IG GROUP HOLDINGS PLC

ANNUAL REPORT 2016

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iggroup.com/ar2016

AT A GLANCE

'2016 was another record year for IG, with revenue up 14% to £456.3 million. Our investments in improving online marketing, developing new offices and extending our product set are beginning to pay off.'

Peter Hetherington
Chief Executive Officer
19 July 2016

FOUR-YEAR COMPOUND ANNUAL GROWTH RATES

5.6%
REVENUE(1)

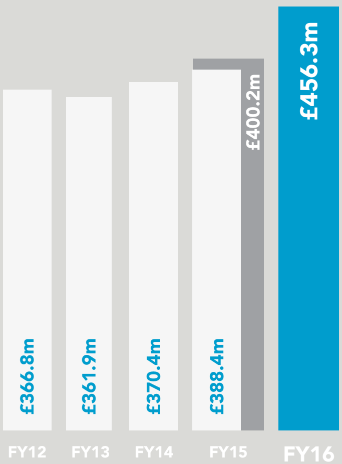
2.9%
PROFIT BEFORE TAX

4.4%
DILUTED EARNINGS PER SHARE

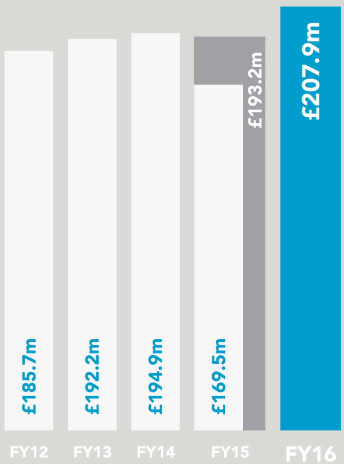
8.7%
TOTAL DIVIDEND PER SHARE

8.9%
OWN FUNDS GENERATED FROM OPERATIONS

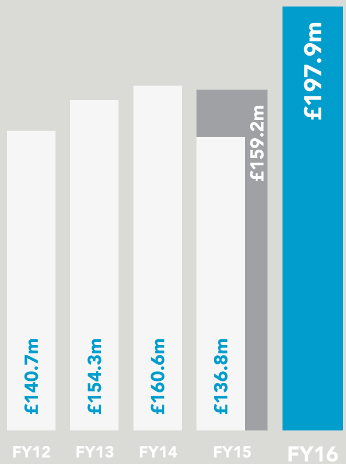
REVENUE(1)



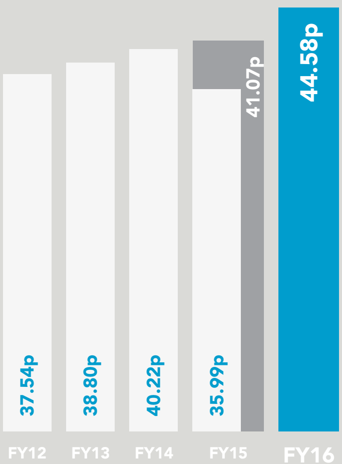
PROFIT BEFORE TAX



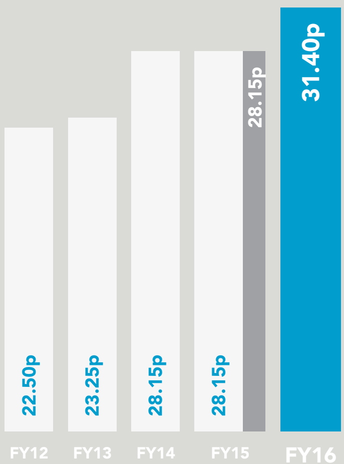
OWN FUNDS GENERATED FROM OPERATIONS



DILUTED EARNINGS PER SHARE



TOTAL DIVIDEND PER SHARE



(1) Throughout this report Revenue refers to net trading revenue (ie excluding interest on segregated client funds and after taking account of introducing partner commissions).

The shaded area indicates the underlying performance in financial year 2015.

Movement based on statutory figures with underlying movement included in narrative.

CHAIRMAN'S STATEMENT

In my second annual statement to you as Chairman of IG, I am pleased to report on a year of strong growth for the Company in revenue and profit, with both hitting new highs.

Andy Green
Chairman

The good financial results are driven primarily by improving performance from our digital and mobile marketing in our more established markets, supported by reasonably volatile financial markets, and our investments in Switzerland, Dubai and Nadex beginning to produce returns.

This year has produced a challenging backdrop against which to execute our strategy. As you know, our previous Chief Executive Officer (CEO) retired and our Chief Financial Officer (CFO) resigned during the first half of this financial year. After a thorough process, the Board appointed Peter Hetherington as CEO in December last year. Earlier this month, we also appointed Paul Mainwaring as CFO, subject to FCA approval. The succession process has gone smoothly, thanks to the skill and dedication of Peter and his Executive team.

We remain committed to growing our business within our current global footprint and beyond, as opportunities allow. We set out a vision some time ago to be the default choice for active traders globally. At the half-year results in January, we expanded upon this to include non-leveraged products such as execution-only stockbroking (share dealing) and portfolio-based investing (IG Investments). This will allow us to appeal to sophisticated and active investors across a range of their needs and in different stages of their lives.

Our strategic clarity is coupled with a total commitment to operational efficiency. This ranges from the strides we are making in online marketing, through the incremental improvements to our client onboarding process, to the enhancements to execution and risk management practices that are allowing us to extract increasing value from every client trade.

Our people are core to our operational success. Recent attrition levels in our London office have been too high, due to competition for the scarce skills we require to prosper. In response, we have increased some salary levels to help retain key staff. At the same time, we are expanding our presence in Krakow and Bangalore to access key skills competitively. We expect our London office to remain at the core of our operations.

Shortly after the year-end the UK electorate voted to leave the EU. I continue to be impressed by how the broader team in IG handles such volatile events.

The team prepared meticulously for what turned out to be a night of severe and sudden movements in financial markets. I am very pleased to report that they steered the business through unscathed. They concentrated on the interests of our clients leading up to and throughout the period, with clear client communications and margin-setting policy. The result, however, does throw up new challenges for IG, and will divert some resources over the next couple of years, as we decide on the best course of action to secure the future of our European business. In doing this, we will also consider any relevant elements of other forthcoming legislation in this area.

Regulatory compliance remains a key tenet of IG's operating model. We are regulated in 17 jurisdictions across the world. While we can never guarantee we will not fall foul of a specific regulation, our intention is always to comply and we continue to invest in our capability here, with the aim of maintaining our good track record.

'Our strategic clarity is coupled with a total commitment to operational efficiency.'

DIVIDEND

This has been another strong year for cash generation at IG. In line with the Board's previously stated intention to pay out, as an ordinary dividend, approximately 70% of the Group's annual earnings, the Board is recommending a final dividend of 22.95 pence per share, taking the full-year dividend to 31.40 pence per share, 11.5% ahead of the prior year.

The Board will maintain a capital structure and cash position in the business to enable it to withstand any changes in the regulatory environment or structural shocks in the financial markets, while providing sufficient headroom to take advantage of any investment opportunities.

BOARD

The Board structure has changed significantly in the past year. In my statement last year I noted the retirement and acknowledged the great contribution of our CEO, Tim Howkins. In October, Chris Hill, CFO, stepped down from the Board and left IG, to take up a CFO role elsewhere. As I said at the time, we were sorry to lose Chris but understood his decision.

In December, following a thorough search process, the Board appointed Peter Hetherington as the new CEO. Peter was previously Chief Operating Officer and has been a member of the IG Board since 2002. The Board was delighted to confirm Peter as CEO, and believes he brings the right mix of business knowledge and fresh thinking to the CEO role. In July 2016, we announced that Paul Mainwaring had been selected by the Board as CFO, subject to FCA approval. Paul was previously CFO of Tullett Prebon plc and we are looking forward to welcoming him to the Board in due course.

In September, June Felix joined the Board as a Non-Executive Director. June is currently president of Verifone in Europe and brings with her significant international experience along with knowledge of product innovation in the financial and digital sectors. Also in September, Malcolm Le May joined the Board as Senior Independent Director and Chairman of the Remuneration Committee.

Malcolm brings to the Board deep knowledge of the financial services and investments sectors and a wealth of experience on the boards of publicly listed businesses. I would like to welcome them both to IG. Following these changes, your Board continues to comply with provision B.1.2 of the 2014 UK Corporate Governance Code ('the Code').

The intention again this year is to put every Board Director up for election or re-election at the AGM, in compliance with paragraph B.7.1 of the Code.

REMUNERATION

In response to the attrition levels mentioned earlier, this year we carried out a targeted salary benchmarking exercise, to ensure our overall remuneration structure enables us to recruit and retain high-quality people. We also introduced a flexible benefits scheme, which allows our employees to choose the mix of benefits which suits their individual circumstances. This will increase our overall remuneration costs, but I believe makes us increasingly competitive in a tough labour market. In determining the remuneration of the CEO and CFO, the Remuneration Committee took into account the growth of the business and the competitiveness of salaries at all levels of the Company, and benchmarked these roles against companies of comparable size and complexity in financial services and the FTSE 250.

IG'S PEOPLE

Once again, I and the rest of the Board want to thank all the people who work at IG for delivering another record year for the Company. We were extremely impressed, if not surprised, by the way our people pulled together during the uncertainty caused by the CEO and CFO's departures during the first half of the year, and by the way they have rallied behind Peter, as new CEO. We are in no doubt that our people remain our key asset.

LOOKING FORWARD

We have been investing heavily over the last few years in transitioning IG, from a very successful but relatively narrow specialist, to a broader-based business, through product extension, geographic expansion and platform development. We are now coming towards the end of this particular project investment phase. This year, as well as delivering results from those investments, we have a number of important initiatives planned, which Peter considers in more detail in his statement, as we seek new opportunities to grow and to expand our knowledge and experience across an emerging range of exciting digital financial products.

The Board is committed to delivering on the strategy we have agreed, to the benefit of all our stakeholders. IG's success is built on placing clients at the heart of our business and we aim to further enhance our leadership position by providing them with even better technology and continuous improvements to their overall experience. With our recent investments beginning to bear fruit and exciting plans for the year ahead, I am increasingly confident about the future.

A. J. Green

Andy Green
Chairman
19 July 2016

CHIEF EXECUTIVE OFFICER'S REVIEW

This is my first opportunity to present full-year financial results, and I am pleased to be reporting on such a strong outcome. Revenue was ahead by 14% at £456.3 million (2015 underlying: £400.2 million). Performance was strong across the board, with each half-year setting a new high.

Peter Hetherington
Chief Executive Officer

The year was particularly marked by sharp market movements in our first and third quarters, which presented short-term trading opportunities for our clients. However, I am particularly pleased by the continued strategic and operational progress we made in the year, which I will expand upon later.

Profit before tax rose by 7.6% to £207.9 million (2015 underlying: £193.2 million), with a £6.4 million negative impact year-on-year in betting duty and net interest on client funds and a 17% increase in operating costs. Cost increases reflected targeted investment in advertising and marketing, where the payback remains compelling, increased data fees due to the growth in client numbers, higher employee costs due to the impact of headcount increases through the prior year and higher discretionary remuneration following the improved business performance. Profit after tax was up by 9% at £164.3 million (2015 underlying: £150.7 million). Diluted earnings per share was up by 8.5% at 44.58 pence (2015 underlying: 41.07 pence).

Revenue in the year was ahead in all of our geographic regions. The UK contributed almost 51% of the Group revenue in the year, up 9% at £231.1 million, with a similar sequential half-on-half growth rate. The pattern was similar in Australia, where revenue was ahead of the prior year by 8% at £64.0 million. Revenue in Europe was ahead by 22%, at £98.6 million, with all countries in this region ahead of the prior year and a strong year-on-year performance in Switzerland, where the office opened part way through the prior year; the sequential half-on-half growth rate here was 16%. The Rest of World segment was ahead of the prior year by 30%. Once again all countries were ahead of the prior year, with a particularly strong revenue performance in the US and an excellent start in the new Dubai office.

As our Chairman, Andy Green, mentioned, just after the end of our financial year, we experienced a real-world test of our systems, processes and risk management with the UK's EU Referendum. This sort of event brings out the best in IG's people. We prepared meticulously, providing regular communications and adjustments for our clients to ensure they understood the potential for market moves and stress testing our technology even more than normal. As it turned out, the event was more dramatic than most people anticipated, with some of the most extreme movements we have seen in financial markets. I am delighted with the way IG handled the event itself and the immediate aftermath. While IG avails itself of the 'passporting' regime in using its UK licence to operate across the EU, the decision to leave the EU does not change much in the short-term. We will put plans in place to deal with this outcome, as we monitor the progress in political discussions, and be ready to act if required to ensure we can continue to operate in Europe.

MiFID II is currently scheduled to come into force in January 2018. This provides enhanced intervention rights for individual state regulators. Ahead of this, as we announced in March, the French regulator, the AMF, stated its intention to restrict electronic advertising of derivative products to retail clients. Although this intention is not yet law, it appears there is sufficient will to ensure this happens and therefore we assume this comes into force sometime during this calendar year. The precise extent of the restriction is not yet clear but it is likely to adversely impact new client acquisition for the French business, which accounted for 5% of this year's revenue and new accounts.

STRATEGIC AND OPERATIONAL PROGRESS

In my first-half statement in January, I clarified my approach to taking IG forward. We are concentrating on three key levers for growth:

- Product diversification
- Geographic development
- Maximising the current opportunity
  - Optimising marketing efficiency and client conversion
  - Increasing client activity and retention
  - Maximising client value

PRODUCT DIVERSIFICATION

Having grown to be a clear market leader in certain of our more mature markets, the UK and Australia in particular, we see great value in being able to offer clients a broader suite of trading and investment products, which fulfil a greater portion of their needs throughout their life. This also allows us to reach out with the IG brand to a broader range of potential clients through a product set they understand well, with some of those clients, those for whom it's entirely appropriate, ultimately choosing also to use a leveraged product. In September 2014, we took our first step outside our core leveraged-product arena, with the launch of execution-only stockbroking in the UK. We evolved our offering early in 2016, in response to a slightly disappointing take-up, including altering our pricing structure and renaming it share dealing. These changes coincided with the ISA season in the UK, so it is difficult to understand their precise impact, but we have seen an uplift in the account opening rates. At the end of the year we had over 11,000 funded accounts and, perhaps more importantly, we had around 2,900 active clients in May. We continue to see around 15% of new clients going on to use the leveraged product set and initial indications suggest they are valuable clients. We rolled out this product to Australia in early July and hope to build here on the learnings from our UK experience to date.

> **'I am particularly pleased by the continued strategic and operational progress we made in the year.'**

We are close to launching a portfolio-based investment product through IG Investments, in partnership with BlackRock, the biggest asset manager in the world. Initially this will be UK only but we expect to expand it to Australia over time. This is the next natural extension of the IG brand and provides us with another route to market. Over the longer term, this allows us to build a separate, more predictable revenue stream. The model portfolios we will offer will be built on exchange traded funds (ETFs), which lend themselves to one of IG's core competencies, namely real-time trade execution. ETFs are low-fee products, which will enable us to offer a low-cost service to clients, based on market-leading technology and transparency. We plan to add a customisation ability for clients, which we anticipate will appeal to more sophisticated clients.

CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

GEOGRAPHIC DEVELOPMENT

We will adjust our approach to suit the opportunity. Over time we believe there will be opportunities to expand our business into fresh geographies. Recent examples of this are Switzerland and Dubai. These two offices are performing ahead of plan, with a particularly strong finish to this year in Dubai. Unlike other offices, the revenue in these countries is coming from fewer, larger-value clients, particularly in Dubai, which leads us to expect growth to be strong but unpredictable from month to month. Both of these countries required a lengthy licensing process, a relatively material infrastructure and local regulatory capital.

We will seek to address certain adjacent or proximate markets without the overhead of a local presence. These markets will be targeted by the most relevant sales office, with the assistance of our improved online marketing capabilities, a new affiliates programme, slim local language websites and the required local language skills. This approach is central to our recent decision to pursue a hub strategy in Europe, where we are centralising our capabilities in specific strategic countries. As part of this, we closed our offices in Norway and the Netherlands and will now serve our current clients and build these businesses from Sweden, Germany and the UK.

There remains significant opportunity within our current geographic footprint. As global leader in our market, there are many countries where our market share does not reflect this. We see this as an opportunity, rather than a disappointment.

'In the UK and Australia in particular, we see great value in being able to offer clients a broader suite of trading and investment products, which fulfil a greater portion of their needs throughout their life.'

We may seek to extend our product set where there are specific local circumstances which support that, but generally, in countries where our market share is not reflective of our aspirations, we will focus on the core leveraged product and progressing towards a market-leading position.

This year, we launched an affiliates programme to market our product through a range of partners. This is still early stage, but the progress to date has been encouraging in some countries. This provides us with an entrepreneurial route to market, with a very transparent cost per account. We will continue to progress this positively, while remaining protective of our record of regulatory compliance.

MAXIMISING THE CURRENT OPPORTUNITY

In the short to medium term, there is a real opportunity for IG to improve at all the things we already do. As the business grew rapidly through the past 10-15 years, inefficiencies crept in to some of our processes, particularly around the way we market, onboard and engage clients through their life with IG. We are making progress in extracting increasing value from every client opportunity.

Optimising marketing efficiency and client conversion

Over the last couple of years, we have overhauled our online marketing, recognising its growing importance, through personnel and process change. We have centralised our marketing spend in regional hubs and now use a data-based algorithmic methodology. In the last financial year we opened just over 100,000 accounts, 42% ahead of the prior year, and the second half of this year was 35% ahead of the first half. So, we are making great progress at targeting new clients. These figures do however belie the fact that there is still considerable friction, and therefore opportunity, in the application process. We have put in place many changes this year, accompanied by a strict testing regime and feedback loop where possible, to improve the conversion rate for prospective clients who begin the application process. Many of these are almost imperceptible, but incremental. However, the more significant ones include: taking advantage of electronic ID verification databases in countries where these were previously unavailable, particularly in Europe; enabling ID document upload through the mobile app; redesigning our mobile application form; establishing a dynamic verification routine within the application which shows clients clearly what documentation they require at each stage of the account opening process and much improved client communications.

Our conversion rate from opened accounts to trading accounts has dropped a little in the year. In absolute terms, it is still a strong picture, with first trades ahead of the prior year by 29%, and the second half of this year 24% ahead of the first half. Part of the decline in the conversion rate is due to the increasing proportion of applications commencing on mobile devices – for the last few months of the year, this has been running at around 50% of all applications; currently these do not convert as well as those that come through the web-based platform, either into valid open accounts or into trading accounts. It is also due in part to the magnitude of the uplift in applications – a good problem to have – and the reassurance we require before allowing someone to trade; this often includes a direct conversation and we are employing more client-facing staff to assist clients to get through to trading.

Less successful at this stage has been our acquisition of generic top-level domains (gTLDs), where we have decided to write-off the investment this year. We have launched some websites using our gTLDs, for example news.markets, and licensed many domains to third parties, but this is moving slower than we initially anticipated. We continue to believe that our ownership of certain gTLD strings positions us well as the internet structure evolves, but we have trimmed our short-term ambitions and we are focusing on using the small number of sites we have at this stage to broaden IG's presence and attract clients.

'The business starts this year in good shape, and we are delivering a number of initiatives which should continue to support future growth.'

Increasing client activity and retention

Our desire is to delight our clients with our technology and our service and to retain them for as long as possible. There is an overlap in this growth lever with our product diversification, a mechanism for deepening our relationships with clients. However, there are a number of other initiatives which will differentiate IG. This year, we rolled out our market movement notifications service, primarily via push alert to a mobile device. This allows a client to move seamlessly from a timely trading idea to the dealing platform and is individually targeted to each client's interests. During July 2016, we will launch our limited risk trading account, an important step in helping some clients to manage better the risk/reward balance in their trading. This guarantees a client cannot incur debt, and may enable us to attract additional clients, previously concerned by the nature of the trading risks.

We are in the middle of the testing our new web trading platform, the mainstay of IG and our industry. Our current platform could be described as visually a little tired, but it remains technologically cutting-edge. It is also very familiar to many of our clients and therefore we will approach the changeover carefully and include a long period of dual-running. As long as the testing feedback is positive, we continue to expect to roll out the initial version in 2016. We will then iterate this to ensure all current functionality is available, along with the suite of new features we are planning.

Maximising client value

We continue to optimise our risk management within our technology suite and with strong governance as we approach specific events. This year we increased our absolute risk limits and made them dynamic, where they rise and fall as markets open and close to take advantage of liquidity and client volume. Although we intend to retain our low-variability revenue stream – IG has only had three negative revenue days in the past five years – we continue to run back-testing simulations of various scenarios to get increasingly close to the optimal position, while remaining neutral on market direction. We overlay this technological risk management with manual oversight.

This was extremely successful at the time of the EU Referendum, where we prioritised long-term value over short-term gain, raising client margin rates significantly and encouraging our clients to consider carefully the merits of holding a position through such uncertainty. This approach protected both clients and IG.

'We continue to optimise our risk management within our technology suite and with strong governance as we approach specific events.'

OUTLOOK

We made good progress in 2016, strategically, operationally and financially. The business starts this year in good shape, and we are delivering a number of initiatives which should continue to support future growth. The launch of limited risk accounts is a key step in providing current and prospective clients with increased choice and will allow us to broaden our reach. We aim to improve retention of existing clients and to appeal to new clients by releasing our investments product in the UK in the first half of this financial year; this will be an important achievement in the evolution of IG and continues our repositioning in our more mature markets. We are also approaching the end of the testing phase for our new web trading platform, and expect to release it before the end of this calendar year.

Demand for our products and application numbers remain strong. Given this demand, and the improvements we have made to our online targeting capability, we intend to increase marketing investment again significantly this year, as long as the payback remains compelling. Including the impact of the remuneration changes at the end of the financial year, and modest increases in other operating costs, we currently expect the overall absolute rise in operating costs in the 2017 financial year to be in line with the increase last year, on an underlying basis. However, given the nature of this cost growth, it will be increasingly discretionary and more closely aligned with revenue.

In summary, 2016 was a successful year for IG, and the business is in robust health. I am delighted to be leading such an energised team, and we remain confident that we can deliver further attractive growth going forward.

Peter Hetherington
Chief Executive Officer
19 July 2016

OUR BUSINESS

OUR VISION

We aim to be the default financial platform for active traders and sophisticated investors in our chosen markets.

BUILDING ON OUR HERITAGE

IG is a global leader in online trading and the trusted partner for 152,600 active traders. A FTSE 250 company with market capitalisation of £3.0 billion(1), we have a long history of profitability and financial strength.

In 1974 we began life as the UK's original spread betting provider, introducing a completely new, accessible way for people to trade on gold, by defining it as an index. Since then, our innovative, client-focused approach has enabled us to grow and expand our business and product range internationally, and today we are the world's No.1 CFD provider as well as maintaining our considerable UK market leadership in spread betting.(2)

As we look to the future, as well as continuing to grow our number of clients globally, there is an opportunity to strengthen and extend our relationship with them by offering a wider spectrum of products, beyond our original leveraged trading services. Our hallmark transparency, financial security and platform technology underpin new initiatives that will enable us to attract clients at different stages of their investment lifecycle. We began this process with the successful introduction of our share dealing service in September 2014, which is now exposing our brand to a broader audience and bringing valuable new clients to our entire product suite.

We are shortly to launch, in the UK, a sophisticated and innovative portfolio-based product, for longer-term investment purposes, in partnership with BlackRock, the world's leading asset manager.

By providing a broader range of products that cater for differing investment objectives and risk appetites, we seek to forge longer-lasting relationships with our clients, remaining their partner of choice as their needs change over time.

Meanwhile, we continue to focus on optimising our core offering. A completely new, cutting-edge trading platform will give our clients a faster, more responsive, personalised trading experience. We have also invested heavily in improving the client recruitment process, using a number of techniques to create a broader, smoother pathway for prospects interested in using our products.

Throughout the past four decades, our operating model and risk management strategy have been thoroughly tested and have proved highly resilient. Our business has continually adapted to a changing world and the technological and economic backdrop, and we will continue to innovate as we look to the next phase of our growth.

IG RETAIL BRANDS

IG

NADEX

(1) Based on the share price at 19 July 2016.

(2) Based on number of active UK financial spread betting accounts (Investment Trends UK Leveraged Trading Report, September 2015); for CFDs, based on revenue excluding FX (published financial statements, September 2015).

KEY DATES

1974
IG Index was founded, becoming the UK's first spread betting company.

1982
We were the first company in the UK to offer spread betting on the FT30.

1995
IG Index became the first UK company to allow spread betting on individual shares.

1998
The company became the first to launch an online dealing platform for financial spread betting.

2002
IG Markets Australia became the country's first CFD provider.

2003
Our product range expanded as binary betting was introduced.

2006
New offices opened in Germany and Singapore.

2007
Our browser-based trading platform was launched. New offices opened in the US, Spain and France.

2008
The Group opened an office in Italy. The Group launched the UK's first dedicated spread betting iPhone app.

2009
Nadex.com was launched in the US. IG Markets introduced PureDMA. Offices opened in Sweden and Luxembourg.

2010
We acquired the Ideal CFDs business in South Africa. CFD iPhone app launched.

2012
Our Insight, news and analysis centre launched. New office opened in Dublin.

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

2014
Introduced execution-only stockbroking as part of our comprehensive share trading package. New office opened in Switzerland.

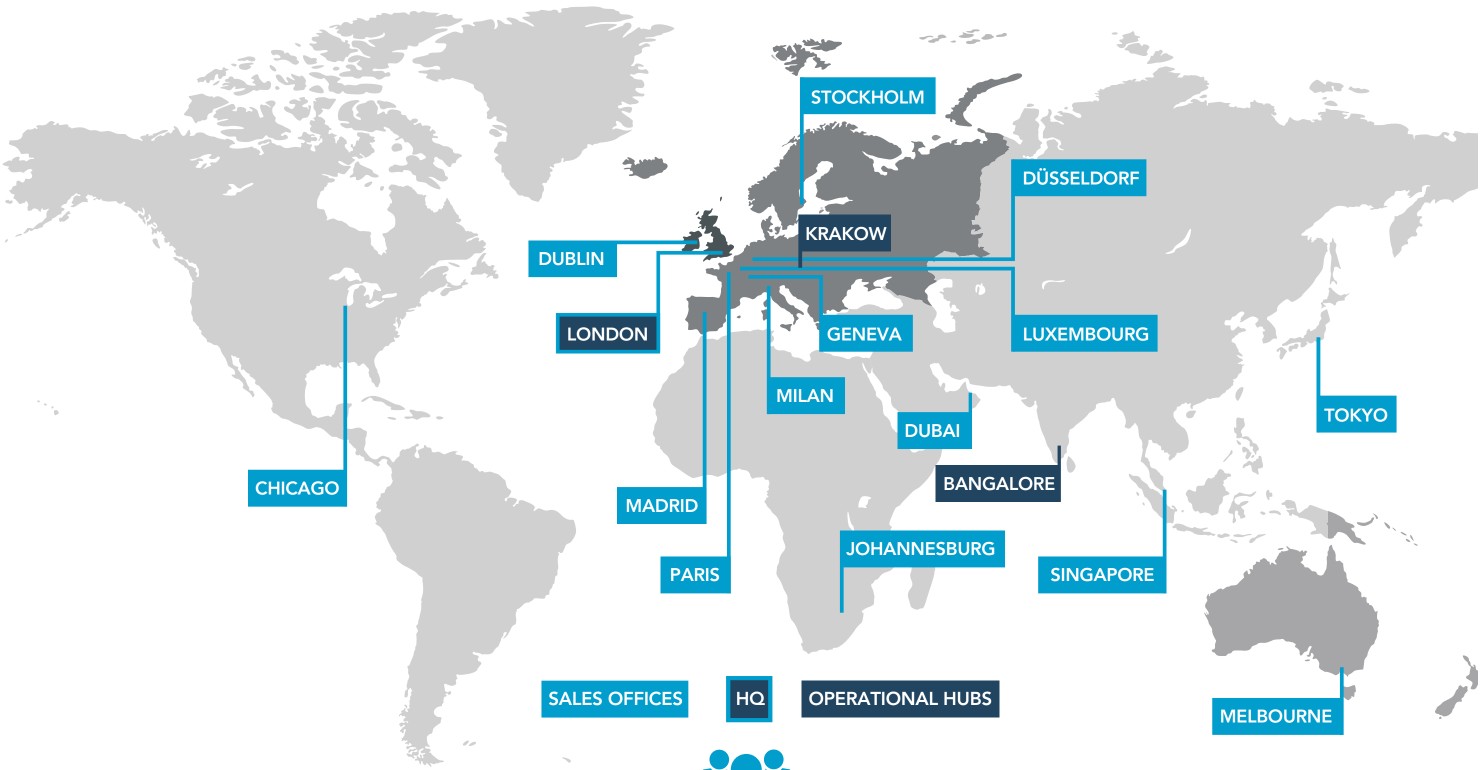
2015
Sunday trading was launched and IG designed the first trading app for Apple Watch. New office opened in Dubai.

2016
IG expands its stockbroking offering into ISAs and SIPPs. Enters into a partnership with BlackRock, the biggest asset manager in the world, to launch a portfolio-based investment product.

OUR GLOBAL OPERATIONS

We have sales offices across Europe, the Middle East, Africa, Australia, Asia and the US, and our growing expertise in online marketing, search engine optimisation and multi-language client service enables us to extend our reach into countries where we have no physical presence. Using a centralised marketing strategy, we now target prospects and serve clients in 156 countries, efficiently and cost-effectively.

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



1,408
TOTAL EMPLOYEES

UK

- Introduced the first financial spread betting product in 1974
- Offices located in the City of London and Dublin (Republic of Ireland)
- Annual revenue of £231.1 million in the 2016 financial year, with 64,500 active clients trading

EUROPE

- Entered the market in Germany in 2006, with rapid expansion across Europe from 2007
- Offices located in France, Germany, Italy, Luxembourg, Spain, Sweden and Switzerland
- Annual revenue of £98.6 million in the 2016 financial year, with 35,000 active clients trading

AUSTRALIA

- Entered the market in 2002
- Office located in Melbourne
- Annual revenue of £64.0 million in the 2016 financial year, with 19,800 active clients trading

REST OF WORLD

- Began expansion in 2006 in Singapore
- Offices located in Dubai, Japan, Singapore, South Africa and the US
- Annual revenue of £62.6 million in the 2016 financial year, with 33,300 active clients trading

857 EMPLOYEES (UK)

210 EMPLOYEES (Europe)

76 EMPLOYEES (Australia)

265 EMPLOYEES (Rest of World)

OUR PRODUCT SUITE

We provide our clients with a broad product set, both in terms of markets to trade and the number of platforms available. Our market-leading technology enables fast, flexible trading on an extensive range of global indices, shares, forex, commodities and other instruments.

At the core of our product range is leveraged trading. Most of our global revenue comes from CFDs and financial spread betting (in the UK and Ireland), with an increasing proportion generated by binaries trading, including our US retail derivatives exchange, Nadex.

Our aim is to anticipate and respond to our clients' changing needs. As part of this process, in the UK and Australia, we are developing a comprehensive product range that will suit shifting risk appetites and investment objectives throughout a lifetime. This includes a suite of unleveraged products, starting with the introduction of share dealing and ISAs in the UK last year and the recent addition of SIPPs this year.

We are also launching, in the UK, a new wealth management offering, in partnership with market-leading exchange traded fund (ETF) provider BlackRock. We believe that the long-term investment market is already beginning to experience disruption, and we can take advantage here through the exceptional strength of our technology combined with BlackRock's product and portfolio construction expertise.

Together, our range of leveraged and unleveraged products will help us attract and serve both active traders and sophisticated investors, broadening our reach into new target audiences and extending the lifetime of our clients with us.

Together, our range of leveraged and unleveraged products will help us attract and serve both active traders and sophisticated investors.

CONTRACTS FOR DIFFERENCE (CFDS)

CFDs are derivatives contracts 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[(1)]
- We offer CFDs in more than 17 countries globally

We explain how a CFD works on page 168.

SPREAD BETTING

Financial spread betting, available in the UK and Ireland, is a tax-free[(2)] alternative to trading, enabling clients to bet on the price movement of an asset. Like a CFD, it enables clients to capitalise on changes in an asset's price without owning the asset itself. The size of a client's win or loss depends on the magnitude and direction of the price movement.

- We are the UK's largest and longest-running spread betting provider[(3)]
- We hold 44% of the UK financial spread betting market[(4)]

We explain how spread betting works on page 170.

NADEX

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

The main product we offer is the binary option, which provides a flexible way for clients to trade with limited risk, although the spread product, also limited risk, is becoming more popular.

- Nadex is the first and largest US-based retail-oriented exchange
- The business has seen a two-year compound growth of 89%

(1) Based on revenue excluding FX, from published Financial Statements, September 2015.

(2) Tax laws are subject to change and depend on individual circumstances. Tax law may differ in a jurisdiction other than the UK.

(3) Based on number of active UK spread betting accounts (Investment Trends Ltd UK Leveraged Trading Report, September 2015).

(4) Investment Trends Ltd UK Leveraged Trading Report, July 2015.

BINARIES

Our pioneering binary contracts are based on a single question: 'will the underlying market behave in a specific way before the contract expires?'. Clients use their knowledge of the markets to decide whether the answer will be yes or no.

Binary contracts are unrestricted by low volatility, giving clients the opportunity to trade in even the flattest markets. They are also a limited-risk product, where the maximum potential gain or loss is known at the outset. Our binary offering also includes 'sprint markets' – short-term, fixed-risk trades.

This product forms a key part of our ongoing strategy to provide a range of services for clients throughout their lifetime.

- Our binaries have seen a CAGR of 34% over the past three years
- Binaries now represent 11% of our overall revenue, up from 9% in the prior year

SHARE DEALING, ISAs AND SIPPs

Our online, execution-only share dealing service is powered by the same market-leading technology as our spread betting and CFD services. Clients have access to live, streaming prices and a transparent execution process, as well as a cost-effective way to trade international equities. At the start of 2016, we reduced and simplified our charging structure to give clients even better value for money. We also allow clients to use their stock portfolio as collateral to initiate leveraged trading, and those clients who use both products benefit from lower, preferential fees on their share dealing account. Following the recent launch of SIPPs in the UK, we believe we now have a market-leading proposition.

Share dealing is an important part of our product offering in the UK and will become so soon in Australia, two countries where we are market leaders for leveraged trading, and it offers us a new and exciting route to growth. We also launched the service in Germany, the Netherlands, Austria and Ireland, but the main thrust in these countries remains developing our leveraged market share.

- The market in the UK for online, execution-only stockbroking is around ten times the size of the market for leveraged products
- Around 70% of clients opening share dealing accounts are new to IG, and around 15% of these clients have subsequently started using our leveraged products

WEALTH MANAGEMENT

The building block of our new wealth management offering is the exchange traded fund (ETF) – a passive investment vehicle that is rapidly increasing in popularity and becoming much more mainstream in the UK and Europe, following a pattern set by the US.

On its own, an ETF gives clients a low-fee way of tracking an index geography or a sector. Because ETFs trade on recognised exchanges, clients can do this through the share dealing platform. We will be enabling clients in the UK to choose from a range of model ETF-based investment portfolios with different risk profiles. These portfolios are constructed and regularly rebalanced by the IG Investments portfolio team. Clients benefit from IG's world-class technology, execution and customer service, combined with BlackRock's market-leading expertise in asset allocation. We believe our offering is extremely well placed to challenge the traditional high-fee approach to wealth management, and will provide investors with a low-cost, transparent and flexible solution.

We consider the wealth management sector to be a significant long-term opportunity, and our marketing initiatives will include educational programmes to continue raising awareness and understanding of ETFs within the market.

- The ETF market is currently growing at around 18% per annum
- BlackRock is the world's largest ETF provider, with over 760 exchange traded products (ETPs) listed on exchanges worldwide and over 36% market share globally

BUILT WITH iShares® by BLACKROCK®

OUR CLIENTS AND BUSINESS MODEL

OUR CLIENTS

RETAIL CLIENTS

Our core focus continues to be the active trader – a knowledgeable, demanding and valuable client who expects highly sophisticated technology and uses it frequently, often placing large trades. However, investment requirements and appetite for risk can change over time, affected by factors such as family or financial commitments or the need to plan for retirement, and this offers us the opportunity to broaden our product set to also appeal to relatively sophisticated investors.

Our 42-year heritage and integrity has developed our brand strength to a point where we have sufficient credibility to broaden our range of products in the UK and Australia into stockbroking and investment portfolios, including ISAs and SIPPs. By doing so, we will be able to deepen and lengthen our relationship with our clients by catering for their evolving needs.

CLIENT ACQUISITION

Acquiring a new client begins with a highly targeted global marketing effort, with offline activity managed locally by each office and our increasingly sophisticated online marketing effort controlled from regional hubs. By using an algorithmic approach, and continuously testing this through a feedback loop, we are able to determine which advertising and search terms have been most valuable for client recruitment in each country. This enables us to reach larger numbers of the right prospects more efficiently.

As well as marketing our products directly, we provide a number of education, news and analysis services which encourage people to engage with IG and learn about our products. These include the learn.spreadbetting website and IG Academy app, launched this year, as well as the IG Live TV channel and a suite of YouTube videos. These assets reinforce our commitment to transparency, ensuring our new and existing clients are well informed about our services.

THE CONVERSION JOURNEY

Once a prospect has decided to become an IG client, our focus shifts to ensuring the journey is as smooth as possible, removing any obstacles or areas of friction, while ensuring we comply fully with all our regulatory requirements.

This involves constantly iterating online and mobile application forms in response to client progress rates. We are also making better use of electronic verification methods that check a client's identity against government data in real-time, where available. This is dramatically shortening the typical timescale to open an account in countries where the facility exists, cutting it from three days to within the same day in Germany and Austria, for example. For occasions when further security checks are still required, we have introduced a new way for clients to quickly upload photographs of their documents from their phone or computer to our website.

We currently have 152,600 active clients around the world, and the majority of these engage directly with us.

INSTITUTIONAL CLIENTS

IG also provides a number of services to corporate entities. These range from purely supplying price feeds to operating full white-label platforms. Accounting for 8% of our revenue, the institutional sector is a significant part of our business, but is currently significantly smaller than our strong retail division. However, it is an area where we have the potential to grow without any substantial increase in our cost base.

INTRODUCED BUSINESS

The mainstay of our institutional division has historically been introduced business. In this case our clients are regulated entities who do not have their own front-end offering and want to take advantage of our award-winning dealing technology and expertise. They introduce their clients to us and we handle all trading activity and provide back-end support. The introducer manages the client relationship.

We can also provide a white-labelled version of our platform with the client's own branding. This enables clients to integrate our trading facilities seamlessly with their other services and maintain consistency throughout their marketing assets.

DIRECT INSTITUTIONS

Increasingly, small asset managers, hedge funds, broker dealers and competitors lack sufficient scale to gain direct access to the major hedging counterparties. Balance-sheet constraints have recently forced banks who might previously have offered a source of liquidity for these clients to withdraw from the market. IG is taking advantage of this growing segment of the market by taking on these clients and providing them with a forum to trade. This business is profitable and growing.

We carefully assess the risk and potential returns from each client and only partner with reputable institutions that are committed to the same rigorous standards of regulatory compliance as ourselves, and that fit our risk profile. We usually provide a price feed to the client's own platform or offer the facility to connect to us via a direct API (application programming interface), with the client paying spread or commission depending on what they trade. This enables clients to fully integrate their trading strategies with the IG infrastructure via their own front end or a number of third-party solutions.

BUSINESS MODEL

CLIENT JOURNEY

1
DISCOVERING IG VIA OUR CAREFULLY TARGETED MARKETING

- Optimised global online acquisition
- Transparent, targeted advertising
- Accessible educational tools
- Market news and expert insight

2
BECOMING A CLIENT QUICKLY AND EASILY

- Full compliance with FCA and other regulators' requirements
- Fast, smooth application process
- Electronic ID verification
- Secure, simple document upload

3
ACCESSING FINANCIAL MARKETS THROUGH A SUITE OF PRODUCTS FOR CHANGING NEEDS

- Spread betting
- CFDs
- Binaries
- Share dealing
- ISAs
- SIPPs
- ETF portfolios

HOW WE ADD VALUE

BRAND STRENGTH

- Global leader in online trading
- Reputation for authority and integrity
- 42-year heritage
- Robust balance sheet
- Access to over 10,000 markets

TECHNOLOGY AND INNOVATION

- Industry-leading apps, charts and tools
- Secure, stable platform
- Fast, reliable execution
- Continuous improvement
- Responsive to client needs

IG

42 YEARS

EXPERT SERVICE

- High-calibre client service staff
- Dedicated 24h telephone support
- Sophisticated interaction-management system
- Products designed in response to client feedback

HOW WE GENERATE REVENUE

Our principal revenue sources on our core leveraged products are the dealing spreads or commission charges we apply to each transaction, according to the asset and product type being traded net of our hedging costs. As clients are trading on margin, we also levy a financing charge for positions held overnight. Our share dealing offer charges a flat fee commission per trade in UK shares.

We derive our earnings from the volume of our clients' dealing transactions, which is 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.

Our centralised operating model enables us to consolidate the market risk associated with client trades from around the globe, which lessens our requirement to hedge, due to the net impact of clients buying and selling the same asset, and so reduces risk and cost.

OUR PEOPLE

Our people are the lifeblood of the service we deliver to our clients. Their skills and passion drive our success in all aspects of our business, from designing and building innovative products and cutting-edge platforms to handling client queries professionally and resolving issues.

OUR VALUES

- **Hallmark quality**
- **Passion for progress**
- **Transparency in dealing**
- **Meritocratic opportunity**

Our success is founded on offering unparalleled access to financial markets, through market-leading platforms, tools, products and services, and presenting them with absolute clarity and integrity. We take extremely seriously our responsibility to ensure that clients fully understand the technical nuances and the potential risks as well as the rewards of our products.

By focusing on quality, transparency and fairness, we are able to build long-term relationships with the people who use our services. We continually seek ways to further assist and engage with current or prospective clients.

We recognise that the strength of our team is pivotal in forging rewarding, enduring relationships with our clients, and we are committed to recruiting the right talent and providing the best environment, culture, training and support for our people to flourish.

In 2016, IG was recognised as one of Britain's Top Employers for the ninth year running. This is testament to our positive workplace culture.

The Top Employer certification is awarded only to organisations that meet the highest standards in human resource management, and we are very proud to be a long-standing recipient. The award, by the Corporate Research Foundation, is based on a strong performance in each of the audited categories: pay and benefits, training and development, corporate culture and career development.

top EMPLOYER UNITED KINGDOM 2015
CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS

OUR PEOPLE STRATEGY

To ensure that we have the right people in place at every level of the organisation, with the right skills and in the right locations, we have developed a five-year strategy. This encompasses recruitment, training, career development and retention.

The strategy is in its first year, but is already yielding significant benefits.

- **We are a global employer with people in 17 countries**
- **We employ over 1,400 staff**
- **Over 90% of employees feel that there is a strong sense of teamwork and cooperation in IG**
- **We have been certified as one of Britain's Top Employers for nine consecutive years**

Our goal is to align people with the overall organisational structure more effectively.

CLARITY AND MEASUREMENT

We have established mechanisms to collect data that will help us manage our people more effectively, and to communicate that data in clearer, more meaningful ways.

For example, following the analysis of our attrition data, we were able to adjust some salaries to ensure our offer was attractive in the market. In addition, we adjusted our performance evaluation process to align people more closely with business and personal performance KPIs and provide more regular, meaningful feedback.

Eoin McCoy
Head of IG Poland

'Our team in Krakow is selected from the local pools of talent, and we've grown rapidly to become a key resource supporting the global business.'

PERFORMANCE AND REWARD

Our goal is to align people with the overall organisational structure more effectively. This involves ensuring that we have the right staff, in the best department structure and the optimum locations, to deliver the levels of product quality and customer service our clients demand.

During the year, therefore, we have determined the five key pillars for our business success:

- Clients
- Delivery
- Returns
- Control
- People

We have aligned the organisation to these pillars, with clear executive-level accountability. We have also begun to expand our teams in Bangalore and Krakow to take advantage of local pools of talent, creating centralised hubs of expertise in IT, marketing and client service to support the global business.

In order to attract and retain the right people, we offer a competitive reward package to recognise performance and encourage our key talent to be part of our future. We believe that working together as a team is vital to our global success.

Therefore, as well as offering a market-related salary structure that is regularly benchmarked, we include the majority of our employees in a group bonus scheme. Bonus levels are linked to the financial success and ongoing stability of IG, and are based on both company and individual performance, as discussed during the annual appraisal process. Bonuses are distributed at the end of each financial year.

The remainder of our employees who are not part of the main bonus scheme are included in specific sales-related bonus schemes. We also reward our high-potential employees through long-term incentive plans.

We offer our employees in the UK, Australia and the US the chance to share in our success via our tax-advantaged share-purchase schemes. An average of 37% of eligible employees took part in our share plans in 2016.

To complement these direct financial rewards, this year we are also introducing flexible benefits across the UK.

TALENT AND GROWTH

Having recruited good people, we also invest in them by ensuring that they have the appropriate training and gain the experience required to perform their jobs effectively and help deliver the Group's strategy and business plan. Staff at all levels and in all functions across IG are supported and developed through effective appraisal reviews and career planning sessions.

Our newly introduced people strategy will ensure that in-house coaching expertise and mentoring supports our employees at all stages of their career, from induction to role transition, gaining technical knowledge and building leadership skills.

As an international company, we are also able to offer overseas development opportunities for selected individuals.

OUR PEOPLE CONTINUED

This year we recognised the increasing need to introduce a more transparent and formal succession-planning process. This is both for the benefit of employees, making our people fully aware of the career opportunities available to them, and also to ensure continuity for the business when a key member of our team moves on.

'When the opportunity for a secondment to London came up, I was excited and the decision was easy. The experience and knowledge I've gained during my secondment are invaluable for my personal and professional development.'

Hui Shan Beh
Group Accountant
Finance (on secondment from Melbourne)

We continue to support our managers in their career progression with our Inspirational Development programme, which focuses on the outcomes of 360° feedback and the behaviours associated with generating high performance. All of our strategic and senior management team attend at least one structured programme, and our more junior managers attend a Transition to Leadership programme, which specifically targets the process of developing from a technical specialist to a leader of people.

WORKING ENVIRONMENT

FLEXIBLE WORKING

We believe that a vibrant, dynamic yet supportive culture is central to employee engagement. We aim to provide the right environment for our employees to thrive so they can give their best performance.

This year we will manifest this in major updates to the physical office facilities and our working practices, introducing a hot-desk system. With laptops replacing fixed desktop devices, our people will enjoy a new flexibility to work in different project teams, at the office or remotely, according to their needs and preferences.

EMPLOYEE FEEDBACK

We believe that understanding our employees' perceptions, motivations or concerns and gathering their feedback is crucial to help us formulate our people strategy and decide which employee engagement initiatives to take forward, so this year we again partnered with IBM to deliver our employee engagement survey, and were delighted to achieve an 89% response rate.

Highlights include the finding that over 90% of our employees feel that there is excellent cooperation and a strong sense of teamwork within their departments. They also report that IG shows a strong commitment to ethical business conduct, that managers treat their teams with respect and that the senior leadership team is committed to providing high-quality products and services to clients.

In terms of development areas, we still have more to do in clearly setting out career structures and advancement opportunities, and in improving reward and recognition.

Our HR team has used the insights provided by the survey to develop our new people strategy, which we believe will address the areas where improvement is needed.

EQUALITY AND DIVERSITY

We maintain our commitment to equality and diversity, recognising that a broad workforce is fundamental to our business. We welcome individuals who bring different approaches, perspectives and ideas. By challenging customs and encouraging creativity, these people can support the business in successfully achieving its goals.

Commercially and for every other best-practice reason, we are an equal-opportunities employer. We strongly believe that to succeed as a global business, we need to make the most of the potential of the workforce in every country where we operate. We have extensive human resource policies in place to ensure that we attract the right people, and that those who join us can develop without experiencing discrimination or harassment. We continuously reinforce the need to treat all employees fairly, working to create an environment free from bullying, where people of all grades or positions enjoy dignity and respect.

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

WELLBEING AND SAFETY

We are fully committed to our employees' health and wellbeing, providing private medical cover, permanent health insurance and life assurance as benefits for all staff. To help our people enjoy healthy lifestyles, our flexible benefits include reduced-price gym membership. We also offer savings on bicycles under the government-backed cycle-to-work initiative, as well as providing free-of-charge bicycle parking at our London office. A confidential employee-assistance programme is available to all our Head Office employees and their immediate families, offering a 24/7 telephone counselling service for impartial advice on all matters, from housing to personal finance.

We are committed to offering each employee a safe and healthy working environment. By providing key members of staff with the relevant external training, and all other staff with appropriate in-house training, we ensure that we comply with all statutory health and safety requirements.

COMMUNICATION

To recruit the talent we need, it is important for us to project the right messages about who we are and what we stand for as a business. These messages must also be clear and accurate, to ensure we set the right expectations for our new joiners. We are constantly evaluating perceptions of IG as an employer, looking at ways to communicate more effectively with our present and future staff in the different countries where we operate.

Initiatives have included the launch of a new, improved intranet and the appointment of company-wide 'engagement champions' who can facilitate two-way communication between staff and the human resources and senior management teams.

