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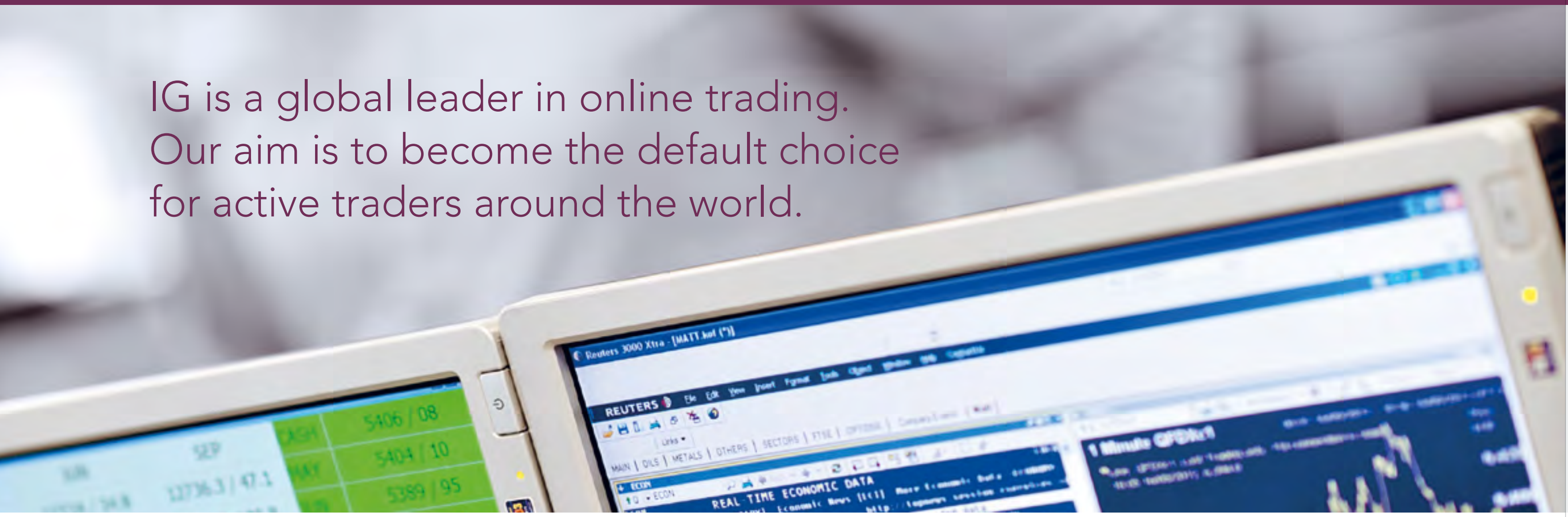
IG GROUP HOLDINGS PLC
ANNUAL REPORT 2014

IG GROUP



IG is a global leader in online trading. Our aim is to become the default choice for active traders around the world.

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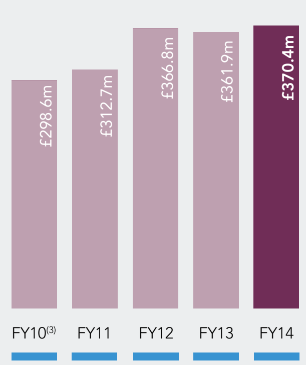
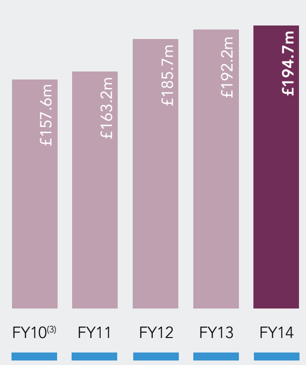
'This was a good year for IG, with growth in revenue, profit and dividends, and importantly we also made strong progress on our strategic priorities, designed to deliver the next phase of our growth. We will continue to make significant investments in initiatives this year and beyond, to deliver sustainable growth into the future.'

Tim Howkins, Chief Executive Officer

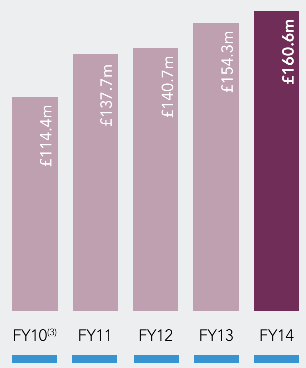
NET TRADING REVENUE(1)



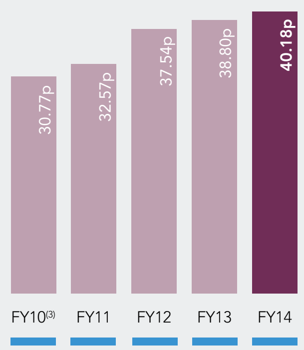
PROFIT BEFORE TAX(2)



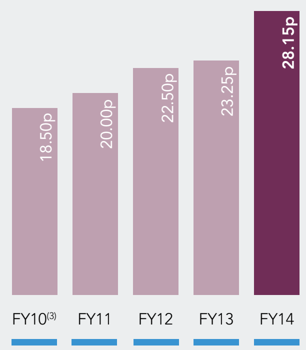
OWN FUNDS GENERATED FROM OPERATIONS



DILUTED EARNINGS PER SHARE(2)



TOTAL DIVIDEND PER SHARE



FOUR-YEAR COMPOUND ANNUAL GROWTH RATE

NET TRADING REVENUE(1)
▲ 5.5%

PROFIT BEFORE TAX(2)
▲ 5.4%

OWN FUNDS GENERATED FROM OPERATIONS
▲ 8.9%

DILUTED EARNINGS PER SHARE(2)
▲ 6.9%

TOTAL DIVIDEND PER SHARE
▲ 11.1%

(1) Net trading revenue is trading revenue excluding interest on segregated client funds and is net of introducing partner commissions.

(2) The profit before tax and diluted earnings per share figures for FY10 and FY11 exclude both the amortisation and impairment of goodwill and customer relationships associated with our Japanese business, IG Securities (formerly FXOnline), and of the Group's Sport business.

(3) Net trading revenue, profit before tax, own funds generated from operations and diluted earnings per share include the Group's Sport business (excluding impairment of goodwill) in FY10.

GLOBAL PRESENCE

IG is a global leader in online trading and currently the No.1 provider of CFDs and financial spread betting worldwide.[1] Initially established in the UK, we began our global expansion by entering Australia in 2002. Since then we have opened offices in a further 14 countries around the world and now serve clients in over 140 countries. Our headquarters are located in the City of London.

126,100
Active clients worldwide

144
Countries where clients are resident

48%
Revenue outside the UK

A SINGLE WORLDWIDE IDENTITY

Late in 2012 we took the important step of unifying our retail brands, with the exception of Nadex, under the single identity of IG. This ensures worldwide consistency across all our platforms and is a better representation of the scale of our offering. We acquired a number of domain names, including IG.com and a range of local country IG domains, and enabled clients to access multiple accounts, products and platforms from a single login. We have now migrated all of our websites to IG.com. Over time, we expect this to enhance our search engine rankings and to increase our buying power for paid search, ultimately improving our client acquisition rates. As we begin to broaden our product set to appeal to a wider range of active traders, we believe that our single identity will raise awareness of IG and our products and become a valuable client recruitment resource.

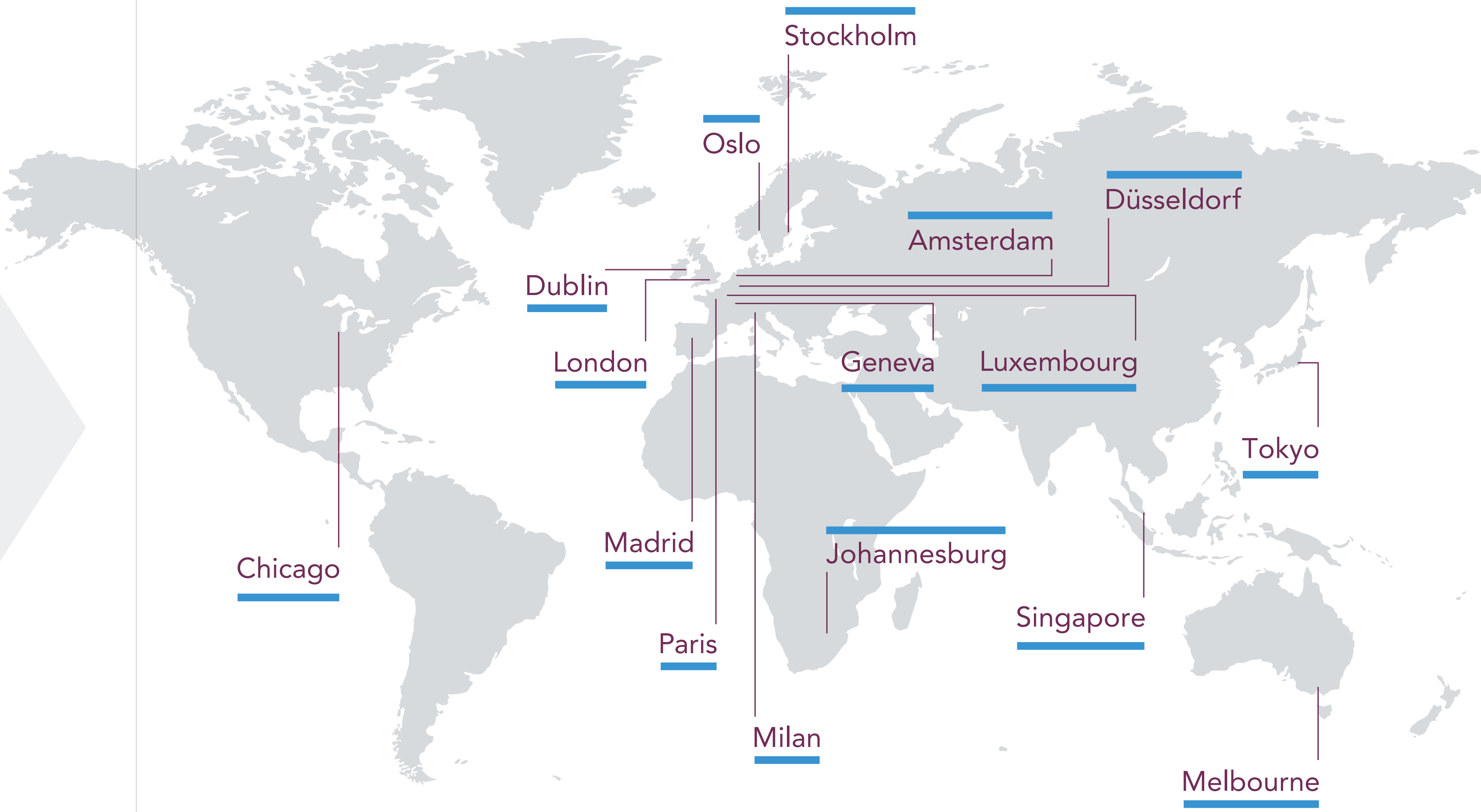
REGION

UK
- Introduced the first financial spread betting product in 1974
- Offices located in the City of London and Dublin (Republic of Ireland)
- Annual revenue of £192.7 million in the 2014 financial year, with 59,300 active clients trading
- Accounts for 52% of Group revenue

AUSTRALIA
- Entered the market in 2002
- Office located in Melbourne
- Annual revenue of £52.2 million in the 2014 financial year, with 18,000 active clients trading
- Accounts for 14% of Group revenue

EUROPE
- Entered the market in Germany in 2006, with rapid expansion across Europe from 2007
- Offices located in France, Germany, Italy, Luxembourg, Netherlands, Norway, Spain, Sweden and Switzerland
- Annual revenue of £82.1 million in the 2014 financial year, with 26,000 active clients trading
- Accounts for 22% of Group revenue

REST OF WORLD
- Began expansion in 2006
- Offices located in Japan, Singapore, South Africa and the US
- Annual revenue of £43.4 million in the 2014 financial year, with 22,800 active clients trading
- Accounts for 12% of Group revenue



(1) No.1 CFD and spread betting provider: for CFDs, based on revenue excluding FX, published financial statements, July 2014; for spread betting, number of active UK financial spread betting accounts (Investment Trends UK Leveraged Trading Report, December 2013).

CHAIRMAN'S STATEMENT

'As part of our aim to become the default choice for active traders, we are now progressing new initiatives which should have positive long-term benefits for shareholders.'

I am delighted to report another record year for the Group. Our revenue increased by 2.4% to £370.4 million (2013: £361.9 million), whilst our diluted earnings per share increased by 3.6% to 40.18 pence (2013: 38.80 pence).

We continue to build on our long history of growth, with profitability having increased every year since our public listing in 2005. As part of our aim to become the default choice for active traders, we are now progressing new initiatives which should have positive long-term benefits for shareholders. These include our stockbroking product, our forthcoming entry into Switzerland, our application to the regulator in Dubai for a retail-trading licence and our continued technology developments, with particular emphasis on mobile applications and our online presence.

As we continue to be a highly cash-generative business, we are able to invest in our strategic growth initiatives, together with further improving our technology and client experience, whilst maintaining a progressive dividend policy. With this in mind, the Board proposes to increase the ordinary dividend payout ratio to approximately 70% of Group earnings, from the current level of 60%, with effect from the 2014 financial year, whilst retaining a progressive dividend policy. Simultaneously the Board will adopt a new policy of paying the interim dividend each year, calculated at approximately 30% of the prior year's full-year dividend.

The Board recommends a final ordinary dividend for the 2014 year of 22.40 pence per share, taking the full-year ordinary dividend to 28.15 pence per share, representing approximately 70% of the Group's full-year earnings.

The Board will continue to monitor the capital structure of the business closely to allow sufficient headroom for the planned investment in growth initiatives, whilst retaining the ability to respond to any changes in the regulatory or financial environment.

REGULATION

As the regulatory environment continues to develop, we are cognisant of the importance of maintaining collaborative and constructive relationships with all the relevant regulatory authorities that oversee IG's operations. IG fully appreciates that the industry in which we operate requires considered and sophisticated regulatory oversight. In particular, we embrace such concepts as appropriateness and conduct, which we believe form the foundations of a sensible consumer-protection regime. We wish to see these principles applied with total consistency across the industry.

As IG expands globally, the regulatory challenges it faces are complex. Although each region is separately regulated, countries are increasingly impacted by the growing globalisation of commerce and the rules which surround it. This is particularly so in Europe, where regulatory bodies not only have influence over our activities on the Continent but increasingly on our domestic business in the UK. This presents us with obvious challenges, as the UK is only one of twenty-eight member states with an interest and a say in how regulation develops. Consequently we continue to monitor and manage this very carefully. Enhancing our ability to respond to regulatory challenges will form part of the remit of the new Board Risk Committee, set up under the Chairmanship of Stephen Hill. More details of this new committee are set out in Board Risk Committee report.

BOARD EVALUATION

We completed our last external evaluation of the Board in 2012 and, in line with the UK Corporate Governance Code ('the Code'), it is our intention to undergo another external review in the coming financial year. Our Company Secretary, Bridget Messer, and I conducted an internal evaluation of the Board this year. I am pleased to report that no substantive issues were raised.

BOARD COMPOSITION

As previously announced, there were a number of changes to our Board in the past year. Jim Newman joined the Board on 1 October 2013. Jim has deep experience in the financial services industry, currently with Resolution plc, where he was Chief Financial Officer until March 2013, and is now Corporate Development Director for Friends Life. Jim will be taking over as the Chairman of the Audit Committee on the retirement of Martin Jackson at this year's Annual General Meeting (AGM).

I wish to record my personal thanks to Martin Jackson, who has done such an outstanding job as Chairman of the Audit Committee for the past nine years. Martin's energy, eye for detail and ability to keep abreast of the legal and regulatory developments that have taken place on his watch have been a joy to experience. Martin goes with our gratitude and best wishes for his retirement.

I am also pleased to welcome Andy Green to our Board as Deputy Chairman. As foreshadowed in my Chairman's Statement last year, Andy will succeed me at this year's AGM. The search for Andy was led by our Senior Independent Director, Roger Yates. Roger and the Nomination Committee reviewed both internal and external candidates and concluded that, of the many excellent candidates that were seen, Andy was the best fit for us, with his background and understanding of IT and marketing, which are two of our biggest differentiators.

As Roger Yates approaches his maximum tenure as an independent Non-Executive Director, we anticipate that he will leave IG no later than the AGM in 2015. A search for a replacement for Roger will commence in the near future.

Following our proposed Board changes, we will continue to be fully compliant with provision B.1.2 of the Code.

The intention again this year is to put every Board Director, with the exception of myself and Martin, up for re-election (or in the case of Andy, election) at the AGM, in compliance with paragraph B.7.1 of the Code.

REMUNERATION

The Remuneration Committee, under the Chairmanship of Roger Yates, the Senior Independent Director, reviewed the remuneration of all Senior Management during the year.

Last year the committee decided to undertake a complete review of our executive compensation, including changing our external advisors. As you will see in the Remuneration Committee report, we have not made any substantive changes to the structure of our remuneration for the coming year. The Remuneration Report is much longer this year, due to the new Code requirements of disclosure, and meets the Financial Conduct Authority's remuneration principles.

STRATEGY AND REPOSITIONING

IG has grown for nearly 40 years to be the global leader in its category. This has been achieved through ruthless focus on the client experience, with constant investment in the development of market-leading technology and consistent delivery of high-quality customer service. The category in which we lead continues to display good growth, particularly in the continental European countries where our products have been offered for less than ten years. However, leveraged trading will remain a niche activity into the future. Although we will continue to grow this niche through ongoing education, platform development and excellent execution, we also have an opportunity to use the skills and technology at our disposal to broaden our product range and enter new markets. We believe that the launch of our execution-only stockbroking offering will both open up new revenue streams and broaden the appeal of our current business, supporting our aim to become the default choice for active traders.

CONCLUSION

As this is my last statement as Chairman, I would like to take this opportunity to thank all of my executive and non-executive colleagues, both past and present, for supporting me and giving me so much valuable advice and input, particularly since our public listing in April 2005. From that date until the end of this financial year our shares have increased in value by approximately 500%, and we have been a FTSE 350 top-decile performer in terms of Total Shareholder Return.

There has been much discussion and comment about the recent low levels of volatility. Our excellent results have been achieved despite these volatility headwinds, which have adversely affected so many financial services firms in the past year. It is impossible to forecast volatility levels into the future, but I have no doubt that our management team will be able to take full advantage of the business opportunities that will arise, and give our clients the leading execution service they have come to expect.

As always, none of our success could have been achieved without the commitment of all of our employees. Our colleagues have again responded admirably to the challenges that the markets and competition have presented us, and I have no doubt that this will continue into the future. My fellow Directors and I would like to express our sincere thanks to them for their personal contributions to the Group's successes again this year.

Jonathan Davie
Chairman
22 July 2014

CHIEF EXECUTIVE OFFICER'S REVIEW

'Our drive to innovate and to grow our business remains extremely strong and I believe that IG is better placed than ever before to deliver the next phase of growth.'

Trading revenue for the year of £370.4 million was at record levels, up 2.4% on the prior year, and ahead of the previous record set two years ago in the elevated volatility of the 2012 financial year. In contrast, market volatility was relatively low throughout most of this year and particularly subdued as the year drew to a close. In May we saw 25-year lows in forex volatility and came close to 25-year lows in equity volatility, and these conditions have continued into the early part of the 2015 financial year. Against this backdrop, as is normal, our clients reduced their activity levels. While client trading levels were relatively subdued towards the end of the year, we did reach record levels of client money in the final quarter. At the year-end, client money deposits were 4% higher than one year before and 11% higher than two years before. This is one encouraging indicator that we continue to build a valuable client base, which is ready to trade as soon as markets provide more opportunities.

Monetary policies across the globe have converged over the last few years, consisting of near-zero interest rates and a process of quantitative easing (QE). One effect of such a monetary policy is to reduce volatility across asset classes, with low and stable interest rates having a particularly dampening impact on the forex market. This phase of monetary policy appears to be drawing to a close in some countries, with the tapering of QE in the US and suggestions from the Bank of England that interest-rate rises could come sooner than markets had been anticipating. As monetary policies shift in response to the improving economic situation, I would expect that IG will be a beneficiary in three ways. Firstly, we should see an increase in market volatility, which would drive greater levels of client activity; secondly, as we hold almost £1.4 billion of cash and other interest-earning assets, interest income will rise and, thirdly, a greater level of consumer confidence tends to increase trading activity among current clients and increase the risk appetite among prospects, and therefore produce a greater flow of new clients into the industry.

Against the backdrop described we saw modest growth from the UK and Ireland, up 3%, and a fall in revenue from Australia, down 7%. Both economic conditions and consumer sentiment are noticeably weaker in Australia, which has lagged the rest of the world with its economic downturn.

We delivered strong growth in Europe, up 16% overall. All four large European offices grew, with the strongest growth rates of 20% and 15% coming from our two largest offices, Germany and France respectively. Germany is one of the few markets in which we operate where we are not the largest provider. I am very pleased that the most recent independent market research, received in the middle of June, shows that over the past year the gap in market share between us and the largest provider has narrowed, and that our gains were most marked among higher-value clients.

Our European businesses are still at a relatively early stage in their development, and most of the growth to date has been against the headwind of recession, so we are confident that they can continue to deliver strong growth for some years to come. This year, 22% of our revenue came from Europe, and this proportion is growing, making Europe an increasing contributor to our overall growth rate.

In the Rest of World business segment, revenue was down 10%, as the impact of exceptionally low volatility in forex was felt most in Singapore and Japan, where forex makes up the majority of client trading activity.

Within this segment, our US business, Nadex, delivered 55% revenue growth but, at £3.1 million of revenue, it remains small. Shortly before the year-end, two additional market makers joined the exchange, one of which has been consistently providing additional liquidity for the last couple of months. This greater liquidity, along with narrower effective spreads, should make Nadex a more attractive venue for trading.

Following another strong year for cash generation, and given our continued confidence in future cash delivery, the Board proposes to increase the ordinary dividend payout ratio to approximately 70% of Group earnings, from the current level of 60%, with effect from the 2014 financial year, while maintaining a progressive dividend policy. Importantly, we retain the capacity to invest in the strategic initiatives which are designed to diversify and broaden the business to deliver longer-term sustainable growth.

A more detailed review of the performance of all our offices is set out in the Operating and Financial Reviews.

Beyond revenue performance, this was a year in which we made significant progress on a number of longer-term projects which we expect to be drivers of future growth.

ADDRESS THE NEEDS OF ACTIVE TRADERS

We have completed the development work necessary to offer stockbroking, on all of our platforms, as part of our comprehensive share-trading offering, and we are currently testing this with a pilot group of clients prior to a full launch in September. This service will initially be available in the UK and Ireland, but we are developing our plans to offer it in some of our other markets in 2015. In the UK market, as we roll out the full functionality, our technology will provide a number of features that are not available from the large market participants. We offer streaming live prices which are sourced from both the primary exchange and multilateral trading facilities. We provide smart order routing into the best execution venue, and the ability to see market depth and interact directly with the order book. This level of functionality is not currently available in the UK market and we believe it will ultimately form a compelling offering for the active trader.

The majority of our existing UK clients have online share-trading accounts with another provider, and many of them have told us previously that they would consider using our service when it is launched. Shortly after launch, we will offer clients the ability to use their share portfolio as collateral to support their CFD trading or spread betting. Initially we anticipate that existing clients will form the bulk of the early adopters of our stockbroking service, but beyond that, over time, we will target those who are actively trading in shares with other online brokers as well as active clients of our current competitors.

This is an important development for IG and a key milestone in our journey to become the default choice for active traders. A challenge that we face with our existing products is that many within the target audience either do not know about the existence of our products or have discounted them without due consideration. Broadening our offering to a more mainstream product should help us to engage with this wider audience, and I hope we will see the benefit both in the revenue we generate directly from stockbroking and, over time, from increasing the reach and take-up of our current products.

STRENGTHEN GLOBAL PRESENCE

We are in the final stages of our application for a licence to operate in Switzerland, with the office now fully staffed and ready to welcome clients. The regulatory regime in Switzerland is such that, to provide our normal offering to clients, it is necessary to hold a Swiss banking licence. The application process for obtaining such a licence has been demanding and we have been subject to intense regulatory scrutiny. We are confident that the application will be successful in due course, and this reflects extremely well on the quality of our systems and processes and, above all, our people. The earliest we would now carry out a full launch of the IG offering is in the Autumn of 2014.

We have been in constructive discussions with regulators in Dubai for some time. There is further work to do before our application to the Dubai Financial Services Authority for a licence is complete, but we are hopeful that we will be able to establish an office in the Dubai International Financial Centre in 2015. We consider this and the surrounding region to be an attractive opportunity.

We continue to have ongoing dialogue with regulators in other countries, but these discussions are at early stages and are not expected to lead to the establishment of new offices in the immediate future.

SUSTAIN TECHNOLOGY LEADERSHIP

During the year we acquired a number of local domain names to support IG.com in specific countries, as well as investing in a number of new generic top-level domains (gTLDs) which are directly relevant to our business. This investment positions us well to take full advantage, over the coming years, of possible changes to the way people use and search the internet if, as we expect, gTLDs become an increasingly integral part of its structure.

Towards the end of the year we established an offshore IT and marketing development office in Eastern Europe, which is focused on recruiting and converting clients through mobile apps; around a third of all client trades are made using mobile apps. Our current apps are designed with our most experienced and demanding clients in mind, and we will continue to ensure we lead the industry in this category. However, this new team will focus on developing apps more suited to less-experienced new and potential clients, concentrating on early-stage education and simplification of the recruitment and conversion process through apps.

DELIVER QUALITY SERVICE TO CLIENTS

We continually monitor the quality of our service through a number of different methods, including a rolling survey of our client base and independent mystery-shopping which tests our customer service and that of our main competitors. We continue to score highly in these surveys, and during this year we saw an increase in levels of satisfaction with the quality of our customer service.

During this year we introduced 'Think Tank', an online forum for invited clients to provide feedback on various aspects of our products, platforms and services. This new resource has proved valuable in more formally incorporating clients' suggestions and comments into our development process. I am extremely grateful to those clients who participate in Think Tank for the time and thought they devote to helping us shape our offering.

