CFD trading), if the market moves against you.

STEP 1
DAY ONE – OPENING THE POSITION

The quoted bid/offer price for B plc is 80.25p/80.35p.

Trade details	You sell a CFD for 20,000 B plc shares at 80.25p (the bid price)
Your initial margin requirement(1)	£803 (calculated as 20,000 (number of shares) x 80.3p (the mid-price) x 5% (the margin percentage))
Commission(2)	£16.05 (calculated as 20,000 (number of shares) x 80.25p (the bid price) x 0.10% (commission))

(1) The margin percentage (and therefore margin requirement) depends on the size of your CFD position and other factors such as the volatility and liquidity of the underlying share. In this example we have used a margin requirement of 5%

(2) Commissions are variable, but for UK FTSE 100 CFDs (as assumed for B plc), this was 0.10% on 15 May 2012

STEP 2

When you open the position, you are required to have enough funds in your account to cover the initial margin plus commission on the trade. In this example the margin requirement is £803 and the commission is £16.05, so the available funds in your account will fall from £1,000 to £180.95 (ie £1,000 – £803 – £16.05). It is important to note that the £803 is held as a margin requirement against the risk of the open position and will be released on the closing of the position: it is still your money but is not available for withdrawal from the account while the position is open.

STEP 3

Traditionally, clients who held long positions overnight would need to pay a funding charge, while clients with short positions would receive interest if held overnight. This charge or interest is calculated as the one-month sterling LIBOR rate +/- a spread. However, with current market interest rates lower than the spread, clients with short positions also incur a charge. As at 15 May 2012, the current LIBOR rate was 0.68%, while the spread was 2.5%, resulting in a net financing charge of 1.82% for short CFD positions held overnight (which for UK CFDs means those open at 10pm UK time). A corresponding long CFD position would incur a charge of 3.18%. This is re-calculated daily.

Closing price (day one)	80.75p
Daily interest charged	£0.81 (calculated as (20,000 x 80.75p x 1.82%)/365 days)

STEP 4

We will also reflect the impact of any corporate action on the underlying share, such as a dividend or a rights issue. In this example we have kept things simple and assumed no corporate actions occur; however for more details please see our website, IG.com.

STEP 5
DAY TWO – CLOSING THE POSITION

On day two, the share price has fallen and you decide to close the position as you believe the price will now rise.
The bid/offer price at that point is 78.25p/78.35p.

Trade details	You buy a CFD for 20,000 shares at 78.35p (the offer price)
Commission	£15.67 (calculated as 20,000 x 78.35p x 0.10%)
Profit per individual share	1.9p (the difference between the selling and buying price (80.25p - 78.35p))
Gross profit on the trade	£380.00 (calculated as 20,000 x 1.9p)

Of course, had the market moved in the opposite direction, you would have made a loss of £100 for every penny the share price gained, which may have exceeded your initial margin outlay.

STEP 6
CALCULATING THE PROFIT OR LOSS

	Client	IG Markets(1)
Selling commission (Step 1)	(£16.05)	£16.05
Financing charge (Step 3)	(£0.81)	£0.81
Buying commission (Step 5)	(£15.67)	£15.67
Gross profit (Step 5)	£380.00	(£380.00)
IG Markets hedging gain(1)	N/A	£380.00
Net gain	£347.47	£32.53

(1) This simple example assumes IG Markets is 100% hedged on the client trade and makes an equal and opposite gain on our broker position to the amount paid to the client. The cost of our hedging with the broker has been ignored for simplicity. Thus our net profit is £25.58, which is recorded in trading revenue and consists of the commission and financing charges levied on the client

GLOBAL OFFICES

LONDON (HEADQUARTERS)
IG (IG Index Limited and IG Markets Limited)
Cannon Bridge House
25 Dowgate Hill
London
EC4R 2YA
UK

+44 (0)20 7896 0011
helpdesk.uk@ig.com
www.ig.com

DUBLIN
IG Markets Limited
72 Charlemont Street
Dublin 2
REPUBLIC OF IRELAND

+1 800 995 362
helpdesk.uk@ig.com
www.ig.com

AMSTERDAM
IG Nederland
Paascheuvelweg 1
1105 BE Amsterdam
NETHERLANDS

+31 (0)20 7946 610
info@igmarkets.nl
www.igmarkets.nl

DÜSSELDORF
IG Markets Limited
Zweigniederlassung
Deutschland
Berliner Allee 10
40212 Dusseldorf
GERMANY

+49 (0)211 88 23 70 00
info@igmarkets.de
www.igmarkets.de

LUXEMBOURG
IG Markets Limited
15, rue du fort Bourbon
L1249
LUXEMBOURG

+352 24 87 11 17
info@igmarkets.lu
www.igmarkets.lu

MADRID
IG Markets Limited
Paseo de la Castellana, 13
Planta 1a, Derecha
28046 Madrid
SPAIN

+34 91 414 15 15
info@igmarkets.es
www.igmarkets.es

MILAN
IG Markets Limited
Via Paolo da Cannobio, 33,
7° Piano
20122 Milano
ITALY

+39 800 897 582
italiandesk@igmarkets.it
www.igmarkets.it

OSLO
IG Markets Limited
Akersgata 20
0158 Oslo
NORWAY

+22 400 200
info@igmarkets.no
www.igmarkets.no

PARIS
IG Markets Limited
17 Avenue George V
75008 Paris
FRANCE

+33 (0)1 70 98 18 18
info@igmarkets.fr
www.igmarkets.fr

STOCKHOLM
IG Markets Limited
Stureplan 2
114 35 Stockholm
SWEDEN

+46 (0)8 5051 5000
kundservice@igmarkets.se
www.igmarkets.se

BEIJING
IG Markets Limited Beijing Representative Office
St Regis Hotel Office Building
Room 901
9th Floor
No 21 Jian Guo Men Wai Avenue
Chao Yang District
Beijing
P.R. CHINA 100020