In terms of gender, our workforce is made up as follows at 31 May 2016:

BOARD

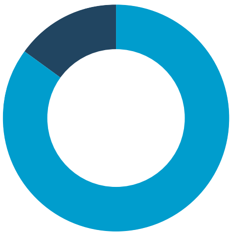
FEMALE **2**
MALE **5**
PERCENTAGE FEMALE **29%**
PERCENTAGE MALE **71%**

TEAM MEMBERS

FEMALE **368**
MALE **928**
PERCENTAGE FEMALE **28%**
PERCENTAGE MALE **72%**

SENIOR LEADERSHIP TEAM

FEMALE **3**
MALE **17**
PERCENTAGE FEMALE **15%**
PERCENTAGE MALE **85%**

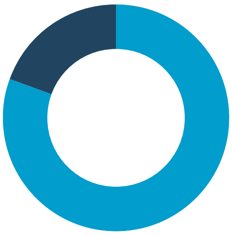


TOTAL

FEMALE **390**
MALE **1018**
PERCENTAGE FEMALE **28%**
PERCENTAGE MALE **72%**

SENIOR MANAGEMENT TEAM

FEMALE **17**
MALE **68**
PERCENTAGE FEMALE **19%**
PERCENTAGE MALE **81%**



COMMUNITY ENGAGEMENT

We are keen to encourage our people to engage in activities that both help their own development and contribute to local communities, so we are proud to support a wide variety of charities that are close to our employees' hearts. We match any funds our employees have raised for sponsored events.

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

'Joining IG as a developer, I didn't see my leadership potential. I've been empowered and given training, mentoring and support, and now I head a software engineering team. IG helped me grow in my career.'

Lidia Oosthuizen
Technical team lead

OUR STRATEGIC OBJECTIVES

OBJECTIVE	PRIORITIES FOR 2016/2017
ADDRESS THE NEEDS OF ACTIVE TRADERS AND SOPHISTICATED INVESTORS Our goal is to build lasting, valuable relationships with our clients. Having previously targeted active traders, who are attractive because they tend to deal frequently and in large sizes, we have now widened our product range to appeal additionally to sophisticated investors. These clients select providers who offer the best tools and products and the highest standards of integrity to manage their long-term finances. IG is ideally positioned to fulfil their needs, and so to enhance client loyalty and improve retention.	- Launch new self-directed wealth management platform with a suite of model ETF portfolios, in partnership with BlackRock - Launch completely new trading platform, with technology developed to place us at the forefront of the industry - Focus on continued improvements to our educational offering, including an extensive new suite of concise video guides
ACHIEVE, MAINTAIN OR EXTEND LEADERSHIP IN OUR CHOSEN MARKETS Our market leadership in CFDs and spread betting reflects the unrivalled service, products and platform technology we provide. We will continue to strengthen our position in these core products, while also creating competitive new offerings in the stockbroking and wealth management fields. These initiatives will be founded on our existing strengths – cutting-edge technology, transparency, integrity and expert client service – helping to drive the long-term profitability of our business.	- Continue to recruit clients and grow revenue in share dealing, as well as promoting our leveraged and other products - Further enhance the application process to maximise completion rates
STRENGTHEN OUR GLOBAL REACH Having initially executed our international expansion by establishing a network of local offices, we are now in a position where we can also grow the footprint of our business without the need for a physical presence in each new country. The strength of our single, global brand, combined with our expertise in online marketing techniques, enables us to expand across borders and recruit new clients in a highly cost-effective way.	- Continue to develop our newly opened operations in Switzerland and Dubai, both of which performed above our expectations - Continue to launch further localised websites focused on new client acquisition
DELIVER QUALITY SERVICE TO OUR CLIENTS By maintaining absolute integrity, delivering excellent customer service and fast and reliable execution with transparent pricing, we strive to make our clients feel secure and confident in trading with us. This results in a longer, more mutually profitable relationship.	- Further improve and personalise our service to clients, taking a more proactive approach based on data and alerts from our contact management tool - Improve the efficiency of payments in and out of client accounts, including introducing more payment methods and working to smooth issues with local banking procedures and regulations in certain territories - Create a new charting team to cover Europe - Benchmark our customer support against companies in other sectors, via membership of the Institute of Customer Service
SUSTAIN OUR TECHNOLOGY LEADERSHIP The market-leading functionality, speed and security of our platform and its proven resilience are essential to maintaining client satisfaction, enhancing client acquisition and retention. We will continue to invest in our core online platform to stay at the forefront of the market, while also focusing on improving the functionality we offer on mobile devices.	- Launch our new trading platform and continue to introduce further enhancements - Invest further resources to reduce the timescale between account application and trading - Introduce further improvements in charting, personalisation and functionality for mobile apps - Launch new market movement service, alerting clients to specified behaviour patterns in markets on their watchlist

PROGRESS IN 2015/2016

- Successfully re-launched online share dealing. 70% of clients are new to IG and around 15% subsequently begin trading leveraged products
- Further refined our share dealing service to focus on both price and product leadership
- Expanded our shares service to include a SIPP account
- Launched IG Academy app, an educational tool for potential new customers, receiving five-star ratings across Apple and Android app stores
- Launched learn.spreadbetting, an educational website covering the essentials a new spread bettor needs to know
- Launched five additional specialised websites offering tailored content on subjects such as forex trading and spread betting
- Developed limited-risk accounts for clients requiring a greater degree of protection launching in July 2016

- Maintained our position as UK market leader for CFDs and spread betting
- Continued to lead the CFD market in Australia
- Created a smoother, faster account-opening process for new applicants, including electronic ID verification and easy document upload, resulting in a 42% uplift in number of opened accounts

- Launched an additional five new localised websites for client acquisition
- Rolled out share dealing platform to Australia in July 2016
- Focused on growing the profitability of Switzerland and Dubai

- Introduced new interactive contact management system, delivering each of the 240 interactions we receive every hour to the right client service representative, in the right location, to handle it most effectively
- Saw an increase in Live Chat conversations from 2,000 to 7,000 per month
- Created a new technical support team for charting in APAC, providing around-the-clock service in combination with London
- Launched an online peer-to-peer support community, which now has 3,000 members and receives over 30,000 views each month
- Trained our client service team in relationship management skills and focused on recruiting new staff who display talent in this area
- Empowered our client service staff to make appropriate concessions when handling client issues and complaints

- Developed new online trading platform, now undergoing final testing
- Partially rolled out My IG account dashboard in the UK, with more than 4,000 clients now logging in daily
- Launched IG Academy educational app on iPhone and Android devices, the first time we have designed content initially for the mobile environment only
- Enhanced our mobile platform with the introduction of an economic calendar, Signal Centre and a major market moves alert service, as well as improved charting
- Redesigned the account application process with the introduction of electronic ID verification and document upload tools

KPIs (SEE PAGE 28)

REVENUE

REVENUE PER CLIENT

ACTIVE CLIENTS

PROFIT BEFORE TAX

DILUTED EARNINGS PER SHARE

CASH GENERATION

DIVIDEND PER SHARE

PLATFORM UPTIME

NET PROMOTER SCORE

KEY RISKS (SEE PAGE 46)

REGULATORY

OPERATIONAL AND IT

MARKET

CREDIT

COMPETITOR

LIQUIDITY

CONDUCT

REPUTATIONAL

PEOPLE

OUR OPERATIONAL STRATEGY IN ACTION

In the Chief Executive Officer's Review we discussed the three key levers that would enable us to grow the business and achieve our priorities, both in 2017 and going forward:

- **PRODUCT DIVERSIFICATION**
- **GEOGRAPHIC DEVELOPMENT**
- **MAXIMISING THE CURRENT OPPORTUNITY**

In this section we will highlight some examples of this work in action, to give a feel for the progress we are making, as well as new initiatives that we have undertaken.

'The online share dealing market represented a huge opportunity for us with around 1 million potential clients in the UK alone, compared with less than 100,000 for leveraged products.'

Ian Peacock
Head of UK and Ireland

PRODUCT DIVERSIFICATION

SHARE DEALING, ISAs, SIPPs AND WEALTH MANAGEMENT

In September 2014 we launched our execution-only stockbroking service in the UK and Ireland, later extending it to the Netherlands, Germany and Austria. This was our first significant diversification from leveraged trading and a key part of our strategy to broaden our product range and reach a new, larger audience in the countries where we were already market leaders.

The launch was a qualified success with 70% of the clients signing up for the service being new to IG and approximately 15% of those, for whom it was appropriate, then going on to trade using leveraged products. It also proved that IG was capable of marketing its products to a more mainstream, potentially less active client group. Despite these encouraging aspects the number of new clients and therefore the revenue generated was lower than had been anticipated.

Therefore, earlier this year Ian Peacock, Head of UK and Ireland, and his team worked on reviewing the strategy:

'We are very clear that the online share dealing market represented a significant opportunity for us with around one million users of this product in the UK alone, compared with less than 100,000 for leveraged products. So I knew if we could get the offer right, the prize was to open up the entire IG offering to a far larger client base. But we weren't achieving the volume of clients and trades that we had expected. We therefore conducted a fundamental review of the strategy, centered on client feedback.'

This feedback showed that the product was very popular among clients, with a platform that, thanks to IG's core technological competence, was seen as industry leading. However, it was only possible to understand the superiority of the platform by using it, and our price offering wasn't compelling enough to encourage people to switch from their current provider and experience it. As a result we were acquiring fewer clients than we had forecast.

Ian Peacock:

'We realised fairly quickly that, given the importance of being able to offer the broader product set to this new market, our strategy would be best served by focusing on acquiring clients through a combination of both product and price leadership.'

We also reviewed our regional plan, and decided that, rather than introducing the product in all countries where we offer spread betting or CFDs, it would be better to focus on the UK and Australia. Here we are already recognised as the market leader in leveraged products, and our stockbroking offering would act as a platform play to roll out our full product set. We would then have the opportunity to offer the product in other regions once we had achieved market leadership in leveraged products there.

We therefore re-launched the product in March of this year in the UK, under the name of share dealing, and had the initial launch in Australia in July.

Ian again:

'We now have one of the strongest offerings in the market from a product and price point of view. Early signs are that the improved price positioning is a success.'

We now have the opportunity to offer further products on the back of our improved market position, with our ISA product tripling its number of clients against this time last year in the critically important March and April time period. We have also launched a new SIPP offering in the UK during May this year. And although it is early days, the initial signs are that the uptake is positive.

Our next step is to extend into self-directed investment products with IG Investments due to be launched this year. Wealth management is a market that is ripe for disruption and we will seek to achieve this through the strength of our technology, coupled with a low and transparent pricing structure. We have therefore entered into a partnership with BlackRock, the largest exchange traded products (ETPs) provider in the world at 36% market share. BlackRock is creating a suite of model portfolios specifically for IG clients, with a range of risk profiles.

Commenting on this, Ian said:

'The launch of our portfolio-based investment products is the logical next extension from our share dealing, ISA and SIPP offerings. Together, BlackRock and IG will have an investment proposition where IG provides the technology, the execution and the retail product, while BlackRock provides the asset-allocation expertise to create the right portfolios suited to our clients' needs.'

Ian ended by saying:

'I am confident our product will evolve to further strengthen IG's position at the forefront of innovation in the trading, investing and wealth management space.'

'We now have one of the strongest offerings in the market from a product point of view. Early signs are that the improved price positioning is a success.'

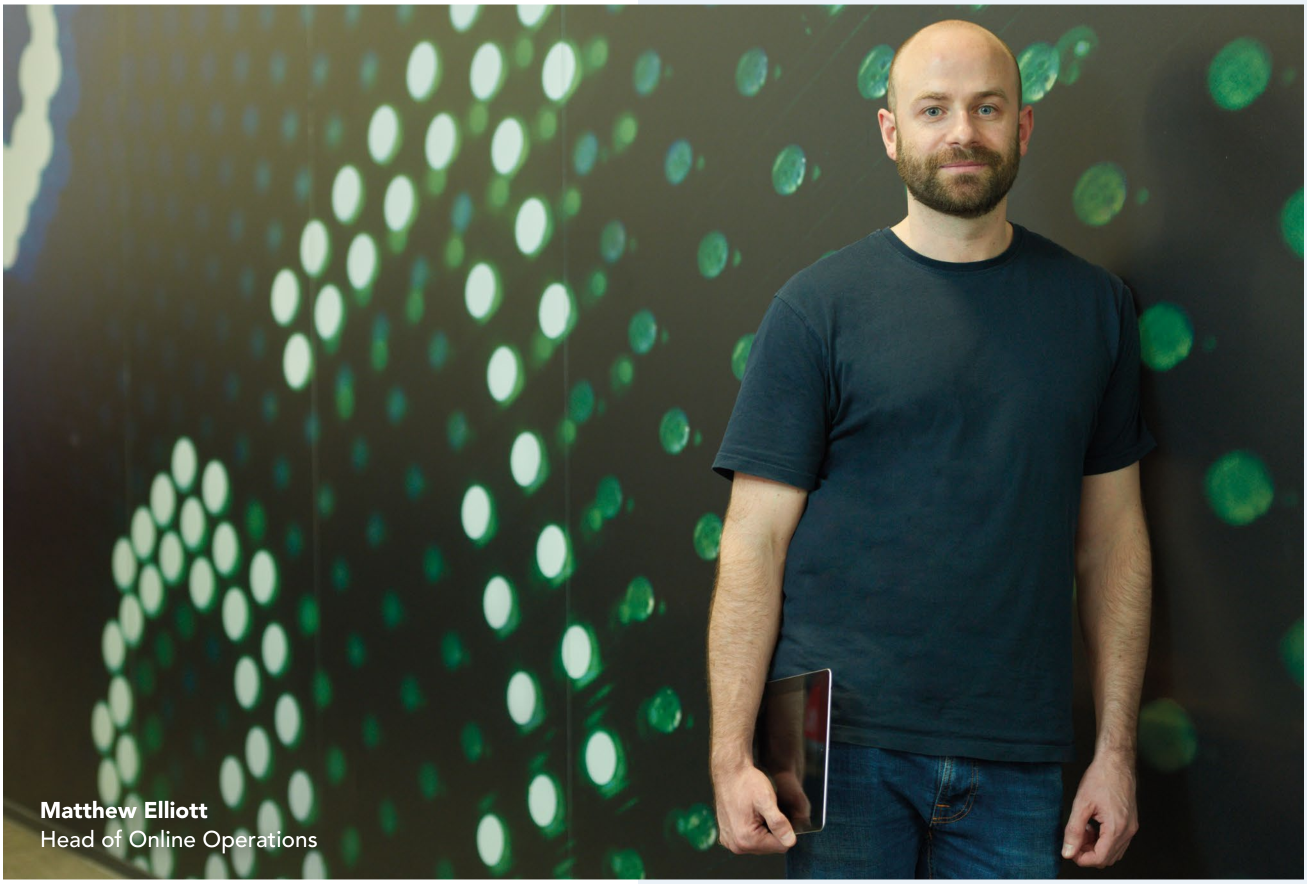
OUR OPERATIONAL STRATEGY IN ACTION

CONTINUED

GEOGRAPHIC DEVELOPMENT

ONLINE MARKETING

Until relatively recently, each IG region and office had its own marketing budget that was spent locally. This activity was driven by regional marketing departments and provided us with limited ability to determine which campaigns had been most effective.



Matthew Elliott
Head of Online Operations

'The need to manage online marketing in a more streamlined fashion, to become more efficient, was the catalyst for us to centralise spend.'

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

Matthew Elliott, Head of Online Operations, and his team played a key role in implementing a new approach to online marketing at IG. He explains:

'The need to manage online marketing in a more streamlined fashion, to become more efficient, was the catalyst for us to centralise spend. At the same time we also invested in building our search engine optimisation (SEO) capability and pooled our paid search budgets under the oversight of a new team.'

'The effect of every action we take now needs to be measurable, to inform future spend. The impact of non-digital advertising is, unfortunately, almost impossible to measure. It therefore plays a very limited role in our activity.'

Using this centralised, in-house marketing team and an algorithmic approach enables us to deploy our marketing spend in the most efficient way globally. We are able to react immediately to world events, creating campaigns rapidly and rolling them out to every relevant region, with local adjustments if necessary. Algorithms and tests determine the performance of different keywords and advertising creatives in each country, and then the marketing team can direct resources rapidly to those that have proved most effective locally.

Having a centralised team means we have also built a centre of excellence, which allows us to attract and retain great talent, in turn helping us to keep improving and innovating in digital marketing.

We have also been particularly successful in SEO and now rank increasingly well in the majority of our local markets for the key words that define the industry.

Matthew comments:

'We spend our time constantly testing different creatives to see what works. We focus on the customer's journey to the point where they sign up for an IG account. We get the feedback fast and can respond almost instantly.

'As our online capability has improved, we have had the confidence to spend more on acquiring customers, because we have a very clear idea of the timescale in which our investment pays back.'

This has driven a move away from non-digital advertising, with only 35% of IG's total marketing spend being used for this medium.

Matthew explains:

'The effect of every action we take now needs to be measurable, to inform future spend. The impact of non-digital advertising is, unfortunately, almost impossible to measure. It therefore plays a very limited role in our activity.'

The development of our cross-border online marketing and SEO skills has also enabled us to attract clients in regions where we may not have a physical presence. As a result, we can now operate far more efficiently and cost-effectively across borders, through being excellent online. This promises to bring significant cost advantages going forward.

OUR OPERATIONAL STRATEGY IN ACTION

CONTINUED

MAXIMISING THE CURRENT OPPORTUNITY

CLIENT ONBOARDING AND BETTER CONVERSION

Elaine Fahy
Interim Head of Onboarding Operations

'Our focus has been on removing obstacles to account opening – creating a better experience for clients and consequently getting more of them, faster through the process.'

During the past year, one of IG's key priorities has been to speed up the process between a new client deciding to create an account and funding the account and trading.

Elaine Fahy, Interim Head of Onboarding Operations, and her team have been instrumental in driving the project:

'Our focus has been on removing obstacles to account opening – creating a better experience for clients and consequently getting more of them, faster through the process.'

The team has made great progress in the year. For example, building on the proven success of our electronic ID (eID) verification processes in the UK and Australia, we have also introduced solutions in Germany, Austria, the Netherlands, Belgium, China and Hong Kong this year. The eID provider checks information such as name, date of birth and address to see if they match various data sets. This delivers significant benefits for clients as they can get through the application in real-time, greatly reducing the waiting period before they can use their account. There is also no need for IG personnel to manually chase follow-up information and approve applications.

Elaine commented:
'Thanks to eID verification, IG has seen a significant reduction in the time period between application and account opening – for example from three days to same day in Germany and Austria. This makes a huge difference to the experience for our clients and increases our conversion rate.'

Where the eID provider has questioned an element of the client's application, we have introduced restricted accounts where funds cannot be withdrawn. This means we can open an account with restricted conditions with the proviso that the client provides the missing piece of identification within 30 days. If the information is not forthcoming in that timescale then we deactivate the account.

Where further information is needed to verify a client's identity, we have facilitated this process by introducing a secure document-upload service. Clients can photograph the required documents and upload them securely via a mobile device directly through our trading platform. Elaine explained:

'We are critically evaluating every possible bottleneck in the application process and seeking to remove it. So, for example, we have a new application form in the UK and Germany, where progress can be saved, so the client can exit and then return later and pick up where they left off. And once the form is complete, we have improved the journey to becoming an active trader by linking new clients directly through to our trading platform to explore the markets, fund their account or upload any required documents, depending on their preference.'

This client focus has had some pleasing results with the number of successful applications up 49%, the number of open accounts up 42% and the number of first trades up 29%. Elaine concluded:

'The hard statistical measures have been very encouraging but we have also been delighted with our progress against the softer measures of success. Client satisfaction with the onboarding process was 10% higher in the latter two quarters of FY2016 than in the previous quarters.'

'Thanks to eID verification, IG has seen a significant reduction in the time period between application and account opening – for example from three days to same day in Germany and Austria. This makes a huge difference to the experience for our clients and increases our conversion rate.'

Matthew Brief
Head of Dealing

NEW INITIATIVES

LIMITED-RISK ACCOUNTS AND TRADING

We take very seriously our responsibility to help clients understand the risk associated with trading and to provide them with tools to manage this. This is important not only from a regulatory perspective, but it also makes sound business sense: given our business model, it is in IG's interest to develop long relationships with clients, and those who are more successful are likely to stay with us over the long-term and become more valuable.

In July we are introducing a new type of account focused particularly on clients who may have less experience of our products, who are less wealthy or who simply wish to take on less risk with each trade. These limited-risk accounts are set up so that the client knows the maximum potential loss at the outset and cannot lose more than they have on their account. This will give clients total certainty on the potential downside and enable them to feel more secure and more confident to trade.

Having a limited risk account type means that we may be able to attract additional clients who previously perceived the risk to be too high.

In addition, for all account types we have introduced a new, fairer way of charging for guaranteed stops.

Matthew Brief, Head of Dealing, explains:

'We no longer charge a premium when a client adds a guaranteed stop to a position – the charge only applies if the stop is triggered. This innovation, along with a number of reductions in our guaranteed stop premiums, means that IG now offers the best value in the market for limited-risk trading on most major indices and FX pairs.'

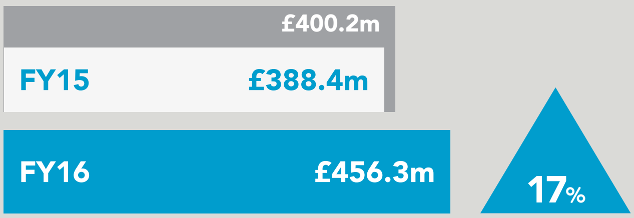
Together, our new limited-risk trading facilities enable more clients to enjoy peace of mind by putting an absolute cap on loss, potentially free of charge.

KEY PERFORMANCE INDICATORS (KPIs)

We use nine key financial and operational performance metrics, including the net promoter score to the right, to measure our performance and our progress against the short-term and long-term goals of the business.

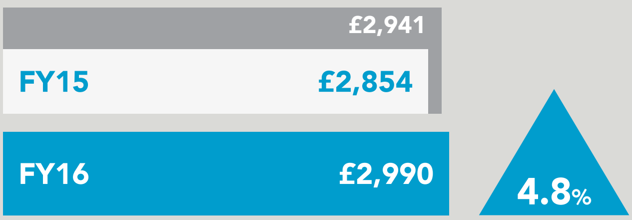
The shaded area indicates the underlying performance.

Movement based on statutory figures with underlying movement included in narrative.



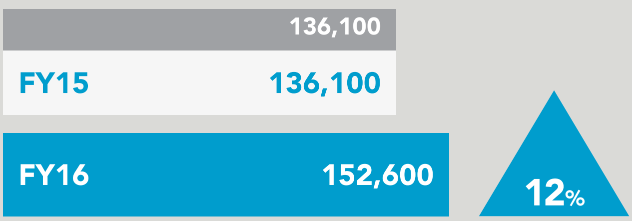
REVENUE

Revenue performance demonstrates business growth in terms of global reach, range of products offered to clients, active clients and revenue per client, and is also a driver of the staff bonus pool. Statutory revenue grew by 17% to £456.3 million, while on an underlying basis this is up 14%. The strong performance is driven by a combination of improving results from our digital and mobile marketing, supported by reasonable volatility in the financial markets and good returns from our investments in Switzerland, Dubai and Nadex.



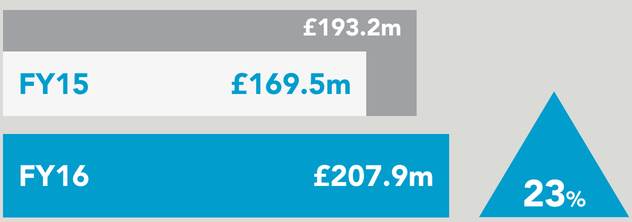
REVENUE PER CLIENT

Revenue per client is calculated as total revenue divided by the number of active clients in the period, and is a measure of both client activity and quality. On a statutory basis, revenue per client is 4.8% higher than the prior year, while on an underlying basis it is up 1.7%. This was up across all regions.



ACTIVE CLIENTS

Active clients are those clients who have opened at least one trade in the period. Active clients in 2016 are up 12% from 136,100 to 152,600, reflecting a record year for the onboarding of new clients and frequent market events that provided opportunities for our clients throughout the year.



PROFIT BEFORE TAX (PBT)

PBT is up 23% on the prior year's statutory results and up 7.6% on an underlying basis, primarily driven by the strong revenue performance. A detailed commentary on our PBT performance is provided in the Operating and Financial Review section of this report.

NET PROMOTER SCORE (NPS)[1]

To better understand how well we deliver quality services to our clients, we use NPS, as well as other measures of satisfaction, to assess the extent of client recommendations. During 2016, we improved our NPS scores in five out of six markets that Investment Trends measures and we continue to see an upward trend in overall customer satisfaction with IG as measured by our own client surveys.

(1) All NPS data presented in this report is provided by Investment Trends Pty Limited (please refer to the Investor Resources section on page 179 for further details). 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).

	IG'S MOST RECENT NPS	INDUSTRY AVERAGE
UK SPREAD BETTING	20%	5%
GERMANY	29%	8%
AUSTRALIA	27%	16%
SINGAPORE	-14%	-19%
UK CFDs	24%	7%
FRANCE	35%	7%

	FY15	FY16	Change
Diluted earnings per share	35.99p (41.07p)	44.58p	24%
Own funds generated from operations	£136.8m (£159.2m)	£197.9m	45%
Dividend per share	28.15 (28.15)	31.4	12%
Platform uptime	99.95% (99.95%)	99.99%	0.04%

DILUTED EARNINGS PER SHARE (DEPS)

DEPS includes all components of the Group's performance based on profitability and capital structure. DEPS is a key measure in the award and vesting of our executive and senior management share plans. This year, DEPS increased by 24% on a statutory basis and 8.5% on an underlying basis, reflecting the growth in the after-tax profitability.

OWN FUNDS GENERATED FROM OPERATIONS

High profit-to-cash conversion gives us strong liquidity and supports our robust risk-management strategy and our dividend payment. Maintaining a high level of cash generation, after the required investment, is key to delivering strong shareholder returns. A detailed commentary on our own funds generated from operations can be found in the Operating and Financial Review section of this report.

DIVIDEND PER SHARE

Shareholder returns are central to our strategy and reflect the strength of our business, our capital position and our expectations of future performance. In line with the Board's previously stated intention to an approximately 70% pay out, the Board has recommended a final dividend of 22.95 pence per share, resulting in a full-year dividend of 31.40 pence, up 12% on the prior year.

PLATFORM UPTIME

The availability of the dealing platform is key to our clients' confidence in trading with IG. Our system uptime percentage is 99.99%, ahead of the 99.95% achieved in 2015. This is a record for our annual performance in this area and testament to our dedication and resilience.

BUSINESS CONDUCT AND SUSTAINABILITY

After over 40 years in business, we understand that sustainable long-term returns stem from good conduct. We seek to act with integrity towards our staff, our clients, our regulators and the markets, maintaining a reputation for professionalism and ethical practice.

SUSTAINABLE BUSINESS

Our conduct as a business is driven by our values of hallmark quality, passion for progress, transparency in dealing and meritocratic opportunity. These values have been an organic and fundamental part of our historic growth and success. However, with growth comes the challenge of maintaining that culture and with it appropriate conduct. For this reason, we decided to define our values clearly and communicate them to staff, giving our people a strong framework and direction to help them realise our overall vision. In this way we have embedded sound corporate conduct in the culture of the business, so it is not simply a risk or regulatory requirement.

Conduct undoubtedly represents a real risk to all firms within the financial industry and our clients. For this reason we have actively engaged in the agenda and developed a risk management strategy, entrenching various quantitative and qualitative measures to identify, measure, manage and monitor conduct risk. Our strategic initiatives include producing monthly Key Risk Indicators (KRIs) and dashboards for conduct risk, with a rolling plan of thematic conduct risk reviews and formalised conduct consideration prior to project sign-off.

In this way we ensure effective communication of the tone from the top throughout the organisation. We apply high standards across our businesses, and specifically in our corporate governance – as set out in the Corporate Governance Report and the Directors' Report in compliance with the UK Corporate Governance Code. The sections below demonstrate how we do this in practice.

COMMITMENT TO OUR CUSTOMERS

We aim to put our customers at the heart of everything we do, and we strive to ensure that we understand our clients' needs and consistently deliver fair outcomes and positive experiences. We have a very low tolerance for poor consumer outcomes, and we are committed to investing in process, training and culture to prevent unsatisfactory customer experiences and to address root causes where any practice falls short. We maintain this policy even when it may have a negative impact on our own revenue or costs.

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

Central to our commitment to our customers is the quality of our order execution. We now process 100% of active client trades automatically. We never requote prices and, outside our set margin of tolerance, our innovative price-improvement technology enables customers to receive a better price if one becomes available as a trade is executed.

CLIENT SUPPORT AND EDUCATION

We provide extensive educational resources for our clients, including an introduction programme that promotes responsible trading, an interactive educational app and a wide range of seminars and webinars. We continually look to keep this content engaging and targeted towards our clients' needs.

Based on client feedback, and following the launch of our in-house TV studio in 2014, we increased the amount of original video content we supply for this purpose. Clients can now get instant access to expert tutorials, which cover everything from fundamental trading concepts to risk management.

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

IG Academy app

'We are using sophisticated technology to make sure our clients get fast support, from the right person, whenever and however they contact us.'

Lizzie Counihan
Head of Operations

BUSINESS CONDUCT AND SUSTAINABILITY CONTINUED

OUR COMMITMENT

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

PROTECTING 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.

We fully segregate funds for retail individuals, in compliance with the regulations, and we hold segregated client money entirely separately from our own money across a diverse range of banks. This ensures that, in the event of our default, client funds would be returned to the clients rather than being treated as a recoverable asset by our general creditors.

We continue to engage PricewaterhouseCoopers LLP to conduct ongoing independent reviews of our controls and procedures for client money calculation and segregation (ISAE 3000). In committing to this review process, we have taken an additional step, over and above standard audit checks and our regulators' reporting requirements. This reflects our dedication to keeping our clients' funds secure and delivering beneficial outcomes for customers.

CLIENT APPROPRIATENESS

Our products are not appropriate for everyone, and we recognise that good conduct is particularly vital in relation to marketing and client recruitment to prevent poor consumer outcomes. We have a number of procedures that ensure our advertising reaches the right audience, and that our clients appreciate the risks involved with our products and understand how our services work.

We follow strict guidelines to ensure that we only promote our products to a target audience within appropriate sectors and demographic groups. We also conduct rigorous checks to ensure that all promotions are clear, fair and not misleading, and that risks are not downplayed compared to the benefits of our products.

Before we allow a prospective client to open an account, we carry out an assessment to determine whether our products are appropriate for them. We actively question applicants and must be satisfied that clients have the necessary knowledge or experience to understand the risks involved. To further assess whether our products could produce poor outcomes, we ask clients for details of their income and savings, both at account opening and in rolling reviews. Based on the results of these assessments, we may choose to provide an applicant with a clear warning about the appropriateness of the product or restrict them to a type of account where risk is limited. We may also decline to open an account, or indeed close an account if it has already been opened.

LIMITING CLIENT LOSSES

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

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

Our close-out monitor (COM), which seeks to automatically liquidate clients' positions when their margin has been significantly eroded, is also a means by which we help protect clients. At 31 May 2016, 99.91% of all client accounts were subject to the automatic COM procedure. Further details are set out in note 36 to the Financial Statements.

In July 2016, we are also introducing a limited-risk account. This is the default account we offer to less experienced clients or clients towards the lower end of the wealth acceptance scale. Clients who are eligible for our other account types can also request a limited-risk account, if they so wish.

We prioritise the security of our clients' information and have achieved the ISO 27001:2005 certificate for information security management.

OUR ENVIRONMENTAL IMPACT

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

Running and maintaining our IT infrastructure comprises the main source of our environmental impact. This supports our award-winning platform and ensures we are able to consistently maintain our high level of platform uptime.

Powering and cooling our datacentres results in the majority of our power usage – as well as our energy costs. As such, we update our hardware and software as appropriate to save money and energy.

This year we continued to decommission and virtualise 240 legacy rack-mounted servers, migrating onto a hyper-converged infrastructure which has a lower environmental impact. We recycled the legacy hardware in accordance with our internal recycling policy, ensuring that any data was securely destroyed before recycling the remaining components.

After our datacentres, our global offices are the second-largest consumer of energy. We apply a number of energy-saving processes and have a far-reaching recycling policy, which encompasses not only a proportion of our daily office waste, but also extends to our IT equipment when we replace hardware, while trying to ensure that we use any desktop equipment for its maximum useful life.

Our Head Office building, where more than half of our employees are based, is also ISO 14001 certified, and we complement this environmental-management system with our own sensor-lighting to reduce our energy use. The rollout of our modern office project is also helping us to work in a more energy-efficient way and reduce our environmental impact. Employees are now able to work from home using laptops, which consume less power than desktop computers and reduce the need for work-related travel. By converting to a 'hot desk' working environment, we will ultimately be able to use our office space more efficiently and cut costs. To date we have deployed laptops to 52% of our London staff and all of our Krakow employees.

The global nature of our business, with employees located in 17 countries, results in the need for our people to travel around the globe to provide local support for staff and clients. We have taken further steps to minimise these journeys by installing state-of-the-art video-conferencing facilities. We use Skype for Business to provide environment-friendly video-conferencing, both from desks and in meeting rooms across our Head Office and seven of our global offices.

EMISSIONS DATA

We provide emissions data in respect of the financial year ended 31 May 2016 in the Mandatory Greenhouse Gas Emissions Report and Greenhouse Gas Emissions Intensity Ratio tables below. In the tables, Scope 1 emissions are those incurred in air conditioning our offices and running back-up generators for our servers, while Scope 2 emissions are purchased energy such as electricity. For the most significant sources of energy consumption discussed above, we purchase electricity via our landlords.

Basis of preparation

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

- We have based our methodology on the principles of the Greenhouse Gas (GHG) Protocol
- We have reported on all the measured emissions sources required under The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, except where stated
- This includes emissions under Scope 1 and 2, except where stated, but excludes any emissions from Scope 3
- In line with the revised GHG Protocol, market-based factors have been identified and presented for the UK

Conversion factors for electricity, gas and other emissions are those published by the Department for Environment, Food and Rural Affairs for 2015-2016. Conversion factors for UK electricity (market-based methodology) are published by electricityinfo.org.

Statement of exclusions

Global diesel use (for vehicles) has been excluded from the report on the basis that it is not material to our carbon footprint.

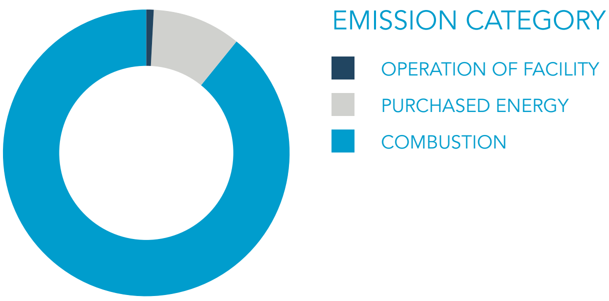
The scope of reporting for our fugitive emissions has been restricted to the United Kingdom. Other regions have been excluded due to lack of data or immateriality.

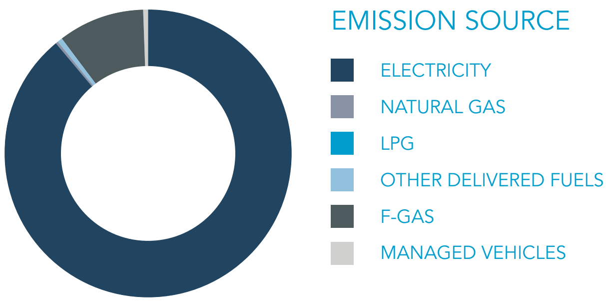
MANDATORY GREENHOUSE GAS EMISSIONS REPORT

EMISSION TYPE	2014-15 CO_2e TONNES	2015-16 CO_2e TONNES LOCATION-BASED	2015-16 CO_2e TONNES MARKET-BASED
Scope 1: operation of facilities	161.77	429.9	429.9
Scope 1: combustion	34.93	54.5	54.5
Total Scope 1 emissions	196.70	484.4	484.4
Scope 2: purchased energy	4,007.64	3,914.6	4,000.4
Total Scope 2 emissions	4,007.64	3,914.6	4,000.4
Total emissions	4,204.34	4,399.0	4,484.8

GREENHOUSE GAS EMISSIONS INTENSITY RATIO

EMISSION TYPE	TOTAL FOOTPRINT (SCOPE 1 AND SCOPE 2) – CO_2e		
	PREVIOUS YEAR (2014-15)	CURRENT YEAR (2015-16)	YEAR-ON-YEAR VARIANCE
Turnover (£)	388.4m	456.3m	17%
Intensity Ratio, location-based method (tCO_2e/£100,000)	10.82	9.64	(11%)
Intensity Ratio, market-based method (tCO_2e/£100,000)	N/A	9.83	N/A





'By focusing on in-depth data analysis, we're able to optimise client recruitment and client value, ultimately enhancing our profitability as a business.'

Adam Dance
Director of Business Development

OPERATING AND FINANCIAL REVIEW

During 2016, IG has again demonstrated the strength of its business model, allowing it to grow revenue and profit in all locations. The Group continued to diversify its geographical spread by launching an office in Dubai, with revenues from outside the UK now representing 49% (2015: 47%) of the Group revenues.

OPERATING REVIEW

IG has delivered record revenue in the year of £456.3 million, 14% up on the prior year on an underlying basis (2015: £400.2 million). The prior year results were affected by the Swiss franc de-pegging event in January 2015. The underlying results in 2015 exclude the impact of this event. We consider it appropriate to continue to report against the underlying comparatives to enable a clear indication of the year-on-year performance.

Profit before tax was £207.9 million, 7.6% up on the prior year on an underlying basis (2015: £193.2 million). The Group effective tax rate reduced to 21.0% from 22.0% in the prior year (underlying), reflecting the full-year impact of the reduction in the UK corporation tax rates to 20%. Diluted earnings per share was 44.58 pence, 8.5% ahead of the prior year on an underlying basis (2015 underlying: 41.07 pence).

On a statutory basis, Group revenue was 17% ahead of the prior year (2015: £388.4 million), with profit before tax up 23% (2015: £169.5 million), profit after tax up 25% (2015: £131.9 million), and diluted earnings per share up 24% (2015: 35.99p).

Active client numbers continued to grow ahead of the prior year to 152,600 (12.1%) and the average revenue per client was up 1.7% to £2,990. As in the previous year, the revenue was higher in the second half of the year at £241.5m compared to £214.8m in the first half. The second half included a record quarter for the Group in Q3 of £122.0m, driven by the high volatility caused by significant sell-offs in the financial markets at the start of 2016 which triggered more trading opportunities for clients.

IG remains highly cash-generative, supporting the dividend payout ratio of 70%, resulting in a full-year dividend of 31.40 pence per share, an increase of 12% on the prior year.

Underlying revenue

	FY16		FY15		
	Revenue £m	Clients 000s	Revenue £m	Clients 000s	% change in revenue per client from FY15(1)
UK	231.1	64.5	211.9	60.4	2.1%
Europe	98.6	35.0	80.9	29.7	3.0%
Australia	64.0	19.8	59.2	18.7	1.9%
Rest of World	62.6	33.3	48.2	27.3	6.7%
Total	456.3	152.6	400.2	136.1	1.7%

Statutory revenue

	FY16		FY15		
	Revenue £m	Clients 000s	Revenue £m	Clients 000s	% change in revenue per client from FY15(1)
UK	231.1	64.5	206.0	60.4	5.1%
Europe	98.6	35.0	76.9	29.7	8.6%
Australia	64.0	19.8	58.1	18.7	3.9%
Rest of World	62.6	33.3	47.4	27.3	8.4%
Total	456.3	152.6	388.4	136.1	4.8%

(1) The financial tables above contain numbers which have been rounded, while all year-on-year percentages are calculated from underlying unrounded numbers.

UNITED KINGDOM

The UK and Ireland, comprising the offices in both London and Dublin, had a 9.0% increase in revenue from the prior year at £231.1 million (2015: £211.9 million), with the second half of the year (£120.8 million) outperforming the first half (£110.4 million). The UK benefited through the year from particularly volatile periods in financial markets, in both August 2015 and in early 2016, the latter contributing to the UK having record revenue in the third quarter. Active client numbers were up 6.8% from prior year at 64,500, with a 9% increase in the second half of the year, driven by both volatility and by the continuing success in acquiring new clients. Revenue per client for the year increased by 2.1% from the prior year, at £3,585, with particular strength in the record third quarter. The UK segment accounted for 51% of Group revenue, against 53% in the prior year.

IG remained the clear market leader within spread bettors in the UK, increasing market share from 40% to 44% and within CFD traders, increasing market share from 26% to 29%.(1) Drawing precise quantitative conclusions from market share research is increasingly difficult, given the measurement is based purely on the number of primary accounts and makes no allowance for the value of individual clients.

The execution-only stockbroking offering launched in September 2014 in the UK. Client numbers have continued to grow steadily with over 11,000 funded accounts at the end of May, 67% of which are new to IG. A proportion of clients who began as share dealing clients, and for whom it is entirely appropriate, are going on to use the leveraged trading products.

IG remained the clear market leader within spread bettors in the UK, increasing market share from 40% to 44%.

EUROPE

Europe comprises revenues from Germany, France, Italy, Spain, the Netherlands, Sweden, Norway, Luxembourg and Switzerland offices. Revenue in Europe increased by 22% from the prior year to £98.6 million (2015: £80.9 million), with second half revenue of £53.0 million, up 16% on the first half. Active client numbers were 18% ahead of the prior year with growth across almost all countries in the region, and revenue per client was up 3.0% to £2,812 (2015: £2,730). The European segment accounted for 22% of Group revenue in the year, against 20% in the prior year.

During the second half of the year, annual market research studies were published for Germany, France and, for the first time, Spain. They concluded that IG's market share of the retail CFD industry in Germany had slipped to 9%, in France it had fallen one percentage point to 27% and in Spain it was 7%.(1)

AUSTRALIA

The Australia segment comprises the Melbourne office and also includes revenue from New Zealand and other countries in the Asia Pacific region. Revenue in Australia was up by 8.1% from the prior year, to £64.0 million (2015: £59.2 million). Revenue in Australia was stronger in the second half of the year, following the trend of the broader Group, delivering £33.6 million against £30.4 million for the first half, with the third quarter also being a record for this region. Enhancements in the client account opening journey and marketing strategy contributed to a 6% increase from the prior year in active client numbers, albeit with client numbers 8.0% lower in the second half of the year compared to the first. Average revenue per client also improved 1.9% ahead of the prior year.

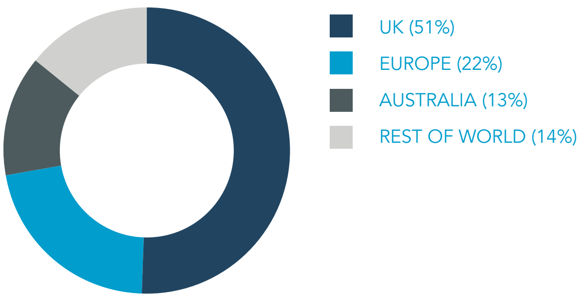
An annual market research study, released in June 2016, concluded that IG's market share of the retail CFD industry had remained flat at 38%, having increased from 33% in the previous year.(1) IG remained the clear industry leader. As with the UK, this measure is based on the number of primary accounts.

In July 2016 we launched the execution-only stockbroking offering in the Australia region.

REST OF WORLD

The Rest of World segment comprises the offices in Singapore, Japan, South Africa and Dubai, and our retail exchange, Nadex, in the US. Revenue for the period in the Rest of World region was ahead of the prior year by 30% at £62.6 million (2015: £48.2 million). All countries in the Rest of World segment experienced growth, with particularly strong results in the US, more than doubling prior year revenue and a strong contribution from the newly opened Dubai office, which outperformed in its first year. Active client numbers were 22% ahead of the prior year and revenue per client was up 6.7% to £1,882 (2015: £1,764). Revenue per client is lower in the region due to the nature of the product set in the US, but it has been boosted this year by the higher revenue per client in Dubai, which is attracting a higher average value client base. With the region growing at a fast pace, revenue was higher in the second half at £34.1 million compared to the first half of £28.5 million. The Rest of World segment accounted for 14% of Group revenue in the period, against 12% in the prior year.

REVENUE BY REGION



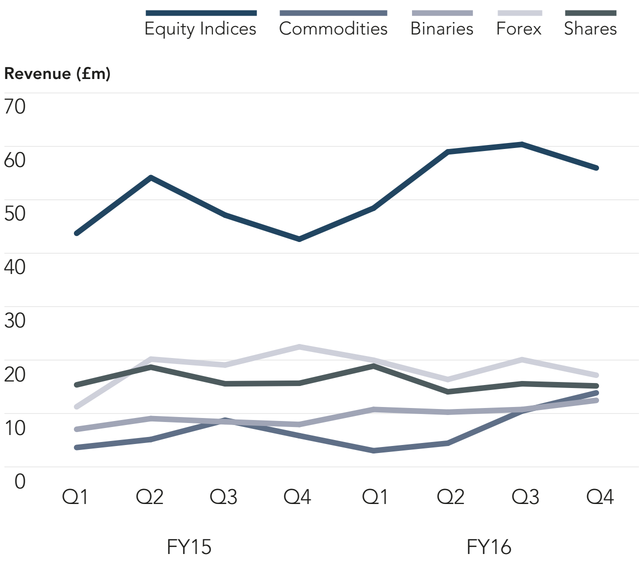
(1) By number of active primary accounts. All market share data presented in this report is provided by Investment Trends Pty Limited (please refer to the Investor Resources section on page 179 for further details).

FACTORS IMPACTING REVENUE

The absence of proprietary trading by IG and the hedged nature of the business model – ie hedging with third parties to cover the residual risk above pre-set limits – delivers a more stable revenue stream, irrespective of the direction of underlying market movements. During the year we have made further improvements in optimising the revenue return on client trading activity and in maximising the value of natural client offset. More detail is provided in the Chief Executive Officer's Statement.

ASSET MIX

IG has consistently benefited from the broad range of asset classes it enables clients to trade, resulting in a more stable revenue stream in different market conditions. This year we derived 50% of our underlying revenue from clients trading indices (2015: 48%) and had another strong year in shares trading, delivering 15% of Group revenue (2015: 17%). Client forex trading delivered 17% of Group revenue, down from 19% in the prior year, but marginally up at an absolute level. Commodities contributed 8% of Group revenue (2015: 7%), with binaries contributing the remaining 11%, up on 9% in the prior year with the strongest growth here coming from the US.



FINANCIAL REVIEW

SUMMARY GROUP INCOME STATEMENT

	Year ended 31 May 2016 £m	Year ended 31 May 2015 Underlying[1] £m	Year ended 31 May 2015 Statutory £m
Net trading revenue[2]	456.3	400.2	388.4
Net interest on segregated client funds	3.4	4.5	4.5
Betting duty and financial transaction taxes	(11.2)	(5.9)	(6.3)
Other operating income	0.6	0.6	0.6
Net operating income	449.1	399.4	387.2
Operating expenses	(241.5)	(206.1)	(217.6)
Operating profit	207.6	193.3	169.6
Net finance income/(expense)	0.3	(0.1)	(0.1)
Profit before tax	207.9	193.2	169.5
Tax expense	(43.6)	(42.5)	(37.6)
Profit for the year	164.3	150.7	131.9
Diluted earnings per share	44.58p	41.07p	35.99p
Total dividend per share	31.40p	28.15p	28.15p

(1) The term 'underlying' reflects the results before the impact of the Swiss franc event (refer to note 2 of the Financial Statements).

(2) Net trading revenue excludes net interest on segregated client funds and is reported after taking account of introducing partner commissions.

Net operating income

Net trading revenue increased by 14% to £456.3 million (2015: £400.2 million) with growth experienced in all geographic locations. Net interest income on segregated client funds decreased by £1.1 million to £3.4 million (2015: £4.5 million), driven by a reduction in interest rates in countries where funds are held.

Betting duties paid by the Group, in relation to losses for UK spread betting and binaries clients, increased by £5.4 million to £10.9 million (2015: £5.5 million) following the heightened market volatility in August 2015 and early 2016. The Italian Financial Transaction Tax incurred by the Group decreased by £0.1 million to £0.3 million (2015: £0.4 million).

Operating expenses

Operating expenses increased by 17% to £241.5 million, partially driven by the increase in staff headcount related to strategic investments and the associated costs. This is largely the full-year impact of headcount increases in the prior year. There was a significant rise in variable marketing costs, as we increased our spend based on the fast payback it was delivering. There was also a rise in performance-related pay, linked to the strong financial performance.

	Year ended 31 May 2016 £m	Year ended 31 May 2015 Underlying £m	Year ended 31 May 2015 Statutory £m
Employee remuneration costs	113.5	97.9	94.3
Advertising and marketing	49.7	37.8	37.8
Premises-related costs	12.1	11.1	11.1
IT, market data and communications	19.3	16.4	16.4
Legal and professional	6.8	5.9	5.9
Regulatory fees	5.7	7.1	7.1
Net charge for impaired trade receivables	1.8	1.1	16.2
Other costs	19.9	18.1	18.1
Depreciation, amortisation and impairment	12.7	10.7	10.7
Operating expenses	241.5	206.1	217.6

Employee remuneration costs

Employee remuneration costs increased by 16% to £113.5 million (2015: £97.9 million). This is largely the full-year impact of the headcount increases in the prior year together with inflationary pay rises, higher discretionary remuneration and higher market rates for new hires.

	Year ended 31 May 2016 £m	Year ended 31 May 2015 Underlying £m	Year ended 31 May 2015 Statutory £m
Total salaries	83.3	74.0	74.0
Performance-related bonuses and commissions	21.9	17.1	14.0
Share schemes	8.3	6.8	6.3
Employee remuneration costs	113.5	97.9	94.3

The movements in headcount are as follows:

	Year ended 31 May 2016	Year ended 31 May 2015
Average headcount	1,412	1,287
Year-end headcount	1,408	1,400

Advertising and marketing costs

Advertising and marketing costs increased by £11.9 million to £49.7 million (2015: £37.8 million).

The Group remained focused on increasing its online marketing presence to drive client recruitment. The Group also recently moved to a centralised online marketing model which has resulted in a significant increase in the number of clients recruited.

The Group is now in the third year of its three-year partnership with Harlequins Rugby Club and is one of three principal partners of the club. The partnership is consistent with the Group's strategic approach to increase visibility of the IG brand and value proposition.

