

# **IG Markets Limited**

## **Annual Report and Financial Statements**

**Year ended 31 May 2022**

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## IG Markets Limited

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### **Directors and advisors:**

#### **Directors**

J Felix

J Noble

C Rozes

R Bhasin

A Didham

S Hibberd

M Le May

R McTighe

J Moulds

S Skerritt (appointed 09 July 2021)

H Stevenson

G Wu

B Messer (resigned 22 September 2021)

L Pollina (resigned 09 July 2021)

#### **Company Secretary**

J Nayler

#### **Independent Auditors**

PricewaterhouseCoopers LLP

7 More London Riverside

London SE1 2RT

#### **Bankers**

Barclays Bank plc

1 Churchill Place

London E14 5HP

Lloyds Banking Group plc

25 Gresham Street

London EC2V 7HNE

Royal Bank of Scotland plc

36 St Andrew Square

Edinburgh EH2 2YB

HSBC Holdings plc

8 Canada Square

London E14 5HQ

#### **Solicitors**

Linklaters

One Silk Street

London EC2Y 8HQ

#### **Registered Office**

Cannon Bridge House

25 Dowgate Hill

EC4R 2YA

#### **Registered number**

04008957

## Strategic Report

### Description of the business

IG Markets Limited ("the Company") is a wholly owned subsidiary of Market Data Limited and its ultimate parent company is IG Group Holdings plc. References to "the Group" are to IG Group Holdings plc together with all its subsidiary undertakings.

During the year, the Company offered OTC leveraged derivatives, stock trading and investments. The Company sold its existing business relating to the provision of OTC leveraged derivatives and stock trading services to Australian and New Zealand clients in November 2020, to IG Australia Pty Limited, a fellow Group company, and the transfer of clients relating to the business was completed in phases. On 20 February 2022, the Company completed the migration of its New Zealand clients to IG Australia Pty Limited, and on 24 April 2022, it transferred its Australian stock trading clients to IG Australia Pty Limited. The Company has surrendered its regulatory license in New Zealand as at 31 May 2022 and is in the process of surrendering its regulatory license in Australia.

The Company is the counterparty to the OTC leveraged derivatives that clients enter into and is the primary hedging counterparty for other Group companies, and as a result the Company faces market risk. The Company accepts this market risk in order to allow instant execution of client orders. The Company manages the market risk it faces through internalisation – allowing individual client trades to offset against each other – and by hedging the residual risk in each market at defined limits by entering into derivative contracts with its hedging brokers. The Company seeks to hedge its residual market exposures in an efficient manner by grouping its exposures into asset classes, and therefore does not hedge its exposures exactly, which gives rise to basis risk. Through the process of internalisation and hedging, the Company limits the market risk it faces so that its trading revenue from OTC leveraged derivatives predominantly reflects the amounts paid by clients through spread, commission and funding, less the costs incurred in hedging and less amounts paid to other Group companies under revenue share agreements.

Clients are required to have sufficient funds in their account to cover the margin to enter into a derivative contract. Margin is usually expressed as a percentage of the notional value of the trade and allows a client to use leverage to take a position in a market with a notional value that is in excess of the funds they are required to deposit. Leveraged derivative contracts magnify the gains or losses a client can make relative to the funds deposited and the Company is exposed to credit risk.

The Company is regulated by the Financial Conduct Authority (FCA). Until 31 December 2021, the Company was subject to CRD IV regulations and complied with the overall capital adequacy requirement set out by the FCA's IFRU handbook. From 1 January 2022, the Company is subject to the Investment Firm Prudential Regime (IFPR) and complies with the overall capital and liquidity requirements set out under the requirements of the MiFIDRU. The Company surrendered its license with the Financial Markets Authority (FMA) of New Zealand on 3 May 2022. The Company continues to be regulated by the Australian Securities and Investments Commission (ASIC), for the provision of regulated services to Australian clients. The Company is in the process of applying for a cancellation of the license with the ASIC as clients in Australia have been completely migrated to another Group company as at 31 May 2022.

The Company's trading revenue arises from each of the Company's three revenue generating models: OTC leveraged derivatives, stock trading and investments.

*OTC leveraged derivatives:* represents

- i) amounts paid by clients for spread, commission and funding charges in respect of the opening, holding and closing of contracts for difference contracts together with gains and losses for the Company arising on client trading activity; less
- ii) fees paid by the Company in spread, commissions and funding charges arising in respect of hedging the risk associated with the client trading activity and the Company's currency exposures, together with gains and losses incurred by the Company arising on hedging activity; less
- iii) amounts paid to other Group companies under revenue share agreements in relation to hedging activities.

*Stock trading:* represents fees and commission earned from the stock trading service as well as income derived from foreign exchange conversion.

*Investments:* represents management fees, which are earned as a percentage of assets under management.

The Company's main costs are:

- *Remuneration costs:* relates to employees who are directly employed by the Company or through another Group company.
- *Advertising and marketing costs:* are incurred to drive client recruitment. Advertising and marketing include costs which have been shared with another Group company under a cost sharing arrangement.
- *Royalty expense:* relates to fees paid to another Group company for the use of technology. The fee is calculated as a percentage of the Company's net trading revenue.

## Strategic Report

### Performance of the business during the year ended 31 May 2022 (FY22)

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

IG's business model ensures that its interests as a business are aligned with the interests of its clients, which sets it apart from most other companies in the industry. The Company believes that its culture of acting in clients' best interests, providing excellent client service, offering risk management tools, education and training resources, its innovative platform, and the quality of trade execution, are key differentiators. This creates a sustainable business, with strong client tenure and client value metrics.

The Directors have approved the sale of the stock trading and investments business to a fellow Group company, IG Trading and Investments Limited. The sale is expected to be completed during FY23, and the profits have been separated from the Company's continuing operations for the year and are shown as discontinued operations. Further details are provided in note 23 of the financial statements.

The Company had net trading revenue in FY22 of £453.6 million (FY21: £465.0 million). Operating costs in FY22 were £221.5 million (FY21: £230.2 million), and profit before tax for FY22 was £231.4 million (FY21: £234.1 million).

Profit for the financial year was £188.2 million (FY21: £189.2 million). Shareholders' equity decreased from £412.5 million as at 31 May 2021 to £396.7 million as at 31 May 2022, following the payment of £200.0 million of dividends to its shareholder (year ended 31 May 2021: £200.0 million).

The Directors of the Group manage the Group's operations on a geographical and portfolio basis. The Company's Directors believe that further analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company. The key performance indicators of the Group, which includes the Company, are set out in the Group Annual Report.

The Company continues to actively monitor and refine its comprehensive business continuity plan which was successfully implemented at the onset of the Covid-19 pandemic during the 2020 financial year. The Group's significant long-term investment in communications and technology infrastructure has enabled the Group to transition to a hybrid working environment, with all employees given the opportunity to work safely from home, and IG continues to provide the best possible service for its clients when they choose to trade the financial markets.

The conflict in Ukraine has had minimal impact on the commercial operations of the Company and steps were taken in the early stages to minimise any exposure to sanctions on clients and suppliers. Additional employee support has been provided to employees based in Poland, who support the Group's global operations, to ensure their continued health and wellbeing.

As at 31 May 2022, under FCA rules, the Company's surplus regulatory capital above the regulatory minimum was £101.5 million under the new IFPR regulations compared to £212.6 million under the CRD IV regulations as at 31 May 2021. Total regulatory capital resources as at 31 May 2022 were £261.7 million (FY21: £410.1 million). The Company had significant surplus regulatory capital resources over the regulatory capital resources requirement throughout the year.

In accordance with the MIFIDPRU prudential regulations, the Company is required to disclose a return on equity metric. This has been calculated as profit for the financial year divided by shareholders' equity at year end.

	31 May 2022	31 May 2021
Return on equity	47.4%	45.9%

### Engaging with our stakeholders

#### Section 172(1) statement by the Board

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

The Company is a wholly owned indirect subsidiary of IG Group Holdings plc and operates in line with the strategies and policies that are set by the IG Group Holdings plc Board and are described in the IG Group Holdings plc Annual Report. The following statement should therefore be read in conjunction with the IG Group Holdings plc Annual Report.

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

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

## Strategic Report

### Our key stakeholders

The Directors have identified certain key stakeholders who are essential to the success of the Company. These are outlined in the section below on stakeholder engagement. The Board will sometimes engage directly with certain stakeholders on specific issues. This stakeholder engagement often takes place at an operational level, ensuring that we consider key stakeholders when we discuss and make decisions. These decisions include strategic matters, financial and operational performance, risk management, and legal and regulatory compliance. Information in relation to these areas is provided to the Board through reports sent in advance of each Board meeting, and through presentations to the Board.

### Employees

The Board believes that having the right strategy and support in place for the Company's employees is crucial to our success as our people are at the heart of how we achieve our strategic vision. Having effective engagement in place with the Company's employees enables us to create a positive, rewarding and inclusive workplace for all.

### Long-term decision making

IG's strategy is to sustainably generate and preserve value for stakeholders and wider society over the long term by facilitating a wider range of trading and investment opportunities for ambitious people around the world. This long-term view drives the annual review of strategy undertaken by the Board and the setting of objectives for employees working within IG. The Board's risk management procedures identify the potential consequences of decisions being made in the short, medium and long term so that appropriate levels of identification, mitigation, reduction or elimination of risk can be considered and taken in the best interests of the Group and stakeholders.

### Methods used by the Board to fulfil its Section 172(1) duties

The Board sets the Company's purpose, values, and strategy, and carefully ensures that it is aligned appropriately with stakeholder interests, whilst also taking the Company's culture into consideration.

Consideration of key stakeholders is an integral part of all decision-making by the Board and every paper presented to the Board clearly sets out the impact on any stakeholders for whom it is relevant. This analysis assists the Directors in performing their duties under Section 172(1) of the Companies Act 2006, and further, the Board receives external challenge and assurance on this, together with reports from brokers and advisors. Directors receive specific training including tailored induction processes for new Directors together with an ongoing programme of training on strategic, legal and regulatory developments relevant to the Company's activities. The Directors are able to comply with their legal duties under Section 172 of the Companies Act 2006 (CA2006).

### Board decision-making and stakeholder considerations

The Company is fully committed to effectively engaging with all key stakeholders. Below are some examples of how the Directors have taken into account the matters set out in Sections 172(1)(a)-(f) of CA2006, when discharging their Section 172 duties, and how this has affected certain principal decisions taken by them. We define 'principal decisions' as those that are material to the Company and are significant to any one or more of our key stakeholder groups.

In making the following principal decision, the Board considered the outcome from our stakeholder engagement, as well as the need to maintain a reputation for high standards of business conduct and the need to act fairly between the Company's stakeholders.

### *Principal decision: Transfer of the stock trading and investments business to IG Trading and Investments Limited*

The Board approved the plan to transfer the stock trading and investments business to IG Trading and Investments Limited, a fellow Group company.

In agreeing the plan, the Board considered the potential impact that it might have on its key stakeholders. In particular, the Board took into account:

- Our relationship with and the views of the FCA, our regulator in the UK. We held ongoing dialogue with the FCA and informed them of each step of the plan to transfer the business.
- The interests of employees. The People Forum provides a helpful feedback channel to hear the views of employees, so we can address matters raised.
- The needs of clients, as clients have been duly informed of the plan to transfer the business and were provided the opportunity to share any concerns or object to their accounts being transferred.
- Our existing relationships with suppliers, in particular, the financial institutions that act as custodians to our clients' assets. Adequate communications were provided to the relevant suppliers to assist in the execution of the plan.
- The views and interests of the shareholders, by ensuring that the transfer of the business does not hinder the growth of the Company, including any future strategic initiatives.

