IG Markets Limited

Annual Report and Financial Statements

Year ended 31 May 2021

Directors and advisors:

Directors
J Fèlix
B Messer
J Noble
P Mainwaring (resigned 01 June 2020)
C Rozes (appointed 01 June 2020)
R Bhasin (appointed 13 January 2021)
A Didham (appointed 13 January 2021)
S Hibberd (appointed 13 January 2021)
M Le May (appointed 13 January 2021)
R McTighe (appointed 13 January 2021)
J Moulds (appointed 13 January 2021)
H Stevenson (appointed 13 January 2021)
G Wu (appointed 13 January 2021)
L Pollina (appointed 17 March 2021, resigned 09 July 2021)
S Skerrit (appointed 09 July 2021)

Company Secretary
C Chow (resigned 12 November 2020)
J Nayler (appointed 12 November 2020)

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 7AE

Natwest Group plc
250 Bishopsgate
London EC2M 4AA

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, share dealing and investments, through its activities in the UK, Australia and New Zealand.

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 business manages the market risk it faces through internalisation – allowing individual client trades to offset against each other – and by hedging the residual risk in each market at defined limits by entering into derivative contracts with its hedging brokers. The 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) and complies with the overall capital adequacy requirement set out by the FCA's IFPRU handbook, whilst seeking to maximise returns on equity and maintain a strong capital position. The Company is regulated in jurisdictions outside the UK by the relevant local bodies.

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

Share dealing: represents fees and commission earned from share dealing service after deducting the contracting and trade settlement fees payable to third-party brokers. Share dealing trading revenue now includes income derived from foreign exchange conversion which was previously reported within the OTC leveraged revenue.

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 2021 (FY21)

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.

Through the resilience of our market-leading technology infrastructure, IG has demonstrated its ability to perform strongly throughout the period of unprecedented market volatility triggered by the Covid-19 pandemic. Our significant long-term investment in communications and technology infrastructure has enabled all employees to work safely from home, and we continue to provide the best possible service for our clients when they choose to trade the financial markets.

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 share trading services and to transfer its existing business relating to Australian and New Zealand clients. This is not expected to have a significant impact on the performance of the business in future periods and further details are provided in note 23 of the financial statements.

On 31 December 2020, the transition period which was in place following the UK's exit from the European Union on 31 January 2020, ended. The Company disposed of its European business to IG Europe GmbH in the year ended 31 May 2019 and the end of the transition period did not have a significant impact on the Company's financial performance or financial position.

The Company had net trading revenue in FY21 of £465.0 million (FY20: £341.8 million). Operating costs increased by 22.7% year-on-year, resulting in profit before tax for FY21 of £234.1 million (FY20: £154.3 million).

Profit for the financial year was £189.2 million (FY20: £125.4 million). Shareholders' equity decreased from £424.6 million as at 31 May 2020 to £412.5 million as at 31 May 2021, following the payment of £200.0 million of dividends paid to its shareholder (year ended 31 May 2020: £58.8 million).

As at 31 May 2021, under FCA rules, the Company had a Total Capital Ratio of 24.3% (FY20: 31.4%). Total regulatory capital resources as at 31 May 2021 were £410.1 million (FY20: £423.0 million). The Company had significant surplus regulatory capital resources over the regulatory capital resources requirement throughout the year. An analysis of the Group's consolidated capital resources and capital resources requirement is provided in the Group Annual Report.

In accordance with the Capital Requirements Directive IV (CRD IV) and the FCA's IFPRU 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 the year end.

	31 May 2021	31 May 2020
Return on equity	45.9%	29.5%

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.

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. The Board will sometimes engage directly with certain stakeholders on specific issues. This stakeholder engagement often takes place at an operational level. We consider key stakeholders when we discuss and make decisions relating to 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.

As a result of these activities, the Board has an overview of engagement with stakeholders and other relevant factors, which enables the Directors to comply with their legal duties under Section 172 of the Companies Act 2006 (CA2006).

The Board considers the views of its key stakeholders in all decision-making. This consideration is introduced into the Board cycle by, amongst other things, our Board paper template, which requires us to identify stakeholders who should be considered in each proposed discussion or decision.

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: four-year plan and budget

The Board approved an updated financial plan (the 2022 plan) for the 2022 financial year.

In agreeing the 2022 plan, the Board considered the potential impact that each element might have on its key stakeholders. In particular, the Board took into account:

- Our relationship with and the views of regulators in the countries where the Company holds regulatory licences to conduct its business. We referred to the latest applicable legislation and regulations, held ongoing dialogue with relevant regulators and ensured that the business initiatives in the updated plan were in line with the Company's regulatory risk appetite
- The interests of employees, in particular in relation to the ongoing Covid-19 pandemic and ensuring our people are able to continue working from home or begin returning to our offices around the world as local rules and conditions allow. The People Forum provides a helpful feedback channel to hear the views of employees, so we can address matters raised. Also relevant are our employee health and wellness programmes and diversity and inclusion policies, and our investment in software and equipment
- The needs of clients, through our decision to enhance IT infrastructure to ensure that our systems are resilient and better able to support our clients' demands. We considered the number of clients, the demand to access our services during periods of increased client activity, and the requests we've received to provide more advanced features on our desktop and mobile platforms for clients who use sophisticated trading strategies
- Our existing relationships with suppliers, in particular related to our IT infrastructure, as a result of the changing needs of the Company and its stakeholders. These changes were driven by the expectations of regulators, the needs of employees and the demand from clients, as well as shareholders' interests in our decisions on overseeing costs and the nature and focus of future investment
- The views and interests of shareholders, by ensuring that our updated plan supported the sustainable growth of the business, along with the delivery of our strategy and shareholder value

Stakeholder engagement

Clients

Why we engage with our clients

The Company 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.

