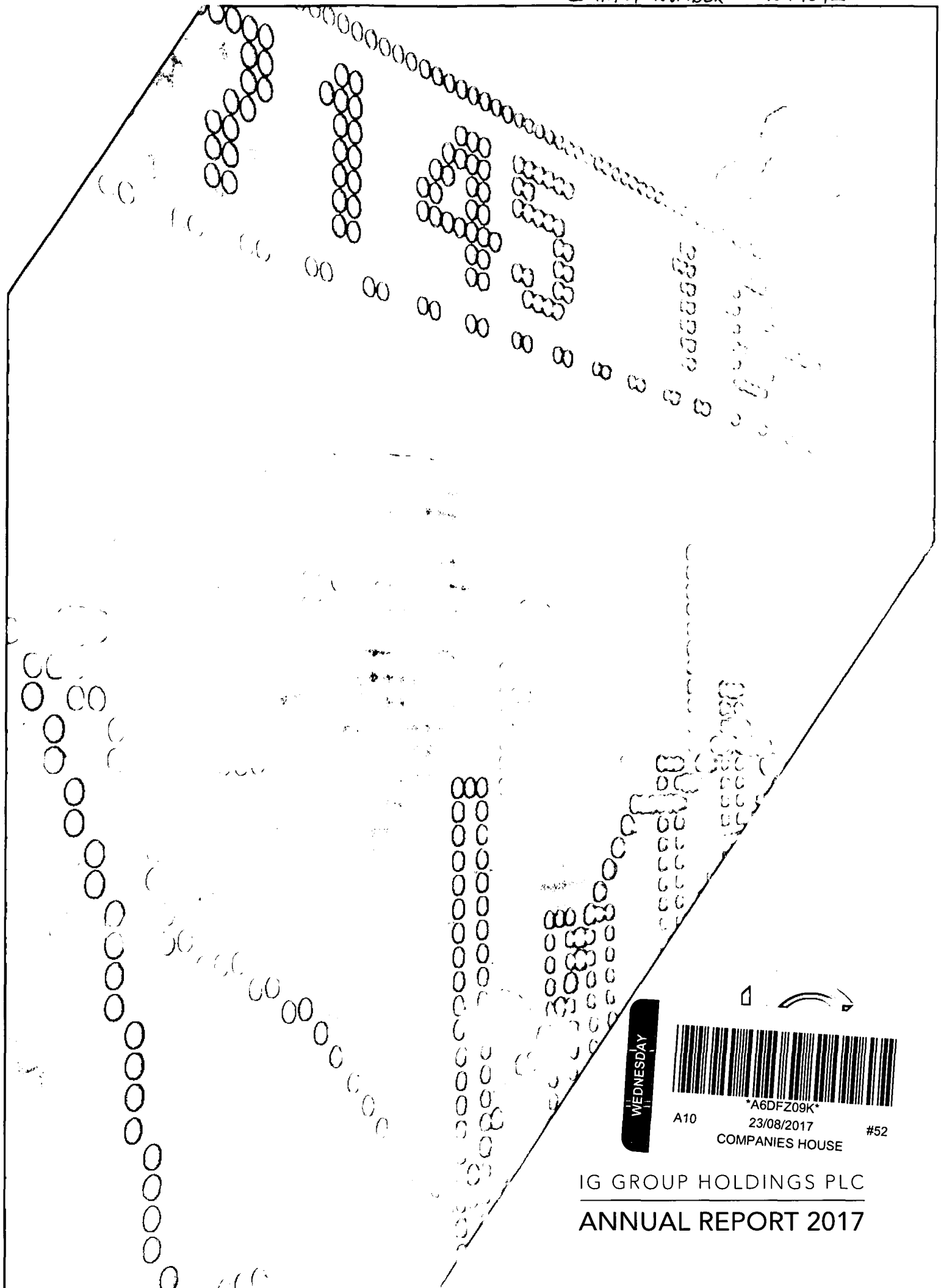




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IG GROUP HOLDINGS PLC
ANNUAL REPORT 2017

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AT A GLANCE

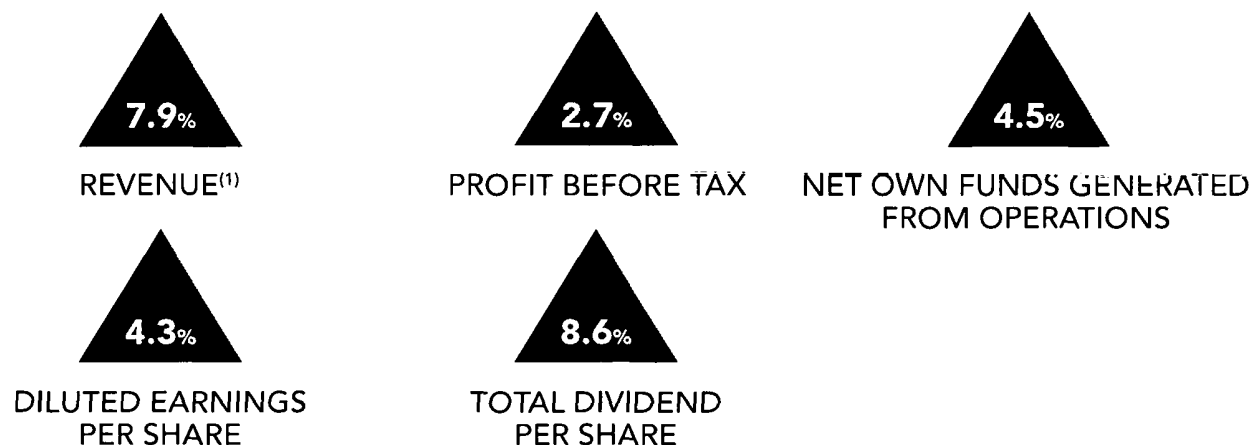
'It was an interesting and challenging year in terms of global news flow, especially in the political and regulatory sphere, but the year turned out to be one of the least volatile in financial markets for decades. Against this backdrop I am pleased that IG once again delivered record revenue and profits.'

Peter Hetherington
Chief Executive Officer
18 July 2017

This report is fully accessible
online at:
iggroup.com/ar2017

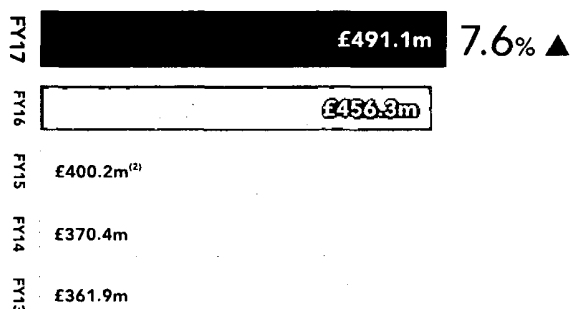


FOUR-YEAR COMPOUND ANNUAL GROWTH RATES

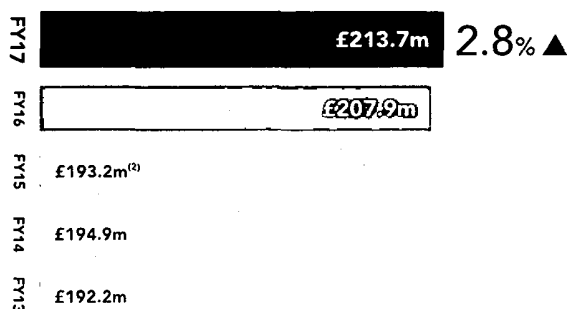


ANNUAL FINANCIAL METRICS

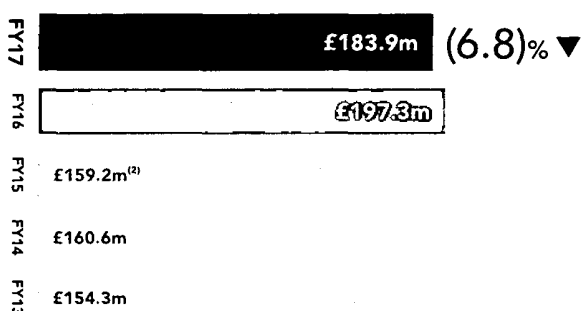
REVENUE⁽¹⁾



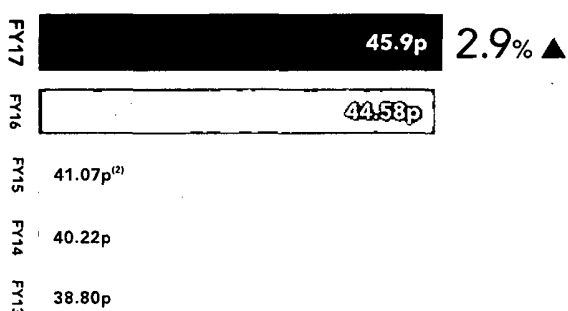
PROFIT BEFORE TAX



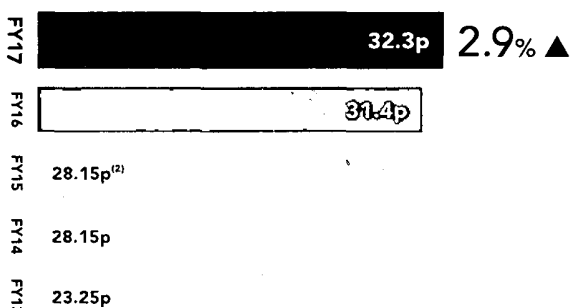
NET OWN FUNDS GENERATED FROM OPERATIONS⁽³⁾



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 deducting introducing partner commissions).

(2) FY15 numbers are shown on an underlying basis.

(3) Further details on Net Own Funds generated from operations is available in note C of the Other Information section in the Financial Statements.

CHAIRMAN'S STATEMENT

In my third year as Chairman of IG, I am pleased to report that the Company delivered another year of strong growth, leading to record revenue and profits, in a relatively quiet period for financial markets.



The business made good strategic progress, commencing the rollout of an entirely new trading platform, establishing its limited risk trading account globally, further developing its international offices and launching an exciting new low-cost passive investment product in the UK.

Of course, the changing face of regulation is dominating the backdrop for IG's core product at the moment. The regulatory situation is in a state of flux, and it could take some time for clarity to be available in all markets. I am, however, pleased that the management and the entire IG team have continued to concentrate on developing the business, while engaging constructively with regulators and innovating to further improve client outcomes.

The recent increase in regulatory concerns around retail leveraged trading is perhaps no surprise. Like any growing profitable industry, competition has increased in recent years. Unfortunately a number of these competitors have been taking a very short-term approach to this market and have been targeting inappropriate clients. It is clear to me and the Board that IG is not the main target of the regulators' concerns. IG has always sought to operate to the highest standards, and we are determined to assist regulators to remove poor providers from our market and to improve consumer outcomes. I also do not believe that the product itself is at the heart of regulators' concerns – this is primarily about the mis-selling of the product by certain providers, either through unrealistic claims or by targeting consumers for whom the product is inappropriate.

We have a clear vision at IG: to be a global leader in retail trading and investments. As a Board, we are concentrating on developing a culture that drives behaviour focused on fair client outcomes, and on the creation of a growing, sustainable business. Therefore, we recently refreshed the values of the Group, to ensure all of our people understand what binds the Company together and what has been at the heart of our success over many years. IG's growth has always been based on putting the customer first. We express our values as:

- Champion the client
- Lead the way
- Love what we do

By staying true to these values, I believe the Company will emerge from the current uncertainty in an even stronger position within its core industry and as a credible insurgent within the broader investments space.

Board

As previously communicated, Paul Mainwaring joined as CFO designate on 11 July 2016 and was appointed to the Board on 20 July 2016. In September, Sam Tymms was appointed as Chairman of the Board Risk Committee, replacing Stephen Hill, who remains a member of the Committee.

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

Remuneration

We seek to maintain a remuneration structure which creates a balance between rewarding performance against annual objectives and the delivery of long-term stakeholder value. Last year we carried out a series of adjustments across the organisation to ensure we can continue to motivate, recruit and retain high-quality people at all levels to deliver against our short-term and long-term priorities. This year we reviewed the Directors' Remuneration Policy and concluded that it continues to meet the needs of the Company. The sharp share price fall on 6 December 2016, following the publication of the FCA's industry consultation, impacted the Total Shareholder Return element of the Executive Directors' remuneration; this fall reflected shareholder concerns about the future prospects of the business. We will keep the Policy under review as we receive increased clarity around the external environment in which the Company is operating.

Dividend

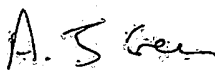
In line with the previously stated intention to pay out, as an ordinary dividend, approximately 70% of the Group's annual earnings, the Board is recommending a final dividend of 22.88 pence per share, taking the full-year dividend to 32.3 pence per share, 2.9% ahead of the prior year.

IG's people

The regulatory uncertainty during this year has created a difficult backdrop for our people. During this time, we have also further developed our global resourcing model and now have substantial operations in Krakow and Bangalore. The Board is clear that our people remain our greatest asset, and that it is their dedication and pride in our Company that have delivered another record year for this business. On behalf of the Board, I want to thank them sincerely for their ongoing efforts.

Looking forward

The industry is in a period of relative uncertainty. IG has a great track record of innovating to lead the industry in operating standards and developing our business to reflect a changing regulatory landscape. Our excellence in technology and our people's unswerving commitment to fair client outcomes will serve us well as the uncertainty clears, and I believe that IG will come out of this period as an even stronger player.



Andy Green
Chairman

18 July 2017

OUR BUSINESS

INTRODUCING IG

IG exists to empower informed, decisive, adventurous people to access opportunities in financial markets. As a global leader in online trading and an established member of the FTSE 250, we have a 43-year heritage.

We're the No.1 provider of CFDs and spread betting worldwide⁽¹⁾, with offices located in 15 countries and operations in a further two. Operating globally under the IG brand, and in the US as Nadex, we're the trusted platform provider for over 185,000 clients.

Our suite of products provides efficient, flexible access to more than 15,000 financial markets for a broad spectrum of financially sophisticated consumers, ranging from active traders to retail investors. Using our cutting-edge platforms and apps, our clients place almost 8 million transactions a month with us.⁽²⁾

A HISTORY OF CREATING SOLUTIONS

Innovation has been at the heart of our business since we began life in 1974. As the UK's original financial spread betting provider, we introduced a completely new, accessible way for people to trade on gold – by defining it as an index.

Over subsequent years, we went on to expand the product set and create increasingly advanced technology to support our clients' trading needs. Our innovations have included the first online dealing platform for financial spread betting in 1998 and the first trading app for Apple Watch in 2015. This year we delivered a completely new trading platform that is beginning to greatly enhance the trading experience for our clients. An intuitive, customisable interface offers straightforward functionality for the less-experienced trader, while those with more demanding requirements have access to a range of advanced functions.

Technology has also enabled us to continually refine our marketing techniques. As we discuss in more detail later, we're now able to produce highly targeted advertising campaigns that introduce our products to the people they are most likely to suit. A sophisticated application and onboarding process then ensures that only appropriate clients proceed – gaining access to the products and educational materials that fit their objectives, knowledge and capital resources.

Over the years, we've evolved and broadened our product offering to meet the changing needs of traders and investors, and it's now supported by an extensive range of tools and resources to help our clients. From teaching essential trading and risk-management techniques to providing market insight and alerts about upcoming economic events, our educational and news services draw on four decades of experience to help people trade and invest more effectively.

Our operating model and risk management strategy have been thoroughly tested over time, and have proved highly resilient in a wide range of real-life scenarios. Our business has continuously adapted to a changing economic backdrop, and we remain agile and innovative in the face of an uncertain regulatory landscape, as we look to the next phase of our growth.

(1) Based on number of active UK financial spread betting accounts (Investment Trends UK Leveraged Trading Report October 2016); for CFDs, based on revenue excluding FX (published Financial Statements, October 2016).

(2) Average for FY17.

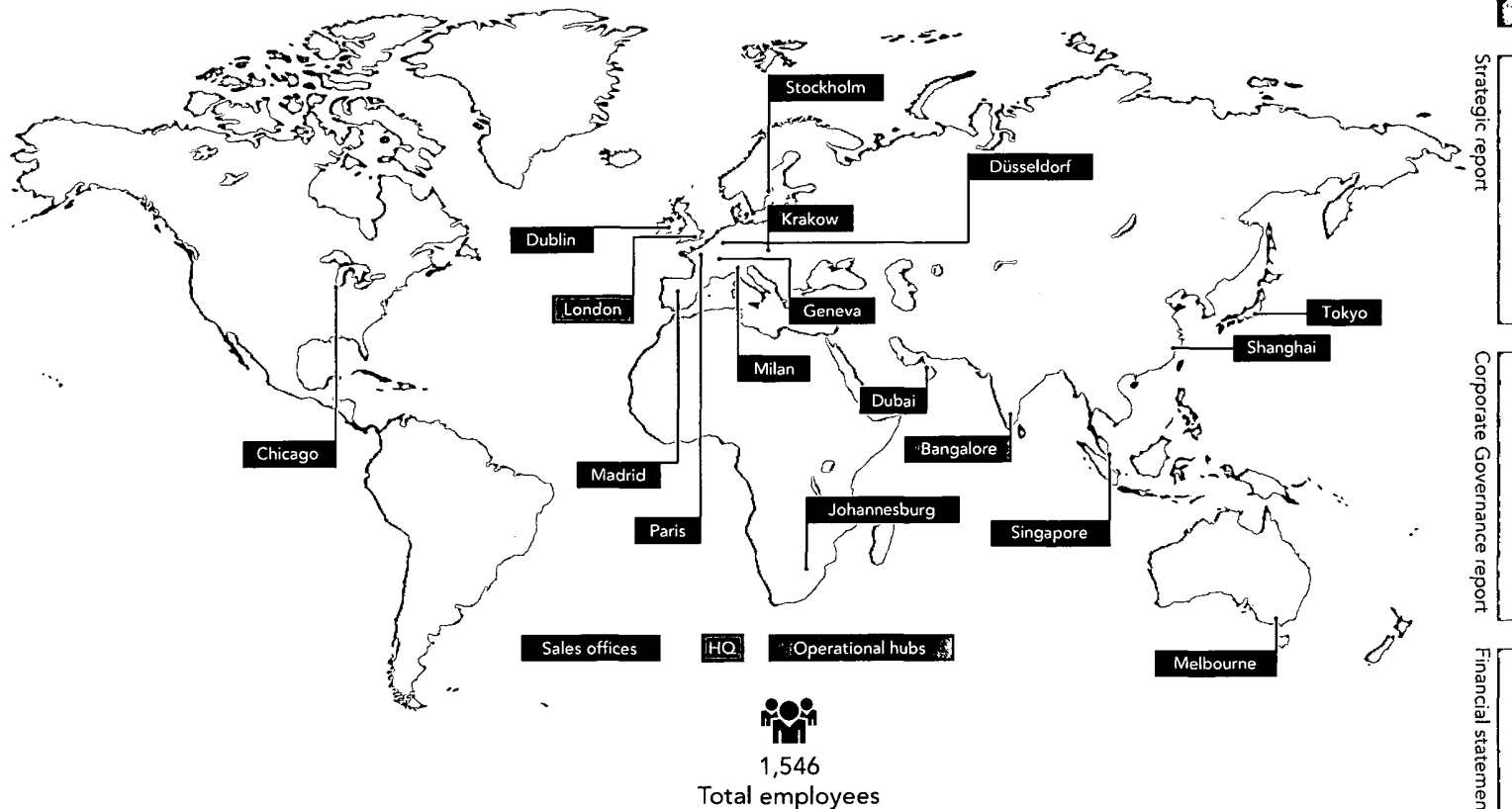
KEY DATES

- 2017 – All-new online trading platform introduced. IG Smart Portfolios launched in partnership with BlackRock, the world's leading asset manager.
- 2016 – IG expands its share dealing offering into ISAs and SIPPs. Share trading launched in Australia. Limited risk accounts rolled out across the globe.
- 2015 – Sunday trading launched. IG designs the first trading app for Apple Watch. New office opens in Dubai.
- 2014 – Execution-only stockbroking introduced as part of our comprehensive share dealing package. New office opens in Switzerland.
- 2013 – Spread betting and CFD offerings brought together under IG.com. Introduction of forex trading via Meta Trader 4 platform.
- 2012 – Launch of our insight, news and analysis centre. New office opens in Dublin.
- 2010 – Acquisition of the Ideal CFDs business in South Africa. CFD iPhone app launches.
- 2009 – Nadex.com launches in the US. IG Markets introduces PureDMA. Offices open in Sweden and Luxembourg.
- 2008 – New office opens in Italy. UK's first dedicated spread betting iPhone app launches.
- 2007 – Launch of browser-based trading platform. New offices open in the US, Spain and France.
- 2006 – New offices open in Germany and Singapore.
- 2003 – Product range expanded as binary betting is introduced.
- 2002 – IG Markets Australia becomes the country's first CFD provider.
- 1998 – First company to launch an online dealing platform for financial spread betting.
- 1995 – First UK company to allow spread betting on individual shares.
- 1982 – First company in the UK to offer spread betting on the FT30.
- 1974 – IG Index founded, becoming the UK's first spread betting company.

OUR GLOBAL OPERATIONS

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

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



UK

- 1,149 employees
- Introduced the first financial spread betting product in 1974
- Head offices located in the City of London
- Operational hubs established to service the Group in Krakow and Bangalore
- Annual revenue of £225 million in the 2017 financial year, with over 77,000 active clients trading

EUROPE, MIDDLE EAST AND AFRICA

- 167 employees
- Entered the market in Germany in 2006, with rapid expansion across Europe from 2007
- Expanded into South Africa in 2010 and Dubai in 2015
- Received banking licence and opened office in Switzerland in 2014
- Offices located in Dubai, France, Germany, Ireland, Italy, Spain, South Africa, Sweden and Switzerland
- Annual revenue of £137.7 million in the 2017 financial year, with almost 47,000 active clients trading

ASIA PACIFIC

- 161 employees
- Entered the market in 2002 in Australia
- Offices located in Melbourne, Singapore and Tokyo
- Annual revenue of £114.3 million in the 2017 financial year, with almost 40,000 active clients trading

USA

- 69 employees
- North American Derivatives Exchange (Nadex) based in Chicago
- Operational headquarters for DailyFX
- Annual revenue of £14.1 million in the 2017 financial year, with over 22,000 active exchange members trading

OUR BUSINESS continued

OUR PRODUCT SUITE

Our range of products is designed to provide solutions across the spectrum of our clients' trading and investment needs.

Our original offering – still core to our business – is leveraged trading: contracts for difference (CFDs) and spread betting (in the UK and Ireland), which generates the majority of our revenue. This is now complemented by a growing suite of non-leveraged share dealing and wealth-management products, suiting a broad range of risk appetites and trading and investment objectives throughout a client's lifetime.

While our original products are designed for active traders, our newer offering extends our reach both to self-directed investors and those preferring a low-cost managed-portfolio approach. Attracting clients who seek longer-term investments, this broader product range is now fully live in the UK, and we've introduced share trading to Australia.

We believe that IG is well placed to disrupt the long-term investment market and further engage our clients – enabling us, over the longer term, to build a new revenue stream for our business. We've been able to develop our offering extremely cost-effectively, by building on our existing technology, teams and infrastructure, and by leveraging the established strength of our brand and marketing capabilities.

IG clients are able to access over 15,000 global financial markets – including shares, forex, indices, commodities and other instruments – via market-leading platforms and apps that provide efficient, secure execution.

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.

Clients can take a position in a financial instrument, buying or selling, while only putting down a small percentage of the value of their trade as security – known as trading on margin. This is an extremely efficient way of trading financial markets over the short term. We also offer clients access to a range of risk-mitigation measures, including stops and limits and a limited risk account.

- We are the world's No.1 CFD provider⁽¹⁾

We explain how a CFD works in the IG Services section on IG.com.

Spread Betting

Financial spread betting mirrors many aspects of a CFD – enabling clients to take advantage of changes in an asset's price without owning the asset itself, and to use the same range of risk-mitigation measures. Available only in the UK and Ireland, it's a tax-free⁽²⁾ alternative to trading, allowing clients to bet on the price movement of an asset. 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 45% of the UK financial spread betting market⁽⁴⁾

We explain how spread betting works in the IG Services section on IG.com.

Share dealing, ISAs and SIPP

Our online, execution-only share dealing service is powered by the same market-leading technology as our spread betting and CFD offering. It enables self-directed clients to buy and sell over 9,000 global shares and exchange traded funds (ETFs), with extremely competitive and transparent transaction fees. They can also choose to invest within a tax-efficient ISA or SIPP wrapper, and there's an option to use stock portfolios as collateral for leveraged trading.

Launched in the UK in 2014, our share dealing offering has built on our pedigree in the online leveraged trading sector. As well as providing our current spread betting and CFD clients with facilities to place their non-leveraged portfolio with us, we're now attracting a completely new audience to IG. Our share dealing service is also available to clients in Austria, France, Germany, Ireland and the Netherlands, and in this financial year we introduced it to Australia as Share Trading.

- The market in the UK for online, execution-only share dealing is around ten times the size of the market for leveraged products⁽⁵⁾
- Around 80% of clients opening share dealing accounts are new to IG

(1) Based on revenue excluding FX (published Financial Statements, October 2016).

(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 financial spread betting accounts (Investment Trends UK Leveraged Trading Report October 2016).

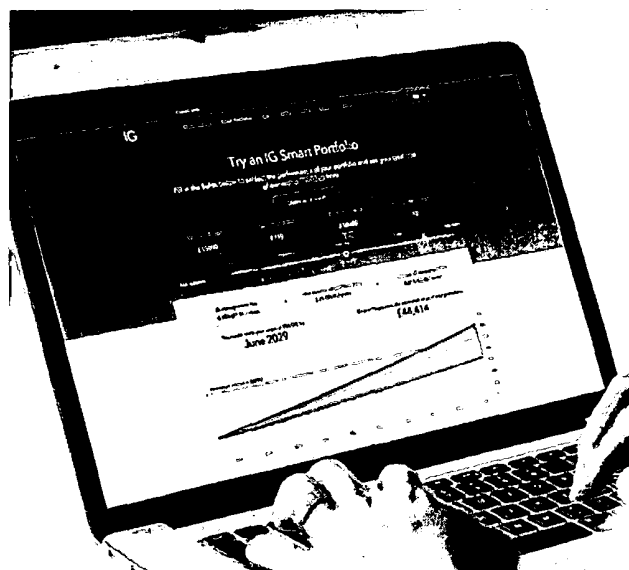
(4) By number of active primary accounts. All market share data presented in this report is provided by Investment Trends Pty Limited.

(5) Based on numbers of consumers.



Smart Portfolios

Launched in April 2017 in partnership with BlackRock, IG Smart Portfolios is a discretionary managed investment service. By offering low costs and full transparency on total cost of ownership, we are industry-leading. Clients have a fully online experience – supported by our customer services team if needed – with access to an elegant and intuitive platform, where their investments and all the costs of ownership are clearly visible.



We offer a range of portfolios designed to suit different risk appetites, each constructed from iShares exchange traded funds (ETFs) and including a blend of commodities, equities and fixed-income assets designed to match the degree of caution or aggression desired by the client.

Our asset allocation strategy is devised in partnership with BlackRock, the world's largest asset manager. We manage and rebalance the client's portfolio for the entire lifetime of the investment.

Our research indicates a growing appetite among consumers for a product that enables them to build sophisticated baskets of investments online, rather than to choose specific shares.

Nadex

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



Our main product is the binary option, which provides a flexible way for clients to trade with limited risk. However, our spread product, which is also limited risk, is growing in popularity.

Nadex is benefitting from renewed consumer interest in retail trading, and increased client volumes have been driven by ongoing improvements to our products and platform, supported by enhanced liquidity from a new market-maker partnership.

- Nadex is the first and largest US-based retail-oriented exchange
- The business has seen a two-year compound growth rate of 63%

Digital 100s

Our digital 100s are a type of financial derivative with limited risk: clients know exactly how much they can potentially gain or lose at the outset, and can't lose more than they have on their account.

A digital 100 is a simplified form of option that offers a yes/no outcome over a specified time period. If the trader makes the correct choice, they make a defined profit. If they choose wrongly, they make no return and lose the amount required to open the trade.

Timeframes can vary from five minutes to daily, weekly or monthly, and we offer a wide range of markets. As well as indices, forex and commodities, clients can trade on special markets such as political events and economic announcements.

OUR CLIENTS

Over more than four decades, IG has built its name on innovation, fairness and outstanding client service. It's a reputation we're extremely proud of, and one we believe sets us apart from all other firms in our industry. In achieving our market-leading status, we've constantly put clients at the heart of our business.

OUR PURPOSE

To empower informed, decisive, adventurous people to access opportunities in financial markets.

OUR VISION

To be a global leader in retail trading and investments.

A STRATEGY BUILT ON CLIENT FOCUS

Our strategy puts our clients first in all our planning and decision making. Supporting our clients is something we invest in heavily, and we believe it makes good business sense. Our business model is dependent on trading volumes, so we provide extensive educational resources to help our clients identify opportunities. We also deliver news and analysis that traders can use to make informed investment decisions, and we develop technology to help clients trade more effectively, equipping them with the tools they need to seize opportunities rapidly.

Clients are our lifeblood, and our top priority is giving them the best possible service. To discover exactly what clients want, we ask them. That means conducting surveys and focus groups, as well as studying data to identify trends or to find common areas of frustration that could be solved through technology improvements or adjustments to the way we conduct business.

The result is a constant process of improvement and evolution, always driven by the feedback from our clients and our understanding of their changing needs. It has led to enhancements ranging from the introduction of limited risk accounts last summer to the unveiling of our new web trading platform at the start of 2017, and from our continued investment in client education to the launch of our new investment products.

OUR VALUES

This client-centric approach is central for our people, too, and everyone at IG lives by a set of values that guide how we do business. We believe these three simple statements define IG:

- Champion the client
- Lead the way
- Love what we do

To ensure we live these values, we embed them in every part of our business and throughout the client journey – from initial marketing to opening an account and beyond.

Targeted marketing

We recognise that our products must be aimed squarely at the right people – not every product is right for everyone. As a result we're extremely targeted in our marketing approach, carefully selecting how and where we promote ourselves. The audience we seek to attract is knowledgeable about the markets, financially astute, familiar with our products, wealthier than average and risk-aware.

Our marketing approach is therefore deliberately aimed towards people who fit that profile, and we carefully test all our marketing material to make sure it resonates with appropriate potential clients.

Across the globe we also take measures to ensure our marketing is balanced, honest, straightforward and fitting for our products and the audience.

We want to attract new clients. But only the right clients, and in the right way. Our marketing approach reflects that, providing an important first introduction to IG and our client-centric approach.

A robust onboarding process

Once prospects have gone beyond the marketing stage and applied to open an account, we're again careful to ensure that only those people for whom our products are appropriate proceed to become clients.

For all of our products, clients must complete a thorough and robust application form to ensure their suitability for an account. This assesses their trading or investing experience and product knowledge – specific to the account type they want to open – and requires them to disclose information about their education, occupational background and financial position. We assess this to determine whether or not such an account is right for them.

In each of the territories in which we operate, if through the initial application process, an applicant fails to prove a sufficient level of knowledge and experience, rather than opening an account we invite them to follow a learning programme and insist they take and pass a further test. Only on passing this test will an applicant be allowed to proceed to trading with IG.

Here IG is well ahead of what is required by regulation, but we believe it's the right thing to do, and reflective of our status as industry leader. This proactive stance sets us apart from other providers and is a key part of our client-focused approach to business.

Unlike most providers, we reject clients who we believe lack the financial means to bear potential losses. Earlier this year we raised our required wealth bands, and first-time clients must now place an increased opening balance on their account before they begin trading. As far as possible, our aim is always to ensure that the prospects our advertising attracts are right for us, and that our products are right for them.

Dedicated initial support

When a client first joins us, we understand they may sometimes feel a little daunted. Even the most experienced trader needs time to become familiar with a new platform. To ensure clients are properly supported in those early days, we employ a professional new business team to introduce them to IG and to explain exactly what they can do with our platforms.

Naturally inquisitive and helpful, members of our new business team are tasked with understanding what clients hope to accomplish, then showing them how our products can help achieve those aims.

During this fledgling stage of our relationship, we actively encourage clients to use our range of educational materials, and we build their awareness of the up-to-the-minute trading news and research we provide via channels such as DailyFX and IGTV.

Importantly, the new business team also provides another layer of client-appropriateness assessment. Our people are trained to evaluate, during their conversations, whether the client has a realistic expectation of IG and our products.

Constant access to expertise

Once clients have become acquainted with IG, we offer them ongoing support and assistance via our trading services teams. Available continuously from 8am Sunday to 10pm Friday, as well as 9am to 5pm on Saturday, members of this team are experts in our products, and are responsive and solely customer-focused. If clients have questions about our products, want to know how our platforms work or have any other type of enquiry, they can get help from our trading services team around the clock. And with native speakers from every territory in which we are present – all available via phone, email or Live Chat – we make it as easy as possible for clients to get the information they need, quickly and in the way they want it.

We manage and capture all of our interactions with clients using sophisticated technology. This ensures we can understand the whole relationship we have with each client, and have people available to meet their requirements on demand.

In recognition of our commitment to clients, and to ensure we're delivering 'best practice' service, last year we became members of the Institute of Customer Service. This enabled us to have our service standards independently appraised and verified by the UK-based organisation.

MARKET-LEADING TECHNOLOGY

We recognise that our technology is central to the customer experience, and we seek to get it just right. We invest heavily in IT development, and are continually looking at ways in which we can improve the tools clients use to engage, invest and trade with us.

We believe clients should be empowered by the technology we offer and not restricted by it, so in the last year we introduced significant advancements to help our clients trade more effectively.

The launch of our New Web Trading Platform (NWTP) was a headline improvement, delivering a more intuitive, personalised trading experience than ever before. Fast and customisable, it offers integrated research, market commentary and news alerts, including a social media feed. We're proud that our clients can now access a platform at the very cutting edge of trading technology.

This year has also seen us improving our mobile capability – in particular investing in solutions that allow a seamless transition between desktop, mobile and tablet.

In our customer research, clients repeatedly tell us how much they value good trading technology, and that they seek solutions to help them trade in a smarter, faster way that's tailored to suit them. For this reason we continue to invest heavily in our technological capabilities, and will keep doing so going forwards.

EXTENSIVE LEARNING RESOURCES

For all our clients, we provide access to a myriad of educational resources, prepared using our long-standing expertise in the key knowledge areas required for successful trading. This includes materials to help people learn common trading techniques, as well as instructional content that demystifies industry jargon or guides clients through every part of our product suite and platforms.

Our investment in education and training is extensive, and has a single purpose – to help people become more successful traders. Through our free IG Academy app, for example, clients can learn via interactive, step-by-step trading courses aimed at all experience levels. Likewise, our extensive collection of online how-to videos is accessible at any time to help clients enhance their knowledge.

Earlier this year we also acquired DailyFX – the world's leading portal for forex research, trading news, charts, indicators and analysis. This bolsters our already extensive news and analysis offering, and positions us very clearly as a leading provider of market updates and data in our industry.

To ensure clients have access to this information anywhere, at any time, and in ways that best suit them, we embed it in our platforms, serve it on our websites and publish it via channels such as YouTube and Twitter.

It's our strong belief that by using appropriate educational materials and having reliable information at their fingertips, our clients can make better trading decisions.

A CULTURE OF REGULATORY COMPLIANCE

Compliance is not just a team of people at IG, it's a concept central to our culture. We dedicate significant resource to ensuring that we comply with a huge swathe of regulations worldwide – with a large team reporting directly to the Chief Executive Officer.

However, awareness and respect for the regulatory framework is also embedded throughout the organisation, and is taken into account from the very beginning of a product's design through the entire client journey. At every stage of the client experience we have described, compliance is key – and going beyond regulatory requirements has become the norm at IG. Our first value sums this up – champion the client.

For example, we decided some years ago to segregate retail client money, by default, across the globe – often ahead of what is required by regulation. Our recent introduction of limited risk accounts, and our decision to prevent clients trading with IG if they are deemed inappropriate through the application process, are indicative of how we place the client at the heart of our compliance regime.

In order for this to happen effectively, we need the right people – and we need to provide the framework within which they can excel.

OUR PEOPLE

Talented people, supported by a strong organisational culture, are vital to the service we provide for our clients. Their skill and commitment drive our success in every aspect of our business – from designing and building innovative products and cutting-edge platforms to handling client queries efficiently and resolving issues.

We recruit and train people who are skilled in helping clients understand the technical nuances and potential risks of our products – a responsibility we take extremely seriously.

By focusing on quality, transparency and fairness in everything we do, we can build long-term relationships with our clients.

We continually seek ways to further assist and engage with current or prospective clients.

We recognise that a strong team is pivotal in forging mutually rewarding, long-term relationships with our clients. By attracting and developing talented individuals, and by providing an inclusive, fair and engaging environment in which they can thrive, we're able to achieve our strategic objectives.

A DECADE OF RECOGNITION

In 2017, IG was named as one of Britain's Top Employers for the tenth successive year.

The Top Employer certification is awarded only to organisations that meet the highest standards in human resource management, and we're 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.



OUR PEOPLE STRATEGY

Our focus over the past year has been on strengthening the relationship between our people, our strategic purpose, our values and our clients. As a global employer, our aspiration is for all of our people, in every location, to feel equally connected to our clients. In each and every role, whether customer-facing or back-office, we believe it's vital for our people to share a passion for improving the client experience.

- We're a global employer with people in 17 countries
- We employ 1,546 staff
- 90% of employees feel that there's a strong sense of teamwork and cooperation in IG
- We've been certified as one of Britain's Top Employers for ten consecutive years

There are three key themes within our people strategy:

1. Global employer of choice
2. Performance and reward
3. Talent and growth

1. Global employer of choice

In essence, our guiding principle is that we're one IG – a unified business where energised, engaged people are aligned in their commitment to a shared purpose – providing the best possible client experience. A progressive and diverse working environment supports collaboration, and encourages each of our people to achieve their full potential.