## Strategic Report

### Stakeholder engagement

#### Clients

##### *Why we engage with our clients*

IG exists to power the pursuit of financial freedom for the ambitious. Our clients have high expectations of us. If we fail to meet those, our clients will go elsewhere. There are many companies operating in our industry, and we need to engage with our clients to ensure that we continue to stay ahead of the competition.

Our clients use our trading platforms for hours every day, and that makes them the most valuable source of feedback for us – helping us to provide the best experience we can.

##### *How we engage with our clients*

We engage with our clients through our multilingual, highly trained customer support teams available 6.5 days a week, 365 days a year. Our goal is to offer best-in-class customer service to all our clients and provide various channels for them to get in touch with us. Our platform provides a range of tools and features to help clients, including educational resources, breaking financial news and live analysis of the markets. These are available for all clients to use in the way that best suits them. We conduct regular research to obtain our clients' feedback on our products and services. This helps us to manage their expectations, shape our prioritisation roadmaps and improve our programmes.

##### *What matters most to our clients*

**Reliability of technology:** we strive to provide a stable, secure and reliable platform, so that trade execution is seamless and our clients benefit from market opportunities.

**Education:** we offer a range of educational tools and materials, alongside demo accounts where clients can learn about our leveraged products in a risk-free environment. We also offer a range of risk management solutions that our clients value as part of their educational journey.

**Support service:** to ensure that our clients are able to trade 'around the clock', we provide 24-hour trading coverage which is unique in the market and a key feature of our proposition. Clients also expect us to be there when they need assistance, have an issue, or simply want to ask a question. Access to IG's highly trained customer service team is important for clients who rely on our expertise.

#### People

##### *Why we engage with our people*

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

##### *How we engage with our people*

We have a variety of means to engage with our people. These include surveys, the ability to collect feedback and comments at any time using our employee communication portal, and town halls and small group meetings that allow our senior managers to meet and understand our people's views. Our employee network groups also offer an important channel to better understand the experience of our employees who are currently underrepresented. Our People Forum, a body that acts as a conduit for more formal feedback and interactions with our Board, brings employee voices into Board decision-making. The People Forum is chaired by our Group's Chief Operating Officer, supported by the Group's Chief People Officer, and attended by a Non-Executive Director on a rolling basis. Employee representatives are democratically elected by our people and serve two-year terms.

##### *What matters most to our people*

It's vital that our people are kept informed about our business strategy and changes to the industry. They want and deserve the chance to be involved in planning changes that will impact them and their teams, and also expect the organisation to provide opportunities for development.

#### Regulators

##### *Why we engage with our regulators*

Regulations affect how the Company markets and provides services to clients. It is essential that the Company engages with its regulators to ensure they understand our products and business model, so we can remain active in multiple regions and keep growing into new markets.

By maintaining relationships with its key regulators and engaging on both a local and global scale, we position ourselves to be well-informed about impending developments in the regulatory environment.

##### *How we engage with our regulators*

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

We work with regulators in multiple ways – from proactive engagement on new business proposals to assisting in their investigations and regulatory requests.

Around the world the Company maintains an open and constructive dialogue with local regulators, to facilitate strong relationships and understand the expectations that are critical to the Company.

## Strategic Report

### *What matters most to our regulators*

Regulators focus on ensuring firms safeguard their clients' best interests and ensuring that all clients are treated fairly. They also take an interest in capital and liquidity issues. Regulators value firms that respect and follow both the letter and the spirit of the regulations and guidelines they set out.

### **Communities**

#### *Why we engage with communities*

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

#### *How we engage with communities*

Through the Brighter Future framework, the Company partners with local charities that support the communities in which it operates. We also have partnerships at national and global levels.

The Company's people have opportunities to engage with its partners – from our Group Chief Executive Officer's membership of Teach First's Business Leaders Council through to employee volunteering and fundraising. We have a dedicated ESG Manager and a team of regional champions spread across our global network that lead on our community outreach initiatives.

### *What matters most to our communities*

**Community impact:** our communities value sustained and long-term support. This is achieved through a combination of continual dialogue, financial donations and meaningful employee engagement. To date, through our Brighter Future Fund and other related initiatives, we have committed over £5 million to our charity partners and to important causes and campaigns. It also matters to our communities that we're conscious of our impact on the environment.

### **Suppliers**

#### *Why we engage with suppliers*

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

Working in collaboration with our suppliers is also crucial to the success of our ESG strategy.

#### *How we engage with suppliers*

The Company frequently engages with its supplier base to ensure that all parties are getting the desired value from the relationship. Typically we do this through a series of engagements, ranging from informal conversations for exchanging information and discussing priorities to formal interactions.

### *What matters most to our suppliers*

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

### **Regulation**

IG is the world's leading provider of CFDs and adheres to the highest regulatory standards. The Company's primary regulator is the Financial Conduct Authority (FCA), but is also regulated in other jurisdictions it operates in. The FCA introduced the U.K Investment Firm Prudential Regime (IFPR) with effect from 1 January 2022, which are the new prudential rules the Company is subject to. This primarily impacts on the liquidity and capital requirements of the Company, as well as the regulatory reporting and disclosures, remuneration, supervision, and governance of the Company in the UK. The liquidity and capital requirements are disclosed in note 27 on capital management.

## Strategic Report

### Principal risks and uncertainties

The Company operates as a business within the Group, and the success of its business is dependent upon the performance of other Group companies. The principal risks faced by the Company are outlined below:

- **Regulatory environment risk:** The risk that the Company faces enhanced regulatory scrutiny with a higher chance of regulatory action, or the risk that the regulatory environment in the jurisdiction in which the Company currently operates, or may wish to operate, changes in a way that has an adverse effect on the Company's business or operations, through reduction in revenue, increases in costs, or increases in capital and liquidity requirements. This also includes the risk of a change in the way the Company is taxed, such as the risk of a change in the financial transactions tax rules which could severely impact the economics of the trading activities of the Company;
- **Commercial risk:** The risk that the Company's performance is affected by adverse market conditions, failure to adopt an effective business strategy or competitors offering more attractive products or services;
- **Business model risk:** The risk faced by the Company arising from the nature of its business and its business model. This includes the market risks related to the products it offers, the liquidity risks faced in conducting its business, the risk of holding insufficient capital to cover its exposures and the credit risk of the clients, the financial institutions and Group companies it transacts with;
- **Conduct and operational risk:** The risk that the Company's conduct poses to the achievement of fair outcomes for consumers or the financial markets. The risk of loss resulting from inadequate or failed internal processes, people, systems or external events. This also includes the risk of loss resulting from the failed processes, people and systems of the Group companies that the Company relies on in executing its operations.

The principal risks faced by the Company are broadly in line with the risks faced by the Group, and the Directors of the Group manage the risks faced by Group companies on a Group wide basis. Details of the Group's approach to risk management and principal risks facing the Group, are set out in the Group Annual Report.

### Future Developments

The Directors have approved the sale of the stock trading and investments business of the Company to IG Trading and Investments Limited. This sale is expected to be completed in the first half of FY23.

On behalf of the Board



C Rozes

Director

22 July 2022



## Directors' Report

The Directors present their Report together with the audited Financial Statements of the Company for the year ended 31 May 2022.

### Directors

The Directors of the Company who held office during the year and up to the date of signing the Financial Statements were as follows:

J Felix  
J Noble  
C Rozes  
R Bhasin  
A Didham  
S Hibberd  
M Le May  
R McTighe  
J Moulds  
S Skeritt (appointed 09 July 2021)  
H Stevenson  
G Wu  
B Messer (resigned 22 September 2021)  
L Pollina (resigned 09 July 2021)

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

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

### Business

The description of the business undertaken by the Company, its performance during the year, its position at the end of the year, and future developments are set out in the Strategic Report on page 2.

The Company is registered in Australia and New Zealand for the purpose of offering products to clients in these jurisdictions, however, the Company has ceased the provision of these services prior to 31 May 2022. The Company has a branch in Poland which provides back office, marketing and sales support. The Company has inactive branches in Germany, France, Italy, Spain, Sweden, Ireland, Norway, Netherlands, a non-trading branch in South Africa as well as a representative office in China.

### Dividends

The Directors are not recommending a final dividend.

### Streamlined energy and carbon reporting (SECR)

The Company is exempt from the requirement to report under the SECR regulations on a standalone basis. The Company's energy, carbon and business travel consumption is included within the Group's reporting which is disclosed in the Group Annual Report.

### Directors' statement as to disclosure of information to auditors

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

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

### Financial Risk Management

Financial risk management information is presented in note 27.

### Subsequent events

Subsequent events are presented in note 28.

## Directors' Report

### Additional disclosures

The Company is required to publish additional information in accordance with the UK Investment Firm Regime (MIFIDPRU) and the Capital Requirements (Country-by-Country Reporting) Regulations 2013. This information will be published at the following web address: <http://www.iggroup.com/investor-relations/regulatory-information>

On behalf of the Board



C Rozès  
Director  
22 July 2022

## Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

On behalf of the Board



C Rozes

Director

22 July 2022

## **Independent Auditors' Report**

### **to the members of IG Markets Limited**

#### **Report on the audit of the Financial Statements**

##### **Opinion**

In our opinion, IG Markets Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 May 2022; the income statement, statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

##### **Conclusions relating to going concern**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

##### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

## **Independent Auditors' Report**

### **to the members of IG Markets Limited**

#### **Strategic report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 May 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

#### **Responsibilities for the financial statements and the audit**

##### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

##### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Financial Conduct Authority and applicable tax legislations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls); and determined that the principal risks were related to inappropriate recording of journals. Audit procedures performed by the engagement team included:

- Enquiries of management, internal audit, and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulation and fraud;
- Identifying and testing journal entries and period end adjustments, including those posted by senior management or with unusual account combinations;
- Review of correspondence with regulators, and internal audit reports in so far as they are related to the financial statements;
- Review of whistleblowing reports; and
- Incorporated unpredictability into the nature, timing and/or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

##### **Use of this report**

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

## **Independent Auditors' Report**

**to the members of IG Markets Limited**

### **Other required reporting**

#### **Companies Act 2006 exception reporting**

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Carl Sizer (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
25 July 2022

# Income Statement for the year ended 31 May 2022

		Year ended 31 May 2022			Year ended 31 May 2021 (Restated) <sup>1</sup>		
	Note	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Trading revenue		429.3	27.0	456.3	433.8	33.9	467.7
Introducing partner commissions		(2.7)	-	(2.7)	(2.7)	-	(2.7)
<b>Net trading revenue</b>	<b>3</b>	<b>426.6</b>	<b>27.0</b>	<b>453.6</b>	<b>431.1</b>	<b>33.9</b>	<b>465.0</b>
Financial transaction taxes		(0.1)	-	(0.1)	(0.1)	-	(0.1)
Interest income on segregated client funds		0.3	-	0.3	0.8	-	0.8
Other operating income		2.7	-	2.7	3.5	-	3.5
<b>Net operating income</b>		<b>429.5</b>	<b>27.0</b>	<b>456.5</b>	<b>435.3</b>	<b>33.9</b>	<b>469.2</b>
Operating costs	4	(203.7)	(17.8)	(221.5)	(212.3)	(17.9)	(230.2)
Net credit (losses) / gains on financial assets	27	0.2	-	0.2	(0.7)	-	(0.7)
<b>Operating profit</b>		<b>226.0</b>	<b>9.2</b>	<b>235.2</b>	<b>222.3</b>	<b>16.0</b>	<b>238.3</b>
Finance income	8	10.8	-	10.8	1.7	-	1.7
Finance costs	9	(14.6)	-	(14.6)	(5.9)	-	(5.9)
<b>Profit before taxation</b>		<b>222.2</b>	<b>9.2</b>	<b>231.4</b>	<b>218.1</b>	<b>16.0</b>	<b>234.1</b>
Taxation	10	(41.5)	(1.7)	(43.2)	(41.9)	(3.0)	(44.9)
<b>Profit for the financial year</b>		<b>180.7</b>	<b>7.5</b>	<b>188.2</b>	<b>176.2</b>	<b>13.0<sup>1</sup></b>	<b>189.2</b>

<sup>1</sup> The FY21 comparatives have been restated to include the results of discontinued operations relating to the stock trading and investments business. Refer to note 23 for further details.