Strategic Report

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

The Company strives to provide a stable, secure and reliable platform, so that trade execution is seamless and our clients benefit from market opportunities.

The Company offers 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.

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 the Company'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

The Company has 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 that are currently underrepresented.

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 provide 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.

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 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.

Strategic Report

What matters most to our communities

Our communities value sustained and long-term support. This is achieved through a combination of continual dialogue, financial donations and meaningful employee engagement. 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. Regulations from the Australian Securities and Investments Commission (ASIC) came into effect from 29 March 2021 for OTC leveraged derivatives. The measures were in line with expectations and largely brought ASIC in line with existing European Securities and Markets Authority (ESMA) regulations.

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 facing the Company are:

- the regulatory environments in which the Company operates change in a way that impacts the activities of the Company;
- the market risk the Company accepts to provide instant execution of client orders results in a loss to the Company; and
- a bank or broker which the Company uses defaults, resulting in the Company's balances with that bank or broker not being recoverable.

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 Company has experienced significant change and will continue to do so in the future driven by regulation, shifting patterns of wealth, and the continued evolution of the financial markets. The Company has the capability to adapt and thrive in these evolving markets.

The FCA is expected to issue rules to introduce the UK Investment Firm Prudential Regime (IFR) during FY22 and the regime is expected to come into force in January 2022. The IFR will impact capital and liquidity requirements, prudential reporting and disclosure, remuneration and supervision and governance in the UK. The Company continues to monitor the FCA's proposals and is taking necessary steps to ensure that it is prepared for the introduction of the IFR.

On behalf of the Board

C Rozes
Director
21 July 2021

Directors' Report

The Directors present their Report together with the audited Financial Statements of IG Markets Limited ('the Company') for the year ended 31 May 2021.

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

B Messer

J Noble

P Mainwaring (resigned 01 June 2020)

C Rozes (appointed 01 June 2020)

R Bhasin (appointed 13 January 2021)

A Didham (appointed 13 January 2021)

S Hibberd (appointed 13 January 2021)

M Le May (appointed 13 January 2021)

R McTighe (appointed 13 January 2021)

J Moulds (appointed 13 January 2021)

H Stevenson (appointed 13 January 2021)

G Wu (appointed 13 January 2021)

L Pollina (appointed 17 March 2021, resigned 09 July 2021)

S Skerrit (appointed 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 those jurisdictions. 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 and South Africa.

Dividends

The Directors are not recommending a final dividend.

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 Capital Requirements Directive IV (CRD IV) and the associated 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 Rozes
Director
21 July 2021

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

- select suitable accounting policies and then apply them consistently;
- 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 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
21 July 2021

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 2021 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 2021; 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

Independent Auditors' Report
to the members of IG Markets Limited

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.

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 2021 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 the 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 the rules of the Financial Conduct Authority and applicable tax legislation, 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 the 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;

Independent Auditors' Report

to the members of IG Markets Limited

- 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. 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.

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
21 July 2021

Income Statement
for the year ended 31 May 2021

		Year ended 31 May 2021			Year ended 31 May 2020		
		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	Note	£m	£m	£m	£m	£m	£m
Trading revenue		464.5	3.2	467.7	340.7	4.3	345.0
Introducing partner commissions		(2.7)	-	(2.7)	(3.2)	-	(3.2)
Net trading revenue	3	461.8	3.2	465.0	337.5	4.3	341.8
Financial transaction taxes		(0.1)	-	(0.1)	(0.2)	-	(0.2)
Interest income on segregated client funds		0.8	-	0.8	2.0	-	2.0
Other operating income		3.5	-	3.5	0.6	-	0.6
Net operating income		466.0	3.2	469.2	339.9	4.3	344.2
Operating costs	4	(227.9)	(2.3)	(230.2)	(185.6)	(2.0)	(187.6)
Net credit losses on financial assets	27	(0.7)	-	(0.7)	(0.4)	-	(0.4)
Operating profit		237.4	0.9	238.3	153.9	2.3	156.2
Finance income	8	1.7	-	1.7	3.8	-	3.8
Finance costs	9	(5.9)	-	(5.9)	(5.7)	-	(5.7)
Profit before taxation		233.2	0.9	234.1	152.0	2.3	154.3
Tax on profit	10	(44.7)	(0.2)	(44.9)	(28.5)	(0.4)	(28.9)
Profit for the financial year		188.5	0.7	189.2	123.5	1.9	125.4

All of the profit for the financial year from continuing operations and discontinued operations is attributable to the equity owner of the Company.

