IG Markets Limited

Annual report and financial statements

31 May 2014

Directors

P G Hetherington
T A Howkins
C F Hill

Company Secretary

B Messer

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

Bankers

Lloyds Bank plc
10 Gresham Street
London EC2V 7AE

The Royal Bank of Scotland
54 Lime Street
London EC3M 7NQ

HSBC Bank plc
8 Canada Square
E14 5QH

Solicitors

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One Silk Street
London EC2Y 8HQ

Brokers

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1 Finsbury Avenue
London EC2M 2PP

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10 Paternoster Square
London EC4M 7LT

Registered Office

Cannon Bridge House
25 Dowgate Hill
London EC4R 2YA

Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of IG Markets Limited (the Company or IG Markets) for the year ended 31 May 2014.

Directors

The Directors of the Company who held office during the year were as follows:

P G Hetherington
T A Howkins
C F Hill

No Director had any beneficial interest in the share capital of the Company during the year.

The ultimate parent company, IG Group Holdings plc, operates long term incentive plans for management, including the Directors of IG Markets Limited, further described in the financial statements of IG Group Holdings plc and note 25 of the IG Markets Limited financial statements.

Branches outside the United Kingdom

In line with strategic objectives, the Company has branches in a number of overseas jurisdictions, including Australia Germany, France, Italy, Spain, Holland, Sweden, Norway and Luxembourg.

Results

The Company's profit for the year, after taxation, decreased by 8.2% (2013: increased by 11%) to £79.9 million (2013: £87.1 million).

Dividends

The company declared a dividend of £25.2 million to payable to its immediate parent, Market Data Limited.

Subsequent events

The Group has on 15 July 2014 completed the renegotiation of the £200.0 million liquidity facility with a syndicate of three banks. In doing so the Group has renewed the £120.0 million element of the facility available for a period of one year (with an option to extend for a further year) and renegotiated the £80.0 million element of the facility to be available for a further three years respectively from 31 July 2014. IG Markets is party to this facility and is able to draw upon it as a borrower.

Independent auditors

A resolution to re-appoint the Company's auditors PricewaterhouseCoopers LLP will be put to shareholders at the forthcoming AGM in October 2014.

Insurance and indemnities

The Company purchases appropriate liability insurance for all Directors and officers.

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 is obliged to take as a Director in order to make him aware of any relevant audit information and to establish that the auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Going concern

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

The Directors have reviewed the Group's processes to control the financial risks to which the Company is exposed, its available liquidity, its regulatory capital position and the annual budget. As a result of this review the Directors

Directors' Report

have a reasonable expectation that the Company 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.

By order of the Board

P Hetherington

Director

22 August 2014

Strategic Report

Principal activities

The Company offers contracts for difference ('CFDs') to retail and corporate clients in the UK, Europe and Australia. The Company hedges unmatched trades including those for other Group companies, as considered appropriate, to ensure it is not unacceptably exposed to material losses. The Company also provides an IT platform, brokering and market risk services to other Group companies. The Company is currently in the process of establishing an execution only stockbroking service that will become available to retail clients during the financial year ended 31 May 2015.

The Company is a wholly-owned subsidiary of Market Data Limited and the ultimate parent company is IG Group Holdings plc (IG Group Holdings plc together with all its subsidiary undertakings, "the Group"). The Company is regulated by the Financial Conduct Authority.

Review of business and future developments

Net trading revenue was broadly flat at £192.1 million (2013: £191.6 million), an increase of 0.3%. An 8.8% decrease in UK revenue (to £109.9 million) was offset by a 15.6% increase in European revenue (to £82.1 million).

Lower market volatility, particularly in the second half of the financial year, resulted in a decrease of 8.8% in net trading revenue from the Company's UK office to £109.9 million (2013: £120.6 million). This revenue includes the UK and Ireland CFD businesses as well as revenues earned through the provision of an IT platform, broking services and market risk management services for the Group's overseas subsidiaries.

The European segment comprised offices in Germany, France, Luxembourg, Italy, Spain, Holland, Sweden and Norway. European revenue increased 15.6% to £82.1 million (2013: £71.0 million), with growth in both the number of clients trading, up 5.6%, and average revenue per client, up 9.5%. Germany and France generated the most revenue, with growth of 19.8% and 15.0% respectively. Europe contributed 42.8% of Company revenue in the financial year (2013: 37.1%), and, as European markets mature, is likely to be a key contributor to revenue growth in the next few years.

Australian net trading decreased 7.3% to £52.2 million (2013: £56.3 million). Active client numbers decreased 5.1% and revenue per client decreased 2.2%. This was due to the Australian economy entering a recessionary phase, and very low forex market volatility.

Operating profit fell 8.1% to £104.8 million. This fall is attributable to a £2.0 million reduction in interest received on client money and a £7.4 million increase in operating costs. Interest income decreased due to lower central bank base rates, and the reduction in the margins paid by the UK banks on sterling client money deposits in response to Basel III. Significant operating cost increases were in advertising and marketing (up £1.6 million), share-based incentive plans (up £1.7 million), bad debts (up £0.8m) and staff travel and recruitment costs (up £0.6 million).

Administrative expenses also included recharges from a related party of £54.1 million (2013: £47.8 million), an increase of 13.2% (see notes 5 and 28).

Operating profit for the UK and Europe for 2014 and 2013 is as follows:

	2014			*2013*		
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
	UK	*Europe*	*Total*	*UK*	*Europe*	*Total*
Net trading revenue	109,938	82,142	192,080	120,561	71,047	191,608
Operating profit	53,423	51,366	104,789	69,878	44,169	114,047

Shareholders' equity increased from £340.2 million to £395.4 million as at 31 May 2014.

Strategic Report

Capital resources

The Company had significant surplus regulatory capital resources over the regulatory capital resources requirement throughout the year.

At the year-end, under FCA rules, the Company's capital resources exceeded the Pillar 1 capital resources requirement by 477% (2013: 399%). Total regulatory capital resources as at 31 May 2014 were £390.8 million (2013: £336.1 million). An analysis of the Group's consolidated capital resources and capital resources requirement is provided in the financial statements for IG Group Holdings plc.

Risk Management and Key risk Indicators

The principal activities of the Company outlined above give rise to exposure to financial and operational risks in the ordinary course of business. These risks are managed on a Group-wide basis as disclosed in the financial statements of IG Group Holdings plc.

Effective management of the Group's and Company's business risks is critical to the successful delivery of its strategy. The Group identifies the nature and potential impact of these risks, in order to maintain a risk-controlled environment throughout the business. The Risk Governance Framework sets out the framework for the Board and executive committees, Non-Executive Director (NED) review at Group level, independent control functions and ongoing business operations that exercise governance over risk. This risk management and oversight at Group level is then applied to the Company's risk management and oversight.

Group Risk Appetite Statement and Key Risk Indicators

The Company's Risk appetite statement is the same as that for the ultimate controlling party, IG Group Holdings plc.

The Group's Risk Appetite Statement establishes guidelines for risk management throughout the business. The Group aims to maintain a conservative risk-reward profile, and the Board has developed the Risk Appetite Statement based on the following four key principles:

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

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

Key Risks

The following section describes the key risks that both the Company and Group faces and the steps that the Company takes in order to manage these risks.

Credit Risk

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

Financial Institution Credit Risk

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

Strategic Report

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

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

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

Client Credit Risk

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

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

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

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

Market Risk

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

We manage market risk on a real-time basis, monitoring all client positions against market risk limits set by the Executive Risk Committee. The Company operates within these limits by hedging our market risk exposure as and when required. We do not take proprietary positions based on the expectation of market movement. Our technology enables us to monitor our market exposure constantly and in real time. If exposures exceed our pre-agreed limits, our risk management policy requires that we hedge the positions to bring the exposure back into line with these limits.

Liquidity Risk

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

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

Due to the very short-term nature of our financial assets and liabilities, we do not have any material mismatches in our liquidity maturity profiles. Short-term liquidity 'gaps' can arise, however, in special circumstances, due to our commitment to segregate all individual client funds. If there are significant market falls we are required to fund margin payments to brokers prior to releasing funds from segregation. During periods of very high client activity, or

Strategic Report

significant directional movements in global markets, we may be required to fund higher margin requirements with our brokers to hedge increased underlying client positions. We fund these requirements from our own available liquidity. Post year-end the Group renegotiated its liquidity facilities.

Operational Risk

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

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

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

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

Regulatory Risk

The Company regards regulatory risk as one of our most significant risks. In short, we define regulatory risk as the risk that:

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

We invest significant time and resources to manage and control our regulatory risk. More specifically:

Breach Risk

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

Change Risk

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

- Financial Transactions Tax (FTT): during the year the Company has seen many developments in this area, from the introduction of unilateral FTT regimes in France and Italy, to the attempted Enhanced Cooperation efforts of the 11 member states wishing to bring in a harmonised FTT with a wide scope. The Company has expended significant efforts throughout the year to both maintain accurate knowledge of the status of these tax initiatives and to understand the many stakeholders' interests and views. It is not yet clear where the Enhanced Cooperation FTT will end up, but the Company are cautiously optimistic that it won't be passed as originally proposed, and certainly not within the time frame initially proposed. The outcome of an Enhanced

Strategic Report

Cooperation FTT is very difficult to assess and potentially ranges from extremely negative to mildly positive, depending on the scope of the tax. We continue to monitor developments carefully

- European Markets Infrastructure Regulation: the main impact of this legislation on our business is increased reporting requirements to trade repositories. Potentially, we will also be impacted by International Organisation of Securities Commission work on margin for 'Over-The-Counter' trading but the rules on this have not yet been settled. If these proposals do affect the business it may be some years before any impact will take effect
- MiFID II: The Company has continued to monitor developments on this regulatory initiative and remain of the view that MiFID II is unlikely to pose a threat to our UK and European businesses. The Company continues to monitor the situation carefully. If these proposals do affect the business it may be some years before any impact will take effect
- The FCA has indicated it will undertake thematic reviews into: conduct, cyber, culture and IT resilience. These matters are under review in the business as a result

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

Expansion Risk

Like Change Risk, we seek to mitigate Expansion Risk by engaging with regulators and policy makers in countries where we do not yet operate, but where we would like to. Of course, regulatory change can also represent an opportunity for our business

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

Key Performance Indicators

The Directors of IG Group plc manage the group's operations on a geographical basis. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the relevant geographical segment for the Company, is discussed in the IG Group Holdings plc annual report.

Statement of Directors' Responsibilities

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for preparing the Strategic Report , Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union, and IFRSs as issued by the International Accounting Standards Board (IASB), have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the 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.