## Statement of Comprehensive Income

for the year ended 31 May 2022

	Year ended 31 May 2022			Year ended 31 May 2021 (Restated) <sup>1</sup>		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£m	£m	£m	£m	£m	£m
<b>Profit for the year</b>	180.7	7.5	188.2	176.2	13.0	189.2
<b>Other comprehensive (expense)/income:</b>						
Items that may be subsequently reclassified to the Income Statement:	-	-	-	-	-	-
Changes in the fair value of financial assets held at fair value through other comprehensive income, net of tax	(4.0)	-	(4.0)	(1.3)	-	(1.3)
<b>Other comprehensive (expense)/income for the year</b>	(4.0)	-	(4.0)	(1.3)	-	(1.3)
<b>Total comprehensive income for the year</b>	176.7	7.5	184.2	174.9	13.0	187.9

<sup>1</sup> The FY21 comparatives have been restated to include the results of discontinued operations relating to the stock trading and investments business. Refer to note 23 for further details.

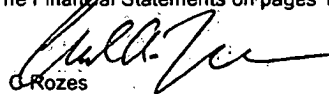


# Statement of Financial Position

as at 31 May 2022

	Note	31 May 2022 £m	31 May 2021 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	0.2	0.6
Investment in subsidiaries	12	3.8	3.8
Financial investments	16	134.8	127.6
Other receivables	15	181.7	-
Financial assets pledged as collateral	16	25.3	61.1
Deferred income tax assets	10	0.3	0.4
		346.1	193.5
<b>Current assets</b>			
Trade receivables	13	361.8	423.5
Other assets	14	14.2	30.3
Prepayments		1.3	1.5
Other receivables	15	46.6	19.6
Cash and cash equivalents		860.7	402.7
Financial investments	16	200.9	127.4
Financial assets pledged as collateral	16	35.1	26.0
		1,520.6	1,031.0
<b>TOTAL ASSETS</b>		<b>1,866.7</b>	<b>1,224.5</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	17	-	98.8
Other payables	19	298.3	-
Deferred income tax liabilities	10	0.9	0.3
		299.2	99.1
<b>Current liabilities</b>			
Trade payables	18	138.2	69.8
Other payables	19	1,029.3	640.7
Income tax payable		3.3	2.2
Lease liabilities	24	-	0.2
		1,170.8	712.9
<b>Total liabilities</b>		<b>1,470.0</b>	<b>812.0</b>
<b>Equity</b>			
Share capital	21	13.0	13.0
Other reserves	22	(4.2)	(0.2)
Retained earnings		387.9	399.7
<b>Total equity</b>		<b>396.7</b>	<b>412.5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,866.7</b>	<b>1,224.5</b>

The Financial Statements on pages 14 to 52 were approved by the Board of Directors and signed on their behalf by:



G. Rozes

Director

22 July 2022

## Statement of Changes in Equity

for the year ended 31 May 2022

	Share capital	Other reserves	Retained earnings	Total equity
	£m	£m	£m	£m
<b>At 1 June 2020</b>	<b>13.0</b>	<b>1.6</b>	<b>410.0</b>	<b>424.6</b>
Profit for the financial year	-	-	189.2	189.2
Other comprehensive expense for the year	-	(1.3)	-	(1.3)
Total comprehensive income for the year	-	(1.3)	189.2	187.9
Equity dividends paid	-	-	(200.0)	(200.0)
Transfer of vested awards from the share-based payment reserve	-	(0.5)	0.5	-
<b>At 31 May 2021</b>	<b>13.0</b>	<b>(0.2)</b>	<b>399.7</b>	<b>412.5</b>
Profit for the financial year	-	-	188.2	188.2
Other comprehensive expense for the year	-	(4.0)	-	(4.0)
Total comprehensive income for the year	-	(4.0)	188.2	184.2
Equity dividends paid	-	-	(200.0)	(200.0)
<b>At 31 May 2022</b>	<b>13.0</b>	<b>(4.2)</b>	<b>387.9</b>	<b>396.7</b>

## Notes to the Financial Statements

for the year ended 31 May 2022

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

The Financial Statements of the Company for the year ended 31 May 2022 were authorised for issue by the Board of Directors on 22 July 2022 and the Statement of Financial Position was signed on behalf of the Board by Charles Rozes. The Company is incorporated and domiciled in England and Wales with registered company number 4008957 as a private company limited by shares. The address of the registered office is Cannon Bridge House, 25 Dowgate Hill, London, England EC4R 2YA.

**2. Accounting policies**

**Critical accounting estimates and judgments**

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 revenue and expenses during the year.

The nature of estimates means that actual outcomes could differ from those estimates. There are no critical accounting estimates, and no accounting judgements that had a significant impact on the presentation or measurement of items recorded in the financial statements.

**Basis of preparation**

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historic cost convention, as modified by derivative and non-derivative financial assets and liabilities measured at fair value, and in accordance with the Companies Act 2006.

The following disclosure exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IAS 7 'Statement of Cash Flows';
- IFRS 2 'Share-based Payment' paragraph 45(b) and 46 to 52.
- IAS 24 'Related Party Disclosures' paragraph 17;
- IAS 24 'Related Party Disclosures' requirements to disclose transactions between wholly-owned Group companies;
- IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31;
- IAS 1 'Presentation of Financial Statements' paragraph 38 to present comparative information in respect of IAS 1 'Presentation of Financial Statements' paragraph 79 (a)(iv), IAS 16 'Property, plant and equipment' paragraph 73(e), and IAS 38 'Intangible assets' paragraph 118(e);
- IAS 1 'Presentation of Financial Statements' paragraphs 10(d), 10(f), 16, 38A-D, 111 and 40A-D;
- IFRS 15 'Revenue from Contracts with Customers' second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129;
- IFRS 16 'Leases' paragraph 52

Where relevant, equivalent disclosures have been given in the Group Annual Report.

The accounting policies and interpretations adopted in the preparation of the Financial Statements are consistent with those followed in the preparation of the Company's Financial Statements for the year ended 31 May 2021.

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

There were no new standards, amendments or interpretations issued during the period which have had a material impact on the Company. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The IASB has published a number of minor amendments to IFRSs that are effective from 1 January 2022 and 1 January 2023.

These include amendments published to IAS 12 – Income Taxes, IAS 37 – Provisions and Contingent Liabilities and Contingent Assets. The Company is in process of assessing the impact of these amendments. There have also been amendments published to IAS 1 – Presentation of Financial Statements. However, the Company expects they will have an insignificant effect, when adopted, on the Financial Statements of the Company.

**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 a period of at least 12 months from the date of approval of the Financial Statements.

In assessing whether it is appropriate to adopt the going-concern basis in preparing the Financial Statements, the Directors have considered the resilience of the Company, taking account of its liquidity position and cash generation, the adequacy of capital resources, the availability of funding from its parent company and the Group, and stress-testing of liquidity and capital adequacy that takes into account the principal risks faced by the business.

The Directors' assessment has considered future performance, solvency and liquidity over a period of at least 12 months from the date of approval of the Financial Statements. The Directors have a reasonable expectation that the

## Notes to the Financial Statements

for the year ended 31 May 2022

### 2. Accounting policies (continued)

#### Going concern (continued)

Company has adequate resources for that period, and confirm that they consider it appropriate to adopt the going-concern basis in preparing the Financial Statements.

#### Parent company and Group Financial Statements

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

The Financial Statements of IG Group Holdings plc and its subsidiary companies, which include the results of the Company, are publicly available and may be obtained from Cannon Bridge House, 25 Dowgate Hill, London EC4R 2YA. Therefore, the company is exempt by virtue of section 400 of the Companies Act 2006, from the requirement to prepare consolidated financial statements. These financial statements are therefore separate financial statements.

#### Foreign currencies

The Company's functional and presentational currency is Sterling, and this is consistent with the primary economic environment in which the Company operates in. Transactions in other currencies are initially recorded in the functional currency by applying spot exchange rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are revalued at the Company's functional currency rate of exchange prevailing at the Statement of Financial Position date. Gains and losses arising on revaluation are recognised in trading revenue in the Income Statement. Non-monetary assets and liabilities carried at fair value and denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

The assets and liabilities of the Company's overseas operations are translated into Sterling at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising from the translation of overseas operations are recognised in 'other comprehensive income' and the 'translation reserve'. On disposal of an overseas operation, exchange differences previously recognised in 'other comprehensive income' are recycled to the income statement as income or expense.

#### Revenue recognition

Trading revenue includes revenue arising from each of the Company's three revenue generation models: OTC leveraged derivatives, stock trading, and investments.

##### OTC leveraged derivatives

Revenue from the OTC leveraged derivatives business represents:

- i) fees paid by clients for spread, commission and funding charges in respect of the opening, holding and closing of contracts for difference together with gains and losses for the Company arising on client trading activity; less
- ii) fees paid by the Company in spread, commissions and funding charges arising in respect of hedging the risk associated with the client trading activity and the Company's currency exposures, together with gains and losses incurred by the Company arising on hedging activity; less
- iii) amounts paid to other Group companies under revenue share agreements.

Open client and hedging positions are fair valued daily with gains and losses arising on this valuation recognised in revenue. The policies and methodologies associated with the determination of fair value are disclosed in note 26, Financial Instruments.

##### Stock trading

Revenue from stock trading represents fees and commission earned from the stock trading services. Revenue is recognised in full on the date of the trade being placed or the fee being charged.

##### Investments

Revenue from investments represents management fees, which are earned as a percentage of assets under management. These are recognised over the period in which the service is provided.

Revenue is recognised when it is probable that economic benefits associated with the transaction will flow to the Company and can be reliably measured. Revenue is shown net of sales taxes.

Trading revenue is reported before introducing partner commission and financial transaction taxes, which are disclosed as an expense in arriving at net operating income.

Net trading revenue, disclosed on the face of the Income Statement and in the Notes to the Financial Statements, represents trading revenue after adjusting for introducing partner commission, as this is consistent with the management information received by the Chief Operating Decision Maker.

## Notes to the Financial Statements

for the year ended 31 May 2022

### 2. Accounting policies (continued)

#### Finance income and expenses on client funds

Interest income and expense on segregated client funds, held with third parties is accrued using the effective interest rate, and by reference to the amortised cost of the amount outstanding, and are included in operating profit as this is consistent with the nature of the Company's operations.

Interest income and interest expense on firm cash and client funds held with IG are disclosed within 'finance income' and 'finance cost'

#### Dividends

Dividend declared but not yet distributed to the Company's shareholder are recognised as a liability in the Company's Financial Statements in the period in which the dividends are approved by the Company's Directors.

Dividend income is recognised when the shareholder's right to receive the payment is established.

#### Employee benefits

##### (a) Pension obligations

The Company operates defined contribution schemes. Contributions are charged to the Income Statement when they become payable according to the rules of the schemes. Once the contributions have been paid, the Company has no legal or constructive obligations to pay further contributions.

##### (b) Bonus schemes

The Company recognises an accrual and an expense for bonuses based on formulae that takes into consideration specific financial and non-financial measures. Liabilities for the Group's cash-settled portion of the Sustained Performance Plan are recognised as an employee benefit expense over the relevant service period and remeasured at each balance sheet date until settlement.