Depreciation, amortisation and impairment

Included in the charge is £2.7 million in respect of the write-off of the generic top-level domains (gTLDs).

Operating profit margins

The Group uses operating profit margin, which includes an allocation of central costs, as an indicator of regional performance.

Operating profit increased by 7.4% to £207.6 million (2015: £193.3 million). The Group operating profit margin (operating profit expressed as a percentage of net trading revenue) decreased to 45.5% (2015: 48.3%), reflecting the ongoing investment in strategic development, additional investment in the share dealing offering, along with the lagged impact of the increase in marketing spend.

The following table summarises operating profit margin by region:

	Year ended 31 May 2016	Year ended 31 May 2015 Underlying	Year ended 31 May 2015 Statutory
UK	49.3%	57.2%	52.1%
Australia	59.4%	60.3%	59.2%
Europe	34.6%	27.6%	18.1%
Rest of World	34.5%	30.2%	29.5%
Group	45.5%	48.3%	43.7%

While revenue per client and the number of clients in all the locations has increased, operating profit margins declined in our largest regions. This reduction in profit margin is driven by a combination of direct costs such as increased investment in marketing the Group's products, salaries and variable IT costs.

Taxation expense

The effective rate of taxation for the year ended 31 May 2016 decreased to 21.0% from the underlying rate of 22.0% for the prior year. The effective rate for the current year has continued to benefit from the reduction in the UK corporation tax rate to 20.0%. The Group's effective tax rate remains dependent on the mix of geographic revenue and profitability as well as the tax rates levied in those geographies.

Following legislative changes, the Group was not caught by the Bank Corporation Tax surcharge introduced in the UK in January 2016.

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 (refer to note 10 of the Financial Statements).

Diluted earnings per share

Diluted earnings per share increased by 8.5% to 44.58 pence from 41.07 pence in the year ended 31 May 2016.

Diluted earnings per share is used as a primary measure of underlying profitability and as a financial measure in relation to the Executive Director and senior management share plans.

Dividend policy

IG remains highly cash-generative and we seek to reflect this in the direct cash returns to shareholders. IG has a progressive dividend policy and it remains the Board's intention to pay out, as an ordinary dividend, approximately 70% of Group post-tax earnings. Accordingly, the Board is recommending a final dividend of 22.95 pence per share, giving a full-year dividend of 31.40 pence per share.

In 2015, despite the impact of the Swiss franc event, the full-year dividend was held constant with the 2014 full-year dividend at 28.15 pence. This equated to 78% of post-tax statutory earnings and 68% of post-tax earnings on an underlying basis.

CASH RESOURCES AND LIQUIDITY

In order to provide a clear presentation of the Group's liquid assets, both amounts due from brokers and financial investments have been treated as 'cash equivalents' and included within 'own funds'. A detailed version of the cash flow and the derivation of own funds are provided in note 19 of the Financial Statements.

Cash generation remains strong with own funds generated from operations of £197.9 million (2015: £159.2 million).

The cash conversion rate, calculated as own funds generated from operations divided by profit before tax, has remained high at 95% (2015: 82%).

'Own funds' increased by £79.3 million (2015: £18.4 million) after adjustments for movements in working capital balances and the outflow from investing and financing activities principally including £13.7 million in relation to capital expenditure (2015: £12.4 million) and £103.1 million (2015: £112.8 million) in relation to the final 2015 and interim 2016 dividend payments.

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 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. Due to the nature of the business model, requiring IG to hedge residual risk, the Group considers that its liquidity requirements will continue to significantly exceed its regulatory capital requirements and therefore manages this carefully to ensure it is able to withstand extreme levels of volatility in financial markets.

The following table summarises the Group's Pillar 1 capital adequacy on a consolidated basis:

	31 May 2016 £m	**Restated*** **31 May 2015** £m
Shareholders' equity per audited financial statements	663.0	591.4
Less: Foreseeable dividend	(84.0)	(71.8)
Investment in own shares	1.8	1.2
Common Equity Tier 1 Capital	580.8	520.8
Less: Intangible assets	(125.1)	(124.0)
Less: Investment in own shares	(1.8)	(1.1)
Less: Deferred tax asset	(7.2)	(7.1)
Total capital resources	446.7	388.6
Total Risk Exposure Amounts – Pillar 1	(1,568.4)	(1,401.3)
Total Capital Ratio	28.5%	27.7%
Capital conservation buffer	(9.8)	–
Counter-cyclical buffer	–	–
Total Capital Ratio (including combined buffer)	28.3%	27.7%

* Prior year capital ratios have been restated to reflect recognition of foreseeable dividends.

BALANCE SHEET HIGHLIGHTS

The Group's net assets at 31 May 2016 were £663.0 million (2015: £591.4 million).

	31 May 2016 £m	31 May 2015 £m
Intangible assets	125.1	124.0
Financial investments	136.0	108.4
Cash and cash equivalents	218.8	148.8
Trade and other receivables	290.9	281.8
Trade and other payables	(114.2)	(78.9)
Other assets	6.4	7.3
Total net assets	663.0	591.4

Intangible assets

The Group continues to invest in technology to enhance client experience, to improve the capacity and resilience of dealing platforms and information security, all of which are critical to the success of the business.

Intangible assets purchased during the year include £0.6 million (2015: £1.5 million), relating to domain names.

Intangible assets also include goodwill of £107.1 million (2015: £107.1 million) of which £100.0 million arose on the acquisition of IG Group plc and its subsidiaries in 2003.

Financial investments

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. At 31 May 2016 the Group held £82.6 million as liquid assets buffer and £53.4 million as collateral with brokers. The increase in financial investments of £27.6 million is mainly due to the purchase of two securities for £61.3 million and the maturity of one for £34.5 million.

Current assets

Trade and other receivables include amounts due from brokers, amounts due to be received from segregated client money accounts and prepayments.

Amounts due from brokers increased by £6.3 million, driven by increased broker margin requirements at year-end.

Client money and assets

Total monies held on behalf of clients at year-end was £956.3 million (2015: £930.5 million) of which £917.3 million (2015: £913.6 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 £39.0 million relates to '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 and customer deposits with our banking operation in Switzerland.

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 considered a positive indicator of future client propensity to trade.

Liabilities

Trade and other payables include accruals and amounts due to clients in relation to both title transfer funds and customer deposits with the Group's Swiss banking subsidiary.

The increase in the trade and other payables is driven by the increase in title transfer funds and client monies deposited with the Group's Swiss bank subsidiary together with accruals for performance-related pay.

'Ensuring fair outcomes for clients and the financial markets is at the heart of everything we do at IG. We are meticulous about compliance with regulations to ensure our customers get the levels of service and protection they deserve.'

Joe McCaughran
Chief Compliance Officer

MANAGING OUR RISKS

Our strategy depends on the effective management of our business risks. By identifying the nature and potential impact of these risks, we can design and operate processes that ensure our risks are effectively controlled and mitigated. Over time, we have developed a robust and consistent Risk Management Framework that we continually seek to improve.

In this section we explain how we manage risk in accordance with our risk appetite which is underpinned by the Group's Risk Management Framework. We also explain in detail the key risks we face, our governance structure for risk management and the reporting cycle that we use to monitor and report on risk.

EVALUATING PRINCIPAL RISKS AND SETTING OUR RISK APPETITE

The Board is responsible for the Group's risk management and internal control processes. Risk management is an integral part of the Group's activities. This starts with evaluating the principal risks to which the Group is exposed and determining the Board's risk appetite.

The risk appetite defines the amount of risk the Board is prepared to accept, both on an individual risk and aggregate basis, in pursuit of its business objectives and strategic goals.

Risk is assessed across the Group using a clearly defined risk management framework which incorporates both internal and external factors.

The Group has a set of Key Risk Indicators (KRIs) which balance quantitative and qualitative measures to provide an indication of increasing or declining risk levels over an appropriate timescale and provides parameters within which the business can operate.

To establish effective governance over risk, we have developed a Risk Management Framework to identify, measure, manage and monitor the risks faced by the business.

It comprises our Risk Governance Framework and Risk Reporting Cycle.

RISK GOVERNANCE FRAMEWORK

The diagram to the right sets out the framework for the Board and Executive Committees, independent control functions and ongoing business operations that exercise governance over risk.

Our Risk Management Framework provides the Board with assurance that we have evaluated and managed our risks as far as possible, within appropriate predefined boundaries.

RISK REPORTING CYCLE

Risk monitoring and reporting in IG is undertaken daily with several daily reports covering key market, credit and liquidity metrics. Formal risk reporting comprises the following key risk reports:

REPORT/FORUM	FREQUENCY	CONTENT
EXECUTIVE RISK COMMITTEE DASHBOARD	WEEKLY	Market, credit, liquidity and operational risk exposures including stress testing results, review of high risk clients and summary of operational incidents.
BOARD RISK REPORT	MONTHLY	Capital and liquidity metrics; summary of market, credit and operational risk profile; conduct and regulatory risk summary; information security and cyber risk.
ICAAP/ILAA REVIEW	QUARTERLY	Review of regulatory capital and liquidity position of the Group, including review of Pillar 2 risks and temporary capital add-ons held in respect of specific risk issues.

THE BOARD

- Evaluates risk and determines risk governance arrangements
- Sets and reviews the risk appetite and the key risk indicators
- Reviews and challenges updates from the Board Risk Committee
- Reviews and challenges the system of internal controls and risk management
- Reviews and challenges capital and liquidity stress-testing
- Approves the Corporate Governance Report in the Annual Report

BOARD COMMITTEES

BOARD RISK COMMITTEE

- Evaluates risks and determines risk management arrangements
- Considers the risk appetite and KRIs for the current and future strategy and recommends for approval by the Board
- Reviews and challenges the Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment (ILAA) and Recovery Plan
- Ensures rigorous stress-testing and scenario-testing of the Group's business
- Ensures a sufficient level of risk mitigation is in place
- Reviews the Group's major risk exposures
- Considers the adequacy and effectiveness of the technology infrastructure and supporting documentation in the Risk Management Framework
- Provides input to the Remuneration Committee on the alignment of the remuneration policy to risk performance

REMUNERATION COMMITTEE

- Reviews the structure and level of remuneration throughout the business and assesses the impact of remuneration on risk

AUDIT COMMITTEE

- Receives annual reporting from the Board Risk Committee on the Group's internal controls and Risk Management Framework
- Reviews an assessment of the control environment, via internal audit reports, and progress on implementing both internal and external audit recommendations
- Monitors and reviews the internal audit function's effectiveness in the overall context of the Group's internal controls and risk-management systems

NOMINATION COMMITTEE

- Identifies and recommends suitable candidates for appointment to the Board to ensure that its composition meets Group's needs
- Ensures that succession plans are in place

EXECUTIVE COMMITTEES

EXECUTIVE COMMITTEE

- Sets out IG's Values
- Oversees the execution of the IG Strategy on behalf of the Board
- Agrees and recommends the Business Plan to the Board and manages the delivery of the agreed Business Plan
- Defines and allocates overall budgets and resources to ensure the organisation has the capabilities and resources to deliver the objectives in the Business Plan, and oversees the control of costs
- Ensures there is an effective management structure and organisation within the Group which is consistent with the effective delivery of the Business Plan
- Oversees performance across IG including performance against agreed Key Performance Indicators in all aspects of IG's operations
- Reviews and approves major change and key investment initiatives and, where required, submits for Board approval
- Discusses any matter which any member of the Committee believes to be of such importance that it should be brought to the attention of the Committee

EXECUTIVE RISK COMMITTEE

- Oversees the day-to-day risk management activity across the Group
- Evaluates the risks in the context of Group's risk appetite
- Maintains the Risk Management Framework
- Receives, analyses and evaluates risk MI
- Deals with specific risk issues as they arise
- Analyses the regulatory environment for forthcoming changes
- Evaluates new business transactions

ICAAP AND ILAA COMMITTEE

- Oversees the results of the ongoing stress-testing and scenario-testing process, ensuring that risks are continuously identified and assessed
- Considers the impact on capital and liquidity of changes in strategy or the operating environment
- Reviews the KRIs on a quarterly basis

CLIENT MONEY COMMITTEE

- Oversees the processes and controls over segregating client funds and the Financial Conduct Authority (FCA)'s client assets (CASS) operational oversight function
- Monitors and reviews the levels of prudent margin in the UK and buffers in client money pools outside the UK

CONTROL FUNCTIONS

Additional levels of assurance are provided by control functions, which are independent of the business operations – namely finance, risk, compliance, legal and internal audit. The control functions provide periodic reporting to the Board and Executive Committees as appropriate.

INTERNAL AUDIT | FINANCE | RISK | COMPLIANCE | LEGAL

BUSINESS OPERATIONS

In addition to the control functions, we have embedded risk management into our underlying business operations. Heads of departments are responsible for maintaining 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 coordinating the identification, measurement and monitoring of risk across the business.

INTERNAL CONTROLS IMPLEMENTED BY MANAGEMENT

PRINCIPAL RISKS

The Directors have carried out a robust assessment of the principal risks facing the Company. This is a continual process particularly in the regulatory environment under which we operate. We prepare an ICAAP, ILAA and Recovery and Resolution Plan each year all of which focus on the risks we face, stress-testing of our business model and projections to ensure the business is solvent, liquid and viable. Our principal risks and the mitigation actions taken are detailed below:

KEY RISK	MITIGATING ACTIONS
REGULATORY RISK	
Regulatory risk is one of our most significant risks and we look at it from three different angles: **Change risk** is the risk that one of our regulators introduces new regulations or the regulatory environment itself changes impacting on the way we operate our business. **Expansion risk** is the risk that policy and regulation in jurisdictions where we do not currently operate remain onerous and closed to our business model. **Breach risk** is the risk that we breach a regulation that applies to our business, leading to a client or market detriment, sanctions, fines, reputational damage or, in extreme situations, loss of license.	▮ We engage with regulators and policymakers in the jurisdictions we operate or intend to expand our product offering into, as part of policy consultations and by investing in public relations programmes ensuring we have access to up-to-date information on regulatory change. ▮ We participate in discussions with regulators that are considering changing their regulations in order to allow retail derivative trading. ▮ Our compliance, legal and risk teams provide a robust line of defence, ensuring that our processes and controls are effective in ensuring compliance with regulatory obligations. ▮ 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, continuing to support changes which promote protection for clients and greater clarity of the risks they face.
OPERATIONAL AND INFORMATION TECHNOLOGY (IT) RISK	
This is the risk of financial loss, disruption or damage to our reputation due to inadequate or failed internal processes and IT systems. These risks can also arise from human error or external events that we cannot influence. Cyber risk is a constant threat in the modern online environment. The reliability of our client trading platforms is key to delivering our strategy.	▮ We have designed and implemented a system of internal controls to manage operational risk in line with the Risk Appetite Statement and Risk Management Framework. ▮ We run a complete disaster recovery solution to ensure we provide clients with a consistent and uninterrupted level of service. ▮ We operate a fully functional secondary site with real-time replication of all systems across the two locations and fully independent power supplies. We support these systems with on-going business continuity planning and regular testing. ▮ We invest significantly in the technology infrastructure to ensure that these platforms are operationally stable, with system access being centrally controlled. ▮ Our investment supports the resilience and reliability of the platform, ensuring low levels of latency, maintaining and testing system capability under significant load and conducting penetration testing. ▮ The Executive Risk Committee reviews our Key Risk Indicators on a monthly basis, a process which includes monitoring levels of core system uptime and deal latency. ▮ We have a dedicated team which has implemented a robust, multi-layered system, providing round-the-clock monitoring and intruder-prevention controls.
MARKET RISK	
This is the risk that the fair value of financial assets and financial liabilities will change due to movements in market prices. IG takes market risk in order to facilitate real-time client dealing and as such, taking market risk is inherent to delivering quality service to clients.	▮ This is managed on a real-time basis, monitoring all client positions against market risk limits set by the Board for 'operational efficiency'. ▮ We hedge most of our residual market risk exposure, not taking proprietary positions based on an expectation of market movements. However, not all net client exposures are hedged and therefore 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. ▮ We invest in technology that enables real-time and constant monitoring of our market exposure. If exposures exceed our pre-agreed limits, our risk-management policy requires the positions hedged to bring the exposure back into line with these limits.

ADDRESS OUR CLIENTS' NEEDS OVER THEIR LIFE CYCLE, BE THEY ACTIVE TRADERS OR SOPHISTICATED INVESTORS

ACHIEVE, MAINTAIN OR EXTEND MARKET LEADERSHIP IN OUR CHOSEN INVESTMENT NICHE

STRENGTHEN GLOBAL REACH

DELIVER QUALITY SERVICES TO OUR CLIENTS

SUSTAIN TECHNOLOGY LEADERSHIP

LINK TO STRATEGY	CHANGE FROM LAST YEAR	COMMENTARY
	▲	▮ The industry continues to witness increased levels of government and regulatory intervention in the financial sector with increasing regulatory rules and laws both in the UK and overseas affecting the Group's operations. We are closely monitoring this and working with the respective regulators. ▮ As our business becomes more complex and geographically diverse, this risk also grows, and we remain committed to increasing our investment in our framework to manage risk controls. ▮ During the year, the Group has successfully undergone a number of external reviews into key areas such as client money and information security, giving us assurance that we are managing and controlling breach risk well. ▮ Details with respect to the results of the UK EU Referendum are also covered in the CEO's statement. ▮ Further details and examples of our Change risks on pages 52 to 53.
	▲	▮ The aim of the Group's operational risk management is to manage operational risks in line with pre-defined appetites, and to protect both customers and the Group whilst delivering sustainable growth. ▮ All our IT and data security systems conform to the ISO 27001:2005 Information Security Management System standards. ▮ IG is heavily dependent on technology to enable its processes to operate effectively as well as providing innovative products to its clients. Hence outages can have a negative impact. Core up-time over a rolling 12-month period is currently running at 99.96% against a tolerance of 99.80%. This represents a total outage time over the previous 12 months of 1 hour 40 minutes. ▮ As with many companies we are periodically subject to attempts to gain access to our systems from the exterior including distributed denial of service (DDOS) attacks. Our systems are constantly monitored and tested by our cyber security team and we have withstood these attempts throughout the year. ▮ Each year we physically locate the UK office to our offsite disaster recovery location and this process continued to operate without issues again this year.
	▶	▮ Our market risk profile remains largely unchanged in the past year. ▮ Risk limits are reviewed regularly to ensure they remain appropriate, and real-time monitoring of compliance with risk limits is monitored by the Risk team, with escalation to the Executive Risk Committee for exceptions.

KEY RISK	MITIGATING ACTIONS
CREDIT RISK	
This is the risk that a counterparty fails to perform its obligations, resulting in financial loss to the Group. The principal sources of credit risk are from financial institutions and individual clients. Individual client credit risk can arise where there are significant, 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. This can lead to a client's deposited funds being insufficient to cover trading losses.	**Financial institutions credit risk** ▮ All financial institutions are subject to ongoing credit review. ▮ Exposure limits are set and approved by the Executive Risk Committee. ▮ We regularly monitor key metrics, including balances held and changes in short-term and long-term credit ratings. **Individual client credit risk** ▮ Only clients that pass certain suitability criteria are accepted. ▮ We run training programmes to educate clients in aspects of trading and risk management, as well as encouraging them to collateralise their accounts to an appropriate level. ▮ We conduct a pre-deal credit check on every client order. ▮ We operate a number of risk management tools for clients to manage their exposures, including: guaranteed and non-guaranteed stops, limit orders, extended trading hours, trading via mobile platforms. ▮ Our overall credit risk exposure is managed through real-time monitoring of client positions via our 'close-out monitor' (COM) and through the use of tiered margining. ▮ The COM is an automated process whereby accounts which have fallen below the liquidation threshold are automatically identified and closed. ▮ We only grant credit against unrealised losses for a very small number of generally long-standing clients, with credit terms such that any losses arising are payable immediately on the closure of transactions.
COMPETITOR RISK	
This is the risk that the market proposition of our competitors is more compelling, leading to a loss of clients and revenue for the Group. Additionally, this is a risk that the actions of our competitors affects the way that our regulators view our industry.	▮ We recognise that we operate in a highly competitive industry and the emergence of smaller firms domiciled in less regulated environments brings a variety of risks. ▮ We continuously monitor our competitor activity, pricing and operations including through Investment Trends surveys. ▮ We monitor the potential impact of key innovation from our competitors as well as poor competitor activity which may have consequences with our regulators.
LIQUIDITY RISK	
This is the risk that we will be unable to meet payment obligations as they fall due.	▮ 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, due to our commitment to segregate all client funds. ▮ Total available liquidity is monitored on a daily basis, including the committed unsecured banking facilities. ▮ Daily stress tests are carried out and the level of committed unsecured bank facilities is validated by stress testing our three year liquidity forecast.

ADDRESS OUR CLIENTS' NEEDS OVER THEIR LIFE CYCLE, BE THEY ACTIVE TRADERS OR SOPHISTICATED INVESTORS

ACHIEVE, MAINTAIN OR EXTEND MARKET LEADERSHIP IN OUR CHOSEN INVESTMENT NICHE

STRENGTHEN GLOBAL REACH

DELIVER QUALITY SERVICES TO OUR CLIENTS

SUSTAIN TECHNOLOGY LEADERSHIP

	LINK TO STRATEGY	CHANGE FROM LAST YEAR	COMMENTARY
			▮ Our credit risk profile remains largely unchanged in the past year. ▮ Margin rates are regularly reviewed to ensure they appropriately reflect the risk of trading, while also remaining competitive. ▮ We continue to monitor our overall credit exposure against our risk appetite on a daily basis.
			▮ Our market share of the leveraged business sector has remained strong in particular in our well established markets such as the UK and Australia: spread betting in UK at 44% (2015: 40%), CFD in the UK at 29% (2015: 26%) while in Australia our CFD market share remained flat at 38% (compared to data released in September 2015), having increased from 33% in the previous year as per Investment Trends reports. ▮ During the past 18 months we have expanded our product offering becoming more appealing to a wider customer base and we continue to focus on strengthening our brand in those markets. ▮ The Group remains focused on the development of our leading market position, continuously investing in our products and services, and the infrastructure to support them.
			▮ Total available liquidity, including committed unsecured facilities and after accounting for broker margin, at 31 May 2016 was £786.7 million (2015: £724.0 million). This includes the liquid assets buffer, which consists of £80.6 million of UK government securities held, as required by the FCA as part of the ILAA process, to provide a safeguard in times of stress. ▮ Our unsecured banking facilities amount to £160.0 million (2015: £200.0 million) at year-end. This was reduced from £200.0 million in July 2015 following an internal review of the Group's required facility levels. In times of extreme market volatility we have drawn down the facility as a precautionary measure.

KEY RISK	MITIGATING ACTIONS
CONDUCT RISK	
This is the risk that the Group's conduct poses to the achievement of fair outcomes for consumers or to the sound, stable, resilient and transparent operation of the financial markets.	▮ Our Group conduct risk strategy puts consumer and market outcomes at the heart of the business. All client calls are recorded and our compliance team monitor these on a regular basis. ▮ Training is being rolled out to fully embed the conduct risk strategy into the current business practices and culture of the Group. ▮ We evaluate suitability and only offer access to products where knowledge and wealth considerations have been evaluated.
REPUTATIONAL RISK	
This is the risk of damage to the perception of the Group by public opinion, its customers, investors or any other interested party.	▮ We actively monitor steps and changes being made by regulators and the industry ensuring that the Group remains compliant. This includes ongoing training for all employees. ▮ We have a dedicated investor relation team dealing with shareholders, journalists and the members of the public on all matters that may affect the reputation of the Group. ▮ We continue to embed a culture and tone from the top of doing the right thing for our clients, our staff and our industry.
PEOPLE RISK	
This is the risk that the Group has an incorrect level and mix of people to execute its business strategy, combined with the inability to attract, develop, motivate and retain talented employees.	▮ We regularly review the Group's resource requirements, talent mapping and succession planning including the most appropriate locations to deploy our staff. ▮ We operate a remuneration system which is linked to revenue performance and a bi-annual appraisal system to provide regular assessment of individual performance and identification of training and development needs. ▮ Benchmarking of remuneration packages of all employees is undertaken annually. ▮ The Group invites all employees to participate in the annual employee survey to gauge employees' satisfaction and feedback on improvements. ▮ We continue to invest in the development of our people with tailored training to meet their needs.

ADDRESS OUR CLIENTS' NEEDS OVER THEIR LIFE CYCLE, BE THEY ACTIVE TRADERS OR SOPHISTICATED INVESTORS

ACHIEVE, MAINTAIN OR EXTEND MARKET LEADERSHIP IN OUR CHOSEN INVESTMENT NICHE

STRENGTHEN GLOBAL REACH

DELIVER QUALITY SERVICES TO OUR CLIENTS

SUSTAIN TECHNOLOGY LEADERSHIP

LINK TO STRATEGY	CHANGE FROM LAST YEAR	COMMENTARY
		IG has a very low tolerance for poor customer outcomes and therefore we are committed to investing in process, training and culture to mitigate the risks. Where our monitoring system detects an unfair outcome, we will act swiftly to remedy and prevent reccurrence.
		Given the diversity of sources from which it can arise, the Group's objective is to identify these risks and ensure they are duly attended to so that their probability is reduced and the eventual impact is mitigated. The Group had no significant operational losses within the year.
		The departure of previous CEO & CFO has resulted in the change of key-personnel within the business, but the swift appointment of a new internally experienced CEO and a newly appointed CFO has helped to reduce this risk. The responses from employees following the recent annual employee survey shows that flexible working and flexible benefits are highly rated. As a result, the Group is addressing these issues through a new flexible benefits scheme.

REGULATORY CHANGE RISKS

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

CHANGE AND IMPACT ON GROUP	IMPACT LEVEL	STATUS AND MITIGATING ACTIONS
UK/EU Referendum – a change to the UK's membership in the European Union: The Group's business in continental Europe is offered pursuant to the EU passporting regime for financial services. On 23 June 2016, the UK elected for the UK to leave the European Union. Any change to the UK's membership status of the European Union could have an impact on how the Group is able to operate in the European Union.	HIGH	We expect there to be a period before any changes are effective, that will allow for alternative options to be considered and implemented. We continue to monitor developments carefully.
ESMA committee on speculative products: A committee of the European regulator ESMA (European Securities and Markets Authority) has been established to consider the marketing and selling of speculative products (CFDs, forex and binaries) to retail clients across the European Union under MiFID (Markets in Financial Instruments Directive). The intention of the committee is to ensure that there is regulatory convergence across the European Union. Guidelines on the marketing and selling of speculative products have been issued and we expect further clarifying practices to be issued. We do not consider that our interpretation of MiFID and its requirements is materially different to ESMA's interpretation. However, any material change in interpretation or the introduction of any new requirements by ESMA in relation to how our industry should market or sell its products across the European Union may have a material impact on our European business.	MEDIUM	We have expended significant efforts throughout the year to understand the many stakeholders' interests. We continue to monitor developments carefully.
French marketing restrictions and Belgian marketing and product restrictions: In France, there are proposed measures that would restrict the ability for our products to be advertised electronically to retail clients. A proposed law has been submitted for consideration and the impact will depend on whether the measures are introduced and, if so, the form in which they are introduced. In Belgium, a regulation has been passed, but is yet to be approved, restricting the types of products that can be offered to retail clients and marketing practices in relation to those products. We believe the proposed restrictions are aimed at providers with a presence in Belgium and therefore will not impact our business.	MEDIUM	We have expended significant efforts throughout the year to understand the many stakeholders' interests. We continue to monitor developments carefully.
Financial Transactions Tax (FTT) in the European Union: The Enhanced Cooperation FTT effort, involving 10 of the 28 member states, has continued this year. It remains unclear what the ultimate outcome of the Enhanced Cooperation FTT will be. Progress to this point has been extremely slow. There remains the political will within a group of member states for the introduction of an Enhanced Cooperation FTT, although this group has decreased in number since last year. The lack of detail makes the potential impact on our revenue from Europe difficult to assess.	MEDIUM	We continue to monitor developments carefully.
Markets in Financial Instruments II Directive (MiFID II): The MiFID II dossier has continued to develop this year. The MiFID II and Markets in Financial Investments Regulation (MiFIR) Level One texts have been adopted and the majority of the detailed Level Two texts will be finalised shortly. The application of MiFID II will be delayed by one year from January 2017 to January 2018. MiFID II provides new powers to regulators to intervene in certain circumstances and prohibit or restrict the marketing, distribution or sale of financial products. The exercise of these powers in relation to our products by a regulator would have a negative impact on our business. Other than the potential exercise of these powers, we remain of the view that MiFID II is unlikely to pose a threat to our UK and European businesses.	MEDIUM	We continue to monitor MiFID II carefully and to take part in industry consultations where appropriate.

CHANGE AND IMPACT ON GROUP	IMPACT LEVEL	STATUS AND MITIGATING ACTIONS
European Markets Infrastructure Regulation (EMIR): The main impact of this legislation on our business is increased reporting requirements to trade repositories. In the medium-to-longer term the risk mitigation measures for over the counter trading will increase slightly IG's margin requirements with some of our hedging brokers.	LOW	The remaining rules are close to being finalised. The risk mitigation measures are not expected to impact us until September 2020.
Packaged Retail and Insurance Based Investments Products Regulation (PRIIPS): This will impose an obligation on us from January 2017 to provide our UK and European clients with information about our products in a standardised form. We do not anticipate this having a negative impact on our business.	LOW	We are putting together a Key Investor Information Document ("KIID") which will be provided to UK and European clients from January 2017.
Capital Requirements Directive IV (CRD IV) and Capital Requirements Regulation (CRR): The European Union began implementing these rules from 1 January 2014 and further requirements are to be introduced in the coming years. The most significant changes for IG relate to changes in capital requirements and liquidity requirements that are being phased in. There are also new corporate governance and remuneration obligations that are not expected to have a significant impact.	LOW	We have modelled the impact of these changes through to full implementation of requirements in 2020 and do not expect any significant impact to our capital or liquidity positions.
Monetary Authority of Singapore (MAS) regulatory framework for margined derivatives: As previously reported, in 2013 the MAS confirmed that it would push forward with its proposal to increase margin requirements for non-accredited investors on a forex trade from 2% to 5%, thereby reducing leverage from 50 times to 20 times. Although these rules have not yet been introduced, we consider there is a good possibility they will be introduced in the future. If introduced, it is intended that the rules will not apply to accredited investors, defined by virtue of their wealth or income level.	LOW	We believe that the majority of IG's revenue currently comes from clients who would qualify for accredited investor status. In addition, the use of guaranteed stops enables clients to further manage leverage levels.
Base Erosion and Profit Shifting (BEPS): The Organisation for Economic Cooperation and Development (OECD) has developed proposals to address perceived international tax avoidance by high profile multinationals. The final proposals for each focus area of the BEPS action plan have been agreed. Countries will now implement the proposals and have agreed to continue work on BEPS until 2020. None of the action plans are expected to significantly impact the Group's tax profile.	LOW	We will continue to monitor the impact of the implementation of the BEPS proposals in countries where we operate.

VIABILITY STATEMENT

The Group believes it adequately manages and mitigates its principal risks through the arrangements described above. In addition, there are further relevant Group business planning and review processes that we operate.

Business planning process

The Group's formalised forecasting and planning cycle consists of a strategic plan, an annual budget for the current year and financial projections for a further two years. The three year forecasting period ending 31 May 2019 is the length of time over which the Board strategically assesses the business; the period of time the Board would typically look to payback of investments; and is the period over which the Group reviews its regulatory capital requirements.

The first year of the planning period has a greater degree of certainty and is, therefore, used to set detailed financial targets across the Group – it is also used by the Remuneration Committee to set targets for the annual incentive scheme.

The three-year period provides less certainty of outcome, but provides a robust planning tool against which strategic decisions can be made and addresses the requirements for the ICAAP evaluation and reporting. These forecasts are also considered when setting targets for the executive and senior management share plans.

The key assumption underpinning the forecasts is the ongoing supportive regulatory environment in which the Group operates.

Stress testing

The Group undertakes stress testing to provide the Board with a robust assessment of the potential consequences of principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity.

The types of scenarios used include the collapse of a major financial services firm; major currency appreciation; cyber-attacks; and the loss of regulatory licences. Additionally, the Group has undertaken reverse stress testing to understand what scenarios break the business model. With appropriate management actions, the Group was resilient to all severe, but plausible, scenarios.

Statement

Overall the Directors consider the Group is well placed to manage its business risks successfully, having taken into account the current economic outlook, the consequences of principal risks facing the business in severe but plausible scenarios, and the effectiveness of any mitigating actions.

On the basis of these and other matters considered and reviewed by the Board during the year, the Directors have reasonable expectations that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period ending 31 May 2019.

The Directors also considered it appropriate to prepare the financial statements on the going concern basis as explained in note 40 to the accounts.

CORPORATE GOVERNANCE

CONTENTS

CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE

Our results are all the more creditable against a background of a significant amount of change at Board level and would not have been possible without Peter's strong leadership, the support and dedication of all staff and an enduring governance culture which puts high ethical standards and fair client outcomes at the heart of all we do.

In his first year-end Chief Executive's statement, Peter Hetherington reported on another strong set of results and the drive to generate continuous improvement and value from our existing business.

The Board of Directors is committed to maintaining the highest standards in the way the Company is directed, governed and managed. We believe that good quality governance underpins IG's ability to deliver sustainable future growth and long-term value creation for shareholders.

I would like to thank Board colleagues for their continued support in ensuring timely, robust and constructive challenge and debate around the Board table. Both June Felix, appointed as a Non-Executive Director on 4 September 2015 and Malcolm Le May who was appointed on 10 September 2015 as a Non-Executive Director, Chairman of the Remuneration Committee and Senior Independent Director, have brought fresh perspectives to the already diverse range of thought, skills and experience present on the Board.

The strength of the Board is enhanced by a strong relationship between the Chairman and CEO. Peter was appointed permanent CEO on 4 December 2015 following his period as Interim CEO and following a thorough search. We speak regularly outside of formal Board meetings and are developing a strong relationship which respects our complementary but different roles. After an extremely thorough search process for a permanent CFO, Paul Mainwaring joined the Group on 11 July 2016 as CFO designate, replacing Mark Ward as originally planned. Following regulatory approval, Paul takes up the role on a permanent basis and joins the Board. With Peter now established as CEO, in 2017 we will focus on executive level succession planning throughout IG. Further details of changes to the Board can be found in the Nomination Committee section on pages 68 to 69.

As Chairman, my primary role is to provide leadership of the Board and to ensure its effectiveness on all aspects of its role. This year, given the significant amount of change at Board level we once again undertook a questionnaire-based independent external evaluation of the Board and its Committees. Directors were encouraged to seek meetings with the external provider on any matter of specific concern. No such meetings were requested. In summary, the review concluded that the Board and its Committees continue to operate effectively. More information on the evaluation process and its findings can be found on pages 65 to 66.

No board can operate effectively or efficiently without a cohesive strategy. The executive management and the Board substantially improved our strategy process in 2016, which in turn improved the quality of the debate. We will continue to build on these improvements, including changing the timetable of our strategy discussions to better support our business planning and risk management processes.

The Board supported the introduction of a comprehensive programme to improve the quality of papers and management information used at Board meetings. In 2017 we will bed in these improvements and refine them further to support continued improvement in the quality of debate and decision making.

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

Andy Green
Chairman

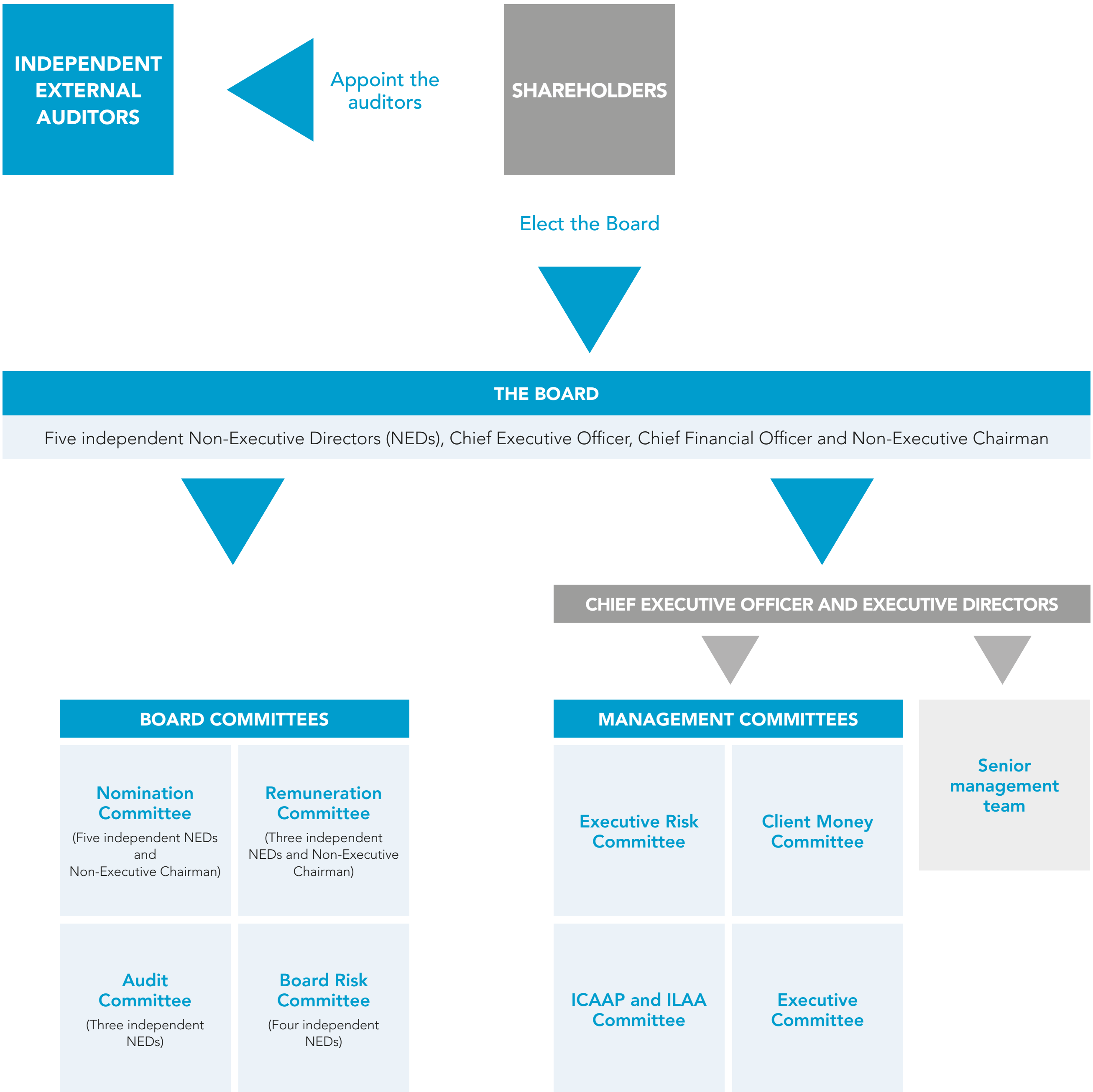
CORPORATE GOVERNANCE STATEMENT

STATEMENT OF COMPLIANCE

The UK Corporate Governance Code ('the Code') sets out the standards of good practice in relation to how a company should be directed and governed. As we have a Premium Listing on the London Stock Exchange, the Company reports in accordance with the Code published in September 2014. The Code is published by the Financial Reporting Council (FRC) and further information can be found on its website at frc.org.uk.

The Board considers that the Company has been compliant with its provisions for the year ended 31 May 2016.

OVERVIEW OF CORPORATE GOVERNANCE FRAMEWORK



THE BOARD

The Board is responsible for promoting and ensuring the long-term success of the Group through the creation and delivery of sustainable shareholder value.

Andy Green
Chairman

Appointed:
9 June 2014 (Deputy Chairman)
16 October 2014 (Chairman)

Andy has in-depth board experience and knowledge of major listed companies, having served as Group Chief Executive of Logica plc and having held board roles in BT Group including the role of CEO of Group Strategy and Operations. He was also a board member of the CBI. Andy's other current roles enable him to bring to the Board a wide perspective on technology and digital development.

Other current appointments:

Andy is the Senior Independent Non-Executive Director of ARM Holdings plc and Avanti Communications Group plc. He holds a number of other roles, including chairing DockOn AG and Digital Catapult. He is a trustee of Abesu Ltd and Tech Partnership Limited, President of UK Space and co-chairman of the Space Leadership Council.

Committee membership:

- Nomination Committee (Chair)
- Remuneration Committee

Peter Hetherington
Chief Executive Officer

Appointed:
25 February 2003 (Chief Operating Officer)
4 December 2015 (Chief Executive Officer)

Peter was an officer in the Royal Navy prior to joining IG Group as a graduate trainee in 1994. In 1999, he became Head of Financial Dealing, and in 2003, he joined the Board following his appointment as Chief Operating Officer. Within that role, Peter was responsible for IT as the company principally became an online business. His role developed to encompass the leadership of the sales and marketing functions. He was appointed Interim Chief Executive Officer in October 2015 and Chief Executive Officer in December 2015. Peter graduated from Nottingham University with a degree in economics, and from the London Business School with a masters in finance. Peter's considerable experience, built over 20 years in the business, is invaluable in his role as Chief Executive Officer.

Other current appointments:

None

Committee membership:

None

Malcolm Le May
Senior Independent
Non-Executive Director

Appointed:
10 September 2015

Malcolm served as Senior Independent Director of Pendragon plc and was a Non-Executive Director and Chairman of the Investment Committee at RSA Insurance Group plc. Prior to this, he held various executive roles at Morgan Grenfell plc, Drexel Burnham Lambert, Barclays de Zoete Wedd Holdings, UBS AG, ING Barings Ltd, Morley Fund Managers (now Aviva Investors), JER Partners Ltd where he was European President and Matrix Securities Limited. Malcolm's broad experience and knowledge of the financial services and investment sectors, along with his extensive experience on the boards of publicly listed companies, is of immense value as the Company continues to deliver on its strategic initiatives.

Other current appointments:

Malcolm is the Senior Independent Non-Executive Director and Chairman of the Remuneration Committee at Provident Financial plc and a Non-Executive Director and Chairman of the Remuneration Committee of Hastings Group Holdings plc. He is a partner at Opus Corporate Finance LLP and holds advisory roles at Juno Capital LLP and Heidrick & Struggles.

Committee membership:

- Audit Committee
- Remuneration Committee (Chair)
- Nomination Committee

June Felix
Non-Executive Director

Appointed:
4 September 2015

June has held various executive management positions at a number of large multi-national businesses, including Citibank where she was managing director of global healthcare, Citi Enterprise Payments and IBM Corporation, where she led their global Banking and Financial Markets business. She began her career at P&G in brand management marketing. June brings to the Board significant international experience and knowledge of the digital sector as well as experience in product innovation and delivery.

Other current appointments:

June is the president of Verifone, Europe and Russia, with responsibility for the operation of the Verifone business throughout Europe and Russia.

Committee membership:

- Nomination Committee
- Board Risk Committee

Stephen Hill
Non-Executive Director

Appointed:
28 April 2011

Stephen brings significant and extensive board experience having previously served as the CEO of Betfair plc and holding managerial roles at Pearson plc, including the role of CEO of the Financial Times Group. He was Chairman of Interactive Data Corporation in the US as well as a member of the boards for Royal Sun Alliance Insurance Group plc, Psion plc, Channel 4 and Ofcom.

Other current appointments:

Stephen is Trustee and Chairman of the Royal National Institute for Deaf People – Action on Hearing Loss. He is also a member of the Advisory Board of the Cambridge Judge Business School and a Non-Executive Director of Applerigg Limited and Aztec Limited, a fund administration business. He was appointed Chairman of the Alzheimer's Society effective 6 September 2016.

Committee membership:

- Board Risk Committee (Chair)
- Remuneration Committee
- Nomination Committee

Jim Newman
Non-Executive Director

Appointed:
1 October 2013

A qualified Chartered Accountant, Jim was Finance Director for Resolution plc, having joined the company as Group Financial Controller. Jim spent ten years at Aviva, where he was Group Integration Director for the CGU/Norwich Union merger and Finance Director of Norwich Union Life, Aviva's UK life insurance business. He was formerly the Corporate Development Director for Friends Life Group, where his responsibilities included overseeing the final separation and integration of the UK life business acquired by Resolution plc, as well as the delivery of the overall group change portfolio and strategic corporate development. His in-depth knowledge and experience of the financial services sector, as well as his considerable experience both as a CFO and in the implementation of transformation programmes, is proving of considerable benefit to the Board.

Other current appointments:

None

Committee membership:

- Audit Committee (Chair)
- Board Risk Committee
- Remuneration Committee
- Nomination Committee

Sam Tymms
Non-Executive Director

Appointed:
22 May 2013

Sam began her career at the London Stock Exchange's Surveillance Division, which over time became the Securities and Futures Authority and eventually the Financial Services Authority. During that time she held a range of supervisory roles and worked for two years in the Investigations and Enforcement Division. As a supervisor, she ran departments overseeing global investment firms, retail and investment banks and major insurance groups. Sam's extensive experience in the regulatory field and her knowledge of compliance matters provide the Board with considerable insight into regulatory expectations.

Other current appointments:

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

Committee membership:

- Board Risk Committee
- Audit Committee
- Nomination Committee

Biographical details of Directors appointed following the date of this Annual Report can be found in the Notice of Annual General Meeting.

THE BOARD CONTINUED

LEADERSHIP

ROLE OF THE BOARD

The Board is collectively responsible for providing effective leadership to the Company by promoting and ensuring long-term success of the Group through the creation and delivery of sustainable shareholder value. It provides guidance and entrepreneurial leadership by setting the strategic direction of the Group and overseeing management's implementation of the strategy within a framework of prudent and effective risk controls.

The Board seeks to ensure that, while the ultimate focus is on long-term growth, management also delivers on short-term objectives and achieves the right balance between immediate and future goals.

When setting the Group's strategy and monitoring its implementation, the Board considers the impact its decisions may have on various stakeholders, such as suppliers, investors, employees and the environment as a whole. It is accountable for ensuring that, as a collective body, it has the appropriate skills, knowledge and experience to perform its role effectively.

The Board maintains and periodically reviews a list of matters that are reserved to, and can only be approved by the Board. These include setting Group strategy; approval of major acquisitions, divestments and capital expenditure; approval of annual budgets; approval of changes to the Group's capital structure including reduction of capital; approval of expansion plans into new business or geographies; reviewing operational and financial performance; appointment and termination of the Directors and Company Secretary; approval of policies related to Directors' remuneration and severance of Directors' contracts; ensuring adequate succession planning for the Board and senior management; setting the risk appetite of the Group and approval of any changes to the Group's risk management policy that materially increases the Group's risk profile.

A formal schedule of matters specifically reserved for the Board's decision can be found on the Group's website.

Specific matters have been delegated to Board Committees and each Committee has its own terms of reference, which are available on the Group's website.

The matters that have not been specifically reserved for the Board Committees are delegated to the Executive Directors. These include the development, recommendation and implementation of the strategic plans for the Group; the development and implementation of the risk management systems, policies and procedure; the promotion of a good standard of corporate governance and shareholder engagement and monitoring the Group's operating and financial results.

BOARD STRUCTURE

The Board is made up of the Chairman, Executive Directors, including the Chief Executive Officer, and independent Non-Executive Directors.

There is a division of responsibilities between the Chairman and the Chief Executive Officer.

Chairman

The Chairman, Andy Green, provides strong and effective leadership to the Board and ensures the Board is structured effectively. He sets the Board's agenda, in consultation with the Chief Executive Officer and Company Secretary, taking full account of Board members' issues and concerns and the need to allow sufficient time for items on the agenda to be discussed. It is the Chairman's responsibility to encourage and facilitate active engagement by Directors, drawing on their skills, knowledge and experience. The Chairman is also responsible for ensuring there is effective communication with shareholders and other stakeholders, and that Directors are aware and maintain an understanding of their views. The Chairman works closely with the Chief Executive Officer, Peter Hetherington, to ensure that the strategies and actions agreed by the Board are effectively implemented.

Chief Executive Officer

The Chief Executive Officer is responsible for recommending the Group's strategy to the Board, implementing the agreed strategy and managing the day-to-day business of the Group. He leads, manages and develops the Group's senior leadership team and ensures the Board receives accurate, timely and clear information. The Board has delegated this responsibility to him, and he is accountable to the Board.

Executive Directors

The Executive Directors support the Chief Executive Officer in implementing the Group's strategy and in the operational performance of the business.

Non-Executive Director

The Non-Executive Directors are independent of management and are considered by the Board to be free from any business or other relationships which could compromise 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.

Senior Independent Director

Malcolm Le May is Senior Independent Non-Executive Director and in this role he provides a sounding board for the Chairman and supports him in the delivery of his objectives. He serves as a trusted intermediary for the other Directors when necessary. He maintains an understanding of the major issues and concerns of major shareholders and informs the Board of these issues. The Senior Independent Non-Executive Director is also available to shareholders if they have concerns which communication via the normal channels of Chairman, Chief Executive Officer or other Executive Directors has failed to resolve, or when shareholders prefer to speak directly to him. He is responsible for evaluating the performance of the Chairman on behalf of the other Directors.

Company Secretary

The Company Secretary, Tony Lee, supports and works closely with the Chairman, the Chief Executive Officer and the Board Committee Chairmen in setting agenda items for meetings of the Board and its Committees. He ensures that accurate, timely and high-quality information flows within the Board, the Board Committees and between Directors and senior management. In addition, he supports the Chairman in the designing and delivery of Director induction programmes. The Company Secretary also advises the Board on corporate governance issues and Board procedures.

HOW THE BOARD OPERATES

The Board meets regularly at least five times a year – and attends an additional off-site strategy day to review strategic options open to the Group in the context of the economic and regulatory environment. There were seven scheduled Board meetings this year, including the annual strategy day.

The Board also meets when necessary to discuss important ad-hoc emerging issues that require consideration between scheduled Board meetings. 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. Where Directors are unable to attend meetings, they are encouraged to give the Chairman their views on the matters to be discussed.