By order of the Board

P Hetherington

Director

22 August 2014

Independent Auditors' Report

To the members of IG Markets Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 May 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by IG Markets Limited, comprise:

- the Statement of Financial Position as at 31 May 2014;
- the Income Statement for the year then ended;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Shareholders' Equity for the year then ended;
- the Cash Flow Statement for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement, 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.

D Kettering

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

12 August 2014

Income Statement

for the year ended 31 May 2014

	Notes	*2014* *£000*	*2013* *£000*
Trading revenue		225,171	223,599
Interest income on segregated client funds		4,254	6,232
Revenue		229,425	229,831
Interest expense on segregated client funds		(34)	(19)
Introducing partner commissions		(33,091)	(31,991)
Financial transaction taxes		(393)	-
Other operating income	4	256	207
Net operating income		196,163	198,028
Analysed as:			
Net trading revenue	3	192,080	191,608
Other net operating income		4,083	6,420
Administrative expenses		(91,374)	(83,981)
Operating profit	5	104,789	114,047
Finance revenue	10	1,083	1,699
Finance costs	11	(468)	(609)
Exceptional items	6	(4,313)	-
Profit before taxation		101,091	115,137
Tax expense	13	(21,153)	(28,040)
Profit for the year		79,938	87,097

All of the Company's revenue and profit for the year and prior year relate to continuing operations.

The notes on pages 17 to 58 are an integral part of these financial statements.

Statement of Comprehensive Income

for the year ended 31 May 2014

		2014		2013	
	Notes	£000	£000		£000
Profit for the year			79,938		87,097
Other comprehensive (expense)/income: *Items that may be subsequently reclassified to profit or loss:*					
Change in value of available-for-sale financial assets	20	60		(38)	
Other comprehensive income / (expense) for the year, net of tax			60		(38)
Total comprehensive income for the year			79,998		87,059

All items of other comprehensive income or expense may be subsequently reclassified to profit or loss. The items of comprehensive income noted above are stated net of related tax effects. The notes on pages 17 to 58 are an integral part of these financial statements.

Statement of Financial Position

at 31 May 2014

	Notes	2014 £000	2013 £000
Assets			
Non-current assets			
Property, plant and equipment	14	428	453
Intangible assets	15	37	32
Investment in subsidiaries	16	3,856	3,856
Financial investments	20	32,150	-
Deferred tax asset	13	623	303
		37,094	4,644
Current assets			
Trade receivables	17	309,152	286,618
Prepayments and other receivables	18	131,472	58,734
Cash and short term deposits	19	77,908	68,969
Financial investments	20	50,307	50,468
		568,839	464,789
TOTAL ASSETS		605,933	469,433
Liabilities			
Current liabilities			
Trade payables	21	74,738	65,151
Other payables	22	127,995	51,212
Income tax payable		7,845	12,881
Total liabilities		210,578	129,244
Equity attributable to owners of the parent			
Share capital	23	13,000	13,000
Other reserves	24	1,092	708
Retained earnings	24	381,263	326,481
Total equity		395,355	340,189
TOTAL EQUITY AND LIABILITIES		605,933	469,433

The financial statements on pages 12 to 58 are an integral part of these financial statements.

Approved by the Board of Directors and signed on their behalf by:

P Hetherington
Director
22 August 2014

Statement of Changes in Shareholders' Equity
for the year ended 31 May 2014

	Share capital £000 (Note 23)	*Other reserves £000 (Note 24)*	*Retained earnings £000 (Note 24)*	*Total equity £000*
At 1 June 2012	13,000	606	239,384	252,990
Profit for the year	–	–	87,097	87,097
Other comprehensive expense for the year	–	(38)	–	(38)
Total comprehensive income for the year	–	(38)	87,097	87,059
Equity settled employee share-based payments *(Note 9)*	–	140	–	140
Movement in shareholders' equity	–	102	87,097	87,199
At 31 May 2013	13,000	708	326,481	340,189
Profit for the year			79,938	79,938
Other comprehensive income for the year	–	60	–	60
Total comprehensive income for the year	–	60	79,938	79,998
Equity-settled employee share-based payments *(Note 9)*	–	324	–	324
Equity dividends paid	–	–	(25,156)	(25,156)
Movement in shareholders' equity	–	384	54,782	55,166
At 31 May 2014	13,000	1,092	381,263	395,355

The notes on pages 17 to 58 are an integral part of these financial statements.

Cash Flow Statement
for the year ended 31 May 2014

	Notes	2014 £000	2013 £000
Operating activities			
Operating profit		104,789	114,047
Adjustments to reconcile operating profit to net cash flow from operating activities			
Net interest income on segregated client funds		(4,220)	(6,213)
Depreciation of property, plant and equipment	5, 14	246	261
Amortisation of intangible assets	5, 15	20	13
Equity settled share-based payments	9	324	140
Non-cash foreign exchange (gains) in operating profit		-	(575)
(Increase) in trade and other receivables [1]		(98,229)	(139,652)
Increase/(decrease) in trade and other payables		59,133	(38,247)
Other non-cash items		-	82
Cash generated from /(used in) operations		62,063	(70,144)
Income taxes paid		(26,398)	(27,096)
Interest received on segregated client funds		4,466	6,502
Interest paid on segregated client funds		(29)	(19)
Net cash generated/ (used in) operating activities		40,102	(90,757)
Investing activities			
Interest received		1,083	1,801
Purchase of property, plant and equipment	14	(228)	(394)
Payments to acquire intangible assets	15	(25)	(31)
Purchase of financial investments	20	(91,293)	(50,486)
Proceeds from maturity of financial investments		59,380	-
Net cash (used in) investing activities		(31,083)	(49,110)
Financing activities			
Proceeds from draw down of committed banking facility	32	80,000	-
Repayment of committed banking facility	32	(80,000)	-
Interest paid		(80)	(609)
Net cash used in financing activities		(80)	(609)
Net increase/ (decrease) in cash and cash equivalents		8,939	(140,476)
Cash and cash equivalents at the beginning of the year		68,969	209,445
Net cash and cash equivalents at the end of year	19	77,908	68,969

[1] Includes a one-off impairment of a trade receivable of £4.3m (see note 6)

The notes on pages 17 to 58 are an integral part of these financial statements. The dividend declared during the year was non-cash and will be settled via Group treasury.

Notes to the Financial Statements

at 31 May 2014

1. Authorisation of financial statements and statement of compliance with IFRS

The financial statements of IG Markets Limited for the year ended 31 May 2014 were authorised for issue by the Board of Directors on 22 August 2014 and the statement of financial position signed on the Board's behalf by P Hetherington. IG Markets Limited is incorporated and domiciled in England and Wales.

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

Critical accounting estimates and judgements

The preparation of financial statements requires the Company to make estimates and judgements 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 judgements that have the most significant impact on the measurement of items recorded in the financial statements remain the amounts due from clients and brokers (refer to notes 17 and 32), and the calculation of the Company's current corporation tax charge (refer to note 13).

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

The measurement of the Company's net trading revenue is predominately based on quoted market prices (please refer to note 31 for the financial instrument valuation hierarchy disclosures) and accordingly involves little judgement. However, the calculation of the segmental net trading revenue, as the Company manages risk and hedges on a group-wide portfolio basis, involves the use of an allocation methodology. This allocation methodology does not impact on the overall Company net trading revenue disclosed.

Basis of preparation

The accounting policies which follow have been consistently applied in preparing the financial statements for the year ended 31 May 2014. The financial statements are presented in Sterling.

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. The nature of estimates means that actual outcomes could differ from those estimates.

Going concern

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

Parent company and Group financial statements

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

Notes to the Financial Statements

at 31 May 2014

2. Accounting policies (continued)

The Company is exempt under s400 of the Companies Act 2006 from preparing group financial statements because they have been included in the consolidated financial statements of IG Group Holdings plc, a company incorporated in the United Kingdom.

The financial statements of IG Group Holdings plc and its subsidiary companies, which include the results of IG Markets Limited, may be obtained from Cannon Bridge House, 25 Dowgate Hill, London EC4R 2YA. The Group financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as they apply to the financial statements of the group for the year ended 31 May 2014 applied in accordance with the provisions of the Companies Act 2006.

Foreign currencies

The Company's functional currency is Sterling. Transactions in foreign currencies are translated into the functional currency at the rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the statement of financial position date. Non-monetary assets and liabilities carried at fair value that are dominated 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 statement of comprehensive income.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment losses. Impairment reviews are conducted in the event of significant indications of impairment arising.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. 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
- Motor Vehicles - over 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 de-recognition of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is included in the statement of comprehensive income in the period of de-recognition.

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 is recognised 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,

Notes to the Financial Statements

at 31 May 2014

2. Accounting policies (continued)

excluding development costs, is taken to the statement of comprehensive income in the year in which it is incurred. Development expenditure is recognised as an intangible asset only after all the following criteria are met:

- the project's technical feasibility and commercial viability can be demonstrated;
- the availability of adequate technical and financial resources and an intention to complete the project have been confirmed; and
- the correlation between development costs and future revenue has been established.

Following initial recognition, the historical cost model is applied, with intangible assets being carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets with a finite life are amortised on a straight line basis over their expected useful lives, as follows:

- Software and licences - straight-line basis over the contract term of up to 5 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 Company's property, plant and equipment, intangible assets and investments in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company 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.

Financial instruments

Classification, Recognition and Measurement

The Company determines the classification of its financial instruments at initial recognition in accordance with the categories outlined below and re-evaluates this designation at each financial year-end. When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, directly attributable transaction costs. Financial instruments are disclosed in note 35 to the financial statements.

Notes to the Financial Statements

at 31 May 2014

2. Accounting policies (continued)

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

Level 1: Valued using unadjusted quoted prices in active markets for identical financial instruments.

Level 2: Valued using techniques where a price is derived based significantly on observable market data. For example, where an active market for an identical financial instrument to the product offered by the Company to its clients or used by the Company to hedge its market risk does not exist.

Level 3: Valued using techniques that incorporate information other than observable market data that is significant to the overall valuation.

(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 Company'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 Company's available-for-sale assets comprise of 'financial investments'.

Derecognition of financial assets and liabilities

A financial asset or liability is generally de-recognised when the contract that gives rise to it is settled, sold, cancelled or expires.

(a) Financial assets

A financial asset is derecognised where the rights to receive cash flows from the asset have expired; the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original

Notes to the Financial Statements

at 31 May 2014

2. Accounting policies (continued)

carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(b) Financial liabilities

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

Trade receivables and trade payables

Assets or liabilities resulting from profit or losses on open positions are carried at fair value. Amounts due from or to clients and brokers are netted against other assets and liabilities with the same counterparty where a legally enforceable netting agreement is in place and where it is anticipated that assets and liabilities will be netted on settlement.