Statement of Comprehensive Income

for the year ended 31 May 2021

	Year ended 31 May 2021						Year ended 31 May 2020					
	Continuing operations		Discontinued operations		Total		Continuing operations		Discontinued operations		Total	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Profit for the year		188.5		0.7		189.2		123.5		1.9		125.4
Other comprehensive (expense)/income: 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	(1.3)		-		(1.3)		0.7		-		0.7	
Other comprehensive (expense)/income for the year		(1.3)		-		(1.3)		0.7		-		0.7
Total comprehensive income for the year		187.2		0.7		187.9		124.2		1.9		126.1

Statement of Financial Position
as at 31 May 2021

	Note	31 May 2021 £m	31 May 2020 £m
Assets			
Non-current assets			
Property, plant and equipment	11	0.6	1.2
Investment in subsidiaries	12	3.8	3.9
Financial investments	16	127.6	83.8
Financial assets pledged as collateral	16	61.1	-
Deferred income tax assets	10	0.4	0.2
		193.5	89.1
Current assets			
Trade receivables	13	423.5	268.9
Other assets	14	30.3	22.1
Prepayments		1.5	1.7
Other receivables	15	19.6	13.7
Cash and cash equivalents		402.7	309.7
Financial investments	16	127.4	130.6
Financial assets pledged as collateral	16	26.0	9.9
		1,031.0	756.6
TOTAL ASSETS		1,224.5	845.7
Liabilities			
Non-current liabilities			
Borrowings	17	98.8	99.7
Lease liabilities	24	-	0.3
Deferred income tax liabilities	10	0.3	0.3
		99.1	100.3
Current liabilities			
Trade payables	18	69.8	63.9
Other payables	19	640.7	249.6
Income tax payable		2.2	6.7
Lease liabilities	24	0.2	0.6
		712.9	320.8
Total liabilities		812.0	421.1
Equity			
Share capital	21	13.0	13.0
Other reserves	22	(0.2)	1.6
Retained earnings		399.7	410.0
Total equity		412.5	424.6
TOTAL EQUITY AND LIABILITIES		1,224.5	845.7

The Financial Statements on pages 13 to 43 were approved by the Board of Directors and signed on their behalf by:

C Rozes
Director
21 July 2021

Statement of Changes in Equity

for the year ended 31 May 2021

	Share capital	Other reserves	Retained earnings	Total equity
	£m	£m	£m	£m
At 1 June 2019	**13.0**	**0.6**	**343.3**	**356.9**
Profit for the financial year	-	-	125.4	125.4
Other comprehensive income for the year	-	0.7	-	0.7
Total comprehensive income for the year	-	0.7	125.4	126.1
Equity-settled employee share-based payments	-	0.4	-	0.4
Equity dividends paid	-	-	(58.8)	(58.8)
Transfer of vested awards from the share-based payment reserve	-	(0.1)	0.1	-
At 31 May 2020	**13.0**	**1.6**	**410.0**	**424.6**
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	-
At 31 May 2021	**13.0**	**(0.2)**	**399.7**	**412.5**

Notes to the Financial Statements

for the year ended 31 May 2021

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

The Financial Statements of the Company for the year ended 31 May 2021 were authorised for issue by the Board of Directors on 21 July 2021 and the Statement of Financial Position was signed on behalf of the Board by C Rozes. The Company is incorporated and domiciled in England and Wales with registered company number 4008957 as a private company limited by shares.

The Company's Financial Statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 ('the Act') as applicable to companies using FRS 101. The Financial Statements have been prepared under the historical cost convention. The principal accounting policies adopted by the Company are set out in note 2. The Financial Statements are presented in Sterling.

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 for 31 May 2021. In the Directors' opinion, the accounting judgement that has the most significant impact on the presentation or measurement of items recorded in the financial statements is as follows:

Accounting for cryptocurrencies (judgement) – the Company has recognised £30.3 million of cryptocurrency assets and rights to cryptocurrency assets on its Statement of Financial Position as at 31 May 2021 (31 May 2020: £22.1 million). These assets are used for hedging purposes and held for sale in the ordinary course of business. A judgement has been made to apply the measurement principles of IAS 2 Inventories in accounting for these assets. The assets are presented as 'other assets' on the Statement of Financial Position. The measurement and disclosure of cryptocurrency assets is considered to be a critical accounting policy judgement.

Basis of preparation

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council, which addresses the financial reporting requirements and disclosure exemptions in the individual Financial Statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted International Financial Reporting Standards ('IFRS'). The Company meets the definition of a qualifying entity under FRS 100.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard.

The following disclosure exemptions have been adopted:

- cash flow statements;
- share-based payments;
- key management compensation;
- related party transactions between wholly-owned Group companies and
- the expected impact of future accounting standards not yet effective.

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 2020.

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.

Going concern

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

Parent company and Group Financial Statements

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

The Financial Statements of IG Group Holdings plc and its subsidiary companies, which include the results of the Company, may be obtained from Cannon Bridge House, 25 Dowgate Hill, London EC4R 2YA.

Foreign currencies

The Company's functional currency is Sterling. 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

Notes to the Financial Statements

for the year ended 31 May 2021

2. **Accounting policies (continued)**

Statement of Financial Position date. Gains and losses arising on revaluation are taken to the 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.

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 after deducting contracting and trade settlement fees payable to third party brokers. 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.

Finance income and costs on segregated client funds

Interest income and expense on segregated client funds is accrued on a time basis, by reference to the principal amount outstanding and at the applicable interest rate.

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

Dividends

Dividend distributions 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.

(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.

Notes to the Financial Statements

for the year ended 31 May 2021

2. **Accounting policies (continued)**

Leases

The Company's 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 separately from the right-of-use asset.

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 Group under residual guarantees; and
- Payments of penalties for terminating the lease.

Lease payments are discounted at the Company's estimated incremental secured borrowing rate. 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.

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.

Notes to the Financial Statements

for the year ended 31 May 2021

2. Accounting policies (continued)

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

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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less selling costs and value in use. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate. This rate reflects current market assessments of the time value of money as well as the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

An assessment is made at each 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 measured at fair value through profit and loss are financial assets 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' and 'cash and cash equivalents'.

Notes to the Financial Statements

for the year ended 31 May 2021

2. Accounting policies (continued)

Financial assets measured as fair value through other comprehensive income

Financial assets measured as 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'.