REGULATION

Although there are few tangible signs of progress by the 11 EU member states seeking to introduce a financial transaction tax (FTT) under the enhanced-cooperation process, the rhetoric suggests that eventually we will see some form of levy on financial transactions. However, we continue to believe that any tax would be considerably less onerous than originally proposed, and could most easily take a form similar to UK stamp duty or the French FTT, neither of which impact on our business.

In Japan, new rules came into force halfway through the financial year on binary options. Since these rules took effect we have seen an increase in our share of the binary options market, although the longer-term impact from a new online suitability test is yet to be fully understood.

As we reported two years ago, the Monetary Authority of Singapore (MAS) has indicated an intention to introduce stricter leverage restrictions on retail forex trading at some point. It now looks as if these rules may come into force during the course of 2015. We expect the restrictions to have only a limited impact on our business, as they do not apply to clients with higher levels of income or assets – accredited investors – who make up the majority of our revenue. MAS has recently approved an e-learning module, which went live at the start of July, and this should provide some relief from current impediments to recruiting clients in Singapore who have no prior experience of trading our products.

OUR CHAIRMAN

Jonathan Davie has chaired IG since before our public listing in 2005; he has therefore served the full term permitted for an Independent Non-Executive Director and, as announced last year, will step down at the next Annual General Meeting in October. During Jonathan's tenure as Chairman we have expanded from operating in two countries to operating in 15, and we have grown our revenue more than sevenfold. I would like to put on record the Board's thanks for his contribution to this success. I am pleased to welcome Andy Green as our Chairman-Designate, and I very much look forward to working with him as we continue to develop IG.

OUTLOOK

In November, IG will celebrate its 40th anniversary. We have grown our revenues in virtually every one of those 40 years and have achieved that against a broad range of market and economic backdrops – bull and bear markets, the 1987 crash, the dotcom frenzy, the most recent financial crisis – and through cycles of boom and bust. Our operating model and risk management have been thoroughly tested and have proved highly resilient. We have continually adapted our business to a changing world, moving from telephone-based dealing to internet dealing and increasingly to dealing using mobile apps. Our drive to innovate and to grow our business remains extremely strong and I believe that IG is better placed than ever before to deliver the next phase of growth. In particular, the imminent launch in the UK of our stockbroking service, as part of our comprehensive share-trading offering, positions us well to address the needs of a much broader audience of active traders.

Tim Howkins
Chief Executive Officer
22 July 2014

INTRODUCING OUR STRATEGY

As we drive towards our vision of becoming the default choice for active traders, we maintain focus on five key strategic objectives.

- ADDRESS THE NEEDS OF ACTIVE TRADERS
- ACHIEVE, MAINTAIN OR EXTEND MARKET LEADERSHIP
- STRENGTHEN GLOBAL PRESENCE
- DELIVER QUALITY SERVICE TO CLIENTS
- SUSTAIN TECHNOLOGY LEADERSHIP

We have achieved our status as a global leader in online trading as a result of many years focused on delivering defined goals, with meticulous attention to detail, in technology development, risk management, sales and marketing and customer service. As we look to the future, our vision is to become the default choice for active traders, and our five strategic objectives are designed to give us a clear route to realising this vision.

In the following sections, we first introduce our product range and the essentials of what we do, before describing our strategic objectives in more detail and explaining how they link to our business model. We then explore in detail five examples of our strategies in action.

In recent months we have taken a number of significant steps towards our goals:

OPENING OUR OFFICE IN SWITZERLAND

We are in the final stages of our application for a licence to operate from our new office in Geneva. This will give us immediate access to a significant financially engaged population, in a country with extremely high average income per head and an underdeveloped competitive environment.

LAUNCHING OUR EXECUTION-ONLY STOCKBROKING OFFER

Our stockbroking service, which we began to pilot-test in July, is powered by our existing leading technology and provides clients with access to live streaming prices and a transparent execution process, as well as a cost-effective way to trade international equities. We believe in many cases this will greatly improve their trading experience compared with their current stockbroking provider.

FURTHER DEVELOPING OUR MOBILE OFFER

Technology is a key differentiator and we continue to invest heavily in this area. Our clients will increasingly interact with us using mobile devices, with around a third of trades now coming from mobile apps. Our recent focus has been on providing functionality on mobile devices equivalent to that on desktops, enabling clients to trade and to service their accounts fully on the move. During the year we launched iPhone and iPad apps on iOS 7, and released a mobile version of IG.com for all operating systems.

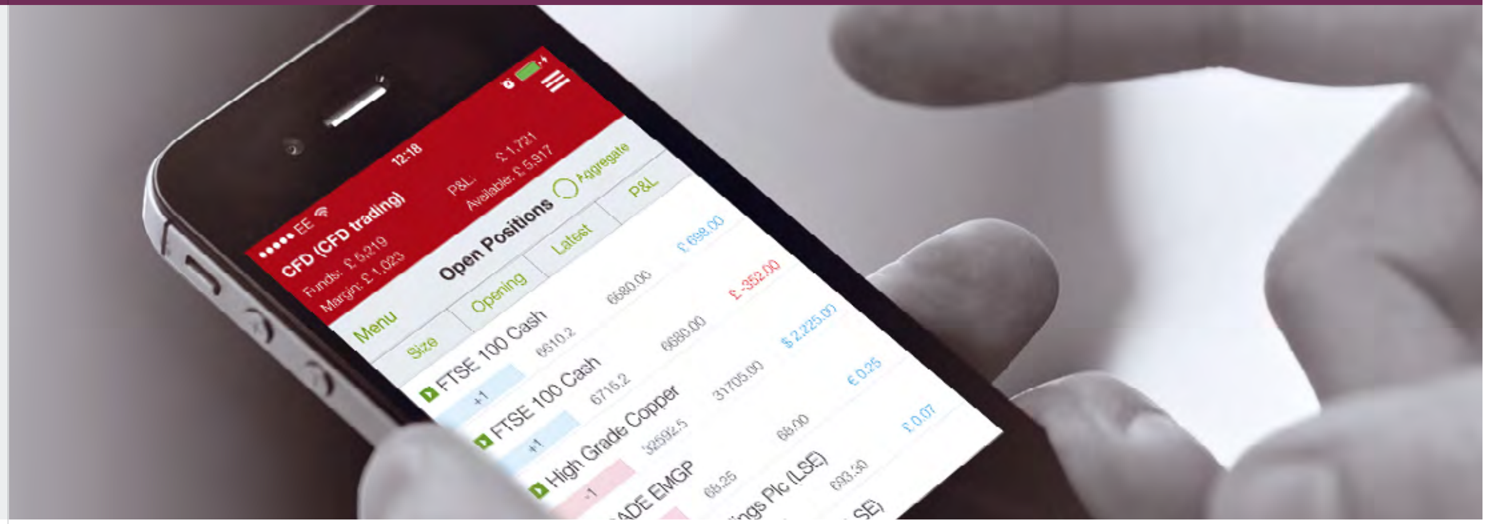
STRENGTHENING OUR BRAND

Building on the global rollout of IG.com, we have developed an increasingly responsive, real-time approach to our marketing. We have made significant gains in our ability to use our market-leading technology to target customers with contextual messaging and promotions, wherever they are in the world. And with the launch of IG Live, we now stream live video analysis and commentary from our in-house studio three times a day.

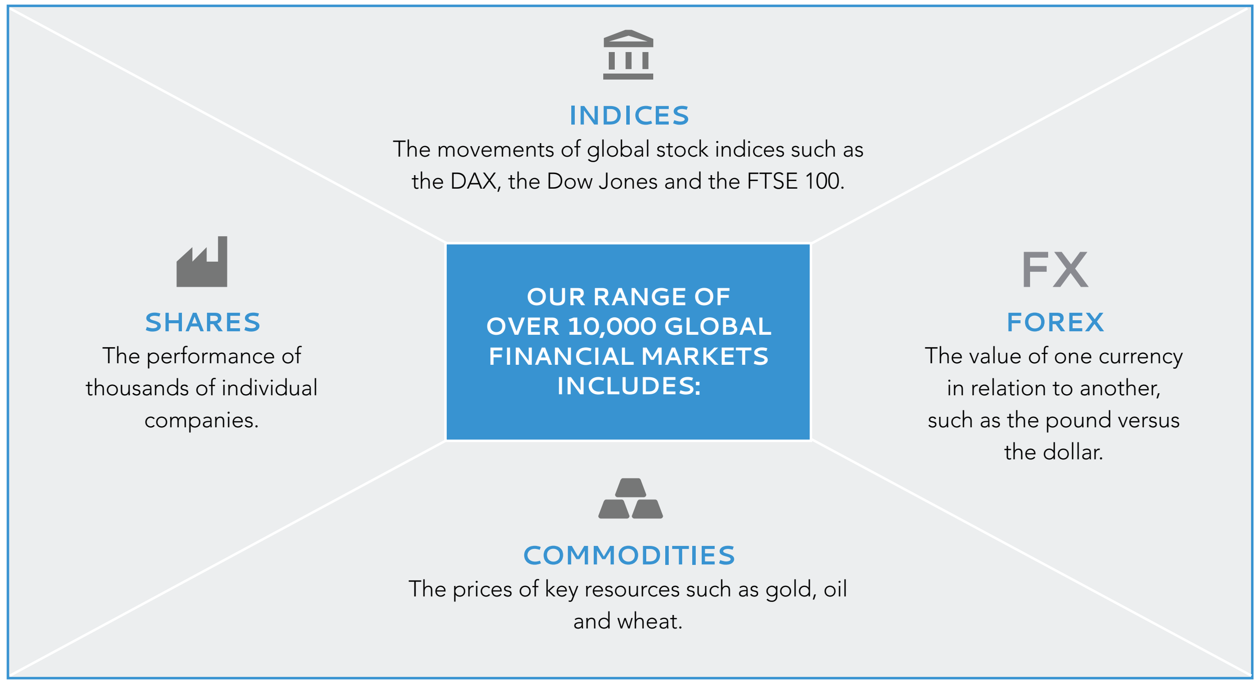
Elsewhere, the year also saw us make a major addition to our global sponsorship portfolio, with the announcement of an exciting three-year partnership with Harlequins Rugby Club in the UK.

We provide active traders with fast and flexible access to the financial markets using our award-winning dealing platforms.

Clients can trade seamlessly across a range of instruments, including indices, shares, forex and commodities.



Our clients can choose to trade in a variety of ways. In the UK, our direct clients who wish to hold assets over a longer period can use our execution-only stockbroking service to buy and sell both UK and international equities, as well as exchange-traded funds. For clients seeking a shorter-term trade, our range of leveraged products enables them to go long or short on multiple asset types, without the need to hold the underlying instrument and with only a relatively small deposit of margin.



We also offer trading opportunities on interest rates, government bonds, exchange-traded funds (ETFs) and a number of other markets.

Our clients can deal 24 hours a day and access their accounts on the move using our range of customised apps for mobile devices. We also provide clients with access to advanced chart packages and automated-trading facilities, as well as tools and resources to help them keep abreast of market movements and identify trading opportunities.

OUR PRODUCTS

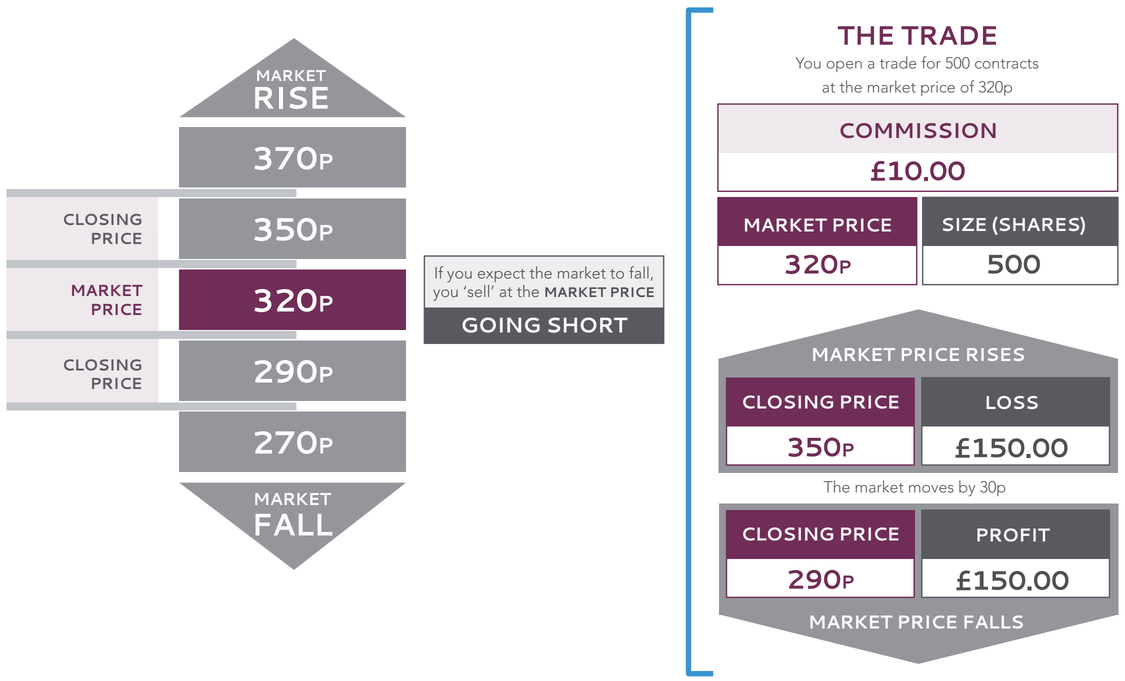
We offer a variety of products, in line with the differing regulatory environments in the territories where we operate.

CONTRACTS FOR DIFFERENCE (CFDs)

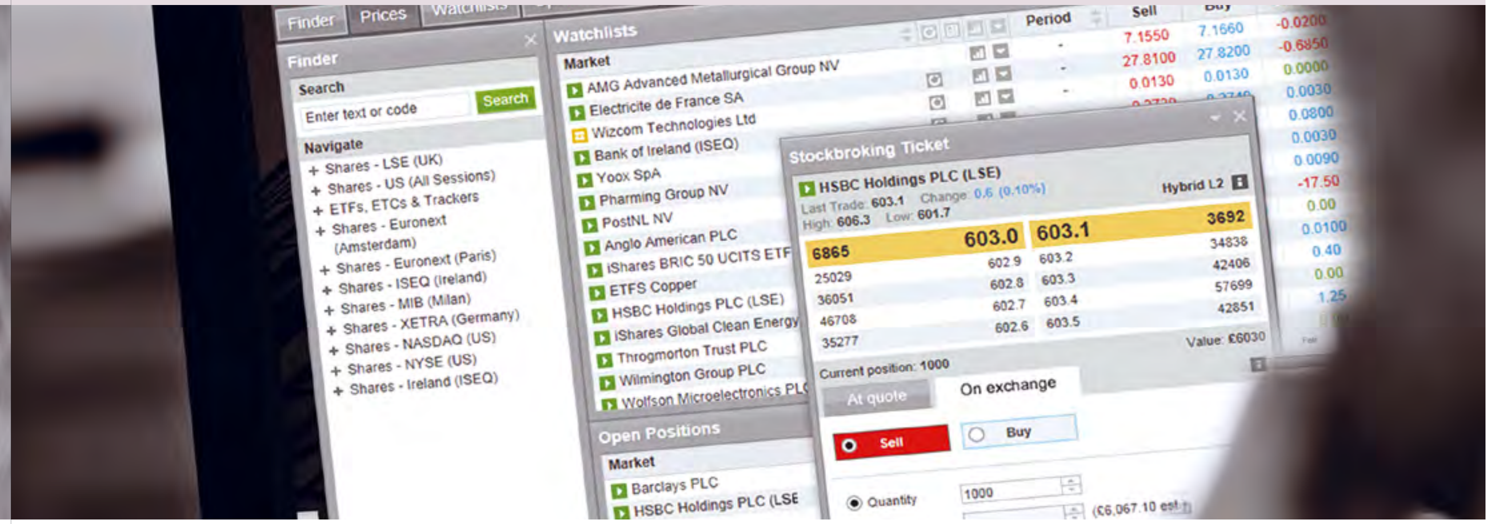
CFDs are derivatives that enable clients to take advantage of changes in an asset's price, without owning the asset itself.

- We are the world's No.1 CFD provider[1]
- We offer global CFD trading, including direct market access (DMA) to shares and forex markets

The diagram below shows, in simplified form, how a CFD can be used to 'sell' a market when you expect it to fall. This is known as 'going short'. In this scenario, a subsequent fall in the market price results in a profit for the client while a rise results in a loss. The diagram below should be viewed in conjunction with our more detailed example of a CFD trade on page 158.



(1) Based on revenue excluding FX, published financial statements, July 2014.

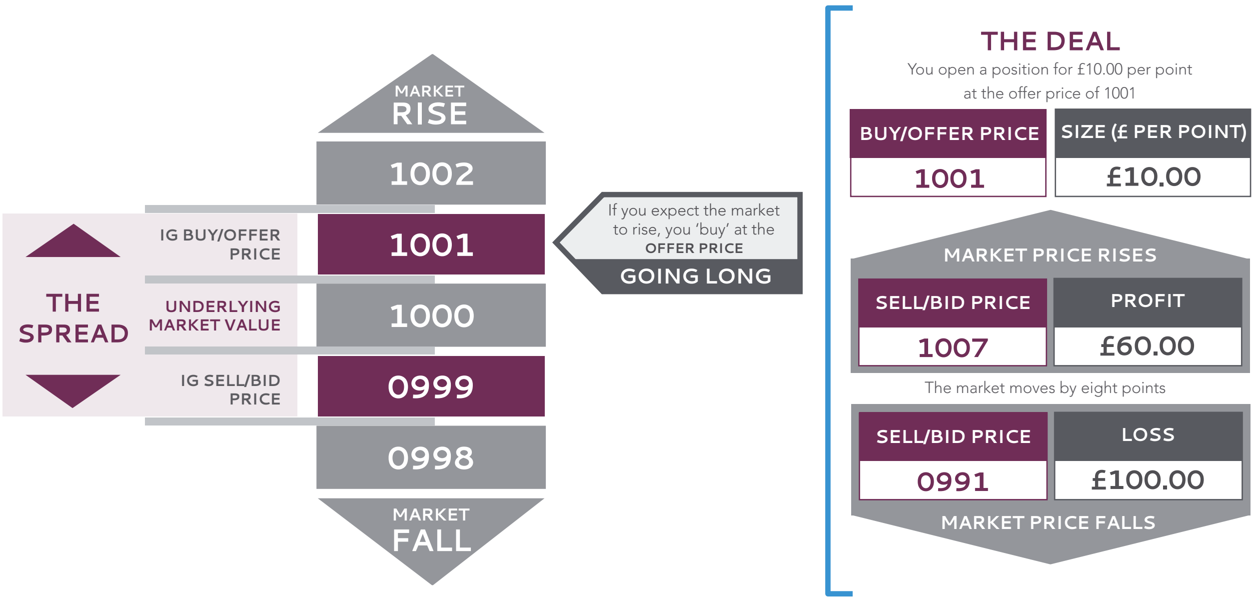


SPREAD BETTING

Financial spread betting in the UK and Ireland is a tax-free[(1)] way to deal by betting on the price movement of an asset. The size of a client's win or loss depends on the magnitude and direction of the price movement.

- We are the UK's largest and longest-running spread betting provider[(2)]
- We hold 41% of the UK financial spread betting market[(3)]

The diagram below shows, in simplified form, how a spread bet can be used to 'buy' a market when you expect it to rise. This is known as 'going long'. In this scenario, a subsequent rise in the market price results in a profit for the client while a fall results in a loss. The diagram below should be viewed in conjunction with our more detailed example of a spread bet on page 156.



(1) Tax laws are subject to change and depend on individual circumstances.

(2) No.1 spread betting provider: number of active UK financial spread betting accounts (Investment Trends UK Leveraged Trading Report, December 2013).

(3) By number of active primary accounts. All market share data presented in this report is provided by Investment Trends Pty Limited (please refer to the Investor Resources section on page 165 for further details).

STOCKBROKING

In July we began pilot-testing our execution-only stockbroking service in the UK on both web and mobile platforms, representing our first significant diversification out of leveraged products. Once fully operational, our stockbroking service is expected to offer market-leading advantages for clients, including:

- Improved underlying and live pricing sourced from multiple trading venues
- Transparent access to a broad range of international equities, with cost-effective currency conversions to facilitate trading within an ISA/NISA
- Superior trading tools across multiple platforms and devices, powered by our existing award-winning technology
- Direct market access available as a standard feature, free of additional charge

BINARIES

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

- Our binaries enable clients to trade with limited risk
- Binaries are unrestricted by low volatility, remaining attractive to clients when markets are relatively stable
- This year we have added 'sprint markets' – high-speed, limited-risk trades which offer clients the opportunity to trade in even the flattest markets

NORTH AMERICAN DERIVATIVES EXCHANGE (NADEX)

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

- Nadex is the first and largest US-based retail-oriented exchange
- We provide a flexible way for our clients to trade with limited risk
- The main product on Nadex is the binary option

HOW WE GENERATE REVENUE AND PROFIT

Our principal revenue sources are the dealing spreads or commission charges we apply to each transaction, according to the asset and product type being traded. As clients are trading on margin, we also levy a financing charge for positions held overnight.

We derive our earnings from the volume of our clients' dealing transactions, which is influenced by the level of activity in the underlying financial markets. Since our clients can choose to 'buy' or 'sell', dealing volumes can be maintained, and we are able to profit, irrespective of the direction in which markets are moving.

Our centralised operating model enables us to consolidate the market risk associated with client trades from around the globe, which lessens our requirement to hedge due to the net impact of clients buying and selling the same asset, and so reduces risk and cost. This model also enables us to maintain low-cost and capital-efficient processes, while robust risk-management procedures help us monitor and control the impact of market and credit risk.

OUR STRATEGIC OBJECTIVES

STRATEGIC OBJECTIVES	PROGRESS IN 2014	PRIORITIES FOR 2015
ADDRESS THE NEEDS OF ACTIVE TRADERS	• Completed the technical development for our execution-only stockbroking service in the UK • Extended trading hours on over 20 key US equities, enabling clients to trade outside the core US stock market hours • Successfully offered a number of pre-IPO grey markets • Introduced sprint markets to allow clients to quickly take advantage of opportunities, even in relatively flat markets	• Launch and grow our stockbroking service in the UK • Roll out our stockbroking service to at least one country outside the UK • Increase the number of extended-hours US stocks offered
ACHIEVE, MAINTAIN OR EXTEND MARKET LEADERSHIP	• Maintained our UK market leadership position in spread betting and increased our lead in CFDs, with over 59,000 active clients trading during the year • Increased our Australian CFD market leadership to 20 percentage points, with around 18,000 active clients trading with us during the year • Retained our number one position in forex in Singapore and became the number two provider of CFDs	• Increase our growth rate in the UK through the introduction of our stockbroking service • Increase growth in Europe against improving market backdrop • Manage the impact of the proposed forex leverage reductions in Singapore • Grow the business across APAC, using Australia as the hub
STRENGTHEN GLOBAL PRESENCE	• Prepared IG Switzerland office for launch • Continued to grow our European business, where revenues increased by 15.6% over the prior year • Introduced two additional market makers to the Nadex exchange, one of which has been consistently providing additional liquidity since joining, and increased revenue by 54.6% • Completed the consolidation of our global brand under IG.com, helping us to optimise our search rankings and create a recognisable single identity worldwide	• Launch our CFD offering in Switzerland • Open our office in Dubai • Continue exploring opportunities to serve additional countries in APAC • Develop the introduced-business model for the Nadex exchange
DELIVER QUALITY SERVICE TO CLIENTS	• Radically improved payments process, leading to faster payments to/from clients • Implemented further improvements to online self-service functionality to enhance client experience • Achieved joint-first ranking in IPSOS mystery-shopper exercise • Received rating of 'good' or 'very good' from 89% of spread bettors and 88% of CFD traders who responded to independently conducted satisfaction surveys(1)	• Continue to focus on delivering industry-leading customer service • Develop more multi-channel support for our clients, eg social media, live chat, mobile, self-service • Improve access to our global support teams around the clock • Optimise our support tools in order to improve efficiency and provide a more joined-up customer service experience
SUSTAIN TECHNOLOGY LEADERSHIP	• Built a version of IG.com for mobile devices • Launched iPhone and iPad apps on iOS 7 • Increased the suite of mobile apps for Nadex • Increased mobile engagement through push notifications of key market movements, technical analysis and macro-economic events • Maintained consistently high levels of platform uptime	• Extend availability of full version of IG.com to all mobile platforms • Continue to support new products, eg stockbroking • Invest in mobile app development to increase rate of client sign-ups • Continue to maintain consistent platform uptime

OUR BUSINESS MODEL

We have developed a business model that harnesses the demand from active traders for fast, flexible and secure online trading.

KPIs
(SEE PAGE 24)

- REVENUE
- REVENUE PER CLIENT
- ACTIVE CLIENTS
- PROFIT BEFORE TAX
- DILUTED EARNINGS PER SHARE
- CASH GENERATION
- DIVIDEND PER SHARE
- PLATFORM UPTIME
- NET PROMOTER SCORE

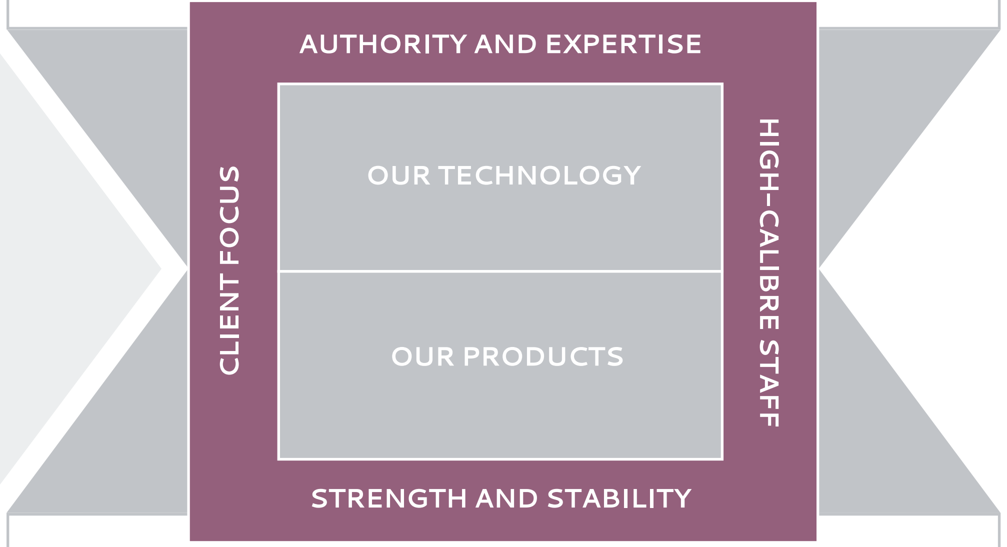
KEY RISKS
(SEE PAGE 42)

- CREDIT
- MARKET
- LIQUIDITY
- OPERATIONAL
- REGULATORY
- CONDUCT
- TECHNOLOGY

OUR CLIENTS

We attract clients globally via a number of channels, including:

- Our international network of offices, through local seminars and public-relations exercises
- Our multi-channel brand and targeted advertising campaigns
- Our optimised online and app-store presence
- Our worldwide network of high-quality partners



FINANCIAL MARKETS

Our clients can trade across a wide variety of markets, geographies and asset classes.