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

ATTENDANCE AT BOARD MEETINGS

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

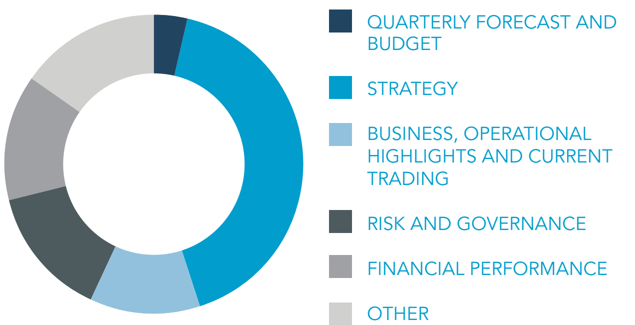
BOARD	MEETINGS ELIGIBLE TO ATTEND	MEETINGS ATTENDED
CHAIRMAN		
Andy Green	7	7
INDEPENDENT NON-EXECUTIVE DIRECTORS		
Stephen Hill(1)	7	6
Roger Yates(2)	2	1
Sam Tymms	7	7
Jim Newman	7	7
June Felix(3)	6	6
Malcolm Le May(4)	6	6
EXECUTIVE DIRECTORS		
Tim Howkins(5)	2	2
Christopher Hill(6)	2	2
Peter Hetherington	7	7

(1) Stephen Hill did not attend one meeting due to illness.
(2) Roger Yates retired from the Board on 15 October 2015.
(3) June Felix was appointed as a Non-Executive Director on 4 September 2015.
(4) Malcolm Le May was appointed as a Non-Executive Director on 10 September 2015.
(5) Tim Howkins retired as the Chief Executive Officer on 15 October 2015.
(6) Christopher Hill resigned as the Chief Financial Officer on 30 October 2015.

BOARD ACTIVITIES DURING THE YEAR

The Board meeting agendas during the year included business across the key areas of strategy, governance, risk and financial performance, as highlighted in the following chart.

BOARD ALLOCATION OF TIME



THE BOARD CONTINUED

STRATEGY	- Reviewed and discussed the Group's long-term strategy - Discussed the strategic purpose of limited-risk accounts - Analysed the health of the IG brand - The Board engaged an external company Oliver Wyman to perform an analysis of the Group's strategy in order to support the Board's strategic decision-making process - Evaluated the Company's geographic strategy and options for proceeding with IG Investments and the portfolio-based investments offering
QUARTERLY FORECAST AND BUDGET	- The Board received updates as to how the business was tracking against budget. The Board was also alerted to material changes in budget assumptions - Discussed the risks and opportunities for the FY16 Budget - Reviewed and approved the budget for the next financial year
BUSINESS, OPERATIONAL HIGHLIGHTS AND CURRENT TRADING	- Regularly received updates on business progress and the issues and challenges faced by management
RISK AND GOVERNANCE	- Discussed IG's risk management and internal control systems in accordance with the UK Corporate Governance Code - Regularly received reports on key compliance issues identified during the year and any regulatory changes affecting IG - Reviewed and approved the Individual Capacity Adequacy Assessment Process (ICAAP), the Individual Liquidity Adequuacy Assessment (ILAA) and the Group's Recovery Plan prepared in line with the EU Business Recovery and Resolution Directive - Received regular updates on developments in corporate governance
FINANCIAL PERFORMANCE	- Reviewed the financial performance of the Group and approved all financial results announcements, the Annual Report with the respective financial statements and dividends - Reviewed a three-year forecast based on the existing core business
OTHER	- Undertook an external evaluation of its effectiveness and the effectiveness of each Board Committee and individual Directors - Approved the appointments of new Non-Executive Directors, the Chief Executive Officer and the Chief Financial Officer

BOARD COMMITTEES

Certain governance responsibilities have been delegated by the Board to Board Committees to ensure that there is independent oversight of internal control and risk management and to assist the Board with carrying out its responsibilities. These Board Committees comprise independent Non-Executive Directors and, in some cases, the Chairman. Each Committee has agreed terms of reference approved by the Board, which are available on our corporate website, iggroup.com

A brief description of the roles of each Committee is set out below.

AUDIT COMMITTEE	BOARD RISK COMMITTEE	REMUNERATION COMMITTEE	NOMINATION COMMITTEE
- Responsible for the integrity of the Financial Statements of the Group, including its Annual and Interim Reports - Reviews and recommends to the Board the effectiveness of the Group's Internal Audit function and risk management system, annual internal audit plan, appointment, re-appointment and removal of the external auditors	- Responsible for providing oversight and advice to the Board in relation to current and future risk exposures of the Group and promoting a risk awareness culture within the Group - Recommends to the Board the design and implementation of risk management policy and measurement strategies across the Group, the Group's risk profile, risk appetite and key risk indicators for the current and future strategy	- Responsible for making recommendations to the Board on the Group's senior executive remuneration policy - Reviews and recommends to the Board the Group's remuneration policy which is consistent with effective risk management, the framework for the remuneration of the Company's Chairman and Executive Directors and all share-based awards under the Group's Employee Incentive Schemes	- Responsible for reviewing the composition of the Board and Board Committees to ensure that they are appropriately balanced in terms of knowledge, skills and experience - Reviews and recommends to the Board appointments to the Board and to other senior management positions

The Chairman of each Board Committee reports to the Board on the matters discussed at Committee meetings. The minutes of each Committee meeting are made available to all Directors with the exception of Nomination Committee minutes which were not made available to Executive Directors during the CEO search. Reports from the Chairman of each Board Committee, including information on the Committee's composition and activities in the year, can be found in the sections relating to each Committee within this Annual Report.

EFFECTIVENESS

BOARD COMPOSITION

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

- Financial Services
- Finance and Accountancy
- Government and Regulatory
- Marketing
- PR
- Technology/Digital
- Chief Executive experience

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

DIRECTOR INDEPENDENCE

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

The independence of the Non-Executive Directors is considered by the Board and reviewed on an annual basis, as part of the Board effectiveness review. The Board considers factors such as length of tenure and relationships or circumstances which are likely to affect or appear to affect the Director's judgement in determining whether they remain independent. Following this year's review, the Board concluded that all of the Non-Executive Directors continue to remain independent in character and judgement and are free from any business or other relationships which could materially affect the exercise of their judgement.

CONFLICTS OF INTEREST

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

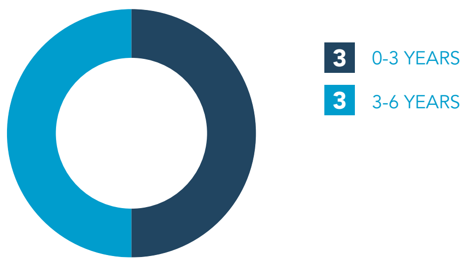
In accordance with the Companies Act 2006, the Company's articles of association allow the Board to authorise potential conflicts that may arise, and to impose such conditions or limitations as it sees fit. During the year, potential conflicts were considered and assessed by the Board and approved where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

SUCCESSION PLANNING AND APPOINTMENTS TO THE BOARD

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

The Nomination Committee has specific responsibility for the appointment of Non-Executive and Executive Directors and it recommends new appointments to the Board. It regularly reviews the structure, size and composition required of the Board and makes recommendation to the Board as appropriate. More information on the work of the Committee can be found in the report of the Nomination Committee on pages 68 to 69. The Board as a whole is also involved in overseeing the development of management resources across the Group.

LENGTH OF TENURE OF NON-EXECUTIVE DIRECTORS



THE BOARD CONTINUED

INDUCTION

On appointment, each new Director receives a full and formal bespoke induction to familiarise them with their duties and the Company's business operations, risk and governance arrangements. The induction programme, which is coordinated by the Company Secretary, includes briefings on regulatory matters relating to the Company, as well as meetings with senior management in key areas of the business, such as compliance, legal, IT, human resources, finance, risk, marketing and investor relations. These are supplemented by induction materials such as recent Board papers and minutes, organisation structure charts, history of the Group, industry and regulatory reports and relevant company policies. Newly appointed Directors also meet the company's external auditors and attend a presentation led by Linklaters on the roles and responsibilities of a UK-listed company director.

Inductions are tailored to each Director's individual experience, background and areas of focus.

Non-Executive Directors Induction

Both Malcolm Le May and June Felix's induction programme were comprehensive and covered among other things, the following:

COMPANY STRUCTURE, HISTORY, STRATEGY AND BUSINESS	▮ Briefing on Group history and management structure ▮ Group strategy including opportunities and threats ▮ Strategy and Business Model (including peer comparison and what could break the business) ▮ Material business lines and markets, including international markets ▮ Growth trajectory, strengths, challenges and future plans
GOVERNANCE AND REGULATORY	▮ Board and Board Committee Terms of Reference ▮ Board and Committee procedures ▮ Share dealing and market abuse responsibilities ▮ Listing obligation for directors ▮ Regulatory framework and proposals impacting the business ▮ Key responsibilities for regulated activities and financial crime issues and challenges
RISK MANAGEMENT, CAPITAL AND LIQUIDITY	▮ Market Risk, Credit Risk, Operational Risk, Remuneration Risks and other key risks and priorities ▮ Risk appetite and assessment of its effectiveness ▮ Key current aspects of the liquidity regime and regulatory expectations ▮ Stress testing including reverse stress testing for capital and liquidity
PRODUCTS, FINANCE, MARKETING AND SHAREHOLDER ENGAGEMENT	▮ IG's various products and markets in which clients can trade ▮ Business plan, standalone and consolidated balance sheets, budgeting process and financial projections ▮ Overview of marketing plans and marketing budgets ▮ Overview of the share register and key institutional shareholders
IT, HR AND REMUNERATION	▮ Current and future strategic projects ▮ Key strategies to mitigate personnel risk and reduce staff turnover ▮ Remuneration strategy

ONGOING PROFESSIONAL DEVELOPMENT

Given the rapidly changing environment in which the Group operates, all Directors are given regular updates on changes and developments in the business. The Company Secretary on a regular basis updates the Board on any relevant legislative, regulatory and governance changes.

Training opportunities are provided through internal meetings, presentations and briefings by internal advisers, business heads as well as external advisers. During the year, the Directors attended briefing sessions on strategic foundations, the Group's Investments Business Plan, cyber security, the EU Market Abuse Regulation and a briefing to further increase the Directors' understanding of the Group's business model.

The Directors also attended workshops on the Group's stress testing exercises (i.e. testing whether the Group's financial position and risk profile provide sufficient resilience to withstand the impact of severe economic stress) to gain a better insight into the risks and stress scenarios facing the Company.

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

INFORMATION PROVIDED TO THE BOARD

The Board has full and timely access to all relevant information to enable it to perform its duties effectively. The Company Secretary ensures appropriate and timely information flows within and to the Board and its Committees, enabling the Board to exercise its judgement and make fully informed decisions when discharging its duties. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and compliance with applicable rules and regulations is observed. The Company Secretary supports the Chairman in setting the Board agenda, and Board papers are distributed to all Directors in advance of Board meetings via a secure electronic system. The Company Secretary is also responsible for advising the Board, through the Chairman, on all corporate governance matters. Directors receive financial and risk information on the company on a regular basis, and they receive briefings from the Chief Executive Officer in the periods between meetings.

RE-ELECTION OF DIRECTORS

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

BOARD EVALUATION

Each year, an evaluation of the effectiveness of the Board is conducted. In 2016, an external evaluation was carried out by Lintstock Limited as part of a three-year programme which began in 2015.

Lintstock has no other connection with the Company.

Following recent changes to the composition of the Board, and upon the recommendation of Lintstock, it was agreed that the 2016 evaluation would again be survey based. In addition, Directors were invited to seek meetings with Lintstock on any matter of specific concern. No such matters were raised or meetings sought.

As part of the review, consideration was given to areas identified following the 2015 review, where in-depth questions were provided on the succession planning process, time allocated to strategy and where it fits into the annual cycle and improvements in information provided to the Board.

The first stage of the review involved Lintstock engaging with the Chairman and the Company Secretary to set the context for the evaluation, and to tailor the surveys used to the specific circumstances of IG Group while ensuring consistency of questioning to facilitate ongoing analysis of performance improvement.

The Board considered the focus of the review and, in addition to those areas identified in 2015, agreed to focus on how the Board Committees work with each other and the Board with a particular focus on the management of risk.

All Board members and the Company Secretary completed a web-based survey addressing the performance of the Board and its Committees, the Chairman and individual Director performance. The review addressed the following core areas of Board performance:

- The composition of the Board was assessed with the need to finalise the recruitment of the CFO highlighted
- The Board enjoyed a programme of continuing education through presentations and workshops held outside formal Board meetings. This programme would be enhanced during the 2017 financial year
- There had been improvements to Board agenda planning, time management at meetings, the quality of the papers provided and the interaction between Board Committees and the Board
- The evaluation of the approach to consideration of strategy and strategic priorities received detailed attention and comment. The Directors' views as to the top strategic issues facing the Company were identified
- The level of the Board's focus on risk was seen as appropriate and oversight of various specific aspects of risk received positive ratings

Lintstock subsequently produced a report of its findings that were discussed with the Chairman and provided to the Board. Overall, the results indicate that the Board is operating effectively with a number of areas reviewed and rated positively.

During 2016, management and the Board undertook a thorough programme to improve the quality of Board papers and management information used at Board meetings. Significant progress was made on improving the consistency of papers provided. In 2017, we will refine and bed in these improvements to support continued improvement in the quality of debate and decision making.

With Peter Hetherington now established in his CEO role, we will be focusing on succession planning at executive level and throughout the business, including the induction of the new CFO.

Importantly, we continued to improve our strategy process in 2016 and will build on that during the coming year. This will include changing the timetable of our strategy discussions to better drive our business planning and risk management processes while continuing to ensure that senior management provides active participation into Board discussions on strategy.

THE BOARD CONTINUED

Additional priorities for the Board in the coming year include:

- Further developing and embedding the Group's people strategy
- Continuing to manage and enhance our understanding and management of cyber threats
- Ensuring that the Group's risk timetable and various risk processes are driven holistically and reviewed in an efficient and timely manner

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

Led by Malcolm Le May, the Senior Independent Director, a review of the Chairman's performance was carried out by the Board using a questionnaire completed by the Executive Directors and the Non-Executive Directors. The performance of the Chairman was discussed without the Chairman present.

The evaluation of the performance and contribution of each Director was conducted with reference to a self-performance review questionnaire completed by each Director.

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

TIME COMMITMENT

Following the Board evaluation process detailed above, the Board is satisfied that each of the Directors is able to allocate sufficient time to the Company to discharge their responsibilities effectively. Externally, there has been no increase in the other significant commitments of the Chairman of the Company during the year which would impact the time he has to fulfil the role.

ACCOUNTABILITY

FINANCIAL AND BUSINESS REPORTING

The Strategic Report on pages 7 to 29 describes the business model and strategy whereby the Company generates and preserves value over the long-term and delivers the objectives of the Company.

A statement of the Directors' responsibilities in respect of the Financial Statements is set out on page 101 and a statement regarding the use of the going-concern basis in preparing these Financial Statements is provided in the Directors' report on page 100.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

Through reports from the Board Risk Committee and the Audit Committee, consideration of the ICAAP, ILAA and Recovery Plan, the Board regularly reviews and monitors the Group's risk management and internal controls systems and principal risks faced by the Group via a three-line defence structure.

A robust assessment of the principal risks facing the Group has been carried out, including those that would threaten its business model, future performance, solvency and liquidity. We outline the risks to which the Group is exposed and our framework under which risk is managed, including a description of its system of internal controls, in the 'Managing Our Risks' section on pages 44 to 54.

An annual formal review of the effectiveness of the Group's system of risk management and internal controls has been carried out by the Board to support the statements included in the Annual Report and Accounts. The review focused upon the overall risk governance framework, the setting of IG's risk appetite, the key risk assessment and monitoring activities across the firm, the processes and controls in place to manage risks and for escalating exceptions highlighted by risk management processes. No weaknesses or control failures significant to the Group were identified.

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

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

Internal controls over financial reporting include procedures and policies that:

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

REMUNERATION

The responsibility for the determination of remuneration arrangements for the Chairman, and Executive Directors has been delegated to the Remuneration Committee. Information on the Remuneration Committee and the Directors' Remuneration Report can be found on pages 70 to 89.

ENGAGEMENT WITH SHAREHOLDERS

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

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

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

Meetings with the Company's largest institutional shareholders and market analysts are held to discuss governance, business strategy and financial performance by the Chairman and the Executive Directors. Non-Executive Directors are also available to meet and hear the views of the institutional shareholders when required.

Following all investor presentations and meetings, feedback is passed to the Board on any opinions or concerns expressed by shareholders. The Directors receive regular updates on shareholder views, roadshow feedback as well as analysts' reports on market perception of the Group's performance and strategy, and are made aware of the financial expectations of the Group from the outside market. The Board also receives an Investor Perception study to identify shareholders' concerns and actions undertaken for its resolution.

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

AGM

The AGM provides the Board with the opportunity to communicate with private and institutional investors and we welcome and encourage their participation at the meeting. The Chairman aims to ensure that all the Directors, including the Chairmen of the Board Committees, are available at the AGM to answer questions. The 2015 AGM was a successful event attended by all the Directors. Roger Yates and Tim Howkins did not seek re-election and stepped down from the Board of the Company. All the proposed resolutions were passed with the percentage of votes in favour of each resolution ranging from 93.09% to 99.91%.

The 2016 AGM will be held on 21 September 2016. The Notice of the Meeting sets out the resolutions to be proposed at the meeting. A copy of the Notice is available on the Company's website iggroup.com. We send the Annual Report and notice of the AGM to shareholders, or make them available on the Group's website, at least 20 working days before the date of the meeting. The Notice of AGM sets out a clear explanation of each resolution to be proposed at the meeting. Shareholders have the opportunity to ask questions and, if they are unable to attend, can submit written queries in advance of the meeting. At the meeting, we will make available to shareholders full details of the proxy votes received on each resolution, and we will publish these on the Company's website on the same day.

NOMINATION COMMITTEE

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

Andy Green
Chairman of the Nomination Committee

CHAIRMAN'S OVERVIEW

For the Company to achieve its objectives and long-term strategy, it is essential that the Board is progressively refreshed and well balanced in terms of structure, skill, experience, diversity and knowledge. The Nomination Committee is tasked with the responsibility for identifying and recommending suitable candidates for appointment to the Board to ensure that its composition in this regard meets the Company's needs.

MEMBERSHIP AND ATTENDANCE

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

During the year the Committee met eight times to consider Board composition and succession planning.

	MEETINGS ELIGIBLE TO ATTEND	MEETINGS ATTENDED
Andy Green	9	9
Stephen Hill	9	9
Roger Yates(1)	5	3
Sam Tymms(2)	9	8
Jim Newman(3)	9	8
June Felix(4)	6	4
Malcolm Le May(5)	6	6

(1) Roger Yates stepped down as a member of the Committee from 15 October 2015.
(2) Sam Tymms was unable to attend one meeting called at short notice due to prior commitments.
(3) Jim Newman was unable to attend a meeting called at short notice due to prior commitments.
(4) June Felix joined the Committee on 25 September 2015. She was unable to attend two meetings called at short notice due to prior commitments.
(5) Malcolm Le May joined the Committee on 25 September 2015.

ROLE OF THE NOMINATION COMMITTEE

The principal role and responsibilities of the Committee include:

- Reviewing the composition of the Board and Board Committees to ensure that they are appropriately balanced in terms of skills, knowledge diversity and experience
- Ensuring that there is a formal, rigorous and transparent procedure for the appointment of new Directors
- Identifying and nominating for approval by the Board, suitable candidates to fill Board vacancies as and when they arise
- Ensuring that plans are in place for orderly succession, for appointments to the Board and to other senior management positions

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

MAIN ACTIVITIES DURING THE FINANCIAL YEAR

The Committee's main focus has been on overseeing the selection process and appointment to the roles of Chief Executive Officer and Chief Financial Officer following the departure of Tim Howkins and Christopher Hill from the Board respectively.

In July 2015, we announced that Tim Howkins would be retiring from the Board as Chief Executive Officer at the Company's AGM the following October. Peter Hetherington, the Chief Operating Officer, was appointed interim Chief Executive Officer and the Committee commenced the search for a permanent successor to Tim Howkins. Russell Reynolds, an executive search firm which has no other connection with the Company, was engaged following a selection process to assist with the search for a suitable candidate. The Committee agreed and prepared a candidate specification based on objective criteria, setting out the knowledge, skill, experience and attributes required. These include, among others:

- Having the ability to lead the Group in meeting its strategic objectives and responding positively to the immediate and strategic challenges facing the Group and the industry
- A track record of guiding a business/division through periods of transformation to meet growth and diversification objectives
- A track record of increasing shareholder/stakeholder value from within a growth-oriented, highly competitive industry
- Having a strong business acumen and experience of an international consumer-focused online and mobile platform business model

From the candidate specification, a longlist of potential external and internal candidates was drawn up from which a shortlist was compiled. Candidates on the shortlist were interviewed by me, following which a proposal was made to the Committee on the candidates. Briefing reports on the shortlisted candidates were reviewed by the Committee and the candidates were interviewed by members of the Committee.

After a series of interviews, extensive discussion and a thorough search process by the Committee, Peter Hetherington emerged as the preferred candidate and his appointment as Chief Executive Officer was recommended to the Board, with the appointment taking effect from 4 December 2015.

During the year, the Committee also commenced the search for a new Chief Financial Officer. Spencer Stuart and Russell Reynolds, executive search firms, with no other connection to the Company, were engaged following a selection process to assist with the search of a suitable candidate. As with the search for a replacement Chief Executive Officer, a position and candidate specification was prepared, taking into account the desired skills, knowledge and experience required for the role. These include, among others:

- Having outstanding finance and leadership credentials gathered in a high-quality, regulated, financial services business
- Having proven operational/commercial and functional change management skills
- Having broad and relevant sector knowledge from retail financial services, asset management, insurance or the broker dealer sector

Following a number of interviews and extensive discussions, Paul Mainwaring was appointed as Chief Financial Officer designate on 11 July 2016. Following regulatory approval Paul takes up the role on a permanent basis and joins the Board.

During the year, Roger Yates stepped down from the Board as Senior Independent Director and Chairman of the Remuneration Committee and Malcolm Le May was appointed to the Board in September 2015 as his successor. For his appointment, the Board took into account his broad experience and knowledge of the financial services and investment sectors.

Last year, we also reported that following a discussion around long-term Board composition and required skills, the Committee had commenced the search for a Non-Executive Director with digital experience. In September 2015, the Committee recommended to the Board the appointment of June Felix as a Non-Executive Director of the Company. June brings to the Board significant international experience and knowledge of the digital sector.

We reported on the search and selection process for both Malcolm and June's positions in our 2015 Annual Report.

In addition to overseeing appointments to the Board, the Committee reviewed membership of the Board Committees. Following the Committee's recommendation, and with the Board's approval, June Felix and Malcolm Le May joined the Board Risk Committee and the Audit Committee respectively and also became members of the Nomination Committee. In addition, Jim Newman joined the Remuneration Committee in September 2015.

COMMITTEE EVALUATION

During the year, an evaluation of the performance of the Committee and its members was undertaken in line with the Committee's Terms of Reference. The evaluation process was externally facilitated by Lintstock Limited as part of the overall annual Board effectiveness review, details of which can be found on pages 65 to 66. The performance of the Committee was positively rated overall and the evaluation concluded that the Committee operates effectively.

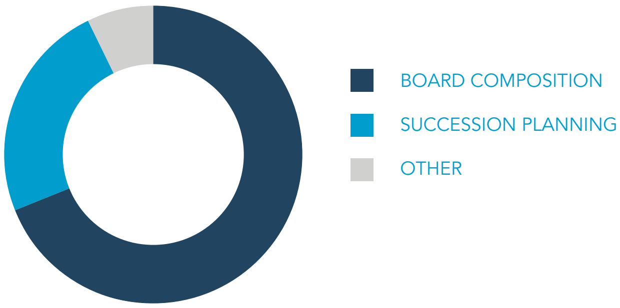
DIVERSITY STATEMENT

As a business, we are committed to maintaining a diverse workforce at all levels across the Company, and more information on how we do this can be found in the Our People section, starting on page 16.

The Directors recognise the importance of gender diversity on the Board and understand the significant benefits that come with having a diverse Board. However, we believe that diversity is a wider issue and includes variations in experience, skills, personal attributes and background. Nonetheless, we set an aspirational target to achieve 25% female representation on the Board.

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

COMMITTEE ALLOCATION OF TIME



Andy Green
Chairman, Nomination Committee
19 July

DIRECTORS' REMUNERATION REPORT

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

Malcolm Le May
Chairman of the Remuneration Committee

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

CHAIRMAN'S OVERVIEW

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 May 2016 comprising this statement, the Remuneration Policy Report and the Annual Report on Remuneration.

In this year's report, we have sought to refine the disclosures. However, the overall structure of the executive remuneration package and the principles that underpin it remain unchanged. We continue to operate under the Directors' Remuneration Policy that has been in place since June 2013 and which was approved in a binding vote by over 96% of our shareholders at the AGM in 2014.

There will be a single advisory vote at this year's AGM with regards to this annual statement and the Annual Report on Remuneration that details both amounts paid in respect of the year ended 31 May 2016 and the intended operation of the remuneration policy for the coming year. I hope you agree that how we have rewarded our Executives is commensurate with the Group's performance and that you will support this year's resolution at the forthcoming AGM.

THE BUSINESS CONTEXT IN 2016

As noted within the Operating and Financial Review section of the Annual Report on pages 36 to 41, the Group delivered another strong financial performance in 2016. Revenue increased by 14% on 2015's underlying results to £456.3 million, while diluted earnings per share (DEPS) increased by 8.5% against last year's underlying results to 44.58 pence per share.

Over the past year, IG has expanded its core leverage business seeing growth in all locations including Switzerland and Dubai, which have both delivered ahead of expectations. Our product offering has also seen growth: the share dealing platform continues to attract new customers supporting our overall strategy. We have also opened our Poland office as an IT and Operations hub.

INCENTIVE OUTCOMES FOR 2016

Since 2013, the Company's Executive Directors have participated in a single incentive scheme, the sustained performance plan (SPP) which measures performance over annual and trailing three-year periods. This Plan replaced both the previous annual bonus and long-term incentive plans.

The year to 31 May 2016 is therefore the third year of the Executive's variable remuneration being awarded under the plan. Similar to the prior years' SPP, the 2016 award is driven by three metrics: diluted earnings per share (DEPS), total shareholders' return (TSR) and non-financial metrics presented in more detail in the Remuneration Policy section on pages 83 to 84.

In respect of the strong annual and trailing three-year performance for the period ended 31 May 2016, the Committee has awarded 90% of the maximum potential award under the SPP compared with 41% in the prior year.

The overall SPP outcome is higher than last year as a result of the strong performance in 2016 against all metrics. The results of 2015 were negatively impacted by the Swiss franc event in January 2015 on both the EPS and the non-financial performance measures.

The Company has set out an extensive explanation of the judgements it has made in determining the above awards. This disclosure is set out in the Annual Report on Remuneration on page 81.

MANAGEMENT CHANGES

After 16 years with the Company, Tim Howkins retired from his position as Chief Executive Officer with effect from 15 October 2015. Tim received no payment in lieu of notice and was treated in line with our policy for retirees. Full details can be found on page 81.

Peter Hetherington was appointed Interim Chief Executive Officer from 15 October 2015. Subsequently, he was appointed Chief Executive Officer on 4 December 2015. Peter's salary has been set at £575,000 and reflects the skills, knowledge and experience that Peter brings to the role and the increased complexity of the business as it has expanded its product offering in new territories. Having conducted a thorough search process, the Committee is comfortable that Peter's salary reflects the normal market rate for the role. The Committee, as a secondary consideration, also conducted a benchmarking exercise looking at CEOs in companies of broadly similar scale and complexity. Having considered the result, the Committee is further reassured that the new salary reflects the market rate for this position in a company of this size and complexity.

Christopher Hill resigned from his position as Chief Financial Officer and served notice on 10 August 2015. Christopher continued his role and ceased to be a director on 30 October 2015. Christopher was on gardening leave for the remainder of his six months notice period and received salary, pension and benefits during this time. Christopher's outstanding share awards lapsed in line with our remuneration policy. Further details can be found on page 82.

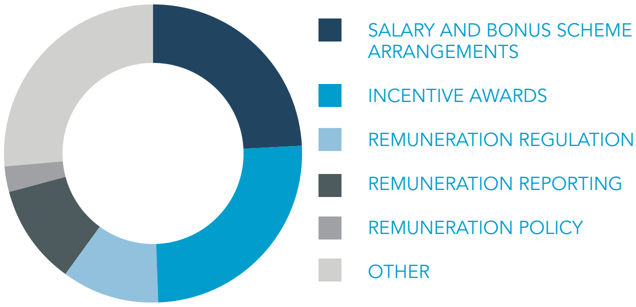
Mark Ward was appointed Interim Chief Financial Officer on 15 January 2016, although this was not in an executive capacity. Following the Board's search for a permanent Chief Financial Officer, Paul Mainwaring was appointed as Chief Financial Officer designate. Following Financial Conduct Authority (FCA) approval, Paul takes up the role on a permanent basis and joins the Board.

Paul will receive a basic salary of £400,000. He will be eligible to participate in IG's sustained performance plan details of which are set out on page 74. The maximum award will be four times base salary for 'stretch performance' and an anticipated award of two times base salary at 'target performance'. Paul will also receive a pension and a benefits allowance totalling 17% of base salary.

	SCHEDULED MEETINGS ELIGIBLE TO ATTEND	SCHEDULED MEETINGS ATTENDED
Malcolm Le May(1)	4	4
Roger Yates(2)	3	2
Stephen Hill(3)	6	5
Andy Green	6	6
Jim Newman(4)	3	3

(1) Malcolm Le May joined the Committee on 10 September 2015.
(2) Roger Yates stepped down as Chairman of the Committee on 15 October 2015.
(3) Stephen Hill did not attend one meeting due to illness.
(4) Jim Newman joined the Committee on 25 September 2015.

COMMITTEE ALLOCATION OF TIME



POLICY REVIEW AND REGULATORY CHANGE

The current Remuneration Policy has a three-year life and a vote on a new or revised Remuneration Policy will be required at the 2017 AGM. Therefore, over the course of the next year the Committee will be reviewing the current remuneration structure and will consult with shareholders once that review has concluded. The Committee will continue to monitor and review potential legislative changes to remuneration regulations that could impact the current policy and it is prepared to act accordingly if such changes affect the Group.

IMPLEMENTATION OF POLICY IN 2016/17

The Committee has determined that Peter's base salary remains unchanged at the 1 June 2016 review date.

Starting 1 June 2016, we introduced flexible benefits for all employees in the UK. This provides a personal benefits pot, similar in value to the Group's pension matching offering, which allows staff members to manage and decide whether to have this paid into their pension plan, used for other benefits or taken as cash. The impact on the Executive Directors pay-out will be minimal as the Company's pension contribution will remain at 15% of salary and there will continue to be the opportunity to receive the pension contribution as a cash supplement.

For 2017, the Committee will use the same SPP metrics described above, with the same weightings. Accordingly, annual DEPS will drive 45% of the maximum potential award, with relative TSR (measured over the trailing three years) and annual non-financial metrics accounting for 35% and 20% respectively.

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

I hope that you will support the advisory vote on the remuneration resolution at the AGM.

Malcolm Le May
Chairman, Remuneration Committee
19 July 2016

DIRECTORS' REMUNERATION POLICY

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

The policy was unanimously approved at the 2014 Annual General Meeting and there is no vote on the Directors' Remuneration Policy at the 2016 Annual General Meeting as it is unchanged.

The role of the Remuneration Committee and the objective of the remuneration policy are described below.

REMUNERATION COMMITTEE'S ROLE

- Makes recommendations to the Board on the Group's senior executive remuneration policy
- Determines an overall remuneration package for the Executive Directors in order to attract and retain high-quality Directors capable of achieving the Group's objectives
- Sets and agrees with the Board a competitive and transparent remuneration framework which is aligned to the Group's strategy and is in the interest of both the Company and its shareholders
- Determines the contractual terms, remuneration and other benefits for the Executive Directors
- Determines and reviews the Group's remuneration policy, ensuring it is consistent with effective risk management across the Group, and considers the implications of this remuneration policy on risk
- Determines and agrees the policy for the remuneration of the Board Chairman and the Executive Directors
- Reviews pay, benefits and employment conditions and the remuneration trends across the Group
- Approves 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
- Monitors regulatory developments, including those affecting UK-listed companies and financial services firms, to ensure the Company's remuneration policy is consistent with these
- Establishes the selection criteria, appoints and sets the terms of reference for any remuneration consultants who advise the Committee

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

KEY ELEMENTS OF REMUNERATION

PURPOSE AND LINK TO STRATEGY	OPERATION
BASE SALARY	
Provides a sound basis on which to recruit and retain key employees of appropriate calibre to deliver the strategic objectives of the Company. Reflects the market value of the role and the postholder's experience, competency and performance within the Company.	Base salaries are normally reviewed by the Committee annually, and are usually fixed for 12 months commencing 1 June. Any salary increase may be influenced by: ▪ Scale, scope and responsibility of the role ▪ Experience of the individual and his or her performance ▪ Average change in wider workforce pay ▪ Business performance and prevailing market conditions ▪ Commercial need ▪ Periodic benchmarking of similar roles at comparable companies selected on the basis of comparable size, complexity, geographic spread and business focus
BENEFITS	
Competitive, cost-effective benefits to help recruit and retain Executive Directors.	Benefits may include, for example, private medical insurance, discounted health club membership and life assurance. Cash alternatives may be provided for any or all of these benefits, depending on individual circumstances. Relocation and related benefits may be offered where a Director is required to relocate.
PENSION	
Market-competitive, cost-effective retirement benefits attract and retain Executive Directors.	The Group contributes to Executive Directors' personal pension plans. Executives have the option to receive part, or all, of their pension contribution as a cash allowance in lieu of Company pension contributions.

OBJECTIVES OF THE REMUNERATION POLICY

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

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

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

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

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

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

The total remuneration package is structured so that a significant proportion is linked to performance conditions, and it is the Company's policy to ensure that a high proportion of the potential remuneration package is provided via share-based instruments. This ensures that Executives have a strong ongoing alignment with shareholders through the Company's share price performance.

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

	OPPORTUNITY	PERFORMANCE METRICS	RECOVERY OR WITHHOLDING
	The general policy is to pay around mid-market levels, with annual increases typically in line with the wider workforce. Increases beyond the percentage increases granted to the wider workforce may be awarded in exceptional circumstances, such as: ▮ Where there is a change in the individual's responsibility ▮ Where the salary set at initial appointment was below the level expected once the individual gains further experience and a track record of performance in the role An above-market positioning may be appropriate in exceptional circumstances, to reflect the criticality of the role and the individual's experience and performance. Base salary levels for the financial year ending 31 May 2017 are: Chief Executive Officer – £575,000; Chief Financial Officer – £400,000	No performance metrics apply to base salary.	No recovery or withholding applies to base salary.
	The aim is to provide market-competitive benefits, and their value may vary from year to year, depending on the cost to the Company from third-party providers. Benefits constitute a small percentage of total remuneration.	No performance metrics apply to base salary.	No recovery or withholding applies to base salary.
	The Company may contribute up to 15% of base salary to pension, an equivalent cash allowance in lieu, or a mixture of both.	No performance metrics apply to base salary.	No recovery or withholding applies to base salary.

KEY ELEMENTS OF REMUNERATION

PURPOSE AND LINK TO STRATEGY	OPERATION
ALL-EMPLOYEE SHARE SCHEMES	
All employees including Executive Directors are encouraged to become shareholders through the operation of an HMRC-approved Share Incentive Plan (SIP) and/or such other all-employee share plans as the Company may adopt in the future.	The SIP is a flexible, tax-efficient, all-employee plan. Partnership, Free, Dividend and Matching shares may be granted under the SIP. If other HMRC-approved all-employee plans are introduced, they will operate in accordance with HMRC guidance and limits. Similar non-UK plans may be operated to enable non-UK employees and Directors to participate.
SHARE OWNERSHIP POLICY	
This aligns the interests of management and shareholders and promotes a long-term approach to performance and risk management.	A share ownership policy was introduced from the financial year ended 31 May 2014. Under this policy, the Chief Executive Officer is required to hold shares to the value of a minimum of 200% of base salary, and for other Executive Directors a requirement of 100% of base salary applies. Only shares owned outright by the Executive Director are included in the guideline, which must be achieved within five years of the introduction of the policy or, if later, from the date of appointment to the Board. The Committee will review progress annually, with an expectation that Executive Directors will make progress towards achieving the shareholding policy each year.
SUSTAINED PERFORMANCE PLAN (SPP)	
Approved by shareholders at the 2013 AGM, the SPP provides a single incentive plan for Executive Directors rather than having separate annual and long-term plans. It provides a simple and competitive incentive mechanism that encourages and rewards both annual and sustained long-term performance, linked to the Company's strategic objectives. The SPP encapsulates traditional annual bonus and long-term incentive plans. It is entirely share-based, encouraging executives to build up a substantial stake in the Company, thereby aligning the interests of management with shareholders.	We are initially operating the SPP by reference to five consecutive 'plan years'. The first plan year was the financial year which ended 31 May 2014. Awards of shares (either in the form of par value options, nil cost options or conditional awards), known as 'plan contributions' are made after the announcement of results relating to each plan year. Plan contributions are granted by reference to achievement against applicable performance targets and accumulate within a participant's 'plan account'. Each year, a percentage of the accumulated balance in the plan account vests (i.e. options or awards are released to participants). Therefore, a participant's plan account will comprise the sum of the plan contribution (if any) being made in relation to the relevant plan year plus the accumulated awards registered in the plan account from previous plan years. In the first five plan years, a participant's plan account vests as follows: **Following** / **Financial year ending** / **% of cumulative shares in plan account vesting** Plan year 1 / 31 May 2014 / 40.0% Plan year 2 / 31 May 2015 / 40.0% Plan year 3 / 31 May 2016 / 33.3% Plan year 4 / 31 May 2017 / 33.3% Plan year 5 / 31 May 2018 / 33.3% If the SPP is closed following plan year 5, unvested awards remaining in the plan account will vest in tranches of 50%, 25% and 25% on the first, second and third anniversaries of the SPP's closure. The same principles will apply on a later termination of the plan. Participants may receive a payment at the time of delivery of vested shares of an amount equivalent to the dividends that would have been paid on those shares while in the plan account (adopting a first-in, first-out basis). This amount may assume dividend reinvestment. Dividends will not accrue on vested but unexercised awards.

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

DIRECTORS’ REMUNERATION REPORT CONTINUED

NOTES TO THE POLICY TABLE

The performance measures that are used in the sustained performance plan (SPP) are a subset of the Company’s Key Performance Indicators (KPIs).

METRIC	RATIONALE AND LINK TO THE STRATEGIC KPIS	HOW PERFORMANCE MEASURES ARE SET
Total Shareholder Return (TSR) relative to a suitable benchmark group	TSR measures the total return to IG Group’s shareholders, both through share price growth and dividends paid, and as such it is aligned to shareholder interests. TSR is influenced by how well IG Group performs on a range of other metrics, including financial indicators such as revenue, profit, cash generation and dividends, and non-financial indicators such as client satisfaction and operational performance.	The Committee sets the requirements for each plan year. The current benchmark group comprises the constituents of the FTSE 350 index (excluding investment trusts).
Diluted earnings per share (DEPS)	DEPS is a key indicator of the profits generated for shareholders, and a reflection of both revenue growth and cost control.	The Committee determines appropriate performance targets each year, taking account of the annual and longer-term business plans. DEPS is calculated on such adjusted basis as the Committee reasonably selects (e.g. adjusting for the effects of any share buybacks).
Non-financial performance		
Specific non-financial measure	Specific non-financial criteria include system reliability, customer satisfaction, effective risk management, sustaining the Company’s excellent reputation and maintaining a good standing with regulators. Each of these measures has a direct impact on a number of the Group’s KPIs, for example, system reliability is a key measure of the resilience of our trading platforms, which is an essential element of revenue generation and client satisfaction. Customer satisfaction is also measured using the Net Promoter Score (NPS) data supplied by Investment Trends. NPS is a measure of whether clients would recommend IG Group. The basket of measures chosen is considered to provide a broader assessment of executive delivery than financial metrics alone.	The Committee approved, in advance, a basket of non-financial measures for the year-ended 31 May 2016. Following the end of the year the Committee assesses performance relative to prior years, internal targets and sector averages. Assessment is undertaken ‘in the round’, taking account of activities and achievements during the year. For example, for NPS, performance is assessed through comparison of the Group’s performance against other companies in the sector, with the aim of maintaining a high NPS score relative to the sector average.
Execution and delivery of key strategic initiatives	The delivery of the Group’s strategic initiatives is key to the delivery of the strategy and will, over time, drive financial performance and growth.	As part of the Board’s strategy planning, there is a clear plan of strategic initiatives provided to the Remuneration Committee at the start of the year, which details the underlying projects set for delivery in the short-to-medium term. The Remuneration Committee uses this plan to judge performance and management’s execution and delivery of key strategic initiatives.

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

Incentive plan discretions

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

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

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

Legacy arrangements

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

ILLUSTRATING THE APPLICATION OF REMUNERATION POLICY

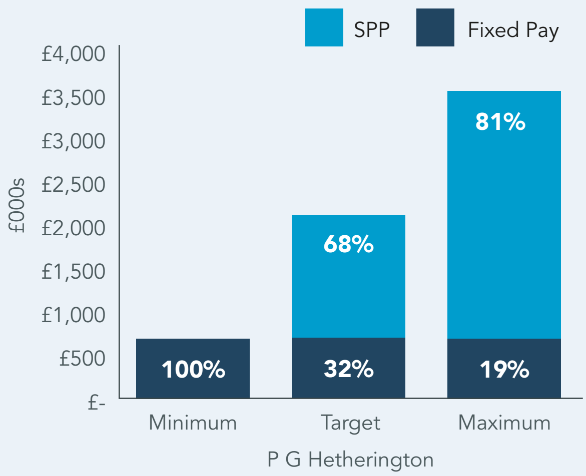
As a result of the Company's remuneration policy, a significant proportion of the remuneration received by Executive Directors depends on the Group's performance. The chart below shows how total pay for the Chief Executive Officer varies under three different performance scenarios: minimum, target and maximum:

Minimum: This comprises the fixed elements of pay, being base salary, benefits and pension. Base salary and pension are effective as at 1 June 2016 and the benefits value is the actual value for the year ended 31 May 2015.

Target: This comprises fixed pay and the target value of SPP (250% of salary).

Maximum: This comprises fixed pay and the maximum value of SPP (500% of salary).

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



EXECUTIVE DIRECTORS' SERVICE CONTRACTS

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

The period of notice for existing Executive Directors does not exceed six months and, accordingly, Executive Directors' employment contracts can be terminated on six months' notice by either party.

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

On a Director's departure, the Company may at its sole discretion pay base salary and the value of any benefits (including pension) that would have been receivable in lieu of any unexpired period of notice. In the event of termination for gross misconduct, the Company may give neither notice nor a payment in lieu of notice. Where the Company, acting reasonably, believes it may have a right to terminate employment due to gross misconduct, it may suspend the executive from employment on full salary for up to 30 days to investigate the circumstances prevailing.

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

When considering payments in the event of termination, the Remuneration Committee takes into account individual circumstances. Relevant factors include the reasons for termination, contractual obligations and the relevant incentive plan rules. When determining any loss of office payment for a departing director the Committee will always seek to minimise the cost to the Company while complying with the contractual terms and seeking to reflect the circumstances in place at the time. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

For new executive appointments, the Committee has discretion to offer a longer notice period of up to 12 months to secure an appointment. Any payments in lieu of notice will be at the Committee's discretion, and will be limited to base salary and the value of benefits (including pension) as set out above.

Sustained performance plan (SPP) awards

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

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

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

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

Value-sharing plan (VSP) awards – legacy plan

As a general rule, awards which have not vested will lapse when employment ceases. This may differ in certain circumstances when there is a good reason for leaving. Examples include injury, disability, retirement, redundancy, the disposal of the participant's employing company or the business for which they work by the Group, or other circumstances at the discretion of the Committee. The Committee has the discretion to determine that an Executive Director is a good leaver. In this case, the award will not lapse but will continue or, if the Committee decides, will vest on cessation to the extent the performance condition is satisfied. A time pro-rated reduction will apply unless the Committee determines otherwise. In the event of death, awards will vest at that time to the extent that performance, in the opinion of the Committee, has been satisfied.

Change of control

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

REMUNERATION POLICY ACROSS THE COMPANY

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

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

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

RECRUITMENT REMUNERATION POLICY

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

We set the remuneration package for a new Executive Director in accordance with the Company's approved remuneration policy, as detailed on page 72 of the Directors' Remuneration Report, subject to the additional provisions described below. The maximum level of variable remuneration (excluding any buyout arrangements) that we can offer to a new executive on an annual basis will be in accordance with the sustained performance plan limit, being 500% of salary.

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

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

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

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

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

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

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

CHAIRMAN AND NON-EXECUTIVE DIRECTORS

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

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

Non-Executive Directors do not have service contracts; they are engaged by letters of appointment. Each Non-Executive Director is appointed for an initial term of three years subject to re-election, but the appointment can be terminated on three months' notice.

CONSIDERATION OF SHAREHOLDER VIEWS

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

CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE COMPANY

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

ANNUAL REPORT ON REMUNERATION (AUDITED)

This part of the report includes a summary of how we implemented the policy in the financial year ended 31 May 2016 (including payment and awards in respect of incentive arrangements), and how we will apply the remuneration policy for the financial year ending 31 May 2017. We also give details of the Remuneration Committee's operation, the Directors' share interests and how shareholders voted at the 2015 AGM.

IMPLEMENTATION OF REMUNERATION POLICY IN THE FINANCIAL YEAR ENDING 31 MAY 2016

Total Single Figure of Remuneration – Executive Directors

					Contribution to SPP plan account[4]			
Name of Director	**Year**	**Fees/basic salary**	**Benefits in kind[2]**	**Pension[3]**	**Vested element**	**Deferred element**	**Total**	**Total**
		£000	£000	£000	£000	£000	£000	£000
P G Hetherington[1]	2016	498	1	75	689	1,378	2,067	2,641
	2015	283	1	43	292	439	731	1,058
C F Hill	2016	249	1	34	–	–	–	284
	2015	331	1	50	273	409	682	1,064
T A Howkins	2016	183	–	27	–	–	–	210
	2015	472	1	71	390	585	975	1,519

(1) In 2015, P G Hetherington was paid a reduced pro-rata salary of £283,400, based upon a £354,300 full-time equivalent salary, to reflect his flexible working arrangements.
(2) Benefits can include private medical cover, discounted gym membership and life assurance cover.
(3) 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. In 2015, both T A Howkins and C F Hill elected to restrict pension contributions to £40,000 and receive the balance of the pension contribution as an additional cash payment. P G Hetherington elected to receive the full pension contribution as an additional cash payment.
(4) Figures provided are the values of the SPP contributions in respect of performance for the periods ending 31 May 2016 and 31 May 2015 (ie plan years 3 and 2). The vested element is the proportion of the plan year contribution for the relevant period that vests shortly following the end of the financial year. The deferred element is the proportion that remains deferred in the plan account. Details of SPP awards held in the plan account, both vested and unvested, are provided in the Outstanding Share Awards table on page 85.

TIM HOWKINS

On 21 July 2015, after 16 successful years at IG and almost 9 as Chief Executive, Tim announced his intention to retire at the AGM on 15 October 2015. Over his career at IG, Tim had been part of and led extremely dedicated teams which have built IG from a single office in London to a global leader in the industry.

Tim received his base salary, fringe benefits, and pension for his employment with the Company up to the date of the AGM and received no payment in lieu of notice for the unexpired part of his six-month notice period beyond the AGM date. Tim did not receive an incentive award in respect of the 2015/16 year, although he served four and a half months in that year.

Tim held deferred awards earned for prior years' performance under the sustained performance plan (SPP). In accordance with the rules governing the plan and the Company's approved Directors' Remuneration Policy, as a retiree, he was treated as a good leaver. Accordingly, the 77,039 and 78,742 shares under award (155,781 in aggregate) held in the plan account in respect of performance periods ending 31 May 2014 and 2015 respectively will vest over the next three years. These awards (together with any dividend shares accruing on these awards up to the point of vesting) will vest in three equal tranches on an annual basis over the period 2016-2018 commencing with August 2016, following the results for the 2015/16 financial year.

The normal treatment under the SPP is not to apply a pro-rata reduction as awards granted under the plan are based on performance that has already been achieved.

The Remuneration Committee determined that this normal good leaver treatment should apply in Tim's case, taking account of the following points:

- Tim is retiring after a long and distinguished career with the Company, including the last 9 years as CEO
- The strong performance of the Company (financial, share price and internationalisation)
- No incentive award will be provided in respect of Tim's service in 2015/16
- The three-year phased vesting of outstanding awards (up to 2018) will provide post-cessation continued alignment with shareholders
- Clawback and malus provisions will remain in place on the deferred amount
- Tim is retiring; the Committee retains the discretion to reconsider the above release of deferred awards if Tim takes up a new appointment without the prior approval of the Committee

PETER HETHERINGTON

Following Tim's retirement at the 2015 AGM, Peter was appointed interim CEO and his salary was increased to £486,400. Following a thorough search process, the Board was pleased to appoint Peter as CEO on 4 December 2015. To reflect his appointment, Peter's salary was increased to £575,000. The Committee was satisfied that the salary reflects Peter's significant experience, having held the position of Chief Operating Officer and been a member of the Board since 2002. Furthermore, having undertaken a significant search process and extensive external benchmarking, the Committee is satisfied that his salary is in line with market rates for similar positions in the broader industry.