(c) Financial liabilities

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

(d) Determination of fair value

Financial instruments arising from open client positions and the Company's hedging positions are stated at fair value and disclosed according to the valuation hierarchy required by IFRS 13. 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 (excluding amounts due from brokers held at fair value through profit and loss), cash and cash equivalents, other receivables and financial investments. 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 and other receivables. The Company applies the general approach for other financial assets.

Financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; 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 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' or if no external credit rating is available, in accordance with the Group's internal credit risk management definition.

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.

Notes to the Financial Statements

for the year ended 31 May 2021

2. **Accounting policies (continued)**

Financial instruments - 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 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.

Trade receivables do not contain a significant financing element and so the Company has applied the simplified approach 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.

Other assets

Other assets represent rights to cryptocurrencies and cryptocurrency 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 if the time value of money is significant.

Other receivables do not contain a significant financing element and so the Company has applied the simplified approach, except for amounts due from Group companies. 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.

Notes to the Financial Statements

for the year ended 31 May 2021

2. **Accounting policies (continued)**

Cash and cash equivalents

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

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.

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' (where Title Transfer Collateral Arrangements are in place) or 'segregated client funds' in accordance with the relevant regulatory requirements. Segregated client funds comprise individual client funds held in segregated client money accounts. Segregated client money accounts restrict the Company's ability to control the monies and accordingly such amounts are not held on the Statement of Financial Position.

The Company holds client assets on behalf of clients in accordance with the client asset rules of the of the UK Financial Conduct Authority (FCA) and other regulatory bodies. Such assets are classified as 'segregated client assets' in accordance with the relevant regulatory requirements. Segregated client assets comprise individual client assets held in segregated custody accounts. Segregated custody accounts restrict the Company's ability to control the assets and accordingly such amounts are not held on the Statement of Financial Position.

The amount of segregated client funds held at year-end was £917.7 million (31 May 2020: £771.6 million) and the amount of segregated client assets was £3,291.4 million (31 May 2020: £1,509.8 million). These amounts are held off-balance sheet. The return received on managing segregated client funds is included within net operating income.

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

Financial investments

Financial investments 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 (for example, prepayment, call and similar options) but shall 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 (see IFRS 15 Revenue from Contracts with Customers), 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 if the time value of money is significant.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Borrowings

Borrowings are recognised initially at fair value. Subsequently, taking into consideration the term of the borrowings, an assessment is made whether to state at amortised cost, with any difference between net proceeds and the redemption value being recognised in the Income Statement over the period of the borrowings using the effective interest rate method.

Notes to the Financial Statements

for the year ended 31 May 2021

2. **Accounting policies (continued)**

Share Capital

(a) Classification of shares

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.

(b) Share-based payments

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

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 2021	Year ended 31 May 2020
	£m	£m
OTC leveraged derivatives	426.3	328.2
Share dealing and investments	38.7	13.6
	465.0	341.8

The income from OTC leveraged derivatives and share dealing derives from the UK and Australia, whilst the income from investments derives wholly from the UK.

Notes to the Financial Statements

for the year ended 31 May 2021

4. Operating costs

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 and are presented within each of the cost categories below.

	Year ended 31 May 2021	Year ended 31 May 2020
	£m	£m
Employee related expenses	56.6	51.0
Royalty expense	107.0	78.6
Advertising and marketing	16.5	15.4
Premises related costs	3.0	2.4
IT, Market Data and Communications	17.4	14.2
Legal and professional costs	4.2	3.6
Regulatory fees	4.6	4.1
Depreciation	0.4	0.6
Other costs	20.5	17.7
	230.2	187.6

5. Auditors' remuneration

Audit fees in relation to the statutory audit of the Financial Statements of the Company amounted to £74,500 (FY20: £76,000).

Audit related fees in relation to services supplied pursuant to legislation amounted to £240,020 (FY20: £168,672). Audit related fees include services that are specifically required of the Company's auditors through legislative requirements, controls assurance engagements required by the regulatory authorities in whose jurisdiction the Company operates and other audit related assurance services.

6. Directors' remuneration

Directors are remunerated for their services to the Group. The Directors' remuneration for their services to the Company for the year was £nil (FY20: £nil).

Their remuneration is disclosed in the Directors' Remuneration section of the 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 129 (FY20: 120).

An analysis of the staff costs before and after these recharges are below:

	Year ended 31 May 2021	Year ended 31 May 2020
	£m	£m
Wages, salaries and benefit allowances	3.5	3.2
Equity-settled share-based payment awards and related social security costs	-	0.4
Performance related bonus and related social security costs	0.6	0.1
Total staff costs for employees of the Company	4.1	3.7
Costs recharged to the Company from other Group companies for services provided to the Company	52.5	47.3
Amount recognised in the Company's Income Statement	56.6	51.0

Notes to the Financial Statements
for the year ended 31 May 2021

7. **Staff costs (continued)**

The staff costs for the year were as follows:

	Year ended 31 May 2021	Year ended 31 May 2020
	£m	£m
Wages and salaries, performance related bonus and equity-settled share-based payment awards	48.0	43.4
Social security costs	6.1	5.6
Other pension costs	2.5	2.0
	56.6	51.0

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

8. **Finance income**

	Year ended 31 May 2021	Year ended 31 May 2020
	£m	£m
Bank interest receivable	0.2	1.1
Interest receivable on cash held at brokers	0.6	1.1
Interest accretion on financial investments	0.9	1.6
	1.7	3.8