Indices | Shares | FX Forex | Commodities

Other markets: Interest rates, bonds, ETFs and industry sectors

(1) Investment Trends UK Leveraged Trading Report, December 2013.

In this section we explain our strategic objectives in more depth, and focus on some examples of our progress in each.

(1) No.1 CFD and spread betting provider: for CFDs, based on revenue excluding FX, published financial statements, July 2014; for spread betting, number of active UK financial spread betting accounts (Investment Trends UK Leveraged Trading Report, December 2013).

ADDRESS THE NEEDS OF ACTIVE TRADERS

The most valuable clients are those who trade most frequently or in the largest deal size. It is therefore imperative that our platforms, services and products address the needs of these clients. Our investment in technology and commitment to client service focuses on active traders, while we are conscious of the need to deliver an excellent trading experience for all.

See page 19

ACHIEVE, MAINTAIN OR EXTEND MARKET LEADERSHIP

We are a global leader in online trading and aim to be the default choice for active traders. We are currently the No.1 global provider of CFDs and financial spread betting[1] and a recognised authority on financial trading, with our expert opinion often sought by the media and regulatory bodies.

We have achieved our position at the forefront of the industry by recruiting talented people, developing superior technology and providing clients with the tools and products they require. We continue to leverage these key advantages to maintain or establish leadership in our major markets.

See page 20

STRENGTHEN GLOBAL PRESENCE

We have offices in 15 countries, serving clients in over 140 countries, and we continue to seek opportunities to grow our client base in both established and new regions. In the last 18 months we have opened three new offices, in Dublin, Oslo and Geneva, and our Swiss licence application is in progress. Our single global identity – IG – is designed to help us develop our brand reach, increase our market penetration and target regional markets from the countries where we already operate.

See page 21

DELIVER QUALITY SERVICE TO CLIENTS

We strive to maintain absolute integrity in our relationship with clients, and we invest in training our team to ensure that we are delivering excellent client service.

By combining this service with fast and reliable execution, transparent pricing and full segregation of retail client funds, we help our clients feel secure and confident in trading with us. We also support our clients with education, market insight resources and 24-hour technical help.

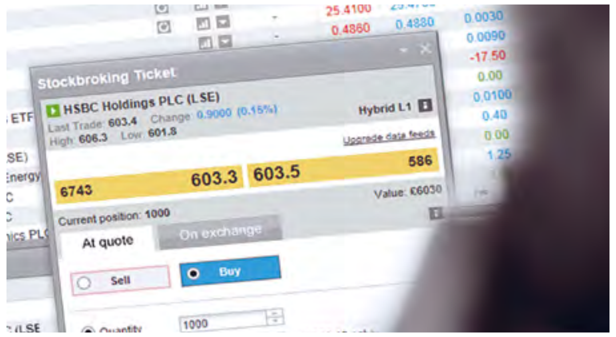
See page 22

SUSTAIN TECHNOLOGY LEADERSHIP

Our financial strength has enabled us to continually invest in IT development and infrastructure, and to build the superior platform technology, tools and resources our clients demand. Our market-leading position is underpinned by our platform's award-winning performance and proven resilience – factors that are essential in maintaining high levels of client satisfaction and retention and keep us at the forefront of the industry.

See page 23

ADDRESS THE NEEDS OF ACTIVE TRADERS



NEW STOCKBROKING SERVICE

In July we commenced pilot-testing of our execution-only stockbroking service in the UK across web and mobile platforms, representing our first significant diversification from leveraged trading.

Our clients are active traders, and we strive to ensure that we offer the right products on the right platforms to address their needs. The launch of stockbroking in the UK enables clients to trade cash equities on IG's award-winning platforms.

Prior to developing the service we conducted a survey of IG clients which suggested there is a complementary audience for cash equities: 60% of respondents told us that they also trade cash equities, and 65% of those said that they would consider moving their business to IG if we offered this service.

Over the last 40 years, retail trading in equities has become a mainstream activity in the UK. This is a significant opportunity for IG.

We have concluded that this is a market where we can add substantial value to these clients' trading and create a new, profitable business stream for IG.

The trading life of a cash equity client is generally longer than that of IG's existing client base. Many of them are wealthy, and there is a constituency that trades very actively. We will have the potential to retain clients that lapse from CFD trading by offering them access to execution-only stockbroking on the same trading platform.

IG seeks to attract active traders, and the structure of our execution-only stockbroking offer is designed with that goal in mind:

- We offer price transparency, with the underlying real-time price being displayed throughout the trade, including when trading in overseas shares
- Where most platforms provide a passive trading experience, we enable clients to interact with the market order books to judge precisely the level at which they want to trade
- By adapting our existing state-of-the-art mobile-trading technology, we have been able to give our stockbroking clients the opportunity to trade wherever they like, on their device of choice
- The pricing of the offering has also been designed with the active trader in mind, with high volume driving lower commissions and low exchange-rate conversion fees when trading on overseas shares

This offering is clearly at a very early stage, with our first UK marketing campaign in September. We are launching the product in the UK initially before deciding on the precise order and extent of any international rollout.

In adding stockbroking to our platforms we have demonstrated our focus on understanding the needs of active traders. We will continue to ensure this understanding informs both improvements to our existing products and our new product development.

CHAIRMAN'S STATEMENT
STRATEGIC REPORT
CORPORATE GOVERNANCE REPORT
FINANCIAL STATEMENTS
INVESTOR RESOURCES

ACHIEVE, MAINTAIN OR EXTEND MARKET LEADERSHIP

We maintain our competitive position by focusing on quality customer service and the continued development of our product offering, including our proprietary trading platforms. Our strategies for achieving, maintaining and extending market share have varied to suit each market:

UK

IG Index was founded in 1974, becoming the UK's first financial spread betting company. Our UK business is based in the City of London and accounted for just over half our Group revenue in 2014.

IG Markets was introduced in 2000, offering CFDs to the UK client base. Both brands subsequently offered a full suite of assets (indices, shares, forex and commodities) and were ultimately rebranded as IG late in 2012. We now offer both CFDs and spread betting under our single brand.

Last year over 59,000 active clients traded with us in the UK and Ireland, and in the UK market we are the market leader by a significant margin in both spread betting and CFDs. The total numbers of active traders in the UK market using CFDs and spread betting have both grown over the last four years, from 18,000 to 21,000 and from 83,000 to 85,000 respectively.

AUSTRALIA

Our Australian business is based in Melbourne and represented 14% of Group revenue in 2014.

We entered the market in 2002, and overtook the market leader to become the largest CFD provider with a 38% market share, 20 percentage points ahead of the second-placed provider. However, the Australian market does remain very competitive, with increasing challenges being posed by small local forex specialists.

The total CFD market has grown strongly over the last five years, up 58%, and now numbers 41,000 traders. We expect this figure to increase further as more online share traders learn about leveraged products.

SINGAPORE

We entered the Singapore market in 2006. Since then we have grown our market share to overtake most other providers. We are now the second-largest CFD provider, with a market share of 19%, and in forex we became market leader in 2012, with a market share of 16%.

In this region, there is a greater tendency for clients to want face-to-face contact with their provider, so we have focused on offering in-office seminars and one-to-one demonstrations, as well as maintaining a presence at investment fairs. Last year we opened our new shop-front office in the centre of Singapore, with an eye-catching design scheme, to improve accessibility for our client base.

To maintain and extend our leading position, we need to remain responsive to any external pressures that might affect the market. We are currently working on plans to help clients understand and adapt to the proposed forex leverage reductions which we expect the regulator to introduce in 2015.

STRENGTHEN GLOBAL PRESENCE

We have always sought to expand our worldwide presence, where regulation allowed and where the economics of operating in a particular market made it attractive.

In the last 13 years, we have expanded into 13 new countries around the world. This year we have also opened our Geneva office and are ready to trade on the granting of a licence.

Our Swiss offering is designed to attract both the active retail investors and the high-net-worth individuals who reside there, and is also aimed at the intermediated market of institutional wealth managers.

OPPORTUNITIES IN THE SWISS MARKET

We expect our products to be a natural fit for Switzerland, which is a country with high average income, low unemployment, political stability and a highly educated and financially astute population. Although there is meaningful competition in the region, many of the global providers are absent and we believe those in the market lack the breadth of service which exists in most other countries. This offers us an opportunity to grow our market share more rapidly.

OVERCOMING CHALLENGES

The application process has been extremely rigorous, requiring us to apply for a full banking licence – something which would have been quite daunting for us only a few years ago. This is also a good indicator of the progress that we have made in establishing our credibility and reputation.

In order to comply with local regulations, we have set up IG Switzerland as a standalone entity, with a separate Board of Directors, support functions and financial reporting requirements. In addition, under Swiss law, providers must offer clients the option to have all of their personal data ring-fenced within Switzerland, meaning that their details must not be accessible to the broader IG Group. We have met this technical challenge, along with the need to operate in four languages: German, French, Italian and English.

We are currently in the final stages of our application for a licence and have scheduled our first significant marketing campaign for September, after the quieter summer season, in order to maximise the impact of the launch.

FUTURE DEVELOPMENTS

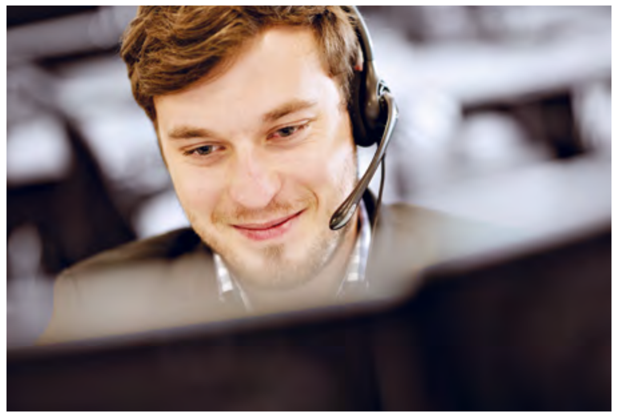
We recently announced our intention to open an office in Dubai and we continue to appraise new territories for the future. Meanwhile, we are growing our client base in markets where we already have an established commercial presence.

DELIVER QUALITY SERVICE TO CLIENTS

The right products, delivered on an industry-leading technology platform, are clearly critical in meeting our clients' needs, but alone they are not sufficient for success: the entire client trading and support experience must be superior. Our 81-strong trading services team is located in five offices around the world, supports 16 languages and deals with around 80,000 client communications a month.

We focus on being:

- **Accessible and flexible**
  Clients should be able to access rapid and convenient support across all channels, including phone, email, social media and live chat. There should also be a high level of self-service available across all platforms, and our technology must be optimised to ensure a seamless experience
- **Effective and engaging**
  Clients should feel that they are dealing with highly competent people who know our products and technology in depth and are enthusiastic about financial trading. They should also notice that our staff take the time to understand their individual needs and empathise with their issues



We made significant strides in delivering against this strategy in the last year:

- We introduced a new competency-based role structure designed to align individual performances with the department and Group's priorities. Members of our trading services team must now consistently demonstrate certain behavioural and technical competences to achieve progression through three separate role levels. We anticipate that this pathway will benefit clients through improved staff retention and higher motivation levels
- We improved our online self-service functionality, most notably around our client payments system, which was the subject of 40% of all client email communications in 2013. The new system enables complete client self-service
- We introduced a client development scheme, offering personal account management and enhanced support to clients with the desire and potential to be active traders

We consistently monitor response times to ensure our customer service remains industry-leading. This year:

- Average speed of dealing and client services calls remained within ten seconds
- Over 90% of emails were answered within 24 hours
- We developed a dedicated social media response strategy

We were also ranked joint first in an IPSOS mystery-shopper exercise involving UK spread betting providers, with the survey also providing very useful insights into the areas where we have further room for improvement. Meanwhile, our service was rated as 'good' or 'very good' by 89% of spread bettors and 88% of CFD traders who responded to independently conducted satisfaction surveys.[1]

(1) Investment Trends UK Leveraged Trading Report, December 2013.

SUSTAIN TECHNOLOGY LEADERSHIP

Key to clients' loyalty to IG is our provision of a secure, reliable and intuitive platform that facilitates fast deal execution and trading across web, mobile and tablet devices. Our continued investment in these areas has led to 99.23% of deals being executed in under 0.1 seconds,[1] and to a core platform uptime of 99.97%[2] (2013: 99.95%).

In the last year 126,100 clients used our online dealing platforms and tailored mobile apps to make over three million transactions per month.

We recognise the increasing significance of mobile technology and continue to develop and invest in our range of tailored, device- and platform-specific apps. By the end of this financial year clients were executing around a third of their trades using our dedicated mobile apps, with over half of clients using apps to interact with IG in some way.

We anticipate that in the future the majority of our interactions with clients and potential clients will be through mobile devices and apps, and we recognise that for continued success we must fully address the client journey on such devices. We continue to increase our investment in mobile applications to ensure that we lead the market all the way from the point when a potential client expresses an interest in trading, through identifying IG as the right partner, opening an account, trading and carrying out the full range of account maintenance. During the year therefore, we:

- Launched iPhone and iPad apps on iOS 7, plus an Android tablet and phablet app
- Extended the functionality of our mobile charts, introducing specifically chart-centric views in the Android tablet and iPad apps

- Deployed our Android apps in more stores, including the Amazon store
- Built a specific version of IG.com for mobile platforms
- Built push notifications to our mobile platforms for time-critical events, including price levels, economic data and technical analysis alerts
- Achieved improved search-engine ranking for searches performed on mobile devices
- Continued to build the functionality of our apps to match that available in our web-based platform
- Delivered engaging content to our clients using mobile (eg streaming video)

Ongoing IT development and superior platform technology, along with tools and resources for our clients, will continue to underpin our future financial success as our clients' needs change and become increasingly sophisticated.

(1) 99.23% of trades executed in 0.1 seconds: average per month, IG globally (12 months to 31 May 2014).

(2) 99.97% core platform uptime: average per month, IG globally (12 months to 31 May 2014).

KEY PERFORMANCE INDICATORS (KPIs)

Below are the nine key metrics which we judge to be strong indicators of our recent financial and operational performance and our progress on delivering the strategic goals of the business. Certain of these indicators are also used to determine the Executive Director and staff share-plan awards or vesting and the level of staff discretionary pay. The links to remuneration are detailed, where appropriate, for each KPI.

REVENUE

▲ 2.4%

Revenue performance demonstrates business growth in terms of global reach, active clients and revenue per client, and is also a driver of the staff bonus pool. Revenue grew by 2.4% in the year, against the backdrop of relatively subdued financial markets. An assessment of our performance is provided in the Operating and Financial Reviews.

REVENUE PER CLIENT

▲ 10.4%

Revenue per client is calculated as total revenue divided by the number of active clients in the period, and is a measure of client activity and quality. Revenue per client increased by 10.4% in the year, partly due to the deliberate decision to de-emphasise clients with the very lowest levels of trading activity.

ACTIVE CLIENTS

▼ 7.3%

Active clients are those clients who have opened at least one trade in the period. The reduction in active clients in the year again primarily reflects the deliberate decision to de-emphasise clients with the very lowest levels of trading activity.

PROFIT BEFORE TAX (PBT)

▲ 1.3%

The increase in PBT in the year demonstrates both the top-line growth of our business and effective cost management. The vesting of legacy share plans is partly with reference to the growth in PBT over a three-year period. A detailed commentary on our PBT performance is provided in the Operating and Financial Reviews.

DILUTED EARNINGS PER SHARE (DEPS)

▲ 3.6%

DEPS includes all components of the Group's performance based on profitability and capital structure. The award or vesting of our new Executive Director and senior staff share plans is partially with reference to DEPS. DEPS increased by 3.6% over the prior year, reflecting growth in after-tax profitability.

OWN FUNDS GENERATED FROM OPERATIONS

▲ 4.1%

High profit-to-cash conversion gives us strong liquidity and supports our robust risk-management strategy and our dividend payment. Maintaining a high level of cash generation, after the required investment, is key to delivering strong shareholder returns. A detailed commentary is provided in the Operating and Financial Reviews.

DIVIDEND PER SHARE

▲ 21.1%

Progressive returns to shareholders reflect the strength of our business, our capital position and our expectations of future performance. This year we raised our dividend payout policy to be approximately 70% of profit after tax, as described in the Chairman's Statement. As a result, our total dividend increased by 21.1% over the prior year.

PLATFORM UPTIME

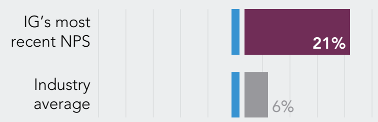
▲ 0.02%

The availability of the dealing platform is key to our clients' confidence in trading with IG. Reliability has been strong in the current year, with both our internal and regulatory targets exceeded. This measure is one of a suite of non-financial indicators used to determine share-plan and bonus awards – an assessment is provided in the Directors' Remuneration Report.

NET PROMOTER SCORE (NPS)

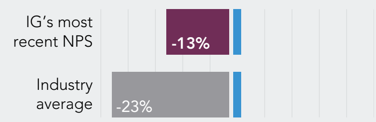
To better understand how well we deliver quality service to our clients, we use NPS, as well as other measures of satisfaction, to assess the extent of client recommendations. Over the last year we have seen improvements in Germany and France and, while our absolute score has fallen across other markets, we have maintained our ranking and compare very favourably against the industry average. This measure is one of a suite of non-financial indicators used to determine share-plan and bonus awards – an assessment is provided in the Directors' Remuneration Report.

UK SPREAD BETTING

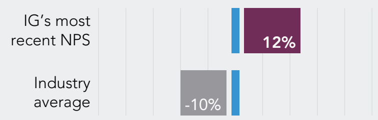


UK CFDs

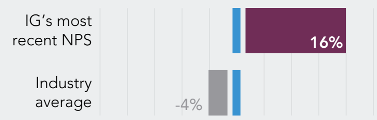
SINGAPORE



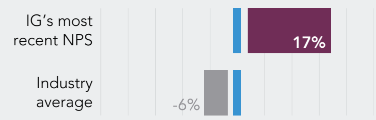
AUSTRALIA



GERMANY



FRANCE



NPS is calculated by asking respondents: 'How likely are you to recommend this company to a friend or colleague?' Respondents reply on a 0-10 scale, with the final NPS calculated as the percentage of promoters (those answering 9 or 10) minus the percentage of detractors (those answering 0-6).

We are committed to high standards of corporate responsibility, and we recognise that having a long-term strategy which develops our people is one of the keys to our success, supporting our reputation within the financial services industry.

OUR PEOPLE

The Group provides a dynamic and successful working environment for over 1,100 employees, located around the world. We believe strongly that our people take pride in what we have achieved and have a powerful sense of belonging to IG Group.

We appreciate that the quality of our employees is crucial to our success, and we offer competitive packages to recognise past performance and retain key talent in the future. We pay performance-related bonuses to most staff, and we reward our key personnel through long-term incentive plans. All our people based in the UK, Australia and the US have the opportunity to acquire shares under various tax-authority-approved share-incentive plans.

We also provide a full range of appropriate benefits, including pension contributions. In the UK, we contribute up to 10% of an employee's basic salary to their pension, provided the employee contributes 5% of their salary. If they choose to contribute less than 5%, we will contribute double the individual rate. We successfully introduced pension 'auto-enrolment' within the UK, on the planned staging date of 1 November 2013, as part of the government's Workplace Pensions reform, and we have over 95% participation in our Group pension schemes.

LEADERSHIP, MANAGEMENT AND DEVELOPMENT

We continually invest in developing our employees worldwide, improving the quality of learning opportunities and encouraging our people to progress within the business. This year we launched an online learning and policy-management system, which has improved access to and recording of development activities in all of our offices. It has also given us the opportunity to share 'Views from the Bridge' – videos featuring members of the senior management team which aim to ensure that our key leadership messages reach all of our people globally.

We support our staff in their continuing personal and professional training and development, and encourage attendance at external and industry-recognised training courses, sponsoring our people to undertake formal education programmes and achieve professional qualifications. We also offer internal secondments.

We have made significant progress in terms of articulating our vision and strategy for the future, as well as ensuring that we are building a strong group of managers equipped with the skills and behaviours to lead IG forward.

> This year, we developed a set of leadership behaviours for our managers, focusing on four core principles: communicating with others, leading by example, developing people and being passionate about results.

These behaviours now form an intrinsic part of our managers' performance and are embedded into the appraisal process.

To support our managers in their continued development, we have introduced a structured leadership programme. From Board level to middle-management, our managers participate in an Inspirational Development programme which focuses on the outcomes of 360° feedback and the behaviours associated with generating high performance. Our more junior managers attend a Transition to Leadership programme, which specifically targets the process of developing from a technical specialist to a leader of people.

Learning from these workshops is further embedded through coaching triads, networking events and reinforcement by senior managers. Senior IG managers continue to demonstrate their commitment to the programmes by acting as guest speakers at each event, sharing their leadership stories and providing an opportunity for those attending to discuss future IG strategy. By the end of the 2015 financial year, we expect all of our managers to have participated in a leadership programme and to have benefited from ongoing 360° feedback and coaching and development conversations with their line manager. As of May 2014, 90% of our more senior managers have attended a workshop, and by the end of October 2014, 60% of our more junior managers will have attended.

TALENT MANAGEMENT

Retention of talent can be challenging in companies with relatively flat organisational structures, and we recognise the importance of encouraging people to grow and stretch themselves in roles that have limited scope for vertical movement.

We have career pathways and associated competency frameworks in place for key areas of the business. These frameworks describe what is needed for exceptional performance in each role and provide space for individuals to strengthen their performance in readiness for future horizontal or vertical moves. We also have a mentoring programme to motivate and develop the careers of employees with high potential. This provides insight into IG's operations and support from members of the senior management team, thereby strengthening the talent pool. We encourage members of this pool to act as mentors to more junior staff.

To attract new, high-calibre staff, we offer three graduate schemes, in IT, operations and finance. Graduates joining the IT and operations schemes follow a 12-month training plan before we assign them to a permanent position. The finance scheme is longer-term, aiming to train graduates as qualified accountants within the team. Graduates joining IG benefit from the support of a business mentor, access to cross-business placements, structured training plans and reviews, which fast-track their development to first-role competence in their chosen area.

DIVERSITY AND EQUALITY

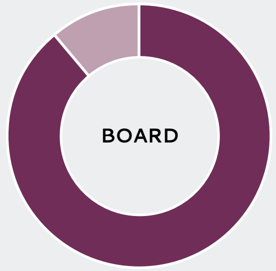
We are committed to maintaining a diverse workforce at all levels of the Group. We believe that diversity is a broad issue, encompassing variations in an individual's experience, skills, personal attributes and background, as well as more traditional diversity factors such as religion and gender. Our total employee gender breakdown is shown to the right.

(1) The strategic management team is defined as the employees responsible for planning, directing and controlling the activities of the Group.

(2) The senior management team is defined as the strategic management team plus the Directors of the subsidiary companies included in the consolidated Financial Statements.

In terms of gender, our workforce is made up as follows:

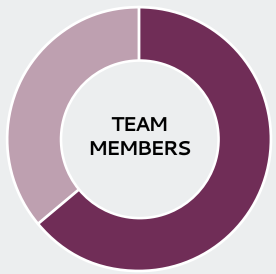
8 Male
1 Female
Percentage female: **11%**



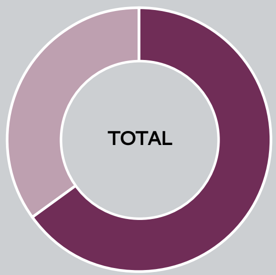
7 Male
2 Female
Percentage female: **22%**

21 Male
3 Female
Percentage female: **13%**

823 Male
297 Female
Percentage female: **36%**



852 Male
301 Female
Percentage female: **35%**



We are also an equal opportunities employer, and we have extensive human resource policies in place to ensure that our people can expect to work in an environment free from discrimination and harassment.

For this reason, we continuously reinforce the need to treat all employees fairly. We are committed to creating a work environment free from bullying, where everyone is treated with dignity and respect.

We give full consideration to applications for employment from disabled persons, where the candidate's aptitudes and abilities are consistent with meeting the requirements of the job. Where existing employees become disabled, whether on a temporary or permanent basis, it is our policy to provide continuing employment wherever practicable in the same or an alternative position, and to provide appropriate training and/or graduated back-to-work programmes to achieve this aim.

EMPLOYEE ENGAGEMENT

This year we partnered with IBM to deliver our Employee Engagement Survey, enabling us to benchmark our results against global and local standards for high-performing organisations and the finance sector. The data has been invaluable in helping us to plan appropriate local engagement strategies for countries which culturally score differently to the UK.

> This year, 80-85% of employees who completed our engagement survey agreed that team spirit, outstanding vision of the future and trust in senior leadership were strengths for IG, all scoring above external global benchmarks.

We continue to work on communication lines, enhancing development opportunities and improving managers' skills in providing feedback and recognising performance.

EMPLOYEE INVOLVEMENT

We take pride in being an open, non-hierarchical organisation, with direct and open access among all teams and at all levels. The Chief Executive Officer addresses all employees every six months, at the half-year and full-year points, and presents the Group's financial results, business updates and plans for the future. He and other members of senior management maintain a schedule of overseas office visits and take these opportunities to address each local employee audience.