Our global expansion has highlighted the importance of maintaining clarity of vision and a sense of unity for all of our people. We continue to develop our operational presence in locations where we can pursue our strategic objectives most efficiently and effectively, and our offices in Krakow and Bangalore together now account for 25% of our employees. Expanding these operational hubs has enabled us to access additional high-quality talent, particularly in technology and support functions. Approximately half our global headcount remains based in our London headquarters.

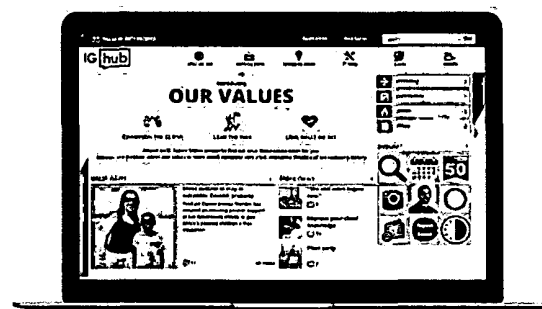
We're committed to ensuring that all our people feel fully connected and are able to work seamlessly together, regardless of location.

Collaboration and communication

To improve flexibility and collaboration, during the year we transitioned 80% of our employees to working on laptops. Together with enhanced collaboration technology, this gives our people the mobility and scope to work in different locations and cross-functional project teams, according to their varying needs.

We also redesigned and updated the interior of our UK headquarters and acquired a large, contemporary office space in Bangalore. Both aim to provide a vibrant and flexible working environment, reflecting our culture and helping us to attract and retain the best talent.

Alongside the physical space, we continued to develop our intranet, IG hub. With key internal and industry news updates added daily, it has become the default source of both static and dynamic information for our people. We're seeing a month-by-month rise in usage and increased engagement, with the site now receiving more than twice as many daily page views versus September 2016.



Employee voice

Through our annual engagement survey, we ensure that our people have a direct channel of communication to the executive team and the Board. The feedback we receive provides important insight that helps us achieve our people strategy, enabling us to track our progress against three key goals:

- To fill our business with engaged and dedicated people
- To develop strong leaders from grassroots to Board level
- To foster a culture that values employees' commitment and celebrates their success

We're proud of our working culture, and believe it nurtures the behaviours and decision-making processes that best serve our clients. In our 2016 engagement survey (2017 financial year), employees across all locations reported that cooperation, teamwork, manager effectiveness, respect and ethics are all clear strengths at IG. On the downside, our people expressed clearly that they need greater clarity on the vision for IG.

In the 2018 financial year we'll be focusing on ensuring that all our people understand our vision and feel able to share in it. To support this, we've developed the more clearly articulated purpose and new values detailed on page 10. Reflecting the client-centric and global nature of our business, these values will underpin our performance management, people development and recognition processes, as well as providing guidance for decision-making and shaping our employer brand.



One unified IG

With 1,546 people based in separate locations around the globe, we're conscious of the need to actively promote equality, diversity and inclusiveness. We take great pride in creating an open, supportive culture, and we believe this is critical to our success, enabling us to unlock the potential of the workforce in every country where we operate.

We have extensive human resource policies in place to attract and support the right people, and to ensure that those who join us can develop without experiencing discrimination or harassment. We continuously reinforce the need to treat all employees fairly, creating an environment free from bullying, where people of all grades or positions enjoy dignity and respect.

In 2016, our employees led the creation of IG Open, a network to support those who identify themselves as LGBT+. It aims to provide a forum for people to exchange experiences and speak comfortably, in a safe space where they can be open and proud of their identity.

We fully consider applications for employment from disabled persons with aptitudes and abilities in line with our requirements. Where existing employees become disabled, temporarily or permanently, it's our policy 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

We're fully committed to the health and wellbeing of our people, ensuring that all our employees receive appropriate protection benefits and discounted gym access. In the UK, our people can access the cycle-to-work initiative through our new flexible benefits portal, which also provides increased opportunity for individuals to personalise benefits to their lifestyle requirements.

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 – for example, housing and personal finance.

2. Performance and reward

Our reward and recognition system is designed to drive high performance and global growth for the business, developing the leaders of the future. It centres on providing our people with a clearly defined purpose, specific deliverables and expected behaviours. Our aim is to ensure that each individual is aligned with our strategy, understands their role in achieving our goals and has the maximum possible opportunity for advancement.

With this in mind, during the year we introduced a high-performance model that gives our people greater clarity on what's expected of them. A new 'check-in' process provides regular, ongoing opportunities for feedback, goal realignment and career discussions, and has replaced the traditional annual appraisal approach. We believe this new framework actively helps to embed a culture of recognition, better acknowledging and celebrating the successes of our people.

To attract and retain the right people, we offer a competitive reward package that recognises performance to date and encourages our key talent to be part of our future. In 2016 we adjusted some of our salary ranges to ensure we remain competitive. While we acknowledge a possible influence from external factors such as Brexit, we believe that our proactive approach has positively affected attrition.

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 intrinsically linked to the financial and operational performance of IG, including client satisfaction. At the end of each financial year, bonuses are distributed based on both company and individual performance, as discussed during check-ins throughout the year.

The remainder of our employees are included in specific sales-related bonus schemes. We also reward our senior and key employees through a long-term incentive plan.

Alongside our formal reward structure, recognition also takes the form of peer- and manager-nominated awards delivered in local teams. These celebrate achievements in areas such as innovation, mentoring and being a team player or client champion. In the next year we'll continue to strengthen our global recognition strategy by linking it directly to our values and behaviours.

We also offer our employees in the UK, Australia and the US the chance to share in our success through our tax-advantaged share-purchase schemes. An average of 33% of eligible employees took part in our share plans in the 2017 financial year. We're currently reviewing options to extend similar schemes to our other larger offices – Krakow and Bangalore.

3. Talent and growth

We recognise that a constant flow of emerging talent is vital to IG's continued success, and we're committed to ensuring that our people are equipped to deliver our strategy and growth in the years ahead. This means identifying the key roles that we'll need in the future and recruiting, training and developing the right individuals to fulfil them.

During the year we focused on building succession approaches for our more senior roles. Going forward, we'll implement similar principles of identification, assessment and development for other core roles across the Group.

To bring new talent into the business, we offer a number of graduate positions and apprenticeships – both in our head office and in various global locations. These roles are designed to challenge and develop high-potential people, giving them a platform to display and grow their skills and so to progress rapidly.

We encourage all of our employees to take responsibility for their own development while they're with us. However, we recognise that resources need to be in place to enable this to happen. As well as embedding check-ins to encourage better and more regular performance and development conversations, we're also introducing career development workshops, building specialist and sales development pathways, introducing Board exposure programmes and continuing to implement coaching and mentoring programmes.

As an international company, we're also able to offer overseas secondments and project-based development opportunities for selected individuals.

All our leaders and potential leaders worldwide are now able to access the 'Manager Success' series of interactive webinars. These are available in local time zones and provide best-practice tips and techniques to help our people handle common management challenges.



CHIEF EXECUTIVE OFFICER'S REVIEW

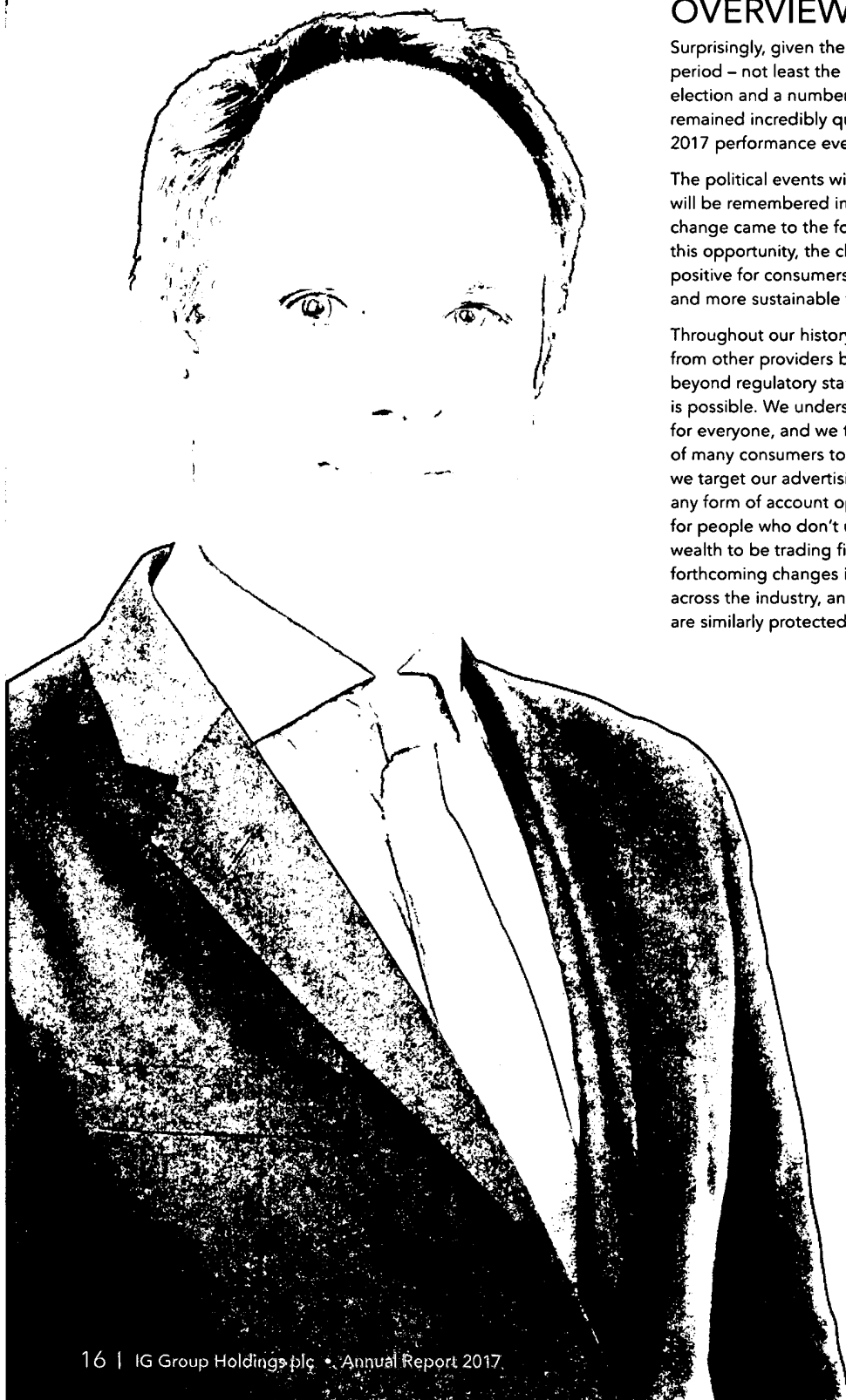
2017 was another interesting and challenging period for IG. The year was dominated by a series of significant global political events, with some surprising outcomes, and a regulatory landscape entering a period of uncertainty. Against this backdrop, I am delighted that the Company again delivered record revenue and profits.

OVERVIEW

Surprisingly, given the significance of the political events in the period – not least the UK's EU referendum, the US presidential election and a number of key European elections – financial markets remained incredibly quiet by historic standards. This fact makes our 2017 performance even more pleasing.

The political events will ultimately be consigned to history, but 2017 will be remembered in our industry as the year when regulatory change came to the fore. And I believe, if regulators can really grasp this opportunity, the change which is coming will be fundamentally positive for consumers globally and will put the industry on a firmer and more sustainable footing going forward.

Throughout our history, IG has always sought to differentiate itself from other providers by adhering to and, in some cases, going beyond regulatory standards. We seek to do what is right, not what is possible. We understand that CFDs and spread bets aren't right for everyone, and we therefore believe that it is in the best interests of many consumers to be stopped from accessing them. As such, we target our advertising to an appropriate audience, we don't offer any form of account opening bonus and we refuse to open accounts for people who don't understand the product or have insufficient wealth to be trading financial markets using leverage. I hope forthcoming changes in regulation will enforce similar behaviours across the industry, and I look forward to a day when all consumers are similarly protected.



Given the tough external environment, I'm extremely proud of the way our people at IG have pulled together over the past 12 months. Teams of employees have been working on our Brexit planning, others have been heavily engaged in consultation with our regulators, and more still have been working hard behind the scenes on initiatives to further differentiate ourselves from our competitors and to prepare IG to take advantage of regulatory change – all of this while running the business from day to day. It's been a fantastic effort, and I want to thank each and every one of our employees for their contributions during a difficult time.

To guide our business going forwards, I am especially pleased to have relaunched our Company purpose, vision and values this year. Detailed below, I believe these statements articulate why IG exists and what makes us tick. They underpin all our activity, express the way we behave and set out our ambitions as we strive to achieve our future vision for the Company.

To demonstrate our commitment to these statements, I and members of my senior leadership team introduced them to everyone in the business during a series of more than 50 global workshops this summer. We also reminded ourselves where IG came from – we have a history of true entrepreneurialism and innovation. The feedback at those events was extremely positive, and I'm confident that we have the right people to deliver our strategic aims for 2018 and beyond.

Our purpose

We exist to empower informed, decisive, adventurous people to access opportunities in financial markets.

Our vision

To be a global leader in retail trading and investments.

Our values

Champion the client

Understand them. Be part of their whole experience. Think big, think long-term. Make every moment count and stick with them all the way. Do what matters most.



Lead the way

Be brave. Back yourself. Innovate and adapt to win. Challenge assumptions, ideas, decisions. Ask why. Stand up and speak your mind. Achieve. Do the right thing.



Love what we do

Make it personal. Care, be passionate, have fun. Respect our diversity and learn from each other. Share your enthusiasm, take pride in each other's achievements and work as a team.



GROUP PERFORMANCE REVIEW

The Company once again delivered record revenue in the twelve-month period, up 8% on the prior year to £491.1 million (2016: £456.3 million) – a good performance in relatively quiet financial markets. Profit before tax was ahead by 3% at £213.7 million (2016: £207.9 million). Operating expenses rose by 14%. Excluding the impact of the acquisition of DailyFX in October 2016, marketing investment, which continued to pay back very rapidly, accounted for almost half of the absolute rise in expenses.

Profit after tax was £169.2 million, 3% ahead of the prior year (2016: £164.3 million), assisted slightly by a fall in the Group's effective tax rate to 20.8%, from 21.0% in the prior year.

Business performance

In the principal product area, OTC leveraged trading, the Company experienced good growth across all regions outside the UK. The strongest relative performance came in EMEA, where revenue was ahead of the prior year by 17%, with particular year-on-year strength in Switzerland, Dubai and South Africa. Revenue in APAC was ahead of the prior year by 9%. Client numbers were up in all regions, with growth at a Group level averaging 7%. The number of client first trades was also well ahead of the prior year, up by 15%.

The share dealing service, launched in the UK in 2014, grew well in the period. It was launched in Australia in the middle of 2016 and grew well during the year in both countries. At the end of the year, the Company had just over 20,000 clients holding positions, up around 200% on the prior year.

In the US, Nadex continued to grow strongly. Group revenue from the US was 26% ahead of last year, at £14.1 million. Ongoing marketing success, the addition of further market makers and technology improvements around latency and the mobile platform have all delivered benefits.

Further detail of the regional performance is provided in the *Operating and Financial Review* on page 30.

Business development

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

The rollout of our new web trading platform began late in 2016 with a trial for UK spread betting clients and has since progressed well. This is now the default platform for UK spread bettors, with more than half of all client desktop trades being placed here. The CFD rollout will commence later this year in the UK and will be extended to other countries by the end of 2017.

The Company relaunched its limited risk account in July 2016, which requires all clients using the account to cap the downside risk of every trade, which avoids them ever having a negative balance on their account. IG also only provides this type of account for new clients with lower levels of appropriateness, experience or wealth. In the last half of the year, around 28% of all OTC leveraged first trades were limited risk.

The acquisition of DailyFX from FXCM for \$40 million was completed in October 2016. While the websites are delivering the expected number of new leads, the rate of conversion into trading clients has been lower than anticipated. However, the accounts which are opened have proved to be more valuable than expected. This asset is likely to prove increasingly valuable in countries where paid-for-marketing restrictions are put in place.

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

Leading the way

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

Regulation

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

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

In Australia, the Government and regulator are proceeding to better protect client money – in the way that IG always has – and to provide additional powers of intervention on financial products provided to retail. IG welcomes both of these measures. In Dubai the regulator, the DFSA, has indicated an intention to alter the current regime surrounding leveraged products. IG has assisted the considerations of the DFSA and the outcomes are expected to be announced in the near future. The Company does not believe its activities are the subject of regulatory concern and so does not expect the changes to materially impact its operation in Dubai.

In Europe the regulatory situation is complex and in transition. IG is working with National Competent Authorities (NCAs) in several countries and has also been in discussion with the European

Securities and Markets Association (ESMA) and shared its concerns about the divergence of regulation across the EU.

Consultations in France and Germany have been finalised, and the outcome of a requirement to provide an account which limits the downside for clients fits with the leadership position IG took last year and enhances IG's competitive position in these countries. The results of the consultations in The Netherlands and Ireland have not yet been announced.

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

The Company believes a common set of regulations across the EU provides a greater chance of successfully protecting consumers against poor behaviour in the industry. Any inconsistency in the application of regulatory standards in the EU region only creates arbitrage opportunities for ill-intentioned providers to take advantage of less sophisticated consumers. IG will continue to engage actively with NCAs and ESMA to seek to establish a set of rules which improve consumer outcomes and protect competition. In its engagement to date, IG has provided consistent advice to individual NCAs and to ESMA. IG believes the correct response needs to be broad and properly enforced. IG sees five main areas where regulators are expressing concern and suggesting the need for remedies:

- **Marketing.** Regulators are seeking to ensure the product is marketed only to the correct audience, with an appropriate risk warning, including the probability of trading successfully. This would also outlaw sports sponsorship. IG fully supports this development.
- **Bonus offers.** There is a movement to ban account-opening bonus offers. IG does not offer these and fully supports this development.
- **Appropriateness.** There already exists an obligation to assess whether a product is appropriate for a prospective client. However, under current MiFID guidance, firms are allowed to warn prospective clients that the product is inappropriate but allow them to proceed to trading. The ESMA Q&A makes it clear that a prospective client should not be allowed to proceed where the product is deemed inappropriate. IG does not take on inappropriate clients and fully supports this development.
- **No-negative protection.** Certain NCAs have mandated only offering accounts to retail clients where the client cannot lose more money than they have deposited on their account. ESMA has indicated this may form part of its future guidance. IG already offers this option and fully supports this development.
- **Leverage.** There already exists an obligation to act in the best interests of a client. Given this, it is already impossible to justify high levels of leverage where the significance of the transaction fee can skew the client's probability of success. IG does not offer any products with this characteristic. However, there is pressure from certain regulators to explicitly cap leverage levels. With the

caveat that any mandated leverage caps should aim solely to resolve the probability issue, IG fully supports this development

Potential regulatory impact and actions being taken

IG's UK and EU OTC leveraged revenue last year of £330 million included £78 million from products and clients for which it is anticipated any regulatory impact would be minimal – equities trading, where leverage levels are low, corporate clients and non-resident clients. Therefore, around half of Group revenue will be unaffected by the proposals being discussed by regulators across the EU.

A potentially significant mitigating factor to the impact of any regulatory restrictions on retail clients, would be qualifying clients electing to take on a professional status in order to continue to trade as before. To qualify, a client must pass two of the three tests defined under MiFID: sufficient trading experience, a substantial investment portfolio, relevant occupational experience. As has always been the case, the Company's revenue is relatively concentrated towards the most active end of the client base. In the last year, 80% of the Group's revenue (excluding the US) was generated by less than 9% of clients. The vast majority of IG's top 9% of clients have a recent trading history which would suggest they should pass the sufficient trading experience test. In addition, a recent independent survey found that approximately 15% of IG's clients have a financial instrument portfolio of a sufficient size to pass the second test. These statistics underline the journey the Group has been on for a number of years to focus on serving the upper end of the OTC leveraged trading market. The Company cannot be sure of the degree of overlap between these groups of clients, and it is not possible to determine how many eligible clients would choose to be classified as professional.

For clients who would not be able to, or who choose not to, take on professional status, it is not possible to determine how they would respond to regulatory restrictions on their activities. Overall, IG clients with open positions are leveraged under ten times. This calculation compares client cash on accounts with open positions to the total size of those notional trading positions and makes no allowance for the very different levels of leverage in the various asset types.

Many of the Group's clients, however, currently have excess cash on their account compared to the trading margin required, and could choose to continue to trade with less headroom. Some clients may choose to increase the cash on their account to maintain their headroom. Other clients may choose to utilise their share portfolio held with IG as collateral. It is likely that some clients will simply constrain their trading, or open an account with a less constrained provider, although an EU-wide harmonised approach to regulation reduces that risk.

IG has commenced work on developing a multi-lateral trading facility (MTF) to serve the European market. This on-exchange offering could provide further protection for IG's business across Europe and increase the opportunity for further growth in this region. There can be no certainty of success here.

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

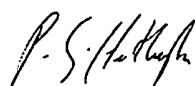
In the Company's experience, when tighter regulation has been applied appropriately, client outcomes have improved, the industry has become more sustainable, and more compliant providers have benefitted over the longer term.

Outlook

IG will continue to lead the way in the industry with respect to how it markets its services, how it deals with clients, and through the products and levels of client service it offers. IG believes in doing the right thing, rather than simply complying with minimum regulatory requirements. The Company is taking measures to further differentiate itself within its core OTC leveraged derivatives trading environment, and will continue to improve the transparency of its products, and extend its geographic footprint in order to maintain and extend its competitive advantage. The recent product extension into share dealing and investments sets IG further apart from the competition and extends the loyalty of the current client base.

None of the recently announced regulatory changes have adversely impacted the business to date, and the current year has started well. The nature and timing of potential regulatory changes in the UK and some other key markets for the Group remain uncertain, and it is therefore difficult to predict what impact, if any, regulatory change may have on the Group this financial year and beyond. Actions have been taken to manage costs, to allow for investments to be made in strategic initiatives without a significant increase in the fixed cost base. Operating costs excluding variable remuneration in FY18 are expected to remain at a similar level to FY17.

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



Peter Hetherington
Chief Executive Officer

18 July 2017

STRATEGY AND OBJECTIVES

Objective	Progress in 2017
Address the needs of active traders and investors Our goal is to build lasting, valuable relationships with our clients. Having previously targeted active traders, who are valuable because they tend to deal frequently and in large sizes, we have now widened our product range in our more mature markets to appeal additionally to sophisticated and active 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.	• Successfully launched a new self-directed wealth management platform to UK investors, with a full ISA and SIPP offering • Launched and rolled out our market-leading limited risk account, which provides downside-protection for clients • Broadened the IG ecosystem through MyIG, allowing clients a single portal from which to access all their accounts, education, analysis and content. Additional functionality will be continually rolled out through this tool • Purchased assets of DailyFX – a news, research and analysis website that helps clients and prospects improve their trading knowledge. With content that is suitable for novice traders through to those with advanced knowledge, it helps people identify trading opportunities and offers education and insight, with direct links to IG's product set
Achieve, maintain or extend market leadership 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 innovative offerings in the share dealing 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.	• Achieved significant client growth over the year – 7% in leveraged and 203% in non-leveraged trading • Maintained our revenue per trade • Delivered strong revenue growth at Nadex – 26% increase year-on-year • Introduced a brand new, market-leading trading platform that includes built-in training, analysis and insight functionality. This platform is now used by all spread betting clients who joined IG from January 2017. The transition of other clients is ongoing • Introduced improvements to our application process, making it more straightforward for appropriate applicants to become clients. This work has included enhancements to our document upload capabilities and a refocussing of our sales teams, so applicants are always contacted by a product expert prior to becoming a client
Strengthen our global reach We have a mix of more and less mature countries of operation, all of which have room for growth. Having initially executed our international expansion by establishing a local presence, we are now also seeking to grow our business across borders, without the need for a physical presence, utilising the strength of our single, global brand, combined with our expertise in online marketing techniques.	• Achieved significant growth in our new Switzerland and Dubai offices, both of which are performing ahead of our expectations • Continued roll-out of localised websites to improve client acquisition across diverse territories • Over £35 million of revenue generated from clients based in countries where we do not have an office

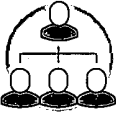
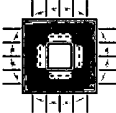
Priorities for 2018

- Continue development of our investments product, including allowing clients to individually configure their portfolios, and consider the launch of the product in additional countries
- Support this with an extension of the share dealing platform, improving functionality around dividend reinvestment and a regular savings mechanism
- Take an increasingly analytical approach to client content, providing clients with tailored materials that are delivered at the right time, on the right platform, in the right format for them
- Provide clients with complete transparency in their trading and investing, through improved analytics

-
- Extend our leadership position by further improving our application procedure, to ensure only entirely appropriate clients receive accounts with IG
 - Provide an unrivalled customer experience by leveraging our internal expertise, acting on research and analytics data and making best use of tools such as our customer contact management system
 - Extend our availability to clients, moving closer to 24/7/365
 - Adapt our offering to enable IG to adjust very quickly to regulatory change
 - Continue to expand our share dealing and investments business
 - Offer clients an ever-increasing range of products in response to their demand, and market opportunities; for example, increasing our range of crypto currencies

-
- Increase opportunities in non-office locations by providing dedicated ownership of target countries
 - Develop best-in-class websites that boast easy navigation, leading-edge web technology and effective search engine optimisation
 - Maximise the impact of DailyFX to expand IG's brand awareness in retail FX
 - Assess opportunities to expand into additional countries as regulatory developments allow
-

STRATEGY AND OBJECTIVES continued

Objective	Progress in 2017
Deliver quality service to our clients  By maintaining absolute integrity, delivering excellent customer service and fast, 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 valuable relationship.	• Qualified as a member of the Institute of Customer Service • Delivered significant customer service improvements, mainly driven by the implementation of market-leading customer relationship management systems. Such enhancements include a drop in our average call-waiting times from 59 seconds to 10 seconds and a reduction in our email response times from six hours to just one • Improved training for client-facing staff, all of whom undergo a 12-week induction programme that includes classroom and on-the-job training, as well as a buddying programme • Introduced PayPal as a payment method, acting on research that told us circa 30% of clients would welcome it • Created a specialist payments team, improving client satisfaction in this area by more than 10% over the year
Sustain our leadership in technology  The market-leading functionality, speed and security of our platform and its proven resilience are essential to maintaining client satisfaction and 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.	• Increased investment in technology development aimed at improving and personalising our service to clients. Examples include increased customisation options, delivery of appropriately tailored content, streamlined payment processes and enhanced consistency across all devices that clients use to trade • Commenced the rollout of our new web trading platform, with enhanced trading and research functionality • Launched our investments product in the UK as IG's first fully cloud-based offering, allowing us greater scalability without requiring investment in our own IT infrastructure

Priorities for 2018

- Through our membership of the Institute of Customer Service, improve our benchmarking results versus last year
- Optimise our location and people strategy to ensure better availability when clients want to interact with us
- Further enhance our payment processes to improve response times and drive down costs for our clients
- Use the data which is becoming available to us from better systems to continually enhance our performance in customer service

-
- Make our new web trading platform available to all clients
 - Offer clients more opportunity to customise their IG experience through the MyIG portal
 - Deliver further improvements that keep us at the forefront of the market, through the flexibility that the new platform allows
 - Enhance the mobile solution in line with the web platform
 - Deliver enhanced functionality and speed in the US to support the growth of Nadex
 - Deliver significant back-office improvements to meet the requirements under MiFID II and MiFIR
 - Continue to invest in cyber security to keep client accounts protected
-

BUSINESS MODEL AND RISK PROFILE

IG exists to empower informed, decisive, adventurous people to access opportunities in financial markets.

The business offers its clients opportunities to trade in a wide range of markets, including equity indices, individual equities, forex, interest rates and commodities, through online dealing platforms.

The business also offers its clients a share dealing platform, as well as an innovative portfolio-based product for longer-term investment purposes in partnership with BlackRock, one of the world's leading asset managers.

RISK PROFILE

IG's business model is based on generating a return from its services through transaction fees charged to clients. The level of revenue in any period is predominantly driven by the number of active clients the business serves in that period and the level of activity undertaken by each client.

The business does not seek to generate returns from actively taking market risk, it does not take proprietary trading positions, and its revenue is not dependent on the direction of market movements.

In accordance with the risk appetite set by the Board, the Group accepts some exposure to market and credit risk to optimise the efficiency and effectiveness of its services to clients. The business manages the market risk it faces in providing its services to clients by internalising client flow and hedging when the residual exposures reach defined limits, so that its returns are driven by transaction fees charged and are not significantly affected by movements in market prices.

As a result of its business model, the Group also faces liquidity and capital adequacy risk.

The business faces operational risks, including those arising through technology, people, process and external events.

The Group faces conduct risk relating to how it deals with its clients and with the markets.

IG operates in a dynamic competitive environment, and its revenue is dependent on the number of active customers and the level of their activity. The business therefore faces risks relating to market conditions and its competitive position.

The business operates in a number of geographic markets and is regulated by various different financial services regulators in those markets. These regulations affect how the business is able to market and provide its services to clients. The regulations relating to the products and markets in which the business operates are continually evolving. IG supports the objectives of the recently proposed and enacted regulatory changes in many of its markets, but the business does face risks arising from changes in its regulatory environments that may adversely impact its activities or its competitive position.

CLIENTS

Our core focus continues to be the active retail trader – a knowledgeable, demanding and valuable client who expects highly sophisticated technology and uses it frequently.

We put our clients 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 continued investment in process, training and culture to prevent unsatisfactory customer experiences and to address root causes where any practice falls short.

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 and investors globally.

Central to our commitment to our customers is the quality of our order execution. We 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.

Clients' investment requirements and appetite for risk 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 appeal to relatively sophisticated investors.

Our range of products for retail clients includes share dealing and investment portfolios, and clients are able to hold their investments in ISAs and SIPP. Offering these services allows us to deepen and lengthen our relationship with our clients by catering for their evolving needs.

In addition to dealing directly with clients, IG services clients introduced through third parties 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.

IG also provides services to corporate entities, including asset managers, hedge funds, broker dealers and competitors who lack sufficient scale to gain direct access to the major hedging counterparties.

We carefully assess the risk and potential returns from introducers and corporate entities 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.

Client acquisition and education

Acquiring a new client begins with a targeted global marketing effort, with online marketing managed centrally and offline activity managed by country offices. Our sophisticated online marketing uses an algorithmic approach, which enables us to reach larger numbers of the right prospects more efficiently. We are able to react immediately to world events, creating campaigns rapidly and rolling them out to relevant regions, with appropriate local adjustments.

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 to learn about our products and how to trade effectively and responsibly.

These include the IG Academy app, the IG Live TV channel, a suite of YouTube videos, and a wide range of seminars and webinars. During the past financial year the Group purchased the DailyFX website, a leading global news, information, and education and discussion portal for retail traders, particularly in FX. This is a further commitment by the Company to acquiring new clients and providing valuable resources to educate, engage and develop its client base. These assets reinforce our commitment to transparency, ensuring our new and existing clients are well informed about our services.

Our extensive educational resources also include an introduction programme that promotes responsible trading. Clients can access expert tutorials, which cover everything from fundamental trading concepts to risk management. We continually keep this content engaging and targeted towards our clients' needs.

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.

Appropriateness

Our products are not appropriate for everyone, and good conduct is particularly vital in relation to marketing and client recruitment to prevent poor consumer outcomes. We seek to ensure that our advertising is not reaching an inappropriate 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 to assess whether they have the necessary knowledge and experience to understand the risks involved. 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, in addition to providing clear warnings about the appropriateness of the product, we may decline to open an account, or provide an applicant with a type of account where risk is limited. We may also close an open account.

Client risk management tools

We take very seriously our responsibility to help clients understand the risks associated with trading and to provide them with tools to manage this. Given our business model, it is in IG's interest to develop lasting relationships with clients, as those who are more successful stay with us over the long term and become more valuable.

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. Our innovative charging system 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) liquidates clients' positions when their margin has been significantly eroded and helps protect clients by closing positions automatically. At 31 May 2017, 99.75% of all client accounts were subject to the automatic COM procedure.

We also offer a limited risk account. This is the default account for less-experienced clients or clients towards the lower end of the wealth scale. Clients who are eligible for our other account types can request a limited risk account, if they so wish. These limited risk accounts are 'double-lock accounts'. The client knows the maximum potential loss on every trade at the outset, and benefits from the guarantee that they cannot lose more than they have on their account. This gives clients certainty on the potential downside, enabling them to feel more secure and more confident to trade.

REVENUE GENERATION

The Group's business is conducted through four revenue-generation models: OTC leveraged derivatives, exchange-traded derivatives, share dealing and investments.

OTC leveraged derivatives

The vast majority of the Group's revenue is derived from OTC leveraged derivatives. Clients enter into derivative instruments: contracts for difference, financial spread bets and options. These enable them to take long or short positions, for varied durations, in a wide range of financial and other markets, gaining exposure to price movements in those markets without needing to buy or sell the underlying asset.

The Group's OTC leveraged derivatives are priced to clients by reference to prices in the underlying markets. When markets are open, the prices of the derivative contracts are updated in real time, reflecting the prices in the underlying markets. For the majority of the derivatives, the price includes a spread around the underlying market price. For some derivatives on single equities, clients are charged a commission instead, and the contract does not include a spread. Clients are charged funding when long positions are held overnight, and receive funding when short positions are held overnight.

IG is the counterparty to the OTC leveraged derivatives that clients enter into, and as a result the business faces market risk. The Group accepts this market risk in order to allow instant execution of client orders. The business manages the market risk it faces through internalisation – allowing individual client trades to offset against each other – and by hedging the residual risk in each market at defined limits by entering into derivative contracts with its hedging brokers. The Group seeks to hedge its residual market exposures in an efficient manner by grouping its exposures into asset classes, and therefore does not hedge its exposures exactly, which gives rise to basis risk.

BUSINESS MODEL AND RISK PROFILE continued

Through the process of internalisation and hedging, the Group limits the market risk it faces so that its trading revenue from OTC leveraged derivatives predominantly reflects the charges paid by clients through spread, commission and funding, less the costs incurred in hedging. This internalisation is key to the Group's business model and profitability, as it reduces the cost of hedging market risk in the underlying markets.

The majority of the OTC derivatives offered by the Group are 'leveraged'. Clients trade contracts for difference or financial spread bets, on 'margin'. Clients only need to have sufficient funds in their account to cover the margin required to enter into a derivative contract, not its full value.

Margin is usually expressed as a percentage of the notional value of the trade, and allows a client to use leverage to take a position in a market with a notional value that is significantly in excess of the funds they are required to deposit. Leveraged derivative contracts therefore magnify the gains or losses a client can make relative to the funds deposited.

The Group faces client credit risk, as leveraged contracts can result in a client making losses in excess of the funds in their account, and they may be unable to fund those losses. The level of margin for each contract is set according to the volatility of prices in the underlying market, and is intended to reduce the client credit risk faced by the Group.

The Group's OTC leveraged derivatives activities give rise to liquidity risk. The business trades its hedging contracts on margin, and is required to deposit initial margin with its brokers reflecting the gross amount of open positions with each broker. As the gross amounts of open positions change, and as market prices move, the amount of margin the Group has to deposit also alters, and the Group is required to deposit margin with its brokers on demand. The business therefore faces liquidity risk through its hedging activities, and counterparty credit risk through the amounts it holds on deposit with its brokers.

The Group's exposure to any one hedging counterparty is restricted by large exposure rules, and the Group needs to maintain a number of different hedging relationships to manage the capacity it requires to hedge.

Exchange-traded derivatives

The Group's trading revenue in the USA is derived from exchange-traded derivatives. The Group operates a regulated derivatives exchange, and clients can trade binary options contracts on a wide range of underlying markets, with various strike prices and expirations. Clients become members of the exchange and pay a trading fee on each side of the trade: once to open, and once to close. Under this model, clients do not trade on margin, and therefore these contracts do not involve leverage, and the exchange does not face either market or client credit risk.

Prices for contracts listed on the exchange are provided by market makers, who are also members of the exchange and pay fees for trading. IG operates as one of the market makers to the exchange, and faces market risk as a result of this activity.

Share dealing

The Group operates a share dealing platform, through which clients can buy and sell individual equities listed on exchanges around the world.

The Group charges a transaction fee for each purchase and sale transaction, and its trading revenue from this service is net of the execution fees the Group pays in the market.

Clients fund the purchases of equities in full at the time of placing the order. This activity does not give rise to any market risk or client credit risk for the Group.

Investments

The Group offers a portfolio-based investment service. Clients are advised, through undertaking an online questionnaire, which of five portfolios comprising a basket of ETFs is best suited to their investment needs, and these portfolios rebalance periodically. Alternatively, clients can choose their own portfolio of ETFs to reflect their investment profile.

The Group charges a percentage fee on the value of the assets under management, and its trading revenue reflects these fees less the amount paid to the provider of the ETFs.

Clients fund the purchases of the investments in full at the time of placing the order. This activity does not give rise to any market risk or client credit risk for the Group.

DIFFERENTIATION – BRAND, TECHNOLOGY AND SERVICE

Brand

IG is a global leader in online trading and the trusted partner for 185,000 clients. A FTSE 250 company with market capitalisation of over £2.0 billion, the Group has a long history of profitability and financial strength.

IG started in 1974 as the UK's original financial spread betting provider, introducing a completely new, accessible way for people to trade on gold, by defining it as an index. Since then, the Group's innovative, client-focused approach has enabled the business to grow, expand internationally, and broaden its product range, and today IG is the world's No.1 CFD provider as well as maintaining its considerable UK market leadership in spread betting. The unified global IG brand was established in 2013 through the acquisition of the IG.com domain. This pivotal event gave the Group the framework to consolidate its 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.

Technology

The Group's success has been founded on developing technology that is market-leading and empowering for clients. The business invests in developing new tools and features for its client-facing platforms – a continuous process that is directed by detailed research into clients' evolving needs.

This year IG has launched its new web trading platform, which delivers a greatly enhanced trading experience. Its speed, customisation facilities and integrated news and analysis feeds are at the cutting edge of trading technology. Designed to provide an intuitive, personalised experience for traders of all styles and knowledge levels, the new platform is at the core of the suite of trading tools and resources offered to clients.