Trade receivables represent balances with counterparties and clients where the combination of cash held on account and the valuation of financial derivative open positions result in an amount due to the Company. 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 Company.

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 Company holds money on behalf of clients in accordance with the client money rules of the UK Financial Conduct Authority (FCA) and other regulatory bodies. Such monies are classified as either 'cash and cash equivalents' 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 Company's ability to control the monies and accordingly such amounts and are not held on the Company's statement of financial position.

The amount of segregated client funds held at year-end is disclosed in note 19 to the financial statements. The return received on managing segregated client funds is included within net operating income.

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

Notes to the Financial Statements

at 31 May 2014

2. Accounting policies (continued)

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 are included is included in interest using the Effective Interest Rate (EIR) method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company 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 Company 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 Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Borrowings

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

All borrowing costs are expensed as they are incurred.

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.

Notes to the Financial Statements
at 31 May 2014

2. Accounting policies (continued)

(b) Bonus schemes

The Company recognises a liability and an expense for bonuses based on formulae that take into consideration both the Group's revenue and performance against certain non-financial measures.

Termination benefits

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

Changes in accounting policies

The accounting policies adopted in the preparation of financial statements are consistent with those followed in the preparation of the Group's Annual Report for the year ended 31 May 2014.

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 Company's liability for current tax is calculated using tax rates in the respective jurisdictions that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is accounted for on all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax 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 Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.
The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Revenue recognition

Trading revenue represents gains and losses arising on client trading activity primarily in contracts for difference or binary products and the transactions undertaken to hedge the risk associated with client trading activity. Open client and hedging positions are carried at fair market value and gains and losses arising on this valuation are recognised in revenue as well as gains and losses realised on positions that have closed. The policies and

Notes to the Financial Statements

at 31 May 2014

2. Accounting policies (continued)

methodologies associated with the determination of fair value have been discussed above under Financial Instruments.

Trading revenue also includes spread, commission and funding charges made to clients in respect of the opening, holding and closing of contracts for difference or binary products.

Revenue is recognised when it is probable that economic benefits associated with the transaction will flow to the Company and the revenue can be reliably measured.

Trading revenue is reported gross of introductory partner commission as these amounts are directly linked to trading revenue. Introductory partner commission, along with betting duties and financial transaction taxes paid are disclosed as an expense in arriving at net operating income.

Finance revenue and interest income on segregated client funds is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. The effective interest rate is the rate which exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's net carrying amount. Interest income on segregated client funds is disclosed within revenue and therefore operating profit as this is consistent with the nature of the Company's operations.

Net trading revenue, disclosed on the face of the consolidated income statement and in the notes to the financial statements, represents trading revenue from financial instruments carried at fair value through profit or loss and has been disclosed net of introductory partner commission as this is consistent with the management information received by the Chief Operating Decision Maker.

Dividends receivable are recognised when the shareholder's right to receive the payment is established.

Operating profit

Operating profit is the sum of the results of the principal activities of the Company after charging depreciation of property, plant and equipment, amortisation of intangible assets, operating lease rentals on land and buildings, foreign exchange differences, profit or loss on sale of property, plant and equipment and other administrative expenses.

Exceptional items

Exceptional items are those items of income and expense that the Company considers are material and / or of such a nature that they merit separate presentation in order to aid a reader's understanding of the Company's financial performance.

Finance costs and interest expense on segregated client funds

Finance costs and interest expense on segregated client funds are accrued on a time basis by reference to the principal amount charged at the effective interest rate applicable. The effective interest rate is the rate that exactly discounts the future expected cash flows to the carrying amount of the liability. Issue costs are included in the determination of the effective interest rates.

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

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

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.

Notes to the Financial Statements

at 31 May 2014

2. Accounting policies (continued)

Changes in accounting policies

The accounting policies adopted in the preparation of financial statements are consistent with those followed in the preparation of the Group's Annual Report for the year ended 31 May 2013.

New and amended standards adopted by the Company

The following new standards and interpretations are effective for accounting periods beginning 1 June 2013 but have not had a material impact on the presentation of, nor the results or financial position of the Company:

- Amendment to IAS 12,'Income taxes' on deferred tax (effective 1 January 2012) (endorsed 1 January 2013)
- Amendment to IAS 1,'Presentation of financial statements' on OCI (effective 1 July 2012)
- IFRS 13 "Fair value measurement" (effective 1 January 2013).
- IFRS 10 "Consolidated Financial Statements" (effective 1 January 2013)
- IFRS 11 "Joint Arrangements" (effective 1 January 2013)
- IFRS 12 "Disclosure of Interests in Other Entities" (effective 1 January 2013)
- IAS 19 (revised 2011) "Employee benefits" (effective 1 January 2013)
- Amendment to IFRS 7 "Financial instruments: Disclosures" (effective 1 July 2013)
- IAS 32 "Financial instruments: Presentation" (effective 1 January 2014)
- Amendment to IAS 28 "Investment in Associates and Joint Ventures" (effective 1 January 2013)
- Amendments to IFRS 7, 'Financial instruments: Disclosures', on financial asset and financial liability offsetting (effective 1 January 2013)
- Amendment to IAS 27 "Separate Financial Statements" (effective 1 January 2013)
- Amendment to IAS 19 "Employee Benefits" (Effective 1 January 2013)
- Annual improvements 2011 (effective 1 January 2013)

Other new standards, amendments and interpretations, including those listed below, have been issued but are not effective for accounting periods beginning 1 June 2013 and have not been early adopted by the Company:

- Amendment to IAS 32 "Financial Instruments: Presentation" on offsetting financial assets and financial liabilities (effective 1 January 2014)
- Amendments to IAS 36 "Impairment of assets" (effective 1 January 2014)
- Amendments to IAS 39 "Financial Instruments: Recognition and measurement" on novation of derivatives and hedge accounting (effective 1 January 2014)
- Amendment to IAS 19 "Employee Benefits" (effective 1 July 2014)
- Annual improvements 2012 (effective 1 July 2014)
- Annual improvements 2013 (effective 1 July 2014)
- IFRS 9 "Financial instruments" – classification and measurement (effective 1 January 2018)
- Amendments to IFRS 9 " Financial Instruments" regarding general hedge accounting (effective 1 January 2018)
- IFRIC 21 "Levies" (effective 1 January 2014)

Notes to the Financial Statements
at 31 May 2014

2. Accounting policies (continued)

The new standards and amendments above are not expected to have a material impact on the Group or Company apart from IFRIC 21 "Levies". This will impact the accounting for the Financial Services Compensation Scheme (FSCS) levy for the year commencing 1 June 2014. FSCS levies are raised in respect of the financial year of the FSCS which runs from 1 April to the following 31 March. The levy is payable in its entirety if the Company is in operation under its FCA license on 1 April, being the obligating event, and is levied relating to revenues of the Company's prior year. IFRIC21 requires the levy to be recognised in full in the income statement on 1 April 2015. The existence of relevant activity in the previous period is necessary, but not sufficient, to create a present obligation, neither does the future operation of the business after 1 April result in the charge being spread over the FSCS financial year, this being the previous accounting treatment adopted by the Company. Therefore, in the next financial year the levy will be expensed to the income statement in full on 1 April 2015 with no charge in the first half of the year. Prior year comparatives will be restated under the IFRIC with an equity reserves adjustment recognised for the FSCS levy as at 1 April 2013.

3. Net trading revenue

Net trading revenue represents the net trading income from financial instruments carried at fair value through profit and loss, net of introducing partner commission. Revenue from external customers includes interest income on segregated client funds and is analysed as follows:

	2014	*2013*
	£000	*£000*
Net trading revenue	192,080	191,608
Interest income on segregated client funds	4,254	6,232
Revenue from external customers	196,334	197,840

In addition to the above, Finance revenue is disclosed in note 10.

4. Other operating income

	2014	*2013*
	£000	*£000*
Inactivity fees	256	207

In the year ended 31 May 2013, the Company commenced charging inactivity fees for those accounts on which clients had not traded for two years.

Notes to the Financial Statements

at 31 May 2014

5. Operating profit

	2014	*2013*
	£000	*£000*
This is stated after charging/(crediting):		
Depreciation of property, plant and equipment	253	261
Amortisation of intangible assets	20	13
Operating lease rentals	2,040	1,985
Impairment of trade receivables	1,263	464
Foreign exchange differences	-	(575)
Advertising and marketing	16,621	15,044

All of the above, except foreign exchange differences are included in the administrative expenses on the statement of comprehensive income are presented net of recharges from a fellow Group subsidiary. Foreign exchange differences are included in revenue.

	2014	*2013*
	£000	*£000*
Administrative expenses include the following recharges/ (income) from a fellow Group subsidiary:		
Staff costs	37,351	37,239
Operating lease rentals	1,275	405
IT Maintenance and support	3,084	2,305
Regulatory fees	49	(325)
Sales taxes	5,287	3,535
Advertising and marketing	3,362	2,253
Other	3,726	2,403
Total expenses recharged from a fellow Group subsidiary	54,134	47,815

Refer to notes 9 and 30 for further information regarding recharged expenses included in operating profit.

Notes to the Financial Statements

at 31 May 2014

6. Exceptional items

At the end of the year ended 31 May 2014, following an impairment review an exceptional item was incurred in relation to the impairment of a trade receivable owed to the Company by Market Data Japan, a fellow Group subsidiary.

	2014	*2013*
	£000	*£000*
Exceptional items included in profit before tax:		
Impairment of trade receivable owed by fellow Group subsidiary	4,313	-

7. Auditors' remuneration

Audit fees in relation to audit of financial statements of the Company and its branches amounting to £67,000 (2013: £42,000) are borne by a fellow Group undertaking.

	2014	*2013*
Audit related fees	*£000*	*£000*
Fee's payable to the Company's auditors for the audit of the Company's financial statements	21	11
Statutory and regulatory audit of branches of the Company pursuant to legislation	48	31
Other assurance services	-	8
Total audit and audit-related fees	69	50
Non-audit fees to auditors:		
Other services relating to taxation		
- Tax compliance services	25	105
- Tax advisory services	13	13
All other services	58	44
Total other fees	96	162

Notes to the Financial Statements

at 31 May 2014

8. Directors' emoluments

Directors' emoluments represent amounts paid to Directors for services to the Group. Only a proportion of these relate to IG Markets Limited. These costs are paid by other group companies.