Our people participate directly in the success of the business through the Group's performance-related bonus schemes and employee share plans. Bonus payments are based on a communal pool driven by the overall performance of the Group, and this pool covers around 90% of our employees, with the rest covered by Remuneration Committee-approved sales-incentives schemes. In addition, over 35% of eligible employees take part in our HMRC-approved share-incentive plan.

TOP EMPLOYER

Our positive workplace culture continues to be recognised, as IG celebrates being named as one of Britain's Top Employers for the seventh year running in 2014.

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

SOCIETY AND EMPLOYEE SPONSORSHIP

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

To make the most of charitable donations, we continue to work with the Charities Aid Foundation, allowing our employees to operate a charity fund and make contributions to selected charities from gross earnings, directly from their monthly pay.

Not only do we support charities with gifts of money, but also by providing time and resources. Our absence-management policy offers the opportunity for our people to take up voluntary work, for which we grant additional leave on a like-for-like basis up to a maximum of five matched days per annual leave year.

We have a volunteering scheme with Beanstalk, a national registered charity with 17 regional branches that gives one-to-one literacy support to children in primary schools in the most deprived areas of England. Reading helpers volunteer once a week for an hour, and commit for a minimum of one year to work with the same children each week.

In 2014, we signed up to be a member of City Action, a partnership scheme which enables City-based businesses to share skills with community organisations and social enterprises, in the City and neighbouring boroughs, through volunteering.

HEALTH AND SAFETY

We believe that our employees are one of our most valuable assets, and we are committed to providing each employee with a safe and healthy working environment.

Health and safety is an integral part of our business, and by providing key members of staff with the relevant external training, and all other staff with appropriate in-house training, we ensure that we comply with all statutory health and safety requirements.

WELLBEING

We are fully committed to our employees' health and wellbeing, and the benefits we provide to all employees include private medical cover, permanent health insurance and life assurance.

To help our people enjoy healthy lifestyles, we reimburse 50% of the costs of employees' annual gym subscriptions, up to a specified amount, on a global basis. We also support cycling, and we offer our staff savings on bicycles under the government-backed cycle-to-work initiative, as well as providing free-of-charge bicycle parking at our London office.

We support our employees' wellbeing by providing a confidential employee assistance programme, which offers a 24/7 telephone counselling service to all our European office employees and their immediate families. Our people can use this service for impartial advice on all matters, from housing to personal finance.

SUSTAINABLE BUSINESS

We recognise the fundamental importance of having a reputation for transparency and quality in the financial services industry, and commitment to these values is a cornerstone of our success. We apply high standards across our businesses, and specifically in our corporate governance – as set out in the Corporate Governance Report and the statement by the Directors in compliance with the UK Corporate Governance Code.

Our commitment to the principles of transparency and quality is embodied in each of the following service offerings and behaviours.

COMMITMENT TO OUR CUSTOMERS

We aim to put our customers at the heart of everything we do, and we strive to ensure that we consistently deliver a beneficial service for our clients. The Group has a very low tolerance for poor consumer outcomes, and we are committed to investing in process, training and culture to prevent unsatisfactory customer experiences. We maintain this policy even when it may have a negative impact on our own revenue or costs.

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

Central to our commitment to our customers is the quality of our order execution. We offer near-instantaneous execution, with around 99.6% of client orders accepted automatically. We never requote prices and, outside our set margin of tolerance, our innovative price-improvement technology enables customers to receive a better price if one becomes available as a trade is executed.

CLIENT SUPPORT AND EDUCATION

We offer extensive educational resources for clients, including an introduction programme for new clients that promotes responsible trading, and a wide range of in-person client seminars and webinars.

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

CLIENT APPROPRIATENESS

Our products are not suitable for everyone. For this reason, we have a number of procedures to ensure that our marketing reaches the right audience and that our clients understand how our services work.

We follow strict guidelines to ensure that we only promote our products to appropriate sectors and demographic groups. We also conduct rigorous checks to ensure that any promotion is clear, fair and not misleading, and that it contains a balanced description of risks alongside the benefits of our products.

Before we allow a prospective client to open an account, we undertake an assessment to determine whether our products are appropriate or suitable for them. This involves asking about their trading knowledge and experience, as well as their income and savings. Based on the results of this assessment, we may choose to provide the applicant with a warning about the appropriateness of the product, or we may decline to open an account.

LIMITING CLIENT LOSSES

We have a number of services designed to help limit client losses.

> Our clients can choose to attach guaranteed stops to their positions, so that they know their maximum possible loss at the outset of the trade.

Our close-out monitor (COM), which automatically liquidates clients' positions when their margin has been significantly eroded, also aims to restrict our clients' potential losses. At 31 May 2014, 99.81% of all client accounts were subject to the automatic COM procedure. Further details are set out in note 36 to the Financial Statements.

PROTECTING OUR CLIENTS' DATA AND FUNDS

We prioritise the security of our clients' information and have achieved the ISO 27001 certificate for Information Security.

We fully segregate all funds for individuals, whether we are required to by regulation or not, and we hold segregated client money entirely separately from our own money. This ensures that, in the event of our default, client funds would be returned to the clients rather than being treated as a recoverable asset by our general creditors.

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

OUR ENVIRONMENTAL IMPACT

As a business which conducts nearly all of its client trades online and undertakes no industrial activities, we do not see ourselves as a significant emitter of environmentally harmful substances. However, we are mindful of the impact that our operations have on the surrounding environment and take several steps to manage this.

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

> During the year we made a number of energy savings in our datacentres, including applying virtualisation technologies to our existing infrastructure and upgrading our uninterruptible power supply to lower electricity consumption.

This year we replaced a number of our rack servers with new blade technology. This has allowed us to integrate power and cooling technologies across the server estate and provides a considerable saving in energy and costs. We recycled the legacy hardware in accordance with our internal recycling policy, ensuring that any data was securely destroyed before recycling the remaining components.

After our datacentres, our global offices are the next-largest users of energy. We implement a number of energy-saving processes, and we are committed to a far-reaching recycling policy. This encompasses not only a proportion of our daily office waste, but also extends to our IT equipment when we replace hardware. Our head office building, where more than half of our employees are based, is also ISO 14001 certified, and we complement this environmental-management system with our own sensor-lighting to reduce our energy use.

A further environmental challenge is presented by the need for our people to travel between our headquarters and our global offices to provide local support for staff and clients. We have taken steps to minimise the need for these journeys by installing state-of-the-art video-conferencing equipment in seven of our global offices.

We provide emissions data in respect of the financial year ending 31 May 2014 in the Mandatory Greenhouse Gas Emissions Report and Greenhouse Gas Emissions Intensity Ratio tables to the right. In the tables, Scope 1 emissions are those incurred in air conditioning our offices and running back-up generators for our servers, while Scope 2 emissions are purchased energy such as electricity. For the most significant sources of energy consumption discussed above, we purchase electricity via our landlords.

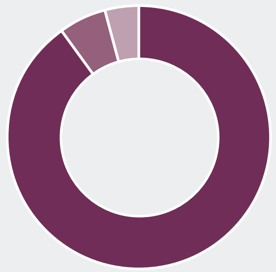
BASIS OF PREPARATION

- Greenhouse gas emissions are calculated on the basis of financial control, with the emissions data included for the companies consolidated in the Financial Statements, noting the Statement of Exclusions given below
- We have based our methodology on the principles of the Greenhouse Gas Protocol
- We have reported on all the measured emissions sources required under The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, except those noted in the Statement of Exclusions
- This includes emissions under Scope 1 and 2, except those noted in the Statement of Exclusions, but excludes any emissions from Scope 3
- Conversion factors for electricity, gas and other emissions are those published by the Department for Environment, Food and Rural Affairs for 2013-14

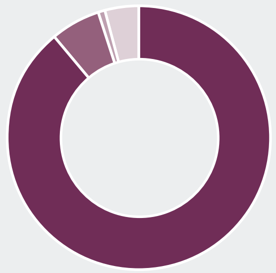
Statement of Exclusions

- Global diesel use (for vehicles) has been excluded from the report on the basis that it is wholly immaterial to our carbon footprint
- We have restricted the scope of reporting for our fugitive emissions to the United Kingdom only, and these are shown in our Scope 1: operation of facilities emissions. Other regions have been excluded due to lack of data or immateriality

EMISSION CATEGORY



EMISSION SOURCE



MANDATORY GREENHOUSE GAS EMISSIONS REPORT

Emission type	Tonnes of carbon dioxide equivalent (tCO_2e)
Scope 1: operation of facilities	166
Scope 1: combustion	239
Total Scope 1 emissions	**405**
Scope 2: purchased energy	3,542
Total Scope 2 emissions	**3,542**
Total emissions	**3,947**

GREENHOUSE GAS EMISSIONS INTENSITY RATIO

Total footprint (Scope 1 and Scope 2) – tCO_2e	3,947
Turnover (£m)	370.4
Intensity ratio (tCO_2e/£m)	10.66

'IG continues to be a highly cash-generative business, which allows for both investment in strategic growth initiatives and a progressive dividend policy.'

Net trading revenue for the year was up 2.4% at £370.4 million (2013: £361.9 million). Although financial markets were quite subdued, revenue was well ahead for most of the year. A particularly dull period externally then drove a relatively weak finish in the final quarter, against exceptional revenue performance in the same quarter of the prior year. As has been traditional, revenue was slightly higher in the second half of the year than the first, although unusually the first and third quarters were the strongest, reflecting the fact that financial markets were slightly more interesting in these periods.

Across the Group, active client numbers were down by 7.3% in the year, at 126,100, and average revenue per client was up by 10.4% at £2,937. This reflected IG's consistent focus on active traders, with some specific measures taken late in the 2013 financial year to de-emphasise clients with the very lowest levels of trading activity.

Net operating income was up by 1.7%, as the drop in the betting duty charge for the year was more than offset by lower interest received on client money balances, due primarily to the fall in interest rates in Australia over the last year. Administrative costs of £178.9 million were up by 1.7% in the year (2013: £176.0 million), due mainly to investment in additional staff to support various ongoing growth initiatives, such as the launch of an execution-only stockbroking service, the set up of a new office in Switzerland and an increasing emphasis on the development of mobile applications. This resulted in an increase in profit before tax of 1.3%, to £194.7 million (2013: £192.2 million).

Diluted earnings per share were up by 3.6% to 40.18 pence, benefiting from a lower Group tax rate, down from 26.3% in the prior year to 24.5%, due mainly to the fall in the UK Corporation Tax rate.

IG continues to be a highly cash-generative business, which allows for both investment in strategic growth initiatives and a progressive dividend policy. With this in mind, the Board is proposing to increase the ordinary dividend payout ratio to approximately 70%, from the current level of 60%, with effect from the 2014 financial year, while retaining a progressive dividend policy in the future.

Simultaneously, the Board will adopt a new policy of paying the interim dividend each year, calculated at approximately 30% of the prior year's full-year dividend. The Board has recommended a final ordinary dividend of 22.40 pence, taking the full-year ordinary dividend per share to 28.15 pence, up by 21.1%, and representing 70.1% of diluted earnings per share; this reflects both the growth in earnings in the year and the enhancement to our ordinary dividend policy.

REVENUE
▲ 2.4%
Our revenue was £370.4 million, up 2.4% on the prior year

PROFIT BEFORE TAX
▲ 1.3%
Profit before tax was £194.7 million, up 1.3% year-on-year

DILUTED EARNINGS PER SHARE
▲ 3.6%
Increasing to 40.18 pence, our diluted EPS was up 3.6% compared to the 2013 financial year

DIVIDEND PER SHARE
▲ 21.1%
Our total ordinary dividend per share was 28.15 pence, representing approximately 70% of Group earnings

OPERATING REVIEW

	FY14		FY13		
	Revenue (£m)	Active clients (000s)	Revenue (£m)	Active clients (000s)	% change in revenue per client from FY13[1]
UK	192.7	59.3	186.5	68.3	19.1%
Australia	52.2	18.0	56.3	19.0	(2.2%)
Europe	82.1	26.0	71.0	24.6	9.5%
Rest of World	43.4	22.8	48.1	24.2	(4.4%)
Total	370.4	126.1	361.9	136.1	10.4%

(1) Calculated on the underlying, unrounded numbers.

UK

The UK segment comprised the offices in London and Dublin. Net trading revenue in the UK was 3.3% ahead of the prior year at £192.7 million (2013: £186.5 million). The revenue proportion delivered in the two halves was very similar to that of the overall Group, with a slightly stronger second-half performance, driven by a good third quarter.

Active client numbers were down by 13.2% in the year, while average revenue per client was up by 19.1%. While the uncertain economic backdrop continued to make client recruitment challenging, the fall in client numbers was primarily a function of management actions to de-emphasise clients with the very lowest levels of trading activity, including raising the minimum deposit level to £100.

An annual study of the UK's retail leveraged-trading industry, released towards the end of 2013, showed that IG's market share of spread bettors had fallen from 44% to 41% and our share of CFD traders had risen from 32% to 34%. Although IG is still the clear market leader in both categories, with the second-placed providers in each category holding shares of 6% and 7% respectively, the precise numerical conclusions are increasingly less relevant in the context of our focus on active retail traders, who generate a more significant share of revenue. Inevitably, our focus in this regard contributed to a fall in the overall size of the market from 104,000 to 93,000.

We have now completed the technology development and internal testing that enable us to offer our execution-only stockbroking service as part of our comprehensive share-trading package in the UK. In July, we began an external pilot programme within our UK client base, with the aim of carrying out a full UK launch in September 2014.

AUSTRALIA

The Australia segment comprised the Melbourne office and revenue from New Zealand and other countries in the Asia Pacific region. In Australia, net trading revenue for the year was down by 7.3% to £52.2 million (2013: £56.3 million). Active client numbers in the year were down by 5.1%, and average revenue per client was down by 2.2%.

Our business in Australia continued to experience some weakness for several reasons. Consumer sentiment remains subdued, with the Australian economy lagging most global regions and entering a recessionary phase later in the cycle. Our results were also softened by the extremely low levels of volatility in the forex market, which had a negative impact on client

CHAIRMAN'S STATEMENT
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trading activity in this asset type – Australia gleans a larger proportion of its revenue from forex trading than the UK and Europe. The ongoing weakness in the Australian dollar also resulted in a negative translation impact, as much of the local revenue is dollar-denominated.

During the year, an annual market-research study concluded that IG had grown its market share of the retail CFD industry by one percentage point to 38% and extended its leadership over the second-largest provider by four percentage points. In the same time period, the market size dropped from 44,000 participants to 41,000.

EUROPE

The Europe segment comprised the German, French, Italian, Spanish, Dutch, Luxembourg, Swedish and Norwegian offices. Although still weak in absolute terms, the European economy is showing signs of improvement, and this has positively impacted the performance of our European business. Net trading revenue in Europe for the year was up by 15.6% at £82.1 million (2013: £71.0 million), with strong growth in both the number of clients trading, up 5.6%, and average revenue per client, up 9.5%. There was strong performance from the two countries with the greatest revenue, Germany and France, which were ahead by 19.8% and 15.0% respectively. The European segment accounted for 22.2% of Group revenue in the period, against 19.6% in the prior year.

An annual market-research report into the French retail CFD market was published in April 2014. It concluded that IG had retained its market leadership, with a stable market share of 22%, after a small decline in the prior year. It also showed that our share of the forex market had increased to 11%. Shortly after the end of the financial year, an equivalent study for Germany was published. Encouragingly, it showed IG's share has increased slightly to 13%, after two years of small declines. We have maintained second place in the market and closed the gap on the market leader by six percentage points.

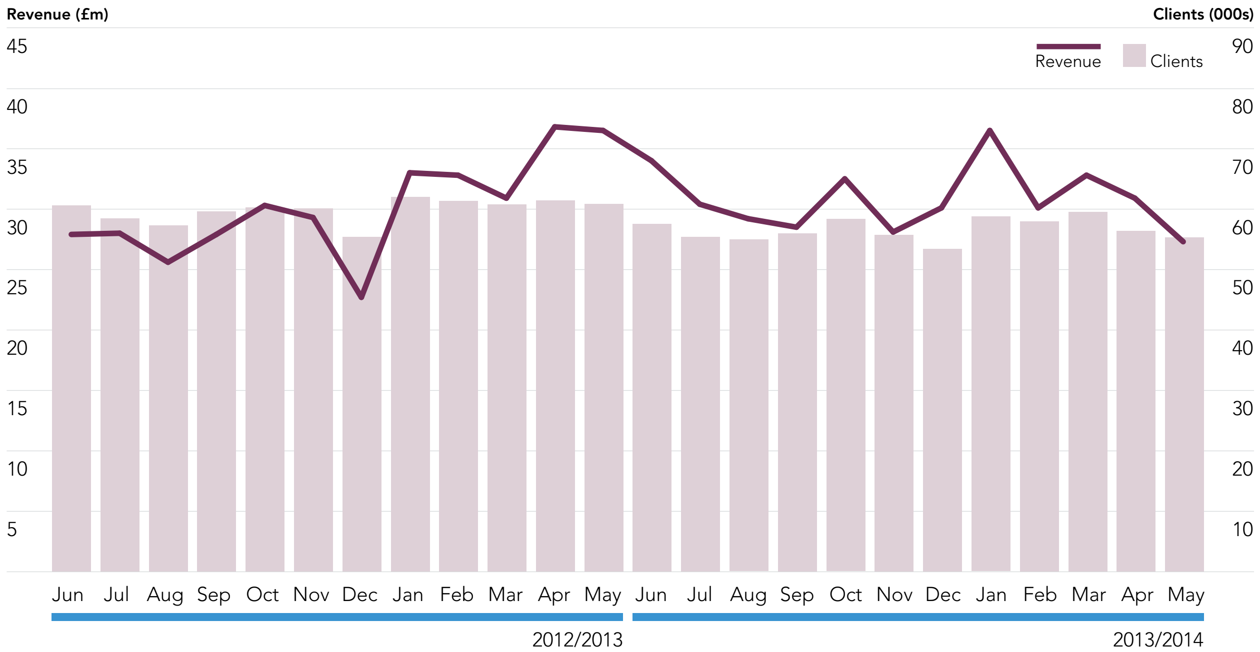
REST OF WORLD

The Rest of World segment comprised the offices in Singapore, Japan and South Africa and our retail exchange, Nadex, in the US. Net trading revenue in the Rest of World region was 9.8% behind the prior year, at £43.4 million (2013: £48.1 million).

Singapore revenue was behind by 10.3%, predominantly due to a fall in average revenue per client, which was down 4.9%. Revenue in Singapore is traditionally weighted towards forex trading, and the sustained period of low volatility in this asset class negatively impacted our performance in the year. For some time, an industry-wide group in Singapore has been designing an e-learning module that will help new traders gain an appropriate level of knowledge to begin trading. Following approval by the regulator, this module was launched at the start of July and should assist with the flow of new clients to CFD trading. As previously discussed, we continue to expect that leverage restrictions will be applied to retail forex trading in 2015.

In Japan, net trading revenue was down by 23.4% to £12.2 million (2013: £15.9 million). The majority of our Japanese revenue comes from forex trading, and this year volatility in this asset type was unusually low. This compares to the prior year, which finished particularly strongly following a shift in economic policy that caused considerable volatility in the yen. The new regulations surrounding binaries came into force on 1 December 2013, restricting the range of products from our main competitors and enabling us to increase our range. Consequently, we experienced an almost instantaneous uplift in market share and volumes in this product. The regulations also placed restrictions on new binary traders, in the form of an online test; it is too early to assess how impactful this will be to the flow of new binary traders.

REVENUE AND ACTIVE CLIENTS BY MONTH



South Africa had another strong year, with revenue ahead by 12.2% to £5.1 million (2013: £4.6 million). Results here continue to be constrained by the weakness of the South African Rand and the ongoing exchange controls, which prevent easy access to overseas-quoted instruments.

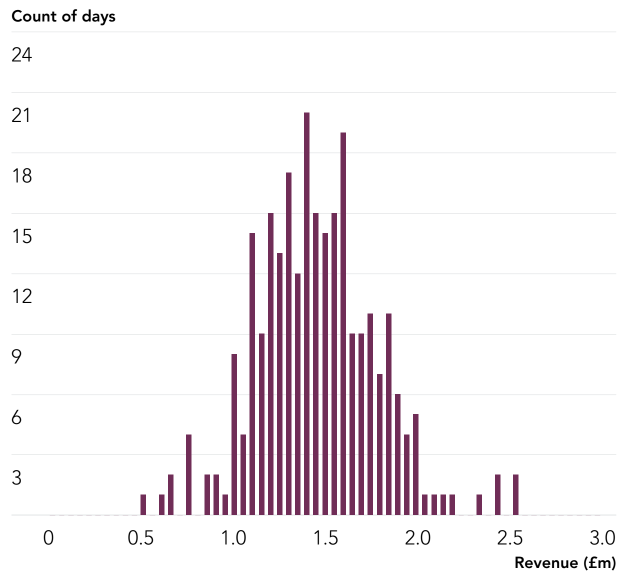
In the US, revenue was ahead by 54.6% at £3.1 million (2013: £2.0 million). Nadex volumes reached another record, with 2,927,000 lots traded in the year, against 1,623,000 in the prior year. Monthly client numbers peaked in April at around 2,200, up from around 1,300 at the same time in the prior year. Towards the end of the fourth quarter, two new market makers joined the exchange, one of which has been consistently providing additional liquidity for the last couple of months. Over time this should have the effect of decreasing spreads and increasing available liquidity on the traded contracts.

FACTORS IMPACTING NET TRADING REVENUE

DISTRIBUTION OF DAILY REVENUE

The tight distribution of our daily revenue during the year is illustrated in the chart below. The absence of proprietary trading in IG and the hedged nature of the business model – ie hedging with third parties to cover the residual risk above preset limits – tends to deliver a more stable revenue stream, irrespective of the direction of underlying market movements. Management regularly reviews the exposure limits on all traded products in order to maximise returns within an appropriate risk-control environment.

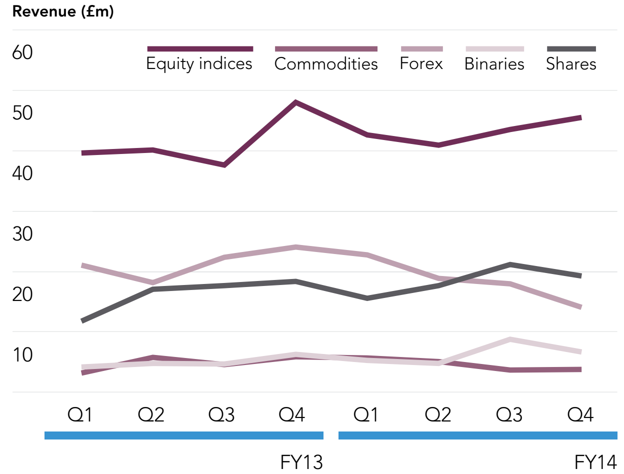
FY14 REVENUE DISTRIBUTION



ASSET MIX

IG has consistently benefited from the broad range of assets it enables clients to trade, resulting in a more stable revenue stream in different market conditions. This year we derived 47% of our revenue from clients trading indices (2013: 46%) and had a strong year in shares trading, delivering 20% of Group revenue (2013: 18%). Our weakest asset type year-on-year was forex, and this was a common theme across the global trading industry, particularly in the final quarter of the financial year. Client forex trading delivered 20% of Group revenue, down from 24% in the prior year. The remaining 13% of net trading revenue came from clients trading binaries and commodities (2013: 12%).

REVENUE BY PRODUCT



FINANCIAL REVIEW

SUMMARY GROUP INCOME STATEMENT

	2014 £000	2013 £000	% change
Net trading revenue[1]	370,408	361,857	2.4%
Net interest on segregated client funds	5,500	8,188	(32.8%)
Betting duty and FTT	(3,873)	(5,204)	(25.6%)
Other operating income	2,132	3,067	(30.5%)
Net operating income	374,167	367,908	1.7%
Administrative expenses	(178,912)	(175,980)	1.7%
Operating profit	195,255	191,928	1.7%
Net finance (expense) / income	(532)	280	
Profit before tax	194,723	192,208	1.3%
Tax expense	(47,688)	(50,460)	
Profit for the year	147,035	141,748	
Diluted earnings per share	40.18p	38.80p	3.6%
Total dividend per share	28.15p	23.25p	21.1%

(1) Net trading revenue is trading revenue excluding interest on segregated client funds and is net of introductory partner commissions.

NET OPERATING INCOME

As discussed earlier, net trading revenue has increased by 2.4% to £370.4 million (2013: £361.9 million).

Net interest income on segregated client funds has decreased by £2.7 million to £5.5 million (2013: £8.2 million). This was driven by the decrease in the Australian base interest rate and the reduction in the margins paid by the UK banks on sterling client money deposits in response to Basel III.

Betting duties paid by the Group, in relation to net losses for spread betting clients, amounted to £3.5 million (2013: £5.2 million). The reduction of £1.7 million reflected the changes in client profitability over the two years.

The Italian Financial Transaction Tax, introduced in 2013, has added to the Group's expenses for the year. During the year the Group made payments of £0.4 million (2013: £nil).

Other operating income includes income of £1.4 million (2013: £1.3 million) in relation to a revenue-share arrangement with Spreadex Limited, following the sale of the Group's Sport business client list in 2012. The agreement ended on 23 June 2014 and the income in the next financial year will be minimal. It also includes inactivity fees, amounting to £0.7 million (2013: £0.5 million), which the Group commenced charging in February 2013. These are applied to any account that has not traded for more than two years and has a positive account balance.

ADMINISTRATIVE EXPENSES

Administrative expenses, as detailed below, increased by £2.9 million to £178.9 million (2013: £176.0 million).

Over the year, the Group continued to invest in longer-term projects to broaden its offering to active traders through a stockbroking offering, extending its technological lead – particularly in the mobile sphere – and expanding geographically. As a result, both headcount and the associated costs have increased, reflected in the higher employee remuneration costs. Additionally, performance-related remuneration has increased following the improved relative revenue and EPS performance for the year.

	2014 £000	2013 £000
Employee remuneration costs	89,255	86,276
Advertising and marketing	31,660	32,558
Premises-related costs	9,973	10,164
IT, market data and communications	13,800	12,211
Legal and professional	4,266	4,772
Regulatory fees	5,544	6,394
Bad and doubtful debts	1,614	(348)
Other costs	13,103	11,787
Depreciation and amortisation	9,697	12,166
Administrative expenses	**178,912**	**175,980**

EMPLOYEE REMUNERATION COSTS

Employee remuneration costs increased by 3.5% to £89.3 million (2013: £86.3 million) in the year.