##### (c) Termination benefits

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

Expenses are either incurred directly by the Company or by other Group companies on the Company's behalf. Where costs are incurred on its behalf, these costs are recharged to the Company on a line-by-line basis

#### Leases

The Company leases office spaces. Leases are recognised as a right-of-use asset with a corresponding lease liability from the date at which the asset is available for use.

Leasing arrangements can contain both lease and non-lease components. The Company has elected to separate out the non-lease component and to account for these based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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

- Fixed payments less any lease incentives;
- Variable lease payments dependent on an index or rate initially measured as at the commencement date;
- Amounts payable by the Company under residual guarantees; and
- Payments of penalties for terminating the lease.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's estimated incremental secured borrowing rate is used. This represents the cost to borrow funds to obtain a similar valued right-of-use asset in a similar economic environment with similar terms and conditions.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

## Notes to the Financial Statements

for the year ended 31 May 2022

### 2. Accounting policies (continued)

#### Leases (continued)

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

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

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

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

#### Taxation

The income tax expense represents the sum of tax currently payable and movements in deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates in the respective jurisdictions that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax is accounted for on all temporary differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available, against which deductible temporary differences may be utilised. Such assets and liabilities are not recognised if the temporary difference arises 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 or Other Comprehensive Income, in which case the deferred tax is also dealt with in equity or Other Comprehensive Income.

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

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid, and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value based upon estimated useful lives. Estimated residual value and useful lives are reviewed annually and residual values are based on prices prevailing at the Statement of Financial Position date. Depreciation is charged on a straight-line basis over the expected useful lives as follows:

- |   |   |
|---|---|
| • Leasehold improvements                  | - over the lease term of up to 15 years |
| • Office equipment, fixtures and fittings | - over 5 years                          |
| • Computer and other equipment            | - over 2, 3 or 5 years                  |
| • Right of use asset                      | - over the lease term of up to 15 years |

## Notes to the Financial Statements

for the year ended 31 May 2022

### 2. Accounting policies (continued)

#### Property, plant and equipment (continued)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on derecognition is determined as the difference between the sale proceeds and the carrying amount of the asset and is immediately recognised in the Income Statement.

#### Impairment of non-financial assets

When impairment testing is required, the Directors review the carrying amounts of the Company's property, plant and equipment to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). 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 Statement of Financial Position date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated and previously recognised impairment losses are reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

#### Investments in subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment losses.

#### Financial Instruments

##### Financial instruments - classification, recognition and measurement

The Company determines the classification of its financial instruments at initial recognition in accordance with the categories outlined below and re-evaluates this designation at each year-end. When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus or minus, 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 26 of the Financial Statements.

##### (a) Financial assets and liabilities measured at fair value through profit or loss

Financial assets and liabilities measured at fair value through profit and loss are financial assets and liabilities that are not classified and measured at amortised cost or as fair value through other comprehensive income. The financial assets included in this classification are the financial derivative open positions included in trade receivables (due from brokers) as shown in the Statement of Financial Position and related notes. The Company uses derivative financial instruments, in order to hedge derivative exposures arising from open client positions, which are also classified as fair value through profit and loss.

All financial instruments at fair value through profit or loss are carried in the Statement of Financial Position at fair value with gains or losses recognised in trading revenue in the Income Statement.

##### (b) Financial assets measured at amortised cost

Financial assets measured at amortised cost are non-derivative financial assets which are held to collect the contractual cash flows. The contractual terms of the financial assets give rise to payments on specified dates that are solely payments of principal and interest on the principal amount outstanding. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Company's financial assets measured at amortised cost comprise 'trade receivables', 'other receivables', 'cash and cash equivalents' and fixed term deposits that are categorised under 'financial investments'.

Fixed term deposits do not meet the criteria of 'cash and cash equivalents' under IAS 7 as they have a maturity of longer than three months. Furthermore, the Group is unable to withdraw these deposits before their respective maturity date. Therefore, these are categorised as 'financial investments' as stated above.

## Notes to the Financial Statements

for the year ended 31 May 2022

### 2. Accounting policies (continued)

#### (b) Financial assets measured at amortised cost (continued)

Interest on term deposits is included in finance income using the effective interest rate method. The effective interest rate is either the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider expected credit losses unless the asset is credit impaired. The calculation includes all fees and spreads paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

#### (c) Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income are assets that are held to collect the contractual cash flows or to be sold. The contractual terms of these assets give rise to payments on specified dates that are solely payments of principal and interest on the principal amount outstanding. They are included in non-current assets unless the investment matures or management intend to dispose of them within 12 months of the end of the reporting period. The Company's fair value through other comprehensive income financial assets are 'financial investments and 'financial assets pledged as collateral' other than fixed term deposits.

#### (d) Financial liabilities

The Company's financial liabilities include trade payables, other payables and lease liabilities. These are measured subsequently at amortised cost using the effective interest method, excluding the derivative element of 'trade payables – amounts due to brokers', which is measured at fair value through profit or loss and recognised as part of trade payables as detailed in (a). The interest expense is calculated at each reporting period by applying the effective interest rate, and the resulting charge is reflected in finance costs on the Income Statement.

#### (e) Determination of fair value

Financial instruments arising from open client positions, financial derivative open positions included in trade receivables (due from brokers), 'financial investments' (other than fixed term deposits) and 'financial assets pledged as collateral' are stated at fair value and disclosed according to the valuation hierarchy required by IFRS 13 Fair Value Measurement. Fair values are predominantly determined by reference to third party market values (bid prices for long positions and offer prices for short positions) as detailed below:

- Level 1: valued using unadjusted quoted prices in active markets for identical financial instruments.
- Level 2: valued using techniques where a price is derived based significantly on observable market data. For example, where an active market for an identical financial instrument to the product offered by the Company to its clients or used by the Company to hedge its market risk does not exist.
- Level 3: valued using techniques that incorporate information other than observable market data that is significant to the overall valuation.

#### Financial Instruments - Impairment of financial assets

The impairment charge in the Income Statement includes a loss allowance reflecting the change in expected credit losses. Expected credit losses are recognised for 'trade receivables', 'cash and cash equivalents', 'other receivables', 'financial investments' and 'financial assets pledged as collateral'. Expected credit losses are calculated as the difference between the contractual cash flows that are due to the Company and the cash flows that the Company expects to receive given the probability of default and loss given default, discounted at the original effective interest rate.

At initial recognition of financial assets, an allowance is made for expected credit losses resulting from default events that are possible within the next 12 months, except for where the simplified approach is used where an allowance is made for the lifetime expected credit loss. In the event of a significant increase in credit risk, an allowance is made for expected credit losses resulting from possible default events over the expected life of the financial asset. The Company applies the simplified approach for trade receivables and other receivables where the revenue associated with these receivables is recognised in accordance with IFRS 15 Revenue from Contract with Customers. The Company applies the general approach for all other financial assets.

Financial assets that have not experienced a significant increase in credit risk are categorised as Stage 1 and 12 month expected credit losses are recognised; financial assets which are considered to have experienced a significant increase in credit risk since initial recognition are considered to be Stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

An assessment of whether credit risk has increased significantly considers changes in the credit rating associated with the asset, whether contractual payments are more than 30 days past due and other reasonable information demonstrating a significant increase in credit risk. In accordance with the Group's internal credit risk management definition, financial instruments have a low credit risk when it has an external credit rating of 'investment grade'. If no external credit rating is available reference is made to the Group's internal credit risk policy.



## Notes to the Financial Statements

for the year ended 31 May 2022

### 2. Accounting policies (continued)

#### Financial Instruments - Impairment of financial assets (continued)

Assets are transferred to Stage 3 when an event of default, as defined in the Group's credit risk management policy, occurs or where the assets are credit impaired. The Company determines that a default occurs when a payment is 90 days past due for all assets, except for receivables from clients where it uses 120 days. This is aligned with the Group's risk management practices.

All changes in expected credit losses subsequent to the assets' initial recognition are recognised as an impairment loss or gain. Financial assets are written off, either partially or in full, against the related allowance when the Company has no reasonable expectations of recovery of the asset. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the Income Statement.

#### Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expired.

##### (a) Financial assets

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

##### (b) Financial liabilities

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

##### (c) Offsetting financial instruments

Assets or liabilities resulting from profit or losses on open positions are carried at fair value. Amounts due from or to clients and brokers are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

#### Trade payables and receivables

Trade receivables represent balances with counterparties and clients where the combination of cash held on account and the valuation of financial derivative open positions result in an amount due to the Company. Trade receivables balances also include commissions and required deposits due from the Company's broker counterparties.

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.

For trade receivables under IFRS 15 that do not contain a significant financing element and so the Company has applied the simplified approach for measuring impairment. For all other trade receivables, the general approach has been applied for measuring impairment. The expected lifetime credit loss is recognised at initial recognition of the financial asset, with the loss allowance calculated by reference to an aging debt profile, adjusted for forward looking information. Trade receivables are written off when there is objective evidence of non-collectability or when an event of default occurs.

## Notes to the Financial Statements

for the year ended 31 May 2022

### 2. Accounting policies (continued)

#### Other assets

Other assets represent rights to cryptocurrencies and cryptocurrencies owned and controlled by the Company. The Company offers various cryptocurrency-related products that can be traded on its platform. The Company purchases and sells cryptocurrency assets as part of its hedging activity.

The Company holds cryptocurrency assets for trading in the ordinary course of its business, effectively acting as a commodity broker-dealer in respect of the underlying cryptocurrency asset (because the salient features of these assets are, in economic terms, consistent with certain commodities) under IAS 2.3(b).

The assets are recognised on trade date and measured at fair value less costs to sell, with changes in valuation being recorded in the Income Statement in the period in which they arise. Cryptocurrency assets are not financial instruments and they are categorised as non-financial assets.

#### Other receivables

Other receivables are financial assets which give rise to payments on specified dates that are solely payments of principal and interest on the principal amount outstanding. They are assets that have not been designated as fair value through profit or loss. Such assets are carried at amortised cost using the effective interest method.

For other receivables under IFRS 15 that do not contain a significant financing element, the Company has applied the simplified approach, for measuring impairment. For remaining other receivables, the general approach has been applied for measuring impairment. The expected lifetime credit loss is recognised at initial recognition of the financial asset, with the loss allowance calculated by reference to an aging debt profile. Other receivables are written off when there is objective evidence of non-collectability or when an event of default occurs.

#### Prepayments

Prepayments are assets with fixed or determinable payments made in advance for services or goods. They do not qualify as financial assets and are amortised over the period in which the economic benefit is expected to be consumed.

#### Cash and cash equivalents

Cash comprises of cash on hand and demand deposits which may be accessed within 90 days without penalty. Cash equivalents comprises of short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

The majority of the Company's cash balances are held with investment-grade banks. The Company considers the risk of default, and how adverse changes in economic and business conditions might impact the ability of the banks to meet their obligations. The Company assesses the expected credit losses on cash and cash equivalents on a forward-looking basis and if there has been a significant increase in credit risk since initial recognition.

Money market funds are mutual funds that invest in a diversified range of money market instruments, such as government owned instruments and short term debt from highly credit rated counterparties. Money market funds are presented within 'cash and cash equivalents' as they are short-term highly liquid investments that are readily convertible into known amounts of cash, they are subject to an insignificant risk of changes in value and they can be withdrawn without penalty. As at 31 May 2022, the Company's cash and cash equivalents balance included £425.6 million (31 May 2021: £nil) of money market funds.

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 are held in segregated client money accounts which restrict the Company's ability to control the monies and accordingly such amounts are held off-balance sheet. The amount of segregated client funds held at 31 May 2022 was £639.7 million (31 May 2021: £917.7 million) and the amount of segregated client assets was £2,664.2 million (31 May 2021: £3,291.4 million). These amounts are held off-balance sheet. The return received on managing segregated client funds is included within net operating income.