	2014	*2013*
	£000	*£000*
Salaries and other short term employee benefits	1,058	2,149[1]
Pension contributions	158	175[1]
Share-based payments	3,396	1,346

	No.	*No.*
Members of money purchase pension scheme	2	3

	2013	*2013*
	£000	*£000*
Highest paid Director:		
Emoluments	1,885	827
Pension contributions	69	64

[1]Includes £140,000 and £21,000 respectively for loss of office for A MacKay during the year ended 31 May 2013.

9. Staff costs

The Company has direct employees in its overseas branches. The average monthly number of employees during the year was 80 (2013: 72). All employees in the UK are employed by a fellow Group company. The staff costs presented below are in relation to direct employees only, who are employed in sales and marketing. The staff costs for the year were as follows:

	2014	*2013*
	£000	*£000*
Wages and salaries	5,202	4,006
Social security costs	1,498	1,117
Other pension costs	119	115
	6,819	5,238

Notes to the Financial Statements
at 31 May 2014

9. Staff costs (continued)

Wages and salaries include the following amounts in respect of performance related bonuses, excluding national insurance, and share-based payments charged to the statement of comprehensive income:

	2014	2013
	£000	£000
Performance related bonuses	1,482	454
Equity settled share-based payments	324	140
	1,806	594

Staff costs recharged by a fellow group company for services provided by UK staff amounted to £37,351,000 (2013: £37,239,000).

10. Finance revenue

	2014	2013
	£000	£000
Bank interest receivable	320	854
Interest accretion on financial investments	286	20
Interest receivable from brokers	477	825
	1,083	1,699

11. Finance costs

	2014	2013
	£000	£000
Interest payable to clients	37	87
Interest payable to brokers	45	86
Interest paid to a fellow group subsidiary	386	436
	468	609

12. Dividend

	2014	2013
	£000	£000
Declared and paid during the year:		
Interim dividend of 193.5p per share (2013: £nil)	25,156	-
	25,156	-

During the year the Company declared a dividend of 193.5p per share amounting to £25.2 million payable to its immediate parent Market Data Limited (2013: £nil).

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13. Taxation

(a) Tax on profit on ordinary activities

Tax charged in the income statement:

	2014	2013
Current income tax:	£000	£000
Corporation tax	24,083	27,327
Adjustment in respect of prior years	(2,610)	777
Total current income tax	21,473	28,104
Deferred income tax		
Deferred tax:	66	
Adjustment in respect of prior years	(386)	(64)
Tax expense in the statement of comprehensive income	21,153	28,040

(b) Reconciliation of the total tax charge:

The standard rate of corporation tax in the UK changed from 23 to 21% with effect from 1 April 2014. Accordingly, the effective corporation tax is calculated at 22.67% (2013: 23.83%) of the estimated assessable profit in the UK. Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions. The tax expense in the income statement for the year can be reconciled to the income statement as set out below:

	2014	2013
	£000	£000
Accounting profit before taxation	101,091	115,137
Accounting profit multiplied by the UK standard rate of corporation tax at 22.67% (2013: 23.83%)	22,913	27,437
Effects of:		
Expenses not deductible for tax purposes	2,070	744
Change in tax rates	93	-
Group relief claimed	(1,732)	(1,550)
Effect of foreign tax rates	805	682
Adjustment in respect of prior years	(2,996)	777
Impact of timing differences not previously recognised	-	(50)
Total tax expense reported in the statement of comprehensive income	21,153	28,040

The effective corporation tax rate is 20.9% (2012: 24.4%).

Notes to the Financial Statements

at 31 May 2014

13. Taxation (continued)

(c) Deferred income tax assets:

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

	2014	*2013*
	£000	*£000*
Depreciation in excess of capital allowances	160	19
Other timing differences	463	284
	623	303

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

	2014	*2013*
	£000	*£000*
At the beginning of the year	303	239
Statement of comprehensive income	320	64
	623	303

(d) Deferred income tax – statement of comprehensive income charge

	2014	*2013*
	£000	*£000*
The deferred income tax (charge)/credit included in the statement of comprehensive income is made up as follows:		
Decelerated/(accelerated) capital allowances	141	(185)
Other timing differences	179	249
	320	64
The deferred tax credited to equity during the year is as follows:		
Share-based payments	-	-

Closing deferred tax on UK temporary differences has been calculated at the substantively enacted rate of 20% (2013: 21%). The effect of the change in UK corporation tax to 20% from 1 April 2015 on the deferred tax assets is a deferred income tax charge of £93,000, which is included in the movements above.

(e) Factors affecting the tax charge in future years

Factors that may affect the Company's future tax charge include the transfer pricing policies, the UK corporation tax rate, changes in tax legislation, future planning opportunities and the resolution of open tax issues.

The calculation of the Company's total tax charge involves a degree of estimation and judgement with respect to the recognition of deferred tax assets (refer to note 13(c)) and certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority. The Company holds tax provisions in respect of the potential tax liability that may arise on these unresolved items, however, the amount ultimately paid may be materially lower than the amount accrued and could therefore improve the overall profitability and cash flows of the Company in future periods.

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13. Taxation (continued)

On 1 April 2013 the main rate of corporation tax reduced from 24% to 23%. Further reductions to 21% from 1 April 2014 and 20% from 1 April 2015 became enacted through the 2013 Finance Act on 17 July 2013. The Company will assess the impact of the reductions in line with its accounting policy in respect of deferred tax at each reporting date.

14. Property, plant and equipment

	Leasehold improvements	*Office equipment, fixtures and fittings*	*Computer, and other equipment*	*Motor Vehicles*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
Cost:					
At 1 June 2012	490	221	185	25	921
Additions	232	90	72	-	394
Written off	(101)	(21)	(22)	-	(144)
At 31 May 2013	621	290	235	25	1,171
Additions	123	32	73	-	228
Written off	(79)	-	-	-	(79)
At 31 May 2014	665	322	308	25	1320
Accumulated Depreciation:					
At 1 June 2012	309	142	142	8	601
Provided during the year	147	60	46	8	261
Written off	(101)	(21)	(22)	-	(144)
At 31 May 2013	355	181	166	16	718
Provided during the year	127	57	61	8	253
Written off	(79)	-	-	-	(79)
At 31 May 2014	403	238	227	24	892
Net book value:					
At 31 May 2014	262	84	81	1	428
At 31 May 2013	266	109	69	9	453
At 1 June 2012	181	79	43	17	320

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at 31 May 2014

15. Intangible assets

	Software and licences	*Total*
	£000	*£000*
Cost:		
At 1 June 2012	234	234
Additions	31	31
Written off	(2)	(2)
At 31 May 2013	263	263
Additions	25	25
Written off	(145)	(145)
At 31 May 2014	143	143
Accumulated Amortisation:		
At 1 June 2012	220	220
Provided during the year	13	13
Written off	(2)	(2)
At 31 May 2013	231	231
Provided during the year	20	20
Written off	(145)	(145)
At 31 May 2014	106	106
Net book value:		
At 31 May 2014	37	37
At 31 May 2013	32	32
At 1 June 2012	14	14

Notes to the Financial Statements

at 31 May 2014

16. Investment in subsidiaries

At cost:	*2014*	*2013*
	£000	*£000*
At beginning and end of the year	3,856	3,856

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

Name of company	*Country of incorporation*	*Holding*	*Proportion of voting rights held*	*Nature of business*
Subsidiary undertakings held directly:				
IG Nominees Limited	UK	Ordinary shares	100%	Nominee company
ITS Market Solutions Limited	UK	Ordinary shares	100%	Non-trading
IG Finance 9 Limited	UK	Ordinary shares	100%	Financing
Subsidiary undertakings held indirectly:				
IG Asia Pte Limited	Singapore	Ordinary shares	100%	CFD trading and foreign exchange

IG Nominees Limited (04371444) and ITS Market Solutions Limited (04768327) 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 Finance 9 (07306407) is not subject to an audit by virtue of s479A of the Companies Act 2006 relating to subsidiary companies. As at 31 May 2014, ITS Market Solutions Limited was in the process of being liquidated.

17. Trade receivables

	2014	*2013*
	£000	*£000*
Amounts due from brokers	301,160	281,983
Other amounts due to the Company[(1)]	7,399	4,112
Amounts due from clients [(2)]	593	523
	309,152	286,618

[(1)]Other amounts due to the Company represent balances that will be transferred to the Company's own cash from segregated client funds on the immediately following working day in accordance the UK's Financial Conduct Authority (FCA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates. At 31 May 2014 this also includes amounts due from banking counterparties or held within segregated client funds in relation to monies transferred by clients to the Group that remain unsettled at the year-end. The Group is required to segregate these client funds at the point of client funding and not at cash settlement.

Notes to the Financial Statements

at 31 May 2014

17. Trade receivables (continued)

[2] Amounts due from clients arise when a client's total funds deposited with the Group are insufficient to cover any trading losses incurred and are stated net of an allowance for impairment.

18. Prepayments and other receivables

	2014	*2013*
	£000	*£000*
Other debtors	671	940
Prepayments	1,574	1,455
Amounts due from fellow Group subsidiaries (note 30)	129,227	56,339
	131,472	58,734

The amounts due from Group companies are unsecured, interest free and are repayable on demand.

19. Cash and short term deposits

	2014	*2013*
	£000	*£000*
Gross cash and short term deposits[1]	469,286	444,439
Less: Segregated client funds[2]	(391,378)	(375,470)
Own cash and title transfer funds[3]	77,908	68,969

[1] Gross cash and cash equivalents includes the Company's own cash as well as all client monies held including both segregated client and title transfer funds

[2] Segregated client funds comprise retail 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 Company operates. Such monies are not included in the Company's Statement of Financial Position.

[3] Title transfer funds are held by the Company under a Title Transfer Collateral Arrangement (TTCA) by which a client agrees that full ownership of such monies is unconditionally transferred to the Company.

Cash and cash equivalents are deposited for varying periods of between one day and three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

Undrawn committed Group borrowing facilities amounted to £200.0m (2013: £180.0m) at year end.

Notes to the Financial Statements

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20. Financial investments

	2014	*2013*
	£000	*£000*
UK Government securities		
At beginning of year	50,468	-
Purchase of securities	91,293	50,486
Maturity of securities and coupon receipts	(59,598)	-
Accrued interest	234	20
Net gains/(losses) transferred to equity	60	(38)
At end of year	82,457	50,468
Less non-current portion	(32,150)	-
Current portion	50,307	50,468

The UK Government securities are held by the Company in satisfaction of the FCA requirements to hold a "liquid asset buffer" against potential liquidity stress under BIPRU 12.

The effective interest rates of securities held at the year end range from 0.41% to 0.66%.