The investment in headcount during the year brought the year-end employee number to 1,153 (2013: 1,009) and the average headcount for the year to 1,070 (2013: 1,005). Total salary costs, however, show an increase of only 2.7% as a change in the staff mix has brought the average salary down by 2.8%.

The sustained performance plan (SPP) introduced during the year replaced both the annual bonus and the long-term share schemes for the Executive Directors. Therefore, a direct individual comparison of year-on-year bonus and share schemes costs respectively is inappropriate.

The £2.6 million aggregated increase in performance-related bonuses and share-based payment schemes charges reflects both the re-alignment of executive remuneration, as discussed in the Remuneration Report, and higher staff bonus payments in line with the improved year-on-year performance.

Inclusive of National Insurance and pension costs, employee remuneration costs comprise:

	2014 £000	2013 £000
Total salaries	64,987	63,306
Performance-related bonuses and commissions	17,191	17,304
Share schemes	7,077	4,414
Redundancy programme costs	–	1,252
Employee remuneration costs	**89,255**	**86,276**

Investment in IT development resource continued throughout the year to assist the Group in achieving its strategic priorities. The overseas IT and marketing development team in particular has grown, with a new office in Eastern Europe, allowing the Group to focus on the development of mobile apps, which could improve the recruitment and conversion of new clients. At 31 May 2014 year-end, IT headcount was 497 (2013: 411), an increase of almost 21% over the level at the prior year-end.

ADVERTISING AND MARKETING COSTS

Advertising and marketing costs decreased by £0.9 million to £31.7 million (2013: £32.6 million) during the year. The prior year included £1.1 million in relation to the IG brand re-launch, thus marketing costs are relatively flat year on year.

During 2014 the Group completed the migration to the IG.com domain. During the transition process the Group increased its spending on pay-per-click advertising in order to maintain its online visibility.

The main marketing campaigns run in the year focused on the Group's forex trading opportunities, the live market-insight offerings and its grey markets available in the days leading up to a number of high-profile IPOs.

The Group has also made a significant change to its global sponsorship portfolio, replacing its cycling sponsorship with a three-year partnership with Harlequins Rugby Club.

OTHER EXPENSES

Premises-related costs are in line with the prior year at £10.0 million (2013: £10.2 million). The increase in costs in relation to the new offices established in Switzerland and Eastern Europe during the year has been mitigated by the downsizing of the office space in Japan, bringing this in line with current business needs. Furthermore, the office move in Melbourne completed in 2013 not only better located the business, but also resulted in lower premises costs.

IT, market data and communication costs include the cost of IT maintenance and short-term licence arrangements as well as market data fees from exchanges. The increase in costs from the prior year is due to a change in software agreements from perpetual licences to cloud software. This resulted in more items being expensed, rather than capitalised, and ultimately amortised. The corresponding cost reduction can also be seen in software amortisation.

Legal and professional fees, which include audit, taxation, legal and other professional fees, decreased by £0.5 million to £4.3 million (2013: £4.8 million).

Regulatory fees decreased by £0.9 million to £5.5 million. The reduction is primarily due to a lower Financial Services Compensation Scheme levy ('FSCS levy') incurred in the year, as the FCA decided to defer a potential £30 million interim levy on the investment intermediary firms. The FSCS levy for the year was £4.3 million (2013: £5.1 million). The level of FSCS levy paid by the Group remains dependent on investment intermediary firms' failures and the eventual compensation paid. Accordingly, this charge is outside of the Group's control and is hard to forecast accurately.

For the forthcoming financial year, following an amendment to the accounting requirements, the way in which the Group accounts for the FSCS levy will change. A full explanation is provided within note 40 to the Financial Statements. However, in summary this change will require the Group to recognise, in full, an estimate of the FSCS levy for the applicable year on 1 April each year, with comparative figures restated accordingly, with the result that there will be no explicit expense in the first half of the year.

The Group also pays other regulatory fees to the FCA in the UK, as well as regulatory bodies in other jurisdictions where it operates.

Provisions against bad and doubtful debts were £2.9 million (2013: £1.0 million) for the year and remain less than 1% of net trading revenue. The Group recovered £1.3 million of cash against previously provided debts, £0.1 million lower than last year, with legacy debt recoveries now largely dealt with. The management of credit risk is described in both the Managing Our Business Risk section of the Strategic Report and in note 36 to the Financial Statements.

Other costs include bank charges, training, travel, recruitment and irrecoverable sales taxes. The increase in other costs is primarily attributable to the increase in recruitment fees driven by the investment in headcount.

Depreciation and amortisation decreased by £2.5 million to £9.7 million (2013: £12.2 million), partly due to the change in IT licence agreements from perpetual licences to cloud software mentioned earlier.

PROFIT BEFORE TAXATION

Profit before taxation grew 1.3% to £194.7 million (2013: £192.2 million). Profit before tax margin, calculated with reference to net trading revenue, decreased slightly to 52.6% (2013: 53.1%).

Profit before taxation is used as a primary measure of our underlying profitability, and the vesting of a proportion of the awards made under the Group's value-sharing plan is calculated with reference to this measure.

OPERATING PROFIT MARGINS

The Group uses operating profit margin, which includes an allocation of central costs, as an indicator of regional performance (refer to note 4 of the Financial Statements, Segment Information).

Operating profit increased by 1.7% to £195.3 million (2013: £191.9 million). However, the Group operating profit margin (operating profit as a percentage of net trading revenue) decreased slightly to 52.7% (2013: 53.0%).

The following table summarises operating profit margin by region:

Operating profit margin by region	2014	2013
UK	61.0%	59.1%
Australia	60.1%	65.0%
Europe	38.8%	37.5%
Rest of World	33.4%	38.5%
Group	52.7%	53.0%

UK and Europe increased their operating profit margins, as the revenue for both of these regions increased by 3.3% and 15.6% respectively. Despite the relatively high increase in the revenue for Europe, the operating profit margin only increased by 1.3%, as the operating costs for this region include the costs associated with establishing the new office in Switzerland, which is still to generate income.

Australia and Rest of World regions, however, experienced a decrease in their revenue levels compared to the prior year primarily driven by the reduced volatility in the forex market, which negatively impacted on client trading activity, and therefore margin, as the majority of the revenue in these regions comes from forex trading.

TAXATION EXPENSE

The effective rate of taxation for the year ended 31 May 2014 decreased to 24.5%, compared to a rate of 26.3% for the prior year. The rate for the current year benefited from the reduction in the UK corporation tax rate to 21% with effect from 1 April 2014. However, as the proportion of profit in higher-tax-rate jurisdictions increases, this will apply upward pressure to the Group's effective tax rate.

The calculation of the Group's tax charge involves a degree of estimation and judgment, in particular with respect to certain items whose tax treatment cannot be finally determined until agreement has been reached with the relevant tax authority. Further detail is provided in note 10 to the Financial Statements.

DILUTED EARNINGS PER SHARE

Diluted earnings per share increased by 3.6% to 40.18 pence from 38.80 pence (for further detail please refer to note 11 of the Financial Statements).

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

DIVIDEND POLICY

The Group continues to be a highly cash-generative business, which allows for both investment in strategic growth initiatives and a progressive dividend policy. With this in mind, the Board is proposing to increase the ordinary dividend payout ratio to approximately 70%, from the current level of 60%, with effect from the 2014 financial year, while retaining a progressive dividend policy. Simultaneously, the Board will adopt a new policy of paying the interim dividend each year calculated at approximately 30% of the prior year's full-year dividend. The Board has recommended a final ordinary dividend of 22.40 pence, taking the full-year ordinary dividend per share to 28.15 pence, up by 21.1% and representing 70.1% of diluted earnings per share; this reflects both the growth in earnings in the year and the enhancement to the ordinary dividend policy.

The Board will continue to monitor the capital structure of the business closely and allow sufficient headroom for the planned investment in growth initiatives, while retaining the ability to respond to any changes in the regulatory or financial environment.

SUMMARY GROUP CASH FLOW

The following cash flow statement summarises the Group's cash generation during the year and excludes all cash flows in relation to monies held on behalf of clients. In order to provide a clear presentation of the Group's 'cash' assets, both amounts due from brokers and financial investments held in the Group's liquid assets buffer have been treated as 'cash equivalents' and included within 'own funds'. For an explanation of the derivation of 'own funds', please refer to the table presented in the Own Funds section opposite. A more detailed version of the cash flow presented on page 39 is provided in note 19 to the Financial Statements.

	2014 £000	2013 £000
Operating activities		
Profit before tax	194,723	192,208
Depreciation and amortisation	9,697	12,166
Other non-cash adjustments	3,897	3,204
Income taxes paid	(47,761)	(53,247)
Own funds generated from operations	**160,556**	**154,331**
Movement in working capital	(3,298)	(12,038)
Outflow from investing and financing activities	(96,815)	(100,732)
Increase in own funds	**60,443**	**41,561**
Own funds at 1 June	429,291	388,221
Exchange losses on own funds	(2,453)	(491)
Own funds at 31 May	**487,281**	**429,291**

The year ending 31 May 2014 saw strong cash flow, where own funds generated from operations increased to £160.6 million (2013: £154.3 million). The cash conversion rate, calculated as own funds generated from operations divided by profit before tax, also increased to 82.4% (2013: 80.3%).

'Own funds' increased by £60.4 million (2013: £41.6 million), after adjustments for movements in working capital balances and significant outflows in relation to investing and financing activities. The outflow from investing and financing activities includes £11.5 million in relation to capital expenditure (2013: £16.8 million) and £84.8 million (2013: £81.6 million) in relation to the final 2013 and interim 2014 dividend payments. The Group made investments of £8.1 million on a combination of IT development, software assets and domain names (2013: £12.0 million). Cash investment in tangible fixed assets totalled £3.4 million and includes £2.5 million of spend on IT hardware and £0.7 million on the fit-out of newly leased offices.

OWN FUNDS

The Group's liquid assets, as set out in the table on the right, comprise cash balances available to the Group for its own purposes and exclude all monies held on behalf of clients. Own funds are used in normal business operations as well as for the funding of broker margin requirements. Consequently, own funds are held either with the Group's banking or broking counterparties. The Group is also entitled to use 'title transfer funds' in normal business operations and as broker margin. Title transfer funds are those held on behalf of corporate clients where the client agrees, under a Title Transfer Collateral Arrangement (TTCA), that full ownership of such monies is unconditionally transferred to the Group.

Own funds include financial investments held in accordance with the BIPRU 12 liquidity standards and the Group's regulatory oversight by the FCA. These assets comprise the Group's 'liquid assets buffer' and are available to the Group in times of liquidity stress, and therefore are considered as available for the purposes of overall liquidity planning. Own funds increased 13.5% to £487.3 million (2013: £429.3 million) in the year to 31 May 2014, reflecting the high level of cash generation set out earlier in this report. An analysis of own funds is provided in the following table, and in more detail in note 19 of the Financial Statements:

	2014 £000	2013 £000
Own cash and title transfer funds	101,487	98,345
Amounts due from brokers	303,861	283,940
Financial investments – liquid assets buffer	82,457	50,468
Other amounts due to the Group	20,450	15,003
Liquid assets	**508,255**	**447,756**
Liquid assets are analysed as:		
Own funds	487,281	429,291
Title transfer funds	20,974	18,465

An element of the Group's liquidity is not available for the purposes of the centrally performed market risk management, as it is held in overseas businesses for the purposes of local regulatory and working capital requirements, or is currently held within segregated client money bank accounts to ensure the Group's segregation obligations are met. At 31 May 2014, the unavailable cash increased by £1.6 million from that unavailable in the prior year, to £49.1 million (2013: £47.5 million), as a result of higher prudent margins held to ensure appropriate segregation of client card transactions.

Available liquid assets enable the funding of large broker margin requirements when required, and should be considered in the context of the intra-year-high broker margin requirement of £290.3 million (2013: £297.5 million), the requirement to hold a liquid assets buffer, the continued growth of the business, the Group's commitment to segregation of individual clients' money and the final proposed dividend for the year ending 31 May 2014, all of which draw on the Group's liquidity.

The Group's available liquidity ('net available liquidity') is disclosed in the following table on page 40, and is inclusive of the liquid assets buffer and title transfer funds and after the payment of broker margin.

CHAIRMAN'S STATEMENT
STRATEGIC REPORT
CORPORATE GOVERNANCE REPORT
FINANCIAL STATEMENTS
INVESTOR RESOURCES

	2014 £000	2013 £000
Liquid assets	508,255	447,756
Less amounts required to ensure appropriate client money segregation – other amounts due to the group	(20,450)	(15,003)
Less amounts required for regulatory and working capital of overseas subsidiaries	(28,666)	(32,542)
Available liquid assets	**459,139**	**400,211**
Less broker margin requirement	(285,102)	(245,689)
Net available liquidity	**174,037**	**154,522**
Of which held as a liquid assets buffer	82,457	50,468

In order to mitigate liquidity risks, the Group regularly stress-tests its three-year liquidity forecast, both to validate the appropriate level of committed unsecured bank facilities held and to meet the requirements of the Group's lead regulator, the Financial Conduct Authority. During the year, the Group renegotiated its liquidity facility with a syndicate of three banks. As a result, the Group increased the size of the overall facility to £200.0 million (2013: £180.0 million) and established a longer-term liquidity funding arrangement – £80.0 million of the facility is committed for a period of three years. These facilities were drawn to a maximum of £50.0 million for a period of 30 days but partially repaid down to £25.0 million for a further 32 days in October to December 2013, following the reduction in available liquidity after payment of £63.8 million of dividend and at a time of relatively high levels of broker margins. In the year ended 31 May 2013, the facilities were drawn down to a maximum of £25.0 million for a period of 22 days in April 2013 when the broker margin requirement reached a level of £294.7 million.

A detailed analysis of the Group's liquidity and our approach to the management of liquidity risk are provided in note 19 to the Financial Statements.

REGULATORY CAPITAL RESOURCES

Throughout the year, the Group maintained a significant excess over the Pillar 1 capital resources requirement, both on a consolidated and individual regulated-entity basis.

The Group considers there are significant benefits to being well capitalised at a time of continuing global economic uncertainty. The Group is well placed in respect of any regulatory changes which may increase our capital or liquidity requirements, and high levels of liquidity are important in the event of significant market volatility. The Group's liquidity requirements have historically been, and remain, significantly in excess of its regulatory capital requirements.

The following table summarises the Group's Pillar 1 capital adequacy on a consolidated basis. The Group's capital management is reviewed further in note 37 to the Financial Statements.

	2014 £m	2013 £m
Total Tier 1 capital	570.8	508.4
Less:		
Intangible assets	(122.7)	(120.5)
Investment in own shares	(1.1)	(1.5)
Deferred tax assets	(5.7)	–
Total capital resources (CR)	**441.3**	**386.4**
Capital resources requirement (CRR)	(115.4)	(115.1)
Pillar 1 surplus	**325.9**	**271.3**

SUMMARY GROUP STATEMENT OF FINANCIAL POSITION

	2014 £000	2013 £000
Property, plant and equipment	13,038	14,469
Intangible assets	122,670	120,479
Financial investments	32,150	–
Deferred tax assets	5,711	9,470
Non-current assets	**173,569**	**144,418**
Trade and other receivables	339,765	310,914
Cash and cash equivalents	101,487	98,345
Financial investments	50,307	50,468
Current assets	**491,559**	**459,727**
Total assets	**665,128**	**604,145**
Trade and other payables	75,236	72, 828
Income tax payable	20,178	24,289
Current liabilities	**95,414**	**97,117**
Redeemable preference shares	40	40
Non-current liabilities	**40**	**40**
Total liabilities	**95,454**	**97,157**
Total equity	**569,674**	**506,988**
Total equity and liabilities	**665,128**	**604,145**

NON–CURRENT ASSETS

As discussed earlier in the Strategic Report, the Group continues to invest in technology both to enhance client experience and to improve the capacity and resilience of dealing platforms, each of which is critical to the success of the business.

Intangible assets purchased during the year include £1.8 million (2013: £4.0 million, including IG.com) for a suite of country-code and generic top-level domains that are directly relevant to our business.

Intangible assets also include goodwill of £106.7 million (2013: £107.3 million), primarily arising on the acquisition of IG Group plc and its subsidiaries in 2003, the goodwill associated with the acquisition of Nadex of £4.5 million (2013: £5.0 million) and the goodwill arising on the acquisition of our South African business of £1.2 million (2013: £1.4 million). Refer to note 16 of the Financial Statements.

Capitalised investment in relation to development costs and software and licences amounted to £6.1 million (2013: £7.3 million) and includes investment relating to the development of the stockbroking platform. During the year the Group also invested £3.4 million in property, plant and equipment (2013: £4.4 million) including £2.5 million (2013: £2.5 million) in relation to IT equipment.

CURRENT ASSETS

Trade and other receivables include amounts due from brokers, amounts due to be received from segregated client money accounts on the following working day, and prepayments. Amounts due from brokers represent cash placed with counterparties in order to provide initial and variation margin in relation to the Group's market-risk management. Amounts due from brokers have increased to £303.9 million (2013: £283.9 million) primarily as a result of higher broker margins than at the prior year-end, driven by the Group's hedging of clients' futures and options positions. The intra-year-high broker margin requirement was £290.3 million (2013: £297.5 million).

CLIENT MONEY

Total monies held on behalf of clients at year-end was £879.4 million (2013: £842.0 million), of which £858.4 million (2013: £823.5 million) is segregated in trust bank accounts and treated as 'segregated client money', and therefore excluded from the Group Statement of Financial Position. The remaining monies held on behalf of corporate clients of £21.0 million (2013: £18.5 million) represent 'title transfer funds' where the client agrees, under a Title Transfer Collateral Arrangement (TTCA), that full ownership of such monies is unconditionally transferred to the Group.

Although the levels of client money can vary depending on the overall mix of financial products being traded by clients, the long-term increase in the level of client money placed with the Group is a positive indicator of client ability and propensity to trade.

LIABILITIES

Trade and other payables include amounts due to clients in relation to title transfer funds, accruals and other payables.

Trade and other payables increased by £2.4 million, mainly due to an increase in the number of title transfer clients. Income tax payable has decreased by £4.1 million following the reduction in the effective tax rate, as discussed earlier in this section.

CORPORATE SOCIAL RESPONSIBILITY

An overview of our commitment to corporate and social responsibility is included within the Strategic Report and in more detail on our corporate website at iggroup.com.

PREPARATION OF THE OPERATING AND FINANCIAL REVIEWS

Our Operating and Financial Reviews have been prepared solely to provide additional information to shareholders to assess our strategies and the potential for those strategies to succeed. They should not be relied on by any other party or for any other purpose.

The Operating and Financial Reviews contain certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report. Such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The Directors, in preparing the Operating and Financial Reviews, have sought to comply with the guidance set out in the Accounting Standards Board's Reporting Statement: Operating and Financial Review. The Directors also believe they have adequately discharged their responsibilities under Section 417(3) of the Companies Act 2006 in providing this business review.

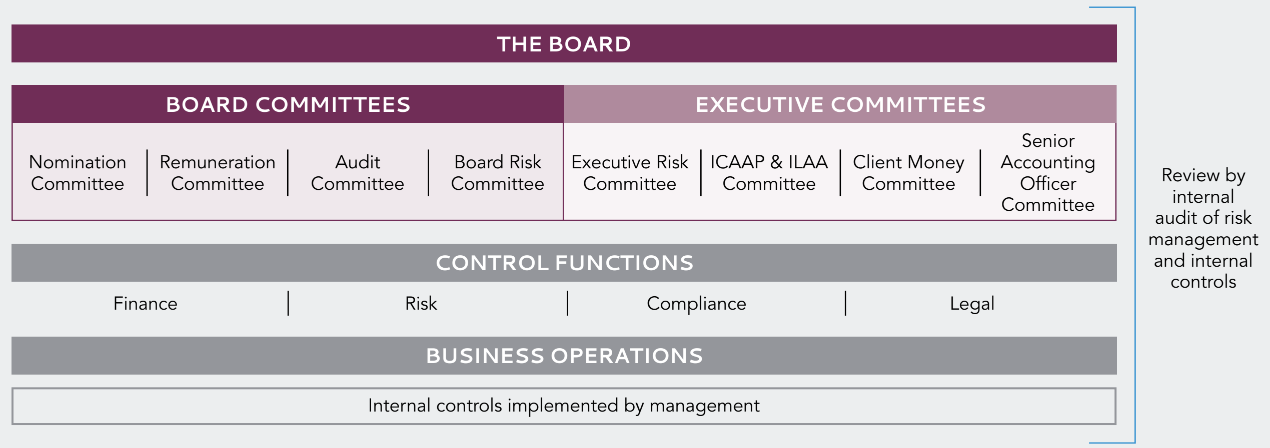
The critical accounting estimates and judgements that impact the Group's financial performance, together with new and amended accounting standards adopted in the preparation of the Financial Statements, are set out in notes 1 and 40 to the Financial Statements.

For disclosure relating to the Regulatory environment, please refer to the Chief Executive Officer's Review and the Managing Our Business Risk section.

A further discussion of our results during the financial year can be found in the Investor Relations section of our website at iggroup.com.

MANAGING OUR BUSINESS RISK

Effective management of our business risks is critical to the successful delivery of our strategy. It is imperative for us to identify the nature and potential impact of these risks, and establish methodologies to measure their effect, so that we can design and operate an environment where risks are effectively controlled throughout the business.



Over time we have developed a robust and consistent Risk Management Framework and, while we continually seek to improve, our broad approach to managing the key risks has not changed over the course of this year.

In this section we explain how we manage risk in accordance with our Risk Appetite Statement (RAS) and Risk Management Framework. We also explain in detail the key risks we face, our governance structure for risk, and the reporting cycle that we use to monitor and report on risk.

RISK APPETITE STATEMENT

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

The RAS provides parameters within which the business can operate, and is reviewed by the Board. We have identified three main types of risk affecting our business, and we explain these in more detail later in this section.

1. BUSINESS MODEL RISKS

These are risks we actively manage and are able to measure, control and assign limits and parameters to:

- Credit risk – see page 44
- Market risk – see page 45
- Liquidity risk – see page 45

2. INDUSTRY RISKS

These are risks we accept as arising from operating in the financial services sector. For these risks we set a risk tolerance rather than a risk appetite. They include (but are not limited to):

- Financial institution credit risk – see page 44
- Operational risk – see page 46
- Regulatory risk – see page 46
- Conduct risk – see page 47
- Technology (IT) risk – see Operational Risk, page 46

3. ENVIRONMENTAL RISKS

These are risks over which we have minimal control. They include (but are not limited to):

- Natural disasters such as floods, earthquakes and disease epidemics
- Strikes and civil unrest

The RAS contains a set of statements and Key Risk Indicators (KRIs). These balance quantitative and qualitative measures to provide an indication of increasing or declining risk levels over an appropriate timescale. They are designed to alert the Board and management that a risk is approaching, or has exceeded, an acceptable level, and we monitor them on an ongoing basis. The Board receives regular reports on our performance against the KRIs, and the Board reviews the KRIs in conjunction with the RAS annually.

OUR RISK MANAGEMENT FRAMEWORK

In order to establish an effective environment for controlling risk, we have developed a Risk Management Framework to identify, measure, manage and monitor risks faced by the business. Our Risk Management Framework provides the Board with assurance that we have understood and managed our risks as far as possible, within appropriate boundaries. It comprises our Risk Governance Framework and Risk Reporting Cycle.

OUR RISK GOVERNANCE FRAMEWORK

The diagram opposite sets out the framework for the Board and executive committees, independent control functions and ongoing business operations that exercise governance over risk.

Responsibilities of the Board

The responsibilities of the Board in relation to risk management are to:

- Set and review the RAS and the KRIs
- Review and challenge updates from the Board Risk Committee
- Review and challenge the system of internal control and risk management
- Review and challenge capital and liquidity stress-testing
- Approve the Corporate Governance Report in the Annual Report

Board committees

The Board is supported in its monitoring of the Risk Framework by the Board Risk, Audit and Remuneration Committees.

During the year, we formed the Board Risk Committee in recognition of the Board's continued development of the Group's focus on risk management. The new committee provides the Board with a more in-depth level of understanding of, and governance over, the Group's risk framework. This is becoming increasingly important as we expand our reach and extend our product range, at the same time as global regulators continue to strengthen their regimes.

The Board Risk Committee's responsibilities in relation to risk management are to:

- Consider and recommend for approval by the Board the RAS and KRIs for the current and future strategy
- Monitor, review and challenge the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment (ILAA)
- Ensure rigorous stress-testing and scenario-testing of the Group's business and receive reports that explain the impact of identified risks and threats
- Ensure a sufficient level of risk mitigation is in place
- Review the Group's major risk exposures
- Consider the adequacy and effectiveness of the technology infrastructure and supporting documentation in the Risk Management Framework
- Provide input to the Remuneration Committee on the alignment of the remuneration policy to risk performance

The Audit Committee's responsibilities in relation to risk management are to:

- Receive an annual report from the Board Risk Committee on the Company's internal controls and Risk Management Framework
- Review an assessment of the control environment, via internal audit reports, and progress on implementing both internal and external audit recommendations
- Monitor and review the internal audit function's effectiveness in the overall context of the Group's internal controls and risk-management systems

The Remuneration Committee's responsibility in relation to risk management is to review the structure and level of remuneration throughout the business and assess the impact of remuneration on risk.

An overview of all the Board committees' main duties and activity during the financial year is set out in the Corporate Governance Report, and the Chairman of each committee has provided a review of its activity for the year in the Corporate Governance Report.

Executive committees

Executive Risk Committee

The Executive Risk Committee is an executive committee chaired by the Chief Risk Officer. Its role is to oversee day-to-day risk-management activity across the Group. The committee generally meets weekly to ensure that it deals with issues as they arise, reflecting the commitment of senior management to play an active role in risk-management decision-making. It also sets the tone across the Group that risk management is central to corporate culture. The Board receives copies of the Executive Risk Committee minutes.