Desktop platforms are complemented by mobile apps, and the business continues to invest in solutions that enable a seamless transition between desktop and mobile devices. Clients can also access extensive educational resources, in an engaging, interactive format, via our IG Academy app.

For more advanced and institutional clients, the business provides a range of professional technology, including a direct market access (DMA) platform, sophisticated technical analysis tools and web API solutions.

Service

Providing clients with the best service is at the heart of our corporate culture at IG. Our operating model and our offices around the world allow us to provide a 24-hour service to clients. In addition to our global network of offices, we have operations and development centres in Krakow and Bangalore that allow us to access the skills we need to support clients.

The business offers a range of free seminars and online tutorials for clients, and provides dedicated 24-hour support from our client services team. This team is fully trained to understand our products and how they are best suited to individual clients. Clients can contact IG client services through email and telephone, and personal interaction is IG's preferred mode of communication. The business seeks to ensure that correspondence with clients is always clear and fair, and is never misleading.

To ensure that clients are at the heart of the business, feedback is encouraged and IG offers clear channels for comments and complaints. The business closely monitors its service standards through key performance and risk indicators tracked in real time.

MAIN TRENDS AND FACTORS LIKELY TO AFFECT THE FUTURE DEVELOPMENT, PERFORMANCE AND POSITION OF THE COMPANY'S BUSINESS

The impact of the changing regulatory environment

IG operates in a highly regulated environment, which is continually evolving. In the last year, there has been a series of significant regulatory proposals, particularly from the UK and other European Union country regulators, to impose restrictions on the provision of leveraged products to retail clients, which were unexpected in their severity.

Over the last 43 years IG's strategy has been one of differentiation within the industry, through its adherence to the highest regulatory standards and its focus on fair outcomes for clients. IG believes in robust, proportionate and consistently applied regulatory oversight of the CFD sector, and as such fully supports the regulatory objective to improve consumer outcomes across the industry.

The timeline for the determination of the final rules and their implementation in many of the geographic markets in which the Group operates remains uncertain. It is too early to determine precisely how consumers will react to these new rules and what the long-term outcome for the Company will be. IG has a history of innovation and flexibility, and a proven track record of deploying technology and skills to adapt its business in response to regulatory and market changes. In the Company's experience, when tighter regulation has been applied appropriately, client outcomes have improved; the industry has become more sustainable and high-quality providers, like IG, have benefitted over the longer term.

More detail on regulatory change is included in the Chief Executive Officer's Review on page 16.

The level of marketing spend, the effectiveness of marketing in attracting new clients, and the rate of client attrition

IG's business model is based on generating a return from its services through transaction fees charged to clients. The level of revenue in any period is predominantly driven by the number of active clients the business serves in that period and the level of activity undertaken by each client.

The Group invests in marketing each year to attract new clients, and seeks to retain clients through the provision of quality services and products. The number of unique active clients has been increasing for the last three years, with the number of new clients trading for the first time each year, together with the number of clients who returned to trading, exceeding the number who stopped trading. This trend has been a key driver of revenue growth.

The Group continues to focus on the effectiveness of its marketing, and manages the level of marketing spend to maintain an attractive payback on the investment. The level of marketing spend in any period varies according to the perceived opportunity to spend effectively, and changes in the level of marketing spend, in the effectiveness of that spend, or in the rate of client attrition and reactivation could have a significant effect on the Group's future performance.

The level of investment in, and success of, new initiatives

The Group continues to identify opportunities to invest in new initiatives to further broaden its range of products and services and its geographic coverage. These investments tend to have a longer payback period than marketing investment, and the level of investment depends on the opportunities available. Financial performance in any one period can therefore be affected by the extent of such investment, and future performance will be affected by the success of such initiatives.

The level of volatility in financial markets

IG's business model is based on generating a return from its services through transaction fees charged to clients. The level of revenue in any period is predominantly driven by the number of active clients the business serves in that period and the level of activity undertaken by each client.

One factor affecting the ability to attract new clients and the willingness of clients to trade is the opportunities clients perceive are available to them in the markets. Higher levels of volatility in financial markets tends to generate trading opportunities, which support the Group's efforts to attract new clients and the level of individual client trading activity. Measures of financial market volatility, such as the VIX index, have been at historically low levels over the last three years. It is expected that an increase in the general level of financial market volatility would be beneficial to the Group's revenue, which is therefore partly dependent upon market conditions.

The UK's exit from the European Union

The Group currently operates its business in the EU through branches of its UK-domiciled and regulated legal entities, under the passporting rules. Depending on the terms and nature of the arrangements under which the UK will leave the EU, the Group may need to establish one or more subsidiary entities domiciled and regulated within the EU. The Group has well-developed plans to deal with this requirement, although the necessity and timing of the requirement remain uncertain. The success of the Group in establishing appropriate structures through which to continue operating its business in the EU, including receiving relevant regulatory approvals, and the costs involved in establishing and running additional regulated entities, could have a significant impact on its future performance.



OPERATING AND FINANCIAL REVIEW

OPERATING REVIEW

With the increasing geographic and product diversity of IG's business, and following a management realignment, the make-up of the segments reported on for the 2017 financial year has been adjusted. This reflects the information format that management reviews for the purposes of both allocating resources and assessing performance, and includes increased disclosure around the share dealing and investments business. For further details and a restatement of the prior year's performance refer to note 3 of the Financial Statements.

Reporting segment	Revenue (£m)		% Change ⁽¹⁾	Clients ('000s)		% Change	Revenue per client ⁽¹⁾
	FY17	FY16		FY17	FY16		
UK	223.0	222.3	0.3%	64.7	59.9	8%	(7%)
EMEA	137.5	117.3	17%	45.9	41.6	10%	6%
APAC	114.1	104.7	9%	37.4	36.4	2.8%	6%
Leverage OTC	474.6	444.3	7%	148.0	137.9	7%	(0.5%)
US	14.1	11.2	26%	22.3	15.2	47%	(14%)
Share dealing and investments	2.4	0.8	187%	20.4	6.7	203%	(5%)
Multi-product clients				(5.0)	(2.4)	112%	
Group	491.1	456.3	8%	185.8	157.5	18%	(9%)

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

The backdrop this year was dominated by significant political events, including the UK's EU referendum in June, the US presidential election in November and elections in key European countries in the second half of the year. However, the uncertainty these events created was not reflected in the financial markets, which, outside the specific events, displayed low levels of volatility. Although annual revenue was split almost equally between the two halves of the year, the quarterly performance was more variable. A weak first quarter was followed by a record second quarter (£133.4 million). The second half of the year also started quietly and recovered in the final quarter, with client trading levels peaking around the French and German elections.

UK

OTC leveraged revenue in this region grew 0.3% to £223.0 million (FY16: £222.3 million) and represented 45% of Group revenues. Active client numbers were up by 8% to 64,725 (FY16: 59,940). As previously outlined, the UK, due to the large installed client base that comes with the most mature market, responds more to volatility, both negatively and positively. In the quiet markets, this, along with the heavy client acquisition around the UK's EU referendum and the US presidential election, meant that average revenue per client was down by 7% to £3,446 (FY16: £3,710).

An annual study of the UK's retail leveraged trading industry was released in July 2017. The survey concluded that, although the retail leveraged trading market remains niche, the number of traders grew to 148,000 (2016: 138,000 – restated). The survey showed that IG's primary market share of spread bettors fell slightly, from 46% to 45%, and its primary share of CFD traders fell from 27% to 24%. The measurement of primary market share is based on an estimate of the number of primary accounts, excluding partner agreements, and makes no allowance for client value. Therefore drawing precise conclusions about the share of total market revenue is difficult.

EMEA

OTC leveraged revenue grew 17% to £137.5 million in the 2017 financial year (FY16: £117.3 million), which equates to 28% of the Group revenue.

Active client numbers rose 10% to 45,903 (FY16: 41,566) and revenue per client was up 6% to £2,997 (FY16: £2,821).

This region divides into two broad areas when analysing performance. Like the UK, the EU-based offices are more mature and generate a slower rate of growth than the newer, non-EU offices of Dubai, South Africa and Switzerland. In the non-EU offices, where the regulatory environment appears more stable, revenue almost doubled to £30.7 million. Active client numbers were also up in these countries by 22%, and revenue per client rose by 59%.

APAC

OTC leveraged revenue in the 2017 financial year grew by 9% to £114.1 million, against a prior year of £104.7 million. This was driven by a 3% growth in clients to 37,392 (FY16: 36,364) and a 6% rise in revenue per client to £3,051. Revenue in the second half of the year was 5% ahead of the first half.

US

Revenue grew 26% over the period to £14.1 million (FY16: £11.2 million). Active member numbers were up by 47% and revenue per client was down by 14%.

Share dealing and investments

Share dealing is now active in IG's two largest markets of the UK and Australia, and is also offered in Austria, France, Germany, Ireland and the Netherlands. This is an important strategic product line for the UK business, which further engages our current client base.

Total client numbers in the year were up around 200% on FY16 at 20,417 (FY16: 6,748). Revenue and first trades were also up by around 200% to £2.4 million and 18,188 respectively. This is partly down to ongoing growth in the UK and partly to the launch in Australia in July 2016.

The IG Smart Portfolio product was launched in the UK in April 2017, in partnership with BlackRock. This product seeks to take advantage of the growing market for low-cost passive portfolio investment products, and is based on BlackRock ETFs.

FINANCIAL REVIEW

Summary Group Income Statement

	Year ended 31 May 2017	Year ended 31 May 2016
	£m	£m
Net trading revenue	491.1	456.3
Net interest on segregated client funds	4.0	3.4
Betting duty and financial transaction taxes	(7.5)	(11.2)
Other operating income	1.9	0.6
Net operating income	489.5	449.1
Operating expenses	(276.1)	(241.5)
Operating profit	213.4	207.6
Net finance income / (expense)	0.3	0.3
Profit before taxation	213.7	207.9
Profit before tax margin	43.5%	45.6%
Taxation	(44.5)	(43.6)
Profit for the year	169.2	164.3
Diluted earnings per share	45.9p	44.6p
Total dividend per share	32.3p	31.4p

Net operating income

Net operating income increased by 9% to £489.5 million (2016: £449.1 million), reflecting the 8% growth in net trading revenue, and a reduction in betting duties reflecting lower client losses on spread betting contracts. The long-term average for betting duties as a percentage of net trading revenue is around 2%. Net interest income on segregated client funds increased by £0.6 million to £4.0 million (2016: £3.4 million), driven by increases in the amount of client money held.

Operating expenses

Operating expenses increased by 14% to £276.1 million (2016: £241.5 million).

	Year ended 31 May 2017	Year ended 31 May 2016
	£m	£m
Employee remuneration costs – fixed	95.5	83.3
Employee remuneration costs – variable	23.6	30.2
Advertising and marketing	64.5	49.7
Depreciation and amortisation	16.4	12.7
Irrecoverable VAT and other sales taxes	14.1	11.2
Regulatory fees	2.3	5.7
Other costs	59.7	48.7
	276.1	241.5

Employee remuneration costs

Fixed employee remuneration costs increased by 15% to £95.5 million (2016: £83.3 million). This reflects an 8% increase in average headcount and a 6% increase in average cost per head. The increase in average headcount reflects investment in client-service roles; the additional headcount associated with DailyFX; and the dual-running of teams during the process of offshoring functions to the Group's resource hub in Poland. The increase in the average cost per head reflects the introduction of flexible benefits; the impact of salary benchmarking and the increase in the GBP equivalent cost of non-UK staff, due to the weakening of GBP compared with most other currencies relative to the 2016 financial year. Variable employee remuneration costs reduced by 22%, due to lower discretionary bonus payments for staff in the 2017 financial year compared to those made for the prior year.

	Year ended 31 May 2017	Year ended 31 May 2016
Average headcount	1,522	1,412
Year-end headcount	1,546	1,408

OPERATING AND FINANCIAL REVIEW continued

Advertising and marketing costs

Advertising and marketing costs increased by 30% to £64.5 million (2016: £49.7 million). The Group has continued to manage its external marketing spend, to drive client recruitment while keeping acquisition cost per client flat. The cost per first trade in the 2017 financial year (excluding Nadex clients, and including irrecoverable VAT) was £1,172 (2016: £1,205).

Depreciation and amortisation

Depreciation and amortisation increased by £3.7 million to £16.4 million (2016: £12.7 million). The increase includes the £1.9 million amortisation of the investment in DailyFX, which delivers market-leading education, research, analysis and news focused on the FX markets, and which is a key part of our future marketing strategy. In addition, the charge in the 2017 financial year includes £1.6 million relating to the write-down of leasehold improvements and fixtures and fittings, as a result of the office refurbishment that took place during the year.

Other costs

The £11.0 million increase in other costs to £59.7 million reflects changes as follows:

	Year ended 31 May 2017	Year ended 31 May 2016
Premises-related costs	13.2	12.1
Telephone and data	2.0	1.7
IT Maintenance and support	12.2	9.7
Market data	9.7	7.9
Legal and professional costs	8.0	6.8
Net charge for impaired trade receivables	3.0	1.6
Payment card charges	2.2	0.4
Other costs	9.4	8.5
	59.7	48.7

The higher IT maintenance and support costs reflect investments made in data security and IT infrastructure. The higher market data costs reflect the growth in client numbers. The higher payment card charges are due to the increased volume of card payments by clients.

Taxation

The effective rate of tax for the year ended 31 May 2017 was 20.8% – slightly lower than the effective rate of 21.0% for the prior year. The effective rate of tax has continued to benefit from the reduction in the standard rate of UK corporation tax, which reduced from 20% to 19% on 1 April 2017.

The vast majority of the Group's taxable profit arises in the UK. An analysis of the tax charge by geographic segment is shown in note F of the Other Information section of the Financial Statements. The Group's effective rate of tax remains dependent on the mix of taxable profit by geography, the availability and use of taxable losses and the tax rates levied in those geographies. The Group's current estimate of the effective rate of tax for the year to 31 May 2018 is 20.5%.

The calculation of the Group's tax charge involves a degree of estimation and judgment, in particular with respect to certain items whose tax treatment cannot be finally determined until agreement has been reached with the relevant tax authority.

Diluted earnings per share

Diluted earnings per share of 45.9 pence for the year to 31 May 2017 are 3% higher than the 44.6 pence for the year ended 31 May 2016. Diluted earnings per share is used as a primary measure of profitability and as a financial measure in relation to the Executive Director and senior management share plans.

Irrecoverable VAT and other sales taxes

The Group does not recover all of the input VAT and other sales taxes it incurs on its costs, and the £14.1 million charge in the 2017 financial year reflects the amounts not recovered. The increase in irrecoverable VAT and sales taxes reflects the increase in costs in the year on which VAT and other sales taxes are charged – predominantly marketing and advertising costs.

Regulatory fees

The Group is charged regulatory fees by the various regulators in the jurisdictions in which it operates, and in addition is required to make a contribution to the Financial Services Compensation Scheme (FSCS) in the UK. The £3.4 million reduction in the cost of regulatory fees reflects the rebate the Group received during the 2017 financial year relating to FSCS levies paid in prior years, and the benefit from the actual FSCS levy for 2016 which was charged in FY16 being lower than the cost accrued. The charge for regulatory fees is expected to revert to the normal level in the 2018 financial year.

Dividend policy

The business continues to be highly cash-generative, and the Board seeks 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 22.88 pence per share, giving a full-year dividend of 32.3 pence per share, 3% higher than the 31.4 pence per share paid for the year to 31 May 2016, reflecting the increase in post-tax earnings.

Cash generation, investments and dividends

The Group uses own funds, and net own funds, generated from operations as its key measures of cash generation. The make-up of own funds is shown on the Balance Sheet in Note A, and the Own Funds cash flow is shown in note C of the Other Information section in the Financial Statements.

Cash generation remains strong. Own funds generated from operations of £229.2 million (2016: £239.8 million), compares with operating profit of £213.4 million (2016: £207.6 million), with a cash conversion rate, calculated as own funds generated from operations divided by operating profit, of 107% (2016: 116%). The reduction in the conversion rate reflects the reduction in year-end bonus accruals at 31 May 2017 compared with the prior year-end. The Group continues to benefit from a net credit balance in working capital.

Capital expenditure in the year of £17.1 million includes £7.6 million relating to the purchase and development of intangible assets during the year, including the new web trading platform and new financial systems to improve the control environment for cash and client money. It also includes £10.5 million on tangible assets, including £2.8 million for the office refurbishment in London and £6.3 million for new and replacement IT hardware.

During the year the Group purchased the assets of DailyFX, a leading global news and research portal, from FXCM Inc. for \$40.0 million (£32.7 million), with \$4.0 million (£3.3 million) of this amount deferred for a year.

Dividend payments to shareholders during the year to 31 May 2017 of £118.7 million comprise the final dividend for the year to 31 May 2016 of £84.1 million, as well as the interim dividend for the year to 31 May 2017 of £34.6 million.

The final dividend for the year to 31 May 2017 of £83.9 million will, if approved, be paid in October 2017.

The Group's own funds of £614.3 million at the end of the year are £26.6 million higher than at the end of the prior year. This reflects the £17.8 million own funds cash flow after investments and dividends, and £8.8 million of FX translation benefit reflecting the increased GBP equivalent value of own funds in non-UK businesses.

Liquidity

The Group's total liquid assets at the end of year were £731.4 million (2016: £626.7 million). The increase in liquid assets reflects the increase in own funds, and the increase in client funds on the balance sheet to £117.1 million at 31 May 2017 from £39.0 million at 31 May 2016. Client funds on the balance sheet include £60.0 million (2016: £25.5 million) deposited by clients under title transfer arrangements, and £57.1 million (2016: £13.5 million) of client deposits with IG Bank SA, the Group's subsidiary in Switzerland. The Group does not currently use any of the Swiss Bank deposits for liquidity purposes.

The Group's primary requirement for liquidity is for the margin it is required to deposit with its hedging brokers. The average broker margin requirement in the 2017 financial year was £286 million, £73 million higher than in the 2016 financial year, with a peak broker margin requirement of £367 million during the year. At 31 May 2017, the actual broker margin requirement was £356 million (2016: £228 million).

The Group has access to a committed Revolving Credit Facility (RCF) of £160 million to assist in liquidity risk management. The Group draws down on its RCF during periods when broker margin is at elevated levels and in advance of events that could result in an elevated broker margin requirement, in order to reduce liquidity risk. During the year, draw downs of the facility were made ahead of three political events: the EU referendum on 23 June 2016, the US presidential elections on 8 November 2016 and the Italian referendum on 4 December 2016. These precautionary drawdowns were repaid after the event. In June 2017 the Group renewed the £160 million RCF with a syndicate of four UK banks. Of the £160 million, £60 million is available for three years, with £100 million available for 12 months.

Segregated client funds

At 31 May 2017 the Group held £1,215.3 million (2016: £917.3 million) of client money in segregated trust bank accounts, and £499.8 million (2016: £177.8 million) of client assets in third-party custodian accounts. These amounts are segregated client money and assets, and are therefore excluded from the balance sheet.

Regulatory capital resources

The calculation of the Group's consolidated capital resources and capital ratio is shown in note E of the Other Information section in the Financial Statements. The Group's capital ratio – resources as a percentage of the total requirement was 26.7% as at 31 May 2017, compared with the minimum ratio for the Group of 18.7%. The Group continues to have sufficient capital headroom.

Impact of changes in foreign currency exchange rates

IG offers its clients opportunities to trade in over 15,000 markets. Our clients have the opportunity to gain exposure to these markets in the natural currency of that market or, in many cases, their account currency. The Group hedges its exposure to the underlying markets and to currencies. The Group's trading revenue from OTC leveraged derivatives is the aggregate of the transaction fees on many millions of individual client trades net of the transaction fees on hedging the exposures, which are also denominated in a number of currencies. These transactions are almost all booked in entities whose functional currency is GBP. It is impractical to isolate the effect that changes in foreign currency exchange rates have on the Group's GBP reported revenue.

Around one third of the Group's operating expenses are incurred in currencies other than GBP. Although it is possible to identify the effect that changes in foreign currency exchange rates have on the GBP reported costs, as it is not practical to do so on revenue, the Group accepts that it manages its earnings in GBP, and reports on and explains its results accordingly.

KEY PERFORMANCE INDICATORS (KPIs)

We use nine key financial and non-financial performance metrics to measure our performance and progress against the short-term and long-term goals of the business.

LEVERAGED OTC CLIENTS

FY17	148,000	7.3% ▲
FY16	137,900	

PROFIT BEFORE TAX

FY17	£213.7m	2.8% ▲
FY16	£207.9m	

LEVERAGED OTC REVENUE PER CLIENT

FY17	£3,207	(0.5)% ▼
FY16	£3,223	

DILUTED EARNINGS PER SHARE (DEPS)

FY17	45.9p	2.9% ▲
FY16	44.58p	

REVENUE

FY17	£491.1m	7.6% ▲
FY16	£456.3m	

NET OWN FUNDS GENERATED FROM OPERATIONS

FY17	£183.9m	(6.8)% ▼
FY16	£197.3m	

NUMBER OF LEVERAGED OTC FIRST TRADES

FY17	45,727	15% ▲
FY16	39,842	

TOTAL DIVIDEND PER SHARE

FY17	32.3p	2.9% ▲
FY16	31.4p	

PLATFORM UPTIME

FY17	99.98%	◀▶
FY16	99.99%	

RISK MANAGEMENT AND VIABILITY STATEMENT

Effective risk management is essential to the achievement of the Group's strategy and business objectives, and to preserve its financial strength and resilience. The Board is responsible for ensuring that the Group maintains an appropriate risk management culture, supported by a robust Risk Management Framework.

RISK MANAGEMENT FRAMEWORK

IG has an established Risk Management Framework to identify, measure, manage and monitor the risks faced by the business, and to manage the risk that the Group's conduct may pose to the achievement of fair outcomes for consumers or to the sound, stable, resilient and transparent operation of the financial markets. This framework provides the Board with assurance that IG's risks, including the risks relating to the achievement of Group's strategic objectives, are understood and managed in accordance with the appetite and tolerance levels set. It provides the basis for enabling the Group's ongoing assessment and monitoring of capital adequacy and its liquidity risk management. The framework is established around the following elements:

- Risk culture
- Risk Principles
- Risk Taxonomy
- Risk Appetite Statement
- Risk management governance
- Risk assessment, monitoring, control and reporting

Risk culture

The Board recognises that embedding a sound risk culture is fundamental to the effective operation of the Group's Risk Management Framework, and sets the tone for broader conduct in all business activities and for promoting a common set of IG values and expected behaviours.

The Group's culture is defined by the shared values, attitudes, competencies and behaviours present throughout the business. A poor culture will inevitably lead to an increase in certain areas of risk.

The Group seeks to achieve the implementation of its desired risk management culture through principles, policies and practices, including:

- The core Risk Principles set out below that drive risk management in IG
- The firm's Risk Appetite Statement that clearly defines the type and level of risk the Group is willing to accept in pursuit of its objectives
- The adoption of a comprehensive policy framework to ensure that all employees are aware of their risk management responsibilities
- The allocation of responsibility for identification, assessment, mitigation and reporting of risks to management across the business (including front office, control functions and executive management)
- A performance management process that links staff appraisals and remuneration to risk management and conduct
- Corporate communications that reinforce awareness and understanding of the Group's desired risk management culture and associated policies

Risk Principles

The IG Risk Management Framework is driven by a set of core principles that set the context for risk management activities across the Group:

- Risk management should be clearly focused on enhancing shareholder value and supporting the achievement of the Group's strategic objectives
- The approach to risk management should address the requirements and expectations of the firm's key stakeholders (including clients and employees as well as investors and regulators)
- Risk and control oversight functions should be independent of business functions and supported by adequate resources
- The Board risk appetite should clearly articulate the types and amount of risk the Group is willing to accept in pursuit of its objectives
- Risk management should be fully embedded into all departments and business processes of the Group and managed as an integral part of day-to-day management
- Risk management activities should be appropriate for the level and complexity of the firm's business activities and associated risks
- Risk management should be subject to continual review and enhancement to ensure that the Group's Risk Management Framework remains effective and aligned to stakeholder expectations

Risk Taxonomy

IG has developed a Risk Taxonomy to ensure that the Group considers the full spectrum of risks faced by the business, and to create a single language for classifying risks in all risk management activities. The taxonomy categorises the principal risks faced by the Group into five areas: the risks inherent in the regulatory environment, the risks inherent in the commercial environment, business model risk, operational risk and conduct risk. Each of these areas of risk is considered below, with an overview of how IG seeks to manage them.

Risk Appetite Statement

The Group's Risk Appetite Statement (RAS) defines the level of risk the IG Board is willing to take in pursuit of its business objectives and strategic goals. The RAS provides parameters within which the business can operate and facilitates an articulation of the business risks to relevant stakeholders.

The statement contains a set of high-level principles and Key Risk Indicators (KRIs). These are a balance of quantitative and qualitative measures that provide an indication of increasing or reducing risk levels, designed to alert the Board and management that risk is approaching or has exceeded an acceptable level. This enables the triggering of an appropriate responsive action.

RISK MANAGEMENT AND VIABILITY STATEMENT

continued

The Group's risk appetite is set within IG's overall risk capacity, at a level which considers the potential impact to IG's various stakeholders. It articulates a high-level view of the maximum loss or exposure the firm is willing to accept with respect to each of its principal risks.

The RAS provides a benchmark for calibrating the risk limits and indicators which operationally define the levels of exposure the firm can take on (eg the market risk exposure limits), as well as the levels of loss the firm can sustain without needing to escalate and take action. These indicators are monitored daily and reported weekly to the Executive Risk Committee and monthly in the Board Report.

RISK MANAGEMENT GOVERNANCE

The Group's risk management governance structure is summarised below.

The Board

The Board has overall responsibility for the management of risk within the Group. This includes determining the Group's risk appetite, which sets out the nature and extent of the principal risks it is willing to take in achieving its objectives, and defining the standards and expectations that drive the Group's risk culture. It also involves ensuring that the Group maintains an appropriate and effective Risk Management Framework, and monitoring performance and risk indicators to ensure that the Group remains within its risk appetite. The Board delegates certain risk governance responsibilities to Board Committees.

Board Risk Committee

The Board Risk Committee provides the principal forum for the ongoing review and evaluation of specific elements of the Risk Management Framework and for making recommendations to the Board as appropriate. To exercise these responsibilities, the Committee:

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

Audit and Remuneration Committees

The Audit Committee's responsibilities include reviewing the Group's internal controls and risk management systems in the performance of its duties, as well as the assessment of the control environment through the review of internal audit activities and of the progress on implementing internal and external audit recommendations. The Audit Committee has a specific responsibility to assess the accuracy and appropriateness of

financial reporting and narrative disclosures, the Group's tax risk management, the control environment for client money and assets, and legal entity governance.

The Remuneration Committee's primary responsibility in relation to risk management is to ensure that remuneration policies are consistent with effective risk management across the Group, and to consider the implications of those elements of the policies on risk and risk management. The Committee reviews the design and operation of performance-related pay schemes to ensure their effectiveness and, with the assistance of the Board Risk Committee, that the risks of the schemes are adequately monitored and controlled.

Risk management within the business

IG operates a 'three lines of defence' risk governance model.

First line of defence

The first line of defence has primary responsibility for risk management, including day-to-day responsibility for ensuring that the business operates within risk appetite. Management is responsible for the identification, assessment and management of risks facing the business, in compliance with the firm's risk management policies.

The Executive Committee, chaired by the Chief Executive Officer, provides advice and support to management in the monitoring of the day-to-day management of the Group's operations.

The Executive Risk Committee supports the risk function and operational management in the day-to-day operation of risk management. The Committee meets weekly. The frequency of Committee meetings reflects the corporate commitment of senior management to play an active role in day-to-day management and control of risk. This sets the tone across IG that risk management is central to corporate culture. The Committee oversees the day-to-day risk management activity across the Group, receives, analyses and evaluates risk management information, and addresses specific risk management issues as they arise.

The Client Money and Assets Committee has specific responsibilities with respect to risk management activities relating to the segregation of client money and assets.

Second line of defence

The second line of defence, independent risk oversight, is provided by the risk, compliance and other control functions. These are independent from operational management in the first line, and responsible for overseeing and challenging the business in managing its risks day-to-day. This includes maintaining the Group's risk management and control policies, providing independent analysis control of the Group's risks and keeping abreast of industry and regulatory developments that might require enhancements to the Group's Risk Management Framework.

Third line of defence

The third line of defence, independent assurance, is provided by internal audit. The primary role of internal audit is to help the Board and executive management to protect the assets, reputation and sustainability of the organisation by providing independent, objective assurance reviews designed to add value and improve our operations. The scope of the annual audit plan includes reviews of the firm's Risk Management Framework and the management of the firm's principal risks. These will include assessments of the design and operating effectiveness of the internal governance structures

and processes, the setting of and adherence to risk appetite and the risk and control culture of the organisation.

Risk assessment, monitoring, control and reporting

Risk assessment, monitoring and control are the responsibility of operational management in each area. Risk and control assessments are undertaken with support from the second and third lines of defence, and key controls are identified and documented.

Risk reporting is undertaken daily, with several reports covering key market, credit, liquidity and capital adequacy metrics.

A weekly risk dashboard is presented to the Executive Risk Committee and provides key metrics and commentary covering market, credit, liquidity and operational risk exposures, including stress-testing results. The dashboard also provides a review of clients with significant exposures and a summary of operational incidents and associated remedial actions.

The monthly Board risk report sets out a suite of metrics covering capital adequacy, liquidity and key risk exposures. This includes summaries of market risk performance, credit provisions and debt experience, and operational risk metrics. The report also contains specific metrics on conduct risk, information security and cyber risk. The metrics each have defined tolerance thresholds linked to the Group's risk appetite that require escalation and action where amber or red thresholds are reached.

The Group undertakes a quarterly review of its regulatory capital and liquidity position, including a review of Pillar 2 risks and scenarios used to assess the Group's projected capital position under stress scenarios, through the ICAAP and ILAA processes.

Principal risks

IG's Risk Taxonomy categorises the principal risks faced by the firm into five areas: the risks inherent in the regulatory environment, the risks inherent in the commercial environment, business model risk, operational risk and conduct risk. The major risks identified within each of these areas are summarised in the table below, and overleaf we provide an overview of how IG seeks to manage them.

Principal risk areas	Principal risks
Regulatory environment risk The risk that the regulatory environment in which the Group operates changes in a way that has an adverse effect on the Group's business or operations.	Regulatory change Expansion risk Tax risk
Commercial risk The risk that the Group's performance is affected by failure to adopt or implement an effective business strategy, through competitors offering more attractive products/services or prolonged adverse market conditions.	Strategic management risk Market conditions risk Competitor risk
Business model risk The risk faced by the Group arising from the nature of its business and its business model.	Market risk Credit risk Liquidity risk Capital adequacy risk
Operational risk The risk of loss resulting from inadequate or failed internal processes, people activities, systems or external events. The risk that the Group is unable to attract and retain the staff it requires to operate its business successfully.	Technology risk People risk Process risk External risk
Conduct risk 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.	Client outcomes Markets and financial crime Employee behaviour

RISK MANAGEMENT AND VIABILITY STATEMENT

continued

Regulatory environment risk

IG operates in a highly regulated environment which is continually evolving. IG defines regulatory environment risk as the risk that the regulatory environment in any of the jurisdictions in which the Group currently operates, or may wish to operate in, changes in a way that has an adverse effect on the Group's business or operations, through reduction in revenue, increases in costs or increases in capital and liquidity requirements.

The Group operates to the highest regulatory standards and leads the industry in the way in which it deals with its clients. The Group maintains a strong relationship with its key regulators and an active dialogue with them to keep abreast of impending regulatory developments. In the last year, there has been a series of significant regulatory proposals, particularly from UK and other European Union country regulators, to impose restrictions on the provision of leveraged products to retail clients. The proposals have included a range of measures from leverage restrictions, requirements for additional risk warnings, restrictions and bans on marketing, and outright bans on the provision of CFDs and binary options. The timeframes for the final rules from some of the consultation processes are uncertain.

The Group has responded to all relevant consultations, with each of the regulatory proposals analysed in depth. A comprehensive analysis has been presented to regulators through a series of detailed response documents and consultation meetings. The Group has engaged with a broad range of interested parties to explain its stance on the issues raised. Where applicable, in addition to the comprehensive analysis in support of the firm's position on each issue, IG has put forward alternative rule changes that it considers would be more likely to achieve the outcomes that regulators are seeking to achieve.

The Board has been actively involved in overseeing the formation and execution of IG's response to these proposals, receiving regular updates from the Executive Committee advising on the regulatory and legal position and appropriate response strategy.

Within regulatory environment risk, the Group also includes the risk of significant adverse changes in the way in which the Group itself, or the Group's business, is subject to taxation. Examples of the tax risk faced by the business include the risk of the imposition of a financial transactions tax, which could severely impact the economics of trading, and the risk that the basis under which the Group is taxed, in any of the jurisdictions in which it operates, changes adversely.

Commercial risk

The Group defines commercial risk as the risk that the Group's performance is affected by a failure to adopt or implement an effective business strategy, by new or existing competitors offering more attractive products or services, or by a prolonged period of adverse market conditions.

The Group seeks to mitigate its strategic management risk through the Board's regular, thorough review and challenge of the Group's strategy and the performance of the various strategic initiatives taken. The Board holds an annual strategy day to consider and agree the strategic priorities for the business. The Board also considers specific strategic actions and initiatives during its normal schedule of Board meetings.

The Group's strategy will be reviewed again in the context of the outcome of the various regulatory consultation papers discussed above.

The Group operates in a highly competitive environment, including from some unregulated and illegal operators. The Group seeks to mitigate competitor risk by maintaining a clear distinction in the market in terms of product, service and ethics, and by closely monitoring the activity and performance of its competitors, including detailed comparison of the terms of the product offers.

IG regards itself as the leader in its market, and given the Group's strong ethical values, unlike some of its competitors, the Group does not deploy questionable practices that can be commercially attractive to clients (such as offering excessive leverage). However, the Group seeks to ensure that its product offering remains attractive, taking into account the other benefits that the Group offers its clients, including brand, strength of technology and client service quality. This allows the business to provide a competitive offering overall and manage competitor risk without compromising the Group's values.

The Group's trading revenue reflects the transaction fees paid by clients less the transaction costs incurred in hedging market exposures. The extent of client trading activity and the number of active clients in any period are the key determinants of revenue in that period. The ability to attract new clients and the willingness of clients to trade depends upon the level of opportunities clients perceive are available to them in the markets. The Group's revenue is therefore partly dependent upon market conditions.

The Group seeks to mitigate market conditions risk through detailed review of daily revenue analysis, monthly financial information and other Key Performance Indicators (KPIs), and regular reforecasts of its expected financial performance reflecting the latest and expected market conditions. The Group uses these forecasts to determine actions necessary to manage performance in the context of market conditions.

The Group updates its investors and market analysts on its revenue performance on a regular basis, including quarterly updates and pre-close statements, and engages with investors and market analysts to manage the risk that the impact of market conditions is reflected in performance expectations.

Business model risk

IG defines business model risk as the risks faced by the Group arising from the nature of its business and its business model, including market risk, credit risk, liquidity risk and capital adequacy risk.

Market risk (audited)

IG takes market risk for the purpose of facilitating instant execution of client trades. The business manages this market risk by internalising client flow (allowing clients' trades to offset each other) and hedging when the residual exposures reach defined limits. The Group's real-time market position-monitoring system allows it to monitor its market exposure against its market risk limits continuously. If exposures exceed pre-determined limits, hedging is undertaken to bring the exposure back to the limit.

IG has a Market Risk Policy which sets out how the business manages its market risk exposures. The 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 groups of markets or assets which the business 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 the Group will hold without hedging the net client exposure.



The Group sets its market risk limits with the objective of achieving the optimal trade-off between allowing clients' trades to be internalised, the cost of hedging and the variability of daily revenue. The Group seeks to manage its market risk so that its trading revenue predominantly reflects client transaction fees net of hedging costs, and is not driven by market risk gains or losses.

The market risk that arises as a result of offering binary contracts, options and guaranteed stops for clients is 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 trading opportunities, the results of which should, to some extent, offset each other irrespective of the underlying market outcome.

The Group monitors its market risk exposures on a real-time basis as well as through regular stress-testing and scenario-testing to analyse the impact of potential stress events, and takes action to reduce its risk exposures and those of its clients as appropriate.

Credit risk (audited)
IG faces the risk that either a client or a financial counterparty fails to meet their obligations to IG, resulting in a financial loss.

As a result of offering leveraged trading products, IG accepts that client credit losses can arise as a cost of its business model. 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 running losses on open trades and margin requirements.

Client credit risk is managed through the application of the firm's Client Credit Risk Policy.

The business sets margin requirements that reflect the market price risk for each instrument, and uses tiered margining so that larger positions are subject to proportionately higher margin requirements. The business offers training and education to clients covering all aspects of trading and risk management, which encourages them to collateralise their accounts at an appropriate level in excess of the minimum requirement. In addition to cash, the Group also accepts collateral in the form of shares from clients with a share dealing account.

The business further mitigates client credit risk through the real-time monitoring of client positions via the close-out monitor (COM), and by giving clients the ability to set a level at which an individual deal will be closed (the 'stop' level or 'guaranteed stop' level). We also require less experienced clients to use limited risk accounts, while offering the option of a limited risk account to all other clients.

The COM is an automated liquidation process which automatically identifies accounts that have broken the liquidation threshold. 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.

Clients placing trades with guaranteed stop levels pay a small premium in the event that the stop is triggered. With a guaranteed stop, the maximum loss is known at the point of trade. The Group's limited risk account combines this trade-by-trade protection with the assurance that a client can never lose more than the total amount of equity they hold in their account.

The COM, client-initiated 'stop' and limited risk accounts all result in the transfer of an element of the market risk from the client to the Group. This market risk arises following the closure of a client position, as the Group (subject to the market risk limits discussed above) may hold a corresponding hedging position that will, assuming sufficient market liquidity, be unwound.

IG has significant financial exposure to a number of financial institutions, owing to the placement of financial assets at banks and the hedging of market risk in the wholesale markets, which requires the Group to place margin with its hedging brokers.