9. **Finance costs**

	Year ended 31 May 2021	Year ended 31 May 2020
	£m	£m
Revolving credit facility interest and fees	0.5	0.9
Term loan interest and fees	2.6	2.8
Interest payable to brokers	1.6	1.1
Interest paid to other Group companies	0.8	0.9
Bank interest payable	0.4	-
	5.9	5.7

Notes to the Financial Statements
for the year ended 31 May 2021

10. Taxation

Tax charged/(credited) in the Income Statement:

	Year ended 31 May 2021	Year ended 31 May 2020
Current income tax:	£m	£m
UK Corporation tax	43.8	28.6
Non-UK Corporation tax	0.2	0.2
Adjustments in respect of prior years	1.1	-
Total current income tax	45.2	28.8
Deferred income tax:		
Origination and reversal of temporary differences	0.5	(0.1)
Adjustments in respect of prior years	(0.7)	0.2
Total deferred income tax	(0.2)	0.1
Tax expense in the Income Statement	44.9	28.9

Tax not charged to the Income Statement:

Tax recognised in other comprehensive income	-	0.2

Reconciliation of the total tax charge

The standard rate of corporation tax in the UK for the year ended 31 May 2021 was 19.0% (year ended 31 May 2020: 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 2021	Year ended 31 May 2020
	£m	£m
Profit before taxation	234.1	154.3
Profit before taxation multiplied by the UK standard rate of corporation tax of 19.0% (year ended 31 May 2020: 19.0%)	44.5	29.3
Expenses not deductible for tax purposes	1.0	0.8
Taxable gain arising on transfer of Australian business	0.3	-
Adjustments in respect of prior years	0.4	0.2
Group relief for which no payment is made	(1.3)	(1.4)
Total tax expense reported in the Income Statement	44.9	28.9

The effective tax rate is 19.2% (year ended 31 May 2020: 18.7%).

Notes to the Financial Statements

for the year ended 31 May 2021

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 2021 £m	Year ended 31 May 2020 £m
Other temporary differences	0.4	0.2
	0.4	0.2

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

	Year ended 31 May 2021 £m	Year ended 31 May 2020 £m
At the beginning of the year	0.2	0.2
- Income Statement credit/(charge)	0.2	(0.1)
- Reclassification from deferred tax asset to deferred tax liability	-	0.1
At the end of the year	0.4	0.2

Deferred income tax liabilities

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

	Year ended 31 May 2021 £m	Year ended 31 May 2020 £m
Other temporary differences	0.3	0.3
	0.3	0.3

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

	Year ended 31 May 2021 £m	Year ended 31 May 2020 £m
At the beginning of the year	(0.3)	-
- Reclassification from deferred tax asset to deferred tax liability	-	(0.1)
- *Tax charged to other comprehensive income*	-	(0.2)
At the end of the year	(0.3)	(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 assessed 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.

Notes to the Financial Statements
for the year ended 31 May 2021

10. Taxation (continued)

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.

Taxation on discontinued operations

The total tax expense reported in the Income Statement is attributable to:

	Year ended 31 May 2021 £m	Year ended 31 May 2020 £m
Profit from continuing operations	44.7	28.5
Profit from discontinued operations	0.2	0.4
	44.9	28.9

11. Property, plant and equipment

	Office equipment, fixtures and fittings £m	Computer, and other equipment £m	Right-of-use asset £m	Total £m
Cost:				
At 1 June 2019	0.1	0.4	1.5	2.0
Additions	-	0.1	-	0.1
At 31 May 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
Accumulated depreciation:				
At 1 June 2019	-	0.3	-	0.3
Provided during the year	-	0.1	0.5	0.6
At 31 May 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
Net book value - 31 May 2021	-	0.2	0.4	0.6
Net book value - 31 May 2020	0.1	0.1	1.0	1.2

Notes to the Financial Statements

for the year ended 31 May 2021

12. Investment in subsidiaries

At cost less accumulated impairment losses:	31 May 2021	31 May 2020
	£m	£m
At beginning and end of the year	3.8	3.9

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
Subsidiary undertakings held directly:				
IG Nominees Limited	Cannon Bridge House, 25 Dowgate Hill, London EC4R 2YA, United Kingdom	Ordinary shares	100%	Nominee company
IG Finance 9 Limited		Ordinary shares	100%	Finance company
Subsidiary undertakings held indirectly:				
IG Asia Pte Limited	9 Battery Road, 01-02 MYP Centre, 049910 Singapore	Ordinary shares	100%	CFD trading and foreign exchange

IG Nominees Limited entered into Members' Voluntary Liquidation (solvent liquidation) on 28 May 2021.

13. Trade receivables

	31 May 2021	31 May 2020
	£m	£m
Amounts due from brokers	394.2	243.7
Own funds in client money	27.9	23.1
Amounts due from clients	1.4	2.1
	423.5	268.9

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 the UK's Financial Conduct Authority (FCA) 'CASS' rules and includes £2.1 million (31 May 2020: £4.4 million) to be transferred to the Company on the following business day.

Amounts due from clients arise when a client's total funds deposited 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 2021

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 2021	31 May 2020
	£m	£m
Exchange	13.8	6.0
Vaults	16.5	16.1
	30.3	22.1

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 2021	31 May 2020
	£m	£m
Other debtors	1.1	1.1
Amounts due from Group companies		
- Market Data Limited	14.5	-
- Financial Domaigns Registry Holdings Limited	-	0.7
- IG Europe GmbH	-	7.2
- Other Group companies	4.0	4.7
	19.6	13.7

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

16. Financial investments

The Company's financial investments are UK Government securities. The Company holds £86.1 million of financial investments as at 31 May 2021 (31 May 2020: £83.8 million) to meet the Company's liquid asset buffer requirement. The remaining balance of £256.0 million (31 May 2020: £140.5 million) is held with brokers to satisfy margin requirements. This includes £87.1 million (31 May 2020: £9.9 million) UK Government securities held with brokers where the broker has the right to rehypothecate the assets. These assets are separately recognised as 'financial assets pledged as collateral' on the Statement of Financial Position.