Client Money Committee

The Client Money Committee is chaired by the Chief Financial Officer, who is responsible for overseeing our processes and controls over segregating client funds and the Financial Conduct Authority (FCA)'s CASS operational oversight function. The committee meets monthly and receives reports from a number of control functions, enabling it to monitor the effectiveness of our global processes and controls for segregating client money.

ICAAP and ILAA Committee

In addition to managing individual risks, we stress-test and scenario-test as part of the Internal Capital Adequacy Assessment Process (ICAAP) and the Individual Liquidity Adequacy Assessment (ILAA). These assessments test the potential impact on capital and liquidity of a series of combined risk events. The committee meets monthly and oversees the results of the ongoing stress-testing and scenario-testing process, ensuring that risks are continuously identified and assessed.

Senior Accounting Officer Committee

The Senior Accounting Officer (SAO) Committee is responsible for reviewing and challenging the processes and controls put in place to ensure we comply with HMRC requirements to certify that each of our UK subsidiaries 'had appropriate tax arrangements throughout the financial year'. The committee reports to the Chief Financial Officer, who is the designated SAO.

Control functions

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

Business operations

In addition to the control functions, we have embedded risk management into our underlying business operations. Heads of department are responsible for maintaining risk registers and, where necessary, taking action to mitigate risks and enhance the control environment. The risk and compliance control functions use these registers in co-ordinating the identification, measurement and monitoring of risk across the business.

OUR RISK REPORTING CYCLE

The diagram opposite represents the flow of information and feedback that supports the Risk Governance Framework.

OUR KEY RISKS

The following section describes the key risks that we face and the steps that we take in order to manage these risks.

Credit risk

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

Financial institution credit risk

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

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

The Group is responsible, under various regulatory regimes, for the stewardship of client monies. These responsibilities include appointing and periodically reviewing institutions where we deposit client money. Our aim is that all financial institutions holding client money and assets should have a minimum Standard and Poor's short-term and long-term rating of A-2 and A- respectively. Where this is not possible, we set low exposure limits and seek to use the best available counterparty – preferably one that is considered locally systemic and therefore most likely to receive support. We also maintain multiple brokers for each asset class.

We monitor our exposure to financial institutions with whom the Group holds money through a daily review against financial limits and diversification criteria.

Client credit risk

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

We mitigate client credit risk in a number of ways. We only accept clients that pass certain suitability criteria, and our training programme aims to educate clients in all aspects of trading and risk management, as well as encouraging them to collateralise their accounts to an appropriate level. We also conduct a pre-deal credit check on every client order.

We offer a number of risk-management tools that enable clients to manage their exposures, including:

- Guaranteed and non-guaranteed stops
- Limit orders
- Extended trading hours
- Trading via mobile platforms

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

For a small number of generally long-standing clients, we grant credit against unrealised losses, with credit terms such that any losses arising are payable immediately on the closure of transactions.

For more information refer to note 36 to the Financial Statements.

Market risk

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

We manage market risk on a real-time basis, monitoring all client positions against market risk limits set by the Executive Risk Committee. The Group operates within these limits by hedging our residual market risk exposure. We do not take proprietary positions based on the expectation of market movement.

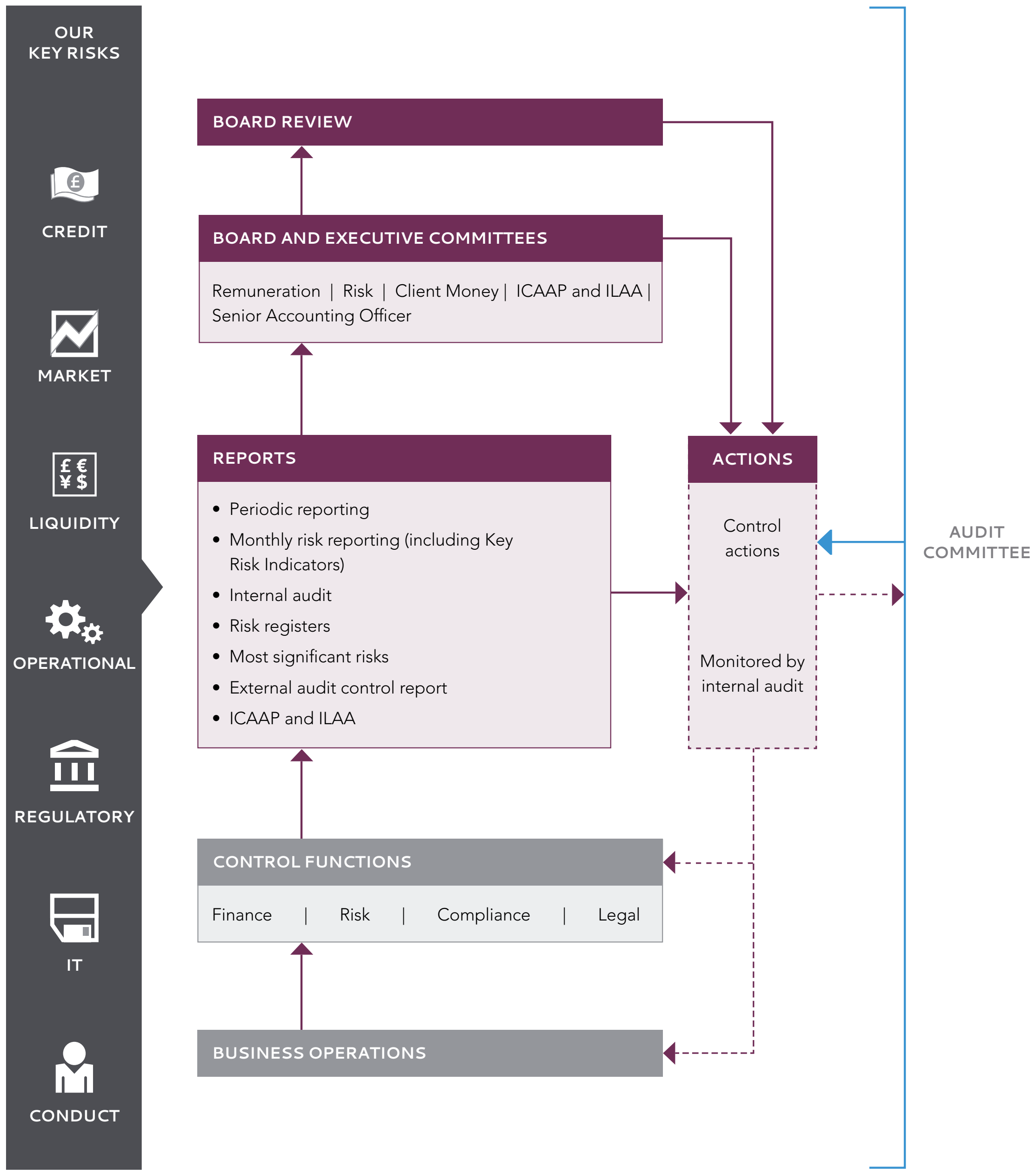
Our technology enables us to monitor our market exposure constantly and in real time. If exposures exceed our pre-agreed limits, our risk-management policy requires that we hedge the positions to bring the exposure back into line with these limits.

For more information, including our risk limits and residual exposures at 31 May 2014, refer to note 36 of the Financial Statements.

Liquidity risk

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

OUR RISK REPORTING CYCLE



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

Due to the very short-term nature of our financial assets and liabilities, we do not have any material mismatches in our liquidity maturity profiles. Short-term liquidity 'gaps' can arise, due to our commitment to segregate all individual client funds. If a significant market fall occurs, and assuming our client base holds a net long position which we have hedged, we are required to fund margin payments to brokers before releasing funds from segregation. During periods of very high client activity, or of significant directional movements in global markets, we may need to fund higher margin requirements with our brokers to hedge increased underlying client positions. We do this from our own available liquidity.

At 31 May 2014 we had total liquidity, including committed unsecured facilities and after accounting for broker margin, of £708.3 million (2013: £627.8 million). This includes the liquid assets buffer, which consists of £82.5 million of UK government securities. We hold this, as required by the FCA, to provide a safeguard in times of stress.

We monitor total available liquidity on a daily basis, including our committed unsecured facilities. We perform daily stress tests and regularly stress-test our three-year liquidity forecast to validate the level of committed unsecured bank facilities we hold. At the year-end, these amounted to £200 million (2013: £180 million), and during the year we termed out £80 million of this for three years. Our Japanese business, IG Markets Securities, has a ¥300 million liquidity facility as at 31 May 2014 (2013: ¥300 million).

For more information on how we calculate our total available liquidity see note 19 to the Financial Statements.

Operational risk

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

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

The reliability of our client trading platforms is key to delivering our strategy, and we invest significantly in the technology infrastructure to ensure that these platforms are operationally stable, with system access being centrally controlled. Our investment supports the resilience and reliability of the platform, ensuring low levels of latency, maintaining and testing system capability under significant load and conducting penetration testing. On a monthly basis, the Executive Risk Committee reviews our Key Risk Indicators, a process which includes monitoring levels of core system uptime and deal latency.

To ensure that we provide our clients with a consistent and uninterrupted level of service, we run a complete disaster-recovery solution. This involves a fully functional secondary site with real-time replication of all systems across the two locations and fully independent power supplies. We support these systems with ongoing business-continuity planning and regular testing.

All our IT and data-security systems conform to the ISO 27001:2005 Information Security Management System standards.

Cyber risk is a constant threat in the modern online environment. We have a dedicated team which has implemented a robust, multi-layered system, providing round-the-clock monitoring and intruder-prevention controls.

Regulatory risk

We regard regulatory risk as one of our most significant risks. In short, we define regulatory risk as:

- **Breach risk:** the risk that we breach a regulation that applies to our business, leading to client or market detriment, sanctions, fines, reputational damage and, in extreme situations, loss of licence
- **Change risk:** the risk that one of our regulators introduces new regulations that make our business less profitable or impossible
- **Expansion risk:** the risk that policy and regulation in jurisdictions where we do not currently operate remain onerous and closed to our business model, limiting our geographic expansion opportunities

We invest significant time and resources to manage and control our regulatory risk in parallel with the development of business strategy.

Breach risk

Our compliance, legal and risk teams provide a robust line of defence to ensure that our processes and controls are effective in ensuring we comply with our regulatory obligations. During the year, the Group has successfully undergone a number of external reviews into key areas such as client money and information security, giving us assurance that we are managing and controlling breach risk well. As our business becomes more complex, this risk also grows, and we remain committed to increasing our investment in breach risk controls.

Change risk

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

- Financial Transactions Tax (FTT) in the European Union: the Enhanced Cooperation FTT effort, involving 11 of the 28 member states, has continued this year. We have expended significant efforts throughout the year to maintain an accurate knowledge of the status of these tax initiatives, to understand the many stakeholders' interests and views and to ensure IG's voice is heard in the debate. It remains unclear what the ultimate outcome of the Enhanced Cooperation FTT will be, and although progress is extremely slow recent rhetoric suggests increased political will for the introduction of an Enhanced Cooperation FTT. The lack of detail makes the potential impact on our revenue from Europe very difficult to assess, but it ranges from quite negative to neutral, depending on the scope of any tax. We continue to monitor developments carefully
- European Markets Infrastructure Regulation (EMIR): the main impact of this legislation on our business is increased reporting requirements to trade repositories. Potentially, we will also be impacted in the medium- to longer-term by the International Organization of Securities Commissions (IOSCO), European Securities and Markets Authority (ESMA) and European Banking Authority (EBA)'s work on margin for over-the-counter trading, but the rules on this have not yet been settled
- Markets in Financial Instruments (MiFID) II: the MiFID II dossier has continued to develop this year, including the adoption of the MiFID II and Markets in Financial Investments Regulation (MiFIR) Level One texts. We remain of the view that MiFID II is unlikely to pose a threat to our UK and European businesses. We continue to monitor MiFID II carefully and to take part in industry consultation where appropriate
- Packaged Retail Investments Products Regulation (PRIPS): this will impose an obligation on us to provide our UK and European clients with information about our products in a standardised form. We do not anticipate this having a negative impact on our business
- Monetary Authority of Singapore (MAS) regulatory framework for margined derivatives: the MAS has now confirmed that it will push forward with its proposal to increase margin requirements for non-accredited investors on a forex trade from 2% to 5%, thereby reducing leverage from 50 times to 20 times. The reduction in leverage will apply only to forex trading and not to the other asset types. It is also intended that the rules will not apply to accredited investors, defined by virtue of their wealth or income level. We believe that the majority of IG's revenue currently comes from clients who would qualify for accredited investor status. In addition, the use of guaranteed stops enables clients to further manage leverage levels
- Japan binary regulation: new rules governing the offering of binary contracts in Japan came into force during the course of the year. Since their inception these new rules have had a positive impact on IG's business, because they have stopped providers from offering very short-term and up/down binaries, which were staple products for the majority. The only type of binary now permitted is a volatility-based contract with an expiry in excess of two hours, a product in which IG has historically specialised. Partially offsetting this benefit is the fact that any new binary clients need to undertake additional suitability testing by way of an online assessment, which has made the account-opening process longer and more difficult

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

Expansion risk

Like change risk, we seek to mitigate expansion risk by engaging with regulators and policymakers in countries where we do not yet operate, but which are desirable targets for our future expansion. Of course, regulatory change can also represent an opportunity for our business, and we are in talks with certain regulators who are considering changing their regulations in order to allow retail derivatives trading. These discussions are still at an early stage.

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

Conduct risk

Conduct risk is the risk that the Group's conduct poses to the achievement of fair outcomes for consumers or to the sound, stable, resilient and transparent operation of the financial markets. Put another way, conduct risk is the risk that the manner in which we carry out our business causes poor outcomes for our clients or the markets.

The Board has developed a conduct risk strategy that applies across the organisation, and training is ongoing to embed this strategy into the current business practices. Work will continue throughout the coming year as we develop this strategy further.

CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE

'At IG, we believe it is essential that a company maintains the highest standards in the way in which it is directed and governed.'

In order to serve the needs of all our stakeholders and to deliver sustainable future growth, the Board of Directors is responsible for the governance of the Company, and we are committed to applying the principles of good corporate governance.

For the Board to be most effective, it must have an appropriate balance of relevant experience, knowledge and skills. Last year we announced that both Martin Jackson, Chairman of the Audit Committee, and I will step down, after nine and ten years of service respectively, at the Annual General Meeting (AGM) in October this year. Therefore one of the key areas of focus for the Board has been the implementation of a succession plan for a smooth handover before our AGM. In October 2013, we welcomed Jim Newman as a Non-Executive Director. Jim will be taking over from Martin as Chairman of the Audit Committee on Martin's retirement. Jim, who is a qualified Chartered Accountant, is the Corporate Development Director for Friends Life Group. His strong background in finance and experience of financial services regulation is already proving invaluable to the Board. The Board wishes to thank Martin for his outstanding contribution to IG, and we wish him well in his much-deserved retirement.

I am also pleased to welcome Andy Green, who joined the Board as Deputy Chairman in June 2014 and will take over my role as Chairman at the conclusion of our AGM in October. Andy was previously Group Chief Executive of Logica plc and held various senior roles on the Board of BT Group plc. He is currently a Non-Executive Director of ARM Holdings plc. His experience at major listed companies and in IT and marketing-led businesses makes him an ideal candidate to chair the Board.

As Chairman, it is my responsibility to ensure that the Board is operating effectively to deliver long-term success for the Company. To this end, I ensure we review the Board's effectiveness annually. This year we conducted an internal evaluation, which concluded that the Board continues to operate effectively. The present plan is to have an external review in the coming year. More information on the evaluation process can be found on page 56.

Another area of focus for the Board has been to build on our existing, well-established governance framework. During the year, the Board strengthened its framework by creating a Board Risk Committee, chaired by Stephen Hill, to provide a more focused level of support and challenge on risk-management issues. As a result of this change, midway through the year a number of the duties performed by the Audit Committee were handed over to the Board Risk Committee. Martin Jackson and Stephen Hill report on the activities of the Audit Committee and the Board Risk Committee respectively later in this report.

The Corporate Governance Report details the Group's governance framework and its management practices. Together with the Directors' Remuneration Report, it explains how the Company has applied the principles of the UK Corporate Governance Code for the year ended 31 May 2014.

Jonathan Davie
Chairman
22 July 2014

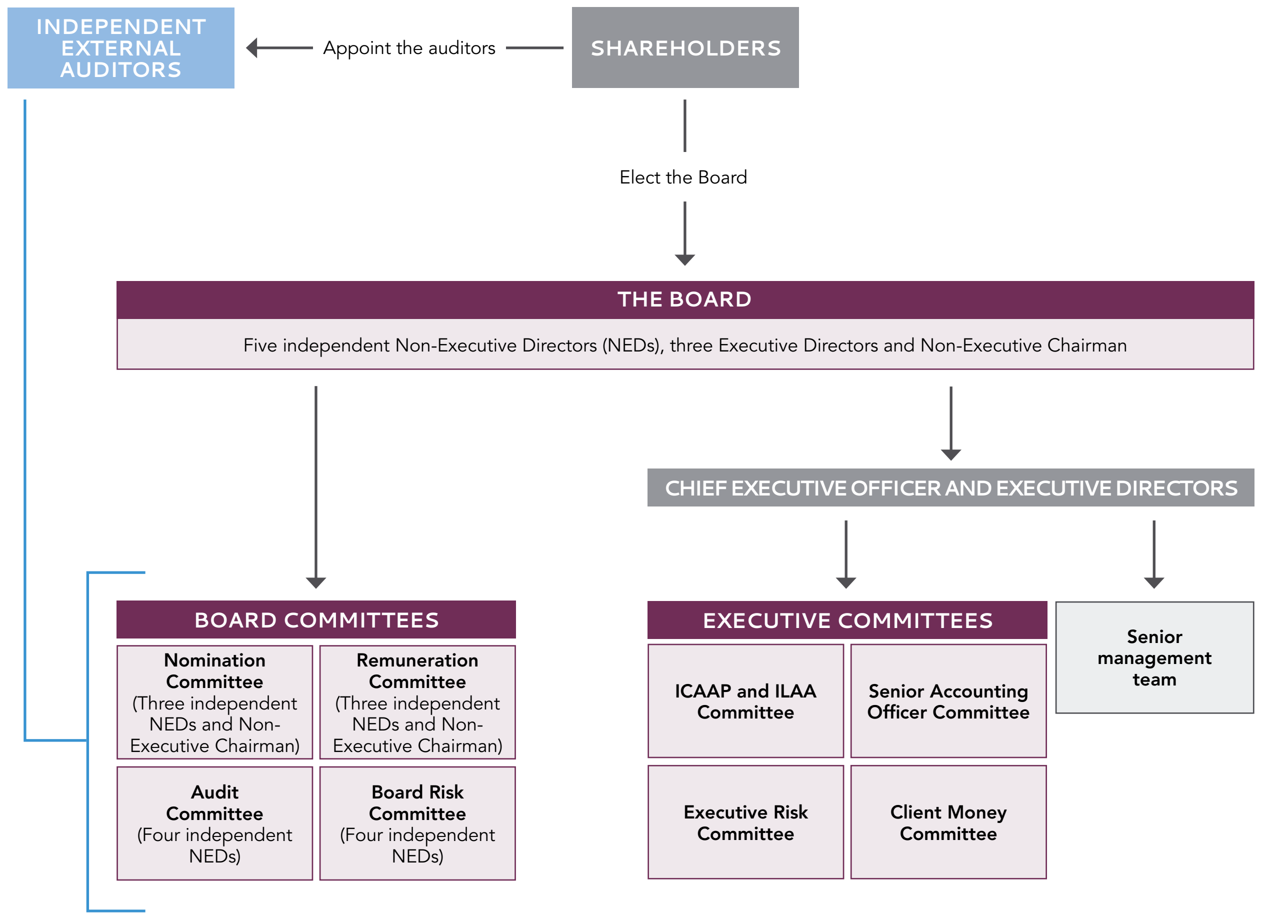
CORPORATE GOVERNANCE STATEMENT

STATEMENT OF COMPLIANCE

The UK Corporate Governance Code ('the Code') sets out the standards of good practice in relation to how a company should be directed and governed. As we have a Premium Listing on the London Stock Exchange, the Company reports in accordance with the Code published in 2012. The Code is published by the Financial Reporting Council (FRC) and further information can be found on their website at frc.org.uk.

The Board has reviewed the Code and considers that the Company has been compliant with its provisions for the year ended 31 May 2014.

OVERVIEW OF CORPORATE GOVERNANCE FRAMEWORK AS AT 31 MAY 2014



JONATHAN DAVIE
NON-EXECUTIVE CHAIRMAN, 67 YEARS OLD

Jonathan joined the Board as Chairman in January 2004. He is currently a Non-Executive Director of Persimmon plc and Hansa Trust plc, and also Chairman of First Avenue, an alternatives advisory boutique. Jonathan is a fellow of the Institute of Chartered Accountants, and he joined George M. Hill and Co, a jobber on the London Stock Exchange, in 1969. The firm was acquired by Wedd Durlacher Mordaunt and Co in 1970, and he became a partner in 1975. He was the Senior Dealing Partner when the company was acquired by Barclays Bank to form BZW in 1986. Jonathan developed BZW's fixed-income business prior to becoming Chief Executive Officer of the global equities division in 1991. In 1996 he became Deputy Chairman of BZW, and was appointed Vice Chairman of Credit Suisse First Boston in 1998, on its acquisition of some of BZW's businesses from Barclays Bank. Jonathan's in-depth understanding of the financial services sector and extensive experience on PLC boards has proved invaluable in promoting good governance and providing effective leadership of the Board. He will be stepping down from the Board following the Annual General Meeting on 16 October 2014, having served as Chairman for ten years.

TIM HOWKINS
CHIEF EXECUTIVE OFFICER, 51 YEARS OLD

Tim was appointed Chief Executive Officer of IG in 2006, having served as the Group's Finance Director since joining the company in 1999. Tim qualified as a Chartered Accountant with Ernst & Young, and is also a member of the Chartered Institute of Taxation. In 1990 he was one of a group of partners and staff who left Ernst & Young to form Rees Pollock, a firm of Chartered Accountants targeted at entrepreneurial, owner-managed businesses. He was a partner in Rees Pollock for seven years, and there developed a relationship with IG, taking responsibility for the Group's audit. With a strong finance background and a considerable number of years in the business, in his role as our Chief Executive Tim continues to work with the Board and lead IG to develop and implement our strategy. He is also a member of the Board and Executive Committee of FIA Europe, formerly known as the Futures and Options Association. Tim graduated from the University of Reading with a first-class degree in Mathematics and Computer Science.

CHRISTOPHER HILL
CHIEF FINANCIAL OFFICER, 43 YEARS OLD

Christopher joined the IG Board in April 2011 from Travelex, a group providing cross-border payment and foreign exchange services to corporate and retail customers, where he served as Chief Financial Officer. A Chartered Accountant, Christopher has extensive finance and accounting experience from a number of different business sectors. He has previously held roles at VWR International, a global laboratory-supply company (2005-2007), General Electric (2000-2005) and Arthur Andersen (1992-2000). Christopher graduated from Oxford University with a degree in Modern History and is an associate member of the Association of Corporate Treasurers.

PETER HETHERINGTON
CHIEF OPERATING OFFICER, 45 YEARS OLD

Peter was an officer in the Royal Navy prior to joining IG Group as a graduate trainee in 1994. In 1999 he became Head of Financial Dealing, and in 2002 he joined the Board following his appointment as Chief Operating Officer. Peter's considerable experience, built over 20 years in the business, is invaluable in his role as Chief Operating Officer. Peter graduated from Nottingham University with a degree in Economics, and from the London Business School with a Masters in Finance.

ROGER YATES
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR, 57 YEARS OLD

Roger joined the Board as Senior Independent Non-Executive Director in February 2006, and has over 28 years' experience in the fund management industry, both as an investment professional and a business manager. Roger brings a broad knowledge and understanding of investor issues and the financial services sector. He previously served as Chief Investment Officer of Invesco Global, and has held senior roles at fund management firms LGT and Morgan Grenfell. He joined Henderson Global Investors as Chief Executive in 1999, and in 2003 went on to lead its de-merger from its then parent AMP. He became Chief Executive of the resulting listed entity (now Henderson Group plc) until November 2008. He has previously served as a Non-Executive Director for F&C Asset Management plc, and is currently a Non-Executive Director of St James's Place plc and JPMorgan Elect plc, as well as Chairman of Electra Private Equity plc and Pioneer Global Asset Management SpA.

STEPHEN HILL
NON-EXECUTIVE DIRECTOR, 54 YEARS OLD

Stephen joined the IG Board in April 2011, bringing significant and extensive board experience across a wide range of businesses. He was the CEO of Betfair plc from 2003 to 2005, and prior to this he spent 15 years at Pearson plc in various managerial roles, including serving as CEO of the Financial Times Group from 1996 to 2002 and on Pearson's management board. He has been a member of the boards for Royal Sun Alliance Insurance Group plc, Psion plc and Channel 4. He was also Chairman of Interactive Data Corporation in the US from 1998 to 2002. Currently he is Chairman and CEO of D'Aval Limited, his family's private investment company, and Trustee and Chairman of the Royal National Institute for Deaf People – Action on Hearing Loss. He is also a member of the Advisory Board of the Cambridge Judge Business School and a Non-Executive Director of Applerigg Limited and Aztec Limited, a fund administration business, and of Ofcom, the independent regulator for the UK communications industries.