The transfer funds are held by the Group under a Title Transfer Collateral Arrangement (TTCA) by which a client agrees that full ownership of such monies is unconditionally transferred to the Group. Title transfer funds are accordingly held on the Statement of Financial Position with a corresponding liability to clients within trade payables.

## Notes to the Financial Statements

for the year ended 31 May 2022

### 2. Accounting policies (continued)

#### Financial investments

Financial investments other than term deposits, are held as fair value through other comprehensive income and are non-derivative financial assets. Financial investments are recognised on a trade date basis. They are initially recognised at fair value plus directly related transactions costs. They are subsequently carried at fair value- the quoted market price of the specific investments held.

Unrealised gains or losses, other than loss allowances for expected credit losses for investments measured at fair value through other comprehensive income (FVOCI), are reported in equity (in the fair value through other comprehensive income reserve) and in other comprehensive income, until such investments are sold, collected or otherwise disposed of.

On disposal of an investment, the accumulated unrealised gain or loss included in equity is recycled to the Income Statement for the period and reported in other income. Gains and losses on disposal are determined using the fair value of the investment at the date of derecognition. Interest on financial investments is included in finance income using the effective interest rate method. The effective interest rate is either the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider expected credit losses unless the asset is credit impaired. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

#### Other payables

Non-trading financial liabilities are recognised initially at fair value and carried at amortised cost using the effective interest rate method.

#### 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 fair value and subsequently at amortised cost, using the effective interest rate method with any difference between net proceeds and the redemption value being recognised in the Income Statement over the period of the borrowings.

#### Share Capital

##### (a) Classification of shares as debt or equity

When shares are issued, any component that creates a financial liability of the Company is presented as a liability on the balance sheet; measured initially at fair value net of transaction costs and subsequently at amortised cost until extinguished on conversion or redemption. Dividends paid are charged as an interest expense in the Income Statement.

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

##### (b) Share-based payments

The ultimate parent company, IG Group Holdings plc operates four employee share plans: a share incentive plan, a sustained performance plan, a medium-term incentive plan and a long-term incentive plan. Some employees of the Company are participants in some of these schemes.

For market-based vesting conditions, the cost of these awards is measured at fair value calculated using option pricing models (refer to the share based payment note in the Group Annual Report for additional detail of the models and assumptions used for the various award schemes) and are recognised as an expense in the Income Statement on a straight-line basis over the vesting period, based on the Company's estimate of the number of shares that will eventually vest.

For non-market based vesting conditions, at each Statement of Financial Position date before vesting, the cumulative expense is calculated representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions determining the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous Statement of Financial Position date is recognised in the Income Statement as part of operating expenses, with a corresponding credit to equity.

## Notes to the Financial Statements

for the year ended 31 May 2022

### 2. Accounting policies (continued)

#### (b) Share-based payments (continued)

The grant by IG Group Holdings plc of options over its equity instruments to employees of the Company is treated as an expense for the Company, as discussed above and with a corresponding credit to equity. Upon vesting, the share-based payments reserve in equity is transferred to retained earnings.

#### Discontinued operations

A discontinued operation is a component of the Company that has been disposed of and that represents a separate line of business or geographical area of operations; is part of a single co-ordinated plan to dispose of such a line of business or geographical area of operations; or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the Income Statement.

Where a discontinued operation has been disposed of for consideration greater than the value of the net assets and liabilities disposed of at the Statement of Financial Position date, the Company recognises the excess consideration in the Income Statement. The excess consideration is recognised when it is probable the economic benefits associated with the transaction will flow to the Company.

### 3. Net trading revenue

An analysis of the Company's net trading revenue is as follows:

	Year ended 31 May 2022	Year ended 31 May 2021
	£m	£m
OTC leveraged derivatives	427.2	426.3
Stock trading and investments	26.4	38.7
	<u>453.6</u>	<u>465.0</u>

The Geographical breakdown of the Company's net trading revenue is as follows:

	Year ended 31 May 2022	Year ended 31 May 2021
	£m	£m
UK	453.0	461.8
Australia	0.6	3.2
	<u>453.6</u>	<u>465.0</u>

### 4. Operating costs

	Year ended 31 May 2022	Year ended 31 May 2021
	£m	£m
Employee related expenses	57.1	56.6
Royalty expense	104.4	107.0
Advertising and marketing	14.5	16.5
Premises related costs	3.7	3.0
IT, Market Data and Communications	17.2	17.4
Legal and professional costs	4.2	4.2
Regulatory fees	4.7	4.6
Depreciation	0.4	0.4
Other costs	15.3	20.5
	<u>221.5</u>	<u>230.2</u>

## Notes to the Financial Statements

### for the year ended 31 May 2022

#### 5. Auditors' remuneration

Audit fees in relation to the statutory audit of the Financial Statements of the Company amounted to £96,175 (31 May 2021: £74,500).

Audit related fees in relation to services supplied pursuant to legislation amounted to £158,958 (FY21: £240,020). Audit related fees include engagements that are required by the regulatory authorities in whose jurisdiction the Company operates, as well as other assurance services.

#### 6. Directors' remuneration and Directors' shareholdings

Directors are remunerated for their services to the Group. The Directors' remuneration for their services to the Company for the year was £nil (FY21: £nil).

The Directors of the Company held shares in the ultimate parent Company. The Directors remuneration and shareholdings are disclosed in the Directors' Remuneration section Group Annual Report.

#### 7. Staff costs

Staff costs relate to employees who are directly employed by the Company and to employees employed by another Group company, where the cost is recharged to the Company. The average monthly number of employees directly employed by the Company was 153 (FY21: 129).

The average monthly number of employees, split into the key activity areas was as follows:

	Year ended 31 May 2022	Year ended 31 May 2021
Business administration	84	67
Operations	59	53
Prospect acquisition	5	4
Sales and client management	4	5
Technology	1	-
	<u>153</u>	<u>129</u>

An analysis of staff costs before and after these recharges is shown below:

	Year ended 31 May 2022	Year ended 31 May 2021
	£m	£m
Wages, salaries and benefit allowances	4.2	3.5
Equity-settled share-based payment awards and related social security costs	0.1	-
Performance related bonus and related social security costs	0.6	0.6
Total staff costs for employees of the Company	<u>4.9</u>	<u>4.1</u>
Costs recharged to the Company from other Group companies for services provided to the Company	52.2	52.5
Amount recognised in the Company's Income Statement	<u>57.1</u>	<u>56.6</u>

## Notes to the Financial Statements

for the year ended 31 May 2022

7. Staff costs (continued)

The staff costs for the year were as follows:

	Year ended 31 May 2022	Year ended 31 May 2021
	£m	£m
Wages and salaries, performance related bonus and equity-settled share-based payment awards	48.3	48.0
Social security costs	6.3	6.1
Other pension costs	2.5	2.5
	<u>57.1</u>	<u>56.6</u>

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

8. Finance income

	Year ended 31 May 2022	Year ended 31 May 2021
	£m	£m
Interest receivable from other Group companies	8.7	-
Bank interest receivable	0.8	0.2
Interest receivable on cash held at brokers	0.6	0.6
Interest accretion on financial investments	0.4	0.9
Interest receivable on money market funds	0.3	-
	<u>10.8</u>	<u>1.7</u>

9. Finance costs

	Year ended 31 May 2022	Year ended 31 May 2021
	£m	£m
Interest payable to other Group companies	6.2	0.8
Term loan interest and fees	3.5	2.6
Revolving credit facility interest and fees	1.6	0.5
Interest payable to brokers	2.7	1.6
Bank interest payable	0.6	0.4
	<u>14.6</u>	<u>5.9</u>

## Notes to the Financial Statements

### for the year ended 31 May 2022

#### 10. Taxation

##### Tax charged/(credited) in the Income Statement

	Year ended 31 May 2022	Year ended 31 May 2021
	£m	£m
<b>Current income tax:</b>		
UK Corporation tax	42.9	43.8
Non-UK Corporation tax	-	0.2
Adjustments in respect of prior years	(0.1)	1.1
<b>Total current income tax</b>	<b>42.8</b>	<b>45.2</b>
<b>Deferred income tax:</b>		
Origination and reversal of temporary differences	0.3	0.5
Adjustments in respect of prior years	0.1	(0.7)
<b>Total deferred income tax</b>	<b>0.4</b>	<b>(0.2)</b>
<b>Tax expense in the Income Statement</b>	<b>43.2</b>	<b>44.9</b>
<b>Tax not charged to the Income Statement</b>		
Tax recognised in other comprehensive income	0.5	-
Tax recognised directly in equity (current and deferred)	(0.5)	-
<b>Tax expense attributable to:</b>		
Profits from continuing operations	41.5	41.9
Profits from discontinued operations	1.7	3.0

##### Reconciliation of the total tax charge

The standard rate of corporation tax in the UK for the year ended 31 May 2022 was 19.0% (year ended 31 May 2021: 19.0%). Taxation outside the UK is calculated at the rates prevailing in the relevant jurisdictions. The tax expense in the Income Statement for the year can be reconciled as set out below:

	Year ended 31 May 2022	Year ended 31 May 2021
	£m	£m
Profit before taxation	231.4	234.1
Profit before taxation multiplied by the UK standard rate of corporation tax of 19.0% (year ended 31 May 2021: 19.0%)	44.0	44.5
Expenses not deductible for tax purposes	0.7	1.0
Taxable gain arising on transfer of Australian business	-	0.3
Adjustments in respect of prior years	-	0.4
Group relief for which no payment is made	(1.5)	(1.3)
<b>Total tax expense reported in the Income Statement</b>	<b>43.2</b>	<b>44.9</b>

The effective tax rate is 18.7% (year ended 31 May 2021: 19.2%).

## Notes to the Financial Statements

### for the year ended 31 May 2022

#### 10. Taxation (continued)

##### Deferred income tax assets

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

	Year ended 31 May 2022	Year ended 31 May 2021
	£m	£m
Other temporary differences	-	0.4
	-	0.4

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

	Year ended 31 May 2022	Year ended 31 May 2021
	£m	£m
At the beginning of the year	0.4	0.2
- Income Statement credit/(charge)	(0.4)	0.2
At the end of the year	-	0.4

##### Deferred income tax liabilities

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

	Year ended 31 May 2022	Year ended 31 May 2021
	£m	£m
Other temporary differences	(0.8)	(0.3)
	(0.8)	(0.3)

The movement in the deferred income tax liabilities included in the Statement of Financial Position is as follows:

	Year ended 31 May 2022	Year ended 31 May 2021
	£m	£m
At the beginning of the year	(0.3)	(0.3)
- Reclassification from deferred tax asset to deferred tax liability	-	-
- Tax charged to other comprehensive income	(0.5)	-
At the end of the year	(0.8)	(0.3)

The Finance Act 2021 passed into legislation in May 2021 and increased the main rate of UK corporation tax from 19% to 25% effective from 1 April 2023. The impact of these changes on deferred tax have been assessed and deferred tax assets and liabilities have been measured at the tax rates that are expected to apply when the related asset is realised or liability settled.

##### Factors affecting the tax charge in future years

Factors that may affect the Company's future tax charge include the UK tax rate, changes in tax legislation and the resolution of open tax issues. The Company's future tax charge may also be impacted by changes in the Company's business activities, client composition and regulatory status, which would impact the Company's exemption from the UK Bank Corporation Tax Surcharge.

The calculation of the Company's total tax charge involves a degree of estimation and judgement with respect to the recognition of deferred tax assets, which are dependent on the Company's estimation of future profitable income and of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority.