Financial institution credit risk is managed through the application of the Group's Counterparty Credit Management Policy.

Financial institution counterparties are subject to a credit review when a new relationship is entered into, and this is updated semi-annually (or more frequently as required, eg upon changes to the financial institution's corporate structure). Proposed maximum exposure limits for these financial institutions, reflecting their credit rating and systemic position, are reviewed and approved by the Executive Risk Committee.

The Group 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. As part of its management of concentration risk, the Group is also committed to maintaining multiple brokers for each asset class.

The Group is responsible under various regulatory regimes for the stewardship of client monies. These responsibilities include the appointment of and periodic review of institutions with which client money is deposited. The Group's general policy is that all financial institution 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 may use a locally systemically important institution. These criteria also apply for the Group's own bank accounts held with financial institutions.

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.

Liquidity risk (audited)

Liquidity risk is the risk that the Group is unable to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure it has sufficient liquidity to meet its broker margin requirements and other financial liabilities when due, under both normal circumstances and stressed conditions. These liquidity requirements must be met from the Group's own liquidity resources, as client money cannot be used for its operations.

The Group holds liquid assets to enable the funding of broker margin requirements, to ensure that appropriate prudent margins and buffers are held in segregated client money accounts in order to fully protect clients' funds and assets to support the growth of the business and its need for capital, and to maintain a liquid assets buffer.

RISK MANAGEMENT AND VIABILITY STATEMENT

continued

The Group manages its liquidity centrally, and key liquidity decisions are discussed at the Executive Committee and Executive Risk Committee.

The Group carries out an Individual Liquidity Adequacy Assessment ('ILAA') each year, and while this applies specifically to the Group's FCA-regulated entities, (as liquidity is centrally managed through these entities), this process provides the context for determining the mitigating actions that would be taken in the event of stressed liquidity conditions for the whole Group.

The Group uses a number of measures for managing day-to-day liquidity risk, including the level of total liquid assets of same-day available cash and forecasted cash requirements.

The Group is required to fund margin payments to brokers on demand. Broker margin requirements are driven by the gross hedging positions held by the Group. The value of these positions and the margin requirements are in turn driven by the number of active clients, the level of client activity, the make-up of the total client exposure, exchange rates, interest rates and the value of instruments.

In addition to its liquid assets the Group mitigates its liquidity risk through maintaining access to committed unsecured bank facilities. The Group regularly stress-tests its liquidity forecasts to validate the appropriate level of facilities it holds, and draws down on the facility at least once during each year to test the process for accessing that liquidity.

The Group produces detailed short-term liquidity forecasts and stress-tests, such that appropriate management actions or liquidity facility draw-down can occur prior to a period of expected liquidity demands.

Capital adequacy risk

The Group seeks to ensure that it has sufficient capital to operate its business successfully and to meet regulatory requirements.

The Group manages its capital resources with the objectives of facilitating business growth, maintaining its dividend policy and complying 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 undertakes an annual Internal Capital Adequacy Assessment Process (ICAAP) through which it assesses its capital requirements, including through a series of stress-testing scenarios. The ICAAP document is reviewed and challenged by the Executive Risk Committee and the Board Risk Committee and is then reviewed, challenged and approved by the Board.

The firm monitors its capital resources and capital requirements daily, calculating the credit and market risk requirements based on the exposures at the end of each business day, to assess the total capital requirement and available headroom. The firm maintains an additional internal warning indicator threshold with its Board performance reporting, and breaches, if any, would be escalated to the Board with a recommendation for appropriate remedial action.

IG operates a regulated business and is required to hold sufficient regulatory capital at the Group level, as well as in each individual regulated entity, to cover its risk exposures.

The Group is supervised on a consolidated basis by the UK's Financial Conduct Authority (FCA). In addition to its two UK FCA-regulated entities, the Group's operations in Australia, Japan, Singapore, South Africa, United States, Switzerland and Dubai are regulated on an entity basis. Individual capital requirements in each regulated entity are taken into account when managing the Group's capital resources.

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people activities, systems or external events. IG includes, within operational risk, the risk that the Group is unable to attract and retain the staff it requires to operate its business successfully.

IG recognises that operational risk arises in the execution of all activities undertaken by the Group, and identifies and manages operational risk in four categories: technology risk, people risk, process risk and risk from external events.

The Group continues to develop its operational risk framework to ensure visibility of risks and controls, clear accountability for controls and escalation and reporting mechanisms, through which risk events are identified and managed and appropriate action is taken to improve controls.

The Group is rolling out its Risk and Control Self-Assessment (RCSA) methodology, focused on areas of the business identified as a priority, and has introduced a new operational risk event self-reporting process which provides increased visibility over events and control actions to be taken, which are monitored through a consolidated Control Action List.

Technology risk

IG is heavily dependent on technology to supply its service to clients and to run its internal processes. Technology risk is managed through the Group's Technology Risk Management Framework, and is overseen by the Group's Technology Risk Committee. The Group seeks to manage system outage risk through processes for prevention, including capacity assessment and management of single points of failure, processes for detection of emerging system or application hotspots using real-time monitoring systems, and processes for correction with a well-established incident management process embedded in the Group.

Information security is managed by a dedicated information security team. The threat of attacks from outside the Group, such as DDoS and hacking, are managed through several layers of control to provide in-depth defence, including volumetric scrubbing, multiple firewalls, an intrusion detection system and anti-virus scanners to block incoming emails containing malware. The Group undertakes regular penetration tests to detect vulnerabilities, and receives intelligence on emerging threats from an external organisation. Information security risks from inside the Group, such as virus outbreaks and data loss, are managed through several layers of controls, including data loss prevention controls to detect leakage of sensitive data and the application of network policies, end-point protection and proxy servers.

People risk

IG is dependent upon attracting and retaining the staff it requires to operate its business successfully, and has an established HR management framework with processes and controls to manage that risk.

The Group's people strategy has four themes: clarity and measurement, focused on creating clear policies and measurement to shape and track how people are performing; performance and reward, to ensure that people are motivated to deliver high performance; talent and growth, to enable individuals to develop to their full potential; and working environment, to enable teams and the Group as a whole to operate in a constructive and collaborative way.

The Group operates a clear set of controls and a range of indicators to manage, monitor and mitigate people risk. This includes an annual employee engagement survey, performance check-ins, measurement and analysis of employee turnover, talent identification, succession and development planning and internal recruitment. New employees are subject to pre-work checks.

The Group has undertaken a significant programme of work to develop and communicate the Group's vision and values that is intended to promote a cohesive, positive and progressive culture to support the delivery of the Group's business objectives.

Within people risk, the Group also identifies the risk of loss intentionally or unintentionally caused by an employee, such as employee error and employee misdeeds, issues relating to employment, including disputes, and risks relating to employment law, health and safety and HR Practices. If policies are breached, or employees behave inappropriately, the Group has a disciplinary framework to address and resolve issues.

Process risk

The Group faces risks related to the design, execution and maintenance of key processes, including process governance, clarity of roles, process design and execution. Process risk also includes record-keeping failures, regulatory compliance failures and reporting failures.

Management are responsible for implementing an appropriate control framework and ensuring that all staff are aware of their responsibilities. It does this through the maintenance of policy and procedure documents, training, risk and control self-assessments that identify key controls and highlight areas for improvement, and the production and review of appropriate management information.

Financial reporting risk is managed by the finance function. The Audit Committee receives papers and presentations from both finance management and External Auditors to allow the Committee to assess the integrity of financial reporting, and to conclude whether the presentation of financial information externally, including through the Annual Report, is fair, balanced and understandable.

Regulatory compliance and record-keeping risk is managed by the compliance function. Compliance keeps an up-to-date understanding of regulatory requirements and maintains policies to ensure that IG continues to comply with its regulatory obligations, including AML and KYC, account opening and client on-boarding, PEP and sanctions, gifts and hospitality and conflicts of interest. The established compliance monitoring programme is designed to, among other matters, detect any failure of the Group to comply with its regulatory obligations.

External events risk

The Group faces the risk of loss as a result of damage to physical and non-physical property or assets, or the inability to access property or operate its business arising from natural or non-natural external causes.

The protection of property and other assets from external events is managed through a mix of risk avoidance, risk mitigation, operational controls and risk transfer mechanisms. The Group has well-developed security, business continuity and disaster recovery procedures in place, commensurate with the scale and nature of the operations it has in particular locations. The Group's key operational hubs are supported by appropriate disaster-recovery facilities. The Group has a global insurance programme in place to cover a number of insurable risks, and reviews this programme annually.

Conduct risk

IG recognises and manages the risk that the Group's conduct may pose to the achievement of fair outcomes for consumers, or to the sound, stable, resilient and transparent operation of the financial markets. The Group has implemented a conduct risk strategy that aims to analyse the conduct risks that may arise, and sets out how those risks are managed and mitigated. It also sets out specific controls used to manage conduct risk. The Group seeks to ensure that all employees are aware of the importance of managing conduct risk through programme conduct risk training and awareness.

The Group manages and monitors the risk of clients failing to understand the functionality of our products and suffering poor outcomes. The Group recognises that some of its products are not appropriate for some consumers and operates a process to identify potential new clients for whom the product may not be appropriate. The Group supports clients with education and training, and offers account types that limit a customer's risk. Such accounts are mandatory for less experienced and less wealthy clients. Client outcomes are monitored and reported to the Board.

The Group recognises the risk of causing poor market outcomes if proper controls are not in place, for example, to detect instances of market abuse which must then be reported on. Clients may also attempt to use IG to commit fraud or launder money, and the Group has designed its systems, controls and monitoring programmes to mitigate and detect such issues.

The Group recognises the risk that the actions of its staff can result in poor outcomes for clients, or the financial markets. The Group seeks to ensure that its staff are appropriately trained, managed and incentivised to ensure that their behaviour and activities do not inadvertently result in poor outcomes for clients or the markets.

The compliance function operates a compliance monitoring programme and a series of 'deep dive' reviews to assess conduct risk in specific areas or processes. The Group also reviews remuneration policies and incentive schemes to ensure that they are appropriate and conducive to good conduct by staff.

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RISK MANAGEMENT AND VIABILITY STATEMENT

continued

VIABILITY STATEMENT (AUDITED)

The UK Corporate Governance Code requires the Directors to make a statement regarding the viability of the Group, including explaining how they have assessed the Group's prospects, the period of time over which they have made the assessment and why they consider that period to be appropriate.

The Group has a forecasting and planning cycle consisting of a strategic plan, an annual budget for the current year and financial projections for a further three years. The output from this business-planning process is used in the Group's capital and liquidity planning, and the most recent forecasts are for the four-year period ending May 2021.

The four-year forecasting period is the length of time over which the Board strategically assesses the business, is the period of time the Board would typically look to pay back investments, and is the period over which the Board reviews its regulatory capital resources and 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, and is also used by the Remuneration Committee to set targets for the annual incentive scheme. Caution about the degree of certainty needs to be exercised, however, due to a lack of clarity about the detail and impact of final rules that may be implemented by our regulators, and the timing of implementation.

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

The Group undertakes stress-testing on these forecasts and through the ILAA, ICAAP and Recovery Plan, providing 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 impact of major regulatory changes; the collapse of a major financial services firm; major currency appreciation; and cyber-attacks. Additionally, the Group has undertaken reverse stress-testing to understand the circumstances under which the Group's business model is no longer viable. With appropriate management actions, the results of these stresses showed that the Group was resilient to all severe but plausible scenarios, and would be able to withstand the impact.

Given the potential changes to the regulatory landscape in which the Group operates, as well as the uncertain consequences of Brexit, there is a range of potential outcomes. Four-year forecasts have therefore been prepared on different scenarios, including one that assumes all of the proposals from each of the consultation papers published by our regulators are enacted, and that there are no cost-reduction actions from management.

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 Group's profitability and liquidity.

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 four-year period ending 31 May 2021.

BUSINESS CONDUCT AND SUSTAINABILITY

After over 40 years in business, we understand that sustainable long-term returns stem from good conduct – whether that be in the way we treat our clients and our employees, or the way we interact with the markets and our regulators. In all our relationships we seek to act with integrity and transparency, maintaining a reputation for professionalism and ethical practice along with a constant determination to do things better.

SUSTAINABLE BUSINESS

Our conduct as a business is driven by much more than simply compliance with risk or regulatory requirements. This is reflected in the shared values that underpin all our attitudes and behaviours:

- Champion the client
- Lead the way
- Love what we do

Our values provide the foundation for our future growth and success, and they give us an ongoing focus in our day-to-day work. We recognise the importance of defining and communicating these values to all of our people, providing them with a strong framework and direction. As well as helping our employees to realise our overall vision, this helps ensure that good conduct remains at the core of our culture.

We are conscious of the risk that poor conduct presents to our clients, our business model and the wider financial industry. For this reason, we have actively developed a risk management strategy and embedded 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, along with a rolling plan of thematic conduct risk reviews and formalised conduct consideration before 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

Ensuring fair client outcomes is at the core of our business model and strategy. To achieve this, it is crucial that we continually strive to understand our clients' needs and the way that they view and interact with our products and services. We regularly seek and review feedback from our clients, as well as monitoring the outcomes they receive. This enables us to develop our products and services to meet the needs of retail traders and investors globally, and to provide our non-leveraged clients with the right tools and services to help them create, grow and protect their portfolios. We have made a number of pioneering changes to our product offerings, with the best interests of our clients at their heart. These include the market-leading features of our limited risk accounts, the expansion of our longer-term investment product offering and, crucially, the way we onboard clients and assess the appropriateness of our products for them.

We are committed to investing in process, training and improvements to our culture, to prevent poor 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.

Central to our commitment to our customers is the quality of our order execution, and our investment in the technology and monitoring behind it. We process 100% of active client trades automatically. We never re-quote 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.

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 and the leading standards we have set in the industry.

Protecting our clients' data, funds and assets

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

We fully segregate client funds for retail individuals, in compliance with relevant regulations, and we hold segregated client money and assets entirely separately from our own money across a diverse range of banks. This ensures that, in the event of our default, client funds and assets 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.

Appropriateness

Regulators are demonstrating an ever-growing recognition of the risks to consumers posed by poor practices in the industry. As a market leader, we have always prided ourselves in setting higher standards than our peers and those required by regulation, and we believe the industry would benefit from the elimination of poor practices.

We recognise that good conduct is particularly vital in relation to marketing and client recruitment, to encourage fair consumer outcomes.

BUSINESS CONDUCT AND SUSTAINABILITY continued

Conscious that our products are not right for everyone, we have a number of procedures that ensure the appropriateness of our products for clients. We follow strict guidelines to ensure that we only promote our services 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 a CFD trading or spread betting account, we carry out comprehensive assessments to determine whether it is appropriate for them. Over the last year we have reviewed this assessment process and implemented some fundamental changes. We actively question applicants about their knowledge and relevant trading experience, as well as providing extensive educational tools. If we are not satisfied that prospective clients are equipped to understand the risks involved, we simply do not allow them to access our products. This differentiates us from many of our peers. It demonstrates our commitment to good consumer outcomes, and is ultimately in the longer-term interests of our business.

Limiting client losses

We have a number of services designed to help clients limit any losses they may make. We believe it is important to regularly monitor the effectiveness of these, taking a nimble approach to protect our clients in both normal and volatile market conditions.

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. Last year we introduced an innovative new charging system that facilitates the use of 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 was the first provider to offer guaranteed stops on this basis. From July 2016, we also introduced a limited risk account, which has now become the default account we offer to clients who are less experienced or 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 wish.

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 times when market volatility is expected, such as during elections or referendums, we devote considerable time to reviewing our margining practices, ensuring our margins protect both clients and IG from any volatility. We make amendments where necessary, actively communicate with our clients, and test our systems to ensure they can continue to operate effectively under stress. At 31 May 2017, 99.75% of all client accounts were subject to the automatic COM procedure.

SUPPORTING OUR PEOPLE

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

By providing an inclusive, fair and engaging environment, we ensure that our people can thrive and achieve their potential. This in turn enables them to drive our business forward – thinking creatively, working collaboratively and building rewarding relationships with our clients.

Communication and involvement

As a global employer with over 1,500 staff in 17 locations worldwide, our challenge is to maintain a clear vision and a sense of unity for all of our people. We are committed to ensuring that all our employees feel connected and are aligned to a shared purpose.

We take pride in being an open, non-hierarchical organisation, where all of our people have access to senior management. Our Chief Executive Officer addresses all employees every six months to present the Group's half-year and full-year financial results and answer any questions. He and other members of the senior team also maintain a schedule of visits to our global offices, taking this opportunity to engage in dialogue with local employees.

We aim to provide our people with multiple communication channels, and we continue to develop our intranet, IG hub. With usage increasing significantly this year, this is now the default source of information for our people. It provides a highly effective way of communicating news about internal developments within the business, as well as building awareness of the external financial and economic factors affecting us.

Employee engagement

We are proud to have been certified as one of Britain's Top Employers by the Corporate Research Foundation for ten consecutive years, and are committed to making IG a great place to work.

To understand our employees' perceptions of the business and address their concerns, we carry out an annual engagement survey. By collecting their feedback in this way, we give our people a direct channel of communication to the executive team and the Board. We take into account the insights we receive when making decisions that are likely to affect employees' interests.

A diverse and fair workplace

We believe that a diverse workforce brings creative energy to our business, and we are committed to developing a team of individuals with the best skills to help us realise our vision and strategy – regardless of their ethnicity, faith, gender identity, sexual orientation or physical capacity. Our inclusive culture was evidenced in 2016, when our employees led the creation of IG Open, a network for those who identify themselves as LGBT+ and their allies.

We have extensive human resource policies in place to ensure that we recruit the right people and enable them to develop without experiencing discrimination or harassment. We continuously reinforce the need to treat all employees fairly, creating an environment free from bullying, where people of all grades or positions enjoy dignity and respect.

We fully consider applications for employment from disabled persons with aptitudes and abilities in line with our requirements. Where existing employees become disabled, temporarily or permanently, it is our policy 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.

Human rights

We conduct our business in an ethical manner, following policies that embody key human rights principles. More information can be found in our Slavery and Human Trafficking Statement on iggroup.com.

Health and wellbeing

All our employees receive appropriate protection benefits and discounted gym access. In the UK, our people can access the cycle-to-work initiative through our new flexible benefits portal, which also provides increased opportunity for individuals to personalise benefits to their lifestyle requirements.

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 – for example, housing and personal finance.

Rewarding high performance

Recognising the link between individual performance and global growth for the business, this year we introduced a new 'check-in' process to replace the traditional annual appraisal approach. The new system ensures that each of our people has a clearly defined purpose, with specific deliverables and expected behaviours. Regular meetings with the line manager then provide opportunities for feedback, goal realignment and recognition of success.

We offer a competitive reward package and a market-related salary structure that is regularly benchmarked. We also include the majority of our employees in a group bonus scheme. Bonus levels are intrinsically linked to the financial and operational performance of IG, including client satisfaction. At the end of each financial year, bonuses are distributed based on both Company and individual performance, as discussed during check-ins throughout the year.

The remainder of our employees are included in specific sales-related bonus schemes. We also reward our high-potential employees through a long-term incentive plan, and we offer our employees in the UK, Australia and the US the chance to share in our success through our tax-advantaged share-purchase schemes. An average of 36% of eligible employees took part in our share plans in the 2017 financial year. We are currently reviewing options to extend similar schemes to our other larger offices – Krakow and Bangalore.

In the next year we will continue to strengthen our global recognition strategy by linking it directly to our values and behaviours.

Developing talent

We take the development of our people very seriously, recognising that a constant flow of talent and skills is key to our ongoing success. We continually invest in improving the quality of the learning opportunities our people can access, and we encourage employees to progress within the business, supporting them in their personal and professional growth.

All of our employees are able to benefit from a variety of learning and development resources, ranging from on-the-job coaching and mentoring to webinars, secondments and Board exposure programmes. We encourage attendance at relevant external events and, where appropriate, sponsor our people to undertake formal, industry-recognised training courses and achieve professional qualifications.

We have also developed succession plans for our more senior roles, and will now be implementing a similar approach for other core roles across the Group.

Community involvement

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.

Our workforce

In terms of gender, our workforce is made up as follows at 31 May 2017:

Board

	Number	%
Female	2	25
Male	6	75

Senior executive team

	Number	%
Female	2	29
Male	5	71

Senior leadership team

	Number	%
Female	4	17
Male	20	83

Employees

	Number	%
Female	456	30
Male	1,051	70

Total

	Number	%
Female	464	30
Male	1,082	70

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 environment.

Our greatest environmental impact comes from running and maintaining our IT infrastructure. This technology supports our award-winning platform and ensures we are consistently able to maintain our high level of platform uptime. Powering and cooling our datacentres results in the majority of our energy usage – as well as our energy costs. As such, we update our hardware and software as appropriate to save money and energy.

BUSINESS CONDUCT AND SUSTAINABILITY continued

Our offices are the second-largest consumer of energy. We apply a number of energy-saving processes and have a far-reaching recycling policy. This not only encompasses a proportion of our daily office waste, but also extends to our IT equipment when we replace hardware. We try to use any desktop equipment for its maximum functional life.

Our head office building, where around half of our employees are based, is also ISO 14001 certified and we have installed sensor lighting. This year we completed a major refit of the premises, which will help us to work in a more energy-efficient way and reduce our environmental impact. By moving to a 'hot-desk' working model and providing all employees with laptops, we have enabled our people to work from home regularly, reducing the workspace required in our premises. This means we can now use our office space more efficiently, cutting costs.

We carried out the refurbishment with sustainability in mind, taking a number of steps to minimise our impact on the environment:

- 95% of existing glazing was reused to create new partitions
- 80% of existing ceiling tiles were recycled
- Existing light fittings were reused where possible, with new LED lamps installed to save energy
- Dimmable LED lighting was installed in open-plan areas
- All desk lamps were fitted with time clocks
- All existing carpet tiles were removed and recycled
- Existing raised-access flooring was modified, avoiding the need to install new floor tiles
- 50% of existing desks were reused
- Existing mechanical plant was reused, with modifications to support new layouts
- Unwanted furniture was donated for reuse, where possible
- All waste was removed by the contractor's registered recycling provider

We have rolled out laptops and the hot-desk working model to our global offices wherever practical, as well as installing environment-friendly, state-of-the-art video conferencing and collaboration technology – provided by Skype for Business. This has reduced the need for work-related travel between our global locations.

We make every effort to source our office services from providers that are committed to sustainable principles. For example, in the UK our fruit supplier plants one fruit tree in Malawi, Africa, for every basket purchased. During the past year, around 6,000 trees were planted thanks to IG.

Emissions Data

We provide emissions data in respect of the financial year ended 31 May 2017 in the Mandatory Greenhouse Gas Emissions Report and Greenhouse Gas Emissions Intensity Ratio tables on page 47. 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:

- Our methodology has been based on the principles of the Greenhouse Gas Protocol, taking account of the 2015 amendment which sets out a 'dual reporting' methodology for the reporting of Scope 2 emissions
- 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
- The period of our report is 1 June 2016 – 31 May 2017 inclusive
- Conversion factors for UK electricity (location-based methodology), gas and fugitive emissions are those published by the Department for Environment, Food and Rural Affairs for 2015-16
- 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
- Our fugitive emissions have only been reported for regions where the data has been made available
- Our Krakow office has been excluded on the basis that this is a new site and it is not possible to obtain a full year's worth of data. This will be reported in next year's report

Mandatory greenhouse gas emissions report

Emission type	2015/16 CO2e tonnes	2016/17 CO2e tonnes	2015/16 CO2e tonnes	2016/17 CO2e tonnes
	Location based	Location based	Market based	Market based
Scope 1: Operation of facilities	429.9	429.9	429.9	429.9
Scope 1: Combustion	54.5	130.9	54.5	130.9
Total Scope 1 emissions	484.4	560.8	484.4	560.8
Scope 2: Purchased energy	3914.6	3247.5	4000.4	2402.1
Total Scope 2 emissions	3914.6	3247.5	4000.4	2402.1
Total emissions	4399.0	3808.3	4484.8	2962.9

Greenhouse gas emissions intensity

Total footprint (Scope 1 and Scope 2) CO2e.

	Previous year (2015/16)	Current year (2016/17)	Year-on-year variance
Net trading revenue (£)	456.3m	491.1m	+7%
Intensity ratio, location-based method (tCO2e/£100,000)	9.64	7.75	-20%
Intensity ratio, market-based method (tCO2e/£100,000)	9.83	6.03	-39%

CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE

Our results continue to demonstrate strong growth, leading to record revenue, profits and client numbers. This is against the backdrop of a quiet period for financial markets, together with unprecedented regulatory activity that has negatively affected the share price. Our results are underpinned by an enduring governance culture, which continues to put high ethical standards and fair client outcomes at the heart of all we do. I am grateful for the support and dedication of the CEO, senior management team, and of all IG's people.

In this year's Chief Executive Officer's review, we reported on another strong set of results achieved during a period of significant global political events and an uncertain regulatory landscape which has led to a significant fall in the Company's share price. We share regulators' concerns that some in our industry are behaving in ways that are not in clients' best interests. We are deeply engaged with regulatory bodies to help them find positive solutions to these issues, while ensuring that where appropriate clients can continue to take advantage of trading opportunities in the markets. I remain confident that, once this period of uncertainty is resolved, the Group is well placed to continue demonstrating market leadership and delivering shareholder value. In the meantime, the Board is focused on delivering results, creating new opportunities for the future and ensuring we have the right talent to succeed.

Since our home regulator's consultation on leveraged products began, the Board and senior management team have been very active in supporting the development of proportionate regulation to meet the challenges faced in the industry. I would like to thank my colleagues for the quality of debate and decision-making throughout this period, and in particular the exemplary approach of Peter and his executive team in continuing to promote and evidence the Group's industry-leading commitment to fair client outcomes. All stakeholders, including our shareholders, staff and clients, can be confident that the Company has left no stone unturned in our efforts to ensure the best outcomes for you all.

The Board of Directors continues to be 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. Last year I reported that Paul Mainwaring joined the Group as Chief Financial Officer. Paul has made great strides in continuing to improve control infrastructures and has brought fresh perspectives to discussions at Board. Since October 2016 the Board Risk Committee has been chaired by

Sam Tymms, who brings a wealth of regulatory experience to the role. I would like to thank Stephen Hill for his wise stewardship as Chairman of the Board Risk Committee from its inception in 2014 and for guiding it through a period of significant change and growth for the Group. We are grateful that Stephen has agreed to extend his role on both the Board and the Board Risk Committee for a further year. Following completion of my first three years in office, I am also delighted to report that the Board has agreed to renew my appointment as Chairman for a further three years to June 2020.

The success of the Board is dependent on a shared vision and common purpose. The relationship between the Chairman and Chief Executive Officer is central to this, and Peter and I continue to work closely together and to develop a strong relationship which is predicated on transparency and constructive dialogue, as well as shared culture, values and ethics. With the support of the Board, IG has introduced an updated set of values centered around championing our clients, leading the way and loving what we do. We are actively encouraging our people to innovate, challenge the status quo and demonstrate an enquiring mindset, and we are strengthening commitment to our business and our people through encouraging personal achievement, inclusion and sharing.

The Board is focused on succession planning at IG and we are continuing to develop our plans particularly at executive management level. We have continued to focus on our medium-term and long-term strategy. The quality of debate at our November strategy day was excellent, and we have made significant improvements to the way in which we monitor performance of strategic developments across our leveraged and unleveraged businesses.

I am pleased to report that we have seen additional improvements in the timeliness and quality of materials provided to the Board and its Committees. The Board now receives improved monthly data and management information to support its decision-making. Together with improved processes and an increased awareness by paper producers and presenters of the Board's expectations, this has helped improve the quality of debate and facilitated informed and timely decision-making. We will continue to work to improve the quality and content of materials.

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 the provisions of the Code for the year ended 31 May 2017.

Overview of Corporate Governance Framework

IG recognises that its structure is subject to the determination of its shareholders who agree the Articles of Association, approve transactions mandated through the listing rules and annually consider the re-appointment of Auditors and the Directors and approve the final dividend.

The Board of Directors is responsible for appointing Directors to the Board and for agreeing and monitoring progress with the implementation of the Group's strategy. The Board has overall responsibility for ensuring the long-term success of the Company, providing leadership and direction, including in relation to culture, ethics and values. The Board has adopted a schedule of matters reserved to it for decision.

Certain governance responsibilities have been delegated by the Board to Board Committees to ensure independent oversight over internal controls and risk management and to assist the Board with carrying out its responsibilities. Further information on the role of the Board and of the Audit, Remuneration, Board Risk and Nomination Committees is set out in the following pages. In addition the Board has a Standing Committee which deals with Board-reserved matters required to be considered at short notice and where there are administrative matters requiring approval and evidencing that do not warrant a full Board.

The Board has appointed a Chief Executive Officer (CEO) who has delegated authority for the development and execution of strategy, providing effective leadership and management of risk throughout the organisation. The Board has also appointed a Chief Financial Officer (CFO) whose delegated authority extends to the stewardship of Group assets, the safeguarding of client money and assets, statutory and regulatory reporting and investor relations.

Below Board level IG operates a number of executive management Committees. The Executive Committee is IG's most senior executive management Committee, comprising the CEO, CFO and executive management. It oversees and helps direct the implementation of Group strategy agreed by the Board, and provides advice and support to executive management in the day-to-day running of the Group's operations.

The CEO and CFO are also supported by the Executive Risk Committee, which provides advice to operational management and the risk function in the day-to-day operation of risk governance, which applies the principles of sound corporate governance to the identification, assessment, management, monitoring and reporting of risks within the risk appetite agreed by the Board. In addition the CFO is supported by the Client Money and Assets Committee relating to oversight arrangements and operations in respect of the holding and safeguarding of client money and assets.

In support of the proper performance of their duties by members of the Executive Committee, the Group also has the following principal operational management Committees and forums:

Committees	
ICAAP and ILAA	Assists management in the monitoring of stress-testing and scenario-testing outlined in ICAAP and ILAA
Control Functions Oversight	Assists the CFO in the execution of his responsibilities for ensuring a sound system of internal controls
Technology Risk	Assists the Chief Information Officer in the proper performance of his duties
Best Execution	Assists the Chief Compliance Officer in helping define the best execution requirements for the Group
Pricing Group	Supports the Chief Analytics Officer in ensuring fair, complete and accurate pricing of IG products
Investment	Supports the Board of IG Markets Limited in overseeing the investment management process and procedures relating to the IG Investments product

THE BOARD

The Board is responsible for determining the Group's strategy and for promoting our long-term success through creating and delivering long-term value for shareholders.



Andy Green
Chairman

Age: 61
Appointed:
9 June 2014 (Deputy Chairman)
16 October 2014 (Chairman)

Andy has significant board experience including within major listed companies. He is the Senior Independent Non-Executive Director of Avanti Communications Group plc and holds a number of other roles, including chairing Digital Catapult. He is President of UK Space, Co-Chairman of the Space Leadership Council, and was recently appointed as a Commissioner at the National Infrastructure Commission. Andy's other current roles enable him to bring to the Board a wide perspective on technology and digital development.

Andy has previously served as Group Chief Executive of Logica plc, as CEO of Group Strategy and Operations at BT Group and as a board member of the CBI. Until recently, Andy also served as Senior Independent Non-Executive Director of ARM Holdings plc, as Chairman of DockON AG and as a member of the Digital Economy Council.

Committee membership:
Nomination Committee (Chair) and Remuneration Committee.



Peter Hetherington
Chief Executive Officer

Age: 48
Appointed:
25 February 2003
(Chief Operating Officer)

4 December 2015
(Chief Executive Officer)

Peter has spent his whole career with IG, having joined as a graduate trainee in 1994. In 1999 he was appointed Head of Financial Dealing, and in 2003 he joined the Board following his appointment as Chief Operating Officer (COO), where he was responsible for IT as IG developed its online offering. His COO role developed to encompass the leadership of the sales and marketing functions.

Peter was appointed Interim Chief Executive Officer in October 2015, and following an extensive search was appointed 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 served as an officer in the Royal Navy prior to joining IG.

Peter has no other current appointments.



Paul Mainwaring
Chief Financial Officer

Age: 54
Appointed:
20 July 2016

Paul's in-depth knowledge of financial services and experience in several public companies is helping IG to make further progress in building and growing the operational and strategic capability of the business.

Paul joined IG from Tullett Prebon plc where he served as Finance Director from 2006 to 2016. Prior to this, he was Group Finance Director of Mowlem plc and TDG plc. From 1993-2000, he held various financial roles at Caradon plc including three years as Finance Director of MK Electric. He qualified as a chartered accountant with Price Waterhouse in 1987, and obtained an MBA from Cranfield School of Management in 1991.

Paul has no other current appointments.



Malcolm Le May
Senior Independent
Non-Executive Director

Age: 59
Appointed:
10 September 2015

Malcolm has broad experience and knowledge of the financial services and investment sectors along with extensive experience on the boards of publicly listed companies.

He 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 Juno Capital LLP and holds an advisory role at Heidrick & Struggles.

Malcolm has 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.

Committee membership:
Remuneration Committee (Chair), Audit Committee and Nomination Committee.



June Felix
Non-Executive Director

Age: 60
Appointed:
4 September 2015

June brings to the Board significant international experience and knowledge of the digital sector as well as experience in strategy, product innovation and delivery. She is the President of Verifone, Europe and Russia, with responsibility for the operation of its business throughout these territories.

June has held various executive management positions at a number of large multi-national businesses. These include 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. June was also Global General Manager for Banking & Financial Markets and strategy consultant at Booz, Allen & Hamilton. She began her career at P&G in brand management marketing.

Committee membership:
Board Risk Committee and Nomination Committee.



Stephen Hill, OBE
Non-Executive Director

Age: 56
Appointed:
28 April 2011

Stephen brings significant quoted-company board experience. Stephen is currently a Non-Executive Director of Applerigg Limited and Chairman of the Alzheimer's Society.

He has previously served as the CEO of Betfair plc and has held roles at Pearson plc where, amongst other positions, he was CEO of the Financial Times Group. Stephen was Chairman of Interactive Data Corporation in the US and the Royal National Institute for Deaf People. He has served as a Director on the boards of Royal Sun Alliance Insurance Group plc, Psion plc, Channel 4, Ofcom, Aztec Limited and Cambridge University Judge Business School.

Committee membership:
Board Risk Committee, Remuneration Committee and Nomination Committee.



Jim Newman
Non-Executive Director

Age: 52
Appointed:
1 October 2013

Jim has in-depth knowledge and experience of the financial services sector, as well as considerable experience both as a CFO and in the implementation of transformation programmes.

A qualified Chartered Accountant, Jim was Finance Director for Resolution plc, having joined the company as Group Financial Controller. He 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.

Jim has no other current appointments.

Committee membership:
Audit Committee (Chair), Board Risk Committee, Remuneration Committee and Nomination Committee.



Sam Tymms
Non-Executive Director

Age: 53
Appointed:
22 May 2013

Sam has extensive experience in the regulatory field and detailed knowledge of compliance matters from her time with the London Stock Exchange and Financial Services Authority.

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.

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.

Committee membership:
Board Risk Committee (Chair), Audit Committee and Nomination Committee.

BOARD GOVERNANCE

LEADERSHIP

The role of the Board

The Board provides guidance and entrepreneurial leadership of the Company by setting the strategic direction of the Group and overseeing management's implementation of the strategy. It provides robust challenge, within a framework of prudent and effective risk management and controls. The Board is provided with timely and comprehensive information to enable it to discharge its responsibilities, to encourage strategic debate and to facilitate robust, informed and timely decision-making.

The Board is collectively responsible for the long-term success of the Group through the creation and delivery of sustainable shareholder value. In exercising this responsibility the Board takes into account the needs of all relevant stakeholders – including clients, investors, employees and suppliers – and the effect of the strategy on 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.

In considering the powers of the Board as set out in the Company's Articles of Association, and its developing strategy, the Board has this year undertaken a comprehensive review of the matters reserved to it for decision-making. These include agreeing the Group's strategy; approval of major transactions, annual budgets, and changes to the Group's capital and governance structure. The matters reserved also require regular reviews of operational and financial performance; reviews of succession-planning for the Board and senior management; setting the risk appetite of the Group and approving any changes to the Group's risk management and internal control framework.

Specific matters for approval and recommendation to the Board have been formally delegated to certain Board Committees. The Matters Reserved to the Board and Committee Terms of Reference are available on the Company's website, iggroup.com.

Board composition

The Board currently comprises a Non-Executive Chairman who was independent on appointment, two Executive Directors and five independent Non-Executive Directors, supported by the Company Secretary and senior management.

The Board operates a clear division of responsibilities between the Chairman and the Chief Executive Officer:

Chairman

The Chairman, Andy Green, is responsible for leading the Board and creating the right conditions, including its membership and that of its Committees, to ensure the Board's effectiveness in all aspects of its role.

The Chairman 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 robust and constructive discussion and challenge on all relevant matters. He is responsible for encouraging and facilitating active engagement by all Directors, drawing on their skills, knowledge and experience.

The Chairman is also responsible for promoting effective communication between the Board, Non-Executive Directors, shareholders and other major stakeholders.

The Chairman has a close working relationship with the Chief Executive Officer and the Company Secretary to ensure that the strategies and actions agreed by the Board are effectively implemented.

Chief Executive Officer

The Chief Executive Officer (CEO), Peter Hetherington, has specific responsibility for recommending the Group's strategy to the Board and for implementing agreed strategy once approved. In undertaking such responsibilities, the CEO takes advice from and is provided with support by his senior management team and all Board colleagues.

Additional specific authority includes the development of the Risk Management Framework, regulatory stakeholder management and supporting the Chairman to ensure the promotion of appropriate standards of corporate governance and shareholder engagement.

Together with the Chief Financial Officer, the CEO monitors the Group's operating and financial results and directs the day-to-day business of the Group. The CEO is also responsible for recruitment and development of the Group's executive management team below Board level.

Chief Financial Officer

The Chief Financial Officer (CFO), Paul Mannering, is responsible for the financial reporting of the Group, for monitoring the Group's operating and financial results and for management of the Group's internal risk management and financial control systems. The CFO also has responsibility for oversight of capital and liquidity management and the management and safeguarding of client money and assets. He supports the CEO in implementing the Group's strategy and in relation to the financial and operational performance of the Group.