SAM TYMMS
NON-EXECUTIVE DIRECTOR, 50 YEARS OLD

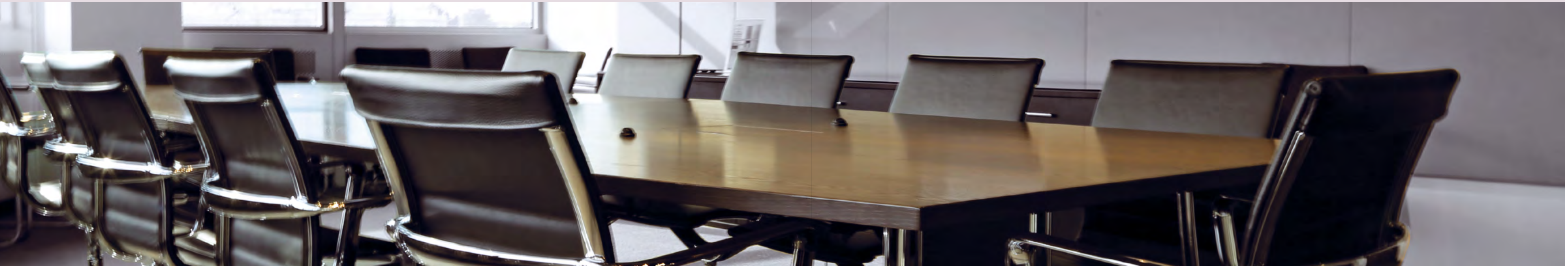
Sam joined the Board as a Non-Executive Director in May 2013. She is currently a Managing Director at Promontory Financial Group, a leading strategy, risk-management and regulatory-compliance consulting firm, where she advises financial services businesses on a wide range of risk and regulatory matters. Sam began her career in 1987 at the London Stock Exchange's Surveillance Division, which over time became the Securities and Futures Authority and eventually the Financial Services Authority. During that time she held a range of supervisory roles and worked for two years in the Investigations and Enforcement Division. As a supervisor, she ran departments overseeing global investment firms, retail and investment banks and major insurance groups. Sam's extensive experience in the regulatory field and her knowledge of compliance matters provide a valuable contribution to the Board.

MARTIN JACKSON
NON-EXECUTIVE DIRECTOR, 65 YEARS OLD

Martin joined the Board as a Non-Executive Director and Chairman of the Audit Committee in April 2005. A fellow of the Institute of Chartered Accountants, Martin has wide experience in financial services, having held a number of directorships in this sector. He was Group Finance Director of Friends Provident plc between 2001-2003, of Friends Provident Life Office from 1999- 2001 and of London & Manchester Group plc from 1992-1998, until the latter was acquired by Friends Provident Life Office. In April 2014 Martin stepped down from the Board of Admiral Group plc, where he had served as a Non-Executive Director since August 2004 and was Chairman of the Group Risk Committee. After nine years at IG, Martin will step down from the Board following the AGM on 16 October 2014.

JIM NEWMAN
NON-EXECUTIVE DIRECTOR, 49 YEARS OLD

Jim joined the Board as a Non-Executive Director in October 2013. He is currently Corporate Development Director for Friends Life Group, where his responsibilities have included overseeing the final separation and integration of the UK life businesses acquired by Resolution plc, as well as the delivery of the overall group change portfolio and strategic corporate development. Prior to this Jim, who is a qualified Chartered Accountant, was Finance Director for Resolution plc, having joined the company in 2005 as Group Financial Controller. Jim spent ten years at Aviva, where he was Group Integration Director for the CGU/Norwich Union merger and also Finance Director of Norwich Union Life, Aviva's UK life insurance business. His in-depth knowledge and experience of the financial services sector, as well as his considerable experience both as a CFO and in the implementation of transformation programmes, is proving invaluable to the Board.



LEADERSHIP

ROLE OF THE BOARD

The principal responsibility of the Board is to promote and ensure the long-term success of the Group through the creation and delivery of sustainable shareholder value. It provides guidance and leadership by setting the strategic direction of the Group and overseeing management's implementation of the strategy, within a framework of effective risk controls.

The Board seeks to ensure that, while the ultimate focus is on long-term growth, management also delivers on short-term objectives and achieves the right balance between immediate and future goals. When setting the Group's strategy and monitoring its implementation, the Board considers the impact its decisions may have on various stakeholders, such as employees, shareholders, suppliers and the environment as a whole. It is accountable for ensuring that, as a collective body, it has the appropriate skills, knowledge and experience to perform its role effectively.

The powers of the Board are set out in the Company's articles of association, which are available on the Group's website, iggroup.com. The Board may exercise all powers conferred on it by the articles and in accordance with the Companies Act 2006 and other applicable legislation.

Certain key decisions and matters are reserved for approval by the Board in order to ensure that it meets its responsibilities. These include:

- Setting Group strategy
- Approving major acquisitions, divestments and capital expenditure
- Approving expansion into new business or geographies
- Approving annual budgets
- Approving changes relating to the Group's capital structure, including reduction of capital
- Reviewing operational and financial performance
- Setting the risk appetite of the Group
- Approving any changes to the Group's risk management policy which materially increase the Group's risk profile
- Reviewing the Group's systems of internal control and risk management
- Approving Board, Board committee and company secretarial appointments
- Ensuring adequate succession planning for the Board and senior management
- Defining and setting Board committee terms of reference
- Approving policies relating to Directors' remuneration and the severance of Directors' contracts
- Receiving reports on the views of the Company's shareholders

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

Matters not specifically reserved for the Board are delegated to the Executive Directors. These include:

- Developing, recommending and implementing strategic plans for the Group
- Day-to-day monitoring of the Group's operating and financial results
- Prioritising the allocation of capital and resources
- Developing and implementing risk management systems, policies and procedures
- Promoting good standards of corporate governance and shareholder engagement

BOARD STRUCTURE

During the year, the Board had nine members – the Chairman, three Executive Directors, including the Chief Executive Officer, and five independent Non-Executive Directors.

The division of responsibilities between the Chairman and the Chief Executive Officer is set out in writing and has been approved by the Board.

The Chairman, Jonathan Davie, is responsible for leading the Board and creating the right conditions for its effective working and overall governance. He sets the Board's agenda, in consultation with the Chief Executive Officer and Company Secretary, taking full account of Board members' issues and concerns and the need to allow sufficient time for items on the agenda to be discussed. It is the Chairman's responsibility to encourage and facilitate active engagement by Directors, drawing on their skills, knowledge and experience. The Chairman is also responsible for ensuring there is effective communication with shareholders and other stakeholders, and that Directors are aware and maintain an understanding of their views.

The Chief Executive Officer, Tim Howkins, is responsible for recommending the Group's strategy to the Board, implementing the agreed strategy and managing the day-to-day business of the Group. This responsibility has been delegated to him by the Board, and he is accountable to the Board.

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

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

Roger Yates is the Senior Independent Non-Executive Director, and his role is to provide a sounding board for the Chairman and support him in the delivery of his objectives. He serves as a trusted intermediary for the other Directors when necessary. The Senior Independent Non-Executive Director is available to shareholders if they have concerns which communication via the normal channels of Chairman, Chief Executive Officer or other Executive Directors has failed to resolve, or when shareholders prefer to speak directly to him.

HOW THE BOARD OPERATES

The Board meets regularly – at least five times a year – and attends an additional off-site strategy day. There were nine Board meetings this year, including the annual strategy day.

The Board also meets when necessary to discuss important ad-hoc emerging issues that require consideration between scheduled Board meetings. Each Director committed an appropriate amount of time to their duties during the financial year, and the Non-Executive Directors met the time commitment specified in their letters of appointment.

The Chairman and Non-Executive Directors meet formally in the absence of the Executive Directors at least twice a year.

ATTENDANCE AT BOARD MEETINGS

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

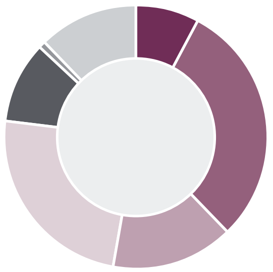
Board	Scheduled meetings eligible to attend	Scheduled meetings attended
Chairman		
Jonathan Davie	9	9
Independent Non-Executive Directors		
Stephen Hill	9	9
Martin Jackson	9	9
Jim Newman	7	7
Sam Tymms	9	9
Roger Yates	9	9
Executive Directors		
Tim Howkins	9	9
Peter Hetherington	9	9
Christopher Hill	9	9

HOW THE BOARD DISCHARGED ITS RESPONSIBILITIES IN THE YEAR

During the year, the Board has been engaged across the key areas of strategy, governance, risk and financial performance, as highlighted in the following chart. In addition to regular reviews of performance, the Board discussed risk appetite, capital and liquidity planning and talent management, including succession planning. The Board also held an off-site strategy day to review strategic options open to the Group in the context of the regulatory and economic environment.

BOARD ALLOCATION OF TIME

- Quarterly forecast and budget
- Strategy
- Business, operational highlights and current trading
- Risk and governance
- Financial performance
- Client money
- Other



BOARD COMMITTEES

To assist it with carrying out its responsibilities and to ensure that there is independent oversight of internal control and risk, the Board has delegated certain governance responsibilities to Board committees.

The Board committees are:

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Board Risk Committee

These Board committees comprise independent Non-Executive Directors and, in some cases, the Chairman. Each committee has agreed terms of reference approved by the Board, which are available on our corporate website.

The Chairman of each Board committee reports to the Board on the matters discussed at committee meetings, and the minutes of each committee meeting are made available to all Directors. Reports from the Chairman of each Board committee, including information on the committee's composition and activities in the year, can be found in the sections relating to each committee within this Annual Report.

During the year, the Board decided to create the Board Risk Committee in order to provide an appropriate level of challenge and oversight for the Group's Risk Management Framework. The activities, role and responsibilities of this committee are laid out and discussed in a report from its Chairman, Stephen Hill, on page 94.

EFFECTIVENESS

BOARD COMPOSITION

The Board's size, and the skills and experience of its members, have a significant impact on its effectiveness. The Board reviews these factors regularly to ensure that it has the right mix of skills and experience for constructive discussion and, ultimately, effective Board decisions.

INDUSTRY/BACKGROUND EXPERIENCE[1]

Experience	Number of Non-Executive Directors and Non-Executive Chairman
Financial services	6
Accountancy/finance expert	3
Regulatory	2
Marketing and PR	1
Current or recent Chief Executive Officer and/or Chairman	3
Prior plc experience	5

(1) Individual Directors may fall into one or more categories.

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

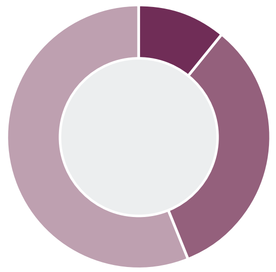
During the year, the Company was headed by an experienced Board of nine Directors, comprising an independent Non-Executive Chairman, three Executive Directors, including the Group Chief Executive Officer, and five independent Non-Executive Directors, one of whom is the Senior Independent Non-Executive Director. During the year Jim Newman joined the Board, on 1 October 2013, as a Non-Executive Director. The Company is fully compliant with Code provision B.1.2, which requires that at least half of the Board, excluding the Chairman, should comprise Non-Executive Directors who are determined by the Board to be independent.

DIRECTOR INDEPENDENCE

The Board considers and reviews the independence of each Non-Executive Director on an annual basis, as part of the Board effectiveness review. It considers factors such as length of tenure and relationships or circumstances which are likely to affect or appear to affect the Director's judgment in determining whether they remain independent. Following this year's review, the Board concluded that all of the Non-Executive Directors continue to demonstrate their independence.

COMPOSITION OF EXECUTIVE AND INDEPENDENT NON–EXECUTIVE DIRECTORS ON THE BOARD

- 1 Chairman
- 3 Executive Directors
- 5 Independent Non-Executive Directors



CONFLICTS OF INTEREST

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

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

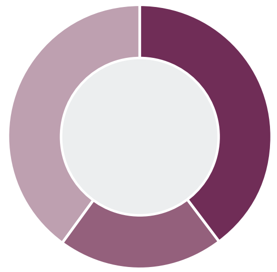
SUCCESSION PLANNING AND APPOINTMENTS TO THE BOARD

The Board uses succession planning to ensure that the Group is managed by executives with the necessary skills, experience and knowledge to deliver the Company's strategy, and that it has the right balance of individuals to be able to discharge its responsibilities. The Board regularly reviews its composition to keep it constantly refreshed. Any searches for Board candidates, and appointments made, are based on merit against objective criteria.

The Nomination Committee has specific responsibility for the appointment of Non-Executive and Executive Directors, and it recommends new appointments to the Board. The Board as a whole is also involved in overseeing the development of management resources across the Group.

LENGTH OF TENURE OF NON–EXECUTIVE DIRECTORS

- 2 0-3 years
- 1 3-6 years
- 2 6-9 years



INDUCTION AND PROFESSIONAL DEVELOPMENT

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

Inductions are tailored to each Director's individual experience, background and areas of focus. For example, Jim Newman's induction programme took into account his planned role replacing Martin Jackson as Chairman of the Audit Committee on the latter's departure from the Board.

Ongoing professional development and training is important, given the rapidly changing environment in which the Group operates. All Directors are given regular updates on changes and developments in the business and on any relevant legislative, regulatory and governance changes.

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

INFORMATION PROVIDED TO THE BOARD

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and compliance with applicable rules and regulations is observed. The Company Secretary also ensures appropriate and timely information flows within and to the Board and its committees, enabling the Board to exercise its judgment and make fully informed decisions when discharging its duties.

The Company Secretary supports the Chairman in setting the Board agenda, and Board papers are distributed to all Directors in advance of Board meetings via a secure electronic system. Directors receive financial and risk information on the company on a monthly basis, and they receive briefings from the Chief Executive Officer in the periods between meetings.

RE–ELECTION OF DIRECTORS

The UK Corporate Governance Code requires that all directors of FTSE 350 companies should be subject to annual election by shareholders. Each Director and the Board as a whole (excluding Andy Green, who was appointed after 31 May 2014) underwent a performance evaluation during the course of the year. Following this, all Directors with the exception of Jonathan Davie and Martin Jackson, who will be stepping down at the Company's Annual General Meeting (AGM) on 16 October 2014, will stand for re-election (or in the case of Andy Green, election) as relevant at the AGM.

BOARD EVALUATION

We conduct an annual evaluation of the Board's effectiveness. This year, it took the form of an internal assessment aiming to improve the Board's performance as a whole. The assessment process involved the use of a questionnaire covering the Board's composition and processes and its activities and behaviours. During this process, the Board reviewed its progress against the findings arising from its self-evaluation in the 2013 financial year. Particular progress has been made in the areas of Board induction on appointment and in ensuring appropriate processes, such as the use of experts, are in place to facilitate complex judgments.

The 2014 financial year evaluation concluded that the Board was operating effectively as a unitary body. Among other things, it was felt that the Board and the Board committees are effectively constituted. The level of discussion and the quality of debates at Board meetings are considered to be of a high calibre. The strategic aims of the Company are effectively set by the Board, and the Board creates a performance culture that drives value without exposing the Company to excessive risks.

While these findings indicated that overall the Board was operating effectively, and that each Director continued to demonstrate commitment to the role, we recognise the need to increase the level of focus on the long-term composition of the Board and the review of management information received by the Board. In addition, plans will be put in place to ensure the Board plays a more active role in talent management and succession planning below Board level.

We will report on our progress against these recommendations in next year's Annual Report.

The performance of the individual Executive Directors, other than the Chief Executive Officer, is appraised annually by the Chief Executive Officer, to whom they report. The Chief Executive Officer's performance is appraised annually by the Chairman, and the Chairman's performance is reviewed by the Non-Executive Directors. They are led by Roger Yates, the Senior Independent Non-Executive Director, and take into account feedback from the Executive Directors.

The UK Corporate Governance Code and the Financial Reporting Council's guidance on board effectiveness require the Board to evaluate its performance annually, and recommend that this evaluation should be externally facilitated every three years. In 2012, the Board commissioned an independent external Board effectiveness facilitator, Dr Tracy Long of Boardroom Review, who has no other connection to the Company, to assist in an evaluation of its effectiveness. In 2015, the Board will again use an external facilitator for this purpose.

ENGAGEMENT WITH SHAREHOLDERS

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

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

Our dialogue with institutional investors and shareholders is ongoing, and includes presentations by management around the time of the Group's year-end and half-year results announcements. These are coordinated by our Investor Relations team. We make these presentations available in real time on the Group's website, which also provides a wide range of other information to shareholders and prospective shareholders. We also respond to ad hoc requests from shareholders on a very regular basis.

The Chairman and Executive Directors hold meetings with the Company's largest institutional shareholders and market analysts to discuss governance, business strategy and financial performance. Non-Executive Directors are also available to meet with institutional shareholders when required. During the year, Roger Yates met with major shareholders to discuss the Group's remuneration policy in his capacity as Chairman of the Remuneration Committee.

Following all investor presentations and meetings, feedback is passed to the Board on any opinions or concerns expressed by shareholders. The Directors receive regular updates on shareholder views, as well as analysts' reports on market perception of the Group's performance and strategy, and are made aware of the financial expectations of the Group from the outside market.

The Board also uses the Annual General Meeting (AGM) to communicate with private and institutional investors, and we welcome their participation. We send the Annual Report and notice of the AGM to shareholders, or make them available on the Group's website, at least 20 working days before the date of the meeting. The Notice of AGM sets out a clear explanation of each resolution to be proposed at the meeting. Shareholders have the opportunity to ask questions and, if they are unable to attend, can submit written queries in advance of the meeting. At the meeting, we will make available to shareholders full details of the proxy votes received on each resolution, and we will also publish these on the Company's website on the same day. The Chairman aims to ensure that all the Directors, including the Chairmen of the Board committees, are available at the AGM to answer questions.

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

NOMINATION COMMITTEE

Jonathan Davie, Chairman of the Nomination Committee, gives his review of the committee's activities during the financial year.

	Scheduled meetings eligible to attend	Scheduled meetings attended
Chairman of the Nomination Committee		
Jonathan Davie[1]	3	3
Independent Non-Executive Directors		
Martin Jackson	6	6
Jim Newman	3	3
Roger Yates	6	6

(1) Jonathan Davie did not attend meetings relating to the search for a new Chairman.

CHAIRMAN'S OVERVIEW

The committee's purpose is to ensure that the Board's composition, in terms of structure, size, skills and experience, meets the Company's needs. We maintain and implement an effective succession plan to ensure that the Board is progressively refreshed. This year, our attention has centred on the appointment of a new Non-Executive Director to replace Martin Jackson and the search, led by Roger Yates, for a replacement Chairman. The latter was essential to ensure an orderly succession on my retirement from the Board in October 2014.

COMMITTEE MEMBERSHIP AND ATTENDANCE

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

ROLE OF THE NOMINATION COMMITTEE

The responsibilities of the committee are to:

- Review the composition of the Board and Board committees to ensure that they are appropriately balanced in terms of skills, knowledge and experience
- Ensure that there is a formal, rigorous and transparent procedure for the appointment of new Directors
- Recommend appointments to the Board
- Ensure that plans are in place for orderly succession, for appointments to the Board and to other senior management positions

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

ACTIVITY DURING THE FINANCIAL YEAR

In 2013, we announced that Martin Jackson and I will be stepping down from the Board, as Non-Executive Director and Chairman respectively, at the Annual General Meeting (AGM) in October 2014. The committee therefore put into action a succession-planning process for both roles.

We engaged an external search agency to support us in appointing a Non-Executive Director to replace Martin Jackson, both as a Non-Executive Director and as Chairman of the Audit Committee. JCA Group, which has no other connection with the Company, assisted with the recruitment process and conducted an extensive search and benchmarking exercise. We provided a brief setting out the role specification and the desired skills, knowledge and experience to the search consultants, who identified a shortlist of potential candidates. Following detailed due diligence and an extensive interview process by members of the committee, we selected Jim Newman as the most suitable and preferred candidate, on the basis of his strong background in finance and understanding of UK financial governance. Jim's experience of financial services regulation complements the Group's business strategy and activity, and is highly relevant to the markets in which we operate. We recommended his appointment to the Board, and he formally took up his position on 1 October 2013.

During the year, the committee also began the search for a new Chairman, with the process being led by Roger Yates, the Senior Independent Non-Executive Director. We appointed the Zygos Partnership, an executive search firm, to assist us. The Zygos Partnership has no other connection with the Company. The committee, along with the Board, agreed the specification for the role. This was based on objective criteria, including the skills, experience, knowledge and capabilities required for the role of Chairman. We also specified that candidates must be able to give the necessary time commitment to the role. The Zygos Partnership prepared a list of potential candidates, following which a shortlist of individuals were interviewed by the committee members (other than myself), the Non-Executive Directors and the Executive Directors.

As the current Chairman of the Company, I did not chair the Nomination Committee meetings and discussions leading to the appointment of the new Chairman. After extensive interviews and a due diligence exercise, the committee recommended to the Board the appointment of Andy Green as Chairman Designate. The Board took into account Andy's wealth of corporate experience and in-depth knowledge of leading-edge technology and marketing when making its decision on his appointment. Following regulatory approval by the Financial Conduct Authority, we were pleased to announce in June 2014 that Andy would join the Board as Deputy Chairman, and will succeed me as Chairman at the AGM in October 2014.

In addition to overseeing appointments to the Board, the committee also reviewed the membership of the Board committees during the year. Following the committee's recommendation, and with the Board's approval, Stephen Hill stepped down as a member of the Audit Committee and was appointed Chairman of the newly created Board Risk Committee.

The Nomination Committee recommended to the Board that the committee would benefit from an additional member. As a result, Jim Newman was appointed as a member of the Nomination Committee in December 2013.

DIVERSITY POLICY

As a business, we are committed to maintaining a diverse workforce at all levels across the Company, and more information on how we do this can be found in the Our People section, on page 27.

The Directors understand the significant benefits that come with having a diverse Board. We recognise the importance of gender diversity on the Board, however we believe that diversity is a wider issue and also includes variations in experience, skills, personal attributes and background. While the Board supports Lord Davies' recommendations, as set out in his report on 'Women on Boards', the Nomination Committee has not set a specific target for female representation on the Board. We continue to appoint on merit, based on the skills and experience required for membership of our Board, while giving consideration to gender diversity when the committee reviews the Board's composition. For appointments to the Board, we use executive search firms who have signed up to the voluntary code of conduct setting out the key principles of best practice in the recruitment process. These principles include a recommendation that search firms should consider gender diversity when drawing up a shortlist of candidates.

NOMINATION COMMITTEE ALLOCATION OF TIME

Jonathan Davie
Chairman, Nomination Committee
22 July 2014

Roger Yates, Chairman of the Remuneration Committee, gives his review of the committee's activities during the financial year.

	Scheduled meetings eligible to attend	Scheduled meetings attended
Chairman of the Remuneration Committee		
Roger Yates	6	6
Independent Non-Executive Directors		
Jonathan Davie	6	6
Stephen Hill	6	6
Martin Jackson	6	6

CHAIRMAN'S OVERVIEW

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 May 2014, which, in accordance with the new reporting regulations, is split into two parts:

- The Directors' Remuneration Policy report sets out the remuneration policy and framework for 2014 and beyond, which will be subject to a binding vote at this year's Annual General Meeting (AGM)
- The Annual Report on Remuneration sets out the remuneration paid to Directors in respect of the 2014 financial year, together with details of how the remuneration policy will be implemented for 2015, which will be subject to an advisory vote at this year's AGM

In addition to the two votes referred to above, a separate resolution is being put forward which will permit the Company to use newly issued shares when satisfying awards under the existing long-term incentive plan (LTIP), subject to the existing 10% in ten years dilution limit covering all our share plans. This limit has previously been agreed with shareholders for other share plans. Executive Directors are not eligible to participate in this LTIP; it applies to selected individuals in key manager roles below Board. Full details will be provided in the Notice of AGM.

CHANGES IN OUR PAY STRUCTURE APPROVED LAST YEAR

As I reported in last year's Remuneration Report, the committee has spent significant time over the past two years reviewing its executive remuneration policy. The goal of the review was to assess whether IG's executive remuneration structure supports the business strategy and encourages the delivery of safe and sustainable growth in long-term shareholder value. The high-level conclusion of this review was that the structure in place between 2010 and 2013 was no longer aligned with an organisation at IG's stage of development. The long-term incentive plan known as the value-sharing plan (VSP), in particular, was too highly 'geared', with very high upside potential linked to exceptional growth, but with insufficient emphasis on driving sustained, reliable performance. Also, due to the high upside potential in the VSP, base salaries had fallen behind, at 80-90% of mid-market levels. In reducing the upside gearing in the VSP it was also essential to address the relatively uncompetitive nature of the base salaries.

As a result of the review, the committee recommended several changes which were disclosed in last year's Notice of AGM and supported by shareholders:

- The establishment of a new, simpler remuneration policy, with a single incentive plan – the sustained performance plan (SPP) – to replace both the existing annual bonus and the VSP for the Executive Directors. The SPP is entirely share-based, with a lower maximum award size (5 x base salary for maximum performance) than the combined previous plans, and with extended vesting periods (up to seven years)
- The introduction of minimum shareholding guidelines for Executive Directors (2 x base salary for the Chief Executive Officer and 1 x base salary for other Executive Directors)
- Salary increases of 7.5% for all Executive Directors, effective 1 June 2013, in order to bring the Directors closer to mid-market levels against FTSE 250 companies of a similar size

The committee's recommendations were supported by over 90% of shareholders at the 2013 AGM. We are grateful to shareholders for their trust and support in this vote.

THE BUSINESS CONTEXT IN 2014

The current year saw IG invest significantly in longer-term strategic projects, including the launch of stockbroking, expansion into Switzerland and increased emphasis on mobile technology. Against this backdrop, revenue for 2014 was £370.4 million, which represents a 2.4% increase on 2013, and diluted earnings per share increased by 3.6% to 40.18 pence per share. Own funds increased by £60.4 million and, in recommending a total dividend of 28.15 pence, an increase of 21.1%, the Board is proposing an increase in the ordinary dividend payout ratio to approximately 70% of earnings for the financial year 2014 from the current level of 60%, while retaining a progressive dividend policy in the future.

REMUNERATION OUTCOMES FOR 2014

For the 2014 plan year, the Executives will receive awards under the SPP with a face value of 2.7 x base salary, representing 54% of maximum possible award. We believe this award is reflective of the 2014 performance and business context as set out above.

The 2014 award under the SPP is driven by three measures:

- Earnings Per Share (EPS) – 45% of the maximum potential award. The EPS target range for 2014 was set by the committee at 37.50 pence to 42.00 pence, with a linear relationship in between. Our actual EPS of 40.18 pence resulted in 59.6% of this portion being granted
- Total Shareholder Return (TSR) – 35% of the maximum potential award. The Company achieved a TSR of 19%, which ranked the Company slightly above the median of the peer group, resulting in 27% of this portion being granted
- Non-financial metrics – 20% of maximum potential award. The committee looks at the Company's execution and delivery of key strategic initiatives and performance against key quantitative and qualitative non-financial metrics. This year, the performance against these metrics was strong and resulted in a 90.5% achievement level

We remind shareholders that the SPP is the Company's only Executive Director incentive plan for 2014, and has replaced both the annual bonus and long-term incentive plans.