Financial investments are shown as current assets when they have a maturity less than one year and are held as 'available-for-sale'. The fair value of securities held is based on closing market prices at the year end as published by the UK Debt Management Office. Please refer to note 32(b)(ii) for a maturity profile.

21. Trade payables

	2014	*2013*
	£000	*£000*
Amounts due to title transfer clients	20,774	18,465
Intercompany hedging relationship with fellow group subsidiaries (note 30)	53,227	45,626
Other amounts due to clients[1]	-	467
Other trade payables	737	593
	74,738	65,151

[1]Other amounts due to clients represent balances that will be transferred from the Company's own cash into segregated client funds on the immediately following working day in accordance with the UK's Financial Conduct Authority (FCA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Company operates.

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at 31 May 2014

22. Other payables

	2014	2013
	£000	£000
Accruals and deferred income	8,371	9,650
Other taxes and social security	343	55
Amounts due to Group companies (note 30)	119,281	41,507
	127,995	51,212

23. Equity share capital

	2014	2013
	£000	£000
Allotted, called up and fully paid:		
13,000,000 ordinary shares of £1 each	13,000	13,000

24. Retained earnings and other reserves

	2014	2013
	£000	£000
Retained earnings	381,263	326,481
Other reserves	1,092	708
	382,355	327,189

Retained earnings

Retained earnings include profit and losses charged to the statement of comprehensive income.

Other reserves

Other reserves include a share-based payments reserve and an available for sale reserve.

The share-based payments reserve represents the equity contribution by the ultimate parent company, IG Group Holdings plc, for the equity-settled share-based payments made by IG Group Holdings plc to employees of the Company.

The available for sale (AFS) reserve records movements in the fair value of financial investments (see note 20) designated as available for sale, in accordance with IAS 39.

25. Employee share plans

The ultimate parent company, IG Group Holdings plc, 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 SPP and a new LTIP have been awarded in the current year in place of the VSP. The expense recognised in the income statement in respect of share-based payments (including associated social security costs) relating to direct employees of the Company are presented below.

Notes to the Financial Statements
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25. Employee share plans (continued)

	2014	2013
	£000	£000
Equity settled share-based payment schemes	324	140
Expense recharged from fellow subsidiaries	3,885	2,082
Expense recognised in income statement	4,209	2,222

(a) Current schemes

The Directors of the Company and senior managers employed directly by the Company are participants in the SPP and LTIP plans described below.

Sustained Performance Plan (SPP)

Following a review of executive remuneration, and shareholder approval at the AGM in October 2013, the SPP award was introduced in the current year to replace the VSP award for the Group's executive directors and other selected senior employees, including direct employees of the Company. The Group Remuneration Committee has responsibility for agreeing any awards under the plan and for setting the policy for the operation of the plan, including agreeing performance targets and which employees should be invited to participate.

The legal grant of awards under the SPP is 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.

As a 'shared understanding' under IFRS2 is established between the Company and participants at the scheme outset the costs associated with the SPP are accounted for as share based payments from this time.

Further information on the Company's SPP awards is given in the Directors' Remuneration Report which can be found in the Annual Report of the IG Group Holdings Plc for the year ended 31 May 2014.

Awards under the 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 in to a number of options.

The weighted average exercise price of all SPP awards is 0.005p.

Long Term Incentive Plan (LTIP)

In the current year a new LTIP award has been made available to senior management, including direct employees of the Company, that are not invited to participate in the SPP in order to replace the legacy VSP.

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 LTIP awarded in the current year vests after three years with a predefined number of shares allocated pro-rata based on achieving diluted earnings per share growth of between zero and 9%, with straight line vesting in between.

The maximum number of LTIP awards that can be exercised are:

Notes to the Financial Statements

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25. Employee share plans (continued)

Award date	*Share price at award*	*Expected vesting date*	*At the start of the year*	*Awarded during the year*	*Lapsed during the year*	*Exercised during the year*	*At the end of the year*
			Number	*Number*	*Number*	*Number*	*Number*
28 Nov 2013	584.00p	28 Nov 2016	-	73,309	-	-	73,309

The weighted average exercise price of all LTIP awards is 0.005p.

(b) Fair value of equity-settled awards

The fair value of the equity-settled share-based payments to Company 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 £756,000 (2013: £1,358,000).

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 award issued on 28 November 2013:

Date of deemed grant	28 November 2013
Share price at grant date (pence)	584p
Expected life of awards (years)	1
Risk-free sterling interest rate (%) [1]	-
IG expected volatility (%) [2]	20.86%
Benchmark index correlation (%)	19.1%
Interim dividend estimate[3]	5.75p

[1] Due to minimal exercise price the risk free rate has no impact on the fair value calculation.

[2] Based on historical TSR volatility of IG Group Holdings plc measured daily over a period prior to the date of grant and commensurate with the remaining performance period

[3] The dividend paid in the period from the deemed grant date to the end of the performance period, from which date dividend equivalents accrue on awarded but unvested options.

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25. Employee share plans (continued)

The weighted average fair values per award granted to direct employees 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 2014	246.93p	584.00p	288.68p	357.13p	2.7265p
Year ended 31 May 2013	278.08p	232.56p	220.86p	220.86p	246.93p

(c) Legacy schemes

Value Sharing Plan (VSP)

The VSP award was an annual award introduced during the year ended 31 May 2011. In the current year, however, the VSP awards have been replaced by the SPP for executives and selected senior management and LTIP awards for other senior management. VSP awards were conditional awards made available to Executive Directors and other senior staff. Participants do not pay to receive awards or to exercise options. The VSP performance period is over three years with a pre-defined number of shares allocated, for each £10m of surplus shareholder value created over the three year period above a hurdle. Half of the shares vest after three years and can be exercised at that date, with the remaining half being deferred for a further year, conditional upon continued employment at the vesting date. The VSP is based upon two performance conditions, Total Shareholder Return (TSR) and profit before taxation.

The maximum number of VSP shares that vest based on the awards made are:

Award date	*Share price at award*	*Expected vesting date*	*At the start of the year*	*Awarded during the year*	*Lapsed during the year*	*Exercised during the year*	*At the end of the year*
			Number	*Number*	*Number*	*Number*	*Number*
29-Oct-10	528.50p	29-Oct-10	29,378	-	(26,820)	(2,558)	-
29-Oct-10	528.50p	29-Oct-10	29,378	-	(26,820)	-	2,558
20-Jul-11	450.00p	31-Jul-14	66,840	-	(64,646)	-	2,194
20-Jul-11	450.00p	31-Jul-15	66,839	-	(64,645)	-	2,194
01-Aug-12	449.70p	31-Jul-15	286,360	-	-	-	286,360
01-Aug-12	449.70p	31-Jul-16	286,367	-	-	-	286,367
Total			765,162	-	(182,931)	(2,558)	579,673

Of the above VSP exercised during the year ending 31 May 2014, the average share price at exercise was

Award date	Average share price at exercise
29 Oct 2010	622.50p

The weighted average exercise price of all VSP awards is 0.005p.

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26. Obligations under leases

Operating lease agreements where the Company is lessee

The Company has entered into commercial leases on certain properties. The lessee has options of renewal on each of these leases with a notice period of three months. There were no restrictions placed upon the lease by entering into these leases. Future minimum rentals payable under non-cancellable operating leases are as follows:

	2014	*2013*
Future minimum payments due:	*£000*	*£000*
Not later than one year	730	675
After one year but not more than five years	1,224	1,126
After more than five years	-	-
	1,954	1,801

27. Litigation

On 27 March 2013, the High Court dismissed the claim against IG Markets Limited, which dated from late 2010, in relation to the insolvency of Echelon Wealth Management Limited, a former client of IG Markets Limited. Subsequently the claimants chose not to appeal and have paid a substantial contribution to the legal costs incurred by the Company in the prior period.

28. Capital commitments

Capital expenditure contracted for at the year-end but not yet incurred is as follows:

	2014	*2013*
	£000	*£000*
Software	6	57
Computers	1	11
	7	68

Capital commitments for non-current assets at 31 May 2014 primarily relate to the costs of software for the Company's Norwegian branch.

29. Transactions with Directors

The Directors of IG Markets Limited held shares of the ultimate parent company, IG Group Holdings plc, as disclosed in the Directors' report. The Company had no other transactions with its Directors other than in relation to the management of the Company.

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30. Related party transactions

The Directors and other members of management classified as 'persons discharging management responsibility' in accordance with the Financial Services and Markets Act are considered to be the key management personnel of the Group in accordance with IAS 24. The Directors' Remuneration Report discloses all benefits and share-based payments made during the year and the preceding year to the Directors. The total compensation for key management personnel together with their connected parties was as follows:

	2014	*2013*
	£000	*£000*
Short-term employee benefits	2,250	2,149[1]
Post-employment benefits	253	175[1]
Share-based payments	4,048	1,346
	6,551	3,670

[1] Includes £nil for loss of office for A MacKay (2013: £140,000 and £21,000 respectively). For further information refer to the Directors' Remuneration Report.

Transactions entered into, and trading balances outstanding at 31 May 2014 with other related parties, are as follows:

Related party	*Expenses recharged to related parties £000*	*Expenses recharged from related parties £000*	*Amounts due from related parties £000*	*Amounts due to related parties £000*
Parent and ultimate controlling party				
2014	-	-	-	-
2013	-	-	23,656	-
Fellow Group subsidiaries				
2014	-	54,134	129,227	172,508
2013	-	47,815	32,683	87,133
Total Group				
2014	-	54,134	129,227	172,508
2013	-	47,815	56,339	87,133

Included within amounts recharged from related parties are staff costs, operating lease rentals, IT Maintenance and support, regulatory fees and various other costs. Refer to note 5 for information regarding these expenses. Included within amounts owed to related parties are trade payables of £53.2 million (2013: £45.6 million) in relation to intercompany hedging relationships with fellow Group subsidiaries and £119.3 million (2013: £41.5 million) included within other payables. Refer to notes 18 and 22 respectively. Large intercompany balance movements are a result of the Company providing both treasury and hedging functions for IG Group. Expenses recharges between related parties are made at arm's length prices. During the year ended 31 May 2014, the Company impaired £4.3 million of debts relating to amounts owed by related parties (see note 6) (2013: nil). Refer to note 11 for information regarding interest paid on amounts owed to related parties.

Notes to the Financial Statements

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31. Financial instruments

Accounting classifications and fair values

The table below sets out the classification of each class of financial assets and liabilities and their fair values (excluding accrued interest). The Company considers the carrying value of all financial assets and liabilities to be a reasonable approximation of fair value and represents the Company's maximum credit exposure without taking account of any collateral held or other credit enhancements.