Non-Executive Directors

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

Senior Independent Director

Malcolm Le May is the Senior Independent Non-Executive Director and in this capacity he acts as a sounding board for the Chairman. He serves as a trusted intermediary for the other Directors when necessary. He 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 Chairs in setting agendas for meetings of the Board and its Committees. He supports the accurate, timely and clear information flow to and from the Board and the Board Committees, and between Directors and senior management. In addition, he supports the Chairman in designing and delivering Directors' induction programmes and the Board and Committee performance evaluations. The Company Secretary also advises the Board on corporate governance issues and Board procedures and is responsible for administering IG's Share Dealing Code of Conduct and the Annual General Meeting.

How the Board operates

The Board meets regularly, at least seven times a year, including an annual strategy day to review strategic options open to the Group in the context of the economic and regulatory environment. In addition the Board has established a Standing Committee whose responsibility is to consider Board reserved matters at short notice, or where there are administrative matters requiring evidencing that does not warrant a full Board. There were seven scheduled Board meetings this year, including the annual strategy day.

Senior executives below Board level attend meetings as required to present and discuss matters relating to their business areas and functions.

The full Board also meets when necessary to discuss important ad-hoc emerging issues that require consideration between scheduled Board meetings. There were seven such meetings held during the year, convened principally to consider the Board's preparedness and response to the UK referendum on membership of the European Union, the launch of IG Investments and responses to regulatory consultations.

Each Director commits an appropriate amount of time to their duties during the financial year, and the Non-Executive Directors met the time commitment reasonably expected of them, including pursuant to their letters of appointment.

Where Directors are unable to attend meetings, they are encouraged to give the Chairman their views in advance 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 five such meetings during the year.

During the year, Non-Executive Directors led by the Senior Independent Director, met without the presence of the Chairman, including to evaluate the Chairman's performance.

Attendance at Board meetings

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

Board	Scheduled meetings eligible to attend	Scheduled meetings attended
Chairman		
Andy Green	7	7
Independent Non-Executive Directors		
June Felix	7	7
Stephen Hill ⁽¹⁾	7	6
Malcolm Le May	7	7
Jim Newman ⁽²⁾	7	5
Sam Tymms	7	7
Executive Directors		
Peter Hetherington	7	7
Paul Mainwaring ⁽³⁾	6	6

(1) Stephen Hill was unable to attend one meeting due to incapacity.

(2) Jim Newman was unable to attend the November meetings due to short notice unforeseen events.

(3) Paul Mainwaring was appointed to the Board on 20 July 2016.

Stephen and Jim both received papers for and provided the Chairman with detailed comments in advance of the meetings they were unable to attend.

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 pursuant to the schedule of matters reserved to the Board and an agreed annual forward calendar.

Strategy

- Annual strategy day held in November 2016 to discuss and agree the forward-looking strategic priorities for the Group in respect of its leveraged and unleveraged businesses and to consider the regulatory framework under which the Group operates
- Conducted a twice annual review of strategic incubator projects having first developed a comprehensive incubator governance model, including a review of performance against targets
- In light of the FCA Consultation Paper relating to the provision of leveraged products for retail investors, discussed the Group's FY18 strategic themes at a pre-Board presentation in May 2017
- Approved the acquisition of DailyFX assets, a global news and financial portal, from FXCM Inc. and the launch of the IG Investments product

BOARD GOVERNANCE continued

Business, operational highlights and current trading

- Regularly received updates on business progress and the issues and challenges faced by management through CEO reports and monthly management information packs
- Received reports on matters of interest such as latency, limited risk accounts, cyber security and IT development and location strategy

Quarterly forecast and budget

- Received updates on performance against the prior year, budget and market analyst consensus
- Discussed the risks and opportunities for the FY17 budget and approved the FY18 budget

Governance, risk and regulation

- Evaluated the effectiveness of the Group's risk management and internal control systems, reviewed and approved the Group's Risk Appetite Statement and key regulatory documents including the Individual Capital Adequacy Assessment Process (ICAAP), the Individual Liquidity Adequacy Assessment (ILAA) documents and the Group's Recovery Plan (RP)
- Received regular reports on key compliance issues identified during the year including reviews of conduct risk and culture risk

- Received regular updates on corporate governance developments and approved relevant governance documentation including in relation to the implementation of the Market Abuse Regulations
- Received regular updates on the Group's approach and response to regulation and several local regulatory consultations

Financial performance

- Reviewed the financial performance of the Group and approved all financial results announcements and the Annual Report with the respective Financial Statements and dividends
- Reviewed a four-year forecast

Other

- Received regular reports from Board Committee Chairs
- Discussed the results of the employee engagement survey
- Agreed the renewal of the Group's revolving credit facility
- Reviewed the Group's crisis-management response
- Undertook a review of and agreed the forward-looking market-reporting strategy
- Received an update on the Group's people strategy, culture, aims and values
- Undertook an external evaluation of its effectiveness and the effectiveness of each Board Committee and individual Directors

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	Nomination Committee	Remuneration 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 monitoring the effectiveness of the control environment relating to the management and safeguarding of client money and assets • Reviews the management and control framework for the governance, operation and maintenance of the Group's legal entities	• 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 • Reviews and recommends to the Board the adoption of key risk-related documents, including the ILAA, ICAAP and RP • Commissioned thematic risk reviews relating to key risks	• Responsible for reviewing the composition of the Board and Board Committees to ensure that they are appropriately balanced in terms of diversity, knowledge, skills and experience • Reviews and recommends to the Board appointments to the Board and to other senior management positions • Conducted succession planning reviews at Board level for recommendation to the Board	• 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 Share Incentive Scheme • Monitors developments in remuneration and reward practice to ensure the Group's policies take account of stakeholder expectations

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. 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 currently on the Board includes experience in a number of key areas such as financial services, finance and accountancy, strategy, government and regulatory, marketing, risk management and regulatory liaison, technology and digital. Certain Non-Executive Directors currently undertake executive roles outside of IG.

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 continues 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 judgment 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 judgment and are free from any business or other relationships that could materially affect the exercise of their judgment.

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.

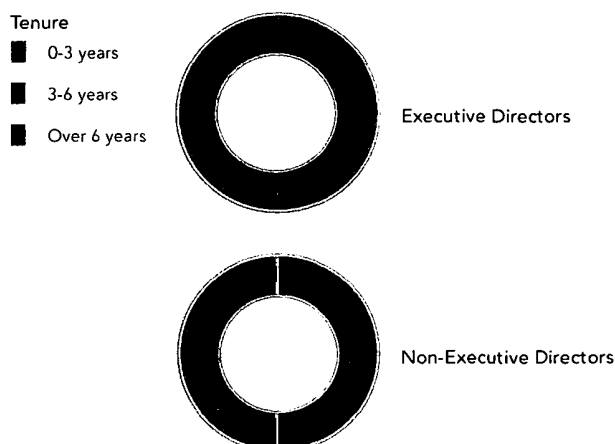
In accordance with the Companies Act 2006, the Company's Articles of Association allow the Board to authorise potential conflicts that may arise, and to impose such conditions or limitations as it sees fit. During the year, potential conflicts were considered and assessed by the Board and approved where 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 recommendations 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 60 and 61. The Board as a whole is also involved in overseeing the development of management resources across the Group.

Board tenure (as at the date of this report)



BOARD GOVERNANCE continued

Induction

Following appointment, each Director receives a comprehensive and formal induction to familiarise them with their duties and the Company's business operations, risk and governance arrangements. The induction programme, which is co-ordinated with the help of the Company Secretary, includes briefings on industry and 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, governance matters and relevant company policies. Newly appointed Directors also meet the Company's external auditor, brokers and advisers, 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. Paul Mainwaring's induction programme on joining the Board in 2016 covered those aspects set out below.

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 risk 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, 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

Ongoing professional development

In order to facilitate greater awareness and understanding of the Group's business and the environment in which it operates, all Directors are given regular updates on changes and developments in the business.

Training opportunities are provided through internal meetings, workshops, presentations and briefings by internal advisers and business heads, as well as external advisers. The Company Secretary updates the Board on any relevant legislative, regulatory and governance changes on a regular basis.

The Directors meet with global country heads in order to receive further insights into the operations of the business in the jurisdictions where the Group operates.

During the year, the Directors attended briefing sessions on information security, regulatory developments, Brexit Euro response, competition law, operational risk and risk appetite.

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 Chairman is responsible for ensuring that the Board receives accurate, timely and clear information to enable it to make appropriate challenges, to encourage debate and to ensure its decisions are fully informed.

The Company Secretary supports the Chairman in ensuring appropriate and timely information flows to and from the Board and its Committees.

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 laws 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 and other executive officers, in the periods between meetings.

Re-election of Directors

The UK Corporate Governance Code recommends 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. Following this, all Directors will stand for re-election at the AGM.

Board evaluation

Each year, an evaluation of the effectiveness of the Board is conducted. The evaluation includes an assessment of the effectiveness of Board Committees and individual Directors. In 2017, an external evaluation was carried out by Lintstock Limited as the final part of a three-year programme that began in 2015. Lintstock has no other connection with the Company.

This year the programme was enhanced by including one-to-one interviews between Board members and Lintstock.

As part of the review, it was agreed to give additional focus to areas identified following the 2016 review and areas that had emerged during the 2017 financial year, including:

- Embedding risk management within the organisational framework
- The effectiveness of the operational control framework as the Group becomes increasingly geographically diverse
- Managing strategic development in the face of regulatory headwinds
- Succession planning and organisational development at Board and senior management level

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 consistent questioning to facilitate ongoing analysis of performance improvement.

All Board members and the Company Secretary completed web-based surveys addressing the performance of the Board and its Committees, the Chairman and individual Directors. Lintstock subsequently produced a report of its findings, which were discussed with the Chairman and subsequently with the Board.

Overall, the results indicate that the Board is operating effectively, with a number of areas rated positively. Progress has been made with all development areas identified in 2016, including:

- Improvements to the consistency of papers provided to the Board
- Succession planning
- Improvements in the process for strategic reviews
- Developing and embedding the people strategy
- Continuing to manage and enhance our understanding and management of cyber threats
- Ensuring our risk timetable and risk processes are driven holistically and reviewed in an efficient and timely manner

The main areas agreed by the Board for development in the coming year are:

- Continuing to progress succession-planning at Board level and at senior management level
- Using optional Board training/information sessions to free the Board's time for more strategic discussion
- Creating an enhanced programme for Board interaction with management below Executive Committee level
- Ensuring the Board increases its focus on strategic discussion by managing the flow of information to the Board
- Revisiting our Incubator Governance Framework to ensure it remains fit for purpose

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. The performance of the Chairman was discussed without the Chairman present, following which the Senior Independent Director and Chairman met to discuss the review findings.

The evaluation of the performance and contribution of each Director was conducted with reference to a self-performance review questionnaire completed by each Director. This was then discussed at sessions between each Director and the Chairman.

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, while there have been changes to the Chairman's external appointments, there has been no overall increase in the level of significant commitments of the Chairman during the year which would impact the time he has to fulfil the role.

BOARD GOVERNANCE continued

ACCOUNTABILITY

Financial and business reporting

The Strategic Report on pages 16 to 47 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 95 and a statement regarding the use of the going-concern basis in preparing these Financial Statements is provided in the Directors' Report on page 94.

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 effective management of the firm's key business risks 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 the effectiveness with which it manages the principal risks faced by the Group.

The Directors confirm that the Board has carried out a robust assessment of the principal risks facing the Group, 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 'Business Model and Risk Profile' section on pages 24 to 27 and in the 'Risk Management and Viability Statement' section on pages 35 to 42.

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 on the overall risk governance framework and the setting of IG's risk appetite. It considered the key risk assessment and monitoring activities across the firm, as well as the processes and controls in place to manage the firm's principal 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 determining 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 and Policy can be found on pages 62 to 81.

ENGAGEMENT WITH SHAREHOLDERS

The Board recognises the importance of maintaining good and constructive communication with the Company's shareholders, and has in place 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 Company Overview and Strategic Report sections.

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. Our Investor Relations team coordinates these. These presentations are available on the Group's website iggroup.com, 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 regular basis.

The Chairman, the Senior Independent Director, in his capacity as Chairman of the Remuneration Committee, and the Executive Directors hold meetings with the Company's largest institutional shareholders and market analysts to discuss governance developments (including in respect of external and internal remuneration policy), business strategy and financial performance.

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 Chairs of the Board Committees, are available at the AGM to answer questions. The 2016 AGM was a successful event attended by all the Directors. All the proposed resolutions were passed on a poll, with the percentage of votes in favour of each resolution ranging from 93.18% to 100%.

The 2017 AGM will be held on 21 September 2017. The Notice of the AGM 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 to shareholders, or make them available on the Group's website, at least 20 working days before the date of the meeting. The Notice 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. After the meeting, we will make available to shareholders full details of the votes including proxy votes received on each resolution, and we will publish these on the Company's website on the same day.

Company overview

Strategic report

Corporate Governance report

Financial statements

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

The Nomination Committee undertakes an important role in identifying, sourcing and evaluating the combination of skills needed to lead the Group at and immediately below Board level, and in supporting the development and delivery of our strategy.

It is responsible for identifying and recommending to the Board, suitable candidates for appointment to the Board, and ensures the Board's composition meets the Company's needs.

This year, and following an extensive search, the Committee agreed to recommend to the Board the appointment of Paul Mainwaring as Chief Financial Officer. Paul was appointed to the Board on 20 July 2016.

The Committee also increased its focus on succession planning at Board and executive management level. Following initial discussions, it has been agreed to invest in a senior management development programme designed to ensure management develop the right balance of knowledge, skills and experience to become credible Executive Director candidates in due course.

Committee 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. On invitation, the Chief Executive Officer also attends, but is not involved in decisions relating to his own succession. The Head of Human Resources also attends on invitation.

During the year, the Committee met four times, principally to consider Board composition and succession planning.

Committee member	Eligible to attend	Attended
Andy Green	4	4
Malcolm Le May	4	4
Stephen Hill	4	4
Jim Newman	4	4
Sam Tymms	4	4
June Felix	4	4

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
- Keeping under review the leadership needs of the Group, with a view to ensuring the continued ability of the organisation to compete effectively in its marketplace
- Keeping up to date about strategic issues and commercial changes affecting the Group and the market in which it operates

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 of the Chief Financial Officer, on changes to the Chairmanship of the Board Risk Committee, on extensions of Non-Executive Director terms of appointment and on succession planning at Board and senior management level.

As reported last year the Committee concluded its search for a new Chief Financial Officer. Spencer Stuart and Russell Reynolds, executive search firms with no other connections with the Company, were engaged, following a selection process. Their role was to assist with the search for a suitable candidate who was able to demonstrate outstanding finance and leadership credentials in a high-quality, regulated financial services business.

Paul Mainwaring was appointed as Chief Financial Officer designate on 11 July 2016, and formally appointed to the Board on 20 July 2016 following receipt of relevant regulatory approvals.

On 27 September 2016 we announced to the market that Sam Tymms had been appointed as Chairman of the Board Risk Committee following the decision of Stephen Hill to step down from the role. Stephen remains a Committee member. Sam brings a wealth of regulatory experience to the role. Stephen chaired the Board Risk Committee from its inception in 2014 and through a period of significant change and growth for the Group.

Following the expiration of six years as a Non-Executive Director, and following a rigorous review during which the Committee took account of the need for progressive refreshing of the Board, Stephen agreed to extend his appointment to the Board for a further year.

The Committee has also begun a detailed review of succession planning requirements at Board and senior executive management levels. It has had open and transparent dialogue with the Chief Executive Officer on his views, and has sought advice and support from the Head of Human Resources, the Head of Organisational Development and external consultants. This has enabled production of a comprehensive plan designed not only to identify talent but also to put in place personal development plans, ensuring that any internal candidates are able to develop the skills and experience required to meet the requirements of future roles for which they are identified as candidates.

Following the completion of three years in office, the Committee also agreed to recommend to the Board – and in turn the Board agreed – my continued appointment as Chairman of the Board for a further three years from 9 June 2017.

Committee evaluation

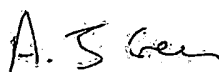
During the year, an evaluation of the performance of the Committee and its members was undertaken in line with the Committee's Terms of Reference. The evaluation process was externally facilitated by Lintstock Limited as part of the overall annual Board effectiveness review, details of which can be found on page 57. The performance of the Committee was positively rated overall, succession planning was highlighted as a focus for the coming year 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 Supporting Our People section, starting on page 44.

The Directors recognise the importance of gender diversity on the Board and understand the significant benefits that come with having a diverse Board. The Board believes that diversity is a wider issue than gender and includes variations in experience, skills, personal attributes and background. The Board currently has a 25% female representation, and has an aspirational target to increase this to one third by 2020, as recommended by the Hampton-Alexander Review on women in leadership positions.

The Board will continue to appoint on merit, based on the skills and experience required for membership of our Board, while giving consideration to gender and other forms of diversity when the Committee reviews the Board's composition. For appointments to the Board, IG uses 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 IG insists on having both male and female candidates when drawing up longlists and shortlists of candidates.

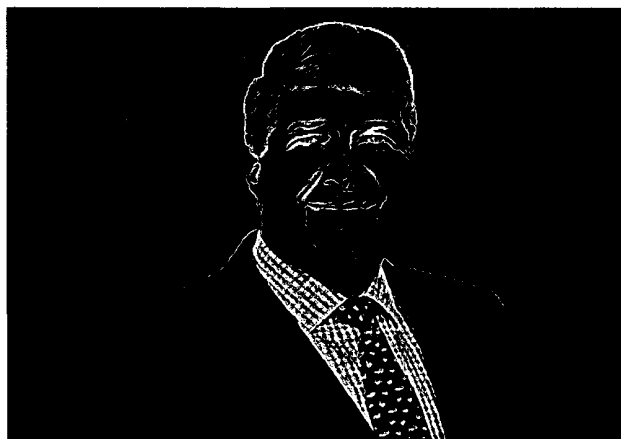


Andy Green
Chairman, Nomination Committee

18 July 2017

DIRECTORS' REMUNERATION REPORT AND POLICY

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	62
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ANNUAL REPORT ON REMUNERATION	72
STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY AND SINGLE FIGURE OF REMUNERATION	72

CHAIRMAN'S OVERVIEW

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 May 2017 and the Directors' Remuneration Policy.

The overall structure of the executive remuneration package and the principles that underpin it remained unchanged in the 2017 financial year.

Directors' Remuneration Policy

Our Directors' Remuneration Policy, that has been in place since June 2013, was approved in a binding vote by over 96% of our shareholders at the AGM in 2014. The policy is due for its triennial renewal at the 2017 AGM. The Committee has reviewed the policy in preparation for the vote, and following consultation with major shareholders has determined that the existing policy continues to meet the needs of the Company and the reasonable expectations of its shareholders. Accordingly no material changes are proposed.

However, there are a number of external factors which may influence the Directors' Remuneration Policy in the medium term, including: the strategic implications for IG of the FCA's review of regulation in the contracts for difference market and other reviews being undertaken by other regulators; developments in executive pay market practice and other stakeholder views and guidelines.

Therefore, although the Committee has proposed a renewal of the existing policy at the 2017 AGM without material change, we may need to return to shareholders for a further policy vote during the next two years, once the full implications of the external factors referred to above are known.

Annual Report on Remuneration for the year to 31 May 2017

There also will be the usual advisory vote at this year's AGM with regards to this annual Committee Chairman's statement and the Annual Report on Remuneration, that detail amounts paid in respect of the year ended 31 May 2017 and the corresponding performance metrics, targets and outcomes. I hope you agree that the way we have rewarded our Executives is commensurate with the Group's performance and that you will support this year's resolutions at the forthcoming AGM.

Chief Financial Officer

Paul Mainwaring was appointed as CFO designate on 11 July 2016 and appointed to the Board on 20 July 2016. His salary on appointment, which was subject to independent benchmarking, was £400,000 per annum. Paul is eligible to participate in the sustained performance plan and receives a pension and benefits allowance totaling 17% of base salary in accordance with his contractual terms.

The business context in 2017

As noted within the Operating and Financial Review section of the Annual Report on pages 30 to 33, the Group delivered another strong financial performance in 2017. Revenue increased by 7.6% on 2016's underlying results to £491.1 million, while diluted earnings per share (DEPS) increased by 2.9% against last year's underlying results to 45.9 pence per share.

IG has delivered another strong year of growth, leading to record revenues, profit and client numbers. Our product offering has also seen growth and the share dealing platform continues to attract new customers supporting our overall strategy. We have acquired certain DailyFX assets and are seeing improving client conversion. Most recently we have launched our Investments offering. We have also expanded our operational hubs in Poland and India.

Incentive outcomes for 2017

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. The SPP replaced both the previous annual bonus and long-term incentive plans.

The year to 31 May 2017 is therefore the fourth year of the Executive's variable remuneration being awarded under the SPP. Similar to the prior years' SPP, the 2017 award is driven by three measures: Diluted Earnings Per Share (DEPS), Total Shareholders Return (TSR) and non-financial measures presented in more detail in the Directors' Remuneration Policy beginning on page 64. In respect of the annual and trailing three-year performance for the period ended 31 May 2017, the Committee has awarded 27.1% of the maximum potential award under the SPP compared with 90% in the prior year. The overall SPP outcome is lower than last year as a result of the EPS performance against target and due to the zero vesting of the long-term trailing TSR component.

The Company has set out an extensive explanation of the judgments it has made in determining the above awards. This disclosure is set out in the Annual Report on Remuneration on page 72.

Implementation of policy in 2017/18

The Committee has determined that the base salary of the Chief Executive Officer, Peter Hetherington and the Chief Financial Officer, Paul Mainwaring remains unchanged at the 1 June 2017 review date.

For 2017, the Committee will use the same SPP measures 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 and binding votes on the remuneration resolutions at the AGM.

DIRECTORS' REMUNERATION REPORT AND POLICY continued

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 Directors' remuneration in line with the Committee's objective to ensure that remuneration for Executive Directors encourages, reinforces and rewards the growth of shareholders' value.

The policy was approved by over 96% at the 2014 AGM, and is submitted for renewal at the triennial vote at the 2017 AGM, without any material change. 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 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 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 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 post holder'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
Pensions and benefits	
Competitive, cost-effective flexible pension benefits allowance to help recruit and retain Executive Directors.	Executive Directors are eligible to participate in the Company's flexible pension and benefits plan, from which the executive can receive a range of benefits, Company pension contribution or cash allowance. Relocation and related benefits may be offered where a Director is required to relocate.

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 Group'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 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 2018 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 a flexible, market-competitive pension and benefits allowance, with value for Directors capped 17% of base salary. Flexible benefits are also provided for the wider workforce who receive a 12% allowance. The Board recognises certain stakeholder views that advocate the alignment of pensions benefits throughout the business and, recognising its commitment to continue to honour existing contractual commitments, it will keep the policy under review.

No performance metrics apply to performance and benefits.

No performance metrics apply to performance and benefits.

DIRECTORS' REMUNERATION REPORT AND POLICY continued

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 build a holding of shares to the value of a minimum of 200% of base salary, and for other Executive Directors a requirement of 150% of base salary applies. Only vested shares forming part of the Directors' share interests and shares purchased by the Director out of his own funds are included in the guideline, which, unless there are exceptional circumstances approved by the Committee, must be achieved within five years from the date of appointment. 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 (ie 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: <table><tr><th>Following</th><th>Financial year ending</th><th>% of cumulative shares in plan account vesting</th></tr><tr><td>Plan year 1</td><td>31 May 2014</td><td>40.0%</td></tr><tr><td>Plan year 2</td><td>31 May 2015</td><td>40.0%</td></tr><tr><td>Plan year 3</td><td>31 May 2016</td><td>33.3%</td></tr><tr><td>Plan year 4</td><td>31 May 2017</td><td>33.3%</td></tr><tr><td>Plan year 5</td><td>31 May 2018</td><td>33.3%</td></tr></table> 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.	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%
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%																	

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 this benefit.	No recovery or withholding applies to this benefit.
The maximum plan contribution in respect of a plan year is an award of shares with a market value of no more than 500% and 400% of an annual rate of salary for the Chief Executive and Chief Financial Officer respectively.	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 <i>serious misconduct</i> . 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 AND POLICY 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 (eg adjusting for the effects of any share buybacks).

Non-financial performance schemes

Specific non-financial measures	Specific non-financial criteria traditionally include those relating to areas such as 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. 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 2017. 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 administering 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 (eg 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 any other share plans operated by the Company described in more detail in the following section.

Illustrating the application of Remuneration Policy

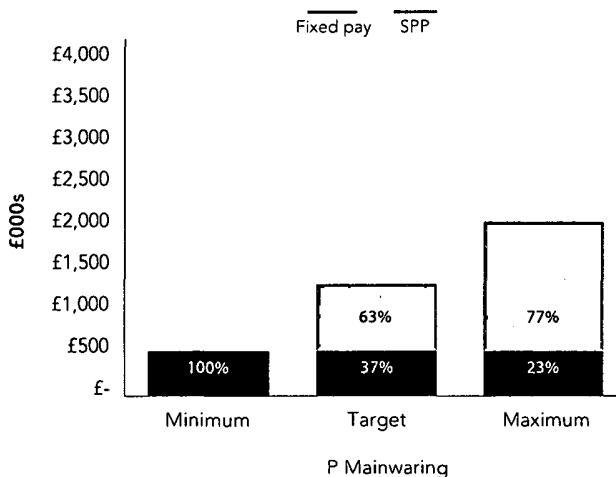
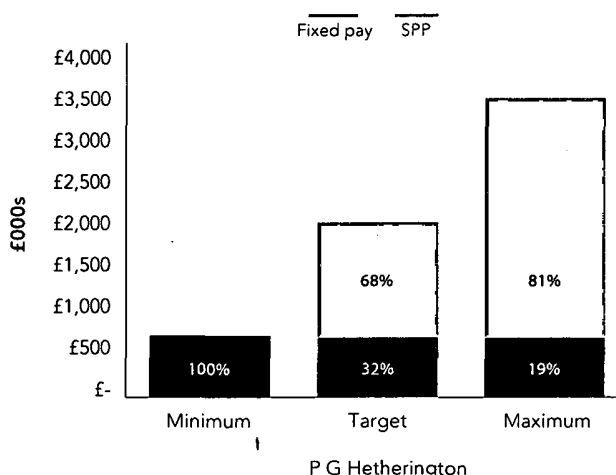
As a result of the Company's remuneration policy, a significant proportion of the remuneration received by Executive Directors depends on Company performance. The charts below show how total pay for the Chief Executive Officer and Chief Financial Officer vary under three different performance scenarios: 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 2017 and the benefits value is the actual value for the year ended 31 May 2017.

Target: This comprises fixed pay and the target value of SPP (250% and 200% of salary for the Chief Executive Officer and Chief Financial Officer respectively).

Maximum: This comprises fixed pay and the maximum value of SPP (500% and 400% of salary for the Chief Executive Officer and Chief Financial Officer respectively).

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.



DIRECTORS' REMUNERATION REPORT AND POLICY continued

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 12 months and, accordingly, Executive Directors' employment contracts can be terminated on 12 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 24 months where it is essential for the purposes of securing an appointment but reducing to no more than 12 months on a phased basis over no more than two years following 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 (ie 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.

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 contracts 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 from page 64 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 judgment 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 his or her 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. Additional fees may be paid for additional time commitments in exceptional circumstances. 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. Non-Executive Directors may receive reimbursement for business expenses incurred in the course of their duties, including tax thereon if applicable.

DIRECTORS' REMUNERATION REPORT AND POLICY continued

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 2017 (including payment and awards in respect of incentive arrangements), and how we will apply the remuneration policy for the financial year ending 31 May 2018. We also give details of the Remuneration Committee's operation, the Directors' share interests and how shareholders voted at the 2016 AGM.

Implementation of Remuneration Policy in the financial year ending 31 May 2017

Total Single Figure of Remuneration – Executive Directors

Name of Director	Year	Fees/basic salary £000	Benefits in kind ⁽¹⁾ £000	Pension ⁽²⁾ £000	Contribution to SPP plan account ⁽³⁾			Total £000
					Vested element £000	Deferred element £000	Total £000	
P G Hetherington	2017	575	1	96	260	519	779	1,451
	2016	498	1	75	689	1,378	2,067	2,641
P Mainwaring	2017	356	1	60	144	289	433	850
	2016	–	–	–	–	–	–	–
C F Hill	2017	–	–	–	–	–	–	–
	2016	249	1	34	–	–	–	284
T A Howkins	2017	–	–	–	–	–	–	–
	2016	183	–	27	–	–	–	210

(1) Benefits can include private medical cover and life assurance cover.

(2) As part of a total flexible benefits package of 17% of basic salary 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.

(3) Figures provided are the values of the SPP contributions in respect of performance for the periods ending 31 May 2017 and 31 May 2016 (ie plan years 4 and 3). 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 76.

Total Single Figure of Remuneration – Non-Executive Directors

Name of Director	Year	Basic salary ⁽¹⁾ £000	Benefits ⁽²⁾ £000	Total £000
A J Green	2017	255	–	255
	2016	247	–	247
S G Hill ⁽³⁾	2017	70	8	78
	2016	70	13	83
J A Newman	2017	80	–	80
	2016	70	–	70
S J Tymms ⁽³⁾	2017	75	5	80
	2016	55	4	59
M Le May	2017	90	1	91
	2016	39	–	39
J Felix	2017	65	–	65
	2016	32	–	32
R P Yates ⁽⁴⁾	2017	–	–	–
	2016	38	–	38

(1) Other than in respect of the Chairman, basic Non-Executive Director fees are £65,000 per annum with an additional £15,000 paid for chairing a Board Committee and £10,000 for the Senior Independent Director.

(2) 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.

(3) S J Tymms replaced S G Hill as Chairman of the Board Risk Committee on 27 September 2016.

(4) R P Yates ceased to be a Director of the Company on 15 October 2015.

SUSTAINED PERFORMANCE PLAN (SPP)

Determination of SPP plan contribution for the financial year ending 31 May 2017

Performance targets for plan year 4 (financial year ending 31 May 2017) 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 2014 to 31 May 2017 and DEPS and non-financial measures over the financial year ending 31 May 2017.

Performance measure	Weighting	Threshold (25% payout for TSR and 0% for DEPS)	Maximum (100% payout)	Actual performance	Percentage of maximum award to Directors
DEPS	45%	44.60 pence	50.40 pence	45.90 pence (22.4% vesting)	10.1%
TSR	35%	Median ranking	Upper-quartile ranking	200 of 278 companies (0% vesting)	0%
Non-financial	20%	0%	100%	85% vesting	17%
Total	100%				27.1%

P G Hetherington maximum award at 500% of £575,000.

P Mainwaring maximum award at 400% of £400,000.

Performance measures – how these are set and review of performance for the year ended 31 May 2017

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.

In setting the DEPS range for the year ending 31 May 2017, the Committee considered the annual Board approved budget and market consensus expectations and historical targets.

DIRECTORS' REMUNERATION REPORT AND POLICY continued

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 4, TSR was measured over the three-year period from 1 June 2014 to 31 May 2017. Actual TSR performance for the Group, as measured by New Bridge Street, for the three-year period was -2.9% (2016: 61%).

Against the peer group this performance ranked IG at 200 out of 278 companies and resulted in 0% (2016: 98.37%) 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 2017. 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 strategic delivery measures resulted in an overall assessment of 85.0% (2016: 83.5%) 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 2017.

Component	Detail	FY17 outcome
System uptime and reliability	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% IG achieved 99.98% rolling cumulative 12-month uptime and experienced three outages totalling 113 minutes over the financial year. This compares to a record 99.99% rolling cumulative 12-month uptime in the 2016 financial year with a total outage time of 59 minutes.	95.0% (FY16: 95.0%)
Maintaining good standings 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. IG continues to have strong working relationships with its regulators, however the regulatory landscape in EMEA is clearly challenging. This regulatory focus is mainly being directed at the industry, rather than specifically at IG, but given the challenges an outcome of 60% was deemed to reflect IG's continuing strong relationships with non-EMEA regulators (such as ASIC, CFTC and MAS) and IG's extensive interaction with all regulators.	60.0% (FY16: 60.0%)
Customer satisfaction	The Remuneration Committee uses a number of indicators to measure performance against this metric. In FY16 IG scored 90% based on both improved measures of client satisfaction and the number of changes introduced for clients. FY17 has seen IG continue to innovate and improve to ensure it serves clients via a channel of the clients' choice. IG has also increased its client facing headcount and improved its payments process, which has historically been a point of friction for clients. These measures have resulted in 92% of clients rating IG good or very good.	95.0% (FY16: 90.0%)
Reputation and PR	The Remuneration Committee assessed whether there have been any events resulting in negative media coverage or reputational damage during the year. Although the industry received some poor coverage related to the FCA's regulatory actions, IG mostly negated adverse coverage. IG received positive coverage over the UK referendum and the US presidential election. Due to the positive coverage received, especially given the nature of the challenges faced, a score of 95% was determined in line with last year.	95.0% (FY16: 95.0%)

Component	Detail	FY17 outcome
Risk management	All teams performed strongly over both the UK referendum and the US presidential election. IG took sensible precautions in advance of both events and managed the associated volatility, resulting in increased profitability. Furthermore, the number of loss-making days reduced from two in FY16, to none in FY17. The Committee therefore determined an outcome of 90% in line with last year, given the similar performance.	90.0% (FY16: 90.0%)
People	This measure is assessed against three metrics: voluntary attrition, employee engagement and succession planning. Voluntary attrition has fallen to 14.9%, under the 17% target set by IG at the beginning of the period. Employee engagement is assessed via an anonymous survey administered by an external provider. Engagement was impacted by the number of changes IG is currently making to ensure it has a stable and scalable base for future growth, resulting in a 5% year-on-year reduction in engagement. Succession planning has progressed well and a number of measures have been introduced to help IG develop the next generation of leaders.	73.3% (FY16: N/A)
Strategic delivery measures	As part of the Board's strategic 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: launching IG Investments; making limited risk accounts available globally and delivering IG's European location strategy. IG decided to terminate the planned launch of a binary option app given the adverse regulatory environment. The Board believe this was the correct decision and its prompt action prevented IG incurring additional costs.	85.8% (2016: 81.2%)

Overall summary

Based on the performance for the financial year ending 31 May 2017, we will grant awards under the SPP at 27.1% of the maximum potential pay-out to the Executive Directors after the announcement of the results. The actual number of shares that will be deposited within the Directors' plan accounts will be based on the ten-day average share price immediately prior to grant.

DIRECTORS' REMUNERATION REPORT AND POLICY continued

Awards granted during the year ended 31 May 2017

The SPP awards granted during the financial year ended 31 May 2017 in respect of performance to 31 May 2016 (plan year 3) are as follows:

	Contribution		Number of options in the plan account after plan year 3 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
	% of salary	Value of options awarded				
P G Hetherington	452%	£2,061,739	237,438	358,560	(119,520)	239,040

(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 2016 of 871.90 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.

(2) In addition to the awards made in respect of plan year 3, this also includes the brought forward number of options in the plan account from plan year 1 and 2 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 4 (ie performance to 31 May 2017) are set out below:

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 2017 (estimated number of options) ⁽²⁾	Plan account following contribution for the year	Estimated number of options vesting	Estimated cumulative number of options remaining in the plan account at the end of the year
P G Hetherington Plan year 4	239,040	10,660	133,343	383,043	(127,553)	255,490
P Mainwaring Plan year 4	–	–	74,208	74,208	(24,711)	49,497
T A Howkins ⁽³⁾ Plan year 4	107,702	4,803	–	112,505	(37,464)	75,041

(1) P G Hetherington will be granted awards in respect of plan year 4 following the announcement of results for the year ended 31 May 2017 on 18 July 2017. 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 2017 on 18 July 2017. 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 584 pence, being the share price on 31 May 2017. 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 4) will vest in August 2017 with the vesting of the remaining options deferred. The August 2017 vesting will include additional dividend shares accrued as follows in respect of plan years 1, 2 and 3 held in the plan account – T A Howkins (4,803) and P G Hetherington (10,660) based on reinvestment at the dividend payment date.

(3) T A Howkins did not receive any awards in respect of plan year 4.

Other share awards outstanding

	Award date	Share price at award date	Number as at 31 May 2016	Number awarded during the year	Number lapsed during the year	Number exercised during the year	Number outstanding at 31 May 2017
P G Hetherington							
SIP: matching shares	26 Jul 13	580.00p	258	–	–	(258)	–
SIP: matching shares	25 Jul 14	605.80p	594	–	–	–	594
SIP: matching shares	2 Aug 16	879.50p	–	408	–	–	408
Total			852	408	–	(258)	1,002

Table of Directors' share interests

	Legally owned ⁽¹⁾		SIP ⁽²⁾	SPP awards ⁽³⁾		Total	% of salary held under shareholding Policy ⁽⁴⁾
	31 May 2016	31 May 2017		Awards held in plan account	Vested but unexercised	31 May 2017	% salary
Executive Directors							
P G Hetherington ⁽⁵⁾	175,094	385,612	1,002	249,700	–	636,314	393%
P Mainwaring	–	30,000	–	–	–	30,000	44%
Non-Executive Directors							
J Felix	–	–	–	–	–	–	0%
A J Green	6,881	6,881	–	–	–	6,881	16%
S G Hill	83,665	15,966	–	–	–	15,966	133%
M Le May	–	–	–	–	–	–	0%
J A Newman	–	–	–	–	–	–	0%
S J Tymms	–	–	–	–	–	–	0%

(1) 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.

(2) This figure shows the number of matching shares held at 31 May 2017 as part of the Group's SIP which will vest after three years from the respective award date, as long as employees remained employed by the Group.

(3) This figure excludes awards under the SPP scheme for performance year ending 31 May 2017 which will be granted following the announcement of the Group's results on 18 July 2017. The awards held in the plan account include those in respect of plan year 1, 2 and 3 as at 31 May 2017.

(4) Calculated as shares owned on 31 May 2017 at the closing mid-market share price of 584 pence.