The effective interest rates of financial investments held at the year-end range from -0.16% to 1.3% (31 May 2020: 0.29% to 1.04%).

Notes to the Financial Statements

for the year ended 31 May 2021

17. Borrowings

In January 2021 the Company extended its existing credit facility with four UK banks. The credit facility is for £200 million, of which £100 million is a fully drawn term loan and £100 million is a revolving credit facility, which was not drawn as at 31 May 2021.

The term loan is repayable on maturity of the facility in June 2023 and is stated net of £0.4 million of unamortised arrangement fees. The revolving credit facility has a maturity date of December 2022 having been extended by 18 months in January 2021.

The Company has also entered into a £150 million term loan facility, alongside other subsidiaries of the Group, as part of the proposed acquisition of tastytrade, Inc by IG Group Holdings plc. This facility will be drawn down prior to completion of the acquisition and was undrawn as at 31 May 2021. Refer to the Group Annual Report for further information relating to the tastytrade, Inc acquisition. The loan is repayable on maturity of the facility in June 2023. Unamortised arrangement fees of £0.8 million have been recognised and capitalised on the balance sheet.

The Company entered into a £25 million bilateral revolving credit facility in March 2021 with a maturity date of September 2021. There is an option to extend the maturity for an additional three months to December 2021. The bilateral revolving credit facility was not drawn as at 31 May 2021.

The Company and the Group have entered into these facility agreements, alongside other subsidiaries of the Group. Under the terms of its facility agreements, the Group is required to comply with various financial covenants, including gearing ratios and minimum levels of shareholder equity. The Group has complied with these covenants throughout the reporting period.

18. Trade payables

	31 May 2021	31 May 2020
	£m	£m
Client funds held on balance sheet	69.3	62.8
Amounts due to clients	0.2	0.6
Other trade payables	0.3	0.5
	69.8	63.9

Client funds held on balance sheet comprise title transfer funds.

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.

19. Other payables

	31 May 2021	31 May 2020
	£m	£m
Accruals	11.9	11.2
Amounts due to Group companies		
- IG Group Holdings plc	205.5	1.3
- IG Index Limited	262.4	126.4
- IG Knowhow Limited	55.4	31.9
- IG Europe GmbH	46.9	-
- IG Bank S.A.	19.7	13.8
- IG Securities Limited	20.6	22.9
- IG Limited	6.4	10.7
- Other Group companies	11.9	31.4
	640.7	249.6

Under the Group's cash management framework, entities holding cash that is surplus to short term requirements lend the money to IG Markets Limited. The amount payable to IG Securities Limited bears interest at LIBOR plus 2%. 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.

Notes to the Financial Statements

for the year ended 31 May 2021

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 2021 (31 May 2020: £nil).

21. Share capital

	31 May 2021 £m	31 May 2020 £m
Authorised, allotted, called up and fully paid:		
13,000,000 (FY20: 13,000,000) ordinary shares of £1 each	13.0	13.0

22. Other reserves

	Share-based payments £m	FVOCI £m	Total other reserves £m
At 1 June 2019	0.1	0.5	0.6
Equity-settled employee share-based payments	0.4	-	0.4
Transfer of vested awards from the share-based payment reserve	(0.1)	-	(0.1)
Change in the fair value of financial assets held at fair value through other comprehensive income, net of tax	-	0.7	0.7
At 31 May 2020	0.4	1.2	1.6
Equity-settled employee share-based payments	-	-	-
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)

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 share trading services and to transfer its existing business relating to Australian and New Zealand clients for a 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 would continue to receive trading flow from the Group's Australian and New Zealand clients.

There were no discontinued operations in the year ended 31 May 2020.

Notes to the Financial Statements
for the year ended 31 May 2021

24. Lease liabilities

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

Right-of-use asset	31 May 2021 £m	31 May 2020 £m
Lease asset recognised at the beginning of the year	1.0	1.5
Amounts derecognised on disposal	(0.3)	-
Depreciation in the year	(0.3)	(0.5)
	0.4	1.0

Lease liability	31 May 2021 £m	31 May 2020 £m
Lease liability recognised at the beginning of the year	0.9	1.3
Amounts derecognised on disposal	(0.4)	-
Payments made in the year	(0.3)	(0.4)
	0.2	0.9

The Company recognises a lease liability on the Statement of Financial Position to represent its obligation to make lease payments. The tables below shows the maturity analysis of the recognised lease liability at 31 May 2021:

Discounted	31 May 2021	31 May 2020
Future minimum payments due:	£m	£m
Within one year	0.2	0.6
After one year but not more than five years	-	0.3
	0.2	0.9

Undiscounted	31 May 2021	31 May 2020
Future minimum payments due:	£m	£m
Within one year	0.2	0.6
After one year but not more than five years	-	0.3
	0.2	0.9

Notes to the Financial Statements

for the year ended 31 May 2021

25. Directors' shareholdings

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

26. Financial instruments

Accounting classifications and fair values

The table below sets out the classification of each class of financial assets and liabilities. 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.