'Trade receivables - due from brokers' represent balances with brokers where the combination of cash held on account (disclosed as loans and receivables) and the valuation of financial derivative open positions (disclosed as held for trading) results in an amount due to the Company. These positions are held to hedge client market exposures and hence are considered to be held for trading and are accordingly accounted for at fair value through profit and loss (FVTPL). These transactions are conducted under terms that are usual and customary to standard margin trading activities and are reported net in the Group Statement of Financial Position as the Company has both the legal right and intention to settle on a net basis.

'Trade payables - due to clients' represent balances where the combination of client cash held on account and the valuation of financial derivative open positions results in an amount payable by the Company. Trade payables – due to clients are reported net in the Company Statement of Financial Position as the Company adjusts the gross amount payable to clients (i.e. monies held on behalf of clients) for profits or losses incurred on a daily basis consistent with the legal right and intention to settle on a net basis.

The Company's financial instruments are classified as follows:

As at 31 May 2014	*FVTPL- Held for trading* £000	*Loans and receivables* £000	*Other amortised cost* £000	*Available for sale* £000	*Total carrying amount* £000	*Fair value* £000
Financial assets						
Cash and cash equivalents	-	77,908	-	-	77,908	77,908
Financial investments	-	-	-	82,457	82,457	82,457
Trade receivables – due (to)/from brokers						
Non-exchange traded instruments	12,647	174,193	-	-	186,840	186,840
Exchange-traded instruments	(36,314)	150,634	-	-	114,320	114,320
Total trade receivables – due (to)/ from brokers	(23,667)	324,827	-	-	301,160	301,160
Trade receivables – due from clients	-	593	-	-	593	593
Trade receivables – other amounts to the Company	-	7,399	-	-	7,399	7,399
	(23,667)	410,727	-	82,457	469,517	469,517
Financial liabilities						
Trade payables – due to title transfer clients	-	-	20,774	-	20,774	20,774
	-	-	20,774	-	20,774	20,774

Notes to the Financial Statements

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31. Financial instruments (continued)

Excluded from the financial assets classified as 'loans and receivables' are amounts due from Group companies £129.2 million (2013: £56.3 million). Refer to notes 18 and 30

Excluded from the financial liabilities classified as 'other amortised cost' are amounts due to Group companies £172.5 million (2013: £87.1 million). Refer to notes 21, 22 and 30.

As at 31 May 2013	*FVTPL- Held for trading £000*	*Loans and receivables £000*	*Other amortised cost £000*	*Available for sale £000*	*Total carrying amount £000*	*Fair value £000*
Financial assets						
Cash and cash equivalents	-	68,969	-	-	68,969	68,969
Financial investments	-	-	-	50,468	50,468	50,468
Trade receivables – due (to)/from brokers						
Non-exchange traded instruments	14,440	180,207	-	-	194,647	194,647
Exchange-traded instruments	(18,246)	105,582	-	-	87,336	87,336
Total trade receivables – due (to)/ from brokers	(3,806)	285,789	-	-	281,983	281,983
Trade receivables – due from clients	-	523	-	-	523	523
Trade receivables – other amounts due to the Company	-	4,112	-	-	4,112	4,112
	(3,806)	359,393	-	50,468	406,055	406,055
Financial liabilities						
Trade payables – due to title transfer clients	-	-	18,465	-	18,465	18,465
Trade payables – other amounts due to clients	-	467	-	-	467	467
	-	467	18,465	-	18,932	18,932

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31. Financial instruments (continued)

Financial instrument valuation hierarchy

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

As at 31 May 2014	*Level 1[(1)]* *£000*	*Level 2[(2)]* *£000*	*Level 3[(3)]* *£000*	*Total fair value* *£000*
Financial assets				
Financial investments	82,457	-	-	82,457
Trade receivables – due from /(to) brokers	(36,314)	12,647	-	(23,667)

(1) Valued using unadjusted quoted prices in active markets for identical financial instruments. This category includes the Company's exchange-traded open hedging positions.

(2) Valued using techniques where a price is derived based significantly on observable market data. For example, where an active market for an identical financial instrument to the product offered by the Company to its clients or used by the Company to hedge its market risk does not exist.

(3) Valued using techniques that incorporate information other than observable market data that is significant to the overall valuation.

There have been no changes in the valuation techniques for any of the Group's financial instruments held at fair value in the year (2013: none). During the year ended 31 May 2014, there were no transfers (2013: none) between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements (2013: none).

As at 31 May 2013	*Level 1[(1)]* *£000*	*Level 2[(2)]* *£000*	*Level 3[(3)]* *£000*	*Total fair value* *£000*
Financial assets	50,468	-	-	50,468
Trade receivables – due from brokers	(18,245)	14,440	-	(3,805)

Reconciliation of the movement in Level 3 of the valuation hierarchy

	At 1 June 2013 *£000*	*Gains or losses in revenue[(1)]* *£000*	*Closed positions[(2)]* *£000*	*Transfers* *£000*	*At 31 May 2014[(3)]* *£000*
Financial liabilities					
Trade payables – due to clients	-	14,471	(14,471)	-	-

(1) Disclosed in trading revenue in the statement of comprehensive income. This represents client positions that have closed in the period as well those open at the period end.

(2) Value of client positions that have settled in the period.

(3) Value of open client positions at the period end disclosed in trading revenue in the statement of comprehensive income.

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31. Financial instruments (continued)

	At 1 June 2012 £000	Gains or losses in revenue[1] £000	Closed positions [2] £000	Transfers £000	At 31 May 2013[3] £000
Financial liabilities					
Trade payables – due to clients	-	11,678	(11,678)	-	-

The impact of a reasonably possible alternative valuation assumption on the valuation of trade payables – due to clients reported within Level 3 of the valuation hierarchy is not significant.

Items of income, expense, gains or losses

Finance revenue totalled £1.1 million (2013: £1.7 million). The entire amount represents interest income on financial assets not at fair value through profit or loss and includes interest receivable in respect of non-segregated client balances, part of which is held with brokers. Finance costs totalled £0.5 million (2013: £0.6 million) and the entire amount represents interest expense on financial liabilities not at fair value through profit or loss.

Financial instruments subject to offsetting, enforceable master netting agreements and similar arrangements

Within the Group's terms and conditions with individual clients and brokers are standard netting agreement clauses. The effect of these netting arrangements, including rights of set-off associated within the Group's recognised financial assets and financial liabilities is as follows:

As at 31 May 2014	*Gross amounts before offsetting £000*	*Amounts set off in the balance sheet £000*	*Net amounts presented in the balance sheet £000*
Financial assets			
Cash and cash equivalents[1]	469,286	(391,378)	77,908
Financial investments available-for-sale	82,457	-	82,457
Trade receivables – due from brokers[2]	376,391	(75,231)	301,160
Trade receivables – due from all clients and fellow group subsidiaries[3]	279,955	(279,362)	593
Trade receivables – other amounts due to the Group	7,399	-	7,399
	1,215,488	(745,971)	469,517
Financial liabilities			
Trade payables – due to brokers[2]	75,231	(75,231)	-
Trade payables – due to all clients and fellow group subsidiaries[1],[3]	745,478	(670,740)	74,738
	820,709	(745,971)	74,738

Notes to the Financial Statements

at 31 May 2014

31. Financial instruments (continued)

[1] 'Cash and cash equivalents' has been grossed up for segregated client funds which comprise individual client funds held in segregated client money accounts established under the UK's Financial Conduct Authority (FCA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates. Such monies are not included in the Group's Statement of Financial Position.

[2] 'Trade receivables - due from brokers' represent balances with brokers where the combination of cash held on account (disclosed as loans and receivables) and the net valuation of financial derivative open positions (disclosed as held for trading) results in an amount due to the Group. The net financial derivative open positions have been presented gross according to whether individual positions held at brokers are in a profit or loss position.

[3] 'Trade payables - due to clients and fellow group subsidiaries' represent balances where the combination of client cash held on account and the valuation of financial derivative open positions results in an amount payable by the Company. Trade payables – due to clients are reported net in the Group Statement of Financial Position as the Group adjusts the gross amount payable to clients (i.e. monies held on behalf of clients) for profits or losses incurred on a daily basis consistent with the legal right and intention to settle on a net basis. Therefore, as well as being presented gross of segregated client money discussed in (1) above, client open positions have been presented gross according to whether individual client positions are in a profit or loss position.

Group	*Gross amounts before offsetting*	*Amounts set off in the balance sheet*	*Net amounts presented in the balance sheet*
As at 31 May 2013	*£000*	*£000*	*£000*
Financial assets			
Cash and cash equivalents	444,439	(375,470)	68,969
Financial investments available-for-sale	50,468	-	50,468
Trade receivables – due from brokers	375,592	(93,609)	281,983
Trade receivables – due from clients	284,817	(284,294)	523
Trade receivables – other amounts due to the Group	4,112	-	4,112
	1,159,428	(753,373)	406,055
Financial liabilities			
Trade payables – due to brokers	93,609	(93,609)	-
Trade payables – due to all clients and fellow group subsidiaries	724,915	(659,764)	65,151
	818,524	(753,373)	65,151

Notes to the Financial Statements

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32. Financial risk management

Responsibility for risk management, including financial risks, resides at all levels within the Group, starting with the Board of Directors. Our Corporate Governance structure, including details of how the Board delegates responsibility for internal control and risk management to our Audit and Risk committees, is described in detail in the Corporate Governance section of the Annual Report.

The Group's Internal Capital Adequacy Assessment Process (ICAAP) and Individual Liquidity Adequacy Assessment (ILAA), while applying specifically to the Group's FCA entities, provide an on-going assessment of the risks the Group considers to have the potential to have a significant detrimental impact on its financial performance and future prospects and describes how the Group mitigates these risks subject to the Group's risk appetite.

Financial risks arising from financial instruments are analysed into market, credit, concentration and liquidity risks, and these are discussed below.

(i) Market risk

Market risk is the risk that changes in market prices will affect the Company's income or the value of its holdings of financial instruments. This is analysed into market price, currency and interest rate risk components.

The Company's market risk is managed under the Company's 'Market Risk Policy' on a group-wide basis and exposure to market risk at any point in time depends primarily on short-term market conditions and the levels of client activity. The Company utilises market position limits for "operational efficiency" and does not take proprietary positions based on an expectation of market movements. As a result not all net client exposures are hedged and the Group may have a residual net position in any of the financial markets in which it offers products up to the market risk limit.

The Group's Market Risk Policy incorporates a methodology for setting market position limits, consistent with the Group's risk appetite, for each financial market in which the Group's clients can trade, as well as certain markets which the Board consider to be correlated. These limits are determined with reference to the liquidity and volatility of the underlying financial product or asset class and represent the maximum long and short client exposure that the Group will hold without hedging the net client exposure.