(5) P G Hetherington also held a beneficial interest in 10,000 preference shares at 31 May 2017 and 31 May 2016.

A share ownership policy was introduced from the financial year ending 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 150% of base salary applies. Only shares forming part of the Directors' share interests are included in the calculation, which must normally be achieved within five years, from the date of appointment. There have been no changes to any of the Directors' share interests in the period since 31 May 2017. The awards to be made under the Company's SPP in respect of the performance period ending on 31 May 2017 are set out earlier in this report and are not included in this table.

Change in remuneration of the Chief Executive Officer

	Base salary ⁽¹⁾			Taxable benefits			Performance based remuneration ⁽²⁾		
	% change (2017/2016)	% change (2016/2015)	% change (2015/2014)	% change (2017/2016)	% change (2016/2015)	% change (2015/2014)	% change (2017/2016)	% change (2016/2015)	% change (2015/2014)
Chief Executive Officer	(3.2%)	25.8%	2.8%	0%	0%	0%	(63.7%)	112.0%	(32.3%)
Group employees	8.8% ⁽³⁾	7.0%	6.8%	14.1%	19.4%	6.4%	(27.6%)	60.0%	(22.9%)

(1) 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. The change is calculated based on the change in the total of the SPP contribution for the plan year.

(3) The increase in the average base salary and taxable benefits for Group employees was driven by salary benchmarking, the increase in the GBP equivalent cost of non-UK staff and the introduction of flexible benefits.

Executive Directors' outside appointments

Peter and Paul have 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:

	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Profit after tax	169.2	164.3	131.9	147.2	141.7
Dividends	118.5	114.9	102.7	102.8	84.6
Employee remuneration costs	119.1	113.5	94.3	89.3	86.3
Average number of employees	1,522	1,412	1,287	1,070	1,005

DIRECTORS' REMUNERATION REPORT AND POLICY continued

Statement of shareholder voting at 2016 AGM

At the September 2016 AGM, a resolution was proposed for shareholders to approve the Directors' Remuneration Report for the financial year ended 31 May 2016. The following votes were received:

	2016 Remuneration Report	
	Total number of votes	% of votes cast
For ⁽¹⁾	278,197,945	97.2%
Against	8,001,015	2.8%
Total	286,198,960	100%
Withheld	14,898,379	—

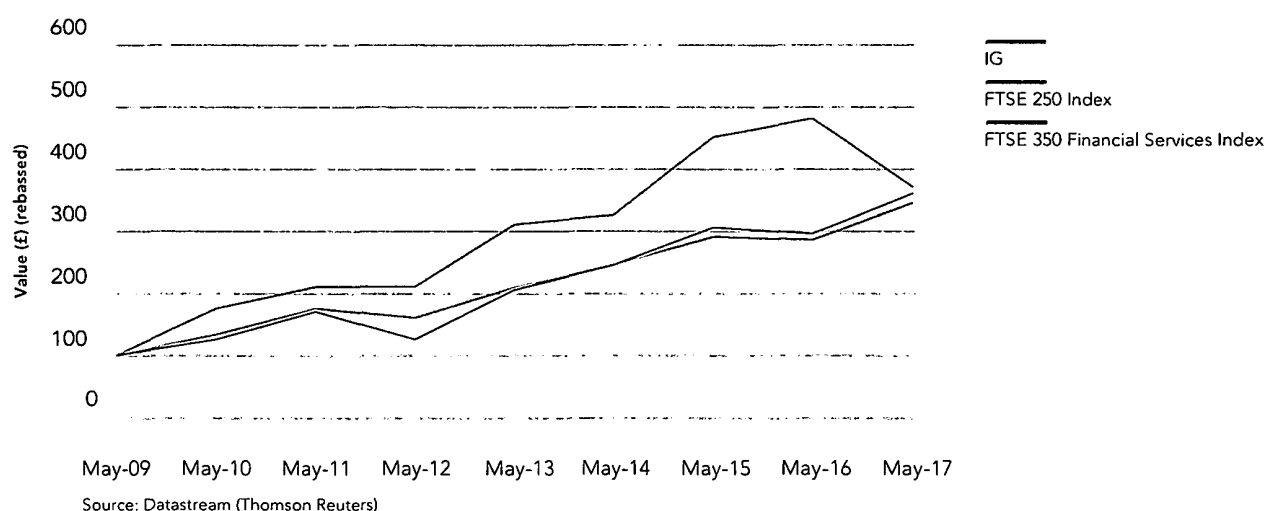
(1) For includes votes at the Chairman's discretion.

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

Total Shareholder Return (TSR) chart

The chart below shows the Company's TSR performance compared with that of the FTSE 350 Index. As IG 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 2017, of £100 invested in IG on 31 May 2009 compared with the value of £100 invested in the FTSE 250 Index and the FTSE 350 Financial Services Index.



Chief Executive Officer earnings history

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

Financial year	2013	2014	2015	2016 ⁽²⁾	2017
Single figure remuneration (£'000)	1,103	1,970	1,519	2,745	1,451
Annual bonus outcome (% maximum)	47%	—	—	—	—
LTIP vesting outcome (% maximum)	—	—	—	—	—
VSP vesting outcome (% maximum)	6%	3%	0%	—	—
SPP plan contribution (% maximum) ⁽¹⁾	—	54%	41%	90%	27.1%

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

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

Implementation of Remuneration Policy in the financial year ending 31 May 2018

The Committee decided not to apply an increase to the salary of Executive and Non-Executive Directors for the financial year 2018.

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 New Bridge Street to carry out an external benchmarking exercise to assist the Board with the fee-review process.

Following the review, a decision was made to keep all fees unchanged as follows:

- Chairman: £255,000
- Non-Executive Director base fee: £65,000
- Committee Chairman fees (other than the Nomination Committee): £15,000
- Senior Independent Director fee: £10,000

Sustained performance plan

For the awards to be granted in respect of plan year 5, which will end on 31 May 2018, a maximum opportunity of 500% and 400% of annual rate of base salary will apply for the Chief Executive Officer and Chief Financial Officer respectively.

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 2018.	Financial year ending 31 May 2018.	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 2018.	35%
Non-financial measures	The measures will include: • System reliability • Maintaining good standing with regulators • Customer satisfaction • Reputation and PR • Risk management • People • Strategic delivery measures	Financial year ending 31 May 2018.	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.

DIRECTORS' REMUNERATION REPORT AND POLICY continued

Membership and attendance of Remuneration Committee

The Remuneration Committee is composed of three independent Non Executive Directors and the Chairman who was independent on appointment. The current Members of the Committee are set out below, together with their attendance at meetings:

	Scheduled meetings eligible to attend	Scheduled meetings attended
Malcolm Le May	5	5
Andy Green	5	5
Stephen Hill	5	5
Jim Newman	5	5

The Committee is scheduled to meet five times a year and additionally as and when required.

Other than the Company Secretary, who attends all Committee meetings, the Chief Executive Officer and Chief Financial Officer attend the Committee meetings by invitation. The Chairman and Executive Directors do not attend or take part when matters relating to their own remuneration is discussed. Representatives from other areas of the business attend the Committee meetings by invitation as appropriate to the matter under consideration.

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

To ensure the Committee discharges its responsibilities appropriately, an annual forward calendar, linked to the Committee's Terms of Reference, is approved by the Committee. The Company Secretary assists the Chairman of the Committee in drafting the agenda for each Committee meeting ensuring 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.

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

Activity during the financial year

During the year, the Committee's key activities included the review of:

- The Director's Remuneration Report published in the 2016 Annual Report and Accounts and the Directors' Remuneration Policy
- The fee for the Company Chairman and Executive Directors' remuneration for FY18
- Performance against targets for the vesting of awards under the SPP and the LTIP and for the determination of the bonus pool
- The remuneration and bonus awards including for senior management
- Proposed targets for the FY18 SPP and the LTIP

In addition the Committee received regular updates on developments in remuneration governance including updates on the Group's gender pay gap reporting and from the Committee Chairman on outcomes of meetings with shareholders.

Advice to the Committee

During the financial year ended 31 May 2017 the Committee consulted the Chief Executive Officer about remuneration matters relating to individuals other than himself. The Company Secretary also provided advice and support to the Committee.

External advisers attend Committee meetings at the invitation of the Committee 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 SPP, TSR performance monitoring, drafting the Remuneration Report and Policy, remuneration benchmarking and share plan implementation services. NBS's fee for advice provided to the Remuneration Committee during the financial year ending 31 May 2017 was £0.1 million (excluding VAT). Other than in respect of the advice described above NBS has no other relationship with IG that might prejudice its independence.

Committee evaluation

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. Overall, the Committee's performance was rated highly as was the management of its meetings. The Committee had made great strides during the year in ensuring it was kept up to date with, and in debating, significant information on market developments relating to executive pay. The need to continue to focus on improvements in the quality of materials provided to the Committee was highlighted.

Approval

This report was approved by the Board of Directors on 18 July 2017 and signed on its behalf by:



Malcolm Le May
Chairman, Remuneration Committee

18 July 2017



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

This report sets out the role of the Committee and how it has discharged its responsibilities during the year. The Committee has continued to develop ever closer links with the Board Risk Committee in areas requiring the input of both Committees. Thanks are due to Malcolm Le May, the Senior Independent Director, for chairing one Committee meeting where I was unable to attend in person.

The Committee has expanded its role during the year, in particular in the way in which it monitors the control environment. It is now responsible for reviewing and challenging the Group's Tax Risk Policy, as well as receiving specific reports on the effectiveness of the control environment relating to client money and assets. As the Group expands its geographical reach the Committee has also requested an annual review of legal entity governance, focusing on its regulated subsidiaries. The Board has agreed amended Terms of Reference to reflect these new responsibilities.

The Terms of Reference now include a quick reference guide, setting out those decisions falling within the responsibility of the Committee and those requiring the approval of the Board, to assist paper providers in highlighting the input sought from the Committee.

Membership and attendance

All Audit Committee members are Independent Non-Executive Directors who draw on considerable and broad business and financial services experience. There have been no changes to membership of the Committee during the year. The UK Corporate Governance 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 is considered to fulfil this requirement.

The Chief Financial Officer, Group Financial Controller, Head of Internal Audit, Company Secretary and representatives from PricewaterhouseCoopers LLP (PwC) the External Auditors attend the Committee meetings by standing invitation. Members of senior management from various areas of the business attend the Committee meetings by invitation as necessary.

The Committee has four scheduled meetings a year and will additionally meet if and when required. The following table details meetings scheduled and attended during the year.

Committee member	Eligible to Attend	Attended
Jim Newman	4	4
Sam Tymms	4	4
Malcolm Le May	4	4

The Chairman, Andy Green, was invited to and attended all but one of the meetings.

Role of the Audit Committee

The principal roles and responsibilities of the Committee are as set out in its Terms of Reference and include:

- Reviewing the Financial Statements and announcements relating to the financial performance and governance of the Group
- Reviewing the control environment through a number of means including via Internal Audit reports and the progress on implementation of audit recommendations
- 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
- Recommending the appointment of External Auditors and reviewing their effectiveness, fees, Terms of Reference and independence

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

How the Committee operates

To ensure the Committee discharges its responsibilities appropriately, an annual forward calendar, linked to the Committee's Terms of Reference and covering key events in the financial reporting cycle, is approved by the Committee.

The Company Secretary, with input from the Chairman of the Committee, drafts the agenda before each meeting, ensuring 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.

Following 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 their 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

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 the following, 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 judgments have been applied or there has been discussion with the External Auditors
- Reviewing 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

To aid this review process, the Committee has considered reports from the Chief Financial Officer and his team, Internal and External Auditors.

AUDIT COMMITTEE continued

The Committee considered and discussed with management and External Auditors the following primary areas of judgment and disclosure in relation to the Financial Statements for the year ended 31 May 2017:

Reporting issue	Role of the Committee	Conclusion/action taken
Principal risks and viability		
For the 2017 reporting year onwards, the Directors are required to make a statement in the Annual Report as to the longer-term viability of the Group.	The Committee evaluated various reports from management that set out the view of the Group's longer-term viability. These reports detailed the impact of: • Brexit, recent and potential regulatory changes • Outcomes of stress tests after applying principal and business model risk scenarios to the Group's financial forecasts, based on a four-year strategic plan	Taking into account the assessment by management of stress-testing results and risk appetite, the Committee agreed to recommend the Viability Statement to the Board for approval.
Segmental reporting		
The Group has revisited the way it discloses its segments in the Annual Report to better reflect the management and internal reporting structure of the Group. The Group now operates with regional heads for the UK, EMEA, APAC and the US all reporting into the Chief Operating Decision Maker. Accordingly the Group has changed its presentation to reflect this new structure.	The Committee reviewed the Group's new reporting segments to ensure that they were consistent with the way the business is managed and resources allocated.	Based on the assessment performed, the Committee concluded that the changes to the new reporting segments were appropriate.
Segmental tax information		
The Group reviewed its disclosures in relation to tax given that its legal entity structure and transfer pricing arrangements meant that the majority of the Group's profit are taxed in the UK. The Group has enhanced its disclosures with respect to the tax charge in each jurisdiction. We explain why this is the case on page 142.	The Committee reviewed disclosures which the Group made to assist the users of the Group's Financial Statements to better understand the Group's business model and how this impacts the tax charge in the regions in which the Group operates.	Based on the assessment performed, the Committee concluded that additional disclosures would assist the users of the Financial Statements to better understand the impact of the Group's business model and transfer pricing on taxable profits across the Group's reporting segments.

Reporting issue	Role of the Committee	Conclusion/action taken
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. In addition, the Group's External Auditors 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 judgments 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 completed the purchase of DailyFX assets, for \$40.0 million (£32.7 million) from FXCM. This was classified as an intangible asset within domain names and will be amortised over ten years. There is a judgment as to whether the purchase was of an asset or a business. This was also subject to an enquiry from the Financial Reporting Council who subsequently confirmed the appropriateness of our treatment.	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 there should be no change to the recorded carrying values of intangible assets. The Committee was also satisfied that the treatment of the purchase of the DailyFX assets as an asset purchase was reasonable in the circumstances given the nature of the assets purchased, that the assets were not considered to be an integrated set of activities and assets and given the work required to successfully integrate DailyFX into IG's existing business. The disclosures in respect of the purchase have also been enhanced.
Corporation tax		
Calculating the Group's current corporation tax charge involves a degree of estimation and judgment, as the tax treatment of certain items cannot be finally determined until resolution has been reached with the relevant tax authority. The Group holds tax provisions in respect of the potential tax liability that may arise on these unresolved items.	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 External Auditors also provided commentary on this matter to the Committee. The Committee has also reviewed the Group's updated tax policy and strategies.	The Committee concluded that the corporation tax charge and provisions recorded by the Group were appropriate and complete.

AUDIT COMMITTEE continued

Reporting issue	Role of the Committee	Conclusion/action taken
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.	The Committee reviewed reports from management and Internal Audit on ongoing monitoring of a number of key controls designed to mitigate the risks associated with the super-user access.	The Committee considered the relevant control risk in this area to have been appropriately managed. The Committee's focus is to ensure that the Group continues to move away from 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. It sought and obtained confirmation from the Chief Financial Officer and his team that they considered the disclosures to be fair, balanced and understandable and discussed this evaluation with the External Auditors who took this into account when conducting their audit. It also established via reports from management that there were no indications of fraud relating to financial reporting matters.	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.

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
Risk management and internal control		
The Committee is required to assist the Board in the annual review of the effectiveness of the firm's Risk Management Framework and internal control systems.	The Committee received a report from the Board Risk Committee including an assessment of those risks that might threaten the Group's business model, future performance, solvency or liquidity. It considered and challenged management on the overall effectiveness of the Risk Management Framework and internal control systems The Committee reviewed the relevant disclosures within the Accountability section of the Corporate Governance Report within the Annual Report	The Committee agreed to recommend to the Board the Annual Report statements relating to the effectiveness of the Risk Management Framework and internal control systems
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 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 all Internal Audit reports and in addition received summary reports on the results of the work of the Internal Audit function on a periodic basis. It reviewed the performance of the Internal Audit function against plan and an assessment of the effectiveness of the Internal Audit function.	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 sufficient resources to deliver the proposed plan.
Whistleblowing		
The Committee considers the adequacy of the Group's arrangements by which employees may in confidence raise concerns about improprieties in matters of financial reporting or other matters.	The Committee reviewed the Group's Whistleblowing Policy and agreed a number of updates to ensure that it will remain fit for the needs of the Group.	The Committee concluded that whistleblowing processes were operating effectively during the period under review.
Client money and assets		
The Committee oversees the Group's systems and controls relating to the holding and management of client money and assets.	The Committee monitors the effectiveness of the control environment relating to client money and assets including receiving reports from the Chief Financial Officer on the operation of the Client Money and Assets Committee.	The Committee reviewed improvements made to the control environment and the steps being taken to further enhance controls in this area and considered that these were appropriate to the circumstances of the Group.
Legal entity governance		
The Committee is responsible for the establishment of a risk-based system for the governance, operation and maintenance of the Group's legal entities.	The Committee's role is to gain comfort that decisions are made and evidenced at the appropriate legal entity level and that appropriate mechanisms are in place for monitoring, control and oversight of legal entity decision making at Group level.	The Committee received regular updates on the ongoing development of the legal entity governance framework, satisfying itself as to the progress made in improving the overall framework.

AUDIT COMMITTEE continued

External Auditors

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 External Auditors (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 as External Auditors, including the maintenance of audit quality during the period.	The Committee met with the key members of the PwC audit team to discuss the 2017 audit plan and agree areas of focus. It assessed regular reports from PwC on the progress of the 2017 audit and any material issues identified. It debated the draft audit opinion ahead of the 2017 year-end. The Committee was also briefed by PwC on critical accounting estimates, where significant judgment 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 89.
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.	The Committee considers the 2017 audit fees to be competitive.
Non-audit fees		
To safeguard the objectivity and independence of the External Auditors from becoming compromised, the Committee has a formal policy governing the engagement of the External Auditors to provide non-audit services. The policy is reviewed on an annual basis and this year the Committee reviewed the Group's policy governing non-audit work against details of new regulations on the statutory audit of public interest entities which were effective from June 2016. The Group has updated its internal process on engagement of auditors and review of non-audit services to ensure that its policy is in line with new regulation.	The Committee reviewed and approved all arrangements for non-audit fees. Fees in relation to Permitted Services below £0.05m are deemed pre-approved by the Committee and are subject to the approval of the Chief Financial Officer. Fees above £0.05m must be approved by the Committee, through the Committee Chairman. The Committee ensured that firms other than the External 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 £0.5 million were paid to PwC as discussed in note 5 to the Financial Statements. These principally related to tax compliance, tax advice and regulatory work. Non-audit fees have fallen in respect of each of the last three financial years. The Committee continues to follow the statutory guidance to seek to reduce the reliance on the External Auditors for non-audit work. The Committee approved the rationalisation of non-audit work among service providers by the Group. This resulted in the Group engaging EY for global tax compliance.

Effectiveness of 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 External 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. Following the review, of the effectiveness of the External Auditors, the external audit process and an assessment of the External Auditors' independence and objectivity, the Committee has recommended the reappointment of PwC to the Board for recommendation to and approval by shareholders at the Company's 2017 Annual General Meeting. There are no contractual obligations restricting the Company's choice of an External Auditor.

Audit tendering and rotation

PricewaterhouseCoopers LLP have been the Group's External Auditors since October 2010 following a tender process. 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 rotate the audit partner responsible for the Group audit every five years, with this year being the second year for the current audit partner.

Audit 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 Committee performance was highly rated, as was the management of meetings. Progress had been made with the standard of papers received and the commitment of management in this area was acknowledged. Progress made with the development of finance systems had been welcomed. Given the scale of regulatory change facing the business, the Committee had undertaken to increase the time made available to Internal Audit and on discussing the internal controls environment, in order to ensure it responded to the continuing needs and circumstances of the business.

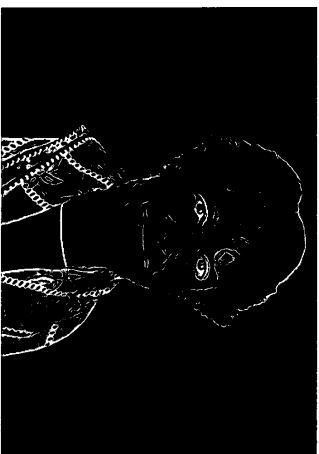


Jim Newman
Chairman, Audit Committee

18 July 2017

BOARD RISK COMMITTEE

Sam Tymms, Chairman of the Board Risk Committee, gives her review of the Committee's activities during the financial year. Sam was appointed Chairman of the Committee on 27 September 2016 in place of Stephen Hill, who continues to be a member of the Committee and served as its Chairman until Sam's appointment.



Sam Tymms
Chairman of the Board Risk Committee

CHAIRMAN'S OVERVIEW

Thanks are due to Stephen for his leadership in establishing the Committee and developing it to the extent that he was able to hand the Chairmanship over with the Committee well positioned to address future challenges.

The Committee has continued to 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. In addition, its focus has developed towards ensuring a holistic approach to risk management is taken across the Group.

In response to the areas identified for development in last year's Committee evaluation, we have continued to enhance the professional development programme for Committee members and to further improve forward planning and the quality of materials provided to the Committee.

The Committee's programme has been enhanced by the development of a detailed timetable for consideration of its principal regulatory documents and by improving the Committee's forward calendar. In addition, the Committee's calendar now includes scheduled Non-Executive Director risk workshops.

Continuing professional development

The Non-Executive Director risk workshop held in October 2016 considered initial steps relating to the enhancement of the Group's Risk Taxonomy. Directors were updated on the development of the Risk Management Framework, how the Framework was being embedded throughout the organisation and linked to the Group's corporate strategy, and its Risk Appetite Statement. The workshop considered proposed developments to Pillar 2A daily capital stress tests for market and credit risk and changes to Pillar 2B forward-looking scenarios and reverse stress-tests. The workshop

reviewed planned updates to the Recovery Plan and discussed the Recovery Plan indicators in some depth. Finally, the workshop reviewed the operational risk capital model.

A further training session was held in May 2017 in preparation for the consideration of the Risk Appetite Statement for approval by the Board. The training session discussed technical aspects of the risk appetite indicators including the use of Value at Risk as well as ensuring the Group strategy reflected IG's risk appetite.

Role of the Board Risk Committee

The Committee made a number of changes to its Terms of Reference (ToR) during the year by highlighting its responsibilities to review and recommend to the Board major risks documents including the Internal Capital Adequacy Assessment Process (ICAAP), the Individual Liquidity Adequacy Assessment (ILAA) and the Recovery Plan (RP).

To assist those with responsibilities for production of papers, a quick reference guide was added to the ToR setting out the purpose for which papers were to be provided and the input sought from the Committee.

The Committee provides oversight and advice to the Board in relation to current and potential future risk exposures and future risk strategy of the Group. This includes determination of overall risk appetite and tolerance, taking into account the current and prospective macroeconomic and financial environment. Key responsibilities of the Committee include:

- Ensuring risk mitigation consistent with our risk appetite is in place and reviewing the Group's major risk exposures, identifying risk trends, concentrations and exposures and material regulatory changes
- Reviewing the scope and nature of the work undertaken by the control functions particularly in relation to business, regulatory, compliance, 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 and Key Risk Indicators
- Monitoring, reviewing and challenging the ICAAP, ILAA and the RP
- Reviewing and approving the statements to be included in the Annual Report concerning controls and risk management
- Considering the Group's insurance arrangements
- Continuing to work closely with other Board Committees where risk-related input is required

The full ToR for the Committee are on the Company's website, iggroup.com.

Board Risk Committee – 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. During the year, Sam Tymms was appointed as the Chairman of the Committee, replacing Stephen Hill who remains a member of the Committee. The current members of the Committee are set out below, together with their attendance at meetings:

Committee member	Eligible to attend	Attended
Sam Tymms ⁽¹⁾	4	4
Stephen Hill ⁽²⁾	4	4
Jim Newman	4	4
June Felix	4	4

(1) Sam Tymms appointed as Chairman on 27 September 2016.

(2) Stephen Hill stepped down as a Chairman on 27 September 2016.

The Committee is scheduled to meet four times a year and additionally as and when required. The Committee makes recommendations to the Board and, where relevant, to 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 Group Chief Risk Officer and the Head of Internal Audit attend Committee meetings by standing invitation. Representatives from other areas of the business attend the Committee meetings by invitation as appropriate to the matter under consideration.

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

To ensure the Committee discharges its responsibilities appropriately, an annual forward calendar, linked to the Committee's ToR, is approved by the Committee. The Company Secretary assists the Chairman of the Committee in drafting the agenda for each Committee meeting.

Activity during the financial year

During the year, the Committee's key activities included:

- Reviewing developments to the Risk Appetite framework and alignment of business and risk management strategy with the risk appetite
- Discussing and recommending to the Board its support for the acquisition of certain DailyFX assets based on identified and mitigated risks
- Conducting a number of specific reviews including (i) conduct risk review relating to the operation of the Group's share dealing business; (ii) technology risk review; (iii) the operation of the Group's limited risk accounts; (iv) key risks and appropriate actions for the Group in navigating the regulatory change environment
- Developing and agreeing an IG Group Policy Governance Framework
- Reviewing and challenging the Operational Risk Development Plan
- Considering a proposal to measure culture at IG by assessing the Company's behaviour towards key stakeholder groups through a combination of quantitative and qualitative reports
- Regularly reviewing the capital and liquidity position of the Company including through the ICAAP, ILAA and the RP
- Approving the scenarios and assumptions for internal stress-testing and recommending the documents to the Board for approval
- Receiving regular Internal Audit Reports
- Reviewing the ToR of the Committee to ensure they remain fit for the purpose and recommending them to the Board for approval
- Reviewing its own performance and considering steps that may be required to enhance Committee effectiveness. Appropriate recommendations were made to the Board.

Committee evaluation and future priorities

The Committee undertook an externally facilitated assessment of its own effectiveness conducted by Lintstock Limited. Its performance was highly rated as was the management of its meetings.

Improvements continued to be made to the linking of risk reporting to the key risks facing the business, and further progress would be made with the development of the operational risk systems and responsibilities framework.

Areas for further development included balancing the use of the Committee's time between consideration of formal documentation and discussion of existing and potential risk faced by the business.



Sam Tymms
Chairman, Board Risk Committee

18 July 2017

DIRECTORS' REPORT

The Directors present their report, together with the Group Financial Statements for the year ended 31 May 2017. The Directors' Report comprises pages 92 to 94 of this report, together with the sections of the Annual Report incorporated by reference as set out below:

Contents	Page
Corporate Governance Report	48 to 91
Directors' responsibility statement	95
Financial instruments	124 to 131
Greenhouse gas emissions	47
Employee involvement	44
Policy concerning the employment of disabled persons	44
Viability statement	42
Directors' Remuneration Policy, service contracts and details of Directors' interest in shares	64 to 79
Likely future developments	16 to 47
Risk management and internal control	58

Section 414A of the Companies Act 2006 (the 'Act') requires the Directors to present a Strategic Report in the Annual Report and Financial Statements. The information can be found on pages 16 to 47.

The Company has chosen, in accordance with section 414 C(11) of the Act and as noted in this Directors' Report, to include certain matters in its Strategic Report that would otherwise be disclosed in this Directors' Report.

In line with the requirements under Capital Requirements Capital 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.

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.

Detail	Page
Waiver of dividends	92

Corporate Governance Statement

In compliance with the UK Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTR) 7.2.1, the disclosures required by the DTR 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 £169.2 million (2016: £164.3 million), all of which is attributable to the equity members of the Company.

The Directors recommend a final ordinary dividend of 22.88 pence per share, amounting to £83.9 million, making a total of 32.30 pence per share and £118.5 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 11, 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 27 October 2017 to those shareholders on the register at 29 September 2017.

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

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. The Articles were amended by the shareholders by means of a special resolution on 21 September 2016.

Board of Directors and their interests

Details of the Directors who held office at the end of the year are set out on pages 50 to 51 and are incorporated into this report by reference.

Details of Directors' beneficial and non-beneficial interests in the shares of the Company are shown on page 77. Changes to Directors during the year are set out below:

Name	Role	Effective date of appointment
Paul Mainwaring	Executive Director	Appointed 20 July 2016 – Chief Financial Officer

Appointment and retirement of Directors

The appointment and retirement of Directors is governed by the Articles, the UK Corporate Governance Code ('the Code'), the Act 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 re-election at the 2017 AGM.

Directors' conflicts 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 55.

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 Act) were in force during the year ended 31 May 2017. 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 (2016: £nil).

Share capital

The Company has three classes of shares: ordinary shares, deferred redeemable shares and preference shares. As at 31 May 2017, the Company's issued shares comprised 366,981,583 ordinary shares of 0.005p each (representing 99.97% of the total issued share capital), 65,000 deferred redeemable 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 23 and 24 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 E of the Other Information section in 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.

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 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 36,664,907 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 Trusts 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. Details of the shares held by the Group's Employee Benefit Trusts and the amounts paid during the year are disclosed in note 25 to the Financial Statements.

Major interest in shares

Information provided to the Company by major shareholders pursuant to the Financial Conduct Authority Disclosure Guidance 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 as at 31 May 2017 and as at 14 July 2017. Holders are not required to notify the Company of any change until the next applicable threshold is reached or crossed.

	31 May 2017		14 July 2017	
	No. of shares	Percentage	No. of shares	Percentage
BlackRock, Inc.	38,756,458	10.56%	36,114,017	9.84%
Massachusetts Financial Services Company	36,584,986	9.97%	36,584,986	9.97%
Artemis Investment Management LLP	18,806,983	5.12%	18,806,983	5.12%
Allianz Global Investors GmbH	18,303,673	4.99%	18,303,673	4.99%
Cantillon Capital Management LLC	17,418,383	4.75%	17,418,383	4.75%
Prudential PLC Group of Companies	11,066,471	3.02%	11,066,471	3.02%

DIRECTORS' REPORT continued

Change of control

Following any future change of control of the Company, the Group's banking facilities, which are currently undrawn, 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 (AGM)

The Company's AGM will be held on 21 September 2017. Details of the resolutions to be proposed at the AGM will be provided in a separate circular sent to all shareholders.

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 2017.

Going concern

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

The Directors have reviewed the Group's processes 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 Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going-concern basis in preparing the Financial Statements.

Directors' statement as to disclosure of information to Auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the Auditors in connection with preparing their report, of which the Auditors are unaware. Each Director has taken all the steps that he 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 32 of the Financial Statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors have prepared the Group and Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company, and of the profit or loss of the Group and Company for that period. In preparing these Financial Statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements
- Make judgments and accounting estimates that are reasonable and prudent
- 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

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

The Directors are also responsible for safeguarding the assets of the Group and Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

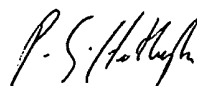
Each of the Directors, whose names and functions are listed in the Corporate Governance Report, confirms that, to the best of their knowledge:

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

In the case of each Director in office at the date the Directors' Report is approved:

- So far as the Director is aware, there is no relevant audit information of which the Group and Company's Auditors are unaware
- They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's Auditors are aware of that information.

On behalf of the Board



Peter Hetherington
Chief Executive Officer

18 July 2017

INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

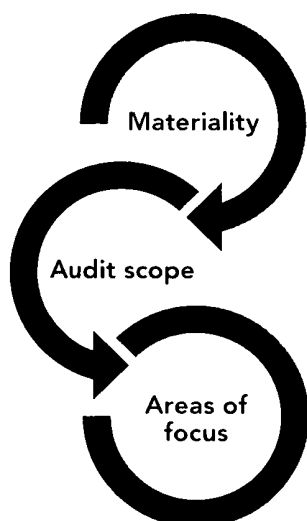
In our opinion:

- 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 2017 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; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

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: £10.7 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's finance teams 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 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.

What we have audited

IG Group Holdings plc's Financial Statements comprise:

- the Group and Company Statements of Financial Position as at 31 May 2017;
- 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; and
- 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 applicable law and IFRSs as adopted by the European Union and, as regards the company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006, and applicable law.

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.	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 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 the Universe International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)) require that we consider this as 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 to 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 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 judgment, we determined materiality for the Financial Statements as a whole as follows:

Overall group materiality	£10.7 million (2016: £10.2 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 £534,000 (2016: £508,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

INDEPENDENT AUDITORS' REPORT continued

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 94, 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 and compliance with applicable requirements

Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group, the company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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 95, 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 position and 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 84 to 88, 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 42 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 42 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 95, 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.

INDEPENDENT AUDITORS' REPORT continued

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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Darren Meek (Senior Statutory Auditor)

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

18 July 2017

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FINANCIAL STATEMENTS

Consolidated Income Statement

For the year ended 31 May 2017

		Year ended 31 May 2017	Year ended 31 May 2016
	Note	£m	£m
Trading revenue		518.7	487.9
Introducing partner commissions		(27.6)	(31.6)
Net trading revenue	2	491.1	456.3
Betting duty and financial transaction taxes		(7.5)	(11.2)
Interest income on segregated client funds		4.6	3.8
Interest expense on segregated client funds		(0.6)	(0.4)
Other operating income		1.9	0.6
Net operating income		489.5	449.1
Operating expenses	4	(276.1)	(241.5)
Operating profit		213.4	207.6
Finance income	7	1.7	2.0
Finance costs	8	(1.4)	(1.7)
Profit before taxation		213.7	207.9
Taxation	9	(44.5)	(43.6)
Profit for the year and attributable to owners of the parent		169.2	164.3

Earnings per ordinary share	Note	2017	2016
Basic	10	46.2p	44.9p
Diluted	10	45.9p	44.6p

The notes on pages 106 to 139 are an integral part of these Financial Statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 May 2017

	Year ended 31 May 2017	Year ended 31 May 2016
	£m	£m
Profit for the year and attributable to owners of the parent	169.2	164.3
Other comprehensive income/(expense):		
Items that may be reclassified to the Income Statement:		
Change in value of available-for-sale financial assets (note 19)	(0.2)	(0.1)
Foreign currency translation income	14.7	4.5
Other comprehensive income for the year, net of tax	14.5	4.4
Total comprehensive income for the year	183.7	168.7
Total comprehensive income attributable to owners of the parent	183.7	168.7

All items of other comprehensive income or expense may be subsequently recycled to the Income Statement.

The items of comprehensive income noted above are stated net of related tax effects (31 May 2017 and 31 May 2016: £nil).

The notes on pages 106 to 139 are an integral part of these Financial Statements.

Statements of Financial Position

At 31 May 2017

	Note	Group		Company	
		31 May 2017	31 May 2016	31 May 2017	31 May 2016
		£m	£m	£m	£m
Assets					
Non-current assets					
Property, plant and equipment	12	17.4	13.0	–	–
Intangible assets	13	156.7	125.1	–	–
Investment in subsidiaries	15	–	–	494.5	486.8
Financial investments	19	52.4	25.0	–	–
Deferred income tax assets	9	9.1	7.2	–	–
		235.6	170.3	494.5	486.8
Current assets					
Trade receivables	16	357.5	278.5	–	–
Prepayments and other receivables		12.2	12.4	133.4	131.9
Cash and cash equivalents	17	230.9	218.8	–	–
Financial investments	19	92.0	111.0	–	–
		692.6	620.7	133.4	131.9
Total assets		928.2	791.0	627.9	618.7
Liabilities					
Current liabilities					
Trade payables	20	117.3	43.4	–	–
Other payables	21	62.5	70.8	158.1	35.7
Income tax payable		13.1	13.8	–	–
		192.9	128.0	158.1	35.7
Non-current liabilities					
Redeemable preference shares	23	–	–	–	–
		–	–	–	–
Total liabilities		192.9	128.0	158.1	35.7
Equity					
Share capital	24	–	–	–	–
Share premium	24	206.8	206.8	206.8	206.8
Other reserves	25	123.1	102.2	51.0	45.3
Retained earnings		405.4	354.0	212.0	330.9
Total equity		735.3	663.0	469.8	583.0
Total equity and liabilities		928.2	791.0	627.9	618.7

The notes on pages 106 to 139 are an integral part of these Financial Statements.

These Consolidated Financial Statements on pages 102 to 105 were approved by the Board of Directors on 18 July 2017 and signed on its behalf by:



Paul Mainwaring
Chief Financial Officer

Registered Company number: 04677092

FINANCIAL STATEMENTS continued

Statement of Changes in Equity

For the year ended 31 May 2017

Group	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 June 2015	–	206.8	91.8	292.8	591.4
Profit for the year and attributable to owners of the parent	–	–	–	164.3	164.3
Other comprehensive income for the year	–	–	4.4	–	4.4
Total comprehensive income	–	–	4.4	164.3	168.7
Equity-settled employee share-based payments (note 26)	–	–	7.0	–	7.0
Tax deduction benefit on share-based payments recognised directly in equity (note 9)	–	–	–	–	–
Purchase of own shares	–	–	(1.0)	–	(1.0)
Equity dividends paid (note 11)	–	–	–	(103.1)	(103.1)
Movement in equity	–	–	10.4	61.2	71.6
At 31 May 2016	–	206.8	102.2	354.0	663.0
Profit for the year and attributable to owners of the parent	–	–	–	169.2	169.2
Other comprehensive income for the year	–	–	14.5	–	14.5
Total comprehensive income	–	–	14.5	169.2	183.7
Equity-settled employee share-based payments (note 26)	–	–	7.7	–	7.7
Tax deduction benefit on share-based payments recognised directly in equity (note 9)	–	–	0.7	–	0.7
Purchase of own shares	–	–	(1.1)	–	(1.1)
Equity dividends paid (note 11)	–	–	–	(118.7)	(118.7)
Dividends paid on own shares held in trust	–	–	(0.9)	0.9	–
Movement in equity	–	–	20.9	51.4	72.3
At 31 May 2017	–	206.8	123.1	405.4	735.3

There are no non-controlling interests.

The notes on pages 106 to 139 are an integral part of these Financial Statements.