Peter's other remuneration arrangements will continue to be in line with our policy and to reflect his new executive appointment, his notice period is 12 months.

CHRISTOPHER HILL

On 10 August 2015, the Company announced Chris Hill's intention to leave his post as Chief Financial Officer at IG Group to join another company.

Chris served notice of his departure on 10 August 2015 and as required under his contract gave 6 months' notice to the Company. During the period from 10 August to 30 October 2015 he continued in his role. Chris ceased to be a Director on 30 October 2015 and was placed on gardening leave for the remainder of his notice period. For the period to February 2016, when his notice period ended, he received his base salary, pension and fringe benefits, consistent with the terms of his contract.

Chris was not eligible for any incentive award in respect of the 2015/16 year under the SPP. All unvested SPP awards that he held lapsed on cessation.

Total Single Figure of Remuneration – Non-Executive Directors

Name of Director	Year	Base salary £000	Benefits[1] £000	Total £000
A Green[2]	**2016**	247	–	247
	2015	235	–	235
S G Hill	**2016**	70	13	83
	2015	70	9	79
J Newman	**2016**	70	–	70
	2015	65	–	65
S J Tymms	**2016**	55	4	59
	2015	55	3	58
M Le May[3]	**2016**	39	–	39
	2015	–	–	–
J Felix[3]	**2016**	32	–	32
	2015	–	–	–
R P Yates[4]	**2016**	38	–	38
	2015	70	–	70
J R Davie[4]	**2016**	–	–	–
	2015	73	1	74
D M Jackson[4]	**2016**	–	–	–
	2015	29	1	30

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

(2) A Green joined the Group as Deputy Chairman on 9 June 2014 and succeeded J R Davie as Chairman at the 2014 AGM. Following a review of Chairman's fees against market rates in companies of a similar size and to reflect Mr Green's time commitment, his annual fee was increased to £255,000 from £235,000 on 1 November 2015.

(3) M Le May joined the Board on 10 September 2015. J Felix joined the Board on 4 September 2015.

(4) J R Davie ceased to be Chairman at the 2014 AGM held on 16 October 2014 and D M Jackson ceased to be a Director on 16 October 2014. R P Yates ceased to be a Director on 15 October 2015.

SUSTAINED PERFORMANCE PLAN (SPP)

DETERMINATION OF SPP PLAN CONTRIBUTION FOR THE FINANCIAL YEAR ENDING 31 MAY 2016

Performance targets for plan year 3 (financial year ending 31 May 2016) comprised Diluted Earnings per Share (DEPS) targets, Total Shareholder Return (TSR) and non-financial measures. TSR performance was measured over the three-year period from 1 June 2013 to 31 May 2016 and DEPS and non-financial measures over the financial year ending 31 May 2016.

Performance measure	Weighting	Potential as a percentage of base salary	Threshold (25% payout for TSR and 0% for DEPS)	Maximum (100% payout)	Actual performance	Plan contribution as percentage of base salary
DEPS	45%	225%	41.00 pence	45.10 pence	44.58 pence	196%
TSR	35%	175%	Median ranking	Upper-quartile ranking	71 of 276 companies (98.37% vesting)	172%
Non-financial	20%	100%	0%	100%	83.5%	83%
Total	100%	500%				451%

PERFORMANCE MEASURES – HOW THESE ARE SET AND REVIEW OF PERFORMANCE FOR THE YEAR ENDED 31 MAY 2016

Diluted earnings per share (45% weighting)

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

In setting the DEPS range for the year ending 31 May 2017, the Committee has considered the annual Board approved budget, market consensus expectations and historical targets and stretched the full pay-out level to reflect significant outperformance.

Total Shareholder Return (35% weighting)

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

For the award to be granted in respect of plan year 3, TSR was measured over the three-year period from 1 June 2013 to 31 May 2016. Actual TSR performance for the Group, as measured by New Bridge Street, for the three-year period was 61.00% (2015: 48.20%). Against the peer group this performance ranked IG at 71 out of 276 companies and resulted in 98.37% (2015: 74.50%) of the potential pay-out under this measure being awarded.

Non-financial measures (20% weighting)

The Committee approved a series of non-financial measures comprising strategic goals as well as operational and client satisfaction measures, indicative of the performance during the year ended 31 May 2016. These measures are also used for a portion of the staff general bonus pool.

An average of the performance under the specific non-financial measures combined with performance under the execution and delivery measures resulted in an overall assessment of 83.5% (2015: 76%) of the potential pay-out under this element. The below table details the individual measures considered and their performance assessment for the year ended 31 May 2016.

METRIC	PERFORMANCE	ASSESSMENT
SPECIFIC NON-FINANCIAL MEASURES		
System reliability/uptime	The primary measures used to assess the performance against this metric and the parameters IG strives to achieve are: ▪ Core dealing availability per month – minimum 99.8% ▪ Maximum percentage downtime in any one day – maximum 4.0% The largest single day outage during the year was in June 2015. This was caused by a network issue and despite this, clients already online were able to continue to trade throughout and all clients could deal through the mobile apps. This period is the lowest maximum single day outage IG has ever achieved. For the remainder of the year, core uptime was 100%. The Group achieved an overall yearly uptime percentage of 99.99%, ahead of 99.95% achieved during the year ending 31 May 2015. This is IG's best annual performance to date and the Group will continue to target a consistently high level of platform uptime.	95% (2015: 65%)

DIRECTORS' REMUNERATION REPORT CONTINUED

METRIC	PERFORMANCE	ASSESSMENT
Maintaining good standing relationships with regulators	IG is licensed by ten regulators, as well as being subject to regulatory oversight in all countries where it has a physical presence. This year, the Group continued to maintain strong relationships with its largest regulators, the Financial Conduct Authority (FCA) and the Australian Securities and Investments Commission (ASIC). In addition to this, the Group continued to build successful, open relationships with its newest regulators in Switzerland and Dubai and has also maintained good relationships with the majority of its other regulators. However, in certain European jurisdictions there is negative sentiment towards leveraged products as seen with the French marketing and Belgian marketing and product restrictions which has put a strain on these relationships. In light of these challenges, a 60% outcome was determined for this measure.	60% (2015: 92.5%)
Customer satisfaction	The Remuneration Committee uses a number of indicators to measure performance against this metric including: - Net Promoter Score (NPS) data is tracked by the Investment Trends studies and is a measure of how likely clients are to recommend IG to others. IG has improved its NPS scores in five out of six markets that Investment Trends measures. Further details are given in the KPIs section on page 29 of this Annual Report. - During the year, the Group once again commissioned an independent study to conduct a 'mystery shopping' programme of IG and a number of competitors in the UK. The study consisted of ten cases being raised with each provider where they were challenged with the same questions or scenarios. Each case was scored against desired behaviours expected from the case handler. The result of the study shows that the Group performed consistently well in most categories and ranked once again first in the overall scoring. - The Group continues to engage directly with its clients through focus groups, as well as performing in-depth research to assist in prioritising their needs. IG has taken significant steps to implement solutions to issues raised, including the improvements made with regards to the client onboarding process and the introduction of a new customer communication system. - During the year, IG has also joined the Institute of Customer Services.	90% (2015: 85%)
Reputation and PR	The Remuneration Committee assessed whether there have been any events resulting in negative media coverage or reputational damage during the year. The PR surrounding the Swiss franc event in 2015 continued in to this year, with the publication of the Financial Ombudsman Service outcome, however this was well managed and the negative PR minimised. In addition, the internal PR team and IG's advisors have done well to minimise the impact of other reputational threats arising from the management changes in the year. The departure of the CEO, Tim Howkins and the CFO, Christopher Hill, in the early part of the year for entirely understandable reasons, were considered to be very well handled. While there was less negative PR and risk to IG's reputation to manage this year, the internal PR team and external advisors have worked well, and in collaboration with a number of other teams across the business, to minimise any impact to the IG brand.	95% (2015: 65%)
Risk management	During the year, the volatility arising from a number of polictical events and the risks associated with it was well managed by all teams. IG's culture of risk management has delivered robust results throughout the year, despite management changes in some of the departments. A key focus is now to ensure adequate succession planning.	90% (2015: 0%)
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 plan relating to strategic projects provided to the Remuneration Committee at the start of the year. This details the underlying projects set for delivery in the short-to-medium term. The Remuneration Committee uses this plan to judge performance and management's execution and delivery of the key strategic initiatives. There were a number of key strategic projects delivered during the year. Examples of the projects include: - Share dealing roll-out: full re-launch plan (including pricing, marketing and product suite) developed for the UK offering and implemented successfully. This is discussed in further details in 'Our Operational Strategy in Action' section on page 22. - Client on-boarding process: implemented a number of improvements to IG's conversion funnels. This is discussed in further details in 'Our Operational Strategy in Action' section on page 26. - Switzerland, Dubai and Nadex: each of these offices has performed ahead of the year's budgeted performance. However, whilst we have launched and continue to run a number of non-IG generic top-level domain sites (including news.markets and reviews.spreadbetting), the expected benefits and marketing efficiencies have not yet materialised and this investment has been written off. Accordingly, an outcome of 81.2% was determined for the execution and delivery of key strategic initiatives.	81.2% (2015: 90%)

OVERALL SUMMARY

Based on the performance for the financial year ending 31 May 2016, we will grant awards under the SPP to the value of 451% of base salary (90% of the maximum potential pay-out) as plan contributions to the Executive Director after the announcement of the results. The actual number of shares that will be deposited within the Director's plan account will be based on the ten-day average share price immediately prior to grant.

AWARDS GRANTED DURING THE YEAR ENDED 31 MAY 2016

The SPP awards granted during the financial year ended 31 May 2016 in respect of performance to 31 May 2015 (plan year 2) are as follows:

	Contribution						
	% of salary	Value of options awarded	Number of options awarded(1)	Number of options in the plan account after plan year 2 contribution(2)	Number of options vested and exercised during the year	Number of options lapsed	Number of options in the plan account at the end of the year
T A Howkins	206%	974,493	131,236	259,635	(103,854)	–	155,782
C F Hill	206%	682,062	91,854	181,719	(72,688)	(109,031)	–
P G Hetherington	206%	731,182	98,469	194,804	(77,922)	–	116,882

(1) The number of options contributed to the plan account was based on the 10-day average share price immediately post the announcement date of the Group's results for the year ended 31 May 2015 of 742.55 pence per share. Awards were granted in the form of nil cost options and are subject to continued employment and subject to the satisfaction of the underlying financial performance underpin to be tested at the end of plan year 5 as set out in the remuneration policy. In the case of T A Howkins, his outstanding awards together with any dividends shares accruing on these awards up to the point of vesting) vest in three equal tranches on an annual basis over the period 2016-2018 which began in August 2016.

(2) In addition to the awards made in respect of plan year 2, this also includes the brought forward number of options in the plan account from plan year 1 with its respective accrued dividend shares.

Details of the outstanding SPP share awards, using an estimate of the options to be granted in respect of plan year 3 (ie performance to 31 May 2016) are set out below:

OUTSTANDING SPP SHARE AWARDS AS AT THE END OF PLAN YEAR 3

	Event	Plan account brought forward (number of shares)(1)	Options awarded as dividend equivalents accruing on unvested options during the year	Plan Contribution in respect of period ended 31 May 2016 (estimated number of options)(2)	Plan account following contribution for the year	Estimated number of options vesting	Estimated cumulative number of unvested options remaining in plan account at the end of the year
T A Howkins(3)	plan year 3	155,782	5,772	–	161,554	53,797	107,756
P G Hetherington	plan year 3	116,882	4,331	265,186	386,399	128,671	257,727

(1) P G Hetherington will be granted awards in respect of plan year 3 following the announcement of results for the year ended 31 May 2016 on 19 July 2016. The share price used to calculate the number of awards to be granted will be the ten-day average share price immediately following the announcement of results for the year ended 31 May 2016 on 19 July 2016. As the actual average share price is not known at the time of signing of the Annual Report, the above number of awards has been estimated using a share price of 799.50 pence, being the share price on 31 May 2016. Share awards have an exercise price of 0.005 pence and are exercisable until August 2024.

(2) In accordance with the scheme rules 33.3% of the cumulative awards in the plan account (after the contributions in respect of plan year 3) will vest in August 2016 with the vesting of the remaining options deferred. The August 2016 vesting will include additional dividend shares accrued as follows in respect of plan year 1 and plan year 2 awards held in the plan account – T A Howkins (5,772) and P G Hetherington (4,331) based on reinvestment at the dividend payment date.

(3) T A Howkins did not receive any awards in respect of plan year 3.

OTHER SHARE AWARDS OUTSTANDING

	Award date	Share price at award date	Number as at 31 May 2015	Number awarded during the year	Number lapsed during the year	Number exercised during the year	Number outstanding at 31 May 2016
P G Hetherington							
VSP: Profit award – four year	20 Jul 11	450.00p	2,589	–	–	(2,589)	–
VSP: Total shareholder return award – four year	20 Jul 11	450.00p	5,990	–	–	(5,990)	–
SIP: matching shares	26 Jul 13	580.00p	258	–	–	–	258
SIP: matching shares	25 Jul 14	605.80p	594	–	–	–	594
Total			9,431	–	–	(8,579)	852
C Hill							
VSP: Profit award – four year	20 Jul 11	450.00p	2,589	–	–	(2,589)	–
VSP: Total shareholder return award – four year	20 Jul 11	450.00p	5,990	–	–	(5,990)	
SIP: matching shares	27 Jul 12	419.18p	328		–	(328)	–
SIP: matching shares	26 Jul 13	580.00p	259	–	(259)	–	–
SIP: matching shares	25 Jul 14	605.80p	594	–	(594)	–	–
SIP: matching shares	06 Aug 15	739.50p	–	486	(486)	–	–
Total			9,760	486	(1,339)	(8,907)	–
T Howkins							
VSP: Profit award – four year	29 Oct 10	528.50p	17,057	–	–	(17,057)	–
VSP: Profit award – four year	20 Jul 11	450.00p	4,314	–	–	(4,314)	–
VSP: Total shareholder return award – four year	20 Jul 11	450.00p	9,985	–	–	(9,985)	–
Total			31,356	–	–	(31,356)	–

TABLE OF DIRECTORS' SHARE INTERESTS

	Legally owned(4)		SIP(5)	SPP awards(2)		Total	% of salary held under shareholding Policy(1)
	31 May 2015	31 May 2016		Awards held in plan account	Vested but unexercised	31 May 2016	% salary
Executive Directors							
T Howkins	1,621,183	–	–	161,556	–	161,556	0%
C Hill	43,928	–	–	–	–	–	0%
P Hetherington(3)	129,899	175,094	852	121,214	–	297,160	282%
Non-Executive Directors							
J Felix	–	–	–	–	–	–	0%
A Green	–	6,881	–	–	–	6,881	22%
S G Hill	80,707	83,665	–	–	–	83,665	956%
M Le May	–	–	–	–	–	–	0%
J A Newman	–	–	–	–	–	–	0%
S J Tymms	–	–	–	–	–	–	0%
R P Yates	25,000	–	–	–	–	–	0%

(1) Calculated as shares owned on 31 May 2016 at the closing mid-market share price of 799.5p.
(2) This figure excludes awards under the SPP scheme for performance year ending 31 May 2016 which will be granted following the announcement of the Group's results on 19 July 2016. The awards held in the plan account include those in respect of plan year 1 and 2 as at 31 May 2016.
(3) P Hetherington also held 10,000 preference shares at 31 May 2016 and 31 May 2015.
(4) This figure includes partnership shares that are purchased as part of the Group's share incentive plan (SIP) which are not subject to vesting conditions.
(5) This figure shows the number of matching shares held at 31 May 2016 as part of the Group's SIP which will vests after three years from the respective award date, as long as employees remained employed by the Group.

A share ownership policy was introduced from the financial year ending 31 May 2014. Under this policy, the CEO is required to hold shares to the value of a minimum of 200% of base salary, and for other Executive Directors a requirement of 100% of base salary applies. Only shares owned outright by the Executive Director are included in the guideline, which must be achieved within five years of the introduction of the policy or, if later, from the date of appointment to the Board.

There have been no changes to any of the Directors' share interests in the period since 31 May 2016. The awards to be made under the Company's SPP in respect of the performance period ending on 31 May 2016 are set out earlier in this report and are not included in this table.

CHANGE IN REMUNERATION OF THE CHIEF EXECUTIVE

	Base salary(1)			Taxable benefits			Performance based remuneration(2)		
	% change (2016/2015)	% change (2015/2014)	% change (2014/2013)	% change (2016/2015)	% change (2015/2014)	% change (2014/2013)	% change (2016/2015)	% change (2015/2014)	% change (2014/2013)
Chief Executive	25.8%	2.8%	7.5%	(25.0%)	0.0%	0.0%	112.0%	(32.3%)	136.2%
Group employees	7.0%	6.8%	5.9%	19.4%	6.4%	2.8%	60.0%	(22.9%)	13.1%

(1) For the Chief Executive, the 2016/2015 Base salary change reflects the change in CEO during 2015/16. Remuneration is included in the financial year in which performance is measured against.

(2) Given the move away from separate annual and long-term plans to a single variable pay plan in the 2014 financial year, the performance based remuneration consists of the SPP award and legacy VSP plans only. The change is calculated based on the change in the total of the SPP contribution for the plan year and the VSP vesting in that year.

EXECUTIVE DIRECTOR'S OUTSIDE APPOINTMENTS

Peter has no other external appointments.

RELATIVE IMPORTANCE OF SPEND ON PAY

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

	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Profit after tax	164.3	131.9	147.2	141.7	136.8
Dividends	114.9	102.7	102.8	84.6	81.6
Employee remuneration costs	113.5	94.3	89.3	86.3	92.7
Average number of employees	1,412	1,287	1,070	1,005	960

REMUNERATION COMMITTEE EFFECTIVENESS

During the year, the Committee undertook a questionnaire based review of its own effectiveness. The evaluation process was externally facilitated by Lintstock as part of the overall annual Board effectiveness review. Overall, the review concluded that the Committee is effective and its performance was rated highly. The Committee however could further enhance its effectiveness with more training and support on regulatory changes in the area of remuneration and the implications for remuneration policy.

ADVICE TO THE COMMITTEE

During the financial year ended 31 May 2016 the Committee consulted the Chief Executive about remuneration matters relating to individuals other than himself. The Company Secretary also provided advice and support to the Committee.

Appropriate Company employees and external advisers may attend Committee meetings at the invitation of the Chairman.

The Remuneration Committee was advised during the year by New Bridge Street (NBS), which was appointed following a competitive tender process in early 2013. The Committee considers the advice obtained from NBS to be objective and independent. NBS is a member of the Remuneration Consultants Group and is a signatory to its Code of Conduct, which requires its advice to be objective and impartial.

NBS provided advice in respect of a wide range of issues, including advice on the operation of the sustained performance plan, TSR performance monitoring, drafting the Remuneration Report, remuneration benchmarking and share plan implementation services. NBS's fee for advice provided to the Remuneration Committee during the financial year ending 31 May 2016 was £79,839 (excluding VAT).

STATEMENT OF SHAREHOLDER VOTING AT 2015 AGM

At the October 2015 AGM, a resolution was proposed for shareholders to approve the Directors' Remuneration Report for the financial year ended 31 May 2015. The following votes were received:

	2015 Remuneration Report	
	Total number of votes	% of votes cast
For[1]	291,724,694	99.01%
Against	2,921,312	0.99%
Total	294,646,006	100%
Withheld	12,832,545	–

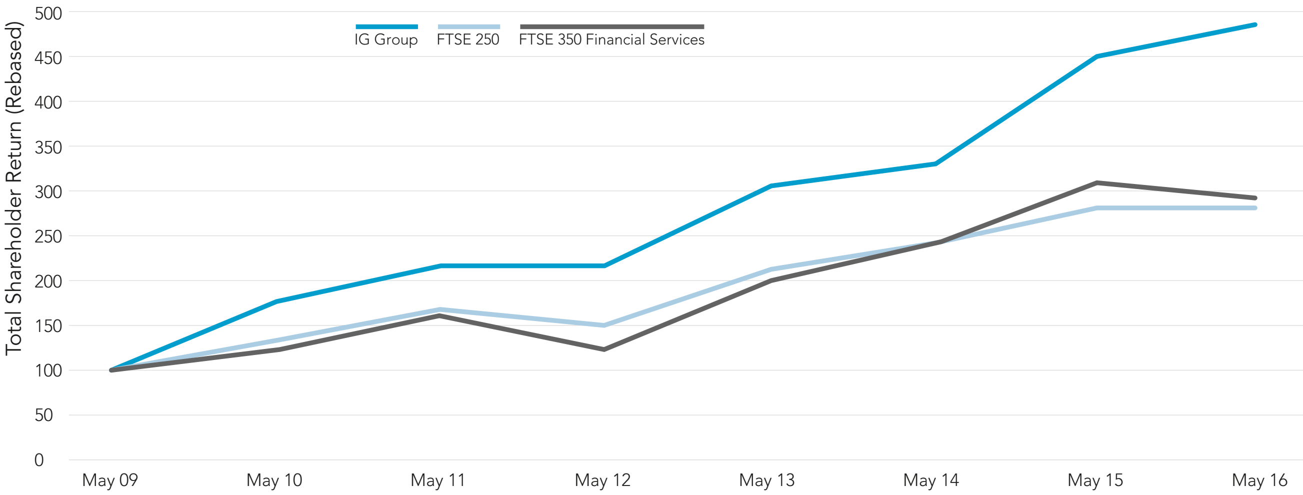
(1) For includes votes at the Chairman's discretion.

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

TOTAL SHAREHOLDER RETURN CHART

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

This graph shows the value, by 31 May 2016, of £100 invested in IG Group on 31 May 2009 compared with the value of £100 invested in



Source: Datastream (Thomson Reuters)

the FTSE 250 Index and the FTSE 350 Financial Services Index.

CHIEF EXECUTIVE EARNINGS HISTORY

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

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

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

(2) The 2011 VSP awards had a performance period ending 31 May 2014. Half the awards vested on 22 July 2014 with the remaining vesting on 21 July 2015. The value of these awards provided in last year's remuneration report was based on an estimated share price. We have restated the amounts (now as 2014 prior year comparatives) using the actual share price on 22 July 2014 (619.5 pence, for half the awards) and the average three-month share price for period ending 31 May 2015 (740.9 pence) for the remaining awards.

(3) Includes the base salaries paid to both T A Howkins and P G Hetherington for their tenure of the CEO position during the year.

IMPLEMENTATION OF REMUNERATION POLICY IN THE FINANCIAL YEAR ENDING 31 MAY 2017

The Committee decided not to apply an increase to Peter's salary in the financial year 2017.

Chairman and Non-Executive Directors' fees

Each year, the Board reviews the Non-Executive Director fees (the Remuneration Committee reviews the Chairman's fees). This year, as part of the review, the Board instructed NBS to carry out an external benchmarking exercise to assist the Board with the fee-review process. Following the review, a decision was made to set the Non-Executive Directors' fees as follows:

- Chairman: £255,000. The fee was increased from £235,000 by the Committee in November 2015 after taking into account the Chairman fee levels in the market and time commitment
- Non-Executive Director base fee: £65,000 (increased from £55,000 during the financial year ending 31 May 2016)
- Chairman of the Audit Committee additional fee: £15,000
- Chairman of Board Risk Committee additional fee: £15,000
- Chairman of the Remuneration Committee additional fee: £15,000
- Senior Independent Director fee: £10,000 (new fee introduced from 1 June 2016)
- The Chairman of the Nomination Committee will not receive an additional fee

Benefits and pension

A flexible benefits programme will apply, which includes a company pension to a maximum of 15% of base salary, cash of equivalent value or a mixture of both.

Sustained performance plan

For the awards to be granted in respect of plan year 4, which will end on 31 May 2017, maximum opportunity of 500% of annual rate of base salary will apply for Executive Directors.

The performance targets for these awards are shown below.

MEASURE	FURTHER DETAIL	MEASUREMENT PERIOD (PLAN YEARS)	WEIGHTING
Diluted earnings per share	The Committee has determined a sliding scale of targets that will apply for the financial year ending 31 May 2017.	Financial year ending 31 May 2017	45%
Relative Total Shareholder Return	Performance is measured against constituents of the FTSE 350 excluding investment trusts. No part of this element will be awarded if performance is below median. 25% will be awarded for median, increasing on a straight-line basis, with full vesting for upper-quartile performance or better. The Committee's discretion to scale back vesting will apply as set out in the Policy Report.	The three financial years ending 31 May 2017	35%
Non-financial measures	The measures will include: ▪ System reliability ▪ Maintaining good standing with regulators ▪ Customer satisfaction ▪ Reputation and PR ▪ Risk management ▪ Execution and delivery of key strategic initiatives	Financial year ending 31 May 2017	20%

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

APPROVAL

This report was approved by the Board of Directors on 19 July 2016 and signed on its behalf by:

Malcolm Le May
Chair, Remuneration Committee

AUDIT COMMITTEE

Jim Newman, Chairman of the Audit Committee, gives his review of the Committee's activities during the financial year.

Jim Newman
Chairman of the Audit Committee

CHAIRMAN'S OVERVIEW

The Audit Committee's principal role and responsibility is to ensure the Group operates in a strong control environment and to build a greater sense of personal accountability throughout the organisation.

During the year, the Committee has continued to focus on the monitoring of the integrity of financial reporting, primarily focused on the review and challenge of the key accounting judgements underpinning the Group's financial statements. Refer to the 'Main activities during the financial year' section on page 91 for details.

The Committee has supported the Board in carrying out its responsibilities in relation to the Group's financial reporting requirements. The ultimate responsibility for reviewing and approving the Annual Report and other externally reported financial information remains with the Board.

The Committee considered the appropriateness of the design and effectiveness of the Group's system of internal controls, in conjunction with reviewing Internal Audit's work, providing assurance to the Board on the effectiveness of the Group's internal controls and risk management systems.

The Committee also reviewed the quality of the external audit process, including the identified audit risks, the audit plan and reports from the Company's auditor (refer to the 'External audit' section on page 93). To ensure independence and objectivity of the external auditor, as required by the Code, mandatory rotation of the Group's audit partner is required every five years. Accordingly, a new audit partner was appointed during the year following an effective transition from the previous audit partner who stepped down at the end of the financial year ended 31 May 2015.

ROLE OF THE AUDIT COMMITTEE

The principal roles and responsibilities of the Committee include:

- Monitoring and reviewing the effectiveness of the Group's internal audit function in the overall context of the Group's internal controls and risk management
- Reviewing the financial statements and announcements relating to the financial performance and governance of the Group
- Reviewing an assessment of the control environment including via internal audit reports and the progress on implementation of audit recommendations
- Recommending the appointment of external auditors and reviewing their effectiveness, fees, terms of reference and auditor independence and objectivity

The Audit Committee's full terms of reference and responsibilities, are revised on an annual basis and can be found on the corporate website iggroup.com.

MEMBERSHIP AND ATTENDANCE

All Audit Committee members are independent Non-Executive Directors who can draw on considerable and broad business and financial services experience. During the year, Roger Yates stepped down from the Committee following his retirement as a Non-Executive Director of the Company. Malcolm Le May became a member of the Committee following his appointment as a Director of the Company. The Code requires the inclusion in the Committee of at least one member determined by the Board as having recent and relevant financial experience. The Committee Chairman, Jim Newman, fulfils this requirement.

The Chief Financial Officer, Chief Risk Officer, Head of Finance, Head of Internal Audit, Company Secretary and the external auditors normally attend the Committee meetings. Other directors and representatives from the finance function and other areas of the business attend the Committee meetings by invitation as necessary.

The Committee has four scheduled meetings a year and will also meet if and when required. The below details the meetings scheduled and attended during the year. The Chairman, Andy Green, was invited to, and attended, all meetings.

	SCHEDULED MEETINGS ELIGIBLE TO ATTEND	SCHEDULED MEETINGS ATTENDED
Roger Yates(1)	2	0
Sam Tymms(2)	4	3
Jim Newman	4	4
Malcolm Le May(3)	3	2

(1) Roger Yates stepped down from the Committee on 15 October 2015.
(2) Sam Tymms did not attend one meeting due to illness.
(3) Malcolm Le May joined the Committee on 25 September 2015. He was unable to attend one meeting due to prior commitments.

For each of the meetings that were not attended by a Committee member, that person received copies of presentations in advance and provided input directly to the Audit Committee Chairman.

The agenda is drafted to ensure that each of the items under the committee's terms of reference and responsibilities is covered at least once in the financial year, and more frequently if required.

After each Committee meeting, a formal report is made to the Board in which the Chairman of the Audit Committee describes the proceedings of the Committee meeting and makes recommendations to the Board as appropriate.

Members of the Committee also meet separately with the Head of Internal Audit and the external auditors to focus on respective areas of responsibility and to discuss any potential requirements for support from the Committee to address any issues arising.

MAIN ACTIVITIES DURING THE FINANCIAL YEAR

The Committee focused on a number of key areas during the year as set out below:

FINANCIAL REPORTING

In relation to financial reporting, the primary role of the Committee is to work with management and the external auditors in reviewing the appropriateness of the half-year and annual financial statements. The Committee discharged its responsibilities in this area through focusing on, among other matters:

- Assessing the quality and acceptability of accounting policies and practices
- Ensuring disclosures are clear and compliant with financial reporting standards and relevant financial and governance reporting requirements
- Considering material areas in which significant judgements have been applied or there has been discussion with the external auditors
- Reviewing all formal financial announcements and financial statements prior to issuance, including preliminary and half-year announcements and recommending these to the Board for approval
- Before recommending and approving the viability statement to the Board, reviewing the processes to support the assessment and determination of the Group's principal risks that may have an impact on the Group's longer-term solvency and liquidity
- Evaluating on behalf of the Board whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy
- Reviewing the inherent risks in the financial reporting process and systems
- Reviewing and agreeing the Group's whistleblowing policy

To aid this review process, the Committee has considered reports from the Chief Financial Officer and his team, and both internal and external auditors.

The Committee considered and discussed with management and the external auditors the following primary areas of judgement and disclosure in relation to the Financial Statements for the year ended 31 May 2016:

AUDIT COMMITTEE CONTINUED

REPORTING ISSUE	ROLE OF THE COMMITTEE	CONCLUSION/ ACTION TAKEN
PRINCIPAL RISKS AND VIABILITY		
For the 2016 financial reporting year onwards, the Directors are required to make a statement in the Annual Report as to the longer-term viability of the Group.	At the request of the Board, the Committee evaluated various reports from management that set out the view of the Group's principal risks and longer-term viability. These reports detailed the impact of outcomes of stress tests after applying principal and business model risk scenarios to the Group's financial forecasts based on a three-year strategic plan. The Committee also received presentations from the external auditors on best practice reporting in this area.	Taking into account the assessment by the Board Risk Committee of stress testing results and risk appetite, the Committee agreed to recommend the viability statement to the Board for approval.
GOODWILL		
In accordance with accounting standards the Group is required to review any goodwill balances for impairment and consider the underlying assumptions involved in calculating the value-in-use of separate parts of the business known as cash-generating units (CGUs). The Committee observed that the significant proportion of the Group's goodwill relates to the UK CGU. The goodwill related to this CGU was considered not impaired as it is highly profitable and its recoverable amount exceeds its carrying value.	The Committee reviewed a paper from management setting out the key assumptions used in the impairment review and an associated sensitivity analysis. It noted the continued improved performance of the US business, which has reduced the impairment risk. In addition, the Group's auditor provided commentary on the matter to the Committee.	Based on the assessment performed, the Committee concluded that there should be no change to the recorded goodwill value.
OTHER INTANGIBLE FIXED ASSETS		
The Group is required to make judgements regarding the useful economic life and carrying value of all its acquired and internally developed software and licences and domain names. During the year, the Group continued to invest in the technology platform and to consolidate the online presence around the IG.com website. It has also assessed the generic top-level domains acquired in 2014. While management considers there to be a long-term economic opportunity, it has impaired the asset by £2.7m to reduce the carrying values which are currently unsupportable.	As there is a risk of obsolescence for such assets, the Committee reviewed a report from management detailing the financially significant intangible assets, the rationale for their useful economic life, their continued use within the business and their remaining carrying value.	Based on the assessment performed, the Committee concluded that an impairment charge of £2.7 million recorded during the year was reasonable.
CORPORATION TAX		
Calculating the Group's current corporation tax charge involves a degree of estimation and judgement, as the tax treatment of certain items cannot be finally determined until resolution has been reached with the relevant tax authority. The Group has paid tax in respect of the potential tax liability that may arise on these unresolved items. However, the amount ultimately payable may be materially lower than the amount already paid, and could therefore improve the Group's overall profitability and cash flows in future periods.	The Committee reviewed a report from management that detailed the assumptions made in calculating the Group's current corporation tax charge and provisions. The Group's auditor also provided commentary on this matter to the Committee.	The Committee concluded that the corporation tax charge and provisions recorded by the Group were appropriate and complete.
INFORMATION SYSTEMS		
The Committee has considered the risk associated with information technology relating to super-user access to certain legacy areas of the Group's trading system including the risk of fraud.	The Committee reviewed reports from management and internal audit on the design, operation and on-going monitoring of a number of key controls designed to mitigate the risks associated with the super-user access. The Committee assessed whether the external audit process addressed these matters effectively through the reporting received from the auditor during the audit cycle. Additionally, the Committee received confirmation from management, the internal auditors and external auditors that they were not aware of any instances of fraud.	The Committee considered the risk in this area to have been appropriately managed. The Committee's focus is to ensure that the Group continues to move away from these legacy systems, including the delivery of a finance transformation programme.
FAIR, BALANCED AND UNDERSTANDABLE REPORTING		
The Group is required to ensure that its external reporting is fair, balanced and understandable.	At the request of the Board, the Committee assessed, via discussion with and challenge of management, whether disclosures in the Group's published financial statements were fair, balanced and understandable, taking into account comments received from investors and others. The Committee reviewed papers from management and the external auditors on legislative changes in financial reporting to ensure compliance with requirements. It sought and obtained confirmation from the Chief Financial Officer and his team that they considered the disclosures to be fair, balanced and understandable. It established via reports from management that there were no indications of fraud relating to financial reporting matters. Assessed disclosure controls and procedures.	Having assessed all of the available information and the assurances provided by management, the Committee concluded that the processes underlying the preparation of the Group's published financial statements were appropriate in ensuring that those statements were fair, balanced and understandable.

EXTERNAL AUDIT

As noted above under the 'Role of the Audit Committee' section on page 90, the Committee is responsible for making recommendations on the appointment, reappointment and removal of external auditors, and for assessing and agreeing the fees payable to the Group's auditor (both audit and non-audit fees). The Committee is also responsible for reviewing the audit plans and reports from the external auditors. The main activities undertaken in relation to the external audit are summarised below:

REPORTING ISSUE	ROLE OF THE COMMITTEE	CONCLUSION/ ACTION TAKEN
OVERSIGHT OF EXTERNAL AUDIT		
The Committee is required to oversee the work and performance of PwC, including the maintenance of audit quality during the period.	The Committee met with the key members of the PwC audit team to discuss the 2016 audit plan and agree areas of focus. It assessed regular reports from PwC on the progress of the 2016 audit and any material issues identified. It debated the draft audit opinion ahead of 2016 year-end. The Committee was also briefed by PwC on critical accounting estimates, where significant judgement is needed.	The Committee approved the audit plan and the main areas of focus, including goodwill impairment, valuation of intangible assets and IT systems and controls. Read more about the Committee's role in assessing the performance, effectiveness and independence of the external auditor and the quality of the external audit on page 94.
AUDIT AND AUDIT-RELATED FEES		
Audit-related fees include the statutory audit of the Group and its subsidiaries, as well as audits required due to the regulated nature of our business. Also included therein are fees associated with the ISAE 3000 controls opinion relating to the Group's processes and controls over client money segregation.	During the year, the Committee reviewed and approved a recommendation from management on the Company's audit and audit-related fees.	While there has been an increase in the audit fees, this is driven by change in scope with new offices such as Dubai and the Committee considers the 2016 audit fees to be competitive.
NON-AUDIT SERVICES AND FEES		
To safeguard the objectivity and independence of the external auditors from becoming compromised, the Committee has a formal policy governing the engagement of the external auditors to provide non-audit services. The policy is reviewed on an annual basis and this year the Committee reviewed the Group's policy governing non-audit work against, among other things, new regulations on the statutory audit of public interest entities effective from June 2016. The policy also sets out considerations and safeguards that are required in relation to non-audit services provided 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 management to engage the auditors. Details of the policy are provided on the corporate website. The Group is currently updating its internal process on engagement of auditors and review of non-audit services to ensure that its policy will be in line with the new regulation which will impact the Group. Since appointing PwC as auditors, the Group has established and developed relationships with a number of independent advisory and assurance firms which provide alternatives to engaging PwC. During the year, PwC has performed non-audit services in accordance with the non-audit policy.	The Committee reviewed and approved all contracts for non-audit fees that were above £0.1 million. Below this level, the Chairman of the Audit Committee was notified of new instructions for the delivery of non-audit services. The Committee ensured that firms other than the auditors have been considered, following a competitive tender process for the provision of a wide range of services, including tax advisory services, changes to regulation, tax compliance services, risk and regulatory advice. The Committee also requested and received an explanation from PwC of its own in-house independence process. The Committee ensured there were no exceptions to fee limits and approval process per the policy during the year.	During the year, non-audit fees of £0.6 million were paid to PwC as discussed in note 6 to the Financial Statements. These principally related to tax compliance, tax advice, and regulatory work. The Committee continues to follow the statutory guidance to seek to reduce the reliance on the auditors for non-audit work. The Committee has proposed and implemented a process to ensure, going forward, the non-audit services and fees are reviewed and policies are updated in line with the expected changes in regulation.

AUDIT COMMITTEE CONTINUED

Effectiveness of the external auditors

In assessing the effectiveness and independence of the external auditors, the Committee considered relevant professional and regulatory requirements and the relationship with the auditors as a whole. The Committee monitored the auditors' compliance with relevant regulatory, ethical and professional guidance on the rotation of partners, and assessed their qualifications, expertise, resources as well as the effectiveness of the audit process, including a report from the external auditor on its own internal quality procedures.

As part of the assessment, a questionnaire, based on criteria recommended by professional and governance bodies, was completed by the key stakeholders in the Group. The questionnaire addressed matters including the auditors' integrity, objectivity, skills and technical knowledge, the quality of planning and execution of the audit, the level of challenge applied and the auditors' understanding of the Group's business. The results were analysed and a report was presented to the Committee.

Having reviewed PwC's performance during 2016, the Committee concluded that PwC were independent and that it was in the Group's and shareholders' interests not to tender the audit in 2016 and recommends their re-appointment.

Audit tendering and rotation

The Committee remains satisfied with the external audit process and is currently not planning to undertake a formal retender process until it is required to under legislation for the year ending 31 May 2021. The Group is required to change audit partner every five years, with this year being the first year for the current partner.

CONTROL ENVIRONMENT

Other matters addressed by the Committee focused on the effectiveness of the Group's control environment and performance of the Group's IT systems, and the internal audit function, including the objectivity and independence of internal audit personnel.

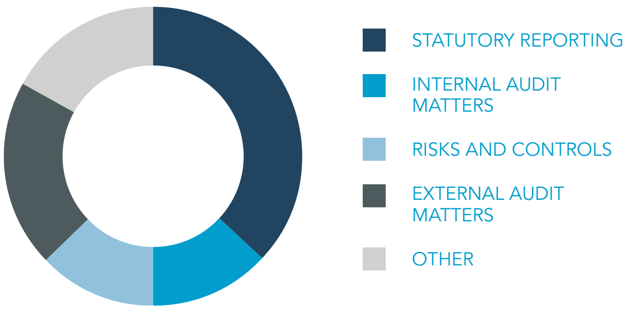
REPORTING ISSUE	ROLE OF THE COMMITTEE	CONCLUSION/ACTION TAKEN
INTERNAL AUDIT		
The Committee is required to oversee the performance, resourcing and effectiveness of the Internal Audit function.	The Committee monitored and reviewed the effectiveness of the Group's Internal Audit function in the overall context of the Group's internal controls and risk management systems. It considered and approved the remit of the Internal Audit function and ensure it has adequate resources to perform its function effectively. It reviewed and assessed the risk-based Internal Audit plan. It reviewed and monitored management's responsiveness to the findings and recommendations of the Internal Audit function. The Committee received a summary report on the results of the work of the Internal Audit function on a periodic basis.	The Committee reviewed the resourcing and effectiveness of the Internal Audit function and approved the risk-based audit plan. The Internal Audit function remains effective and has the sufficient resources to deliver the proposed plan.
INFORMATION TECHNOLOGY CONTROLS		
The Group's operations are heavily dependent on information technology (IT). There is a risk of loss of financial information if finance and other IT systems fail.	The Committee reviewed Internal Audit reports on IT controls and assessments of external penetration tests and cyber risk.	From review of the Internal Audit assessment reports, the Committee concluded that this risk is appropriately managed.

COMMITTEE EFFECTIVENESS

During the year, the Committee undertook a questionnaire-based review of its own effectiveness. The evaluation process was externally facilitated by Lintstock Limited as part of the overall annual Board effectiveness review. The review concluded that the Committee was effective and its performance was highly rated. No areas with significant improvement needed were identified.

COMMITTEE ALLOCATION OF TIME

The following chart highlights how the Committee spent its time during the year ended 31 May 2016.



Jim Newman
Chairman, Audit Committee
19 July 2016

BOARD RISK COMMITTEE

Stephen Hill, Chairman of the Board Risk Committee, gives his review of the Committee's activities during the financial year.

Stephen Hill
Chairman of the Board Risk Committee

CHAIRMAN'S OVERVIEW

During the year, the Board Risk Committee has continued its focus on providing oversight and advice to the Board in relation to current and potential future risk exposures of the Group and future risk strategy. The Committee held two risk review deep-dive sessions. The first session was dedicated to an in-depth review and challenge of the key components of the Pillar 2 stress-testing process, including the methodology employed and the other session was dedicated to a review of the Group's recovery planning process and the contents of the Group's Recovery Plan.

The Committee conducted an externally facilitated assessment of its own effectiveness. Its performance was positively rated and its composition was highlighted as a particular strength. Areas for further development included the continued development of the Committees training programme and further improvements to materials provided. We will focus on these areas in the coming months.

ROLE OF THE BOARD RISK COMMITTEE

The Committee's key responsibilities are to help manage current and future risk exposures and future risk strategy through:

- Ensuring risk mitigation consistent with our risk appetite is in place and reviewing the Group's major risk exposures, identifying risk trends, material regulatory changes concentrations and exposures
- Reviewing the scope and nature of the work undertaken by the control functions specifically in relation to regulatory, compliance, client money, anti-money-laundering, conduct and culture risks
- Considering the adequacy and effectiveness of the technology infrastructure and supporting documentation in the Risk Management Framework
- Ensuring rigorous stress-testing and scenario-testing of the Group's business and receiving reports that explain the impact of identified risks and threats
- Considering and recommending for approval by the Board, the Risk Appetite Statement (RAS) and Key Risk Indicators (KRIs)
- Monitoring, reviewing and challenging the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment (ILAA) and the Recovery Plan
- Reviewing and approving the statements to be included in the Annual Report concerning controls and risk management
- Continuing to work closely with other Board Committees where risk related input is required

The full Terms of Reference for the Committee can be found on the Company's website, iggroup.com

MEMBERSHIP AND ATTENDANCE

The Board Risk Committee is composed of independent Non-Executive Directors and the table below shows the Committee members during the year and their attendance at Committee meetings. Roger Yates stepped down from the Committee following his retirement as a Non-Executive Director of the Company. June Felix became a member of the Committee following her appointment as a Non-Executive Director of the Company.

The Committee is scheduled to meet four times a year and additionally as and when required. The Committee's recommendations are referred to the Board and, where relevant, other Board Committees (for example, a report to the Remuneration Committee on remuneration related risks) and the business of the Committee is reported to the following Board meeting.

Other than the Company Secretary, who attends all Committee meetings, Executive Directors, the Chief Risk Officer and the Head of Internal Audit all attend the Committee meetings by invitation. Representatives from the finance function and other areas of the business attend the Committee meetings by invitation as appropriate to the matter under consideration.

The Chairman, Andy Green, was invited to, and attended, all meetings.

	SCHEDULED MEETINGS ELIGIBLE TO ATTEND	SCHEDULED MEETINGS ATTENDED
Stephen Hill(1)	4	3
Roger Yates(2)	1	0
Sam Tymms	4	4
Jim Newman	4	4
June Felix(3)	4	4

(1) Stephen Hill did not attend one meeting due to illness.
(2) Roger Yates stepped down from the Committee on 15 October 2015.
(3) June Felix joined the Committee on 25 September 2015.

To ensure the Committee discharges its responsibilities appropriately, an annual timetable is set around the Committee's Terms of Reference and is approved by the Committee. The Company Secretary assists the Chairman of the Committee in drafting the agenda for each Committee meeting.

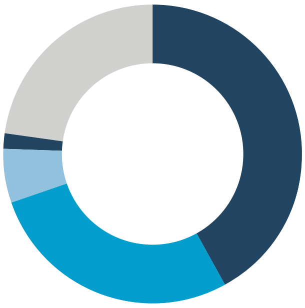
BOARD RISK COMMITTEE CONTINUED

MAIN ACTIVITIES DURING THE FINANCIAL YEAR

KEY AREAS	MATTERS CONSIDERED
REPORTING RISKS AND CONTROLS	
Regulatory Risk	▮ Reviewed the current and expect future regulatory environment and potential impact on IG's business activities
Operational Risk Framework	▮ Reviewed the current status of the Group's operational risk framework and recommended areas for development ▮ Continued focus on improving the operational risk framework and provided input to the Remuneration Committee on the risks associated with the Group's remuneration policy, paying particular attention to the design and monitoring of sales-incentive schemes ▮ Discussed the operational review of the severe market volatility experienced due to the Swiss franc event
Conduct Risk	▮ Discussed the Company's client onboarding process to assess the possible impact of the processes involved in support of promoting fair outcomes for clients under specific circumstances
Culture Risk	▮ Reviewed reports on culture risks to ensure the Group's continued focus on positive client outcomes
Money Laundering Officers' Report	▮ Reviewed the Money Laundering Officers' Report and made recommendations to the Board on the adequacy of the Group's anti-money-laundering and combating terrorist financing systems and control in the management of risks relating to money laundering and terrorist financing
Annual Fraud Report	▮ Received an annual fraud report to review the assessment of the levels of fraud experienced over the past financial year.
Market Risk	▮ Reviewed the contingency plans being established to mitigate the EU referendum event risk
IT and Cyber Security	▮ Received a report on cyber security emphasizing the current and emerging cyber landscape and the Group's information strategy for addressing cyber risk
Compliance Reports and Internal Audit Reports	▮ Reviewed compliance matters relating to the Company's global operations and summary level information on the activity of the Internal Audit department including progress against the Internal Audit Plan
CAPITAL AND LIQUIDITY	
ICAAP and ILAA	▮ Regularly reviewed the capital and liquidity position of the Company through the ICAAP and ILAA documents ▮ Approved the scenarios and assumptions for internal stress testing and recommended the documents to the Board for approval
Contingency Plan	▮ Considered the Company's contingency plan and cost mitigation plan
Recovery Plan	▮ Reviewed and recommended to the Board the Group's first Recovery Plan for approval following detailed review of the Group's risk appetite statement
RISK APPETITE	
Risk Appetite and KRI development	▮ Regularly reviewed the Company's Risk Appetite Statement to consider how the risk appetite could be clearly articulated and what actions should be taken in the event of Key Risk Indicators breaching specified thresholds
ACCOUNTABILITY	
Remuneration	▮ Considered the key components of the Company's remuneration framework and the alignment of the remuneration policy to risk performance and risk appetite
OTHERS	
Client Money Report	▮ Reviewed the Client Money Report and made recommendations to the Board on the adequacy of the Group's processes, systems and controls in the management of risks relating to client money
Quality Assurance Review	▮ Reviewed the Quality Assurance functions and processes together with an overview of performance and new initiatives
Review of the Committee Terms of Reference	▮ Reviewed the Terms of Reference of the Committee to ensure they remain fit for purpose and recommended them to the Board for approval
Risk Committee Evaluation	▮ Reviewed its own performance and considered steps that may be required to enhance Committee effectiveness. Appropriate recommendations were made to the Board

COMMITTEE ALLOCATION OF TIME

The following chart highlights how the Committee spent its time during the year ended 31 May 2016.



Stephen Hill
Chairman, Risk Committee
19 July 2016

DIRECTORS' REPORT

The Directors present their report, together with the Group Financial Statements for the year ended 31 May 2016. The Directors' Report comprises pages 98 to 100 of this report, together with the sections of the Annual Report incorporated by reference as set out below:

DISCLOSURES REQUIRED PURSUANT TO LISTING RULE 9.8.4R

In compliance with the UK Financial Conduct Authority's Listing Rules, the information in Listing Rule 9.8.4R to be included in the Annual Report and Accounts where applicable can be found on the following pages:

CORPORATE GOVERNANCE STATEMENT

In compliance with the UK Financial Conduct Authority's Disclosure and Transparency Rules (DTR) 7.2.1, the disclosures required by DTR 7.2.2 to 7.2.7 are set out in this Directors' Report and in the Corporate Governance Report.

PROFIT AND DIVIDENDS

The Group's statutory profit for the year after taxation amounted to £164.3 million (2015: £131.9 million), all of which is attributable to the equity members of the Company (2015: £131.9 million).

The Directors recommend a final ordinary dividend of 22.95 pence per share, amounting to £84.0 million, making a total of 31.40 pence per share and £114.9 million for the year. Dividends are recognised in the Financial Statements for the year in which they are paid or, in the case of a final dividend, when approved by the shareholders. The amount recognised in the Financial Statements, as described in note 12, includes this financial year's interim dividend and the final dividend from the previous year, both of which were paid.

The final ordinary dividend, if approved, will be paid on 28 October 2016 to those shareholders on the register at 30 September 2016.