The Group's real-time market position monitoring system allows it to monitor its market exposure against these limits continuously. If exposures exceed these limits, the policy requires that hedging is undertaken to bring the exposure back within the defined limit.

The Company provides market risk management services for the Group. As a result, there is a significant level of 'natural' hedging arising from the Group's global client base pursuing varying trading strategies which results in a significant portfolio hedging effect, and with fellow subsidiaries hedging market risk on a one-for-one basis with the Company. This reduces the Company's net market exposure prior to the Company hedging any residual net client exposures.

Where the Company has residual positions in markets for which it has not been possible or cost-effective to hedge, the Executive Risk Committee determines the appropriate action and reviews these exposures regularly, subject to the risk management framework approved by the Board.

Binary bets and options are typically difficult or not cost-effective to hedge and there is often no direct underlying market which can be utilised in setting the price which the Group quotes. The Company normally undertakes no hedging for these markets, but can hedge specific positions if considered necessary. The Group aims to reduce the volatility of revenue from these markets by offering a large number of different betting opportunities, the results of which should, to some extent, offset each other irrespective of the underlying market outcome. The overwhelmingly short-term nature of these contracts means that risk on these markets at any point in time is not considered to be significant.

Notes to the Financial Statements

at 31 May 2014

32. Financial risk management (continued)

a) Market price risk

This is the risk that the fair value of a financial instrument fluctuates as a result of changes in market prices other than due to the effect of currency or interest rate risks.

Equity market price risk:

The most significant market risk faced by the Company is on equity positions including shares and indices which are highly correlated and managed on a portfolio basis.

The equity exposure at the year-end was £2,726,000 (2013: £16,459,000), against an exposure limit of £20,000,000 (2013: £16,500,000) and an average equity exposure limit for the year of £18,250,000 (2013: £16,500,000). As noted earlier in this section the Group's market risk policy requires that when the exposure exceeds the exposure limit hedging is undertaken to bring the exposure back within that limit as soon as practical.

The Company has no significant concentration of market risk.

No sensitivity analysis is presented for equity market price risk as the impact of reasonably possible market movements on the Company's net trading revenue and equity are not significant, being less than the Company's average daily net trading revenue from financial instruments. Changes in market risk variables have no direct impact on the Company's equity as the Company has no financial instruments designated in hedging relationships.

Other market price risk:

The Company also has other market price risk as result of its trading activities (offering bets and Contracts for Difference (CFDs) on interest rate derivatives and commodities) which is hedged as part of the overall market risk management. The exposure is monitored on a Group-wide basis and is hedged using exchange-traded futures and options. Exposure limits are set by the Executive Risk Committee for each product, and also for groups of products where it is considered that their price movements are likely to be positively correlated.

The exposure to interest rate derivatives and commodities at the year-end are is follows:

	2014	*2013*
	£000	*£000*
Interest rate derivatives	11,153	(2,492)
Commodities	4,721	(6,177)

No sensitivity analysis is presented for other market price risk as the impact of reasonably possible market movements on the Company's net trading revenue are not significant. Changes in risk variables have no direct impact on the Company's equity as the Company has no financial instruments designated in hedging relationships.

b) Foreign currency risk

Transactional foreign currency risk

Transactional foreign currency exposures represent financial assets or liabilities denominated in currencies other than the functional currency of the transacting entity. Transaction exposures arise in the normal course of business and the management of this risk forms part of the risk policies outlined above. Limits on the exposures which the Group will accept in each currency are set by the Executive Risk Committee and the Company hedges its exposures as necessary with market counterparties. Foreign currency risk is managed on a group-wide basis, while the Company's exposure to foreign currency risk is not considered by the Directors to be significant.

Notes to the Financial Statements

at 31 May 2014

32. Financial risk management (continued)

The Group monitors transactional foreign currency risks including currency statement of financial position exposures, equity, commodity, interest and other positions denominated in foreign currencies and bets and trades on foreign currencies. The Company performs foreign currency hedging on behalf of the Group. The Company and Group's net exposure to foreign exchange risk based on notional amounts at each year-end was as follows:

	2014	*2013*
	£000	*£000*
US Dollar	(2,436)	577
Euro	(1,834)	3,026
Australian Dollar	949	(1,799)
Yen	(8,829)	231
Other	3,598	(6,290)

No sensitivity analysis is presented for foreign exchange risk as the impact of reasonably possible market movements on the Company's net trading revenue are not significant. Changes in risk variables have no direct impact on the Company's equity as the Company has no financial instruments designated in hedging relationships.

c) Non-trading interest rate risk

The Company also has interest rate risk relating to financial instruments not held at fair value through profit or loss. These exposures are not hedged.

The interest rate risk profile of the Company's financial assets and liabilities as at each year-end was as follows:

	Within 1 year		*Between 2 and 5 years*		*More than 5 years*		*Total*	
	2014	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Fixed rate								
Financial investments available-for-sale	50,307	50,468	32,150	-	-	-	82,457	50,468
Floating rate								
Cash and cash equivalents	77,908	68,969	-	-	-	-	77,908	68,969
Trade receivables – due from brokers	301,160	281,983	-	-	-	-	301,160	281,983
Trade payables – amounts due to clients	(20,774)	(18,465)	-	-	-	-	(20,774)	(18,465)
	408,601	382,955	32,150	-	-	-	440,751	382,955

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. Please refer to note 20 for effective interest rates received.

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

Notes to the Financial Statements

at 31 May 2014

32. Financial risk management (continued)

Interest rate risk sensitivity analysis

The Company holds 45% of the Group's segregated client funds (2013: 45%). Interest rate sensitivity analysis is performed at a Group level since client deposits are managed at a Group level. An interest rate risk sensitivity analysis has been performed at a Group level on net interest income on segregated client funds, based on the value of client funds held at the year-end, on the basis of a 0.25% (2013: 0.25%) per annum fall and a 0.5% (2013: 0.5%) rise in interest rates, at the beginning of the year, as these are considered 'reasonably possible'. The impact of such a fall in interest rates would reduce net interest income on segregated client funds by approximately £1.6 million (2013: £2.4 million) per annum. The impact of such a rise in interest rates would increase net interest income on segregated client funds by approximately £3.3 million (2013: £4.2 million) per annum. Changes in risk variables have no direct impact on the Company's equity as the Company has no financial instruments designated in hedging relationships.

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's credit risk is managed on a group-wide basis.

The Company's principal sources of credit risk are financial institution and client credit risk.

a) Financial institution credit risk

Financial institution credit risk is managed in accordance with the Group's 'Counterparty Credit Management Policy'.

Financial institutional counterparties are subject to a credit review when a new relationship is entered into and this is updated semi-annually (or more frequently as required e.g. on a change in the financial institution's corporate structure). Proposed maximum exposure limits for these financial institutions are then reviewed and approved by the Executive Risk Committee.

As part of its management of concentration risk, the Group is also committed to maintaining multiple brokers for each asset class. Where possible, the Company negotiates for its funds to receive client money protection which can reduce direct credit exposure.

In respect of financial institution credit risk, the following key metrics are monitored on a daily basis:

- Balances held with each counterparty group, against limits approved by the Executive Risk Committee
- Any change in short- and long-term credit rating

The Company is responsible under various regulatory regimes for the stewardship of client monies. These responsibilities are defined in the Group's Counterparty Credit Management Policy and include the appointment of and periodic review of institutions with which client money is deposited. The Group's general policy is that all financial institutional counterparties holding client money accounts must have minimum short- and long-term ratings of A-2 and A- respectively, although in some operating jurisdictions where accounts are maintained to provide local banking facilities for clients it can be problematic to find a banking counterparty satisfying these minimum ratings requirements. In such cases the Group will seek to use a locally systemically important institution. These criteria also apply for the Group's own bank accounts held with financial institutions. The Company also actively manages the credit exposure to each of its broking counterparties settling or recalling balances at each broker on a daily basis in line with the collateral requirements.

In addition, the majority of deposits are made on an overnight or breakable term basis which enables the Company to react immediately to any deterioration in credit quality, and deposits of an unbreakable nature or requiring notice are only held with a subset of counterparties which have been approved by the Executive Risk Committee. At 31 May 2014 there were no deposits held on an unbreakable basis (2013: £nil).

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at 31 May 2014

32. Financial risk management (continued)

b) Client credit risk

The Group operates a real-time mark-to-market trading platform, with client profits and losses being constantly updated on each client's account.

Client credit risk principally arises when a client's total funds deposited with the Company are insufficient to cover any trading losses incurred. In addition, a small number of clients are granted credit limits to cover open losses and margin requirements as described below.

In particular, client credit risk can arise where there are significant, sudden movements in the market i.e. due to high general market volatility or specific volatility relating to an individual financial instrument in which the client has an open position. Credit risk is mitigated in part through increased margin requirements on larger positions, our client suitability criteria, and is supported by an extensive training program which aims to educate clients in all aspects of trading and risk management which encourages them to collateralise their accounts at an appropriate level in excess of the minimum requirement.

The principal types of client credit risk exposure are managed under the Group's 'Client Credit Management Policy' and depend on the type of account and any credit offered to clients as follows:

Clients subject to the Group's 'close-out monitor'

The Group's management of client credit risk is supported by an automated liquidation process, the 'close-out monitor' (COM), whereby accounts which have broken the liquidation threshold are automatically identified. If the margin of a client which is subject to the COM liquidation process is eroded, the client is requested to deposit additional funds up to at least the required margin level and will also be restricted from increasing their market positions. If subsequently, the client's intra-day losses increase such that their total equity falls below the specified liquidation level, positions will be liquidated immediately, resulting in reduced credit risk exposure for the Group.

In addition a subset of clients have what are known as "Limited Risk" accounts. For such accounts a level is set in advance (the "guaranteed stop" level) at which the deal will be closed, meaning a maximum client loss can be calculated at the opening of the trade. Clients placing trades with guaranteed stop levels pay a small premium on each transaction. The maximum loss is then the amount the client is required to deposit to open the trade, meaning that in most circumstances the client can never lose more than their initial margin deposit. Although no longer offered to new clients, the Group still has a significant number of clients with this type of account. This type of account results in the transfer of an element of market risk to the Group, which is managed under the Group's Market Risk Policy, and only a subset of more liquid products are available to trade. Clients with any type of account may still choose to use guaranteed stops (where available and on payment of the premium).