Company	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 June 2015	–	206.8	39.3	310.0	556.1
Total comprehensive income for the year	–	–	–	124.0	124.0
Equity-settled employee share-based payments (note 26)	–	–	7.0	–	7.0
Purchase of own shares	–	–	(1.0)	–	(1.0)
Equity dividends paid (note 11)	–	–	–	(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
Total comprehensive income for the year	–	–	–	(1.1)	(1.1)
Equity-settled employee share-based payments (note 26)	–	–	7.7	–	7.7
Purchase of own shares	–	–	(1.1)	–	(1.1)
Equity dividends paid (note 11)	–	–	–	(118.7)	(118.7)
Dividends paid on own shares held in trust	–	–	(0.9)	0.9	–
Movement in equity	–	–	5.7	(118.9)	(113.2)
At 31 May 2017	–	206.8	51.0	212.0	469.8

The Company had no items of other comprehensive income.

The notes on pages 106 to 139 are an integral part of these Financial Statements.

Cash Flow Statements

For the year ended 31 May 2017

	Note	Group		Company	
		Year ended 31 May 2017	Year ended 31 May 2016	Year ended 31 May 2017	Year ended 31 May 2016
		£m	£m	£m	£m
Operating activities					
Cash generated from operations	18	224.1	227.1	116.6	104.8
Income taxes paid		(45.3)	(42.5)	–	–
Net cash flow generated from operating activities		178.8	184.6	116.6	104.8
Investing activities					
Interest received		2.0	1.1	4.5	–
Purchase of property, plant and equipment		(10.6)	(5.1)	–	–
Payments to acquire and develop intangible assets		(36.3)	(8.6)	–	–
Net cashflow from (purchase)/sale of financial investments		(8.8)	2.1	–	–
Net cash flow used in investing activities		(53.7)	(10.5)	4.5	–
Financing activities					
Interest paid		(1.4)	(1.3)	(1.3)	(0.7)
Equity dividends paid to owners of the parent	11	(118.7)	(103.1)	(118.7)	(103.1)
Purchase of own shares		(1.1)	(1.0)	(1.1)	(1.0)
Net cash flow used in financing activities		(121.2)	(105.4)	(121.1)	(104.8)
Net increase in cash and cash equivalents		3.9	68.7	–	–
Cash and cash equivalents at the beginning of the year		218.8	148.8	–	–
Impact of movement in foreign exchange rates		8.2	1.3	–	–
Cash and cash equivalents at the end of the year	17	230.9	218.8	–	–

The notes on pages 106 to 139 are an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Presentation, critical accounting estimates and judgments

Critical accounting estimates and judgments

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

In the Directors' opinion, the accounting estimates or judgments that have the most significant impact on the presentation and measurement of items recorded in the Financial Statements are the following:

(a) Consideration as to whether the Group's purchase of DailyFX (a leading global FX related news and research website and selected associated assets, refer to note 13) was a business combination or an asset purchase. Determining whether the purchase is a business combination or an asset is a matter of judgment.

The purchase included the website together with its historical content and lead list. In order to enable lead capturing and to re-establish the DailyFX Plus facility, which captures details on new subscribers, the infrastructure necessary for operating and integrating the website needed to be rebuilt. A number of the DailyFX staff were offered and subsequently accepted roles with IG. Therefore whilst inputs had been acquired, the processes that IG would ultimately benefit from had to be recreated and rebuilt or separately acquired. Accordingly, the Group accounted for the transaction as an asset purchase as not all the requirements for a business combination were met.

In addition, the assessment of the useful economic life of the assets acquired is judgmental. In line with the Group's accounting policy for domain names and generic top level domains, the principal intangible asset arising from the purchase of DailyFX assets will be amortised over ten years.

(b) 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, and other factors. 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 13).

(c) The calculation of the Group's current corporation tax charge involves a degree of estimation and judgment with respect to certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority. Amounts to be paid/received may ultimately be materially different than the amounts already accounted for and could therefore impact the overall profitability and cash flows of the Group in future periods (refer to note 9).

(d) The measurement of the Group's net trading revenue predominantly reflects transactions that have settled in cash and accordingly involves little judgment. However, the calculation of the segmental net trading revenue involves the use of an allocation methodology determined by management, as the Group manages risk and hedges on a group-wide portfolio basis. This allocation methodology does not impact the overall Group net trading revenue disclosed.

2. Net trading revenue

Net trading revenue represents trading revenue after deducting introducing partner commissions, and is analysed as follows:

	Year ended 31 May 2017	Year ended 31 May 2016
	£m	£m
OTC leveraged derivatives:		
• Indices	205.6	226.7
• Commodities	66.3	36.0
• Equities	76.4	67.4
• Foreign exchange	82.3	77.4
• Options	44.0	36.8
	474.6	444.3
Exchange traded derivatives	14.1	11.2
Share dealing and investments	2.4	0.8
Total net trading revenue	491.1	456.3

The Group does not derive more than 10% of net trading revenue from any one single client.

3. Segment information

The Executive Directors are the Group's chief operating decision-maker (CODM). Management has determined the operating segments based on the information reviewed by the Executive Directors for the purposes of allocating resources and assessing performance.

During the year, the management structure of the Group has evolved and the CODM now receives information from the business on a different basis to previous years. Accordingly, the segmental reporting for the comparative year has been restated.

The Executive Directors continue to consider the business performance principally from a geographic perspective, but now as the United Kingdom (UK), Europe, Middle East and Africa (EMEA), Asia Pacific (APAC) and the United States of America (US):

- The UK segment comprises the Group's local trading activities in the United Kingdom
- The EMEA segment comprises the Group's local trading activities in Ireland, France, Germany, Italy, Luxembourg, Spain, Sweden, Switzerland, United Arab Emirates and South Africa
- The APAC segment comprises the Group's local trading activities in Australia, Singapore and Japan
- The US segment comprises the Group's local trading activities in the US

The UK segment derives its net trading revenue from OTC leveraged derivatives, share dealing, and investments. The EMEA and APAC segments derive their net trading revenue from OTC leveraged derivatives and share dealing. The US segment derives its net trading revenue from exchange traded derivatives.

Segment net trading revenue is stated after deducting introducing partner commissions as this is consistent with the management information received by the Executive Directors.

Net trading revenue from OTC leveraged derivatives is reported by segment reflecting the location of the office that manages the underlying client relationship and represents an allocation of the net trading revenue that the Group generates from clients' trading activity.

The Executive Directors review segment contribution as the measure of segment profit or loss. Segment contribution is segment net trading revenue less direct costs, which are reported by segment reflecting the costs that are directly related to activities within that region or controlled by management in that region.

The Group manages market risk and a number of other activities on a group-wide portfolio basis and accordingly a large proportion of costs are incurred centrally. These central costs are not allocated to individual segments for decision making purposes for the CODM and accordingly these costs have not been allocated to segments.

Capital expenditure is predominantly managed centrally and depreciation and amortisation is not allocated to individual segments for decision making and accordingly has not been allocated to segments.

	UK	EMEA	APAC	US	Central	Total
Year ended 31 May 2017	£m	£m	£m	£m	£m	£m
Segment net trading revenue	225.0	137.7	114.3	14.1	–	491.1
Betting duty and financial transaction taxes	(6.9)	(0.6)	–	–	–	(7.5)
Interest income on segregated client funds	–	–	–	–	4.6	4.6
Interest expense on segregated client funds	–	–	–	–	(0.6)	(0.6)
Other operating income	–	–	–	–	1.9	1.9
Net operating income	218.1	137.1	114.3	14.1	5.9	489.5
Direct costs	(49.8)	(54.2)	(28.3)	(15.2)	–	(147.5)
Segment contribution	168.3	82.9	86.0	(1.1)	5.9	342.0
Central costs					(112.2)	(112.2)
Depreciation and amortisation					(16.4)	(16.4)
Operating profit						213.4
Net finance income						0.3
Profit before taxation						213.7

	UK	EMEA	APAC	US	Central	Total
Year ended 31 May 2016 (restated)	£m	£m	£m	£m	£m	£m
Segment net trading revenue	223.1	117.3	104.7	11.2	–	456.3
Betting duty and financial transaction taxes	(10.5)	(0.7)	–	–	–	(11.2)
Interest income on segregated client funds	–	–	–	–	3.8	3.8
Interest expense on segregated client funds	–	–	–	–	(0.4)	(0.4)
Other operating income	–	–	–	–	0.6	0.6
Net operating income	212.6	116.6	104.7	11.2	4.0	449.1
Direct costs	(45.9)	(47.4)	(20.9)	(10.4)	–	(124.6)
Segment contribution	166.7	69.2	83.8	0.8	4.0	324.5
Central costs					(104.2)	(104.2)
Depreciation and amortisation					(12.7)	(12.7)
Operating profit						207.6
Net finance income						0.3
Profit before taxation						207.9

NOTES TO THE FINANCIAL STATEMENTS continued

4. Operating expenses

	Year ended 31 May 2017	Year ended 31 May 2016
	£m	£m
Employee remuneration costs are as follows:		
Wages and salaries and other pension costs (in relation to defined contribution schemes)	95.5	83.3
Equity-settled share-based payment awards and related social security costs	7.5	8.3
Performance related bonus and related social security costs	16.1	21.9
	119.1	113.5
Advertising and marketing	64.5	49.7
Premises-related costs	13.2	12.1
Telephone and data	2.0	1.7
IT Maintenance and support	12.2	9.7
Market data	9.7	7.9
Legal and professional costs	8.0	6.8
Regulatory fees	2.3	5.7
Net charge for impaired trade receivables	3.0	1.6
Irrecoverable VAT and other sales taxes	14.1	11.2
Payment card charges	2.2	0.4
Other costs	9.4	8.5
Depreciation and amortisation	16.4	12.7
	276.1	241.5

Included in premises-related costs is operating lease rentals for office space of £6.9 million (2016: £6.1 million).

5. Auditors' remuneration

	Year ended 31 May 2017	Year ended 31 May 2016
Group	£m	£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	0.4	0.3
Total audit fees	0.8	0.7
Audit related fees		
Fees payable to the Company's auditors and its associates for audit-related assurance services:		
• Other services supplied pursuant to legislation	0.3	0.2
• Other audit-related assurance services	–	0.1
Total audit-related fees	0.3	0.3
Non-audit fees		
Other services relating to taxation		
• Tax compliance services	–	0.1
• Tax advisory services	0.3	0.5
Other services	0.2	–
Total non-audit fees	0.5	0.6

Audit related fees includes 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.

Tax compliance services includes corporate and other tax compliance and filing services which are closely related to the audit process.

Tax advisory services includes advice relating to the Group's transfer pricing policies, sales taxes, tax structures and other general tax advice.

Other services includes services provided in relation to client share dealing statements.

6. Staff costs

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

	Year ended 31 May 2017	Year ended 31 May 2016
Group	£m	£m
Wages and salaries, performance-related bonus and equity-settled share-based payment awards	102.0	97.5
Social security costs	10.3	11.2
Other pension costs (in relation to defined contribution schemes)	6.8	4.8
	119.1	113.5

The Group does not operate any defined benefit pension schemes.

The Directors' remuneration for the years ended 31 May 2017 and 31 May 2016 is set out in the Directors' Remuneration Report on page 62.

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

	Year ended 31 May 2017	Year ended 31 May 2016
Group	Number	Number
Information technology	635	622
Sales, marketing and client support	627	547
Management, administrative and dealing	260	243
	1,522	1,412

7. Finance income

	Year ended 31 May 2017	Year ended 31 May 2016
Group	£m	£m
Bank interest receivable	0.7	0.8
Interest receivable on cash held at brokers	0.4	0.3
Interest accretion on financial investments (note 19)	- 0.6	0.9
	1.7	2.0

8. Finance costs

	Year ended 31 May 2017	Year ended 31 May 2016
Group	£m	£m
Liquidity facility arrangement and non-utilisation fees	1.1	1.1
Other interest	0.3	0.6
	1.4	1.7

NOTES TO THE FINANCIAL STATEMENTS continued

9. Taxation

Tax on profit on ordinary activities

Tax charged in the Income Statement:

	Year ended 31 May 2017	Year ended 31 May 2016
Group	£m	£m
Current income tax:		
UK corporation tax	40.5	41.0
Non-UK corporation tax	3.2	3.5
Adjustment in respect of prior years	2.0	(0.9)
Total current income tax	45.7	43.6
Deferred income tax:		
Origination and reversal of temporary differences	(0.8)	(0.2)
Adjustment in respect of prior years	–	0.3
Impact of change in tax rates on deferred tax	(0.4)	(0.1)
Total deferred income tax	(1.2)	–
Tax expense in the Income Statement	44.5	43.6
Tax not credited to Income Statement:		
Tax deduction benefit on share-based payments recognised directly in equity	(0.7)	–

Reconciliation of the total tax charge

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly, the effective rate of corporation tax for the year ended 31 May 2017 is 19.83% (year ended 31 May 2016: 20%). Taxation outside the UK is calculated at the rates prevailing in the relevant jurisdictions. The tax expense in the Income Statement for the year can be reconciled as set out below:

	Year ended 31 May 2017	Year ended 31 May 2016
	£m	£m
Profit before taxation	213.7	207.9
Profit multiplied by the UK standard rate of corporation tax of 19.83% (2016: 20.00%)	42.4	41.6
Expenses not deductible for tax purposes	0.4	0.3
Timing differences not yet recognised in respect of share schemes	1.0	–
Higher taxes on overseas earnings	0.5	1.4
Recognition of deferred tax assets	(1.8)	–
Adjustment in respect of prior years	2.0	(0.6)
Impact of change in tax rates on deferred tax	(0.4)	0.1
Deferred tax not recognised on current year tax losses	0.4	0.8
Total tax expense reported in the Income Statement	44.5	43.6

The effective tax rate is 20.81% (2016: 21.00%).

Reconciliation of the current corporation tax liability

The movement in the current corporation tax liability included in the Statement of Financial Position is as follows:

	Year ended 31 May 2017	Year ended 31 May 2016
Group	£m	£m
At the beginning of the year	13.8	13.1
• Income Statement charge	45.7	43.6
• Payments	(45.3)	(42.5)
• Tax credit directly to equity	(0.3)	–
• Research and development expenditure credit	(0.4)	(0.4)
• Impact of movement in foreign exchange rates	(0.4)	–
At the end of the year	13.1	13.8

Deferred income tax assets

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

	Year ended 31 May 2017	Year ended 31 May 2016
Group	£m	£m
Tax losses available for offset against future tax	4.4	1.9
Share-based payments	1.6	1.7
Other temporary differences	3.1	3.6
	9.1	7.2

The Group has unrecognised tax losses of c.\$28 million in respect of the US businesses, the recoverability of which is dependent on sufficient taxable profits in those entities. The deferred income tax asset reflects the extent to which it is considered probable that future taxable profits can be offset against the tax losses carried forward.

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:

	Year ended 31 May 2017	Year ended 31 May 2016
Group	£m	£m
At the beginning of the year	7.2	7.1
• Income Statement credit	1.2	–
• Tax credited directly to equity	0.4	–
• Impact of movement in foreign exchange rates	0.3	0.1
At the end of the year	9.1	7.2

Deferred income tax – Income Statement credit

	Year ended 31 May 2017	Year ended 31 May 2016
Group	£m	£m
The deferred income tax (credit)/charge included in the Income Statement is made up as follows:		
Decelerated capital allowances	(0.4)	(0.2)
Share-based payments	0.5	–
Other timing differences	(1.3)	0.2
Income Statement credit	(1.2)	–
The deferred tax credited to equity during the year is as follows:		
Share-based payments	(0.4)	–

The Finance Act 2015 passed into legislation in July 2015 and changed the main rate of UK corporation tax, reducing the rate from 20% to 19% effective from 1 April 2017. The Finance Act 2016 passed into legislation in September 2016 and further reduced the main rate of UK corporation tax to 17% effective from 1 April 2020. The impact of these changes on deferred tax have been assessed and deferred tax assets and liabilities have been assessed at the tax rates that are expected to apply when the related asset is realised or liability settled. The deferred tax assets and liabilities for the year ended 31 May 2017 were calculated at rates between 19% and 17% depending on the nature of each temporary difference.

Factors affecting the tax charge in future years

Factors that may affect the 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 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.

NOTES TO THE FINANCIAL STATEMENTS continued

10. Earnings per ordinary share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the year, excluding shares 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:

	Year ended 31 May 2017	Year ended 31 May 2016
Group	£m	£m
Earnings attributable to owners of the parent	169.2	164.3
Weighted average number of shares:		
Basic	366,441,640	365,620,585
Dilutive effect of share-based payments	2,442,663	2,910,404
Diluted	368,884,303	368,530,989

	Year ended 31 May 2017	Year ended 31 May 2016
Group		
Basic earnings per share	46.2p	44.9p
Diluted earnings per share	45.9p	44.6p

11. Dividends paid and proposed

	Year ended 31 May 2017	Year ended 31 May 2016
Company and Group	£m	£m
Amounts recognised as distributions to equity holders during the year:		
Proposed final dividend for 2017 at 22.88p per share (2016 final paid: 22.95p)	83.9	84.0
Interim dividend for 2017 at 9.42p per share (2016: 8.45p)	34.6	30.9
	118.5	114.9
Dividend payout ratio	70%	70%

The final dividend for 2017 of 22.88p per share amounting to £83.9 million was proposed by the Board on 18 July 2017 and has not been included as a liability at 31 May 2017. This dividend will be paid on 27 October 2017, following approval at the Company's AGM, to those members on the register at the close of business on 29 September 2017.

12. Property, plant and equipment

Group	Leasehold improvements £m	Office equipment, fixtures and fittings £m	Computer and other equipment £m	Total £m
Cost:				
At 31 May 2015	18.8	2.7	18.8	40.3
Additions	1.0	0.5	3.2	4.7
Written off	(0.3)	(0.1)	(0.4)	(0.8)
Impact of movement in foreign exchange rates	0.1	–	0.1	0.2
At 31 May 2016	19.6	3.1	21.7	44.4
Additions	3.6	2.1	6.3	12.0
Impact of movement in foreign exchange rates	0.4	0.1	0.5	1.0
At 31 May 2017	23.6	5.3	28.5	57.4
Accumulated depreciation:				
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
Provided during the year	3.4	0.4	4.1	7.9
Impact of movement in foreign exchange rates	0.2	–	0.5	0.7
At 31 May 2017	15.9	2.8	21.3	40.0
Net book value - 31 May 2017	7.7	2.5	7.2	17.4
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

Included within the amounts provided during the year ended 31 May 2017 is £1.0 million relating to the impairment of leasehold improvements.

13. Intangible assets

Group	Goodwill £m	Domain names £m	Development costs £m	Software and licences £m	Total £m
Cost:					
At 31 May 2015	107.1	7.3	15.1	17.8	147.3
Additions	–	0.6	4.8	3.1	8.5
Impact of movement in foreign exchange rates	–	0.2	–	0.1	0.3
At 31 May 2016	107.1	8.1	19.9	21.0	156.1
Additions	–	33.1	5.7	1.9	40.7
Impact of movement in foreign exchange rates	1.0	(1.3)	–	0.2	(0.1)
At 31 May 2017	108.1	39.9	25.6	23.1	196.7
Accumulated amortisation:					
At 31 May 2015	–	1.2	6.0	16.1	23.3
Provided during the year	–	3.4	2.5	1.6	7.5
Impact of movement in foreign exchange rates	–	–	–	0.2	0.2
At 31 May 2016	–	4.6	8.5	17.9	31.0
Provided during the year	–	2.4	4.2	1.9	8.5
Impact of movement in foreign exchange rates	–	0.4	–	0.1	0.5
At 31 May 2017	–	7.4	12.7	19.9	40.0
Net book value – 31 May 2017	108.1	32.5	12.9	3.2	156.7
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

NOTES TO THE FINANCIAL STATEMENTS continued

13. Intangible assets continued

Goodwill primarily relates to the purchase of IG Group plc by IG Group Holdings Limited – detail is provided in note 14.

Domain names include the cost of acquiring IG.com and a suite of complementary domains to support the Group's global brand. Included within the amount provided during the year ended 31 May 2016 is £2.7 million relating to the impairment of industry-specific generic top-level domains.

On 31 October 2016 the Group completed the purchase of DailyFX, a leading global news and research portal, from FXCM Inc. for a total consideration of \$40.0 million (£32.7 million), with \$4.0 million (£3.3 million) of this amount deferred for up to 12 months.

DailyFX, through a series of global websites, delivers market-leading education, research, analysis and news, focused predominantly on the FX markets. The Group believes this transaction will significantly enhance its ability to acquire new clients and to engage with and improve the retention rates of its current clients.

In line with the Group's accounting policy for domain names and generic top-level domains, the intangible asset arising from the purchase of DailyFX is amortised over ten years.

Development costs relate to internally generated intangible assets.

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 asset are set out in note 34, Accounting Policies.

14. Goodwill

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

	31 May 2017	31 May 2016
Group	£m	£m
UK	100.9	100.0
US	5.9	5.3
Australia	0.1	0.9
South Africa	1.2	0.9
	108.1	107.1

Goodwill arose from the following:

- UK from the purchase of IG Group plc by IG Group Holdings Limited on 5 September 2003
- Australia from the acquisition of the non-controlling interest in IG Australia Pty Limited in the year ended 31 May 2006
- US from the acquisition of Nadex and the associated exchange technology and licence
- South Africa from the acquisition of Ideal CFDs

Impairment testing

The Group's goodwill balance has been subject to an impairment review and there has not been any impairment recognised for the year ended 31 May 2017 and 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 is based upon fair value (calculated as a percentage of the Group's market capitalisation based on the UK CGU's net trading revenue versus that of the Group) less costs of disposal. The UK CGU has a fair value in excess of the carrying amount.

Key assumptions used in fair value less costs of disposal calculations

The fair value less costs of disposal of the UK CGU has been determined by reference to the Company's quoted market capitalisation and apportioned to the UK CGU.

Sensitivity to changes in assumptions

The UK represents 45% of the Group on net trading revenue basis (refer to note 3, segment information). There is sufficient headroom between the UK CGU's fair value and its net assets. Accordingly the outcome of the impairment review for the CGU is not considered to be sensitive to non-significant share price movement.

15. Investment in subsidiaries

Parent Company – investment in subsidiaries

	31 May 2017	31 May 2016
Company	£m	£m
At cost:		
At the beginning of the year	486.8	479.8
Additions in the year	7.7	7.0
	494.5	486.8

Additions in the year comprise the investment relating to equity-settled share-based payments for employees of the subsidiaries of £7.7 million (2016: £7.0 million).

A full list of the Group's direct and indirectly owned subsidiaries is provided on page 138.

16. Trade receivables

	31 May 2017	31 May 2016
Group	£m	£m
Amounts due from brokers	313.0	245.5
Own funds in client money	43.4	30.8
Amounts due from clients	1.1	2.2
	357.5	278.5

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. In addition to the £313.0 million (2016: £245.5 million) the Group had £63.2 million (2016: £53.4 million) of UK Government Securities held as collateral at brokers.

Included within amounts due from brokers is £11.9 million (31 May 2016: £3.2 million) related to amounts held on Bitcoin exchanges and in third party vaults.

Own funds in client money represents the Group's own cash held in segregated client funds, in accordance with the UK's Financial Conduct Authority (FCA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates and includes £12.7 million (31 May 2016: £1.5 million) to be transferred to the Group on the following business day.

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

17. Cash and cash equivalents

	31 May 2017	31 May 2016
Group	£m	£m
Cash and cash equivalents	230.9	218.8

Cash and cash equivalents includes:

- Title transfer funds held by the Group under a title transfer collateral arrangement (TTCA) under which a client agrees that full ownership of such monies is unconditionally transferred to the Group of £60.0 million (31 May 2016: £25.5 million)
- Client monies deposited with the Group's Swiss banking subsidiary, IG Bank SA, of £57.1 million (31 May 2016: £13.5 million)

To ensure effective management of the Group's cash resources, all of the Company's cash and cash equivalents are swept to another Group company each day and accordingly the Company holds no cash at year-end.

NOTES TO THE FINANCIAL STATEMENTS continued

18. Cash generated from operations

	Note	Group		Company	
		Year ended 31 May 2017	Year ended 31 May 2016	Year ended 31 May 2017	Year ended 31 May 2016
		£m	£m	£m	£m
Operating activities					
Operating profit		213.4	207.6	(4.2)	125.1
Adjustments to reconcile operating profit to cash generated from operations:					
Depreciation	12	7.9	5.2	–	–
Amortisation	13	8.5	7.5	–	–
Dividends received		–	–	–	(130.0)
Non-cash foreign exchange losses in operating profit		–	3.0	–	–
Share-based payments charge		7.7	7.0	–	–
(Increase) in trade and other receivables		(78.6)	(29.5)	(1.5)	200.6
Increase in trade and other payables		65.2	26.3	122.3	(90.9)
Cash generated from operations		224.1	227.1	116.6	104.8

19. Financial investments

Financial investments are UK government securities as follows:

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

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

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

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

Financial investments are shown as current assets when they have a maturity of less than one year and are held as 'available-for-sale'. The fair value of securities held is based on closing market prices at the year end as published by the UK Debt Management Office. Please refer to note 31 for a maturity profile.

20. Trade payables

	31 May 2017	31 May 2016
Group	£m	£m
Client funds held on balance sheet	117.1	39.0
Amounts due to clients	0.2	4.4
	117.3	43.4

Client funds held on balance sheet comprise title transfer funds and client monies deposited with the Group's Swiss banking subsidiary which are recognised as cash and cash equivalents on the Group's Statement of Financial Position.

Amounts due to clients represent balances that will be transferred from the Group's own cash into segregated client funds on the following business day in accordance with the UK's Financial Conduct Authority (FCA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates.

21. Other payables

	Group		Company	
	31 May 2017	31 May 2016	31 May 2017	31 May 2016
	£m	£m	£m	£m
Accruals	58.2	64.0	7.3	7.1
Other taxes and social security	4.3	6.8	–	–
Amounts due to Group companies (note 29)	–	–	150.8	28.6
	62.5	70.8	158.1	35.7

22. Contingent liabilities and provisions

There are currently no contingent liabilities expected to have a material adverse financial impact on the Company and Group's consolidated Financial Statements and or net assets. The Group and parent had no material provisions at 31 May 2017 (31 May 2016 £nil).

23. Redeemable preference shares

	Company and Group	
	31 May 2017	31 May 2016
	£m	£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% (2016: 8%).

24. Share capital and share premium

	Company and Group		
	Number of shares	Share capital	Share premium account
	£m	£m	£m
Allotted and fully paid:			
(i) Ordinary shares (0.005p)			
At 1 June 2015	366,157,776	–	206.8
Issued during the year	491,299	–	–
At 31 May 2016	366,649,075	–	206.8
Issued during the year	332,508	–	–
At 31 May 2017	366,981,583	–	206.8
(ii) Deferred redeemable shares (0.001p)			
At 31 May 2017	65,000	–	–
At 31 May 2016	–	–	–
(iii) B Shares (0.001p)			
At 31 May 2017	–	–	–
At 31 May 2016	65,000	–	–

During the year ended 31 May 2017 there were 332,508 (2016: 491,299) ordinary shares with an aggregate nominal value of £16.63 (2016: £24.56) issued following the exercise of sustained performance plan, long-term incentive plan and value-sharing plan awards for a consideration of £16.63 (2016: £24.56).

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.

Deferred redeemable shares

During the year the remaining B shares held by shareholders were sold to the Jersey Employee Benefit Trust (refer to note 25). At the time the Trust converted the B Shares to Deferred redeemable shares. These shares carry no entitlement to dividends and no voting rights.

NOTES TO THE FINANCIAL STATEMENTS continued

25. Other reserves

The share-based payment reserve relates to the estimated cost of equity-settled employee share plans net of tax based on a straight-line basis over the vesting period. The 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 £m	Foreign currency translation £m	Own shares held in Employee Benefit Trusts £m	Transactions with non-controlling interests £m	Available for sale reserve £m	Total other reserves £m
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 UK share-incentive plans	(0.4)	–	0.4	–	–	–
Utilisation of own shares	–	–	–	–	–	–
Purchase of own shares	–	–	(1.0)	–	–	(1.0)
Change in value of available-for-sale financial assets	–	–	–	–	(0.1)	(0.1)
At 31 May 2016	52.0	53.8	(1.8)	(2.1)	0.3	102.2
Equity-settled employee share-based payments	7.7	–	–	–	–	7.7
Tax deduction benefit on share-based payments recognised directly in equity	0.7	–	–	–	–	0.7
Foreign currency translation on overseas subsidiaries	–	14.7	–	–	–	14.7
Exercise of UK share-incentive plans	(0.5)	–	0.5	–	–	–
Dividends paid on own shares held in trust	–	–	(0.9)	–	–	(0.9)
Purchase of own shares	–	–	(1.1)	–	–	(1.1)
Change in value of available-for-sale financial assets	–	–	–	–	(0.2)	(0.2)
At 31 May 2017	59.9	68.5	(3.3)	(2.1)	0.1	123.1

Company	Share-based payments £m	Own shares held in Employee Benefit Trusts £m	Total other reserves £m
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
Equity-settled employee share-based payments	7.7	–	7.7
Exercise of UK share-incentive plans	(0.5)	0.5	–
Dividends paid on own shares held in trust	–	(0.9)	(0.9)
Purchase of own shares	–	(1.1)	(1.1)
At 31 May 2017	54.3	(3.3)	51.0

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 2017	31 May 2016
	Number	Number
At the beginning of the year	1,028,583	970,335
Purchased during the year	136,389	137,166
Exercised and effect of dividends paid on own shares held in trust	(629,671)	(78,918)
At the end of the year	535,301	1,028,583

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 2017 392,014 ordinary shares (2016: 378,028) were held in the trust. The market value of the shares held conditionally at the year-end was £2.3 million (2016: £3.0 million).

The Group has a Jersey resident Employee Benefit Trust which holds shares in the Company. At 31 May 2017, the Trust held 86,161 ordinary shares (2016: 512,075) which are available to satisfy awards under the long term share plans and Directors' deferred bonus award. The market value of the shares held conditionally at the year-end was £0.5 million (2016: £4.1 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 2017 23,498 ordinary shares (2016: 15,538) were held in the trust.

26. 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 £7.5 million (2016: £8.3 million).

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 in the SPP plan for the year ended 31 May 2017:

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	344,830	–	(15,745)	(114,943)	9,550	223,691
6 Aug 2015	742.55p	4 Aug 2020	360,458	–	(15,756)	(120,153)	10,014	234,564
2 Aug 2016	868.65p	2 Aug 2020	–	784,434	(95,153)	(79,116)	27,210	637,375
Total			705,288	784,434	(126,654)	(314,212)	46,774	1,095,630

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

Award date	Average share price at exercise
4 Aug 2014, 6 Aug 2015 and 2 Aug 2016	881.50p

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

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

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

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 2017:

Expected award date	Closing share price at 31 May 2017	Expected full vesting date	Awards expected during the year ending 31 May 2017 Number
2 Aug 2017	584.00p	2 Aug 2020	457,008
Total			457,008

NOTES TO THE FINANCIAL STATEMENTS continued

Long-term incentive plan (LTIP)

The LTIP award has been made available to senior management who are not invited to participate in the SPP.

LTIP awards allow the award of nominal cost options, which vest when specific performance targets are achieved, conditional upon continued employment at the vesting date. For each award a minimum performance target has to be achieved before any shares vest and the awards vest fully once the maximum performance target is achieved.

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

The maximum number of LTIP awards that can vest under the awards made are:

Award date	Share price at award	Expected vesting date	At the start of the year Number	Awarded during the year Number	Lapsed during the year Number	Exercised during the year Number	At the end of the year Number
28 Nov 2013	584.00p	28 Nov 2016	406,412	–	(4,664)	(401,748)	–
5 Aug 2014	618.50p	5 Aug 2017	430,604	–	(16,505)	–	414,099
6 Aug 2015	734.50p	6 Aug 2018	465,823	–	(67,585)	–	398,238
12 Aug 2016	898.45p	12 Aug 2019	–	364,247	(16,704)	–	347,543
Total			1,302,839	364,247	(105,458)	(401,748)	1,182,958

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 (2016: £1,800/A\$3,000) of partnership shares, with the Company typically matching on a two-for-one (2016: two-for-one) basis. All matching shares vest after three years as long as the employee remains employed with the 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 Number	Awarded during the year Number	Lapsed during the year Number	Exercised during the year Number	At the end of the year Number
UK	26 Jul 2013	580.00p	25 Jul 2016	40,862	–	(344)	(40,518)	–
Australia	15 Jul 2013	572.50p	15 Jul 2016	2,808	–	–	(2,808)	–
UK	25 Jul 2014	605.80p	25 Jul 2017	149,502	–	(9,888)	(14,718)	124,896
Australia	15 Jul 2014	599.70p	15 Jul 2017	6,392	–	(564)	(564)	5,264
UK	6 Aug 2015	739.50p	6 Aug 2018	149,944	–	(11,222)	(10,944)	127,778
Australia	12 Oct 2015	740.00p	12 Oct 2018	8,349	–	(879)	(386)	7,084
UK	2 Aug 2016	879.50p	2 Aug 2019	–	157,658	(7,997)	(12,006)	137,655
Australia	15 Jul 2016	930.00p	15 Jul 2019	–	11,650	(368)	(368)	10,914
Total				357,857	169,308	(31,262)	(82,312)	413,591

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

Country of award	Award date	Weighted average share price at exercise
UK	26 Jul 2013	740.68p
Australia	15 Jul 2013	764.50p
UK	25 Jul 2014	756.43p
Australia	15 Jul 2014	764.50p
UK	6 Aug 2015	767.09p
Australia	12 Oct 2015	764.50p
UK	2 Aug 2016	668.25p
Australia	15 Jul 2016	548.50p

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

Fair value of equity-settled awards

The fair value of the equity-settled share-based payments to employees is determined at the date at which a shared understanding of the terms and conditions of the arrangement is reached between the Company and the participants. The weighted average fair value of the equity-settled awards granted or deemed as such under IFRS2 during the year was £9.8 million (2016: £6.7 million).

For SIP awards, the fair value is determined to be the share price at the grant date, without making an adjustment for expected dividends, as awardees are entitled to dividends over the vesting period.

For LTIP awards the fair value at grant date is determined by taking the share price at grant date. An adjustment for the present value of future dividends is not required as dividend equivalents are awarded on options granted under the LTIP.

For potential SPP awards made under the Total Shareholder Return (TSR) criteria, fair value is calculated using an option pricing model prepared by advisers. For the SPP awards made under the earnings per share and non-financial operational measures the fair value is determined by taking the share price at deemed grant date less the present value of future dividends for the duration of the performance period. Dividend equivalents accrue under the SPP on awarded but unvested options post the performance period. Post vesting (minimum holding period) dividend equivalents cease to accrue on unexercised options.

The inputs below were used to determine the fair value of the TSR element of the SPP awards granted on 2 August 2016:

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

Risk free rate - due to minimal exercise price the risk free rate has no impact on the fair value calculation.

IG's expected volatility is based on historical TSR volatility of IG Group Holdings plc measured daily over a period prior to the date of grant and commensurate with the remaining performance period.

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

The weighted average fair values per award granted are as follows:

	At the beginning of the year	Awarded during the year	Lapsed during the year	Exercised during the year	At the end of the year
Year ended 31 May 2017	583.37p	720.75p	654.16p	546.81p	655.75p
Year ended 31 May 2016	534.09p	570.77p	497.83p	416.60p	583.37p

NOTES TO THE FINANCIAL STATEMENTS continued

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 the VSP was replaced by the SPP and LTIP schemes. 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 £10 million of surplus shareholder value created over the three-year period above a hurdle. Half of the shares vest after three years and can be exercised at that date, with the remaining half being deferred for a further year, conditional upon continued employment at the vesting date. The VSP is based upon two performance conditions, Total Shareholder Return (TSR) and profit before taxation.

The maximum number of VSP shares that vested during the year based on the awards made are:

Award date	Share price at award	Expected vesting date	At the start of the year Number	Awarded during the year Number	Lapsed during the year Number	Exercised during the year Number	At the end of the year Number
20 Jul 2011	450.00p	31 Jul 2015	2,344	–	–	(2,344)	–
Total			2,344	–	–	(2,344)	–

Of the above VSP exercised during the year ended 31 May 2017, the share price at exercise was:

Award date	Share price at exercise
20 Jul 2011	951.00p

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.

During the year ended 31 May 2017 all LTIP awards were exercised:

Award date	Share price at award	Expected vesting date	At the start of the year Number	Awarded during the year Number	Lapsed during the year Number	Exercised during the year Number	At the end of the year Number
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.

27. Capital commitments

The Group and Company had £nil capital expenditure contracted for at 31 May 2017 but not yet incurred (31 May 2016: £0.7 million).

28. 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:

	31 May 2017	31 May 2016
	£m	£m
Group		
Future minimum payments due:		
Not later than one year	7.0	6.6
After one year but not more than five years	17.3	20.6
After more than five years	7.5	9.1
	31.8	36.3
	31 May 2017	31 May 2016
	£m	£m
Company		
Future minimum payments due:		
Not later than one year	2.4	2.3
After one year but not more than five years	8.2	9.8
After more than five years	7.5	8.0
	18.1	20.1

29. Related parties and transactions with Directors

The Group and Company had no transactions with its Directors other than those disclosed in the Directors' Remuneration Report.

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 earned during the year and the preceding year by the Directors. The total compensation for key management personnel together with their connected parties was as follows:

	31 May 2017	31 May 2016
	£m	£m
Short-term employee benefits	3.9	3.2
Post-employment benefits	0.1	0.2
Share-based payments	3.4	2.9
	7.4	6.5

Company

The Company had the following amounts outstanding with subsidiaries at the year-end:

	31 May 2017	31 May 2016
	£m	£m
Loans to related parties	133.0	131.5
Loans from related parties	(150.8)	(28.6)

All amounts remain outstanding at the year-end and are repayable on demand. Intercompany amounts were subject to offset arrangements during the year.

NOTES TO THE FINANCIAL STATEMENTS continued

30. 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. 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 as at balance sheet date without taking account of any collateral held.

'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 positions are reported net in the Group Statement of Financial Position as there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right is in the normal course of business.