## Notes to the Financial Statements

for the year ended 31 May 2022

### 11. Property, plant and equipment

	Office equipment, fixtures and fittings £m	Computer, and other equipment £m	Right-of-use asset £m	Total £m
<b>Cost:</b>				
At 1 June 2020	0.1	0.5	1.5	2.1
Additions	-	0.1	-	0.1
Disposals	-	-	(0.5)	(0.5)
At 31 May 2021	0.1	0.6	1.0	1.7
Additions	-	-	-	-
Disposals	-	-	-	-
At 31 May 2022	0.1	0.6	1.0	1.7
<b>Accumulated depreciation:</b>				
At 1 June 2020	-	0.4	0.5	0.9
Provided during the year	0.1	-	0.3	0.4
Amounts derecognised on disposal	-	-	(0.2)	(0.2)
At 31 May 2021	0.1	0.4	0.6	1.1
Provided during the year	-	-	0.4	0.4
Amounts derecognised on disposal	-	-	-	-
At 31 May 2022	0.1	0.4	1.0	1.5
<b>Net book value - 31 May 2022</b>	-	0.2	-	0.2
<b>Net book value - 31 May 2021</b>	-	0.2	0.4	0.6

## Notes to the Financial Statements

### for the year ended 31 May 2022

#### 12. Investment in subsidiaries

At cost less accumulated impairment losses:	31 May 2022	31 May 2021
	£m	£m
At beginning and end of the year	3.8	3.8

The Directors consider the carrying amount of the Company's investments in subsidiaries to be supported by the net assets of its subsidiaries.

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

Name of company	Registered office and country of incorporation	Holding	Proportion of voting rights held	Nature of business
<b>Subsidiary undertakings held directly:</b>				
IG Finance 9 Limited	Cannon Bridge House, 25 Dowgate Hill, London EC4R 2YA, United Kingdom	Ordinary shares	100%	Finance company
<b>Subsidiary undertakings held indirectly:</b>				
IG Asia Pte Limited	9 Battery Road, 01-02 MYP Centre, 049910 Singapore	Ordinary shares	100%	CFD trading and foreign exchange

#### 13. Trade receivables

	31 May 2022	31 May 2021
	£m	£m
Amounts due from brokers	334.0	394.2
Own funds in client money	26.8	27.9
Amounts due from clients	1.0	1.4
	361.8	423.5

Amounts due from brokers represent balances with brokers where the combination of cash held on account and the valuation of financial derivative open positions results in an amount due to the Company.

Own funds in client money represents the Company's own cash held in segregated client funds, in accordance with client money and asset rules of regulators in whose jurisdiction the Company operates and includes £0.3 million (31 May 2021: £2.1 million) to be transferred to the Company on the following business day.

Amounts due from clients arise when a client's total funds held with the Company are insufficient to cover any trading losses incurred or when a client utilises a trading credit limit. This is stated net of an allowance for impairment. Refer to note 26 for further details.

## Notes to the Financial Statements

for the year ended 31 May 2022

**14. Other assets**

Other assets are cryptocurrencies and rights to cryptocurrencies, which are owned and controlled by the Company for the purpose of hedging the Company's exposure to clients' cryptocurrency trading positions. The Company holds rights to cryptocurrencies on exchange and in vaults as follows:

	31 May 2022	31 May 2021
	£m	£m
Exchange	1.8	13.8
Vaults	12.4	16.5
	<u>14.2</u>	<u>30.3</u>

Other assets are measured at fair value less costs to sell. Other assets are level 2 assets in accordance with the fair value hierarchy (note 27).

**15. Other receivables**

	31 May 2022	31 May 2021
	£m	£m
<b>Non-current:</b>		
Amounts due from Group companies		
- Market Data Limited	<u>181.7</u>	-
<b>Current:</b>		
Other debtors	1.0	1.1
Amounts due from Group companies		
- IG Australia Pty Limited	19.8	-
- IG International Limited	13.2	2.0
- IG Asia Pte Limited	4.4	-
- IG Europe GmbH	3.5	-
- Market Data Limited	-	14.5
- Other Group companies	<u>4.7</u>	<u>2.0</u>
	<u>46.6</u>	<u>19.6</u>
	<u>228.3</u>	<u>19.6</u>

The Company advanced a loan with a principal value of \$300 million to Market Data Limited in July 2021. The loan bears a fixed interest rate of 4.5% annually and matures in 5 years from the date the loan was advanced. The loan has been classified as non-current for the year ended 31 May 2022.

All other amounts due from Group companies are unsecured, non-interest bearing and repayable on demand.

## Notes to the Financial Statements

for the year ended 31 May 2022

### 16. Financial investments and financial assets pledged as collateral

	31 May 2022	31 May 2021
	£m	£m
UK Government securities	351.1	342.1
Term deposits	45.0	-
	<u>396.1</u>	<u>342.1</u>
Split as:		
- Non-current portion	160.1	188.7
- Current portion	236.0	153.4
	<u>396.1</u>	<u>342.1</u>

Of the UK Government securities, £289.9 million (31 May 2021: £256.0 million) is held at brokers to satisfy margin requirements. The remaining balance is held to meet regulatory liquidity requirements.

### 17. Borrowings

In June 2021, the Company drew down on an additional £150m term loan facility to assist the Group in its financing of the acquisition of tastytrade, Inc. Refer to the Group Annual report for further information relating to the tastytrade, Inc acquisition.

In November 2021, the Group performed a debt refinancing exercise and implementation of a long-term funding structure, as a result of this, the Company repaid and cancelled its existing £125.0 million revolving credit facilities and 7£250.0 million term loan facilities. The Company therefore has no other obligation in relation to external credit facilities, including compliance with financial covenants as at 31 May 2022. The Company complied with all financial covenants prior to this refinancing and during the year ended 31 May 2021.

### 18. Trade payables

	31 May 2022	31 May 2021
	£m	£m
Client funds	102.8	69.3
Amounts due to brokers	27.8	-
Amounts due to clients	7.4	0.2
Other trade payables	0.2	0.3
	<u>138.2</u>	<u>69.8</u>

Client funds reflects the Group's liability for funds which are recognised in cash and cash equivalents as a result of clients entering into Title Transfer Collateral Arrangements.

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

## Notes to the Financial Statements

for the year ended 31 May 2022

### 19. Other payables

	31 May 2022 £m	31 May 2021 £m
<i>Non-current:</i>		
Amounts due to Group companies		
- IG Group Holdings plc	298.3	-
<i>Current:</i>		
Accruals	9.6	11.9
Amounts due to Group companies		
- IG Group Holdings plc	370.3	205.5
- IG Index Limited	361.7	262.4
- IG Knowhow Limited	87.9	55.4
- Market Data Limited	66.3	-
- IG Europe GmbH	69.4	46.9
- IG Securities Limited	36.0	20.6
- IG Limited	9.6	6.4
- IG Bank S.A.	9.5	19.7
- Other Group companies	9.0	11.9
	1,029.3	640.7
	1,327.6	640.7

The Company was advanced a loan with a principal value of £298.3 million from IG Group Holdings plc in November 2021. The loan bears a fixed interest of 3.1% annually and matures in 7 years from the date the loan was advanced. The amount has been classified as a non-current liability for the year ended 31 May 2022.

Under the Group's cash management framework, entities holding cash that is surplus to short term requirements advance the money to IG Markets Limited. The amount payable to IG Securities Limited bears interest and is repayable on demand. All other amounts are unsecured, interest free and are repayable on demand. Amounts due to regulated entities represent balances where the combination of cash held on account and the valuation of financial derivative open positions arising from intragroup hedging arrangements results in an amount due from the Company.

### 20. Contingent liabilities and provisions

There are no contingent liabilities expected to have a material adverse financial impact on the Company's Financial Statements. The Company had no material provisions at 31 May 2022 (31 May 2021: £nil).

### 21. Share capital

	31 May 2022 £m	31 May 2021 £m
<b>Authorised, allotted, called up and fully paid:</b>		
13,000,000 (FY21: 13,000,000) ordinary shares of £1 each	13.0	13.0

## Notes to the Financial Statements

### for the year ended 31 May 2022

#### 22. Other reserves

	Share-based payments	FVOCI	Total other reserves
	£m	£m	£m
At 1 June 2020	0.4	1.2	1.6
Transfer of vested awards from the share-based payment reserve	(0.5)	-	(0.5)
Change in the fair value of financial assets held at fair value through other comprehensive income, net of tax	-	(1.3)	(1.3)
At 31 May 2021	(0.1)	(0.1)	(0.2)
Change in the fair value of financial assets held at fair value through other comprehensive income, net of tax	-	(4.0)	(4.0)
At 31 May 2022	(0.1)	(4.1)	(4.2)

The share-based payment reserve relates to the estimated cost of equity-settled employee share plans net of tax based on a straight-line basis over the vesting period. The fair value through other comprehensive income reserve (FVOCI) includes unrealised gains or losses in respect of financial investments, net of tax.

#### 23. Discontinued operations

In November 2020, the Company entered into an agreement with a fellow Group company, IG Australia Pty Limited, to cease marketing OTC leveraged derivatives and stock trading services and to transfer its existing business relating to Australian and New Zealand clients for nominal consideration of £1. The Company previously received sales and marketing services from IG Australia Pty Limited to support its Australian and New Zealand business. This agreement was terminated and replaced by an agreement for the Company to provide hedging and incidental services to IG Australia Pty Limited, whereby the Company continues to receive trading flow from the Group's Australian and New Zealand clients. The transfer of clients occurred in stages and was completed on 24 April 2022. This was also reported as a discontinued operation in the year ended 31 May 2021.

The stock trading and investments business of the Company has been classified as a discontinued operation as at 31 May 2022, as it is a major line of business and the sale to a fellow Group company, IG Trading and Investments Limited, is considered highly probable given that the Directors have approved the sale for nominal consideration of £1. As a result, its profits have been separated from the Company's continuing operations for the year and are shown as discontinued operations. The comparative period has been restated accordingly. There are no assets on the balance sheet of the Company relating to the stock trading and investments business. The transfer of the business is due to be completed in the first half of FY23.

## Notes to the Financial Statements

### for the year ended 31 May 2022

#### 24. Lease liabilities

The Company has leases which are capitalised as fixed assets. The movements in balances can be reconciled as follows:

	31 May 2022 £m	31 May 2021 £m
<b>Right-of-use asset</b>		
Lease asset recognised at the beginning of the year	0.4	1.0
Amounts derecognised on disposal	-	(0.3)
Depreciation in the year	(0.4)	(0.3)
	<u>-</u>	<u>0.4</u>

	31 May 2022 £m	31 May 2021 £m
<b>Lease liability</b>		
Lease liability recognised at the beginning of the year	0.2	0.9
Amounts derecognised on disposal	-	(0.4)
Payments made in the year	(0.2)	(0.3)
	<u>-</u>	<u>0.2</u>

The Company has no lease liability as at 31 May 2022. The Company has £0.1 million lease commitments under non-cancellable operating leases at 31 May 2022 which are not capitalised as right-of-use assets (31 May 2021: £0.0 million).

	31 May 2022 £m	31 May 2021 £m
<b>Discounted lease liability</b>		
Future minimum payments due:		
Within one year	-	0.2
After one year but not more than five years	-	-
	<u>-</u>	<u>0.2</u>

	31 May 2022 £m	31 May 2021 £m
<b>Undiscounted lease liability</b>		
Future minimum payments due:		
Within one year	-	0.2
After one year but not more than five years	-	-
	<u>-</u>	<u>0.2</u>

## Notes to the Financial Statements

for the year ended 31 May 2022

### 25. Employee share plans

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

#### Long Term Incentive Plan (LTIP)

Awards under the LTIP are nominal cost options, which vest after three years, conditional upon continued employment at the vesting date. There are no performance targets.

The exercise price of all outstanding options awarded under the LTIP at 31 May 2022 is 0.005p and the weighted average remaining contractual life is 1.11 years

Award date	Share price at award	Expected vesting date	At the end of the year Number
06-Aug-19	559.2p	06-Aug-22	6,158
06-Aug-20	734.0p	06-Aug-23	5,696
05-Aug-21	911.5p	05-Aug-24	4,923
<b>Total</b>			<b>16,777</b>

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

#### Medium Term Incentive Plan (LTIP)

Awards under the MTIP are nominal cost options, which vest after 15 months, conditional upon continued employment at the vesting date. There are no performance targets.