The majority of client positions are monitored on the Group's real-time COM system or are limited risk accounts with guaranteed 'stop-losses'. As at 31 May 2014, 99.81% (2013: 98.83%) of financial client accounts are subject to the automatic COM procedure or are 'limited risk' accounts.

Credit accounts

Clients holding other types of accounts are permitted to deal in circumstances where they may be capable of suffering losses greater than the funds they have deposited on their account, or in limited circumstances are allowed credit. The Group has a formal credit policy which determines the financial and experience criteria which a client must satisfy before being given an account which exposes the Group to credit risk, including trading limits for each client and strict margining rules.

The Group may offer credit limits with the result any 'open loss' can be paid subject to agreed credit terms. These accounts typically only create a credit exposure when the client's loss exceeds their initial margin deposit.

In addition to the waiver of payment of open losses on a trade, the Group may also offer clients credit in respect of their initial margin. This is a permanent waiving of initial margin requirements while the limit is active on the account subject to the credit limit.

Credit limits are only granted following provision by the client of evidence of their available financial resources and credit accounts limits are continuously reviewed by the Group's Credit Department. Each client with a credit limit is

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at 31 May 2014

32. Financial risk management (continued)

(ii) Credit risk (continued)

also assigned a liquidation level, breach of which will result in closure of positions. Credit accounts are small in number, are not actively promoted and in general they are not made available to new clients.

Risk-based tiered margins

The Group applies a tiered-margin requirement for equities and other instruments with risk-adjusted margin requirements dependent on several factors including the volatility and liquidity of the underlying instrument. This has resulted in potential margin requirement of up to 90% of the value of the notional client position for large client positions but a reduced margin requirement for smaller client positions. These tiered margins, in addition to the COM discussed earlier, contribute to the further mitigation of the Company's client counterparty credit risk exposure.

The analysis of neither past due nor impaired credit exposures in the following table excludes individual client funds held in segregated client money accounts or money market facilities established under the UK's Financial Conduct Authority (FCA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates. Under these rules, client money funds held with trust status are protected in the event of the insolvency of the Group.

	Trade receivables - due from brokers		*Trade receivables - due from clients*		*Cash and cash equivalents*	
	2014	*2013*	*2014*	*2013*	*2014*	*2013*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Gross exposure	-	-	7,796	7,462	-	-
Allowance for impairment	-	-	(7,493)	(7,233)	-	-
	-	-	303	229	-	-
Past due but not impaired						
Ageing profile:						
0-3 months	-	-	225	103	-	-
4-6 months	-	-	-	-	-	-
7-9 months	-	-	-	3	-	-
10-12 months	-	-	-	-	-	-
> 12 months	-	-	-	17	-	-
	-	-	225	123	-	-
Neither past due nor impaired						
Credit rating:						
AA+ & above	-	-	-	-	-	
AA to AA-	55,109	61,104	-	-	5,942	5,182
A+ to A-	245,855	219,402	-	-	71,515	63,588
BB+ to B	-	-	-	-	1	1
BBB+ to BBB-	-	-	-	-	359	19
CCC	-	-	-	-	-	-
Unrated	196	1,477	65	171	91	179
	301,160	281,983	65	171	77,908	68,969
Total carrying amount	301,160	281,983	593	523	77,908	68,969

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at 31 May 2014

32. Financial risk management (continued)

(ii) Credit risk (continued)

The Financial investments are UK Government securities held by the Group in satisfaction of the FCA requirements to hold a "liquid asset buffer" against potential liquidity stress under BIPRU 12. As such they are rated as AA+.

Impairment of trade receivables due from clients

The Company records specific impairments of trade receivables due from clients in a separate allowance account. Impairments are recorded where the Company 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:

	2014	*2013*
	£000	*£000*
Balance at beginning of year	7,233	9,716
Impairment loss for the year:		
- charge for the year	1,758	778
- recoveries	(495)	(361)
Foreign exchange	(351)	1,186
Write-offs	(652)	(4,086)
Balance at end of year	7,493	7,233

(iii) Concentration risk

Concentration risk is defined as all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position of the Company. In respect of financial risk, such exposures may be caused by credit risk, market risk, liquidity risk or a combination or interaction of those risks.

The following table analyses the Company's credit exposures, at their carrying amounts, by geographical region and excludes individual client funds held in segregated client money accounts established under the UK's Financial Conduct Authority (FCA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Company operates. Analysis of credit exposures at carrying amount by geographical segment:

	UK	*Europe*	*Australia*	*Rest of World*	*Total*
As at 31 May 2014	*£000*	*£000*	*£000*	*£000*	*£000*
Financial assets					
Cash and cash equivalents	70,369	896	5,934	709	77,908
Financial investments	82,457	-	-	-	82,457
Trade receivables – due from brokers	108,210	51,799	52,228	88,923	301,160
Trade receivables – due from clients	246	200	83	64	593
Total financial assets	261,282	52,895	58,245	89,696	462,525

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at 31 May 2014

32. Financial risk management (continued)

(iii) Concentration risk (continued)

As at 31 May 2013	*UK*	*Europe*	*Australia*	*Rest of World*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
Financial assets					
Cash and cash equivalents	60,594	2,521	5,182	672	68,969
Financial investments	50,468	-	-	-	50,468
Trade receivables – due from brokers	96,244	80,092	53,029	52,618	281,983
Trade receivables – due from clients	77	156	78	212	523
Total financial assets	207,383	82,769	58,289	53,502	401,943

The Company's largest credit exposure to any one individual broker at 31 May 2014 was £79,038,000 (A- rated) (2013: £61,103,500, AA- rated). Included in cash and cash equivalents, the Company's largest credit exposure to any bank at 31 May 2014 was £60,423,000 (AA+ rated) (2013: £60,773,000, A rated). The Company has no significant exposure to any one particular client or group of connected clients.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or other financial assets.

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 Company under derivative and non-derivative financial assets and liabilities allocated to the earliest period in which the Company can be required to pay although the remaining contractual maturities may be longer.

As at 31 May 2014	*Derivative*	*Non-derivative*	*Total*
	£000	*£000*	*£000*
Financial assets			
Cash and cash equivalents	-	77,908	77,908
Financial investments	-	82,457	82,457
Trade receivables – due (to)/ from brokers	(23,667)	324,827	301,160
Trade receivables – due from clients	-	593	593
Trade receivables – other amounts due to the Group	-	7,399	7,399
	(23,667)	493,184	469,517
Financial liabilities			
Trade payables – due to clients	-	(20,774)	(20,774)
	(23,667)	472,410	448,743

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at 31 May 2014

32. Financial risk management (continued)

(iv) Liquidity risk (continued)

Derivative and non-derivative cash flows by remaining contractual maturity - Group (continued)

Amounts payable on demand:

Derivative trade receivables disclosed in the table above represent the Company's open positions with brokers. Non-derivative trade receivables and payables disclosed in the table above represent cash margin held at brokers, UK Government securities and client debtors. Derivative and non-derivative cash flows are presented alongside each other in the table above as they result from the same underlying trading relationship and as the Company has both the legal right and intention to settle on a net basis.

Trade receivables are disclosed as repayable on demand as when client positions are closed the corresponding positions relating to the hedged position are closed with brokers. Accordingly the Company releases cash margin, which is repaid by brokers to the Company on demand.

Trade payables are disclosed in the table above as repayable on demand as positions can be closed at any time by clients and can also be closed by the Company, in accordance with the Company's margining rules. If after closing a position a client is in surplus, then the amount owing is repayable on demand by the Company.

As at 31 May 2013	*Derivative*	*Non-derivative*	*Total*
	£000	*£000*	*£000*
Financial assets			
Cash and cash equivalents	-	68,969	68,969
Financial investments available-for-sale	-	50,468	50,468
Trade receivables – due (to)/from brokers	(3,806)	285,789	281,983
Trade receivables – due from clients	-	523	523
Trade receivables – other amounts due to the Group	-	4,112	4,112
	(3,806)	409,861	406,055
Financial liabilities			
Trade payables – due to clients	-	(18,465)	(18,465)
	3,806	383,784	387,590

During the year ended 31 May 2014, the Company drew down £80.0 million of the banking facility of which it is a party. This amount was fully repaid in the year.

Capital management and resources

Capital management

The Group is supervised on a consolidated basis by the UK's Financial Conduct Authority (FCA). The Group's operations in Australia, Japan, Singapore, South Africa and the United States, are also regulated. Individual capital requirements in these jurisdictions are taken into account when managing the Group's capital resources.

The Company's regulatory capital resources management objective is to ensure compliance with the regulatory capital resources requirement set by the FCA and other global regulators in jurisdictions in which the Group's entities operate.

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32. Financial risk management (continued)

Capital management and resources (continued)

The Group's capital management policy aims to maximise returns on equity while maintaining a strong capital position to enable the Group to take advantage of growth opportunities, whether organic or by acquisition. The Group does not seek to generate higher returns on equity by introducing leverage through, for example, the use of long-term debt finance.

The Group's 2013 ICAAP was approved by the Board in December 2013. There have been no capital requirement breaches during the financial year. The Group also regularly undertakes three-year stress and scenario testing of its main financial and operational risks to project its future capital and liquidity adequacy requirements.

The disclosures required of the Group under the Capital Requirements Regulation (Pillar III) will be made on the Group's corporate website www.iggroup.com. These will provide additional information which will allow market participants to assess key pieces of information on a firms capital, risk exposures, risk assessment process and hence the capital adequacy of the firm.

For further information on the capital resources of the Group please refer to the annual report and accounts of IG Group Holdings Plc.

33. Subsequent events

The ultimate parent and undertaking and controlling party IG Group Holdings Plc has on 15 July 2014 completed the renegotiation of the £200.0 million liquidity facility with a syndicate of three banks. In doing so the Group has renewed the £120.0 million element of the facility available for a period of one year (with an option to extend for a further year) and renegotiated the £80.0 million element of the facility to be available for a further three years respectively from 31 July 2014. IG Markets is party to this facility and is able to draw upon it as a borrower.

34. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Market Data Limited.

The ultimate parent undertaking and controlling party is IG Group Holdings plc, a company incorporated in the United Kingdom.

IG Group Holdings plc is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 May 2014. The consolidated financial statements of IG Group Holdings plc are available from Cannon Bridge House, 25 Dowgate Hill, London EC4R 2YA.

35. Regulatory disclosures required under the Capital Requirements Directive

Regulatory disclosures required under the Capital Requirements Directive IV

In accordance with the Capital Requirements Directive IV (CRD IV) and the associated Capital Requirements (Country-by-Country Reporting) Regulations 2013, effective 1 January 2014, the Company will publish additional information at the following web address: http://www.iggroup.com/corporate/regulatorydisclosures.html