		FVTPL	Amortised cost	FVOCI	Total carrying amount	Fair value
As at 31 May 2021	Note	£m	£m	£m	£m	£m
Financial assets:						
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 /from brokers	13	17.4	376.8	-	394.2	394.2
Trade receivables - amounts due from clients	13	-	1.4	-	1.4	1.4
Trade receivables - own funds in client money	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
Financial liabilities:						
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	19	112.4	(753.1)	-	(640.7)	(640.7)
		121.5	(930.8)	-	(809.3)	(809.3)

Notes to the Financial Statements
for the year ended 31 May 2021

26. Financial instruments (continued)

As at 31 May 2020	Note	FVTPL £m	Amortised cost £m	FVOCI £m	Total carrying amount £m	Fair value £m
Financial assets:						
Cash and cash equivalents		-	309.7	-	309.7	309.7
Financial assets pledged as collateral	16	-	-	9.9	9.9	9.9
Financial investments	16	-	-	214.4	214.4	214.4
Trade receivables - amounts due (to)/from brokers	13	(1.7)	245.4	-	243.7	243.7
Trade receivables - own funds in client money	13	-	23.1	-	23.1	23.1
Trade receivables - amounts due from clients	13	-	2.1	-	2.1	2.1
Other receivables	15	1.9	11.8	-	13.7	13.7
		0.2	592.1	224.3	816.6	816.6
Financial liabilities:						
Trade payables - client funds held on balance sheet	18	4.2	(67.0)	-	(62.8)	(62.8)
Trade payables - amounts due to clients	18	-	(0.6)	-	(0.6)	(0.6)
Trade payables - other trade payables	18	-	(0.5)	-	(0.5)	(0.5)
Borrowings	17	-	(99.7)	-	(99.7)	(99.7)
Other payables	19	109.7	(359.3)	-	(249.6)	(249.6)
		113.9	(527.1)	-	(413.2)	(413.2)

Financial instrument valuation hierarchy

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

As at 31 May 2021	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial assets:				
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 to Group companies	5.4	-	-	5.4
	348.1	16.8	-	364.9
Financial liabilities:				
Trade payables - client funds held on balance sheet	-	9.1	-	9.1
Other payables - amounts due to Group companies	112.4	-	-	112.4
	112.4	9.1	-	121.5

Notes to the Financial Statements

for the year ended 31 May 2021

26. Financial instruments (continued)

As at 31 May 2020	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial assets:				
Trade receivables - amounts due from/(to) brokers	(3.4)	1.7	-	(1.7)
Financial assets pledged as collateral	9.9	-	-	9.9
Financial investments	214.4	-	-	214.4
Other receivables – amounts due to Group companies	1.9	-	-	1.9
	222.8	1.7	-	224.5
Financial liabilities:				
Trade payables - client funds held on balance sheet	-	4.2	-	4.2
Other payables - amounts due to Group companies	109.7	-	-	109.7
	109.7	4.2	-	113.9

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 (year ended 31 May 2020: 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 2021 and 31 May 2020.

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 held for trading are included in net trading revenue for the year ended 31 May 2021 and 31 May 2020.

Notes to the Financial Statements

for the year ended 31 May 2021

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 master netting agreements.

As at 31 May 2021	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
	£m	£m	£m
Financial assets			
Trade receivables – amounts due from/(to) brokers	923.6	(529.4)	394.2
Financial liabilities			
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)
	1,045.1	(1,349.0)	(303.9)

As at 31 May 2020	£m	£m	£m
Financial assets			
Trade receivables – amounts due from/(to) brokers	700.8	(457.1)	243.7
Financial liabilities			
Trade payables - client funds held on balance sheet	4.2	(67.0)	(62.8)
Other payables - amounts due from/(to) Group companies	109.7	(348.0)	(238.3)
	814.7	(872.1)	(57.4)

Trade receivables – amounts due from/(to) brokers and Trade payables – client funds held on balance sheet have been presented gross to present the impact of offsetting. The Company is entitled to offset amounts due from/(to) 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.

27. Financial risk management

Risks arising from financial instruments are analysed into market, credit, concentration and liquidity risks.

Market risk

Market risk disclosures are analysed into the following categories:

- *Non trading interest rate and*
- 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.

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

Notes to the Financial Statements

for the year ended 31 May 2021

27. Financial risk management (continued)

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		Total	
	31 May 2021	31 May 2020	31 May 2021	31 May 2020	31 May 2021	31 May 2020
	£m	£m	£m	£m	£m	£m
Fixed rate:						
Financial assets pledged as collateral	26.0	9.9	61.1	-	87.1	9.9
Financial investments	127.4	130.6	127.6	83.8	255.0	214.4
Floating rate:						
Cash and cash equivalents	402.7	309.7	-	-	402.7	309.7
Trade receivables - due from brokers	394.2	243.7	-	-	394.2	243.7
Trade receivables - own funds in client money	27.9	23.1	-	-	27.9	23.1
Trade payables - client funds held on balance sheet	(69.3)	(62.8)	-	-	(69.3)	(62.8)
Borrowings	-	-	(98.8)	(99.7)	(98.8)	(99.7)
	908.9	654.2	89.9	(15.9)	998.8	638.3

There are no financial assets and liabilities which have a maturity of over 5 years.

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 2021	Year ended 31 May 2020
Impact:	£m	£m
Cash and cash equivalents	(4.0)	(3.1)
Trade receivables – amounts due from brokers	(1.1)	(0.8)
Trade receivables - own funds in client money	(0.3)	(0.2)
Trade payables - client funds held on balance sheet	0.7	0.6
Borrowings	0.1	0.2

The net impact of such a movement in interest rates is considered to be immaterial to the Company's profit for the year.