+(86 10) 8532 3886
RepOffice@igmarkets.com.cn
www.igmarkets.com.cn/en

MELBOURNE
IG Australia Pty Limited
Level 15
55 Collins Street
Melbourne VIC 3000
AUSTRALIA

+61 (3) 9860 1799
helpdesk@igmarkets.com.au
www.igmarkets.com.au

SINGAPORE
IG Markets Limited
9 Battery Road
#01-02 Straits Trading Building
SINGAPORE 049910

+(65) 6390 5118
helpdesk@igmarkets.com.sg
www.igmarkets.com.sg

TOKYO
IG Markets Securities Limited
Shiodome
City Center 10F
1-5-2 Higashi-Shinbashi
Minato-ku, Tokyo 105-7110
JAPAN

+81 3 6704 8500
helpdesk@igmarkets.co.jp
www.igmarkets.co.jp

CHICAGO
Nadex, Inc.
311 South Wacker Drive
Suite 2675
Chicago, IL 60606
US

+1 312 884 0100
customerservice@nadex.com
www.nadex.com

JOHANNESBURG
IG Markets South Africa Limited
The Place
1 Sandton Drive
Sandown
Sandton
2196, Johannesburg
SOUTH AFRICA

+27 (0)11 467 8500
helpdesk@igmarkets.co.za
www.igmarkets.co.za

SHAREHOLDER AND COMPANY INFORMATION

RECEIVING SHAREHOLDER INFORMATION BY EMAIL

You may supply the Company with an email address for the purpose of receiving shareholder information, as an alternative to posting whenever shareholder communications are added to the Company website, by visiting www.investorcentre.co.uk/ecomms and registering online for electronic communications ('e-coms').

If you subsequently wish to change your election, or receive documents or information by post, you can do so by contacting the Company's registrars at:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ, UK

Or contact them by telephone on: 0871 495 2032 (calls from some fixed networks cost no more than a geographic rate call (01 or 02, between 2p and 10p plus a call set-up fee in some cases) and may count towards any inclusive minutes in the same way. Calls from other fixed networks typically cost up to 10p per minute. From some mobile networks calls typically cost between 12p and 41p per minute). Lines are open 9am – 5.30pm, Monday – Friday.

2013 FINAL DIVIDEND DATES

Ex dividend date	18 September 2013
Record date	20 September 2013
Last day to elect for DRIP	27 September 2013
AGM	17 October 2013
Payment date	22 October 2013

ANNUAL SHAREHOLDER CALENDAR

(a) Company reporting

Final results announced	23 July 2013
Annual Report published	19 September 2013
Annual General Meeting	17 October 2013

(b) Dividend payment

Interim	February
Final	October

INTERIM REPORT

As part of our e-coms programme, we have decided not to produce a printed copy of our Interim Report. Instead the Interim Report will be published on our website and will be available around mid January each year.

COMPANY INFORMATION

Directors
Executive Directors
T A Howkins (Chief Executive)
P G Hetherington
C F Hill

Non-executive Directors
J R Davie (Chairman)
S G Hill
D M Jackson
S J Tymms
R P Yates (Senior Independent Director)

Company Secretary
B Messer

Auditors
PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Bankers
Lloyds Banking Group plc
10 Gresham Street
London
EC2V 7AE

Royal Bank of Scotland Group plc
280 Bishopsgate
London
EC2M 4RB

Solicitors
Linklaters
1 Silk Street
London
EC2Y 8HQ

Registrars
Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

Brokers
UBS Limited
1 Finsbury Avenue
London
EC2M 2PP

Numis Securities Limited
10 Paternoster Square
London
EC4M 7LT

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

Registered Number
04677092

CAUTIONARY STATEMENT

Certain statements included in our 2013 Annual Report, or incorporated by reference to it, may constitute 'forward-looking statements' in respect of the Group's operations, performance, prospects and/or financial condition.

By their very nature, forward-looking statements involve uncertainties because they relate to events, and depend on circumstances, that will or may occur in the future. If the assumptions on which the Group bases its forward-looking statements change, actual results may differ from those expressed in such statements. The forward-looking statements contained herein reflect knowledge and information available at the date of this presentation and the Group undertakes no obligation to update these forward-looking statements.

This report does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase any shares or other securities in the Company and nothing in this report should be construed as a profit forecast.

MARKET SHARE

Market share data has been provided by Investment Trends Pty Limited (website: www.investmenttrends.co.uk). Contact: Pawel Rokicki (email: pawel@investmenttrends.com.au). Unless stated, market share data is sourced from the following current reports:

- Investment Trends May 2012 Australia CFD Report
- Investment Trends May 2013 France CFD/FX Report
- Investment Trends April 2013 Germany CFD/FX Report
- Investment Trends September 2012 Singapore CFD/FX Report
- Investment Trends November 2012 UK FSB/CFD and FX Report

IG Group Holdings plc
Cannon Bridge House
25 Dowgate Hill
London
EC4R 2YA
Tel: +44 (0)20 7896 0011
Fax: +44 (0)20 7896 0010
www.iggroup.com