The Group's financial instruments are classified as follows:

Group	Note	FVTPL - held for trading £m	Loans and receivables £m	Amortised cost £m	Available- for-sale £m	Total carrying amount £m	Fair value £m
As at 31 May 2017							
Financial assets:							
Cash and cash equivalents	17	–	230.9	–	–	230.9	230.9
Financial investments	19	–	–	–	144.4	144.4	144.4
Trade receivables – due (to)/from brokers:							
• Non-exchange traded instruments		(17.9)	299.5	–	–	281.6	281.6
• Exchange-traded instruments		(0.6)	32.0	–	–	31.4	31.4
Total trade receivables – due (to)/from brokers		(18.5)	331.5	–	–	313.0	313.0
Trade receivables – due from clients	16	–	1.1	–	–	1.1	1.1
Trade receivables – own funds in client money	16	–	43.4	–	–	43.4	43.4
		(18.5)	606.9	–	144.4	732.8	732.8
Financial liabilities:							
Trade payables – client funds held on balance sheet	20	–	–	(117.1)	–	(117.1)	(117.1)
Trade payables – amounts due to clients	20	–	(0.2)	–	–	(0.2)	(0.2)
Redeemable preference shares	23	–	–	–	–	–	–
		–	(0.2)	(117.1)	–	(117.3)	(117.3)
As at 31 May 2016							
Financial assets:							
Cash and cash equivalents	17	–	218.8	–	–	218.8	218.8
Financial investments	19	–	–	–	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	16	–	2.2	–	–	2.2	2.2
Trade receivables – own funds in client money	16	–	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	20	–	–	(39.0)	–	(39.0)	(39.0)
Trade payables – amounts due to clients	20	–	(4.4)	–	–	(4.4)	(4.4)
Redeemable preference shares	23	–	–	–	–	–	–
		–	(4.4)	(39.0)	–	(43.4)	(43.4)

Financial instrument valuation hierarchy

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

	Level 1	Level 2	Level 3	Total fair value
Group	£m	£m	£m	£m
As at 31 May 2017				
Financial assets:				
Trade receivables – due to brokers	(0.6)	(17.9)	–	(18.5)
Financial investments	144.4	–	–	144.4

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

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

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

There have been no changes in the valuation techniques for any of the Group's financial instruments held at fair value in the year (year ended 31 May 2016: none). There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements for years ended 31 May 2017 and 31 May 2016.

	Level 1	Level 2	Level 3	Total fair value
Group	£m	£m	£m	£m
As at 31 May 2016				
Financial assets:				
Trade receivables – due to brokers	(13.5)	(1.0)	–	(14.5)
Financial investments	136.0	–	–	136.0

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).

Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables (excluding the Group's open financial derivative hedging positions with brokers above)
- Cash and cash equivalent
- Trade and other payables

NOTES TO THE FINANCIAL STATEMENTS continued

Accounting classifications and fair values – Company

Company	FVTPL - held for trading £m	Loans and receivables £m	Amortised cost £m	Available- for-sale £m	Total carrying amount £m	Fair value £m
As at 31 May 2017						
Financial assets:						
Amounts due from Group companies (note 29)	–	133.0	–	–	133.0	133.0
	–	133.0	–	–	133.0	133.0
Financial liabilities:						
Amounts due to Group companies (note 29)	–	–	(150.8)	–	(150.8)	(150.8)
	–	–	(150.8)	–	(150.8)	(150.8)

Company	FVTPL - held for trading £m	Loans and receivables £m	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 29)	–	131.5	–	–	131.5	131.5
	–	131.5	–	–	131.5	131.5
Financial liabilities:						
Amounts due to Group companies (note 29)	–	–	(28.6)	–	(28.6)	(28.6)
	–	–	(28.6)	–	(28.6)	(28.6)

Items of income, expense, gains or losses – Group

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

Details of finance income and finance costs are disclosed in notes 7 and 8 respectively.

Offsetting financial assets and liabilities

The following financial assets and liabilities have been offset on the Group's Statement of Financial Position and are subject to enforceable master netting agreements.

Group	Note	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off in the balance sheet £m	Net amounts of financial assets presented in the balance sheet £m
As at 31 May 2017				
Financial assets				
Trade receivables – due from brokers	16	336.3	(23.3)	313.0
		336.3	(23.3)	313.0

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

Group	Note	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off in the balance sheet £m	Net amounts of financial assets presented in the balance sheet £m
As at 31 May 2016				
Financial assets				
Trade receivables – due from brokers	16	260.0	(14.5)	245.5
		260.0	(14.5)	245.5

31. Financial risk management

Financial risks arising from financial instruments are analysed into market, credit, concentration and liquidity risks. Details of how these risks are managed are discussed in the risk management section on page 35.

Market risk

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

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

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

Non-trading interest rate risk

The Group has interest rate risk relating to financial instruments on its Statement of Financial Position not held at fair value through profit or loss. These exposures are not hedged.

The interest rate risk profile of the Group's financial assets and liabilities at each year-end was as follows:

Group	Within 1 year		Between 2 and 5 years		Total	
	31 May 2017	31 May 2016	31 May 2017	31 May 2016	31 May 2017	31 May 2016
	£m	£m	£m	£m	£m	£m
Fixed rate:						
Financial investments	92.0	111.0	52.4	25.0	144.4	136.0
Floating rate:						
Cash and cash equivalents	230.9	218.8	–	–	230.9	218.8
Trade receivables – due from brokers	313.0	245.5	–	–	313.0	245.5
Trade payables – client funds held on balance sheet	(117.1)	(39.0)	–	–	(117.1)	(39.0)
	518.8	536.3	52.4	25.0	571.2	561.3

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

Interest rate risk sensitivity analysis – non-traded interest (fixed rate)

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The level of future fixed interest receivable would be similar to that received in the year and is considered immaterial to the Group's profit for the year. Refer to note 19.

Interest rate risk sensitivity analysis – non-traded interest (floating rate)

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

Interest rate sensitivity has been performed on floating rate financial instruments by considering a 0.5% interest rate increase/decrease on the financial assets and liabilities held the Statement of Financial Position date. The impact of such a movement on the Group's profit for the year is below.

Year ended 31 May 2017			
	Cash and cash equivalents	Trade receivables – due from brokers	Trade payables – client funds held on balance sheet
Impact	+/- 1.2	+/- 1.6	+/- 0.6
Year ended 31 May 2016			
	Cash and cash equivalents	Trade receivables – due from brokers	Trade payables – client funds held on balance sheet
Impact	+/- 1.1	+/- 1.2	+/- 0.2

The net impact of such a movement in interest rates is considered to be immaterial to the Group's profit for the year. Refer to note 7 and 8.

NOTES TO THE FINANCIAL STATEMENTS continued

Price risk

The Group is exposed to investment securities price risk because financial investments held by the Group and classified on the Group's Statement of Financial Position as available-for sale are based on closing market prices published by the UK Debt Management Office.

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

	Year ended 31 May 2017	Year ended 31 May 2016
Impact on available for sale reserve (equity)	(1.4)	(1.4)

The financial impact of such a movement in fair value is considered to be immaterial to the Group's available for sale reserve.

Foreign currency risk

The Group faces foreign currency exposures on financial assets and liabilities denominated in currencies other than its functional currency. The management of this risk is outlined in the risk management section on page 35. This exposure is hedged in the normal course of business.

The table below illustrates the sensitivity of net trading revenue with regard to currency movements on financial assets and liabilities denominated in currencies other than its functional currency (which are not held at fair value through profit and loss) as at the year-end.

Based on a 5% weakening in the following exchange rates, the effect on net trading revenue would be as follows:

Year ended 31 May 2017						
	US dollar	Euro	Yen	South African rand	Swiss franc	Other
Impact	(4.3)	(5.7)	(0.4)	(0.3)	(0.6)	(0.3)

Year ended 31 May 2016						
	US dollar	Euro	Yen	South African rand	Swiss franc	Other
Impact	(2.4)	(5.0)	(0.3)	–	(0.3)	(0.1)

Since the impact of foreign exchange rate movements is hedged, the Group would experience an opposite foreign exchange gain for the losses above as a hedging gain, and vice versa.

Based on this analysis and the Group's hedging model the net impact of foreign exchange rate movements is considered immaterial to the Group's net trading revenue.

The table below illustrates the sensitivity of the Group's net assets with regard to currency movements on financial assets and liabilities included in the balance sheets of non GBP functional currency entities which are denominated in the functional currency of that entity (and which are not held at fair value through profit and loss) as at the year-end.

Based on a 5% weakening in the following exchange rates, the effect on the Group's net assets would be as follows:

Year ended 31 May 2017						
	US dollar	Euro	Yen	South African rand	Swiss franc	Other
Impact	(3.0)	(1.5)	(1.0)	(0.3)	(0.5)	(0.7)

Year ended 31 May 2016						
	US dollar	Euro	Yen	South African rand	Swiss franc	Other
Impact	(1.5)	(0.3)	(0.8)	(0.4)	(0.6)	(2.6)

Since the impact of foreign exchange rate movements is hedged, the Group would experience an opposite foreign exchange gain for the losses above as a hedging gain, and vice versa.

Based on this analysis and the Group's hedging model the net impact of foreign exchange rate movements is considered immaterial to the Group's net trading revenue.

Credit risk

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

- Financial institution credit risk
- Client credit risk

The analysis of neither past due nor impaired credit exposures in the following table excludes individual client funds held in segregated client money accounts. Refer to section B, in the Other Information section, on page 140.

Group	Cash and cash equivalents		Trade receivables – due from brokers		Trade receivables – due from clients	
	31 May 2017	31 May 2016	31 May 2017	31 May 2016	31 May 2017	31 May 2016
	£m	£m	£m	£m	£m	£m
Individually impaired						
Gross exposure	–	–	–	–	14.1	18.8
Allowance for impairment	–	–	–	–	(13.9)	(17.6)
	–	–	–	–	0.2	1.2
Past due but not impaired						
Ageing profile:						
0-3 months	–	–	–	–	0.1	0.4
	–	–	–	–	0.1	0.4
Neither past due nor impaired						
Credit rating:						
AA+ & above	42.4	12.9	–	–	–	–
AA to AA-	7.0	6.1	49.7	16.9	–	–
A+ to A-	156.7	147.0	178.4	149.5	–	–
BBB+ to BBB-	24.0	52.4	69.0	73.9	–	–
BB+ to B	0.2	–	–	–	–	–
CCC	–	–	–	–	–	–
Unrated	0.6	0.4	15.9	5.2	0.8	0.6
	230.9	218.8	313.0	245.5	0.8	0.6
Total carrying amount	230.9	218.8	313.0	245.5	1.1	2.2

Included in the unrated trade receivables – due from brokers is £11.9 million (31 May 2016: £3.2 million) of Bitcoin.

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 2017	31 May 2016
	£m	£m
Balance at 1 June	17.6	21.7
Impairment loss for the year:		
• Gross charge for the year	6.2	4.0
• Recoveries	(4.1)	(2.4)
Debts written off	(8.0)	(6.6)
Foreign exchange	2.2	0.9
Balance at 31 May	13.9	17.6

The net impairment loss in the Income Statement during the year includes £0.9 million of debts written off.

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 29.

NOTES TO THE FINANCIAL STATEMENTS continued

Concentration risk

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.

During the year the management structure of the Group was refined and the CODM now receives information from the business on a basis different from previous years. Accordingly the comparative year has been restated. Refer to note 3.

Analysis of credit exposures at carrying amount by geographical segment are detailed below. These segments are disclosed based on how the Group's operations are managed as discussed in note 3:

Group	UK £m	EMEA £m	APAC £m	US £m	Total £m
As at 31 May 2017					
Financial assets:					
Cash and cash equivalents	91.0	94.7	9.1	36.1	230.9
Financial investments	144.4	–	–	–	144.4
Trade receivables – due from brokers	200.2	73.8	39.0	–	313.0
Trade receivables – due from clients	0.5	0.4	0.2	–	1.1
Own funds in client money	32.7	1.0	9.7	–	43.4
Total financial assets	468.8	169.9	58.0	36.1	732.8

Group	UK £m	EMEA £m	APAC £m	US £m	Total £m
As at 31 May 2016 (restated)					
Financial assets:					
Cash and cash equivalents	143.6	40.7	7.8	26.7	218.8
Financial investments	136.0	–	–	–	136.0
Trade receivables – due from brokers	145.4	59.4	40.7	–	245.5
Trade receivables – due from clients	1.6	0.4	0.1	0.1	2.2
Own funds in client money	23.5	–	7.3	–	30.8
Total financial assets	450.1	100.5	55.9	26.8	633.3

The Group's largest credit exposure to any one individual broker at 31 May 2017 was £67.1 million (BBB+ rated) (2016: £52.2 million (BBB+ rated)). Included in cash and cash equivalents, the Group's largest credit exposure to any bank at 31 May 2017 was £69.4 million (A rated) (2016: £79.4 million, A rated). The Group has no significant exposure to any one particular client or group of connected clients.

Liquidity risk

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 either counterparty 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 2017			
Financial assets:			
Cash and cash equivalents	–	230.9	230.9
Financial investments	–	144.4	144.4
Trade receivables – due from brokers	(18.5)	331.5	313.0
Trade receivables – due from clients	–	1.1	1.1
Trade receivables – own funds in client money	–	43.4	43.4
	(18.5)	751.3	732.8
Financial liabilities:			
Trade payables – client funds held on balance sheet	–	(117.1)	(117.1)
Trade payables – amounts due to clients	–	(0.2)	(0.2)
	–	(117.3)	(117.3)

Amounts payable on demand:

	Derivative	Non-derivative	Total
	£m	£m	£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 from brokers	(14.5)	260.0	245.5
Trade receivables – due from clients	–	2.2	2.2
Trade receivables – own funds in client money	–	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)

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 2017 and 2016, as disclosed in note 23.

Derivative and non-derivative cash flows by remaining contractual maturity – Company

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

At 31 May 2017 the Company held cash and cash equivalents of £nil (2016: £nil) available on demand and redeemable preference shares of £40,000 (2016: £40,000), the terms of which are disclosed in note 23.

32. Subsequent events

In June 2017 the Group renewed its £160.0 million revolving credit facility from a syndicate of four UK banks. This facility has two tranches, a £100.0 million tranche available for up to a 1 year term (with an option to extend for a further year) and a £60.0 million tranche available for up to 3 years.

A final dividend of 22.88p per share amounting to £83.9 million was proposed by the Board on 18 July 2017.

33. 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 2017 were authorised for issue by the Board of Directors on 18 July 2017 and the Statements of Financial Position signed on the Board's behalf by Paul Mainwaring. IG Group Holdings plc is a public limited company that is listed on the London Stock Exchange and incorporated and domiciled in England and Wales. The Company's registered address is 25 Dowgate Hill, London, United Kingdom, EC4R 2YA.

The Group's Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and with the Companies Act 2006 applicable to companies reporting under IFRS. The 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 instruments) at fair value through profit or loss.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated Financial Statements are disclosed in note 1.

34. Accounting policies

Basis of preparation

The accounting policies which follow have been applied in preparing the Financial Statements for the year ended 31 May 2017.

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 loss for the year dealt with in the Financial Statements of IG Group Holdings plc is £1.1 million (2016: profit for the year of £124.0 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 (2016: £nil).

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 2016.

NOTES TO THE FINANCIAL STATEMENTS continued

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

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

Standards not yet adopted, but expected to have significant impact on the Financial Statements when adopted:

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

The impact of these standards on the Financial Statements is being assessed by the Group but we do expect an impact on the level of disclosure.

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.

Basis of consolidation

(a) 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 on page 138.

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.

(b) Non-controlling interests

Where the Group and a non-controlling shareholder enter into a forward contract 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.

Segmental 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 is 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.

Foreign currencies

The functional currency of each Company in the Group is that of the country of incorporation (as disclosed in note 35) 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.

Use of non-GAAP measures and exceptional items

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

Exceptional items are those items of income and expense that the 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.

Other non-GAAP measures used in these Financial Statements are capital resources (refer to page 142) and own funds generated from operations (refer to page 141).

Revenue recognition

Trading revenue includes revenue arising from each of the Group's four revenue generation models: OTC Leveraged Derivatives, Exchange Traded Derivatives, Share Dealing, and Investments.

OTC leveraged derivatives

Revenue from the OTC leveraged derivatives business represents:

- (i) Fees paid by clients for spread, commission and funding charges in respect of the opening, holding and closing of financial spread bets, contracts for difference or options contracts, together with gains and losses for the Group arising on client trading activity; less
- (ii) Fees paid by the Group in spread, commissions and funding charges arising in respect of hedging the risk associated with the client trading activity and the Group's currency exposures, together with gains and losses incurred by the Group arising on hedging activity

Open client and hedging positions are fair valued on a daily basis and gains and losses arising on this valuation are recognised in revenue as well as gains and losses realised on positions that have closed. The policies and methodologies associated with the determination of fair value are disclosed in note 30, Financial Instruments.

Exchange-traded derivatives

Revenue from exchange-traded derivatives represents fees paid by members of the Group's regulated futures and options exchange, with members of the exchange charged a fee per transaction undertaken, together with gains and losses incurred by the Group arising on its market making activity on the exchange.

Share dealing

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

Investments

Revenue from Investments represents management fees, which are earned as a percentage of assets under management. These are recognised over the period in which the service is provided.

Revenue is recognised when it is probable that economic benefits associated with the transaction will flow to the Group and the revenue can be reliably measured. Revenue is shown net of value added tax after eliminating sales within the Group.

Trading revenue is reported before introducing partner commission, along with betting duties and financial transaction taxes paid, which are disclosed as an expense in arriving at net operating income.

Net trading revenue, disclosed on the face of the Consolidated Income Statement and in the notes to the Financial Statements, represents trading revenue after taking account of introducing partner commission as this is consistent with the management information received by the Chief Operating Decision Maker.

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

NOTES TO THE FINANCIAL STATEMENTS continued

Finance income and costs on segregated client funds

Interest income or expense on segregated client funds is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. The effective interest rate is the rate which exactly discounts estimated future cash flows on the carrying amount of the asset/liability. Issue costs are included in the determination of the effective interest rates.

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

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.

Dividends receivable are recognised when the shareholder's right to receive the payment is established.

Employee benefits

(a) 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.

(b) 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.

(c) 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.

Operating leases

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and 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.

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.

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.

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination such as a trade name or customer relationship is recognised at fair value outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Expenditure on internally developed intangible assets, excluding development costs, is taken to the Income Statement in the year in which it is incurred. Development expenditure is recognised as an intangible asset only after all the following criteria are met:

- The project's technical feasibility and commercial viability can be demonstrated
- The availability of adequate technical and financial resources and an intention to complete the project have been confirmed
- The correlation between development costs and future revenue has been established

Following initial recognition, intangible assets are 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.

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.

Investments in subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS continued

Financial instruments

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 30 to the Financial Statements.

(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.

(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.

(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'.

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.

Trade receivables and trade payables

Offsetting financial instruments

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

Trade receivables represent balances with counterparties and clients where the combination of cash held on account and the valuation of financial derivative open positions result in an amount due to the 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.

Bitcoins

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

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

Prepayments and other receivables

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

Cash and cash equivalents

Cash 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 the other information section on page 140. 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 17).

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.

Other payables

Non-trading financial liabilities are recognised initially at fair value and carried at amortised cost using the effective interest rate method if the time value of money is significant.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Borrowings

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

All borrowing costs are expensed as they are incurred.

Share capital

(a) 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.

NOTES TO THE FINANCIAL STATEMENTS continued

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.

(b) 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 reserves. No gain or loss is recognised in the Income Statement on the purchase, sale, issue or cancellation of equity shares.

(c) 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.

35. List of investments in subsidiaries

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

Name of Company	Registered office and country of incorporation	Holding	Voting rights	Nature of business
Subsidiary undertakings held directly:				
IG Group Limited	Cannon Bridge House, 25 Dowgate Hill, London, EC4R 2YA United Kingdom	Ordinary shares	100%	Holding Company
Subsidiary undertakings held indirectly:				
IG Index Limited	Cannon Bridge House, 25 Dowgate Hill, London, EC4R 2YA United Kingdom	Ordinary shares	100%	Spread betting
IG Markets Limited		Ordinary shares	100%	CFD trading, foreign exchange and market risk management
IG Markets South Africa Limited		Ordinary shares	100%	CFD trading
Market Data Limited		Ordinary shares	100%	Data distribution
IG Nominees Limited		Ordinary shares	100%	Nominee company
IG Knowhow Limited		Ordinary shares	100%	Software development
Extrabet Limited		Ordinary shares	100%	Non-trading
IG Finance		Ordinary shares	100%	Financing
IG Finance Two		Ordinary shares	100%	Financing
IG Finance Three		Ordinary shares	100%	Financing
IG Finance Four		Ordinary shares	100%	Financing
IG Finance 5 Limited		Ordinary shares	100%	Financing
IG Forex Limited		Ordinary shares	100%	Financing
IG Spread Betting Limited		Ordinary shares	100%	Financing
IG Finance 8 Limited		Ordinary shares	100%	Financing
IG Finance 9 Limited		Ordinary shares	100%	Financing
Financial Domains Limited		Ordinary shares	100%	Holding company
Financial Domains Registry Holdings Limited		Ordinary shares	100%	Holding company
Financial Domains Registrar Limited		Ordinary shares	100%	Domains registrar
Financial Domains (Services) Limited		Ordinary shares	100%	Domains registry
DotSpreadbetting Registry Limited		Ordinary shares	100%	Domains registry

Name of Company	Registered office and country of incorporation	Holding	Voting rights	Nature of business
DotMarkets Registry Limited		Ordinary shares	100%	Domains registry
DotTrading Registry Limited		Ordinary shares	100%	Domains registry
DotCFD Registry Limited		Ordinary shares	100%	Domains registry
DotBroker Registry Limited		Ordinary shares	100%	Domains registry
DotForex Registry Limited		Ordinary shares	100%	Domains registry
Deal City Limited		Ordinary shares	100%	Software development
InvestYourWay Ltd.		Ordinary shares	100%	Non-trading
IG Australia Pty Limited	Level 15, 55 Collins Street, Melbourne VIC 3000, Australia	Ordinary shares	100%	Sales and marketing office
IG Share Trading Australia Pty Limited		Ordinary shares	100%	Share dealing
IG Asia Pte Limited	9 Battery Road, #01-02 MYP Centre, 049910, Singapore	Ordinary shares	100%	CFD trading and foreign exchange
Kunxin Translation (Shenzhen) Co. Limited	Tower 3, Kerry Plaza, No.1 Zhong Xin Si Road, Futian District, Shenzhen 518048, P.R. China	Ordinary shares	100%	Translation services
IG Securities Limited	Shiodome City Centre, 1-5-2 Higashi-Shinbashi, Minato-ku, Tokyo, 105-7110, Japan	Ordinary shares	100%	CFD trading and foreign exchange
FXOnline Japan Co. Limited		Ordinary shares	100%	Non-trading
IG Bank S.A.	42 Rue du Rhone, Geneve, 1204 Switzerland	Ordinary shares	100%	CFD trading and foreign exchange
IG Infotech (India) Private Limited	Infinity, 2nd Floor, Katha No 436, Survey No 13/1B, 12/2B, Challagatta Village, Bangalore, 560071, India	Ordinary shares	100%	Software development
IG US Holdings Inc.	2711 Centreville Road, Suite 400, Wilmington, Delaware, 19808, United States	Ordinary shares	100%	Holding company
North American Derivatives Exchange Inc.		Ordinary shares	100%	Exchange
Market Risk Management Inc.		Ordinary shares	100%	Market maker
Broker Connect Inc.		Ordinary shares	100%	Software development
FX Publications Inc		Ordinary shares	100%	Publications
Nadex Domains Inc.		Ordinary shares	100%	Domains registry
Tower Three Capital Inc.		Ordinary shares	100%	Non-trading
Hedgestreet Securities Inc.		Ordinary shares	100%	Non-trading
Nadex Clearing LLC		Ordinary shares	100%	Non-trading
Fox Sub Limited	57/63 Line Wall Road, Gibraltar	Ordinary shares	100%	Financing
Fox Sub Two Limited		Ordinary shares	100%	Financing
Fox Japan Holdings		Ordinary shares	100%	Holding Company
IG Limited	Office2 &3, level 27, Currency House-Tower 2, Dubai International Financial Centre, P O Box - 506968 Dubai, United Arab Emirates	Ordinary shares	100%	CFD trading and foreign exchange
IG Services Limited		Ordinary shares	100%	Intra-Group corporate services
Morrison Investments Limited	Christodoulou Chatzipavlou, 221 Helios Court, 3rd floor 3036, Limassol, Cyprus	Ordinary shares	100%	Non-trading

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 5 Limited (06752558), IG Finance 9 Limited (07306407), Financial Domains Limited (09233880), Financial Domains Registry Holdings Limited (09235699), Financial Domains Registrar Limited (09235694), Financial Domains (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), InvestYourWay Limited (07081901) and Deal City Limited (09635230).

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 Three (05297886), IG Finance Four (05312015), IG Spread Betting Limited (06806588), IG Finance 8 Limited (06807656), Extrabet Limited (04560348) and IG Forex Limited (06808361).

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)

OTHER INFORMATION (UNAUDITED)

The following supplemental notes provide additional analysis to aid the readers understanding of the Financial Statements:

(a) Balance sheet

	31 May 2017	31 May 2016
	£m	£m
Intangible assets arising on acquisition	108.1	107.1
Other intangible assets	48.6	18.0
Property plant and equipment	17.4	13.0
Fixed assets	174.1	138.1
Liquid assets buffer	81.2	82.6
Amounts held at/due from brokers	376.1	298.9
Cash in IG bank accounts	230.9	218.8
Own funds in client money	43.2	26.4
Liquid assets	731.4	626.7
Client funds on balance sheet	(117.1)	(39.0)
Own funds	614.3	587.7
Working capital	(49.1)	(56.2)
Tax payable	(13.1)	(13.8)
Deferred tax assets	9.1	7.2
Net assets/shareholders' funds	735.3	663.0

(b) Client funds and assets

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.

	31 May 2017	31 May 2016
Group	£m	£m
Segregated client funds	1,215.3	917.3
Segregated client assets	499.8	177.8
Total segregated client funds and assets	1,715.1	1,095.1

In addition, the Group's Swiss banking subsidiary, IG Bank SA, is required to protect customer deposits under the FINMA Privileged Deposit Scheme. At 31 May 2017, IG Bank SA was required to hold £16.5 million (31 May 2016: £7.0 million) in satisfaction of this requirement. This amount is included in cash and cash equivalents on the Statement of Financial Position.

(c) Own funds

	31 May 2017	31 May 2016
	£m	£m
Own funds flow:		
Operating profit	213.4	207.6
Depreciation and amortisation	16.4	12.7
Share-based payments	7.7	7.0
Movement in working capital	(8.3)	12.5
Own funds generated from operations	229.2	239.8
Income tax paid	(45.3)	(42.5)
Net own funds generated from operating activities	183.9	197.3
Interest received	2.0	1.1
Interest paid	(1.4)	(1.3)
Purchase of DailyFX	(29.8)	-
Purchase of other capital expenditure	(17.1)	(13.7)
Purchase of own shares	(1.1)	(1.0)
Net own funds generated before dividends	136.5	182.4
Dividends	(118.7)	(103.1)
Increase in own funds	17.8	79.3
Own funds at start of the year	587.7	507.1
Impact of movement in foreign exchange rates	8.8	1.3
Own funds at end of the year	614.3	587.7

(d) Liquidity

	31 May 2017	31 May 2016
	£m	£m
Liquid assets	731.4	626.7
Broker margin requirement	(356.3)	(227.6)
Non-UK liquid assets	(134.6)	(64.3)
Own funds in client money	(43.2)	(26.4)
Total available liquidity at the end of the year	197.3	308.4
Of which is:		
Held as liquid asset buffer	81.2	82.6
Final dividend due	83.9	84.1
Additional sources of liquidity		
• Undrawn committed RCF	160.0	160.0

OTHER INFORMATION (UNAUDITED) continued

(e) Regulatory capital

Group consolidated capital resources (audited)

		31 May 2017	31 May 2016
		£m	£m
Shareholders' funds		735.3	663.0
Less foreseeable declared dividends		(83.9)	(84.0)
Less acquisition intangibles		(108.1)	(107.1)
Less other intangible assets		(48.6)	(18.0)
Less deferred tax assets		(9.1)	(7.2)
Capital resources (audited)	A	485.6	446.7
Group consolidated capital requirement (unaudited)			
Capital resources	A	485.6	446.7
Pillar 1 Risk Exposure Amounts (REA)			
Total Pillar 1 REA	B	1,817.3	1,568.4
Capital ratio	A/B=C	26.7%	28.5%
Required capital ratio			
Pillar 1 minimum	D	8.0%	8.0%
Individual Capital Guidance (ICG)	E	9.4%	5.0%
ICG requirement	D + E = F	17.4%	13.0%
plus combined buffer requirement	G	1.3%	0.6%
Total requirement %	F+G=H	18.7%	13.6%
Total requirement - £m	H x B = I	339.8	213.3
Capital headroom - £m	A - I	145.7	233.4

The Group is required to hold a minimum amount of regulatory capital in accordance with the Individual Capital Guidance ('ICG') periodically determined by the FCA based on their supervisory review and evaluation process ('SREP') of the Group, plus an amount equal to the higher of the internally calculated Capital Planning Buffer and the combination of the Conservation and Countercyclical buffers. The FCA determine the ICG following review of the Group's Internal Capital Adequacy Assessment Process through which the Group calculates the amount of capital that should be held against specific firm risks, in addition to the Pillar 1 requirements.

The FCA last undertook a SREP of IG Group in the first half of calendar year 2016, and advised the Board of the level of capital the Group is required to hold in August 2016. The ICG advised in August 2016 replaced the ICG advised to the Board in May 2013. The FCA plan to carry out their next SREP around August 2019.

The Group's total capital ratio and its minimum capital requirements are expressed as a percentage, calculated as capital resources divided by the Pillar 1 Risk Exposure Amounts in accordance with CRD IV rules.

The ICG advised by the FCA in August 2016 requires the Group to hold capital in addition to the Pillar 1 minimum equal to 9.4% of the Pillar 1 Risk Exposure Amounts. The previous ICG required the Group to hold capital in addition to the Pillar 1 minimum equal to 5.0% of the Pillar 1 Risk Exposure Amounts. The increase in the ICG primarily reflects an increase in the level of market risk that will be faced by the Group as a result of the increasing take up of Limited Risk Accounts, and includes a scalar (at 5% of the minimum requirements) to reflect 'unsighted' risks the Group may face following the launch of IG Investments.

The required minimum capital ratio at 31 May 2017 was 18.7%, including the effect of the Capital Conservation Buffer, which the Bank of England raised on 1 January 2017 to 1.25% in line with the transitional provisions laid out by the FCA in IFRU TP 7.

The Group's Total Capital Ratio, using the balance sheet of the Group as at 31 May 2017 including the profit for the financial year, was 26.7%.

(f) Segmental tax information

The segmental analysis in note 3 reflects the information reviewed by the Executive Directors for the purposes of allocating resources and assessing performance. Net trading revenue from OTC leveraged derivatives is reported by segment reflecting the location of the office that manages the underlying client relationship and represents an allocation of the net trading revenue that the Group generates from clients' trading activity. This does not reflect the statutory revenue or costs recorded in individual legal entities and branches which is the basis for the determination of taxable profit.

With the exception of South Africa, where the local office hedges the market risk arising from clients' trading in onshore products, all the local offices and branches hedge the market risk arising from their clients' activities in OTC leveraged derivatives with a legal entity in the UK, on a back to back basis, and as result report nil net trading revenue from OTC leveraged derivatives in their statutory accounts.

Revenue and profit reported in the statutory accounts of legal entities and branches reflect the transfer pricing arrangements in place, which change from time to time reflecting the commercial and operational circumstances of the individual legal entity or branch, and changes in

tax legislation. These arrangements mean that the majority of the Group's profit is taxed in the UK, reflecting the fact that majority of the business value is created through the trading platform developed and maintained in the UK, and through the internalisation of global client flows in the UK.

The table below sets out the statutory profit before tax, and tax charge, reported by the legal entities and branches in each of the geographic segments in order to explain the make-up of the Group's tax charge by region.

	UK	EMEA	APAC	US	Total
Year ended 31 May 2017	£m	£m	£m	£m	£m
Profit before tax	197.7	10.6	6.6	(1.2)	213.7
Current tax charge	(42.5)	(1.8)	(1.4)	–	(45.7)
Deferred tax charge	(1.4)	–	1.2	1.4	1.2
Tax charge	(43.9)	(1.8)	(0.2)	1.4	(44.5)
Effective tax rate	22.2%	17.0%	3.0%	(116.7)%	20.8%

	UK	EMEA	APAC	US	Total
Year ended 31 May 2016	£m	£m	£m	£m	£m
Profit before tax	197.6	7.1	7.0	(3.8)	207.9
Current tax charge	(40.6)	(1.9)	(1.1)	–	(43.6)
Deferred tax charge	0.5	–	(0.5)	–	–
Tax charge	(40.1)	(1.9)	(1.6)	–	(43.6)
Effective tax rate	20.3%	26.8%	22.9%	0.0%	21%

(g) Five-year summary

Group Income Statement

	2017	2016	2015	2014	2013
For the year ended 31 May	£m	£m	£m	£m	£m
Net trading revenue	491.1	456.3	388.4	370.4	361.9
Other operating (loss)/income	(1.6)	(7.2)	(1.2)	3.8	6.1
Net operating income	489.5	449.1	387.2	374.2	368.0
Operating expenses	(259.7)	(228.8)	(206.9)	(169.1)	(163.8)
Depreciation, amortisation and amounts written off in property, plant and equipment	(16.4)	(12.7)	(10.7)	(9.7)	(12.2)
Operating profit	213.4	207.6	169.6	195.4	192.0
Finance income	1.7	2.0	1.8	1.5	2.0
Finance costs	(1.4)	(1.7)	(1.9)	(2.0)	(1.8)
Profit before tax	213.7	207.9	169.5	194.9	192.2
Tax expense	(44.5)	(43.6)	(37.6)	(47.7)	(50.5)
Profit for the year	169.2	164.3	131.9	147.2	141.7

Other metrics

	2017	2016	2015	2014	2013
Net own funds generated from operations	£183.9m	£197.3m	£136.8m	£160.6m	£154.3m
Earnings per share (EPS)					
Basic earnings per share	46.2p	44.9p	36.1p	40.4p	39.0p
Diluted earnings per share	45.9p	44.6p	36.0p	40.2p	38.8p
Dividend per share					
Interim dividend per share	9.42p	8.45p	8.45p	5.75p	5.75p
Final dividend per share	22.88p	22.95p	19.70p	22.40p	17.50p
Total dividend per share	32.30p	31.40p	28.15p	28.15p	23.25p
Dividend payout ratio (against diluted EPS)	70.4%	70.4%	78.2%	70.0%	59.9%
Profit margin					
Profit before taxation margin	43.51%	45.56%	43.64%	52.61%	53.10%

OTHER INFORMATION (UNAUDITED) continued

Group Statement of Financial Position

	2017	2016	2015	2014	2013
As at 31 May	£m	£m	£m	£m	£m
Assets					
Non-current assets					
Property, plant and equipment	17.4	13.0	13.3	13.0	14.4
Intangible assets	156.7	125.1	124.0	122.7	120.5
Financial investments	52.4	25.0	75.5	32.2	–
Deferred tax assets	9.1	7.2	7.1	7.1	9.5
	235.6	170.3	219.9	175.0	144.4
Current assets					
Trade receivables	357.5	278.5	269.6	327.5	300.6
Prepayment and other receivables	12.2	12.4	12.2	12.2	10.3
Cash and cash equivalent	230.9	218.8	148.8	101.5	98.3
Financial investments	92.0	111.0	32.9	50.3	50.5
	692.6	620.7	463.5	491.5	459.7
Total assets	928.2	791.0	683.4	666.5	604.1
Liabilities					
Current liabilities					
Trade payables	117.3	43.4	17.7	21.9	19.0
Other payables	62.5	70.8	61.2	58.4	53.8
Income tax payable	13.1	13.8	13.1	20.3	24.3
	192.9	128.0	92.0	100.6	97.1
Non current liabilities					
Redeemable preference shares	–	–	–	–	–
	–	–	–	–	–
Total liabilities	192.9	128.0	92.0	100.6	97.1
Capital and reserves					
Total shareholders' equity	735.3	663.0	591.4	565.9	507.0
Total equity	735.3	663.0	591.4	565.9	507.0
Total equity and liabilities	928.2	791.0	683.4	666.5	604.1

The financial year 2014 has been restated following the adoption of IFRIC 21. Please refer to note 38 in the 2015 Annual Report. The financial year 2013 has not been restated following the adoption of IFRIC 21 on a materiality basis.

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 under Company Information to the right. You can also change your communication method back to post by logging in to your Investor Centre account and going 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 through 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	28 September 2017
Record date	29 September 2017
Last day to elect for dividend reinvestment plan	6 October 2017
Annual General Meeting	21 September 2017
Final dividend payment date	27 October 2017
2018 interim dividend	February 2018

Annual shareholder calendar⁽¹⁾

Company reporting	
Final results announced	18 July 2017
Annual Report published	11 August 2017
Annual General Meeting	21 September 2017

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.

⁽¹⁾ Please note that these dates are provisional and subject to change.

COMPANY INFORMATION

Directors

Executive Directors
P G Hetherington (Chief Executive Officer)
P Mainwaring (Chief Financial Officer)

Non-Executive Directors

A J Green (Chairman)	J Felix
S G Hill	J A Newman
M Le May (Senior Independent Director)	S J Tymms

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
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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
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Registered office

Cannon Bridge House
25 Dowgate Hill
London
EC4R 2YA

Registered number

04677092

SHAREHOLDER AND COMPANY INFORMATION

continued

CAUTIONARY STATEMENT

Certain statements included in our 2017 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 Australia CFD Report,
released in June 2016

Investment Trends France CFD/FX Report,
released in May 2016

Investment Trends Spain CFD/FX Report,
released in May 2017

Investment Trends Germany CFD/FX Report,
released in May 2017

Investment Trends Singapore CFD/FX Report,
released in November 2016

Investment Trends UK Leveraged Trading Report,
released in October 2016

NOTES

Company overview

Strategic report

Corporate Governance report

Financial statements

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