Certain nominee companies representing our employee benefit trusts hold shares in the Company in connection with the operation of the Company's share plans and evergreen dividend waivers remain in place on shares held by them that have not been allocated to employees.

OPERATIONS OUTSIDE THE UNITED KINGDOM

The Group operates in the following locations through a branch structure: Australia, South Africa, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Ireland, Spain, Sweden and Poland. It has operating subsidiaries in the US, Singapore, Japan, Australia, India, Switzerland and Dubai.

In line with the requirements under the Capital Requirements Directive IV, requiring credit institutions and investment firms to publish annually certain tax and financial data for each country where they operate, the Group's UK regulated subsidiaries will make available their Country by Country Reporting on the Group's website, iggroup.com.

ARTICLES OF ASSOCIATION

The Company's articles of association ('the Articles') are available from the Group's website, iggroup.com, or by writing to the Company Secretary at the Group's registered office. The Articles can also be obtained from the UK Registrar of Companies. Amendments to the Articles can only be made by means of a special resolution at a general meeting of the Company's shareholders.

BOARD OF DIRECTORS AND THEIR INTERESTS

Details of the Directors who held office at the end of the year are set out on pages 58 to 59 and are incorporated into this report by reference. Changes to Directors during the year are set out below:

NAME	ROLE	EFFECTIVE DATE OF APPOINTMENT/RESIGNATION
June Felix	Non-Executive Director	Appointed 4 September 2015
Malcolm Le May	Senior Independent Non-Executive Director	Appointed 10 September 2015
Roger Yates	Non-Executive Director	Retired on 15 October 2015
Tim Howkins	Executive Director	Retired on 15 October 2015
Chris Hill	Executive Director	Resigned on 30 October 2015

Peter Hetherington succeeded Tim Howkins as the Chief Executive Officer of the Company with effect from 4 December 2015.

APPOINTMENT AND RETIREMENT OF DIRECTORS

The appointment and retirement of Directors is governed by the Articles, the UK Corporate Governance Code ('the Code'), the Companies Act 2006 and related legislation. The Board has the power to appoint any person as a Director to fill a casual vacancy or as an additional Director, provided the total number of Directors does not exceed the maximum prescribed in the Articles. Any such Director holds office only until the next AGM, and is then eligible to offer himself or herself for election.

The Articles also require that all those Directors who have been in office at the time of the two previous AGMs, and who did not retire at either of them, must retire as Directors by rotation. Such Directors are eligible to stand for re-election. However, in line with the Code's recommendation that all directors of FTSE 350 companies should be subject to annual election, all Directors will stand for election or re-election at the 2016 AGM.

DIRECTORS' CONFLICT OF INTERESTS

In accordance with the Act, all Directors must disclose both the nature and extent of any potential or actual conflicts with the interests of the Company. We explain the procedure for this on page 63.

INSURANCE AND INDEMNITIES

The Group has Directors' and Officers' liability insurance in place, providing appropriate cover for any legal action brought against its Directors. Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the year ended 31 May 2016. These provisions remain in force for the benefit of the Directors, in relation to certain losses and liabilities which they may incur (or have incurred) to third parties in the course of acting as Directors of the Company.

RESEARCH AND DEVELOPMENT

In the ordinary course of business, the Company regularly develops new products and services.

POLITICAL DONATIONS

The Company made no political donations to political organisations or independent election candidates and incurred no political expenditure in the year (2015: £nil).

SHARE CAPITAL

The Company has three classes of shares: ordinary shares, B shares and preference shares. As at 31 May 2016, the Company's issued shares comprised 366,649,075 ordinary shares of 0.005p each (representing 99.97% of the total issued share capital), 65,000 B shares of 0.001p each (representing 0.02% of the total issued share capital) and 40,000 preference shares of £1.00 each (representing 0.01% of the total issued share capital). Details of movement in the Company's share capital and rights attached to the issued shares are given in notes 26 and 27 to the Financial Statements. Information about the rights attached to the Company's shares can also be found in the Articles. Details of the Group's required regulatory capital are disclosed in note 37 to the Financial Statements.

VARIATION OF RIGHTS

Subject to the provisions of applicable statutes, the rights attached to any class of shares may be varied either with the consent in writing of the holders of at least three-quarters in nominal value of the issued shares of that class or with the sanction of a Special Resolution passed at a separate meeting of the holders of the shares of that class.

RESTRICTIONS ON TRANSFER OF SECURITIES

There are no specific restrictions on the transfer of securities in the Company, other than as contained in the Articles and certain laws or regulations, such as those related to insider trading, which may be imposed from time to time. The Directors and certain employees of the Company are required to obtain the Company's approval prior to dealing in the Company's securities. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

EXERCISE OF RIGHTS OF SHARES IN EMPLOYEE SHARE SCHEMES

The trustees of the IG Group Employee Benefit Trust do not seek to exercise voting rights on shares held in the employee trusts, other than on the direction of the underlying beneficiaries. No voting rights are exercised in relation to shares unallocated to individual beneficiaries. The trustees have a dividend waiver in place in respect of unallocated shares held in the trust.

DIRECTORS' REPORT CONTINUED

POWERS OF THE DIRECTORS TO ISSUE OR PURCHASE THE COMPANY'S SHARES

The Articles permit the Directors to issue or repurchase the Company's own shares, subject to obtaining shareholders' prior approval. The shareholders gave this approval at the 2015 AGM. The authority to issue or buy back shares will expire at the 2016 AGM, and it will be proposed at the meeting that the Directors be granted new authorities to issue or buy back shares. The Directors currently have authority to purchase up to 36,664,776 of the Company's ordinary shares. However, the Company did not repurchase any of its ordinary shares during the year.

During the year, the Company instructed the trustee of the Employee Benefit Trust to purchase shares in order to satisfy awards under the Group's share incentive plan schemes. The Company also issued shares in respect of the sustained performance plan 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 28 to the Financial Statements.

MAJOR INTEREST IN SHARES

Information provided to the Company by major shareholders pursuant to the Financial Conduct Authority (FCA)'s Disclosure and Transparency Rules (DTRs) is published via a Regulatory Information Service and is available on the Company's website. The following information has been received, in accordance with DTR5, from holders of notifiable interests in the Company's issued share capital. It should be noted that some of these holdings may have changed since the Company received the notification. Holders are not required to notify the Company of any change until the next applicable threshold is reached or crossed.

	31 MAY 2016	
	NO. OF SHARES	PERCENTAGE
Massachusetts Financial Services Company	36,584,986	10.00%
Artemis Investment Management LLP	18,806,983	5.15%
BlackRock, Inc.	18,313,343	5.01%
Cantillon Capital Management LLC	18,309,407	4.99%
Allianz Global Investors GmbH	18,303,673	4.99%
Prudential PLC Group of Companies	11,066,471	3.00%

As at 19 July 2016, there were no changes to the shareholdings shown in the table above.

CHANGE OF CONTROL

Following any future change of control of the Company, the Group's banking facilities, which are currently undrawn (refer to note 19 of the Financial Statements), will be cancelled, and any obligations will become immediately due and payable.

There are no agreements between the Company and its Directors or employees providing for compensation on any loss of office or employment that occurs because of a takeover bid. However, options and awards granted to employees under the Company's share schemes and plans may vest on a takeover, under the schemes' provisions.

ANNUAL GENERAL MEETING

The Company's AGM will be held on 21 September 2016. Details of the resolutions to be proposed at the AGM will be sent to all shareholders in a separate circular.

INDEPENDENT AUDITORS

Resolutions to reappoint PricewaterhouseCoopers LLP as the Company's auditors and to authorise the Directors to determine their remuneration will be put to shareholders at the AGM on 21 September 2016.

GOING CONCERN

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

The Directors have reviewed the Company and the Group's processes for managing the financial risks to which they are exposed, their available liquidity, their regulatory capital position and their annual budget. As a result of this review, the Directors are satisfied that the Company and the Group have 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 or she is obliged to take as a Director in order to make himself or herself aware of any relevant audit information, and to establish that the Company's auditors are aware of that information. This confirmation is given pursuant to section 418 of the Companies Act 2006 and should be interpreted in accordance with and subject to these provisions.

SUBSEQUENT EVENTS

Please refer to note 38 of the Financial Statements.

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.

The Companies Act 2006 requires the Directors to prepare Financial Statements for each financial year. Under this 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 Group's profit or loss for that financial year. In preparing these Financial Statements, the Directors are required to:

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

Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

The Directors are responsible for ensuring that the Group and the Company keeps adequate accounting records. These records must be sufficient to show and explain the Group and the Company's transactions and disclose the financial position of the Group and the Company with reasonable accuracy at any time. They must also enable the Directors to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

The Directors are responsible for safeguarding the assets of the Group and the Company, and for taking reasonable steps to prevent and detect fraud and other irregularities.

The maintenance and integrity of the Group's website is also the Directors' responsibility.

RESPONSIBILITY STATEMENT

It is the Directors' opinion that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group and the Company's performance, business model and strategy.

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

- The Financial Statements, which have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the Company and the undertakings included in the consolidation taken as a whole
- The Strategic Report and the Directors' Report included within this Annual Report provide a fair review of the business's development and performance, the Group and the Company's position and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that the Group and the company face

On behalf of the Board:

Peter Hetherington
Chief Executive Officer
19 July 2016

INDEPENDENT AUDITOR'S REPORT

REPORT ON THE FINANCIAL STATEMENTS

OUR OPINION

In our opinion:

- IG Group Holdings plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 May 2016 and of the Group's profit and the Group's and the Company's cash flows for the year then ended
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union
- the 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
- 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

WHAT WE HAVE AUDITED

IG Group Holdings plc's financial statements comprise:

- the Group and Company Statements of Financial Position as at 31 May 2016
- the Group Income Statement and Group Statement of Comprehensive Income for the year then ended
- the Group and Company Cash Flow Statements for the year then ended
- the Group and Company Statements of Changes in Equity for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRS as adopted by the European Union, and applicable law and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

OUR AUDIT APPROACH

Overview

We present below an overview of our audit approach, the details of which are considered within our audit report:

- Overall Group materiality: £10 million which represents 5% of profit before tax.

- The Group consists of a UK holding company with a number of subsidiary entities and branches containing the operating businesses of both the UK and overseas territories. The accounting records for both the UK and overseas businesses are primarily maintained and controlled by the Group finance team in London.
- We have determined the appropriate work to perform based on the consolidated balances of the Group. As a result, the audit work was primarily performed by the Group audit team in London, reflecting the centralised nature of the business.

- Revenue recognition.
- Risk of management override of internal controls, incorporating super-user access to IT systems relevant to the financial reporting process.

THE SCOPE OF OUR AUDIT AND OUR AREAS OF FOCUS

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

AREA OF FOCUS	HOW OUR AUDIT ADDRESSED THE AREA OF FOCUS
REVENUE RECOGNITION The Group provides its clients access to a broad range of financial markets, predominantly through spreadbetting and contract-for-difference ("CFD") activities. The Group's trading revenue predominantly comprises net revenues from these spreadbetting and CFD transactions placed by clients, and the net gains or losses from the hedging trades that the Group places with external counterparties to manage its risk. All of the client trading transactions and the Group's related hedging transactions are recorded in the Universe system, and the net position at each month end is recorded in the Oracle general ledger.	We focused firstly on testing the control environment in which revenue is recorded. In particular we tested controls directly associated with revenue transaction reporting, and the valuation of year-end positions held by clients with the Group. We also tested controls associated with cash reconciliations and reconciliations with external counterparties through the year. We agreed all cash accounts to external third party evidence at year-end through a combination of independent confirmations and examination of bank statements, and amounts and positions held with hedging counterparties to external third party evidence. Finally, to address the risk that improper adjustments or transactions had been entered into the trading systems, we reviewed client activity reports and read a sample of customer complaints, as well as testing a sample of accounts for authenticity to identify any instances where revenue might have been improperly recognised. We identified a number of exceptions in our testing of the control environment, but have performed sufficient additional procedures to conclude that they do not have a material impact on revenue.
RISK OF MANAGEMENT OVERRIDE OF INTERNAL CONTROLS INCORPORATING SUPER-USER ACCESS TO UNIVERSE International Standards on Auditing (UK & Ireland) (ISAs (UK & Ireland)) require that we consider this to be a significant risk as management is in a unique position to perpetrate fraud, because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although management is responsible for safeguarding the assets of the business, we planned our audit so that we had a reasonable expectation of detecting material misstatements in the financial statements and accounting records. Specifically in relation to information technology, the risk relates to super-user access to Universe, the main client ledger system, by certain individuals in order to perform their role. Those individuals have an opportunity to commit and conceal fraud.	We understood and tested key controls in place over the financial reporting process. Specifically, in relation to information technology, we performed testing of the IT general controls related to Universe, including access rights. Additionally we tested the controls mitigating the risks relating to Universe super-user access including controls that would identify unexpected changes to data which could impact the financial statements, and reconciliations of Universe reports to external third party sources including broker and bank reconciliations. We did not identify any material exceptions. We tested the fraud risk assessment performed by management and the preventative and detective controls in place in the Group with no material exceptions noted from our testing. We tested the appropriateness and authorisation of journal entries that we identified as unusual and no issues arose from this work. We examined significant one-off transactions and considered their accounting treatment with no exceptions arising. We also incorporated an element of unpredictability into our testing approach.

HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group consists of a UK holding company with a number of subsidiary entities and branches containing the UK and overseas operating businesses. The accounting records for the UK and overseas businesses are primarily maintained by the Group finance team in London. As a result, the audit work was primarily performed by the Group audit team in London.

MATERIALITY

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£10 million (2015: £8.5 million).
How we determined it	5% of profit before tax.
Rationale for benchmark applied	Consistent with last year, we applied this benchmark, a generally accepted auditing practice, as it is the most relevant metric against which the performance of the Group is measured.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £508,000 (2015: £420,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

GOING CONCERN

Under the Listing Rules we are required to review the Directors' Statement, set out on page 100, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' Statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Company's ability to continue as a going concern.

OTHER REQUIRED REPORTING

CONSISTENCY OF OTHER INFORMATION

Companies Act 2006 opinion

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

ISAs (UK & IRELAND) REPORTING	
UNDER ISAS (UK & IRELAND) WE ARE REQUIRED TO REPORT TO YOU IF, IN OUR OPINION:	
▮ Information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report arising from this responsibility.
▮ the statement given by the directors on page 101, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Company's performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
▮ the section of the Annual Report on pages 92 to 93, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report arising from this responsibility.

THE DIRECTORS' ASSESSMENT OF THE PROSPECTS OF THE GROUP AND OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE VIABILITY OF THE GROUP	
UNDER ISAS (UK & IRELAND) WE ARE REQUIRED TO REPORT TO YOU IF WE HAVE ANYTHING MATERIAL TO ADD OR TO DRAW ATTENTION TO IN RELATION TO:	
▮ the directors' confirmation on page 54 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
▮ the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
▮ the directors' explanation on page 54 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

ADEQUACY OF ACCOUNTING RECORDS AND INFORMATION AND EXPLANATIONS RECEIVED

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

DIRECTORS' REMUNERATION

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

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

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

As explained more fully in the Statement of Directors' Responsibilities set out on page 101, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

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:

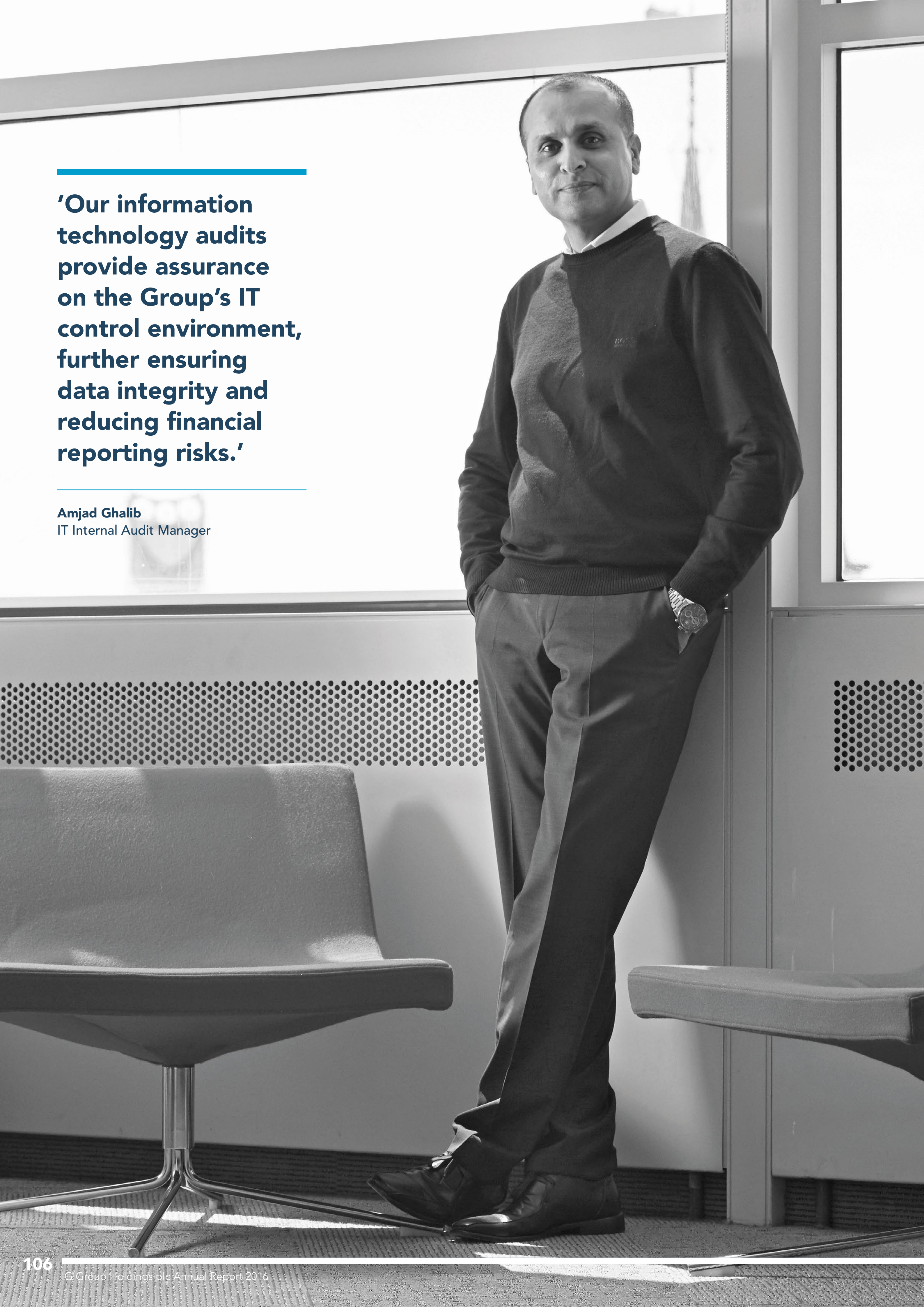
- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

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

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

Darren Meek (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 July 2016



'Our information technology audits provide assurance on the Group's IT control environment, further ensuring data integrity and reducing financial reporting risks.'

Amjad Ghalib
IT Internal Audit Manager

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PRIMARY STATEMENTS

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FINANCIAL STATEMENTS

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY 2016

	Note	Year ended 31 May 2016 £m	Year ended 31 May 2015 £m
Trading revenue		487.9	422.1
Interest income on segregated client funds	3(a)	3.8	4.9
		491.7	427.0
Interest expense on segregated client funds		(0.4)	(0.4)
Introducing partner commissions		(31.6)	(33.7)
Betting duty and financial transaction taxes		(11.2)	(6.3)
Other operating income	3(b)	0.6	0.6
Net operating income	4	449.1	387.2
Analysed as:			
Net trading revenue	3(a)	456.3	388.4
Other net operating loss		(7.2)	(1.2)
Operating expenses	5	(241.5)	(217.6)
Operating profit		207.6	169.6
Finance income	8	2.0	1.8
Finance costs	9	(1.7)	(1.9)
Profit before taxation		207.9	169.5
Taxation	10	(43.6)	(37.6)
Profit for the year		164.3	131.9
Profit for the year attributable to owners of the parent		164.3	131.9

Earnings per ordinary share	Note	**2016**	**2015**
Basic	11	44.94p	36.13p
Diluted	11	44.58p	35.99p

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2016

	Year ended 31 May 2016		Year ended 31 May 2015	
	£m	£m	£m	£m
Profit for the year		164.3		131.9
Other comprehensive (expense)/income:				
Items that may be reclassified to profit or loss:				
Change in value of available-for-sale financial assets	(0.1)		0.3	
Foreign currency translation income on overseas subsidiaries	4.5		0.6	
Other comprehensive income for the year, net of tax		4.4		0.9
Total comprehensive income for the year		168.7		132.8
Total comprehensive income attributable to owners of the parent		168.7		132.8

All items of other comprehensive income or expense may be subsequently reclassified to profit or loss.

The items of comprehensive income noted above are stated net of related tax effects.

The notes on pages 113 to 165 are an integral part of these Financial Statements.

STATEMENTS OF FINANCIAL POSITION

AT 31 MAY 2016

		Group		Company	
		31 May 2016	31 May 2015	31 May 2016	31 May 2015
	Note	£m	£m	£m	£m
Assets					
Non–current assets					
Property, plant and equipment	13	13.0	13.3	–	–
Intangible assets	14	125.1	124.0	–	–
Investment in subsidiaries	15	–	–	486.8	479.8
Financial investments	21	25.0	75.5	–	–
Deferred tax assets	10	7.2	7.1	–	–
		170.3	219.9	486.8	479.8
Current assets					
Trade receivables	17	278.5	269.6	–	–
Prepayments and other receivables		12.4	12.2	131.9	202.8
Cash and cash equivalents	18	218.8	148.8	–	–
Financial investments	21	111.0	32.9	–	–
		620.7	463.5	131.9	202.8
TOTAL ASSETS		791.0	683.4	618.7	682.6
Liabilities					
Current liabilities					
Trade payables	22	43.4	17.7	–	–
Other payables	23	70.8	61.2	35.7	126.5
Income tax payable		13.8	13.1	–	–
		128.0	92.0	35.7	126.5
Non–current liabilities					
Redeemable preference shares	26	–	–	–	–
Total liabilities		128.0	92.0	35.7	126.5
Equity					
Share capital	27	–	–	–	–
Share premium	27	206.8	206.8	206.8	206.8
Other reserves	29	102.2	91.8	45.3	39.3
Retained earnings		354.0	292.8	330.9	310.0
Total equity		663.0	591.4	583.0	556.1
TOTAL EQUITY AND LIABILITIES		791.0	683.4	618.7	682.6

The Financial Statements on pages 108 to 112 were approved by the Board of Directors on 19 July 2016 and signed on its behalf by:

Peter Hetherington
Chief Executive Officer

Registered Company number: 04677092

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2016

Group	Share capital (note 27) £m	Share premium (note 27) £m	Other reserves (note 29) £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 June 2014	–	206.8	85.4	273.7	565.9	–	565.9
Profit for the year	–	–	–	131.9	131.9	–	131.9
Other comprehensive income for the year	–	–	0.9	–	0.9	–	0.9
Profit for the year and total comprehensive income	–	–	0.9	131.9	132.8	–	132.8
Equity-settled employee share-based payments (note 30)	–	–	5.3	–	5.3	–	5.3
Excess of tax deduction benefit on share-based payments recognised directly in equity (note 10)	–	–	0.5	–	0.5	–	0.5
Purchase of own shares	–	–	(0.3)	–	(0.3)	–	(0.3)
Equity dividends paid (note 12)	–	–	–	(112.8)	(112.8)	–	(112.8)
Movement in equity	–	–	6.4	19.1	25.5	–	25.5
At 31 May 2015	–	206.8	91.8	292.8	591.4	–	591.4
Profit for the year	–	–	–	164.3	164.3	–	164.3
Other comprehensive income for the year	–	–	4.4	–	4.4	–	4.4
Profit for the year and total comprehensive income	–	–	4.4	164.3	168.7	–	168.7
Equity-settled employee share-based payments (note 30)	–	–	7.0	–	7.0	–	7.0
Excess of tax deduction benefit on share-based payments recognised directly in equity (note 10)	–	–	–	–	–	–	–
Purchase of own shares	–	–	(1.0)	–	(1.0)	–	(1.0)
Equity dividends paid (note 12)	–	–	–	(103.1)	(103.1)	–	(103.1)
Movement in equity	–	–	10.4	61.2	71.6	–	71.6
At 31 May 2016	–	206.8	102.2	354.0	663.0	–	663.0

The notes on pages 113 to 165 are an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2016

Company	Share capital (note 27) £m	Share premium (note 27) £m	Other reserves (note 29) £m	Retained earnings £m	Total equity £m
At 1 June 2014	–	206.8	34.3	360.1	601.2
Profit for the year and total comprehensive income	–	–	–	62.7	62.7
Equity-settled employee share-based payments (note 30)	–	–	5.3	–	5.3
Purchase of own shares	–	–	(0.3)	–	(0.3)
Equity dividends paid (note 12)	–	–	–	(112.8)	(112.8)
Movement in equity	–	–	5.0	(50.1)	(45.1)
At 31 May 2015	–	206.8	39.3	310.0	556.1
Profit for the year and total comprehensive income	–	–	–	124.0	124.0
Equity-settled employee share-based payments (note 30)	–	–	7.0	–	7.0
Purchase of own shares	–	–	(1.0)	–	(1.0)
Equity dividends paid (note 12)	–	–	–	(103.1)	(103.1)
Movement in equity	–	–	6.0	20.9	26.9
At 31 May 2016	–	206.8	45.3	330.9	583.0

The notes on pages 113 to 165 are an integral part of these Financial Statements.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 MAY 2016

	Note	Group		Company	
		Year ended 31 May 2016 £m	Year ended 31 May 2015 £m	Year ended 31 May 2016 £m	Year ended 31 May 2015 £m
Cash generated from operations	20	223.7	210.4	104.8	112.8
Income taxes paid		(42.5)	(42.9)	–	–
Interest received on segregated client funds		3.8	4.9	–	–
Interest paid on segregated client funds		(0.4)	(0.4)	–	–
Net cash flow from operating activities		184.6	172.0	104.8	112.8
Investing activities					
Interest received		1.1	0.8	–	–
Purchase of property, plant and equipment		(5.1)	(6.0)	–	–
Payments to acquire intangible assets		(8.6)	(6.4)	–	–
Proceeds from maturity of financial investments and coupon receipts		34.5	51.3	–	–
Purchase of financial investments		(32.4)	(51.1)	–	–
Net cash flow used in investing activities		(10.5)	(11.4)	–	–
Financing activities					
Interest paid		(1.3)	(1.9)	(0.7)	–
Equity dividends paid to owners of the parent	12	(103.1)	(112.8)	(103.1)	(112.8)
Purchase of own shares held in Employee Benefit Trusts		(1.0)	–	(1.0)	–
Proceeds from draw down of committed banking facility	19(c)	200.0	100.0	–	–
Repayment of committed banking facility	19(c)	(200.0)	(100.0)	–	–
Net cash flow used in financing activities		(105.4)	(114.7)	(104.8)	(112.8)
Net increase in cash and cash equivalents		68.7	45.9	–	–
Cash and cash equivalents at the beginning of the year		148.8	101.5	–	–
Exchange profit on cash and cash equivalents		1.3	1.4	–	–
Cash and cash equivalents at the end of the year	18	218.8	148.8	–	–

The notes on pages 113 to 165 are an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. PRESENTATION, CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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, the useful economic life applied to the intangible assets and the calculation of the Group's current corporation tax charge (refer to note 10(b), 10(d) and 10(e)).

The assessment of the useful economic life of the Group's internally developed and acquired software, licenses, domain name and generic top-level domain based intangible assets is judgmental and can change due to obsolescence as a result of unforeseen technological developments. The useful life for licenses represents management's view of the expected term over which the Group will receive benefits from the software, and does not exceed the licence term. For internally developed and acquired software and domain assets the life is based on historical experience with similar products as well as anticipation of future events which may impact their useful economic life (refer to note 14, note 16, note 40.5 and note 40.6).

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 has made tax payments in respect of the potential tax liability that may arise on these unresolved items, however, the amount ultimately payable may be materially lower than the amount already paid and could therefore improve the overall profitability and cash flows of the Group in future periods.

The measurement of the Group's net trading revenue is predominately based on quoted market prices (refer to note 35 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.

NOTES TO THE FINANCIAL STATEMENTS

2. UNDERLYING RESULTS FOR THE YEAR ENDED 31 MAY 2015

The Directors regard the adjustment of exceptional items in the Financial Statements, as detailed below, necessary to provide greater comparability of the results of the Group for the year.

Exceptional items – Swiss franc event impact

In the prior year, the Swiss National Bank announced that it had ceased intervention in the exchange rate between the Swiss franc and Euro. This caused a sudden extreme appreciation in the value of the franc, accompanied by a lack of market liquidity which lasted several minutes and resulted in a negative financial impact to the Group of £18.8 million. This impact on profit before tax and diluted earnings per share for the prior year is shown below. There are no exceptional items to report for the year ended 31 May 2016.

	Note	Underlying Year ended 31 May 2015 £m	Swiss franc event impact £m	Statutory Year ended 31 May 2015 £m
Net operating income		399.4	12.2	387.2
Analysed as:				
Net trading revenue		400.2	11.8	388.4
Other net operating (loss)/income[1]		(0.8)	0.4	(1.2)
Operating expenses[2]		(206.1)	11.5	(217.6)
Operating profit		193.3	23.7	169.6
Finance income	8	1.8	–	1.8
Finance costs	9	(1.9)	–	(1.9)
Profit before taxation		193.2	23.7	169.5
Taxation	10	(42.5)	(4.9)	(37.6)
Profit for the year		150.7	18.8	131.9
Earnings per ordinary share				
– basic		41.27p	5.14p	36.13p
– diluted		41.07p	5.08p	35.99p

(1) £0.4 million Swiss franc event impact relates to betting duty.

(2) Included in operating expenses was £11.5 million, made up of £15.1 million of Swiss franc related bad debts charge, a decrease in employee bonuses of £3.1 million and £0.5 million related to sustained performance plan (SPP) share schemes.

Segment net trading revenue

Year ended 31 May 2015	UK £m	Europe £m	Australia £m	Rest of World £m	Central £m	Total £m
Net trading revenue	206.0	76.9	58.1	47.4	–	388.4
Underlying net trading revenue	211.9	80.9	59.2	48.2	–	400.2

Own funds generated from operations

Year ended 31 May 2015	Statutory £m	Swiss franc event impact £m	Underlying £m
Own funds generated from operations	136.8	22.4	159.2

3. TURNOVER

3(a) NET TRADING REVENUE

Net trading revenue represents trading revenue from financial instruments carried at fair value through profit or loss after introducing partner commission, and commission earned from providing the execution only share dealing service. This is consistent with the management information received by the Chief Operating Decision Maker (refer to note 4). Net trading revenue is analysed as follows:

	Year ended 31 May 2016 £m	Year ended 31 May 2015 £m
Net trading revenue		
Contracts for difference	240.9	205.8
Spread betting	166.6	146.2
Binaries	48.0	36.2
Share dealing commission	0.8	0.2
Total net trading revenue	456.3	388.4
Interest income on segregated client funds	3.8	4.9

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

3(b) OTHER OPERATING INCOME

	Year ended 31 May 2016 £m	Year ended 31 May 2015 £m
Administrative charges to clients	0.6	0.6

The Group charges inactivity fees for those accounts on which clients have not traded for two years.

4. SEGMENT INFORMATION

The segment information is presented as follows:

- Segment net trading revenue has been disclosed after taking into account introducing partner commissions, as this is consistent with the management information received by the Chief Operating Decision Maker (CODM), being 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 and Rest of World. The Rest of World segment comprises the Group's operations in Japan, South Africa, Singapore, the USA and Dubai
- The UK segment comprises the Group's operations in the UK and Ireland
- The Europe segment comprises the Group's operations in France, Germany, Italy, Luxembourg, the Netherlands, Norway, Spain, Sweden and Switzerland
- 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), binary options and execution only stockbroking. The Australian segment derives its revenue from CFDs and binary options. The European segment derives its revenue from CFDs, binary options and execution only stockbroking. The businesses reported within Rest of World derive revenue from the operation of a regulated futures and options exchange as well as CFDs and binary options.

4. SEGMENT INFORMATION CONTINUED

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, 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 2016	UK £m	Europe £m	Australia £m	Rest of World £m	Central £m	Total £m
Segment net trading revenue	231.1	98.6	64.0	62.6	–	456.3
Interest income on segregated client funds	–	–	–	–	3.8	3.8
	231.1	98.6	64.0	62.6	3.8	460.1
Interest expense on segregated client funds	–	–	–	–	(0.4)	(0.4)
Other operating income	–	–	–	–	0.6	0.6
Betting duty and financial transaction taxes	(10.8)	(0.4)	–	–	–	(11.2)
Net operating income	220.3	98.2	64.0	62.6	4.0	449.1
Segment contribution	174.1	59.8	54.5	36.1	(104.2)	220.3
Allocation of central income and costs	(52.6)	(23.5)	(15.3)	(12.8)	104.2	–
Depreciation and amortisation	(7.6)	(2.2)	(1.2)	(1.7)	–	(12.7)
Operating profit	113.9	34.1	38.0	21.6	–	207.6
Net finance income						0.3
Profit before taxation						207.9

Year ended 31 May 2015	UK £m	Europe £m	Australia £m	Rest of World £m	Central £m	Total £m
Segment net trading revenue	206.0	76.9	58.1	47.4	–	388.4
Interest income on segregated client funds	–	–	–	–	4.9	4.9
	206.0	76.9	58.1	47.4	4.9	393.3
Interest expense on segregated client funds	–	–	–	–	(0.4)	(0.4)
Other operating income	–	–	–	–	0.6	0.6
Betting duty and financial transaction taxes	(5.8)	(0.4)	(0.1)	–	–	(6.3)
Net operating income	200.2	76.5	58.0	47.4	5.1	387.2
Segment contribution	154.5	35.1	48.3	25.6	(83.2)	180.3
Allocation of central income and costs	(41.6)	(19.0)	(12.5)	(10.1)	83.2	–
Depreciation and amortisation	(5.6)	(2.2)	(1.4)	(1.5)	–	(10.7)
Operating profit	107.3	13.9	34.4	14.0	–	169.6
Net finance costs						(0.1)
Profit before taxation						169.5

5. OPERATING EXPENSES

Group	Year ended 31 May 2016 £m	Year ended 31 May 2015 £m
This is stated after charging/(crediting):		
Depreciation of property, plant and equipment	5.2	5.7
Amortisation and impairment of intangible assets	7.5	5.0
Advertising and marketing	49.7	37.8
Net charge for impaired trade receivables[1]	1.6	16.1
Operating lease rentals for buildings	6.1	5.3
Foreign exchange gains[2]	(0.2)	(0.6)

(1) Net charge for impaired trade receivables in 2015 includes £15.1 million in relation to the Swiss franc event (refer to note 36).
(2) All of the above, except foreign exchange differences are included in operating expenses within the Income Statement. Foreign exchange gains and losses are included in revenue.

6. AUDITORS' REMUNERATION

Group	Year ended 31 May 2016 £m	Year ended 31 May 2015 £m
Audit fees		
Fees payable to the Company's auditors for the audit of the parent Company and consolidated financial statements	0.4	0.4
Fees payable to the Company's auditor and its associates for the statutory and non-statutory audits of the accounts of subsidiaries and branches of the Company	0.3	0.3
Total audit fees	0.7	0.7
Audit-related fees[1]		
Fees payable to the Company's auditors and its associates for audit-related assurance services:		
• Other services supplied pursuant to legislation	0.2	0.1
• Other audit-related assurance services	0.1	0.1
Total audit-related fees	0.3	0.2
Non-audit services and fees		
Other services relating to taxation		
• Tax compliance services[2]	0.1	0.2
• Tax advisory services[3]	0.5	0.3
Services relating to regulatory advice[4]	–	0.1
Services relating to strategic advice[5]	–	0.3
Total non-audit services and fees	0.6	0.9

(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.
(3) Includes advice relating to the Group's transfer pricing policies, sales taxes, tax structures and other general tax advice.
(4) Includes services provided in relation to regulatory requirements and other regulatory advice.
(5) Includes strategic advice to the Board.

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

NOTES TO THE FINANCIAL STATEMENTS

7. STAFF COSTS

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

Group	Year ended 31 May 2016 £m	Year ended 31 May 2015 £m
Wages and salaries	97.5	79.4
Social security costs	11.2	9.2
Other pension costs (in relation to defined contribution schemes)[1]	4.8	5.7
	113.5	94.3

(1) The Group does not operate any defined benefit pension schemes.

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

Group	Year ended 31 May 2016 £m	Year ended 31 May 2015 £m
Performance-related bonuses	21.9	14.0
Equity-settled share-based payment schemes	8.3	6.3
	30.2	20.3

The Directors' remuneration for the years ended 31 May 2016 and 31 May 2015, can be found in the Directors' Remuneration Report on pages 81 and 82.

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

Group	Year ended 31 May 2016 Number	Year ended 31 May 2015 Number
IT development	507	479
IT support	94	81
Sales, marketing and client support	555	488
Dealing	45	38
Management and administrative	211	201
	1,412	1,287

8. FINANCE INCOME

Group	Year ended 31 May 2016 £m	Year ended 31 May 2015 £m
Bank interest receivable	0.8	0.7
Interest receivable from brokers	0.3	0.4
Interest accretion on financial investments	0.9	0.7
	2.0	1.8

9. FINANCE COSTS

Group	Year ended 31 May 2016 £m	Year ended 31 May 2015 £m
Liquidity facility arrangement and non-utilisation fees	1.1	1.2
Interest payable to clients	0.1	0.1
Interest payable to brokers	0.4	0.1
Bank interest payable	0.1	0.1
Other charges	–	0.4
	1.7	1.9

Interest payable to clients relates to interest paid or accrued to clients in relation to title transfer funds (refer to note 18).

10. TAXATION

10(a) TAX ON PROFIT ON ORDINARY ACTIVITIES

Tax charged in the Income Statement:

Group	Year ended 31 May 2016 £m	Year ended 31 May 2015 £m
Current income tax:		
UK Corporation Tax	41.0	34.3
Foreign tax	3.5	3.8
Adjustment in respect of prior years	(0.9)	(1.0)
Total current income tax	43.6	37.1
Deferred income tax:		
Origination and reversal of temporary differences	(0.2)	(0.4)
Adjustment in respect of prior years	0.3	0.9
Impact of change in tax rates on deferred tax	(0.1)	–
Total deferred income tax (note 10(d))	–	0.5
Tax expense in the Income Statement (note 10(b))	43.6	37.6

10(b) RECONCILIATION OF THE TOTAL TAX CHARGE

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the effective corporation tax for the year ended 31 May 2016 is 20%, and that for the year ended 31 May 2015 is calculated at 20.83% 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 as set out below:

Group	Year ended 31 May 2016 £m	Year ended 31 May 2015 £m
Profit before taxation	207.9	169.5
Profit multiplied by the UK standard rate of corporation tax of 20.00% (2015: 20.83%)	41.6	35.3
Expenses not deductible for tax purposes	0.3	0.5
Impact of timing differences not recognised	0.8	1.2
Higher taxes on overseas earnings	1.4	0.7
Adjustment in respect of prior years	(0.6)	(0.1)
Impact of change in tax rates on deferred tax	0.1	–
Total tax expense reported in the Income Statement	43.6	37.6

The effective tax rate is 21.00% (2015: 22.18%).

NOTES TO THE FINANCIAL STATEMENTS

10. TAXATION CONTINUED

10(c) DEFERRED INCOME TAX ASSETS

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

Group	Year ended 31 May 2016 £m	Year ended 31 May 2015 £m
Tax losses available for offset against future tax	1.9	1.8
Share-based payments	1.7	1.5
Other timing differences	3.6	3.8
	7.2	7.1

The tax losses available for offset against future tax relate to operating losses arising in the US consolidated tax group, the recoverability of which is dependent on sufficient future operating profits in those entities. A deferred income tax asset is recognised where it is considered probable that the US consolidated tax group will generate future operating profits which can be offset against the tax losses carried forward. Where it is not anticipated that future operating profits will be generated against which the losses can be offset, a deferred income 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	Year ended 31 May 2016 £m	Year ended 31 May 2015 £m
At the beginning of the year	7.1	7.1
Income Statement charge (note 10 (d))	–	(0.5)
Tax credited directly to equity	–	0.5
Foreign currency adjustment	0.1	–
At the end of the year	7.2	7.1

10(d) DEFERRED INCOME TAX – INCOME STATEMENT CREDIT

Group	Year ended 31 May 2016 £m	Year ended 31 May 2015 £m
The deferred income tax charge included in the Income Statement is made up as follows:		
Decelerated capital allowances	(0.2)	(0.4)
Share-based payments	–	0.1
Other timing differences	0.2	(0.2)
Income Statement charge	–	(0.5)
The deferred tax credited to equity during the year is as follows:		
Share-based payments	–	(0.5)

The Finance Act 2015 passed into legislation in July 2015 and changed the main rate of UK corporation tax for future periods. The rate will reduce from 20% to 19% effective from 1 April 2017 and will further reduce to 18% with effect from 1 April 2020. The impact of these changes on deferred tax have been assessed and deferred tax assets and liabilities have been assessed at the tax rates that are expected to apply when the related asset is realised or liability settled. The deferred tax assets and liabilities for the year ended 31 May 2015 were calculated at the then substantively enacted rate for all future periods which was 20%.

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 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(d)) and of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority. The Group has made tax payments in respect of the potential tax liability that may arise on these unresolved items, however, the amount ultimately payable may be materially lower than the amount already paid and could therefore improve the overall profitability and cash flows of the Group in future periods.

11. EARNINGS PER ORDINARY SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to owners 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	Year ended 31 May 2016 £m	Year ended 31 May 2015 £m
Profit for the year	164.3	131.9
Earnings attributable to non-controlling interests	–	–
Earnings attributable to owners of the parent	164.3	131.9
Weighted average number of shares		
Basic	365,620,585	365,199,825
Dilutive effect of share-based payments	2,910,404	1,383,806
Diluted	368,530,989	366,583,631

Group	Year ended 31 May 2016 pence	Year ended 31 May 2015 pence
Basic earnings per share	44.94	36.13
Diluted earnings per share	44.58	35.99

12. DIVIDENDS

Company and Group	Year ended 31 May 2016 £m	Year ended 31 May 2015 £m
Declared and paid during the year:		
Final dividend for 2015 at 19.70p per share (2014: 22.40p)	72.2	81.9
Interim dividend for 2016 at 8.45p per share (2015: 8.45p)	30.9	30.9
	103.1	112.8
Proposed for approval by shareholders at the AGM:		
Final dividend for 2016 at 22.95p per share (2015: 19.70p)	84.0	71.8

The final dividend for 2016 of 22.95p per share amounting to £84.0 million was proposed by the Board on 14 July 2016 and has not been included as a liability at 31 May 2016. This dividend will be paid on 28 October 2016, following approval at the Company's AGM, to those members on the register at the close of business on 30 September 2016.

Whilst the Company has the obligation to pay the dividends, the physical payment is made by a subsidiary company.

The dividend paid or declared in relation to the financial year are set out below:

	Year ended 31 May 2016 pence	Year ended 31 May 2015 pence
Dividend declared per share:		
Interim dividend	8.45	8.45
Final dividend	22.95	19.70
	31.40	28.15

NOTES TO THE FINANCIAL STATEMENTS

13. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements £m	Office equipment, fixtures and fittings £m	Computer and other equipment £m	Total £m
Cost:				
At 1 June 2014	17.9	2.4	15.2	35.5
Foreign currency adjustment	(0.1)	–	–	(0.1)
Additions	1.0	0.3	4.6	5.9
Written off	–	–	(1.0)	(1.0)
At 31 May 2015	18.8	2.7	18.8	40.3
Foreign currency adjustment	0.1	–	0.1	0.2
Additions	1.0	0.5	3.2	4.7
Written off	(0.3)	(0.1)	(0.4)	(0.8)
At 31 May 2016	19.6	3.1	21.7	44.4
Accumulated depreciation:				
At 1 June 2014	8.8	1.7	12.0	22.5
Foreign currency adjustment	(0.1)	–	(0.1)	(0.2)
Provided during the year	2.0	0.5	3.2	5.7
Written off	–	–	(1.0)	(1.0)
At 31 May 2015	10.7	2.2	14.1	27.0
Provided during the year	1.9	0.3	3.0	5.2
Written off	(0.3)	(0.1)	(0.4)	(0.8)
At 31 May 2016	12.3	2.4	16.7	31.4
Net book value – 31 May 2016	7.3	0.7	5.0	13.0
Net book value – 31 May 2015	8.1	0.5	4.7	13.3
Net book value – 1 June 2014	9.1	0.7	3.2	13.0

14. INTANGIBLE ASSETS

Group	Goodwill £m	Client lists and customer relationships £m	Domain names £m	Development costs £m	Software and licences £m	Total £m
Cost:						
At 1 June 2014	106.7	1.7	5.8	12.0	16.7	142.9
Foreign currency adjustment	0.4	(0.1)	–	–	0.1	0.4
Additions	–	–	1.5	3.1	1.3	5.9
Written off	–	–	–	–	(0.3)	(0.3)
At 31 May 2015	107.1	1.6	7.3	15.1	17.8	148.9
Foreign currency adjustment	–	(0.3)	0.2	–	0.1	–
Additions	–	–	0.6	4.8	3.1	8.5
At 31 May 2016	107.1	1.3	8.1	19.9	21.0	157.4
Accumulated amortisation:						
At 1 June 2014	–	1.7	0.5	3.6	14.4	20.2
Foreign currency adjustment	–	(0.1)	–	–	0.1	–
Provided during the year	–	–	0.7	2.4	1.9	5.0
Written off	–	–	–	–	(0.3)	(0.3)
At 31 May 2015	–	1.6	1.2	6.0	16.1	24.9
Foreign currency adjustment	–	(0.3)	–	–	0.2	(0.1)
Provided during the year	–	–	3.4	2.5	1.6	7.5
At 31 May 2016	–	1.3	4.6	8.5	17.9	32.3
Net book value – 31 May 2016	107.1	–	3.5	11.4	3.1	125.1
Net book value – 31 May 2015	107.1	–	6.1	9.1	1.7	124.0
Net book value – 1 June 2014	106.7	–	5.3	8.4	2.3	122.7

Goodwill primarily relates to the purchase of IG Group plc by IG Group Holdings plc – detail is provided in note 16.

Domain names include the cost of acquiring ig.com and a suite of complementary domains to support the Group's global brand. This also includes industry specific generic top-level domains (gTLDs). Included with the amount provided during the year is £2.7 million relating to the impairment of the gTLDs.

Development costs relate to both internally generated intangible assets and third party software acquired to further enhance the Group's own proprietary software.

Software and licenses relate entirely to external purchases of off-the-shelf, commercially available software for internal consumption within the Group.

The expected useful lives of each class of intangible assets are set out in note 40, Accounting Policies.

NOTES TO THE FINANCIAL STATEMENTS

15. INVESTMENT IN SUBSIDIARIES

PARENT COMPANY – INVESTMENT IN SUBSIDIARIES

Company	31 May 2016 £m	31 May 2015 £m
At cost:		
At the beginning of the year	479.8	471.6
Additions[1]	7.0	8.2
At the end of the year	486.8	479.8

(1) Additions in the year ended 31 May 2016 comprise the investment relating to equity-settled share-based payments for subsidiary employees of £7.0 million (2015: £5.3 million) and the purchase of shares in the Company's immediate subsidiary, IG Group Limited, of £nil (2015: £2.9 million).

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%	Holding company
Subsidiary undertakings held indirectly:				
IG Index Limited	UK	Ordinary shares	100%	Spread betting
IG Markets Limited	UK	Ordinary shares	100%	CFD trading, foreign exchange and market risk management
IG Markets South Africa Limited	UK	Ordinary shares	100%	CFD trading
IG Australia Pty Limited	Australia	Ordinary shares	100%	Sales and marketing office
IG Share Trading Australia Pty Limited	Australia	Ordinary shares	100%	Share dealing
IG Asia Pte Limited	Singapore	Ordinary shares	100%	CFD trading and foreign exchange
North American Derivatives Exchange Inc.	USA	Ordinary shares	100%	Exchange
IG Securities Limited(1)	Japan	Ordinary shares	100%	CFD trading and foreign exchange
IG Bank S.A.	Switzerland	Ordinary shares	100%	CFD trading and foreign exchange
Market Data Limited	UK	Ordinary shares	100%	Data distribution
Market Risk Management Inc.	USA	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
Extrabet Limited	UK	Ordinary shares	100%	Non-trading
Broker Connect Inc.	USA	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 Forex Limited	UK	Ordinary shares	100%	Financing
IG Spread Betting 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	Gibraltar	Ordinary shares	100%	Holding company
IG US Holdings Inc.	USA	Ordinary shares	100%	Holding company
Market Data Japan Limited(1)	Japan	Ordinary shares	100%	Holding company
FXOnline Japan Co., Limited(1)	Japan	Ordinary shares	100%	Non-trading
IG Limited	Dubai	Ordinary Shares	100%	CFD trading and foreign exchange
IG Services Limited	Dubai	Ordinary Shares	100%	Intra-Group Corporate Services
Financial Domaigns Limited	UK	Ordinary Shares	100%	Holding Company
Financial Domaigns Registry Holdings Limited	UK	Ordinary Shares	100%	Holding Company
Financial Domaigns Registrar Limited	UK	Ordinary Shares	100%	Domains registrar
Financial Domaigns (Services) Limited	UK	Ordinary Shares	100%	Domains registry
DotSpreadbetting Registry Limited	UK	Ordinary Shares	100%	Domains registry
DotMarkets Registry Limited	UK	Ordinary Shares	100%	Domains registry
DotTrading Registry Limited	UK	Ordinary Shares	100%	Domains registry
DotCFD Registry Limited	UK	Ordinary Shares	100%	Domains registry
DotBroker Registry Limited	UK	Ordinary Shares	100%	Domains registry
DotForex Registry Limited	UK	Ordinary Shares	100%	Domains registry
Nadex Domains Inc.	USA	Ordinary Shares	100%	Domains registry
Tower Three Capital Inc.	USA	Ordinary Shares	100%	Non-trading
Hedgestreet Securities Inc.	USA	Ordinary Shares	100%	Non-trading
Nadex Clearing LLC	USA	Ordinary Shares	100%	Non-trading
Deal City Limited	UK	Ordinary Shares	100%	Software development
InvestYourWay Ltd.	UK	Ordinary Shares	100%	Non-trading

(1) The Company has a 31 March year-end due to local Japanese law.