Notes to the Financial Statements

for the year ended 31 May 2021

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 available-for-sale are 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 2021	Year ended 31 May 2020
Impact:	£m	£m
Decrease in FVOCI reserve (equity)	(3.1)	(1.7)

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 2021	Year ended 31 May 2020
	£m	£m
Market risk as at 31 May	5.3	7.0
Average market risk (daily)	9.8	3.3
Maximum market risk (daily)	25.5	11.9
Minimum market risk (daily)	2.8	1.3

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 2021

27. Financial risk management (continued)

Associated with the proposed 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 2021, the Company recognised a £7.9 million unrealised foreign exchange loss in net trading revenue as a result of this hedge. If sterling strengthened by 1%, the Company would recognise an additional loss of £2.1 million (31 May 2020: £nil). This exposure is not included in the market risk VaR above.

Credit risk

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

Amounts due from financial institutions, which are stated net of an expected credit loss of £nil (31 May 2020: £0.1 million), are all less than 30 days due. Amounts due from clients, which are stated net of an expected credit loss of £4.2 million at 31 May 2021 (31 May 2020: £3.8 million), include both amounts less than and greater than 30 days due.

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

	Cash and cash equivalents		Trade receivables – due from brokers		Trade receivables – due from clients		Trade receivables – own funds in client money	
	31 May 2021	31 May 2020	31 May 2021	31 May 2020	31 May 2021	31 May 2020	31 May 2021	31 May 2020
	£m	£m	£m	£m	£m	£m	£m	£m
Credit rating:								
AA to AA-	129.5	6.1	8.2	-	-	-	2.1	4.4
A+ to A-	272.1	303.3	376.8	241.2	-	-	24.5	17.9
BBB+ to BBB-	1.1	0.3	-	-	-	-	1.3	0.8
Unrated	-	-	9.2	2.5	1.4	2.1	-	-
Total carrying amount	402.7	309.7	394.2	243.7	1.4	2.1	27.9	23.1

Loss allowance

Below is a reconciliation of the total loss allowance:

	31 May 2021	31 May 2020
	£m	£m
Balance at 1 June	3.8	2.8
Loss allowance for the year:		
- gross charge for the year	2.9	1.4
- recoveries	(2.1)	(1.0)
- impact of foreign exchange	(0.1)	-
Debts written off	(0.3)	0.6
Balance at 31 May	4.2	3.8

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.

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27. Financial risk management (continued)

As at 31 May 2021	**Stage 1** 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	Simplified Approach	Total
Credit grade:	£m	£m	£m	£m	£m
Investment grade	744.7	-	-	395.1	1,139.8
Non-investment grade	18.5	-	-	14.2	32.7
Gross carrying amount	763.2	-	-	409.3	1,172.5
Loss allowance	-	-	-	(4.2)	(4.2)
Total carrying amount	763.2	-	-	405.1	1,168.3

As at 31 May 2020	**Stage 1** 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	Simplified Approach	Total
Credit grade:	£m	£m	£m	£m	£m
Investment grade	534.0	-	-	257.5	791.5
Non-investment grade	12.6	-	-	16.6	29.2
Gross carrying amount	546.6	-	-	274.1	820.7
Loss allowance	-	-	-	(3.8)	(3.8)
Total carrying amount	546.6	-	-	270.3	816.9

The Stage 1, 12 month gross balances in current and prior year have been updated to include financial investments of £342.1 million (31 May 2020 £224.4 million).

Concentration risk

The Company's largest credit exposure to any one individual broker at 31 May 2021 was £64.2 million (A+ rated) (31 May 2020: £70.2 million (A+ rated)). Included in cash and cash equivalents, the Company's largest credit exposure to any bank at 31 May 2021 was £112.5million (AA- rated) (31 May 2020: £75.9 million (A+ rated)).

The Company has no significant 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 2021

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

Derivative and non-derivative cash flows by remaining contractual maturity

The Company's cash flows associated with financial assets and liabilities are receivable/(payable) on demand, although the remaining contractual maturities may be longer, with the exception of Borrowings.

The Company's cash flows associated with Borrowings are repayable in full on maturing of the facility in June 2023.

The following table presents the undiscounted cash flows receivable (excluding interest payments) by the Company under derivative financial assets and under non-derivative financial assets, where these are not directly identifiable in the financial statements:

Amounts receivable/(payable) on demand:

As at 31 May 2021	Derivative	Non-derivative	Total
	£m	£m	£m
Financial assets:			
Trade receivables - amounts due (to)/from brokers	17.4	376.8	394.2
Financial liabilities:			
Trade payables - client funds held on balance sheet	9.1	(78.4)	(69.3)

As at 31 May 2020	Derivative	Non-derivative	Total
	£m	£m	£m
Financial assets:			
Trade receivables - amounts due (to)/from brokers	(1.7)	245.4	243.7
Financial liabilities:			
Trade payables - client funds held on balance sheet	4.2	(67.0)	(62.8)

The Company's non-derivative cash flows that are receivable/payable on demand include:

- financial assets of £1,170.5 million (31 May 2020: £818.0 million); and
- financial liabilities of £820.1 million (31 May 2020: £416.1 million).

The Company also has financial liabilities of £100 million (31 May 2020: £100 million) payable in full on the maturing of the facility in June 2023.

28. **Subsequent events**

On 24 June 2021, the Company issued a $300 million intragroup loan to Market Data Limited, which was financed in part by drawing down on a £150 million term loan. For further details of the £150 million loan, refer to note 17.