The exercise price of all outstanding options awarded under the MTIP at 31 May 2022 is 0.005p and the weighted average remaining contractual life is 0.43 years.

Award date	Share price at award	Expected vesting date	At the end of the year Number
05-Aug-21	911.5p	05-Nov-22	2,282
<b>Total</b>			<b>2,282</b>

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

### 26. 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. The Company considers the carrying value of all financial assets and liabilities to be a reasonable approximation of fair value and represents the Company's maximum credit exposure as at the Statement of Financial Position date.



## Notes to the Financial Statements

for the year ended 31 May 2022

### 26. Financial instruments (Continued)

Accounting classifications and fair values (Continued)

		FVTPL	Amortised cost	FVOCI	Total carrying amount	Fair value
As at 31 May 2022	Note	£m	£m	£m	£m	£m
<b>Financial assets:</b>						
Cash and cash equivalents		-	860.7	-	860.7	860.7
Financial assets pledged as collateral	16	-	-	60.4	60.4	60.4
Financial investments	16	-	45.0	290.7	335.7	335.7
Trade receivables - amounts due from brokers	13	(160.5)	494.5	-	334.0	334.0
Trade receivables - amounts due from clients	13	-	1.0	-	1.0	1.0
Trade receivables - own funds in client money	13	-	26.8	-	26.8	26.9
Other receivables	15	230.2	(1.9)	-	228.3	228.3
		69.7	1,426.1	351.1	1,846.9	1,846.9
<b>Financial liabilities:</b>						
Trade payables - client funds held on balance sheet	18	25.5	(128.3)	-	(102.8)	(102.8)
Trade payables - amounts due to brokers	18	(0.8)	(27.0)	-	(27.8)	(27.8)
Trade payables - amounts due to clients	18	-	(7.4)	-	(7.4)	(7.4)
Trade payables - other trade payables	18	-	(0.2)	-	(0.2)	(0.2)
Borrowings	17	-	-	-	-	-
Other Payables - amounts due to other group companies	19	295.6	(1,613.6)	-	(1,318.0)	(1,318.0)
Other Payables - accruals	19	-	(8.0)	-	(8.0)	(8.0)
		320.3	(1,784.5)	-	(1,464.2)	(1,464.2)

## Notes to the Financial Statements

### for the year ended 31 May 2022

26. Financial Instruments (Continued)  
Accounting classifications and fair values (Continued)

		FVTPL	Amortised cost	FVOCI	Total carrying amount	Fair value
As at 31 May 2021	Note	£m	£m	£m	£m	£m
<b>Financial assets:</b>						
Cash and cash equivalents		-	402.7	-	402.7	402.7
Financial assets pledged as collateral	16	-	-	87.1	87.1	87.1
Financial investments	16	-	-	255.0	255.0	255.0
Trade receivables - amounts due (to)/from brokers	13	17.4	376.8	-	394.2	394.2
Trade receivables - own funds in client money	13	-	1.4	-	1.4	1.4
Trade receivables - amounts due from clients	13	-	27.9	-	27.9	27.9
Other receivables	15	5.4	14.2	-	19.6	19.6
		22.8	823.0	342.1	1,187.9	1,187.9
<b>Financial liabilities:</b>						
Trade payables - client funds held on balance sheet	18	9.1	(78.4)	-	(69.3)	(69.3)
Trade payables - amounts due to clients	18	-	(0.2)	-	(0.2)	(0.2)
Trade payables - other trade payables	18	-	(0.3)	-	(0.3)	(0.3)
Borrowings	17	-	(98.8)	-	(98.8)	(98.8)
Other Payables - amounts due to other group companies	19	112.4	(741.8)	-	(629.4)	(629.4)
Other Payables - accruals	19	-	(11.3)	-	(11.3)	(11.3)
		121.5	(930.8)	-	(809.3)	(809.3)

## Notes to the Financial Statements

### for the year ended 31 May 2022

#### 26. Financial instruments (Continued)

##### Financial instrument valuation hierarchy

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

	Level 1	Level 2	Level 3	Total fair value
As at 31 May 2022	£m	£m	£m	£m
<b>Financial assets:</b>				
Trade receivables - amounts due from/(to) brokers	9.4	(169.9)	-	(160.5)
Financial assets pledged as collateral	60.4	-	-	60.4
Financial investments	290.7	-	-	290.7
Other receivables - amounts due from Group companies	49.4	180.8	-	230.2
	<u>409.9</u>	<u>10.9</u>	<u>-</u>	<u>420.8</u>
<b>Financial liabilities:</b>				
Trade payables - amount due to brokers	-	(0.8)	-	(0.8)
Trade payables - client funds held on balance sheet	0.3	25.2	-	25.5
Other payables - amounts due to Group companies	85.0	210.6	-	295.6
	<u>85.3</u>	<u>235.0</u>	<u>-</u>	<u>320.3</u>

	Level 1	Level 2	Level 3	Total fair value
As at 31 May 2021	£m	£m	£m	£m
<b>Financial assets:</b>				
Trade receivables - amounts due from/(to) brokers	0.6	16.8	-	17.4
Financial assets pledged as collateral	87.1	-	-	87.1
Financial investments	255.0	-	-	255.0
Other receivables - amounts due from Group companies	5.4	-	-	5.4
	<u>348.1</u>	<u>16.8</u>	<u>-</u>	<u>364.9</u>
<b>Financial liabilities:</b>				
Trade payables - client funds held on balance sheet	-	9.1	-	9.1
Other payables - amounts due to Group companies	112.4	-	-	112.4
	<u>112.4</u>	<u>9.1</u>	<u>-</u>	<u>121.5</u>

## Notes to the Financial Statements

for the year ended 31 May 2022

**26. Financial instruments (continued)**

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable.

Level 1 assets are valued using unadjusted quoted prices in active markets for identical financial instruments. This category includes the Company's open exchange-traded hedging positions. The quoted market price used for financial assets held by the Company is the period end bid price.

Level 2 assets are valued using techniques where a price is derived based significantly on observable market data. For example, where an active market for an identical financial instrument to the product offered by the Company to its clients or used by the Company to hedge its market risk does not exist. This category includes the Company's open non-exchange-traded hedging positions, which comprise shares, foreign currency and foreign currency options. The fair values used in the valuation of these products are sometimes brokered values and may occur after the close of a market but before the measurement date. The effects of discounting are generally insignificant for these Level 2 financial instruments.

Level 3 assets are valued using techniques that incorporate information other than observable market data that is significant to the overall valuation.

There have been no changes to the fair value hierarchy or the valuation techniques for any of the Company's financial instruments held at fair value in the year (31 May 2021: none). There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements for years ended 31 May 2022 and 31 May 2021.

**Fair value of financial assets and liabilities measured at amortised cost**

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

**Items of income, expense, gains or losses**

All of the Company's gains and losses arising from financial assets and liabilities classified as fair value through the profit and loss are included in net trading revenue for the year ended 31 May 2022 and 31 May 2021.

## Notes to the Financial Statements

### for the year ended 31 May 2022

#### 26. Financial instruments (continued)

##### Offsetting financial assets and liabilities

The following financial assets and liabilities have been offset on the Company's Statement of Financial Position and are subject to enforceable netting agreements.

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets and liabilities presented in the balance sheet
As at 31 May 2022	£m	£m	£m
<b>Financial assets</b>			
Trade receivables – amounts due from/(to) brokers	1,071.9	(737.9)	334.0
Other receivables – amounts due from group companies	242.4	(196.8)	45.6
<b>Financial liabilities</b>			
Trade payables – client funds held on balance sheet	25.5	(128.3)	(102.8)
Trade Payables – due to brokers	67.5	(95.3)	(27.8)
Other payables – amounts due from/(to) Group companies	314.2	(1,333.8)	(1,019.6)
	<b>1,721.5</b>	<b>(2,492.1)</b>	<b>(770.6)</b>
 As at 31 May 2021	 £m	 £m	 £m
<b>Financial assets</b>			
Trade receivables – amounts due from/(to) brokers	923.6	(529.4)	394.2
Other receivables – amounts due from group companies	22.0	(3.5)	18.5
<b>Financial liabilities</b>			
Trade payables – client funds held on balance sheet	9.1	(78.4)	(69.3)
Other payables – amounts due from/(to) Group companies	112.4	(741.2)	(628.8)
	<b>1,067.1</b>	<b>(1,352.5)</b>	<b>(285.4)</b>

Trade receivables – amounts due from/(to) brokers, Trade payables – client funds held on balance sheet and Other receivables/payables – amounts due from/(to) Group companies have been presented gross to reflect the impact of offsetting. The Company is entitled to offset amounts due from/(to) certain brokers on a broker account level, by currency. The Company is entitled to offset unrealised client positions with client funds held at a client account level. The Company is also entitled to offset operational receivables with payables from other group companies on an entity-by-entity basis. Collateral at brokers represent UK Government securities listed with brokers to meet the broker's requirements. Client funds represents balances with clients where the cash held on balance sheet and the valuation of open derivative positions result in an amount due to clients.

## Notes to the Financial Statements

for the year ended 31 May 2022

### 27. Financial risk management

Financial risks arising from financial instruments are analysed into market, credit, concentration and liquidity risks. The Company follows the Group risk management framework in managing its risks, and details this is discussed in the risk management section of the Group Annual Report.

#### Market risk

Market risk disclosures are analysed into the following categories:

- o Non trading interest rate and
- o Price and foreign currency risk, which is further analysed between the impact on financial investments held at fair value through other comprehensive income and the impact on the Company's net trading book position. The Company's foreign currency exposure on its financial assets and liabilities denominated in currencies other than the reporting currency is included in the trading book.

Where applicable the quantified maximum exposures for the Company from each risk category are disclosed below.

#### Non-trading interest rate risk

The Company has interest rate risk relating to financial instruments on its Statement of Financial Position not held at fair value through profit or loss. These exposures are not hedged.

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

	Within 1 year		Between 2 and 5 years		5+ years		Total	
	31 May 2022	31 May 2021	31 May 2022	31 May 2021	31 May 2022	31 May 2021	31 May 2022	31 May 2021
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Fixed rate:</b>								
Financial assets pledged as collateral	35.1	26.0	25.3	61.1	-	-	60.4	87.1
Financial investments	200.9	127.4	134.8	127.6	-	-	335.7	255.0
Other Receivables - amounts due from other group companies	-	-	181.7	-	-	-	181.7	-
Other Payables - amounts due to other group companies	-	-	-	-	(298.3)	-	(298.3)	-
<b>Floating rate:</b>								
Cash and cash equivalents	860.7	402.7	-	-	-	-	860.7	402.7
Trade receivables - due from brokers	334.0	394.2	-	-	-	-	334.0	394.2
Trade receivables - Own funds in client money	26.8	27.9	-	-	-	-	26.8	27.9
Borrowings	-	-	-	(98.8)	-	-	-	(98.8)
Other Payables - amounts due to other group companies	(36.0)	(20.6)	-	-	-	-	(36.0)	(20.6)
	1,421.5	957.6	341.8	89.9	(298.3)	-	1,465.0	1,047.5

## Notes to the Financial Statements

for the year ended 31 May 2022

**27. Financial risk management (continued)**

***Non-trading Interest rate risk sensitivity analysis – fixed rate***

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The level of future fixed interest receivable would be similar to that received in the year and is considered immaterial to the Company's profit for the year.