NOTES TO THE FINANCIAL STATEMENTS

15. INVESTMENT IN SUBSIDIARIES CONTINUED

Employee Benefit Trusts:

IG Group Holdings plc Inland Revenue Approved Share Incentive Plan (UK Trust)

IG Group Limited Employee Benefit Trust (Jersey Trust)

IG Group Employee Equity Plan Trust (Australian Trust)

The following UK entities, all of which are 100% owned by the Group, are not subject to an audit by virtue of s479A of the Companies Act 2006 relating to subsidiary companies: IG Finance Three (05297886), IG Finance 5 Limited (06752558), IG Finance 9 Limited (07306407), IG Forex Limited (06808361), Financial Domaigns Limited (09233880), Financial Domaigns Registry Holdings Limited (09235699), Financial Domaigns Registrar Limited (09235694), Financial Domaigns (Services) Limited (09235591), DotMarkets Registry Limited (09237699), DotTrading Registry Limited (09237708), DotCFD Registry Limited (09237733), DotBroker Registry Limited (09237714), DotForex Registry Limited (09237740), DotSpreadbetting Registry Limited (09237702) and InvestYourWay Ltd. (07081901).

The following UK entities, all of which are 100% owned by the Group, are exempt from the requirement to prepare individual accounts by virtue of s394A of the Companies Act 2006 relating to the individual accounts of dormant subsidiaries: IG Nominees Limited (04371444), IG Finance (05024562), IG Finance Two (05137194), IG Finance Four (05312015), IG Spread Betting Limited (06806588), IG Finance 8 Limited (06807656), Extrabet Limited (04560348), and Deal City Limited (09635230).

16. GOODWILL

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

Group	31 May 2016 £m	31 May 2015 £m
UK	100.0	100.0
US	5.3	5.0
Australia	0.9	0.9
South Africa	0.9	1.2
	107.1	107.1

UK goodwill arose on the purchase of IG Group plc by IG Group Holdings Limited on 5 September 2003. Goodwill disclosed for Australia arose on the acquisition of the non-controlling interest in IG Australia Pty Limited in the year ended 31 May 2006. Goodwill arising on the acquisitions of Nadex (formerly HedgeStreet) and the associated exchange technology and licence, and Ideal CFD's has been allocated to the separate US and South African CGUs respectively.

Impairment testing

There was no indication of an 'impairment trigger' existing on any of the CGUs (2015: £nil), nor any impairment recognised during the year ended 31 May 2016. The goodwill associated with each CGU has been subject to an impairment test at 31 May 2016. 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 for the UK CGU of £1.5 billion (2015: £1.7 billion) is based upon fair value less costs of disposal. This is £1.4 billion (2015: £1.6 billion) in excess of the carrying amount of the CGU.

Key assumptions used in fair value less costs of disposal calculations

The fair value less costs of disposal of the UK CGU has been calculated using earnings multiple determined by reference to the Company's quoted market capitalisation and the Group's segmental operating profit. As the business model of this CGU is largely synonymous with that of the Group this methodology is deemed to be appropriate.

Sensitivity to changes in assumptions

The UK reported a segment operating profit, after the allocation of central costs, of £113.9 million, for the year ended 31 May 2016 (refer to note 4, segment information). Furthermore the UK CGU represents 51% of the Group's net trading revenue for the year ended 31 May 2016. The Board approved budget for the financial year ending 31 May 2017 and longer term strategic plans for the group forecast at least a similar level of performance for this CGU to continue. As a result both the single year operating profit and thus the recoverable amount of the UK CGU is in excess of the carrying value. Accordingly the outcome of the impairment review for the CGU is not considered to be sensitive to the assumptions used.

17. TRADE RECEIVABLES

Group	31 May 2016 £m	31 May 2015 £m
Amounts due from brokers(1)	245.5	239.2
Other amounts due to the Group(2)	30.8	28.4
Amounts due from clients(3)	2.2	2.0
	278.5	269.6

(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 2016 the actual broker margin requirement was £227.6 million (2015: £204.8 million) with the balance being excess cash margin held at brokers.

(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 as well as excess funds held in segregation in certain jurisdictions. 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 note 36).

18. CASH AND CASH EQUIVALENTS

18(a) CASH AND CASH EQUIVALENTS

Group	31 May 2016 £m	31 May 2015 £m
Gross cash and cash equivalents(1)	1,136.1	1,062.4
Less: Segregated client funds(2)	(917.3)	(913.6)
Cash and cash equivalents(3)	218.8	148.8

(1) Gross cash and cash equivalents includes each of the Group's own cash, proceeds from the drawdown of the committed banking facility, as well as all client monies held.

(2) Segregated client funds comprise 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. Such monies are not included in the Group's Statement of Financial Position.

(3) Cash and cash equivalents includes both title transfer funds 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, and client monies deposited with the Group's Swiss banking subsidiary, IG Bank SA.
The Group's Swiss banking subsidiary, IG Bank SA, is also required to protect customer deposits under the FINMA Privileged Deposit Scheme. At 31 May 2016 IG Bank SA was required to hold £7.0 million (31 May 2015: £2.8 million) in satisfaction of this requirement.

18(b) CLIENT FUNDS AND ASSETS

Group	31 May 2016 £m	31 May 2015 £m
Segregated client funds(1)	917.3	913.6
Segregated client assets(2)	177.8	77.4
Total segregated client funds and assets	1,095.1	991.0

(1) Segregated client funds comprise 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. Such monies are not included in the Group's Statement of Financial Position.

(2) Segregated client assets comprise individual clients' equity positions held in segregated client assets accounts under the Financial Conduct Authority's 'CASS' rules. Such assets are not included in the Group's Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS

19. 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 to monitor and manage the level of liquidity available.

The key measures used by the Group are explained below:

Liquid assets: These are the 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 brokers, 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 all amounts held in overseas subsidiaries and amounts due from segregation – each of which are not considered immediately available to for market risk management.

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.

In order to mitigate liquidity risks, the Group regularly stress tests its liquidity forecast including the appropriate level of committed unsecured bank facilities held. On 17 July 2015, the Group reduced its liquidity facility from £200.0 million with a syndicate of three banks to £160.0 million with a syndicate of four banks. The inclusion of a fourth bank in the syndicate offers the Group further diversification. This facility has £100.0 million available for up to a one year term (with an option to extend for a further year) and £60.0 million for up to three years.

The drawings made under the Group's facility in the year ended 31 May 2016 are disclosed in note 19(c).

Additionally the Group's Japanese business, IG Securities Limited has a Yen 300.0 million liquidity facility as at 31 May 2016 (2015: Yen 300.0 million).

The following notes have been provided to further explain the derivation of liquid assets, own funds, available liquid assets, net available liquidity and total available liquidity. The generation of own funds is disclosed in note 19(d).

19(a) LIQUID ASSETS AND OWN FUNDS

'Liquid assets', stated net of borrowings, and 'own funds' are the key measures the Group uses to monitor the overall level of liquidity available to the Group. The derivation of both liquid assets and own funds are shown in the following table:

	Note	31 May 2016 £m	31 May 2015 £m
Cash and cash equivalents(1)	18	218.8	148.8
Amounts due from brokers(2)	17	245.5	239.2
Financial investments – held at brokers(3.1)	21	53.4	25.3
Financial investments – liquid asset buffer(3.2)	21	82.6	83.1
Other amounts due to the Group(4)	17, 22	26.4	27.6
Liquid assets		626.7	524.0
Less:			
Drawdown of committed banking facility		–	–
Client funds held on balance sheet(5)	22	(39.0)	(16.9)
Own funds		587.7	507.1

(1) Cash and cash equivalents represent cash held on demand with financial institutions (please refer to note 18).

(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 policy.

(3.1) During the year ended 31 May 2016 the Group purchased an additional UK Government Gilt which is held at brokers as collateral to support the hedging of client market exposures in accordance with the Group's market risk management policy (refer to note 21).

(3.2) The 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.

(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 FCA 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates. 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.

(5) Client funds held on balance sheet include both Title Transfer funds and client monies deposited with the Group's Swiss banking subsidiary. These are recognised on the Group's Statement of Financial Position with an associated payable to clients.

19(b) THE GROUP'S LIQUIDITY REQUIREMENTS

The Group requires day-to-day 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 asset 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 the regulatory and working capital of overseas businesses, as they are not considered to be available for the purposes of central market and liquidity risk management.

These requirements are analysed in the following table:

	Note	31 May 2016 £m	31 May 2015 £m
Liquid assets	19(a)	626.7	524.0
Less: amounts required to ensure appropriate client money segregation	17, 22	(26.4)	(27.6)
Less: amounts required for regulatory and working capital of overseas businesses(1)		(64.3)	(58.8)
Available liquid assets		536.0	437.6
Less broker margin requirement(2)	17	(227.6)	(204.8)
Net available liquidity		308.4	232.8
Of which is:			
Held as a liquid assets buffer(3)	21	82.6	83.1
Drawdown of committed banking facility		–	–

(1) The Group's regulated subsidiaries in Australia, Japan, Singapore, South Africa, Switzerland, Dubai and the USA 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, Dubai and the USA 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. Both the regulatory working capital amounts and customer deposits are not available to the Group for the purposes of central market risk management.

(2) Positions are held with external brokers in order to hedge client market risk exposures in accordance with the Group's market risk management policies.

(3) 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.

19(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 whilst 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 individual client funds are required to be placed in segregated client money accounts in all jurisdictions with the exception of Switzerland where the entity has a banking licence. A result of this 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 movements the Group may 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 may be required to fund higher margin requirements at brokers to hedge increased underlying client positions. These additional requirements are funded from the Group's available liquid assets 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.

19. LIQUIDITY ANALYSIS AND RISK MANAGEMENT CONTINUED

19(c) LIQUIDITY MANAGEMENT AND LIQUIDITY RISK CONTINUED

During the year ended 31 May 2016, the Group withdrew £50.0 million on four occasions in anticipation of extreme market volatility. For the year ended 31 May 2015 these facilities were drawn to a maximum of £25.0 million on two occasions and £50.0 million on one occasion. On all three occasions, the drawdown was in anticipation of extreme market volatility and all amounts were repaid post the event.

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 draw down can occur prior to a period of expected liquidity requirements.

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 liquidity is calculated as set out in the following table inclusive of the undrawn committed facility.

	31 May 2016 £m	31 May 2015 £m
Liquid assets	626.7	524.0
Undrawn committed banking facility[1]	160.0	200.0
Total available liquidity (including facilities)[2]	786.7	724.0

(1) Draw down of the committed banking facility is capped at 80% of the actual broker margin requirement on the draw down date. The maximum available draw down was £160.0 million at 31 May 2016 (2015: £163.8 million) based on the broker margin requirements on those dates, of which £nil was drawn down as at 31 May 2016 (31 May 2015: £nil).

(2) Stated inclusive of the liquid assets buffer of £82.6 million (2015: £83.1 million) 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 total available liquidity that can be utilised for market risk management at 31 May 2016 should be considered in light of the intra-period high broker margin requirement of £258.5 million (2015: £293.7 million), the requirement to hold a liquid assets buffer, the continued growth of the business (both for client trading and geographic expansion), the Group's commitment to segregation of individual clients money as well as the declared final dividend for the year ending 31 May 2016 all of which draw upon the Group's liquidity.

19(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 financial investments have been included within 'own funds' in order to provide a clear presentation of the Group's cash resources. The derivation of own funds is explained in note 19(a), and is stated net of amounts drawn on the Group's committed banking facility. A narrative explanation of the key cash flows disclosed in the following cash flow statement is provided within the Operating and Financial Review.

	Year ended 31 May 2016 £m	Year ended 31 May 2015 £m
Operating activities		
Profit before tax	207.9	169.5
Depreciation, amortisation and impairment (note 5)	12.7	10.7
Other non-cash adjustments	19.8	(0.5)
Income taxes paid	(42.5)	(42.9)
Own funds generated from operations	197.9	136.8
Movement in working capital	(0.6)	7.9
Inflow/(outflow) from investing activities		
Interest received	1.1	0.8
Purchase of property, plant and equipment and intangible assets	(13.7)	(12.4)
Outflow from financing activities		
Interest paid	(1.3)	(1.9)
Equity dividends paid to owners of the parent	(103.1)	(112.8)
Other outflow from financing activities	(1.0)	–
Total outflow from investing and financing activities	(118.0)	(126.3)
Increase in own funds	79.3	18.4
Own funds at 1 June	507.1	487.3
Exchange gains on own funds	1.3	1.4
Own funds at 31 May	587.7	507.1

NOTES TO THE FINANCIAL STATEMENTS

20. CASH GENERATED FROM OPERATIONS

		Group		Company	
		Year ended 31 May 2016	Year ended 31 May 2015	Year ended 31 May 2016	Year ended 31 May 2015
	Note	£m	£m	£m	£m
Operating activities					
Profit before tax		207.9	169.5	124.0	62.7
Adjustments to reconcile profit before tax to net cash flow from operating activities:					
Net interest income on segregated client funds		(3.4)	(4.5)	–	–
Depreciation of property, plant and equipment	13	5.2	5.7	–	–
Net finance (income)/cost		(0.3)	0.1	1.1	1.0
Amortisation and impairment of intangible assets	14	7.5	5.0	–	0.2
Dividends received		–	–	(130.0)	(70.0)
Non-cash foreign exchange losses/(gains) in operating profit		3.0	(6.2)	–	–
Share-based payments		7.0	5.3	–	5.3
(Increase)/decrease in trade and other receivables		(29.5)	32.8	200.6	2.9
Increase/(decrease) in trade and other payables		26.3	2.7	(90.9)	110.7
Cash generated from operations		223.7	210.4	104.8	112.8

21. FINANCIAL INVESTMENTS

	31 May 2016	31 May 2015
Group	£m	£m
UK Government securities:		
At 1 June	108.4	82.5
Purchase of securities	61.3	76.4
Maturity of securities and coupon receipts	(34.5)	(51.3)
Accrued interest	0.9	0.5
Net (losses)/gains transferred to equity	(0.1)	0.3
At 31 May(1)	136.0	108.4
Less non-current portion	(25.0)	(75.5)
Current portion	111.0	32.9

(1) The balance is made up as follows:

	31 May 2016	31 May 2015
	£m	£m
Liquid asset buffer(1.1)	82.6	83.1
Collateral at broker(1.2)	53.4	25.3

(1.1) 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.

(1.2) During the year ended 31 May 2016 the Group purchased UK Government Gilts for £61.3m (carrying value of £60.9 million at 31 May 2016), of which £29.1 million is held at brokers as collateral to support the hedging of client market exposures in accordance with the Group's market risk management policy. At 31 May 2016 total UK Government Gilts held at brokers had a carrying value of £53.4 million.

The effective interest rates of securities held at the year-end range from 0.33% to 1.01% (2015: 0.41% to 1.01%).

Financial investments are shown as current assets when they have a maturity 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. Please refer to note 36(a)(iii) for a maturity profile.

22. TRADE PAYABLES

Group	31 May 2016 £m	31 May 2015 £m
Client funds held on balance sheet[1]	39.0	16.9
Amounts due to clients[2]	4.4	0.8
	43.4	17.7

(1) Client funds held on balance sheet include both Title Transfer funds and client monies deposited with the Group's Swiss banking subsidiary. These are recognised on the Group's Statement of Financial Position with an associated payable to clients.

(2) Amounts due to clients represent a combination of balances that will be transferred from the Group's own cash into 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.

23. OTHER PAYABLES

	Group		Company	
	31 May 2016 £m	31 May 2015 £m	31 May 2016 £m	31 May 2015 £m
Accruals	64.0	55.3	7.1	6.9
Other taxes and social security	6.8	5.9	–	–
Amounts due to Group companies (note 34(b))	–	–	28.6	119.6
	70.8	61.2	35.7	126.5

Included within accruals are amounts in relation to employee bonuses.

24. PROVISIONS

The Group and Company had no material provisions at 31 May 2016. (31 May 2015: £nil).

25. CONTINGENT LIABILITIES

From time to time the Group may be involved in disputes in the ordinary course of business. Provision is made for all claims where costs are likely to be incurred and there are currently no contingent liabilities expected to have a material adverse financial impact on the Group's consolidated results or net assets.

26. REDEEMABLE PREFERENCE SHARES

	Company and Group	
	31 May 2016 £m	31 May 2015 £m
Allotted, called up and fully paid:		
40,000 preference shares of £1 each	–	–

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% (2015: 8%).

NOTES TO THE FINANCIAL STATEMENTS

27. SHARE CAPITAL

	Company and Group		
	Number of shares	Share capital £m	Share premium £m
Allotted and fully paid:			
(i) Ordinary shares (0.005p)			
At 1 June 2014	365,754,631	–	206.8
Issued during the year	403,145	–	–
At 31 May 2015	366,157,776	–	206.8
Issued during the year	491,299	–	–
At 31 May 2016	366,649,075	–	206.8
(ii) B shares (0.001p)			
At 31 May 2016	65,000	–	–
At 31 May 2015	65,000	–	–

During the year to 31 May 2016 there were 491,299 (2015: 403,145) ordinary shares with an aggregate nominal value of £24.56 (2015: £20.16) issued following the exercise of sustained performance plan and Value Share Plan awards for a consideration of £24.56 (2015: £20.16).

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.

28. 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	
	31 May 2016 £m	31 May 2015 £m
At the beginning of the year:		
970,335 (2015: 1,046,727) ordinary shares of 0.005p each	1.2	1.1
Purchased during the year:		
137,166 (2015: 48,169) ordinary shares of 0.005p each	1.0	0.3
Exercised/re-allocated during the year:		
78,918 (2015: 124,561) ordinary shares of 0.005p each	(0.4)	(0.2)
At the end of the year:		
1,028,583 (2015: 970,335) ordinary shares of 0.005p each	1.8	1.2

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 2016, 378,028 ordinary shares (2015: 320,192) were held in the trust and have reduced shareholders' equity by £1.7 million (2015: £1.0 million). These include 37,720 ordinary shares (2015: 35,956) 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 £3.0 million (2015: £2.5 million).

The Group has a Jersey resident Employee Benefit Trust which holds shares in the Company. At the 31 May 2016, the trust held 512,075 (2015: 512,075) ordinary shares which are available to satisfy awards under the long-term share plans and Directors' deferred bonus award. The shares held at the year-end have reduced shareholders' equity by £26 (2015: £26). The market value of the shares held conditionally at the year-end was £4.1 million (2015: £4.0 million).

The Group has an Australian resident Employee Equity Plan Trust in order to hold shares in the Company in respect of awards under a SIP. At 31 May 2016, 15,538 ordinary shares (2015: 15,126) were held in the trust and at the year-end have reduced shareholders' equity by £0.1 million (2015: £0.1 million). These include 1,299 ordinary shares (2015: nil) which were not allocated to employees and are available for future SIP awards

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 B shares and 16,941 B shares respectively. During the year ended 31 May 2016, 504 (2015: 100) B shares were sold by B shareholders to the Trust. The Trust sold 61,470 (2015: 12,195) ordinary shares in order to realise the funds necessary to purchase these B shares. The Trust unconditionally held 64,496 (2015: 63,992) B shares at the year-end. The Trust also held 504 (2015: 1,008) B shares and 61,470 (2015: 122,940) ordinary shares which it may sell in order to satisfy its obligations to B shareholders, all of whom are current or former employees.

29. OTHER RESERVES

The share-based payment 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 (note 30) £m	Foreign currency translation £m	Own shares held in Employee Benefit Trusts (note 28) £m	Transactions with non-controlling interests £m	Available-for-sale reserve £m	Total other reserves £m
At 1 June 2014	39.8	48.7	(1.1)	(2.1)	0.1	85.4
Equity-settled employee share-based payments	5.3	–	–	–	–	5.3
Excess of tax deduction benefit on share-based payments recognised directly in equity (note 10)	0.5	–	–	–	–	0.5
Foreign currency translation on overseas subsidiaries	–	0.6	–	–	–	0.6
Exercise of US share incentive plans	–	–	–	–	–	–
Exercise of UK share incentive plans	(0.2)	–	0.2	–	–	–
Utilisation of own shares	–	–	–	–	–	–
Purchase of own shares	–	–	(0.3)	–	–	(0.3)
Gain on financial investments	–	–	–	–	0.3	0.3
At 31 May 2015	45.4	49.3	(1.2)	(2.1)	0.4	91.8
Equity-settled employee share-based payments	7.0	–	–	–	–	7.0
Foreign currency translation on overseas subsidiaries	–	4.5	–	–	–	4.5
Exercise of US share incentive plans	–	–	–	–	–	–
Exercise of UK share incentive plans	(0.4)	–	0.4	–	–	–
Utilisation of own shares	–	–	–	–	–	–
Purchase of own shares	–	–	(1.0)	–	–	(1.0)
Gain on financial investments	–	–	–	–	(0.1)	(0.1)
At 31 May 2016	52.0	53.8	(1.8)	(2.1)	0.3	102.2

Company	Share-based payments (note 30) £m	Own shares held in Employee Benefits Trusts (note 28) £m	Total other reserves £m
At 1 June 2014	35.4	(1.1)	34.3
Equity-settled employee share-based payments	5.3	–	5.3
Exercise of UK share incentive plans	(0.2)	0.2	–
Purchase of own shares	–	(0.3)	(0.3)
At 31 May 2015	40.5	(1.2)	39.3
Equity-settled employee share-based payments	7.0	–	7.0
Exercise of UK share incentive plans	(0.4)	0.4	–
Purchase of own shares	–	(1.0)	(1.0)
At 31 May 2016	47.1	(1.8)	45.3

30. EMPLOYEE SHARE PLANS

The Company operates four employee share plans; a sustained performance plan (SPP), a long-term incentive plan (LTIP), a value-sharing plan (VSP) and a share incentive plan (SIP), all of which are equity-settled. The expense recognised in the Income Statement in respect of share-based payments (including associated social security costs) was £8.3 million (2015: £6.3 million).

30(a) CURRENT SCHEMES

Sustained performance plan (SPP)

The SPP award was introduced in the year ended 31 May 2014 to replace the VSP award for the Group's Executive Directors and other selected senior employees. The Remuneration Committee approves any awards made under the plan and is responsible for setting the policy for the operation of the plan, agreeing performance targets and participation.

The legal grant of awards under the SPP occurs post the relevant performance period. At the outset of the financial year the Remuneration Committee approves, and communicates to the participants, performance conditions and a pre-defined maximum monetary award in terms of multiple of salary. The grant of awards, in the form of equity settled par value options, is based upon three performance conditions: Total Shareholder Return (TSR), diluted earnings per share and operational non-financial performance. Awards subsequently vest in tranches over the long-term (up to seven years), so the participant retains an ongoing substantial stake in the share price performance of the Company.

The following table shows the number of options awarded in relation to performance for the year ended 31 May 2016:

Award date	Share price at award	Expected full vesting date	At the start of the year Number	Awarded during the year Number	Lapsed during the year Number	Exercised during the year Number	Dividend equivalent awarded during the year Number	At the end of the year Number
4 Aug 2014	609.90p	4 Aug 2020	644,049	–	(53,919)	(257,620)	12,320	344,830
6 Aug 2015	742.55p	4 Aug 2020	–	531,316	(55,112)	(128,624)	12,878	360,458
Total			644,049	531,316	(109,031)	(386,244)	25,198	705,288

Of the above SPP exercised during the year ending 31 May 2016, the average share price at exercise was:

Award date	Average share price at exercise
4 Aug 2014	734.5p
6 Aug 2015	734.5p

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

NOTES TO THE FINANCIAL STATEMENTS

30. EMPLOYEE SHARE PLANS CONTINUED

30(a) CURRENT SCHEMES CONTINUED

Sustained performance plan (SPP) continued

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

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

The awards for the current year SPP will be granted post year-end following the approval of actual performance against targets set by the Remuneration Committee. A ten-day share price averaging period that will commence after the Company's closed period is utilised to convert notional salary awarded into a number of options (refer to the Directors' Remuneration Report for performance conditions).

The table below details the number of option awards expected to be awarded for the year ended 31 May 2016:

Expected award date	Share price at 31 May 2016[1]	Expected full vesting date	Awards expected during the year ending 31 May 2017
			Number
6 Aug 2016	799.5p	6 Aug 2020	854,353
Total			854,353

(1) Closing share price on 31 May 2016.

Long-term incentive plan (LTIP)

The LTIP award has been made available to senior management who are not invited to participate in the SPP.

LTIP awards allow the award of nominal cost options, which vest when specific performance targets are achieved, conditional upon continued employment at the vesting date. For each award a minimum performance target has to be achieved before any shares vest and the awards vest fully once the maximum performance target is achieved.

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

The maximum number of LTIP awards that can vest under the awards made are:

Award date	Share price at award	Expected vesting date	At the start of the year	Awarded during the year	Lapsed during the year	Exercised during the year	At the end of the year
			Number	Number	Number	Number	Number
28 Nov 2013	584.0p	28 Nov 2016	406,412	–	–	–	406,412
5 Aug 2014	618.5p	5 Aug 2017	446,262	–	(15,658)	–	430,604
6 Aug 2015	734.5p	6 Aug 2018	–	469,111	(3,288)	–	465,823
Total			852,674	469,111	(18,946)	–	1,302,839

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

Share incentive plan (SIP)

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

The UK and Australian awards invite all employees to subscribe for up to £1,800/A$3,000 (2015: £1,800/A$3,000) of partnership shares, with the Company typically matching on a two-for-one (2015: two-for-one) basis. All matching shares vest after three years as long as the employee remains employed with the Group for the term of the award. Shares awarded under the scheme are held in trust in accordance with local tax authority rules. Employees are entitled to receive dividends on the shares held in trust for as long as they remain employees.

The USA award invites employees to invest a maximum of 5% of their salary bi-annually to the award. The award runs for a six month period and at the end of this period, the employees are invited to purchase shares in IG Group Holdings plc at a discount of 15% to the scheme price, being the lower of the opening share price and the closing share price for the period.

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

Country of award	Award date	Share price at award	Expected vesting date	At the start of the year	Awarded during the year	Lapsed during the year	Exercised during the year	At the end of the year
				Number	Number	Number	Number	Number
UK	27 July 2012	456.00p	27 July 2015	61,268	–	(656)	(60,612)	–
Australia	22 August 2012	432.00p	22 August 2015	3,304	–	–	(3,304)	–
UK	26 July 2013	580.00p	25 July 2016	49,703	–	(6,517)	(2,324)	40,862
Australia	15 July 2013	572.50p	15 July 2016	3,456	–	(324)	(324)	2,808
UK	25 July 2014	605.80p	25 July 2017	173,266	–	(18,254)	(5,510)	149,502
Australia	15 July 2014	599.70p	15 July 2017	8,366	–	(1,410)	(564)	6,392
UK	6 Aug 2015	739.50p	6 Aug 2018	–	164,926	(12,060)	(2,922)	149,944
Australia	12 Oct 2015	740.00p	12 Oct 2018	–	8,864	(129)	(386)	8,349
Total				299,363	173,790	(39,350)	(75,946)	357,857

Of the above SIP awards exercised during the year ended 31 May 2016, the average weighted share price at exercise was:

Country of award	Award date	Weighted average share price at exercise
UK	27 July 2012	729.25p
Australia	22 Aug 2012	678.50p
UK	26 July 2013	740.68p
Australia	15 July 2013	764.50p
UK	25 July 2014	756.43p
Australia	15 July 2014	764.50p
UK	6 Aug 2015	767.09p
Australia	12 Oct 2015	764.50p

The weighted average exercise price of all SIP awards during the year ended 31 May 2016 is 731.41p.

30(b) FAIR VALUE OF EQUITY-SETTLED AWARDS

The fair value of the equity-settled share-based payments to employees is determined at the date at which a shared understanding of the terms and conditions of the arrangement is reached between the Company and the participants. The weighted average fair value of the equity-settled awards granted or deemed as such under IFRS2 during the year was £6.7 million (2015: £8.9 million).

For SIP awards, the fair value is determined to be the share price at the grant date, without making an adjustment for expected dividends, as awardees are entitled to dividends over the vesting period.

For LTIP awards the fair value at grant date is determined by taking the share price at grant date. An adjustment for the present value of future dividends is not required as dividend equivalents are awarded on options granted under the LTIP.

For potential SPP awards made under the Total Shareholder Return (TSR) criteria, fair value is calculated using an option pricing model prepared by advisers. For the SPP awards made under the earnings per share and non-financial operational measures the fair value is determined by taking the share price at deemed grant date less the present value of future dividends for the duration of the performance period. Dividend equivalents accrue under the SPP on awarded but unvested options post the performance period. Post vesting (minimum holding period) dividend equivalents cease to accrue on unexercised options.

NOTES TO THE FINANCIAL STATEMENTS

30. EMPLOYEE SHARE PLANS CONTINUED

30(b) FAIR VALUE OF EQUITY-SETTLED AWARDS CONTINUED

The inputs below were used to determine the fair value of the TSR element of the SPP awards granted on 6 August 2015:

Date of grant	**6 August 2015**
Share price at grant date (pence)	734.50p
Expected life of awards (years)	3
Risk-free sterling interest rate (%)(1)	–
IG expected volatility (%)(2)	20.13%
Interim dividend estimate(3)	8.45p

(1) Due to minimal exercise price the risk-free rate has no impact on the fair value calculation.
(2) 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.
(3) The dividend paid in the period from the deemed grant date to the end of the performance period, from which date dividend equivalents accrue on awarded but unvested options.

The weighted average fair values per award granted are as follows:

	At the beginning of the year	**Awarded during the year**	**Lapsed during the year**	**Exercised during the year**	**At the end of the year**
Year ended 31 May 2016	534.09p	570.77p	497.83p	416.60p	583.37p
Year ended 31 May 2015	262.45p	526.33p	242.96p	419.82p	534.09p

30(c) LEGACY SCHEMES

Value-sharing plan (VSP)

The VSP award was an annual award introduced during the year ended 31 May 2011. In the year ended 31 May 2014, however, the VSP awards were replaced by the SPP for Executives and selected senior management and LTIP awards for other senior management. VSP awards were conditional awards made available to Executive Directors and other senior staff. Participants do not pay to receive awards or to exercise options. The VSP performance period is over three years with a pre-defined number of shares allocated, for each £10m 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.

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

Award date	**Share price at award**	**Expected vesting date**	**At the start of the year**	**Awarded during the year**	**Lapsed during the year**	**Exercised during the year**	**At the end of the year**
			Number	Number	Number	Number	Number
29 Oct 2010	528.50p	29 Oct 2014	24,975	–	–	(24,975)	–
20 Jul 2011	450.00p	31 Jul 2014	1,313	–	(163)	(1,150)	–
20 Jul 2011	450.00p	31 Jul 2015	81,637	–	(525)	(78,768)	2,344
Total			107,925	–	(688)	(104,893)	2,344

Of the above VSP exercised during the year ended 31 May 2016, the average share price at exercise was:

Award date	**Average share price at exercise**
29 Oct 2010	734.50p
20 Jul 2011	734.50p

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

Legacy long-term incentive plan (LTIP)

The historic 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.

These historic 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 had to be achieved before any options vested and the awards vested fully once the maximum performance target was achieved.

The remaining number of LTIP awards that can be exercised is:

Award date	Share price at award	Expected vesting date	At the start of the year	Awarded during the year	Lapsed during the year	Exercised during the year	At the end of the year
			Number	Number	Number	Number	Number
23 Jul 2007	312.25p	23 Jul 2010	15,952	–	–	–	15,952
Total			15,952	–	–	–	15,952

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

31. CAPITAL COMMITMENTS

The Group and Company had £0.7 million capital expenditure contracted for at year-end but not yet incurred (2015: £0.4 million).

32. 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	31 May 2016 £m	31 May 2015 £m
Future minimum payments due:		
Not later than one year	6.6	5.3
After one year but not more than five years	20.6	15.9
After more than five years	9.1	12.1
	36.3	33.3

Company	31 May 2016 £m	31 May 2015 £m
Future minimum payments due:		
Not later than one year	2.3	2.3
After one year but not more than five years	9.8	9.5
After more than five years	8.0	10.5
	20.1	22.3

The Group's main lease on its UK headquarters and several of its smaller offices include annual inflationary rent increase clauses.

NOTES TO THE FINANCIAL STATEMENTS

33. TRANSACTIONS WITH DIRECTORS

During the year ended 31 May 2016 the Group paid £nil (inclusive of VAT) (2015: £13,200) to Promontory Financial Group (UK) Limited (Promontory) for financial advisory services. The services provided were made in the ordinary course of business on similar terms as those prevailing for transactions with other persons unconnected with the Group. S Tymms is a Non-Executive Director for the Group and a managing director for Promontory. The Group had no other transactions with its Directors other than those disclosed in the Directors' Remuneration Report.

34. RELATED PARTY TRANSACTIONS

34(a) GROUP

The Directors and other members of management classified as 'persons discharging management responsibility' in accordance with the Financial Services and Markets Act 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 together with their connected parties was as follows:

	31 May 2016	31 May 2015
Company	£m	£m
Short-term employee benefits	3.2	2.8
Post-employment benefits	0.4	0.3
Share-based payments	2.9	3.2
	6.5	6.3

34(b) COMPANY

The Company had the following amounts outstanding with subsidiaries at the year-end:

	31 May 2016	31 May 2015
	£m	£m
Loans to related parties	131.5	201.8
Loans from related parties	28.6	119.6

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.

35. FINANCIAL INSTRUMENTS

Accounting classifications and fair values – Group

The table below 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.

'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 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 (i.e. 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.

The Group's financial instruments are classified as follows:

Group	Note	FVTPL-Held for trading £m	Loans and receivables £m	Other amortised cost £m	Available-for-sale £m	Total carrying amount £m	Fair value £m
As at 31 May 2016							
Financial assets							
Cash and cash equivalents	18	–	218.8	–	–	218.8	218.8
Financial investments[1]	21	–	–	–	136.0	136.0	136.0
Trade receivables – due (to)/from brokers:							
Non-exchange traded instruments		(1.0)	226.4	–	–	225.4	225.4
Exchange-traded instruments		(13.5)	33.6	–	–	20.1	20.1
Total trade receivables – due (to)/from brokers		(14.5)	260.0	–	–	245.5	245.5
Trade receivables – due from clients	17	–	2.2	–	–	2.2	2.2
Trade receivables – other amounts due from clients	17	–	30.8	–	–	30.8	30.8
		(14.5)	511.8	–	136.0	633.3	633.3
Financial liabilities							
Trade payables – Client funds held on balance sheet	22	–	–	39.0	–	39.0	39.0
Trade payables – Amounts due to clients	22	–	4.4	–	–	4.4	4.4
Redeemable preference shares	26	–	–	–	–	–	–
		–	4.4	39.0	–	43.4	43.4

(1) The balance is made up of £82.6 million of 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, and a £53.4 million UK Government Gilt which is held at brokers as collateral to support the hedging of client market exposures in accordance with the Group's market risk management policy (refer to note 21).

Group	Note	FVTPL-Held for trading £m	Loans and receivables £m	Other amortised cost £m	Available-for-sale £m	Total carrying amount £m	Fair value £m
As at 31 May 2015							
Financial assets							
Cash and cash equivalents	18	–	148.8	–	–	148.8	148.8
Financial investments[1]	21	–	–	–	108.4	108.4	108.4
Trade receivables – due (to)/from brokers:							
Non-exchange traded instruments		(9.7)	176.2	–	–	166.5	166.5
Exchange-traded instruments		0.8	71.9	–	–	72.7	72.7
Total trade receivables – due (to)/from brokers		(8.9)	248.1	–	–	239.2	239.2
Trade receivables – due from clients	17	–	2.0	–	–	2.0	2.0
Trade receivables – other amounts due from clients	17	–	28.4	–	–	28.4	28.4
		(8.9)	427.3	–	108.4	526.8	526.8
Financial liabilities							
Trade payables – Client funds held on balance sheet	22	–	–	16.9	–	16.9	16.9
Trade payables – Amounts due to clients	22	–	0.8	–	–	0.8	0.8
Redeemable preference shares	26	–	–	–	–	–	–
		–	0.8	16.9	–	17.7	17.7

(1) £83.1 million of 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 and a £25.3 million UK Government Gilt which is held at brokers as collateral to support the hedging of client market exposures in accordance with the Group's market risk management policy (refer to note 21).

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS CONTINUED

Financial instrument valuation hierarchy

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

Group	Level 1[(1)] £m	Level 2[(2)] £m	Level 3[(3)] £m	Total fair value £m
As at 31 May 2016				
Financial assets:				
Trade receivables – due from/(to) brokers	(13.5)	(1.0)	–	(14.5)
Financial investments	136.0	–	–	136.0

(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 (2015: none). During the year ended 31 May 2016, there were no transfers (2015: none) between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements (2015: none).

Group	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
As at 31 May 2015				
Financial assets:				
Trade receivables – due (to)/from brokers	0.8	(9.7)	–	(8.9)
Financial investments	108.4	–	–	108.4

Group's valuation processes

The Group's finance department includes a team that performs the valuations of financial assets required for financial reporting purposes, including Level 3 fair values (where applicable). This team reports to the chief financial officer (CFO), and material judgemental valuations are escalated to the Audit Committee (AC). If there is any material valuations, discussions of the valuation processes and results are held between the CFO, AC and the finance team, in line with the Group's reporting dates. There were no material judgemental valuations in the year.

Reconciliation of the movement in Level 3 of the valuation hierarchy

Group	At1 June 2015 £m	Gains or losses in revenue[(1)] £m	Cash settled positions[(2)] £m	Transfers £m	At 31 May 2016[(3)] £m
Financial assets:					
Trade receivables – due from clients (note 3(a))	–	48.0	(48.0)	–	–

(1) Disclosed in trading revenue in the Income Statement. This represents client positions that have closed in the year as well those open at the year-end.
(2) Value of client positions that have cash settled in the year.
(3) Value of open, unsettled client positions at the year-end disclosed in trading revenue in the Income Statement.

Group	At 1 June 2014 £m	Gains or losses in revenue £m	Cash settled positions £m	Transfers £m	At 31 May 2015 £m
Financial assets:					
Trade receivables – due from clients (note 3(a))	–	36.2	(36.2)	–	–

The impact of a reasonably possible alternative valuation assumption on the valuation of trade receivables – due from clients reported within Level 3 of the valuation hierarchy is not significant.

ACCOUNTING CLASSIFICATIONS AND FAIR VALUES – COMPANY

Company	FVTPL – Held for trading £m	Loans and receivables £m	Other amortised cost £m	Available-for-sale £m	Total carrying amount £m	Fair value £m
As at 31 May 2016						
Financial assets:						
Amounts due from Group companies (note 34(b))	–	131.5	–	–	131.5	131.5
	–	131.5	–	–	131.5	131.5
Financial liabilities:						
Amounts due to Group companies (note 34(b))	–	–	28.6	–	28.6	28.6
Redeemable preference shares	–	–	–	–	–	–
	–	–	28.6	–	28.6	28.6

Company	FVTPL – Held for trading £m	Loans and receivables £m	Other amortised cost £m	Available-for-sale £m	Total carrying amount £m	Fair value £m
As at 31 May 2015						
Financial assets:						
Amounts due from Group companies (note 34(b))	–	201.8	–	–	201.8	201.8
	–	201.8	–	–	201.8	201.8
Financial liabilities:						
Amounts due to Group companies (note 34(b))	–	–	119.6	–	119.6	119.6
Redeemable preference shares	–	–	–	–	–	–
	–	–	119.6	–	119.6	119.6

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 £456.3 million (2015: £388.4 million).

Finance income (refer to note 8) totalled £2.0 million (2015: £1.8 million). An amount of £2.0 million (2015: £1.8 million) 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 for financial investments.

Finance costs (refer to note 9) totalled £1.7 million (2015: £1.9 million). An amount of £0.6 million represents interest expense on financial liabilities not at fair value through profit or loss (2015: £0.7 million). The remainder £1.1 million (2015: £1.2 million) represents fee expense arising from maintaining the Group's committed bank facilities.

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS CONTINUED

Financial instruments subject to offsetting, enforceable master netting agreements and similar arrangements

Within the Group's terms and conditions with individual clients and brokers are netting agreement clauses. The effect of these netting arrangements, including rights of set-off associated within the Group's recognised financial assets and financial liabilities is as follows:

Group	Note	Gross amounts before offsetting £m	Amounts set off in the balance sheet £m	Net amounts presented in the balance sheet £m
As at 31 May 2016				
Financial assets				
Financial investments	21	136.0	–	136.0
Trade receivables – due from brokers[1]	17	306.8	(61.3)	245.5
Trade receivables – due from clients[2]	17	274.9	(272.7)	2.2
Trade receivables – other amounts due to the Group	17	30.8	–	30.8
		748.5	(334.0)	414.5
Financial liabilities				
Trade payables – due to brokers[1]		61.3	(61.3)	–
Trade payables - due to clients[3]	22	316.1	(272.7)	43.4
		377.4	(334.0)	43.4

(1) 'Trade receivables - due from brokers' and 'Trade payables – due to brokers' represent balances with brokers where the combination of cash held on account (disclosed as loans and receivables) and the net valuation of financial derivative open positions (disclosed as held for trading) results in an amount due to/from the Group. The net financial derivative open positions have been presented gross according to whether individual positions held at brokers are in a profit or loss position.

(2) 'Trade receivables - due from clients' represent balances with clients where the combination of cash held on account (disclosed as loans and receivables) and the net valuation of financial derivative open positions (disclosed as held for trading) results in an amount due to the Group. The net financial derivative open positions have been presented gross according to whether individual positions held with clients are in a profit or loss position.

(3) '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 (i.e. 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. Therefore, as well as being presented gross of segregated client money discussed above, client open positions have been presented gross according to whether individual client positions are in a profit or loss position.

Group	Note	Gross amounts before offsetting £m	Amounts set off in the balance sheet £m	Net amounts presented in the balance sheet £m
As at 31 May 2015				
Financial assets				
Financial investments	21	108.4	–	108.4
Trade receivables – due from brokers	17	320.9	(81.7)	239.2
Trade receivables – due from clients	17	238.1	(236.1)	2.0
Trade receivables – other amounts due to the Group	17	28.4	–	28.4
		695.8	(317.8)	378.0
Financial liabilities				
Trade payables – due to brokers		81.7	(81.7)	–
Trade payables – due to clients	22	253.8	(236.1)	17.7
		335.5	(317.8)	17.7

36. 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) and Individual Liquidity Adequacy Assessment (ILAA), while applying specifically to the Group's FCA entities, provide an on-going assessment of the risks the Group considers to 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.

36(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 considers to be correlated. These limits are determined with reference to the expected liquidity and volatility of the underlying financial product or asset class and represent the maximum long 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 Executive 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.

36(a)(i) 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.

During the year, following further development of the back-end risk management systems, a detailed analysis of the risk limits market-by-market was undertaken. This resulted in increasing certain risk limits, as well as making the main regional and global equity limits dynamic by responding intraday when the market is open and most liquid, when client activity increases or decreases and reducing the limit approaching market closing. Accordingly the intraday limit will fluctuate but with a maximum limit set at £100.0 million.

At 31 May 2016 the exposure limit was £30 million (2015: £30.0 million) and the Group's equity exposure was £4.8 million (2015: £2.8 million). The average equity exposure limit during the year was £30.0 million (2015: £26.4 million). 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 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 are not significant, being less than the Group's average daily net trading revenue from financial instruments. 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.

NOTES TO THE FINANCIAL STATEMENTS

36. FINANCIAL RISK MANAGEMENT CONTINUED

36(a) MARKET RISK CONTINUED

36(a)(i) Market price risk continued

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 Executive 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 fair value of interest rate derivatives and commodities at the year-end are as follows:

	31 May 2016 £m	31 May 2015 £m
Interest rate derivatives	1.1	11.0
Commodities	(5.3)	7.4

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 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.

36(a)(ii) 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 15. 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 Executive 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.

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:

	31 May 2016 £m	31 May 2015 £m
US dollar	(2.3)	(4.9)
Euro	(5.7)	(9.1)
Australian dollar	(10.2)	(2.3)
Yen	9.5	(2.7)
Other	(0.9)	(3.9)

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.

36(a)(iii) 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		Between 2 and 5 years		More than 5 years		Total	
	31 May 2016	31 May 2015	31 May 2016	31 May 2015	31 May 2016	31 May 2015	31 May 2016	31 May 2015
Group	£m	£m	£m	£m	£m	£m	£m	£m
Fixed rate								
Redeemable preference shares	–	–	–	–	–	–	–	–
Financial investments	111.0	32.9	25.0	75.5	–	–	136.0	108.4
Floating rate								
Cash and cash equivalents	218.8	148.8	–	–	–	–	218.8	148.8
Trade receivables – due from brokers	245.5	239.2	–	–	–	–	245.5	239.2
Trade payables – client funds held on balance sheet	(39.0)	(16.9)	–	–	–	–	(39.0)	(16.9)
	536.3	404.0	25.0	75.5	–	–	561.3	479.5

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. Please refer to note 21 for effective interest rates received.

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% (2015: 0.25%) per annum fall and a 0.5% (2015: 0.5%) 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 £2.3 million (2015: £2.2 million) per annum. The impact of such a rise in interest rates would increase net interest income on segregated client funds by approximately £4.6 million (2015: £4.5 million) per annum. Changes in risk variables have no material impact on the Group's equity as the Group has no financial instruments designated in hedging relationships.

36(b) CREDIT RISK

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

The Group's credit risk is managed on a group-wide basis.

36(b)(i) 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 e.g. on a change in the financial institution's corporate structure). Proposed maximum exposure limits for these financial institutions are then reviewed and approved by the Executive 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 Executive Risk Committee; and
- Any change in short- and long-term credit rating.

NOTES TO THE FINANCIAL STATEMENTS

36. FINANCIAL RISK MANAGEMENT CONTINUED

36(b) CREDIT RISK CONTINUED

36(b)(i) Financial institution credit risk continued

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 deterioration in credit quality, and deposits of an unbreakable nature or requiring notice are only held with a subset of counterparties which have been approved by the Executive Risk Committee. At 31 May 2016 there were no deposits held on an unbreakable basis (2015: £nil).

36(b)(ii) 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 i.e. due to high general market volatility or specific volatility relating to an individual financial instrument in which the client has an open position.

We mitigate, but do not eliminate, client credit risk in a number of ways, including the real-time monitoring of client positions via our 'close-out monitor', the ability of clients to set a level in advance at which the deal will be closed (the 'stop' level or 'guaranteed stop' level) and the use of tiered margining.

Credit risk is also mitigated in part through increased margin requirements on larger positions, our client suitability criteria, and is supported by an extensive training program which aims to educate clients in all aspects of trading and risk management which encourages them to collateralise their accounts at an appropriate level in excess of the minimum requirement.

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 'close out monitor' (COM) is an automated liquidation process whereby accounts which have broken the liquidation threshold are automatically identified. Where client losses are such that their total equity falls below the specified liquidation level positions will be liquidated, resulting in reduced credit risk exposure for the Group.

Both the 'close out monitor' and client initiated 'stops' result in the transfer of market risk to the Group. Market risk arises following the closure of the underlying client position as the Group (subject to the market risk limits, discussed in the 'Market risk' section), may hold a corresponding hedging position that will, assuming sufficient market liquidity, be unwound.

In addition a subset of clients have 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 2016, 99.91% (2015: 99.85%) of client accounts were 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 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 and credit accounts 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 potential margin requirement of up to 75% 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 client collateral

The Group also accepts collateral from a small number of its stockbroking clients in the form of shares or other securities which mitigate the Group's credit risk. Clients retain title to the securities lodged whilst their trading account is operating normally, but are required to sign a collateral agreement which will allow the Group to take title and sell the securities in the event of the client defaulting on any margin obligations.

The collateral value assigned to the client account is updated in real-time, and each security is assigned a 'haircut' value e.g. a client is typically allowed to use 95% of a major FTSE 100 current market value.

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.

NOTES TO THE FINANCIAL STATEMENTS

36. FINANCIAL RISK MANAGEMENT CONTINUED

36(b) CREDIT RISK CONTINUED

36(b)(ii) Client credit risk continued

Group	Cash and cash equivalents 31 May 2016 £m	Cash and cash equivalents 31 May 2015 £m (note 18)	Trade receivables – due from brokers 31 May 2016 £m	Trade receivables – due from brokers 31 May 2015 £m (note 17)	Trade receivables – due from clients 31 May 2016 £m	Trade receivables – due from clients 31 May 2015 £m (note 17)
Individually impaired						
Gross exposure	–	–	–	–	18.8	22.7
Allowance for impairment	–	–	–	–	(17.6)	(21.7)
	–	–	–	–	1.2	1.0
Past due but not impaired						
Ageing profile:						
0-3 months	–	–	–	–	0.4	0.1
> 6 months	–	–	–	–	–	0.2
	–	–	–	–	0.4	0.3
Neither past due nor impaired						
Credit rating:						
AA+ & above	12.9	7.0	–	–	–	–
AA to AA-	6.1	6.5	16.9	16.9	–	–
A+ to A-	147.0	125.7	149.5	219.2	–	–
BBB+ to BBB-	52.4	8.7	73.9	0.2	–	–
BB+ to B	–	0.2	–	–	–	–
CCC	–	–	–	–	–	–
Unrated[1]	0.4	0.7	5.2	2.9	0.6	0.7
	218.8	148.8	245.5	239.2	0.6	0.7
Total carrying amount	218.8	148.8	245.5	239.2	2.2	2.0

(1) Amounts due from brokers are primarily related to the Group's operations in South Africa. Unrated amounts due from clients relate to open positions. Prepayments and other receivables are all unrated (2015: 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 and as such they are rated as AA+.

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	31 May 2016 £m	31 May 2015 £m
Balance at 1 June	21.7	10.6
Impairment loss for the year		
– gross charge for the year	4.0	18.0
– recoveries	(2.4)	(2.8)
Write-offs	(6.6)	(4.1)
Foreign exchange	0.9	–
Balance at 31 May	17.6	21.7

In the table above, for 31 May 2016 'debts written off' line includes £4.3 million relating to the Swiss franc event debts which were provided for in the year ended 31 May 2015. In the May 2015 'gross charge for the year' line is £15.1 million and £2.8 million in the 'recoveries' line, in relation to the Swiss franc event (see note 2 for details).

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 34(b). The Company is not otherwise exposed to material amounts of credit risk.

36(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	UK £m	Europe £m	Australia £m	Rest of World £m	Total £m
As at 31 May 2016					
Financial assets:					
Cash and cash equivalents	150.9	0.5	62.1	5.3	218.8
Financial investments	136.0	–	–	–	136.0
Trade receivables – due from brokers	82.6	36.7	–	126.2	245.5
Trade receivables – due from clients	1.6	0.4	0.1	0.1	2.2
Other amounts due to the Group	21.9	–	1.3	7.6	30.8
Total financial assets	393.0	37.6	63.5	139.2	633.3

Group	UK £m	Europe £m	Australia £m	Rest of World £m	Total £m
As at 31 May 2015					
Financial assets:					
Cash and cash equivalents	71.8	0.5	5.7	70.8	148.8
Financial investments	108.4	–	–	–	108.4
Trade receivables – due from brokers	62.8	44.9	29.1	102.4	239.2
Trade receivables – due from clients	1.6	0.1	0.2	0.1	2.0
Other amounts due to the Group	22.2	–	–	6.2	28.4
Total financial assets	266.8	45.5	35.0	179.5	526.8

The Group's largest credit exposure to any one individual broker at 31 May 2016 was £52.2 million (BBB+ rated) (2015: £91.2 million, A-rated). Included in cash and cash equivalents, the Group's largest credit exposure to any bank at 31 May 2016 was £79.4 million (A rated) (2015: £54.1 million, 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 2016 and 31 May 2015.

NOTES TO THE FINANCIAL STATEMENTS

36. FINANCIAL RISK MANAGEMENT CONTINUED

36(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 19.

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.

Amounts payable on demand:

	Derivative £m	Non-derivative £m	Total £m
As at 31 May 2016			
Financial assets			
Cash and cash equivalents	–	218.8	218.8
Financial investments	–	136.0	136.0
Trade receivables – due (to)/from brokers	(14.5)	260.0	245.5
Trade receivables – due from clients	–	2.2	2.2
Trade receivables – other amounts due to the Group	–	30.8	30.8
	(14.5)	647.8	633.3
Financial liabilities			
Trade payables – Client funds held on balance sheet	–	(39.0)	(39.0)
Trade payables – Amounts due to clients	–	(4.4)	(4.4)
	–	(43.4)	(43.4)

Derivative trade receivables 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, UK Government securities and client debtors. Derivative and non-derivative cash flows are presented alongside each other in the table above as they result from the same underlying trading relationship and as the 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.

Amounts payable on demand:

	Derivative £m	Non-derivative £m	Total £m
As at 31 May 2015			
Financial assets			
Cash and cash equivalents	–	148.8	148.8
Financial investments	–	108.4	108.4
Trade receivables – due (to)/from brokers	(8.9)	248.1	239.2
Trade receivables – due from clients	–	2.0	2.0
Trade receivables – other amounts due to the Group	–	28.4	28.4
	(8.9)	535.7	526.8
Financial liabilities			
Trade payables – Client funds held on balance sheet	–	(16.9)	(16.9)
Trade payables – Amounts due to clients	–	(0.8)	(0.8)
	–	17.7	17.7

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 2016 and 2015, as disclosed in note 26.

Derivative and non-derivative cash flows by remaining contractual maturity – Company

There were no Company derivative cash flows as at 31 May 2016 (2015: £nil).

At 31 May 2016 the Company held cash and cash equivalents of £nil (2015: £724) available on demand and redeemable preference shares of £40,000 (2015: £40,000) the terms of which are disclosed in note 26.

37. 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, United States, Switzerland and Dubai 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 2015 ICAAP was approved by the Board in December 2015. 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 disclosures required of the Group under the Capital Requirements Regulation (Pillar III) will be made on the Group's corporate website iggroup.com. These will provide additional information which will allow market participants to assess key pieces of information on the Group's risk exposures, risk assessment process and hence the capital adequacy of the Group.

Return on Assets

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

	31 May 2016	31 May 2015
Return on assets	24.8%	22.3%

Capital resources

The Group had maintained a Total Capital Ratio well in excess of the regulatory minimum of 8% throughout the year. An analysis of the Group's consolidated capital resources and risk weighted exposure amounts is provided in the Operating and Financial Review.

The following table summarises the Group's capital adequacy on a consolidated basis.

	31 May 2016 £m	Restated* 31 May 2015 £m
Total equity per audited financial statements	663.0	591.4
Less: Foreseeable dividend	(84.0)	(71.8)
Investment in own shares	1.8	1.2
Common Equity Tier 1 Capital	580.8	520.8
Less: Intangible assets	(125.1)	(124.0)
Less: Investment in own shares	(1.8)	(1.1)
Less: Deferred tax asset	(7.2)	(7.1)
Total capital resources	446.7	388.6
Total Risk Exposure Amounts – Pillar 1	(1,568.4)	(1,401.3)
Total Capital Ratio	28.5%	27.7%
Capital conservation buffer	(9.8)	–
Countercyclical buffer	–	–
Total Capital Ratio including combined buffer	28.3%	27.7%

* Prior year capital ratios have been restated to reflect recognition of foreseeable dividends.

NOTES TO THE FINANCIAL STATEMENTS

38. SUBSEQUENT EVENTS

During June 2016 the Group withdrew and fully repaid £160.0 million which was drawn in different tranches in anticipation of extreme market volatility from the results of the United Kingdom's European Referendum.

In June 2016, the Group renewed its £160.0 million of revolving credit facility from a syndicate of four UK banks. This facility has £100.0 million available for up to a 1 year term (with an option to extend for a further year) and £60.0 million available for up to 3 years.

A final dividend of 22.95p per share amounting to £84.0 million was proposed by the Board on 14 July 2016.

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 subsequently described in note 36(b).

39. 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 2016 were authorised for issue by the Board of Directors on 19 July 2016 and the Statements of Financial Position signed on the Board's behalf by Peter Hetherington. 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 Company's registered address is 25 Dowgate Hill, London, United Kingdom, EC4R 2YA.

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 2016 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 40.

40. ACCOUNTING POLICIES

40.1 BASIS OF PREPARATION

The accounting policies which follow have been applied in preparing the financial statements for the year ended 31 May 2016.

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 £124.0 million (2015: £62.7 million). A Statement of Comprehensive Income for IG Group Holdings plc has also not been presented in these Financial Statements. No items of other comprehensive income arose in the year (2015: £nil).

40.1.1 Going concern

The Directors have prepared the financial statements on a going concern basis which requires the Directors to have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

40.2 BASIS OF CONSOLIDATION

40.2.1 Subsidiaries

The Group Financial Statements consolidate the Financial Statements of IG Group Holdings plc and the entities it controls (its subsidiaries) made up to the reporting date as listed in note 15.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The results, cash flows and final positions of the subsidiaries used in the preparation of the Consolidated Financial Statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All inter-company balances and transactions between Group entities, including unrealised profits arising from them, are eliminated on consolidation.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. The cost of an acquisition is measured at the fair value of consideration paid including an estimate of any contingent or deferred consideration. Contingent or deferred consideration is re-measured at each Statement of Financial Position date with periodic changes to the estimated liability recognised in the Consolidated Income Statement. Acquisition related costs are expensed as incurred. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (discount on acquisition) is credited to the Income Statement in the period of acquisition.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

40.2.2 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 re-measured to the final redemption amount with any periodic changes to the estimated liability recognised in the Consolidated Income Statement. On expiry of the forward, the liability is eliminated as paid and any difference in the value of the non-controlling interest to the exercise price deducted from equity.

On an acquisition by acquisition basis non-controlling interests are measured either at fair value or at the non-controlling interest proportionate share of the acquiree's net assets.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of the non-controlling interest is recorded in equity.

Losses applicable to the non-controlling shareholder in a consolidated subsidiary's equity may exceed the non-controlling interest in the subsidiary's equity. The excess and any further losses applicable to the non-controlling shareholder, are allocated against the majority interest, except to the extent that the non-controlling shareholder has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interests until the non-controlling shareholder's share of losses previously absorbed by the majority has been recovered.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented within equity in the Consolidated Statement of Financial Position, separately from parent shareholders' equity.

NOTES TO THE FINANCIAL STATEMENTS

40. ACCOUNTING POLICIES CONTINUED

40.3 FOREIGN CURRENCIES

The functional currency of each company in the Group is that of the country of incorporation (as disclosed in note 15) 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.

40.4 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

40.5 GOODWILL

Goodwill arising on consolidation represents the excess of the cost of acquisition (fair value of consideration paid) over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a business at the date of acquisition. Goodwill is recognised as an asset and is allocated to cash-generating units for purposes of impairment testing. Cash-generating units represent the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Business combinations are accounted for using the purchase method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the Statement of Financial Position as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the Income Statement. Any goodwill asset arising on the acquisition of equity accounted entities is included within the cost of those entities.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the Income Statement.

The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it.

40.6 INTANGIBLE ASSETS

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination such as a trade name or customer relationship is recognised at fair value outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Expenditure on internally developed intangible assets, excluding development costs, is taken to the Income Statement in the year in which it is incurred. Development expenditure is recognised as an intangible asset only after all the following criteria are met:

- the project's technical feasibility and commercial viability can be demonstrated;
- the availability of adequate technical and financial resources and an intention to complete the project have been confirmed; and
- the correlation between development costs and future revenue has been established.

Following initial recognition, 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 3 years
Software and licences	–	straight-line basis over the contract term of up to 5 years
Trade names	–	straight-line basis over 2 years
Client lists and customer relationships	–	straight-line basis over 3 years
Domain names and generic top-level domains	–	straight-line basis over 10 years

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. In addition, the carrying value of capitalised development expenditure is reviewed for impairment annually before being brought into use.

40.7 IMPAIRMENT OF NON-FINANCIAL 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 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.

40.8 INVESTMENTS IN SUBSIDIARIES

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

40. ACCOUNTING POLICIES CONTINUED

40.9 FINANCIAL INSTRUMENTS

40.9.1 Classification, Recognition and Measurement

The Group determines the classification of its financial instruments at initial recognition in accordance with the categories outlined below and re-evaluates this designation at each financial year-end. When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, directly attributable transaction costs. Financial instruments are disclosed in note 35 to the Financial Statements.

40.9.1(a) 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 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.

40.9.1(b) Loans and receivables

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

40.9.1(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless the investment matures or management intend to dispose of it within 12 months of the end of the reporting period. The Group's available-for-sale assets comprise of 'financial investments'.

40.9.2 Derecognition of financial assets and liabilities

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

(a) Financial assets

A financial asset is derecognised where the rights to receive cash flows from the asset have expired; the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(b) Financial liabilities

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

40.10 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.

40.11 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 or loss. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when the receivables are derecognised or impaired, and when economic benefit is consumed. A provision for impairment is established where there is objective evidence of non-collectability.

40.12 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 18 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.

Cash and cash equivalents also includes client monies deposited with the Group's Swiss banking subsidiary (refer to note 18).

40. ACCOUNTING POLICIES CONTINUED

40.13 FINANCIAL INVESTMENTS

Financial investments are held as available-for-sale and are non-derivative financial assets that are not classified as held for trading, designated at fair value through profit or loss, or loans and receivables. Financial investments are recognised on a trade date basis. They are initially recognised at fair value plus directly related transactions costs. They are subsequently carried at fair value. Fair value is the quoted market price of the specific investments held.

Financial investments available-for-sale are carried at fair value. Unrealised gains or losses are reported in equity (in the available for sale reserve) and in other comprehensive income, until such investments are sold, collected or otherwise disposed of, or until any such investment is determined to be impaired. On disposal of an investment, the accumulated unrealised gain or loss included in equity is recycled to the Income Statement for the period and reported in other income. Gains and losses on disposal are determined using the average cost method.

Interest on financial investments is included in finance income using the Effective Interest Rate (EIR) method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see IAS 18 Revenue), transaction costs, and all other premiums or discounts.

At the year-end date the Group considers whether there is objective evidence that a financial investment is impaired. In case of such evidence, it is considered impaired if its cost exceeds the recoverable amount. The recoverable amount for a quoted financial investment is determined by reference to the market price. A quoted financial investment is considered impaired if objective evidence indicates that the decline in market price has reached such a level that recovery of the cost value cannot be reasonably expected within the foreseeable future.

If a financial investment is determined to be impaired, the cumulative unrealised loss previously recognised in equity is recycled to profit for the period.

40.14 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.

40.15 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.

40.16 BORROWINGS

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

All borrowing costs are expensed as they are incurred.

40.17 EMPLOYEE BENEFITS

40.17.1 Pension obligations

The Group operates defined contribution schemes. Contributions are charged to the Income Statement as and when they become payable according to the rules of the schemes. Once the contributions have been paid the group has no legal or constructive obligations to pay further contributions.

40.17.2 Bonus schemes

The Group recognises a liability and an expense for bonuses based on formulae that take into consideration the revenue or earnings attributable to the Group's shareholders after certain adjustments and also based on operational non-financial measures.

40.17.3 Termination benefits

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

40.18 TAXATION

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and 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.

40.19 SHARE CAPITAL

40.19.1 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.

40.19.2 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.

40.19.3 Share-based payments

The Company operates three employee share plans: a share incentive plan, a sustained performance plan and a long-term incentive plan. Previously the Company operated a value-sharing plan, which was equity-settled.

For market-based vesting conditions, the cost of these awards is measured at fair value calculated using option pricing models (refer to the share-based payment note for additional detail of the models and assumptions used for the various award schemes) and are recognised as an expense in the income statement on a straight-line basis over the vesting period based on the Company's estimate of the number of shares that will eventually vest.

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

The grant by the Company of options over its equity instruments to employees of the subsidiary undertakings in the Group is treated as a capital contribution. The fair value of the employee services received is recognised over the vesting period as an increase in the investment in subsidiary undertakings, with a corresponding credit to equity.

NOTES TO THE FINANCIAL STATEMENTS

40. ACCOUNTING POLICIES CONTINUED

40.20 REVENUE RECOGNITION

Trading revenue represents gains and losses arising on client trading activity, primarily in financial spread betting, contracts for difference or binary options as well as 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 previously 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 options
- Commission earned from the execution-only share dealing service after deducting contracting and trade settlement fees payable to third party brokers. Revenue is stated net of sales taxes and is recognised in full on the date of trade being placed
- Member fees charged by the Group's regulated futures and options exchange

The Group acts in a non-advisory capacity to match buyers and sellers under the execution-only share dealing service, does not act as principal when providing this service and only receives and transmits orders between counterparties.

Trading revenue is reported before Introducing partner commission, along with betting duties and financial transaction taxes paid, is disclosed as an expense in arriving at net operating income.

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.

Finance income or 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 or loss and has been disclosed after taking account of Introducing partner 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.

40.21 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 operating expenses.

40.22 USE OF NON-GAAP MEASURES

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

Other non-GAAP measures used in these Financial Statements are return on assets (refer to note 37), capital resources (refer to note 37) and own funds generated from operations (refer to note 19(d)).

40.23 EXCEPTIONAL ITEMS

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

40.24 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.

40.25 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.

40.26 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.

40.27 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.

40.28 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 2015.

40.28.1 New accounting standards and interpretations

(a) Standards and amendments adopted during the year

In the current year, the Group adopted the following standards, amendments and interpretations, which have not had a material impact on these Financial Statements:

- Annual Improvements to IFRSs 2010-2012 and 2011-2013 cycles
- Annual Improvements to IFRSs 2012-2014 cycle
- Disclosure initiative: Amendments to IAS 1

(b) Standards issued with effective dates, subject to EU endorsement which do not impact these financial statements:

- IFRS 9, 'Financial instruments' - Effective for annual periods beginning on or after 1 January 2018
- Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 - Effective for periods beginning on or after 1 January 2016
- IFRS 15, 'Revenue from contracts with customers' - Effective for annual periods begining on or after 1 January 2018
- Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 - Effective for periods beginning on or after 1 January 2016
- Equity method in separate financial statements - Amendments to IAS 27 - Effective for periods beginning on or after 1 January 2016
- Sale or contribution of assets between an investor and its associate or joint venture - Amendments to IFRS 10 and IAS 28 - Effective for periods beginning on or after 1 January 2016
- Investments entities: Applying the consolidation exception - Amendments to IFRS 10, IFRS 12 and IAS 28 - Effective for periods beginning on or after 1 January 2016

The impact of these standards on the Financial Statements is being assessed by the Group

FIVE-YEAR SUMMARY

GROUP INCOME STATEMENT

For the year ended 31 May	2016 £m	2015 £m	2014[1] £m	2013[2] £m	2012[2] £m
Net trading revenue	456.3	388.4	370.4	361.9	366.8
Other net operating (loss)/income	(7.2)	(1.2)	3.8	6.1	2.4
Net operating income	449.1	387.2	374.2	368.0	369.2
Operating expenses	(228.8)	(206.9)	(169.1)	(163.8)	(172.9)
Depreciation, amortisation and amounts written off PPE	(12.7)	(10.7)	(9.7)	(12.2)	(10.8)
Operating profit	207.6	169.6	195.4	192.0	185.5
Finance income	2.0	1.8	1.5	2.0	2.5
Finance costs	(1.7)	(1.9)	(2.0)	(1.8)	(2.3)
Profit before tax	207.9	169.5	194.9	192.2	185.7
Profit before taxation from continuing operations	207.9	169.5	194.9	192.2	185.7
Tax expense	(43.6)	(37.6)	(47.7)	(50.5)	(48.6)
Loss from discontinued operations	–	–	–	–	(0.3)
Profit/loss for the year	164.3	131.9	147.2	141.7	136.8

OTHER METRICS

	2016	2015	2014[1]	2013[2]	2012[2]
Own funds generated from operations	£197.9m	£136.8m	£160.6m	£154.3m	£140.7m
Earnings per share (EPS)					
Basic earnings per share	44.94p	36.13p	40.35p	39.02p	37.90p
Diluted earnings per share	44.58p	35.99p	40.22p	38.80p	37.54p
Dividend per share					
Interim dividend per share	8.45p	8.45p	5.75p	5.75p	5.75p
Final dividend per share	22.95p	19.70p	22.40p	17.50p	16.75p
Total dividend per share	31.40p	28.15p	28.15p	23.25p	22.50p
Dividend payout ratio (against diluted EPS)	70.44%	78.22%	69.99%	59.92%	59.94%
Profit margin					
Profit before taxation margin	45.56%	43.64%	52.61%	53.10%	50.60%

CLIENT METRICS

	2016	2015	2014(1)	2013(2)	2012(2)
Average revenue per client	£2,990	£2,854	£2,937	£2,659	£2,560
Number of active clients	152,619	136,111	126,108	136,063	143,304
Number of clients opened	100,651	70,967	54,957	55,889	67,593
Number of clients trading for the first time	52,986	40,932	33,709	37,914	48,029

GROUP STATEMENT OF FINANCIAL POSITION

	2016	2015	2014(1)	2013(2)	2012(2)
As at 31 May	£m	£m	£m	£m	£m
Assets					
Non-current assets					
Property, plant and equipment	13.0	13.3	13.0	14.4	15.6
Intangible assets	125.1	124.0	122.7	120.5	115.4
Financial investments	25.0	75.5	32.2	–	–
Deferred tax assets	7.2	7.1	7.1	9.5	11.9
	170.3	219.9	175.0	144.4	142.9
Current assets					
Trade receivables	278.5	269.6	327.5	300.6	222.3
Prepayment and other receivables	12.4	12.2	12.2	10.3	9.7
Cash and cash equivalents	218.8	148.8	101.5	98.3	228.2
Financial investments	111.0	32.9	50.3	50.5	–
	620.7	463.5	491.5	459.7	460.2
Total assets	791.0	683.4	666.5	604.1	603.1
Liabilities					
Current liabilities					
Trade payables	43.4	17.7	21.9	19.0	61.1
Other payables	70.8	61.2	58.4	53.8	64.8
Provisions	–	–	–	–	1.4
Income tax payable	13.8	13.1	20.3	24.3	28.7
	128.0	92.0	100.6	97.1	156.0
Non current liabilities					
Deferred tax liabilities	–	–	–	–	–
Provisions	–	–	–	–	–
Redeemable preference shares	–	–	–	–	–
	–	–	–	–	–
Total liabilities	128.0	92.0	100.6	97.2	156.0
Capital and reserves					
Total shareholders' equity	663.0	591.4	565.9	507.0	447.0
Non-controlling interest	–	–	–	–	0.1
Total equity	663.0	591.4	565.9	507.0	447.1
Total equity and liabilities	791.0	683.4	666.5	604.1	603.1

(1) FY14 has been restated following the adoption of IFRIC 21. Please refer to note 38 of the financial statements in the 2015 Annual Report.

(2) FY12 and FY13 have not been restated following the adoption of IFRIC 21 on a materiality basis.

EXAMPLES

In the following pages we have illustrated detailed examples for contracts for difference, spread betting and share dealing.

SELLING A CFD

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. This is known as 'going short'. On day two the share price has indeed fallen, and you decide to close your position.

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.

STEP 2

OFFER PRICE	80.35P
MID PRICE	B plc 80.30P
BID PRICE	80.25P

Expecting the market will fall, you sell at the BID PRICE

GOING SHORT

TRADE DETAILS

BID PRICE	SIZE (SHARES)
80.25P	20,000

INITIAL MARGIN REQUIREMENT (1)

£803.00
20,000 (number of shares) **x 80.30p** (the mid-price) **x 5%** (the margin percentage)

COMMISSION(2)

£16.05
20,000 (number of shares) **x 80.25p** (the bid price) **x 0.10%** (commission)

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 £803.00 and the commission is £16.05, so the available funds in your account will fall from £1,000.00 to £180.95 (ie £1,000.00-£803.00-£16.05). It is important to note that the £803.00 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 31 May 2016, the current LIBOR rate was 0.49%, while the spread was 2.50%, resulting in a net financing charge of 2.01% 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 2.99%. This is re-calculated daily.

END-OF-DAY PRICE (DAY ONE)	80.75P

DAILY INTEREST CHARGED

£0.89
20,000 x 80.75p x 2.01%/365 days

(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 31 May 2016.

STEP 4

In this example we have kept things simple and assumed no corporate actions occur. However, we will also reflect the impact of any corporate action on the underlying share, such as a dividend or a rights issue, on your positions. 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.

OFFER PRICE	78.35P
MID PRICE	B plc 78.30P
BID PRICE	78.25P

The market has fallen – you buy at the IG **OFFER PRICE**

CLOSING POSITION

TRADE DETAILS

OFFER PRICE	SIZE (SHARES)
78.35P	20,000

COMMISSION[1]

£15.67
20,000 x 78.35p x 0.10%

PROFIT PER SHARE

1.9p
Difference between opening bid and closing offer prices (80.25p-78.35p)

GROSS PROFIT ON TRADE

£380.00
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

ITEM	CLIENT	IG[2]
Selling commission (Step 1)	(£16.05)	£16.05
Financing charge (Step 3)	(£0.89)	£0.89
Buying commission (Step 5)	(£15.67)	£15.67
Gross profit (Step 5)	£380.00	(£380.00)
IG hedging gain[2]	N/A	£380.00
Net gain	£347.39	£32.61

When you open your position you may choose to add a stop. If you choose a guaranteed stop (only available for certain products), we guarantee that your position will be closed at this level and your maximum loss is therefore fixed. There is a small charge for a guaranteed stop, which will be added to the margin requirement, but is only payable if the stop is triggered. You may also choose to add a non-guaranteed stop, which will trigger a closing order when this level is breached. Non-guaranteed stops are free, but you may not be closed at this level, particularly if the market gaps.

(1) Commissions are variable, but for UK FTSE 100 CFDs (as assumed for B plc), this was 0.10% on 31 May 2016.

(2) This simple example assumes IG 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 £32.61, which is recorded in trading revenue and consists of the commission and financing charges levied on the client.

EXAMPLES CONTINUED

BUYING A SPREAD BET

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. This is known as 'going long'. 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.

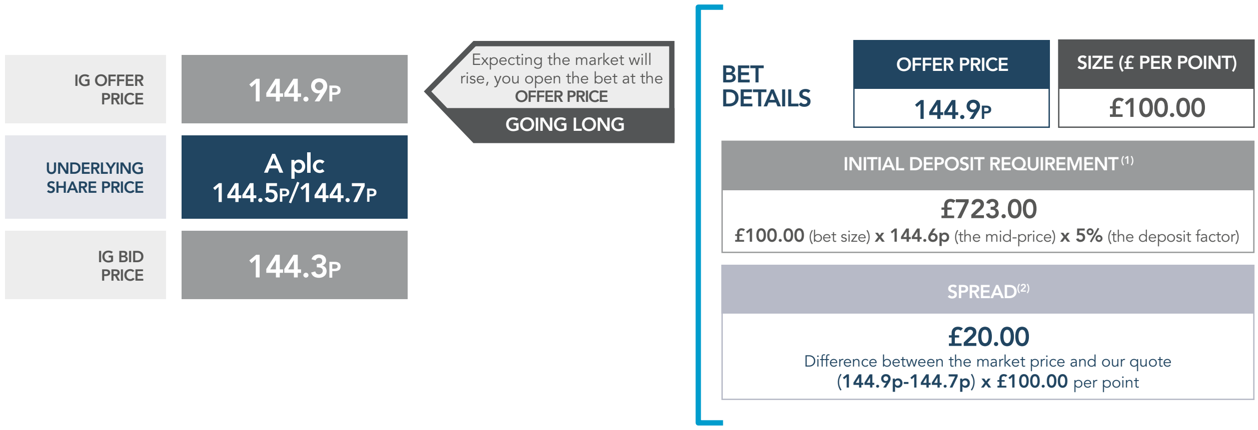
Your profit is the difference between the buying and selling prices, plus or minus any funding charges or other costs (discussed in Steps 3 and 5).

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.



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.

At this stage you may choose to add a stop to your position. If you choose a guaranteed stop (only available for certain products), we guarantee that your position will be closed at this level and your maximum loss is therefore fixed. When you have a guaranteed stop attached to your trade position, we apply a small fee only if the stop is triggered. You may also choose to add a non-guaranteed stop, which will trigger a closing order when this level is breached. Non-guaranteed stops are completely free, but you may not be closed at this level, particularly if the market gaps.

(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.

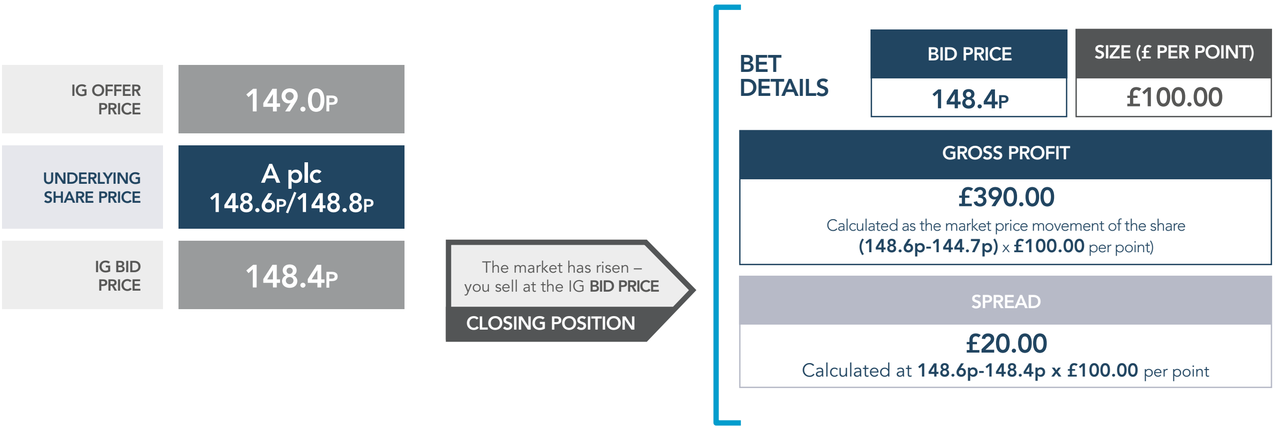
STEP 3

In this example we have kept things simple and assumed no corporate actions occur. However, we will also reflect the impact of any corporate action on the underlying share, such as a dividend or a rights issue, on your positions. For more details, please see our website, IG.com.

STEP 4 – CLOSING THE POSITION

Later that day, 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 148.6p/148.8p and our daily quote is 148.4p/149.0p.



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

For many markets (eg 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%).

ITEM	CLIENT	IG[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 hedging gain[1]	N/A	£390.00
Net gain	£350.00	£40.00

In the example above, if the bet had remained open at 10pm, and assuming one-month LIBOR of 0.49%, a funding charge of £1.23 would have been applied against the client account and recorded as revenue for IG (calculated as (£100 x 150.0p assumed end-of-day price x 2.99%) / 365 = £1.23).

EXAMPLES CONTINUED

SHARE DEALING WITH IG

In this example, you decide to buy A plc (assumed to be a FTSE 100 company) at the offer price on your share dealing account, as you wish to own shares in the company. You have linked your share dealing account to your CFD account so you have access to IG's collateral feature. After a few months, the share price has risen and you decide to close your position by selling A plc at the current bid price.

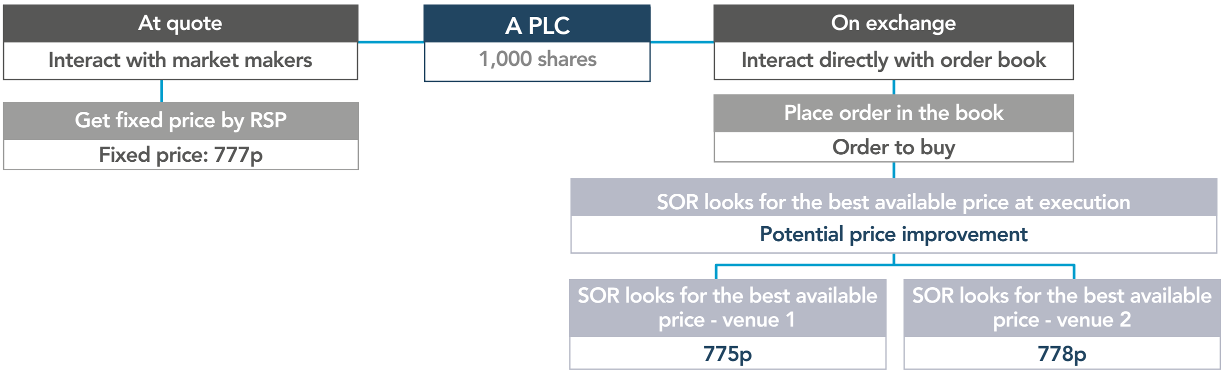
Your profit is the difference between the buying and selling prices, plus any dividends and minus any commission or other costs (discussed in Steps 2 and 5).

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 the value of shares, ETFs and ETCs bought through any stockbroking or stocks and shares ISA account can fall as well as rise, which could mean getting back less than you originally deposited.

STEP 1 - PRICE DISCOVERY

Most traditional stockbrokers only provide a 'request for quote' or 'at quote' service that delivers a fixed price, which is only valid for a short period of time. With us, you can trade 'at quote' or 'on exchange', allowing you to interact directly with the order book in the underlying market. Dealing 'on exchange' offers you live visibility of prices and full market depth allowing you to make an informed decision. Choose between 'at quote' or 'on exchange' to execute your order at the best available price.

If you place an 'on exchange' order we use our Smart Order Router (SOR) to seek out the best price and size available. Our SOR searches for liquidity across multiple venues, starting with 'dark pools' that offer mid-point matching – the best possible chance of getting price improvements. If there is no improvement available on 'dark' venues the SOR goes to a market maker, again looking for size or price improvements. Finally, if neither of the above sources provides price or size improvements, SOR sends orders to 'lit' venues, where they will be visible on an exchange.



STEP 2 – EXECUTING YOUR TRADE

Once you have decided whether you would like to deal 'at quote' or 'on exchange', you can place your trade directly from your platform. Once the appropriate price has been identified, your trade is executed.

When you buy your shares you are required to have sufficient funds on your account to make the purchase and cover the cost of commission, as well as currency conversion fees (if the share is priced in a foreign currency). In this example, we assume you have also been active on your CFD account, which means you automatically qualify for our lowest commission rate[1], which is £5. The available funds in your account will therefore fall by the value of the shares you have bought plus the commission. In this example, you purchase 100 shares priced at 775GBp (the best available price), which will reduce your cash balance to £220 (i.e. £1000 – £775 – £5). Unlike our margined products, you own your shares outright, meaning that you do not need to make any additional payments to maintain your stockbroking position.

STEP 3 – USING YOUR SHARES AS COLLATERAL

You can make the most of your shareholdings with IG using our collateral service. The collateral service allows you to use up to 95% of the value of your shareholdings as initial margin against your spread bets or CFD positions.[2] In this example, we assume that you have a position on your CFD account in B plc, another FTSE 100 listed company, which has a margin requirement of £300. The fact that you are holding the physical shares in A plc, and have linked your accounts for collateral means that you can use up to 95%[2] of the value of this position (that is, £775 x 95% = £736) to cover your margin requirement on B plc. This will free up any additional funds on your CFD account, which you can then use to open further CFD positions or as a buffer against adverse market movements.

It is important to note that the collateral value is real-time. This means the collateral value of your assets will fluctuate according to movements in the price of the stock(s) you hold on your stockbroking account.

Your shareholdings remain intact and retain their full value;[3] you simply use a percentage of their value as collateral to fund shorter-term trades. Importantly, you can only use your shareholdings to cover the initial margin on your spread bets or CFDs. Any running losses will need to be covered by the available cash in your CFD account. For more details, please see our website, IG.com.

STEP 4 – CORPORATE ACTIONS

In this example we have kept things simple and assumed no corporate actions occur. However, as the owner of the equity we will also reflect the impact of any other corporate actions on your shares, such as a rights issue, on your positions. For more details, please see our website, IG.com.

STEP 5 – SELLING YOUR SHARES

As the objectives of your portfolio change, you can divest all or parts of your shareholding using our superior execution technology. Once your sale is confirmed, your account will be credited with the equivalent cash. As before, we assume that you qualify for our lowest commission rate as a holder of active stockbroking and margined accounts, so the commission is £6. If the price of your shares in A plc has risen from 775p to 846p, your account balance will rise to £1,060 (i.e. £219 + £846 - £5).

STEP 6 – TRANSPARENT TRADING

As well as buying new shares you can conveniently keep your shares portfolio in one place, by transferring in your existing shareholdings to us, free from IG charges. Once your shares are transferred you will have access to the full range of features on IG's platform including our collateral service and our superior execution.

You will also have access to our range of over 9,000 international shares, which are offered in their local denomination, regardless of the currency on your account. This means you'll know exactly what you're paying, with our fee of just 0.3% to convert to your base currency.

Obtaining live prices for international stocks from an exchange can incur a monthly fee, but we will refund this charge in full if you place a minimum number of trades in the previous month. However, unlike some other stockbrokers, this is the only other fee – besides commission – we will charge you, meaning you are only charged when you trade and not just for holding your portfolio.

(1) Commissions are variable, but if your share dealing account is accessible under the same login as your active spread betting or CFD account, you automatically qualify for our lowest commission rate by placing at least one spread bet or CFD trade in the previous calendar month. This was £5 on 31 May 2016.

(2) Generally you can use 75% - 95% of the value of your portfolio as collateral, depending on the liquidity of shareholdings. For more details, please see our website, IG.com.

(3) We do all we can to make sure you have the opportunity to cover any realised spread betting or CFD losses with cash. If you do not deposit additional funds to cover a losing leveraged trade, we will follow our normal process of closing the trade and informing you that your account is in debit. We will only take control of your shares if your account remains in debit. For more details, please see our website, IG.com.

GLOSSARY

TERM	NOTES
ABI	Association of British Insurers
AGM	Annual General Meeting
Basel III	The comprehensive set of reform measures designed to strengthen regulation, supervision and risk management in the banking sector
Binary bet	A special form of spread bet with only two outcomes at expiry: if a specified result is achieved, the bet is closed at a level of 100. If the result is not achieved, the bet closes at 0
CFTC	The US Commodities Futures Trading Commission
CGU	Cash Generating Unit
Close-out monitor (COM)	The Group's automatic real-time position-closing system (see the Managing Our Business Risk section in the Strategic Report and note 36 to the Financial Statements)
Contract for difference (CFD)	A CFD is a contract to exchange the difference in the price of an asset between the time the contract is opened and the time it is closed. An example is shown on page 168
COREP	Capital and Liquidity Reporting
CSR	Corporate social responsibility
DEPS	Diluted Earnings Per Share
DFSA	Dubai Financial Services Authority
Direct market access (DMA)	DMA enables clients to interact directly with the market, including participating in the order book of a stock exchange
DTRs	The FCA's Disclosure and Transparency Rules
EBA	European Banking Authority
EPS	Earnings per share
EQA	External Quality Assessment
ESMA	European Securities and Markets Authority
ETF	Exchange-traded fund
Exposure monitor	Our real-time technology solution which constantly measures our financial exposure to all traded instruments
FCA	Financial Conduct Authority (UK regulator)
FINMA	The Swiss Financial Market Supervisory Authority
FRC	Financial Reporting Council
FSB	Financial Services Board (South Africa)
FSCS	Financial Services Compensation Scheme
FTT	Financial Transaction Tax
Fugitive emissions	Greenhouse gas emissions caused by intentional or unintentional releases, eg equipment leaks or hydrofluorocarbon emissions from the use of refrigeration and air-conditioning equipment
GHG emissions	Greenhouse gas emissions
Goodwill	An intangible asset representing the additional value that arises as a result of the acquisition of the acquired company by another at a value greater than that of the target company's assets
GTLDs	Generic top-level domains – represented by the characters following the dot at the end of an internet domain name, eg .com, .net
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process. The ICAAP is an internal document which identifies the controls we use to mitigate risks to the Group's capital and assesses and quantifies our capital requirements
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
ILAA	Individual Liquidity Adequacy Assessment. The ILAA is an internal document which identifies the controls we use to mitigate liquidity risks and assesses and quantifies our liquidity requirements
IOSCO	International Organization of Securities Commissions
ISA	International Standards on Auditing
ISS	Institutional Shareholder Services Inc
JFSA	Japanese Financial Services Agency

TERM	NOTES
KPIs	Key Performance Indicators
KRIs	Key Risk Indicators
LCR	Liquidity Coverage Ratio
LIBOR	London inter-bank offered rate – a benchmark interest rate published by leading London banks
LTIP	Long-term incentive plan
MAS	The Monetary Authority of Singapore
MiFID	Markets in Financial Instruments Directive – EU law covering financial regulation in all member states
Multilateral trading facility (MTF)	A non-exchange financial-trading venue providing an alternative to traditional stock exchanges
Nadex	The North American Derivatives Exchange, our US-based retail derivatives exchange business
Net Promoter Score (NPS)	NPS is calculated by asking respondents how likely they are to recommend a 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)
NSFR	Net Stable Funding Ratio
OTC	'Over the counter' refers to non-exchange-traded financial instruments
PRIPs	Packaged Retail Investment Products
Regulatory capital resources	The total capital available to the Group, as calculated under the EU Capital Requirements Regulation and the Financial Conduct Authority's IFPRU 3 rules
Rest of World	One of our four reporting segments, consisting of our operations in Japan, Singapore, South Africa and the US
RREV	Research Recommendations Electronic Voting
Scope 1/2/3 emissions	The three classifications of emissions required to be considered under the mandatory GHG reporting
SIP	Share incentive plan
SPP	Sustained performance plan
Spread bet	A bet on whether a financial market (the underlying market) will rise or fall. We offer two prices on every market, and the difference is known as the bid/offer spread. If you think a market is set to rise you 'buy' at the higher (offer) price, and if you think it will fall you 'sell' at the lower (bid) price. Your subsequent gain or loss on the bet will be determined by the direction and degree of any movement in the underlying market. An example is shown on page 170
Tiered margins	We use a system of margin tiers that reflect the degree of risk involved in client trades. Generally, the riskier the traded instrument or the larger the trade size, the higher the level of margin required, up to 100%
Title Transfer Collateral Arrangement (TTCA)	A financial agreement to transfer money to cover obligations, such that that money will not be regarded as client money, which must be segregated, although IG retains the liability to repay the client
TSR	Total Shareholder Return
UK Corporate Governance Code (the Code)	The Code sets out standards of good practice in board leadership and effectiveness, remuneration, accountability and relations with shareholders. Provision B7.1 states that all directors of FTSE 350 companies should be subject to annual election by shareholders
Up/down binary bet	A specific type of binary bet where the outcome is expressed as being above or below the current market value (ie the market has moved up or the market has moved down)
Volatility-based binary bet	A category of binary bet where the achievement of a specific outcome is directly related to the volatility of the underlying market
VSP	Value-sharing plan

GLOBAL OFFICES

LONDON (HEADQUARTERS)
IG (IG Index Limited and
IG Markets Limited)
Cannon Bridge House
25 Dowgate Hill
London
EC4R 2YA
UNITED KINGDOM
+44 (0)20 7896 0011
helpdesk.uk@ig.com
IG.com

EUROPE (EXCLUDING UK)

DUBLIN
IG (IG Index Limited and
IG Markets Limited)
World Rugby House
8-10 Pembroke St Lower
Dublin 2
REPUBLIC OF IRELAND
+353 1 526 6061
dublinoffice@ig.com
IG.com/ie

DÜSSELDORF
IG Markets Limited
Berliner Allee 10
40212 Düsseldorf
GERMANY
+49 (0)211 882 370 00
info.de@ig.com
IG.com/de

LUXEMBOURG
IG Markets Limited
15 rue du fort Bourbon
L1249
LUXEMBOURG
+352 24 87 11 17
info.lu@ig.com
IG.com/lu

MADRID
IG Markets Limited
Paseo de la Castellana 13
Planta 1a Derecha
28046 Madrid
SPAIN
+34 91 787 61 61
info.es@ig.com
IG.com/es

MILAN
IG Markets Limited
Via Paolo da Cannobio, 33
7° Piano
20122 Milano
ITALY
+39 02 0069 5595
italiandesk@ig.com
IG.com/it

PARIS
IG Markets Limited
17 Avenue George V
75008 Paris
FRANCE
+33 (0)1 70 98 18 18
info.fr@ig.com
IG.com/fr

STOCKHOLM
IG Markets Limited
Stureplan 2
114 35 Stockholm
SWEDEN
+46 (0)8 505 15 000
info.se@ig.com
IG.com/se

SWITZERLAND
IG Bank S.A
42 Rue du Rhone
Geneve
1204
SWITZERLAND
+41 22 888 10 02
support.ch@ig.com
IG.com/en-ch

MIDDLE EAST

DUBAI
IG Limited
Office 2 &3, level 27,
Currency House- Tower 2,
Dubai International Financial Centre,
P O Box – 506968
DUBAI, UAE
+971 45 59 2000
helpdesk.ae@ig.com
IG.com/ae

ASIA PACIFIC

MELBOURNE
IG Australia Pty Limited
Level 15
55 Collins Street
Melbourne VIC 3000
AUSTRALIA
+61 (0)3 9860 1799
helpdesk.au@ig.com
IG.com/au

SINGAPORE
IG Asia Pte Limited
9 Battery Road
#01-02 Straits Trading Building
SINGAPORE 049910
+(65) 6390 5133
helpdesk@ig.com.sg
IG.com.sg

TOKYO
IG Securities Limited
Shiodome City Center 10F
1-5-2 Higashi-shinbashi
Minato-ku, Tokyo 105-7110
JAPAN
+81 (0)3 6704 8500
info.jp@ig.com
IG.com/jp

NORTH AMERICA

CHICAGO
North American
Derivatives Exchange, Inc.
311 South Wacker Drive
Suite 2675
Chicago, IL 60606
US
+1 312 884 0100
customerservice@nadex.com
nadex.com

SOUTH AFRICA

JOHANNESBURG
IG Markets South Africa Limited
The Place
1 Sandton Drive
Sandton, Gauteng
2196 Johannesburg
SOUTH AFRICA
+27 (0)10 344 0051
helpdesk.za@ig.com
IG.com/za

SHAREHOLDER AND COMPANY INFORMATION

SHAREHOLDER INFORMATION

RECEIVING SHAREHOLDER INFORMATION BY EMAIL

You can opt to receive shareholder information from us by email rather than by post. We will then email you whenever we add shareholder communications to the Company website. To set this up, please visit www.investorcentre.co.uk/ecomms and register for electronic communications (e-comms).

If you subsequently wish to change this instruction or revert to receiving documents or information by post, you can do so by contacting the Company's registrars at the address shown in the Company Information opposite. You can also change your communication method back to post by logging in to your Investor Centre account and go to "update my details" followed by "communication options".

The Registrar can also be contacted by telephone on 0371 495 2032. Calls to this number cost no more than a national rate from any type of phone or provider. These prices are for indication purposes only; if in doubt, please check the cost of calling this number with your phone line provider. Lines are open 8.30am – 5.30pm, Mon-Fri excluding bank holidays.

SHAREHOLDER ENQUIRIES

If you have any queries relating to your shareholding, dividend payments or lost share certificates, or if any of your details change, please contact Computershare by visiting www.investorcentre.co.uk or by using the contact details above.

AMERICAN DEPOSITARY RECEIPTS (ADRS)

The company has a sponsored Level 1 American Depositary Receipt (ADR) programme, with Citibank N.A. acting as the depositary bank, which enables US investors to invest in IG shares though an ADR, denominated in US dollars. IG's ADR programme trades in the US over-the-counter (OTC) market, under the symbol IGGHY. Each ADR currently represents one ordinary share.

E: citiadr@citi.com W: www.citi.com/dr

T: UK +44 (20) 7500 2030 US +1 (212) 723 5435

DIVIDEND DATES[1]

Ex-dividend date	29 September 2016
Record date	30 September 2016
Last day to elect for dividend reinvestment plan	7 October 2016
Annual General Meeting	21 September 2016
Final dividend payment date	28 October 2016
2017 interim dividend	February 2017

ANNUAL SHAREHOLDER CALENDAR[1]

Company reporting

Final results announced	19 July 2016
Annual Report published	9 August 2016
Annual General Meeting	21 September 2016

INTERIM REPORT

As part of our e-comms programme, we have decided not to produce a printed copy of our Interim Report. We will instead publish the report on our website, where it will be available around mid-January each year.

COMPANY INFORMATION

DIRECTORS

Executive Directors

P G Hetherington (Chief Executive)

Non-Executive Directors

A J Green (Chairman)
S G Hill
J A Newman
S J Tymms
J Felix
M L May (Senior Independent Director)

COMPANY SECRETARY

T Lee

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
7 More London Riverside
London
SE1 2RT

BANKERS

Lloyds Banking Group plc
10 Gresham Street
London
EC2V 7AE

HSBC Bank plc
8 Canada Square
London
E14 5HQ

Royal Bank of Scotland Group plc
280 Bishopsgate
London
EC2M 4RB

SOLICITORS

Linklaters
1 Silk Street
London
EC2Y 8HQ

REGISTRARS

Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

BROKERS

Barclays Bank plc
5 The North Colonnade
Canary Wharf
London
E14 4BB

Numis Securities Limited
10 Paternoster Square
London
EC4M 7LT

REGISTERED OFFICE

Cannon Bridge House
25 Dowgate Hill
London
EC4R 2YA

REGISTERED NUMBER

04677092

(1) Please note that these dates are provisional and subject to change.

CAUTIONARY STATEMENT

Certain statements included in our 2016 Annual Report, or incorporated by reference to it, may constitute 'forward-looking statements' in respect of the Group's operations, performance, prospects and/or financial condition.

Forward-looking statements involve known and unknown risks and uncertainties because they are beyond the Group's control and are based on current beliefs and expectations about future events about the Group and the industry in which the Group operates. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. If the assumptions on which the Group bases its forward-looking statements change, actual results may differ from those expressed in such statements. The forward-looking statements contained herein reflect knowledge and information available at the date of this Annual Report and the Group undertakes no obligation to update these forward-looking statements except as required by law.

This report does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase any shares or other securities in the Company and nothing in this report should be construed as a profit forecast.

MARKET SHARE

Market share data has been provided by Investment Trends Pty Limited (website: www.investmenttrends.co.uk). Contact: Irene Guiamatsia (email: Irene@investmenttrends.com.au) or Lloyd Kluegel (email: lloyd@investmenttrends.co.uk). Unless stated, market share data is sourced from the following current reports:

Investment Trends May 2016 Australia CFD Report, released in June 2016

Investment Trends June 2015 Australia CFD Report, released in September 2015

Investment Trends April 2016 France CFD/FX Report, released in May 2016

Investment Trends February 2016 Spain CFD/FX Report, released in May 2016

Investment Trends May 2016 Germany CFD/FX Report, released in June 2016

Investment Trends August 2015 Singapore CFD/FX Report, released in October 2015

Investment Trends July 2015 UK Leveraged Trading Report, released in November 2015

NOTES

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IG Group Holdings plc
Cannon Bridge House
25 Dowgate Hill
London
EC4R 2YA

T: +44 (0)20 7896 0011
F: +44 (0)20 7896 0010
W: iggroup.com