***Non-trading Interest rate risk sensitivity analysis – floating rate***

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

Interest rate sensitivity has been performed on floating rate financial instruments by considering the impact of a 1% decrease in interest rates on financial assets and financial liabilities. The impact of such a movement on the Company's profit before tax is below.

	Year ended 31 May 2022	Year ended 31 May 2021
	£m	£m
Impact:		
(Decrease)/Increase in profit before tax:		
Cash and cash equivalents	(8.6)	(4.0)
Trade receivables – amounts due from brokers	(0.8)	(1.1)
Trade receivables – own funds in client money	(0.3)	(0.3)
Trade payables – due to brokers	0.3	-
Borrowings	-	0.1
Other payables	(0.4)	-

## Notes to the Financial Statements

for the year ended 31 May 2022

### 27. Financial risk management (continued)

#### Price risk

The Company is exposed to investment securities price risk because financial investments and financial assets pledged as collateral held by the Company and classified on the Company's Statement of Financial Position as fair value through other comprehensive income are valued based on closing market prices published by the UK Debt Management Office. These exposures are not hedged.

The table below summarises the impact of decreases in the value of financial investments on the Group's other comprehensive income. The analysis is based on the assumption that the yield curve of financial investments moved upwards by 1% with all other variables held constant:

	Year ended 31 May 2022	Year ended 31 May 2021
Impact:	£m	£m
Decrease in FVOCI reserve (equity)	(2.9)	(3.1)

The Company is also exposed to price and foreign currency risk in relation to its net trading book position. The Company accepts some residual market risk to facilitate instant execution of client trades but does not take proprietary positions for the purposes of speculative gain. The Company manages the market risk it faces in providing its services to clients by internalising client flow (allowing individual client trades to offset one another) and hedging when the residual exposures reach pre-defined limits. The Company follows the Group's risk management framework as set out in the Group Annual Report.

The Company's market risk policy includes board approved notional market risk limits (KRIs) which set out the Company's appetite and the extent to which the Company is willing to be exposed to this residual market risk. Product market risk limits control the maximum (long or short) residual exposure the Company can hold before hedging externally. Predefined limits are set and regularly reviewed in accordance with a limits framework which references client trading volumes, market liquidity, volatility and expected shortfall results for each underlying market.

Alongside these notional limits the Company employs a range of risk measurement techniques including Value at Risk (VaR), Expected Shortfall and Stress-Testing models which are used to quantify potential market risk and client credit risk losses against all products. These measures cover all products offered to clients are monitored on an hourly basis, with breaches investigated and reported to the Chief Risk Officer and senior stakeholders in each line of defence on a daily basis.

These measures quantify the potential uncertainty in relation to the Company's current exposure by estimating the potential impact of a negative change in the value of each underlying financial market the Company is exposed to. The VaR model uses a 99% confidence interval over one day and one year's historical price data for all markets as inputs to determine the risk factors to apply to the portfolio exposures. VaR has limitations as it is reliant on historical data only and estimates potential future losses on this basis. Additionally, VaR does not quantify the potential losses outside of the 99% confidence level – the tail risk. To overcome these limitations the Company also measures and monitors Expected Shortfall and Stress Testing results alongside VaR results as part of its overall risk management strategy. Expected Shortfall measures IG's expected losses outside of the 99% confidence level (average losses in the 1% tail), whilst Stress Testing models potential losses in extreme but plausible events. Stress Testing covers a range of scenarios including future known economic and political events, market or region-specific scenarios and potential macro systemic shocks which references the 20-year price returns for all markets at the 99.9th percentile confidence interval. The Company's end of day market risk VaR for the year is shown in the table below:

	Year ended 31 May 2022	Year ended 31 May 2021
	£m	£m
Market risk as at 31 May	5.0	5.3
Average market risk (daily)	3.6	9.8
Maximum market risk (daily)	13.1	25.5
Minimum market risk (daily)	1.3	2.8

#### Foreign currency risk

The Company faces foreign currency exposures on financial assets and liabilities denominated in currencies other than its functional currency. The Company hedges its own foreign currency exposures, and that of other Group companies, with third party brokers. In the normal course of business, the Company hedges these exposures along with its trading book positions.



## Notes to the Financial Statements

### for the year ended 31 May 2022

#### 27. Financial risk management (continued)

Associated with the tastytrade, Inc acquisition by IG Group Holdings plc referred to in note 17, the Company entered into a foreign exchange contract to hedge the \$300 million exposure arising from the cash consideration due to be paid by another Group company upon completion of the transaction. In the year ended 31 May 2022, the Company recognised a £5.8 million realised foreign exchange loss (31 May 2021: £7.9 million unrealised foreign exchange loss) in net trading revenue as a result of this hedge.

#### Credit risk

The principal sources of credit risk to the Company's business are from financial institutions, individual clients and other Group companies.

Amounts due from financial institutions, which are stated net of an expected credit loss of £0.1m (31 May 2021: £nil), are all less than 30 days due. Amounts due from clients, which are stated net of an expected credit loss of £3.8 million at 31 May 2021 (31 May 2021: £4.2 million), include both amounts less than and greater than 30 days past due.

The analysis in the following table shows credit exposures by credit rating:

	Cash and cash equivalents		Trade receivables – amounts due from brokers		Trade receivables – amounts due from clients		Trade receivables – own funds in client money		Other receivables – amounts due from other group companies	
	31 May 2022	31 May 2021	31 May 2022	31 May 2021	31 May 2022	31 May 2021	31 May 2022	31 May 2021	31 May 2022	31 May 2021
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Credit rating:										
AA to AA-	360.8	129.5	-	8.2	-	-	1.7	2.1	-	-
A+ to A-	489.5	272.1	296.4	376.8	-	-	24.9	24.5	-	-
BBB+ to BBB-	10.4	1.1	32.8	-	-	-	0.2	1.3	-	-
Unrated	-	-	4.8	9.2	1.0	1.4	-	-	227.3	18.5
<b>Total carrying amount</b>	<b>860.7</b>	<b>402.7</b>	<b>334.0</b>	<b>394.2</b>	<b>1.0</b>	<b>1.4</b>	<b>26.8</b>	<b>27.9</b>	<b>227.3</b>	<b>18.5</b>

## Notes to the Financial Statements

### for the year ended 31 May 2022

#### 27. Financial risk management (continued)

##### Credit risk (continued)

##### Loss allowance

Below is a reconciliation of the total loss allowance:

	31 May 2022	31 May 2021
	£m	£m
Balance at 1 June	4.2	3.8
Loss allowance for the year:		
- gross charge for the year	1.3	2.9
- recoveries	(1.5)	(2.1)
- impact of foreign exchange	-	(0.1)
Debts written off	(0.2)	(0.3)
Balance at 31 May	3.8	4.2

The loss allowance has been calculated in accordance with the Company's expected credit loss model.

The following table provides an overview of the Company's credit risk by Stage and the associated loss allowance. The financial instruments that are assessed in accordance with the simplified approach are trade receivables (excluding derivative amounts due from brokers) and other receivables.

##### As at 31 May 2022

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	£m	£m	£m	£m
Credit grade:				
Investment grade	1,774.4	-	-	1,774.4
Non-investment grade	233.7	-	3.8	237.5
Gross carrying amount	2,008.1	-	3.8	2,011.9
Loss allowance	-	-	(3.8)	(3.8)
Total carrying amount	2,008.1	-	-	2,008.1

## Notes to the Financial Statements

### for the year ended 31 May 2022

#### 27. Financial risk management (continued)

##### Credit risk (continued)

As at 31 May 2021	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade:	£m	£m	£m	£m
Investment grade	1,139.8	-	-	1,139.8
Non-investment grade	28.5	-	4.2	32.7
Gross carrying amount	1,168.3	-	4.2	1,172.5
Loss allowance	-	-	(4.2)	(4.2)
Total carrying amount	1,168.3	-	-	1,168.3

The comparatives for 31 May 2021 have been re-presented to split out amount previously prevented as being classified within the simplified approach column into the relevant staging.

##### Concentration risk

The Company's largest credit exposure to any one individual broker at 31 May 2022 was £55.7 million (A+ rated) (31 May 2021: £64.2 million (A+ rated)). The Company's largest credit exposure to any bank at 31 May 2022 was £306.3 million (AA- rated) (31 May 2021: £112.5 million (A+ rated)).

The Company has no significant credit exposure to any one particular client or group of connected clients.

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

## Notes to the Financial Statements

for the year ended 31 May 2022

### 27. Financial risk management (continued)

#### Liquidity risk

Liquidity risk is the risk that the company does not have sufficient cash or collateral to make payments to its counterparties as they fall due. The Company manages its liquidity risk in accordance with the Group's liquidity risk management policy and this is set out in the risk management section of the Group Annual Report.

#### Maturities of financial liabilities

The tables below outline the Company's financial liabilities into relevant maturity categories based on their contractual maturities. The amounts disclosed below are the contractual undiscounted cash flows

	31 May 2022				Carrying amount of liability £m
	Within 1 year	Between 2 and 5 years	Over 5 years	Total	
	£m	£m	£m	£m	
Other payables – amounts due to other group companies	(1,028.1)	(37.6)	(304.7)	(1,370.4)	(1,318.0)
Other payables – accruals	(8.0)	-	-	(8.0)	(8.0)
Trade payables	(138.2)	-	-	(138.2)	(138.2)
<b>Total</b>	<b>(1,174.3)</b>	<b>(37.6)</b>	<b>(304.7)</b>	<b>(1,516.6)</b>	<b>(1,464.2)</b>

	31 May 2021				Carrying amount of liability £m
	Within 1 year	Between 2 and 5 years	Over 5 years	Total	
	£m	£m	£m	£m	
Lease liabilities	(0.2)	-	-	(0.2)	(0.2)
Other payables – amounts due to other group companies	(640.7)	-	-	(640.7)	(640.7)
Other payables – accruals	(11.3)	-	-	(11.3)	(11.3)
Trade payables	(69.5)	-	-	(69.5)	(69.5)
Borrowings	(2.0)	(102.4)	-	(104.4)	(98.8)
<b>Total</b>	<b>(723.7)</b>	<b>(102.4)</b>	<b>-</b>	<b>(826.1)</b>	<b>(820.5)</b>

#### Capital management

The Company manages its capital resources with the objectives of facilitating business growth and maintaining dividend policy, whilst complying with the regulatory requirements imposed on the Company.

The regulatory capital resources of the Company is a measure of equity, adjusted for goodwill and intangible assets, deferred tax assets, declared dividends and prudent valuation, which at 31 May 2022 totalled £261.7 million (31 May 2021 £410.1 million).

The Company operates a monitoring framework over the capital resources and minimum capital requirements daily, calculating the market and credit risk requirements arising from exposure at the end of each day and include internal warning indicators as part of the Group's Board Risk Dashboard.

Until 31 December 2021, the Company was subject to CRD IV regulations. The Company was required to undertake a Pillar 2 Internal Capital Adequacy Assessment Process (ICAAP) at least annually, which involved an assessment of capital requirements through a series of stress-testing scenarios against the financial projections. From 1 January 2022, the Company is subject to the Investment Firm Prudential Regime (IFPR), which changes the basis of calculation of the Company's regulatory capital and replaces the ICAAP with an Internal Capital and Risk Assessment (ICARA) prepared under the requirements of the MIFIDPRU.

## **Notes to the Financial Statements**

### **for the year ended 31 May 2022**

**27. Financial risk management (continued)**

**Capital management (continued)**

The Company met all regulatory capital requirements throughout the year ended 31 May 2022 and 31 May 2021. Other than regulatory capital requirements, the Company is not required to comply with any third party financial covenants. Prior to the debt refinancing performed in November 2021, including for the year ended 31 May 2021, the Company was required to comply with a third party financial covenants covering a maximum leverage ratio and net debt to equity.

**28. Subsequent events**

There have been no subsequent events since 31 May 2022.