In addition, the Executive Directors will receive a small vesting from their 2011 VSP awards. Full details of these awards are set out on page 81.

Finally, the committee has recommended a 3% base salary increase for the Executive Directors to take effect from 1 June 2014. To provide some context, the general increase for employees across the Group is expected to be around 4%.

The committee believes shareholders deserve thorough disclosure on remuneration. To this end, the Company has set out extensive explanation of the judgments it has made in making the above awards. This disclosure is set out in the Annual Report on Remuneration on page 75.

The committee has worked over the past 18 months to ensure that the recent changes to the Executive Directors' remuneration policy support the Group's strategy and objectives over the longer term and reflect the sustained, strong performance of the Group and its executive team. Given the level of consultation with shareholders during the remuneration review, we hope you continue to be supportive of the remuneration policy we introduced last year and of our implementation of such for 2014.

IMPLEMENTATION OF REMUNERATION POLICY FOR 2015

For 2015, the committee will use the same three metrics described above, in the same proportions. Accordingly, EPS will drive 45%, TSR will drive 35% and non-financial metrics will drive 20% of the maximum potential award.

In relation to the EPS targets, the committee has ensured a sufficiently stretching range has been set by taking account of a number of internal and external reference points. The target range will be disclosed in next year's report.

I hope that you will be supportive of the remuneration resolutions to be proposed at the next AGM. If in the meantime you have any questions regarding our remuneration policy then my colleagues and I on the Remuneration Committee would be pleased to consider them.

Roger Yates
Chairman, Remuneration Committee
22 July 2014

In line with new regulations governing the disclosure and approval of directors' remuneration, our Directors' Remuneration Report is split into two sections:

Directors' Remuneration Report

The Remuneration Committee's objective is to ensure remuneration encourages, reinforces and rewards the delivery of shareholder value. As such, it has implemented a remuneration policy which provides a framework for making decisions, including those covering the remuneration of Executive Directors.

PREPARATION OF THE DIRECTORS' REMUNERATION REPORT

Our Directors' Remuneration Report covers the remuneration of the Executive and Non-Executive Directors of IG Group Holdings plc. In line with new regulations governing the disclosure and approval of directors' remuneration, the report is split into three parts: the preceding annual statement from the Chairman of the Remuneration Committee, a Directors' Remuneration Policy and an Annual Report on Remuneration which follow.

We have prepared the Remuneration Report in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), and it complies with the Financial Conduct Authority's Listing Rules. In developing our remuneration policy, we have taken into account the principles of the UK Corporate Governance Code 2012 and the views of our major shareholders.

The disclosures required under Article 450 of the Capital Requirements Regulation are provided on the corporate website and accordingly are not detailed within the Directors' Remuneration Report or elsewhere in the Annual Report.

Unless otherwise stated, information and disclosures within the Directors' Remuneration Report are unaudited. The regulations require the Company's auditors to report on the audited information in the report and to state that this section has been properly prepared in accordance with these regulations. The audited sections, which fall within the Annual Report on Remuneration, have been clearly identified.

The Directors' Remuneration Policy will be put to a binding shareholder vote at the 2014 Annual General Meeting (AGM).

DIRECTORS' REMUNERATION POLICY

This part of the Directors' Remuneration Report sets out the remuneration policy for the Directors and, subject to approval, will take effect from 16 October 2014, the date of the AGM.

THE ROLE OF THE REMUNERATION COMMITTEE

The committee is responsible for making recommendations to the Board on the Group's senior executive remuneration policy. Operating within defined and agreed terms of reference, it determines an overall remuneration package for the Executive Directors in order to attract and retain high-quality Directors capable of achieving the Group's objectives. The committee's terms of reference can be found on our corporate website at iggroup.com.

The committee sets and agrees with the Board a competitive and transparent remuneration framework which is aligned to the Company strategy and is in the interests of both the Company and its shareholders. The committee determines the contractual terms, remuneration and other benefits for each of the Executive Directors, including performance-related incentive arrangements, pension rights, compensation payments and share-incentive awards.

The committee's other responsibilities are to:

- Determine and review the Group's remuneration policy, ensuring it is consistent with effective risk management across the Group, and to consider the implications of this remuneration policy on risk
- Determine and agree the policy for the remuneration of the Board Chairman and the Executive Directors
- Review and note pay and employment conditions and the remuneration trends across the Group
- Approve all share-based awards under the Group's employee incentive schemes, to determine each year whether awards will be made and, if awards are made, to monitor their operation, the size of such awards and the performance targets to be used
- Establish the selection criteria, appoint and set the terms of reference for any remuneration consultants who advise the committee
- Monitor regulatory developments, including those affecting UK-listed companies and financial services firms, to ensure the Company's remuneration policy is consistent with these

The Board determines the remuneration of Non-Executive Directors.

OBJECTIVES OF THE REMUNERATION POLICY

The Remuneration Committee's objective is to ensure remuneration encourages, reinforces and rewards the growth of shareholder value. As such, it has implemented a remuneration policy which provides a framework for making decisions, including those covering the remuneration of Executive Directors. The remuneration policy is set to ensure that remuneration has the ability to attract and retain senior executives of a high calibre, remains competitive and provides appropriate incentive for performance.

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

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

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

The committee is also mindful of ensuring that there is an appropriate balance between the level of risk and reward for the individual, the Company and our shareholders. When setting levels of variable remuneration, the degree of stretch in performance conditions and the balance of equity and cash within a package, consideration is given to obtaining the appropriate balance of each so as not to encourage unnecessary risk-taking. As well as financial risk, the committee also ensures that there is an appropriate focus on regulatory and governance matters.

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

The table on pages 64-69 summarises each element of the remuneration policy for the Executive Directors, explaining how each element operates and how each part links to the corporate strategy.

CHAIRMAN'S STATEMENT
STRATEGIC REPORT
CORPORATE GOVERNANCE REPORT
FINANCIAL STATEMENTS
INVESTOR RESOURCES

Key elements of remuneration

PURPOSE AND LINK TO STRATEGY	OPERATION	OPPORTUNITY	PERFORMANCE METRICS	RECOVERY OR WITHHOLDING
BASE SALARY				
Provides a sound basis on which to recruit and retain key employees of appropriate calibre to deliver the strategic objectives of the Company. Reflects the market value of the role and the post-holder's experience, competency and performance within the Company.	Salaries are normally reviewed by the committee annually, and are usually fixed for 12 months commencing 1 June. Any salary increase may be influenced by: • Scale, scope and responsibility of the role • Experience of the individual and his or her performance • Average change in wider workforce pay • Business performance and prevailing market conditions • Commercial need • Periodic benchmarking of similar roles at comparable companies selected on the basis of comparable size, complexity, geographic spread and business focus	The general policy is to pay around mid-market levels, with annual increases typically in line with the wider workforce. Increases beyond the percentage increases granted to the wider workforce may be awarded in exceptional circumstances, such as: • Where there is a change in the individual's responsibility • Where the salary set at initial appointment was below the level expected once the individual gains further experience and a track record of performance in the role An above-market positioning may be appropriate, in exceptional circumstances, to reflect the criticality of the role and the individual's experience and performance. Base salary levels for the financial year ending 31 May 2015 are: T A Howkins – £472,200 C F Hill – £330,500 P G Hetherington – £354,300 (FTE)	No performance metrics apply to base salary.	No recovery or withholding applies to base salary.
BENEFITS				
Competitive, cost-effective benefits to help recruit and retain Executive Directors and senior management.	Benefits may include, for example, private medical insurance, discounted health club membership and life assurance. Cash alternatives may be provided for any or all of these benefits, depending on individual circumstances. Relocation and related benefits may be offered where a Director is required to relocate.	The aim is to provide market-competitive benefits, and their value may vary from year to year, depending on the cost to the Company from third-party providers. Benefits constitute a small percentage of total remuneration.	No performance metrics apply to benefits.	No recovery or withholding applies to benefits.
PENSION				
Market-competitive, cost-effective retirement benefits attract and retain executives.	The Group contributes to Executive Directors' personal pension plans. Executives have the option to receive part, or all, of their pension contribution as a cash allowance in lieu of Company pension contributions.	The company may contribute up to 15% of base salary to pension, an equivalent cash allowance in lieu, or a mixture of both.	No performance metrics apply to retirement benefits.	No recovery or withholding applies to retirement benefits.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

Key elements of remuneration (continued)

SUSTAINED PERFORMANCE PLAN (SPP)

PURPOSE AND LINK TO STRATEGY

Approved by shareholders at the 2013 AGM, the SPP provides a single incentive plan for Executive Directors rather than having separate annual and long-term plans.

It provides a simple and competitive incentive mechanism that encourages and rewards both annual and sustained long-term performance, linked to the Company's strategic objectives.

The SPP encapsulates traditional annual bonus and long-term incentive plans. It is entirely share-based, encouraging executives to build up a substantial stake in the Company, thereby aligning the interests of management with shareholders.

OPERATION

We are initially operating the SPP by reference to five consecutive 'plan years'. The first plan year was the financial year ended 31 May 2014.

Awards of shares (either in the form of par value options, nil cost options or conditional awards), known as 'plan contributions', are made after the announcement of results relating to each plan year.

Plan contributions are granted by reference to achievement against applicable performance targets and accumulate within a participant's 'plan account'.

Each year, a percentage of the accumulated balance in the plan account vests (ie options or awards are released to participants).

Therefore, a participant's plan account will comprise the sum of the plan contribution (if any) being made in relation to the relevant plan year plus the accumulated awards registered in the plan account from previous plan years.

In the first five plan years, a participant's plan account vests as follows:

Following	% of cumulative shares in plan account vesting
Plan year 1	40.0%
Plan year 2	40.0%
Plan year 3	33.3%
Plan year 4	33.3%
Plan year 5	33.3%

After plan year 5, the committee may at such time (or at a later date during the life of the SPP) close the operation of the plan.

If the SPP is closed following plan year 5, unvested awards remaining in the plan account will vest in tranches of 50%, 25% and 25% on the first, second and third anniversaries of the SPP's closure. The same principles will apply on a later termination of the plan.

Participants may receive a payment at the time of delivery of vested shares of an amount equivalent to the dividends that would have been paid on those shares while in the plan account (adopting a first-in, first-out basis). This amount may assume dividend reinvestment. Dividends will not accrue on vested but unexercised awards.

OPPORTUNITY

The maximum plan contribution in respect of a plan year is an award of shares with a market value of no more than 500% of an executive's annual rate of salary.

PERFORMANCE METRICS

The quantum of any awards granted is dependent on performance against performance targets set by the committee for each relevant financial year.

Performance targets may comprise, for example, diluted earnings per share (DEPS) targets, Total Shareholder Return (TSR) and non-financial measures. Performance is measured over single plan years (financial years) except for TSR (from plan year 2 – awards in respect of financial year ending 31 May 2015). We currently intend to apply the following performance criteria:

- DEPS – a sliding scale of targets will apply for each plan year. The targets will be set at the start of each plan year. Targets and performance will be disclosed retrospectively in the Annual Report on Remuneration for the relevant financial year-end
- Relative TSR – the Company's share price (plus dividends reinvested) performance will be measured against an appropriate comparator group. For the first plan year, performance is based on that plan year alone; for the second plan year, performance is based on plan years 1 and 2; thereafter performance is measured over three plan years ending with the plan year being reported on. The committee retains the discretion to scale back the level of award if it feels the Company's underlying financial performance does not warrant the level of award resulting from TSR performance alone
- Non-financial – these may comprise strategic goals, operational and client satisfaction measures for each plan year. Targets and performance will be disclosed retrospectively

Where possible, a sliding scale of targets will be set. For the DEPS and relative TSR measures, no more than 25% is payable for achieving threshold performance, rising to full payout for achieving a more challenging target.

The scorecard of financial, share price and non-financial metrics may vary from year to year in accordance with strategic priorities and the regulatory environment.

At the time of determining the contribution for plan year 5, in the event that the committee feels the Company's underlying financial performance over the first five plan years has not been satisfactory, the committee may scale back the final balance of the plan account.

RECOVERY OR WITHHOLDING

The committee may decide within three years of a plan contribution that the underlying award will be subject to clawback. This may happen where there has been a material misstatement in the Company's financial results or an error in assessing any applicable performance condition. It may also be triggered if there has been substantial failure of risk management, or if the participant's employment is terminated for serious misconduct. The clawback may be satisfied by a reduction in the amount of any subsisting plan account, a reduction in the vesting of any subsisting vested awards or future share awards and/or a requirement to make cash payment.

Key elements of remuneration (continued)

PURPOSE AND LINK TO STRATEGY	OPERATION	OPPORTUNITY	PERFORMANCE METRICS	RECOVERY OR WITHHOLDING
ALL-EMPLOYEE SHARE SCHEMES				
All employees including Executive Directors are encouraged to become shareholders through the operation of an HMRC-approved share-incentive plan (SIP) and/or such other all-employee share plans as the Company may adopt in the future.	The SIP is a flexible, tax-efficient, all-employee plan. Partnership, free, dividend and matching shares may be granted under the SIP. If other HMRC-approved all-employee plans are introduced, they will operate in accordance with HMRC guidance and limits. Similar non-UK plans may be operated to enable non-UK employees and Directors to participate.	HMRC or non-UK plan equivalent limits will apply to any all-employee schemes that may be introduced. This currently constitutes a small proportion of Executive Directors' total remuneration.	No performance metrics tend to apply, although they may be introduced where applicable and if appropriate.	No recovery or withholding applies to all-employee share schemes.
SHARE OWNERSHIP POLICY				
Aligns the interests of management and shareholders and promotes a long-term approach to performance and risk management.	A share ownership policy was introduced from the financial year ending 31 May 2014. Under this policy, the Chief Executive Officer is required to hold shares to the value of a minimum of 200% of base salary, and for other Executive Directors a requirement of 100% of base salary applies. Only shares owned outright by the Executive Director are included in the guideline, which must be achieved within five years of the introduction of the policy or, if later, from the date of appointment to the Board. The committee will review progress annually, with an expectation that Executive Directors will make progress towards achieving the shareholding policy each year.	Not applicable.	Not applicable.	Not applicable.

NOTES TO THE POLICY TABLE

Choice of performance measures:

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

Metric	Rationale and link to the strategic KPIs	How performance measures are set
Total Shareholder Return (TSR) relative to a suitable benchmark group (Current weighting: 35%)	TSR measures the total return to IG Group's shareholders, both through share price growth and dividends paid, and as such it is aligned to shareholder interests. TSR is influenced by how well IG Group performs on a range of other metrics, including financial indicators such as revenue, profit, cash generation and dividends, and non-financial indicators such as client satisfaction and operational performance.	The committee sets the requirements for each plan year. The current benchmark group comprises the constituents of the FTSE 350 index (excluding investment trusts).
Diluted earnings per share (DEPS) (Current weighting: 45%)	DEPS is a key indicator of the profits generated for shareholders, and a reflection of both revenue growth and cost control.	The committee determines appropriate performance targets each year, taking account of the annual and longer-term business plans. DEPS is calculated on such adjusted basis as the committee reasonably selects (eg adjusting for the effects of any share buybacks).
Non-financial performance (Current weighting: 20%)		
Customer satisfaction	We measure customer satisfaction against a number of indicators. One such indicator is the Net Promoter Score (NPS) data supplied by Investment Trends. NPS is a measure of whether clients would recommend IG Group. It is calculated by asking respondents how likely they are to recommend the Company to a friend or colleague. Respondents reply on a 0-10 scale, with the final NPS calculated as the percentage of promoters (those answering 9 or 10) minus the percentage of detractors (those answering 0-6). In addition, the numbers of active and new clients and revenue per client are indicators of client satisfaction and sustainability of revenues.	We assess performance by comparing IG Group's performance against other companies in the sector, with the aim of maintaining a high NPS score relative to the sector average.
System reliability/uptime	System reliability or uptime is a key measure of the resilience of our trading platforms, which is an essential element of revenue generation and client satisfaction.	The committee assesses performance relative to prior years, internal targets and sector averages.
Other	Other non-financial criteria may include, for example, effective risk management, execution of strategic initiatives, sustaining the Company's excellent reputation and maintaining a good standing with regulators.	Criteria are set each year by the committee, and assessed 'in the round', taking account of activities and achievements during the year.

NOTES TO THE POLICY TABLE (CONTINUED)

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

Incentive plan discretions

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

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

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

Legacy arrangements

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

REMUNERATION SCENARIOS FOR EXECUTIVE DIRECTORS

As a result of the Company's remuneration policy, a significant proportion of the remuneration received by Executive Directors depends on Company performance. The chart on page 71 shows how total pay for the Executive Directors varies under three different performance scenarios: minimum, target and maximum:

Minimum

This comprises the fixed elements of pay, being base salary, benefits and pension. Base salary and pension was effective at 1 June 2014 and the benefits value is the actual value for the year ending 31 May 2013.

Target

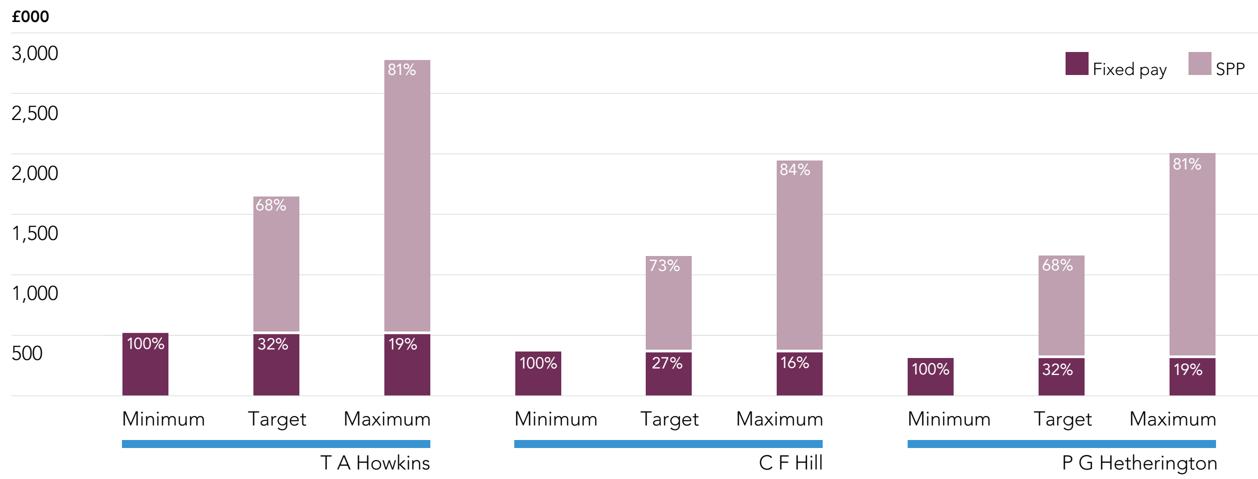
This comprises fixed pay and the target value of SPP (250% of salary).

Maximum

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

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

REMUNERATION SCENARIOS FOR EXECUTIVE DIRECTORS



EXECUTIVE DIRECTORS' SERVICE CONTRACTS

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

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

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

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

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

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

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

Sustained performance plan awards

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

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

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

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

Value-sharing plan (VSP) awards – legacy plan

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

Deferred bonus share awards – legacy plan

As a general rule, awards which have not vested will lapse when employment ceases. For the same good leaver reasons as set out above under the VSP, awards will vest on the date of cessation unless the Remuneration Committee determines that the original vesting date should apply. The committee has the discretion to determine that an Executive Director is a good leaver.

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

REMUNERATION POLICY ACROSS THE COMPANY

We have designed the remuneration policy for the Executive Directors and senior management with regard to the policy for employees across the Company as a whole. The committee is kept updated through the year on general employment conditions, basic salary-increase budgets, the level of bonus pools and payouts and participation in share plans. The committee is therefore aware of how total remuneration at the Executive Director level compares to the total remuneration of the general population of employees. Common approaches to remuneration policy which apply across the Company include:

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

RECRUITMENT REMUNERATION POLICY

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

We set the remuneration package for a new Executive Director in accordance with the Company's approved remuneration policy, as detailed on page 71 of the Directors' Remuneration Report, subject to the additional provisions described below. The maximum level of variable remuneration (excluding any buyout arrangements) that we can offer to a new executive on an annual basis will be in accordance with the sustained performance plan limit, being 500% of salary.

In many cases, where we make an external appointment, the individual will forfeit incentive awards connected with their previous employment on resignation. The committee may therefore decide to offer further cash or share-based payments to 'buy out' these existing entitlements by making awards of a broadly equivalent value, in the committee's view. These awards can be made either under the Company's existing incentive plans or via other arrangements. In determining the appropriate form and amount of any such award, the committee will consider various factors. These include the type and quantum of award, the length of the performance period and the performance and vesting conditions attached to each forfeited incentive award.

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

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

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

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

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

CHAIRMAN AND NON–EXECUTIVE DIRECTORS

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

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

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

CONSIDERATION OF SHAREHOLDER VIEWS

The committee engages proactively with the Company's major shareholders. For example, when making any material changes to the remuneration policy, the Remuneration Committee Chair will inform major shareholders of these in advance, and will offer a meeting to discuss details as required. During June to August 2013, the Chairman, Jonathan Davie, and the Chairman of the Remuneration Committee, Roger Yates, consulted with the main shareholder advisory bodies, the ABI and ISS/RREV, and our major shareholders. They discussed the proposed sustained performance plan, which was approved by shareholders at the October 2013 Annual General Meeting (AGM).

CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE COMPANY

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

ANNUAL REPORT ON REMUNERATION

This part of the report includes a summary of how we will apply the remuneration policy for the financial year ending 31 May 2015, and how we implemented it in the financial year ended 31 May 2014 (including payment and awards in respect of incentive arrangements). We also give details of the Remuneration Committee's operation, the Directors' share interests and how shareholders voted at the 2013 AGM.

IMPLEMENTATION OF REMUNERATION POLICY FOR THE FINANCIAL YEAR ENDING 31 MAY 2015

Base salaries

Base salaries for Executive Directors are reviewed annually by the committee. The Remuneration Committee decided to increase base salaries by 3% for the forthcoming year, which is below the average salary increase across the workforce – expected to be around 4%. Base salary is the only pensionable component.

The base salaries as at 1 June 2014 and increases from the prior year are:

	2015 £	2014 £	Increase
T A Howkins	472,200	458,500	3%
C F Hill	330,500	320,900	3%
P G Hetherington(1)	283,400	275,200	3%

(1) P G Hetherington is paid a reduced pro-rata salary of £283,400, calculated as 80% of his full-time equivalent salary of £354,300, to reflect his flexible working arrangements.

Chairman and Non-Executive Directors' fees

The Chairman and Non-Executive Directors' fees were reviewed in July 2014 and the fee levels for the forthcoming financial year are:

Chairman: £191,500 (unchanged during the financial year ending 31 May 2014 and to apply until Jonathan Davie steps down from the Board on 16 October 2014).

Chairman Designate: £235,000 (Andy Green will succeed Jonathan Davie and his current fee shall remain unchanged. The fee was set by the committee after taking into account the experience of the individual and Chairman fee levels in the market).

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

Non-Executive Director base fee: £55,000 (increased from £53,000 during the financial year ending 31 May 2014).

Chairman of the Audit Committee additional fee: £15,000 (increased from £13,500 during the financial year ending 31 May 2014).

Chairman of Board Risk Committee additional fee: £15,000 (introduction of fee during the financial year ending 31 May 2015).

Combined role of Chairman of the Remuneration Committee and Senior Independent Director fee: £15,000 (introduction of fee during the financial year ending 31 May 2015).

The Chairman of the Nomination Committee will not receive an additional fee.

Benefits and pension

We will provide benefits and pension in line with the information set out in the Key Elements of Remuneration table on page 64 (pension to a maximum of 15% of base salary, cash of equivalent value or a mixture of both).

Sustained performance plan

For the awards to be granted in respect of plan year 2, which will end on 31 May 2015, the plan contribution maximum opportunity of 500% of annual rate of base salary will apply for Executive Directors.

The performance targets for these awards are as follows:

MEASURE	FURTHER DETAIL	MEASUREMENT PERIOD (PLAN YEARS)	WEIGHTING
Diluted earnings per share (DEPS)	The committee has determined a sliding scale of targets that will apply for the financial year ending 31 May 2015.	Financial year ending 31 May 2015.	45%
Relative Total Shareholder Return (TSR)	Performance is measured against constituents of the FTSE 350 excluding investment trusts. No part of this element will be awarded if performance is below median. 25% will be awarded for median, increasing on a straight-line basis, with full vesting for upper-quartile performance or better. The committee's discretion to scale back vesting will apply as set out in the Directors’ Remuneration Policy.	The two financial years ending 31 May 2015.	35%
Non-financial measures	The measures will include: • System reliability • Maintaining good standing with regulators • Customer satisfaction • Reputation and PR • Risk management • Execution and delivery of key strategic initiatives	Financial year ending 31 May 2015.	20%

The committee will ensure the EPS and non-financial targets are suitably stretching. We deem the EPS and non-financial measures themselves to be commercially sensitive, and will not disclose these prospectively. However, we will provide retrospective disclosure of the targets and performance against them in next year’s Remuneration Report.

IMPLEMENTATION OF REMUNERATION POLICY IN THE FINANCIAL YEAR ENDING 31 MAY 2014

Single total figure of remuneration for each Director (audited)

					Contribution to SPP plan account(4)			Legacy incentives		
Name of Director	Year	Fees/ basic salary £000	Benefits in kind(2) £000	Pension(3) £000	Vested element £000	Deferred element £000	Total £000	Annual bonus £000	VSP(5) £000	Total £000
Executive Directors										
T A Howkins	2014	459	1	69	498	748	1,246	–	179	1,954
	2013	427	1	64	–	–	–	399	212	1,103
C F Hill	2014	321	1	48	349	523	872	–	107	1,349
	2013	299	1	45	–	–	–	280	–	625
P G Hetherington(1)	2014	275	1	41	374	561	935	–	107	1,359
	2013	256	1	38	–	–	–	300	132	727
Non-Executive Directors										
J R Davie	2014	192	–	–	–	–	–	–	–	192
	2013	186	–	–	–	–	–	–	–	186
S G Hill	2014	53	–	–	–	–	–	–	–	53
	2013	52	–	–	–	–	–	–	–	52
D M Jackson	2014	67	–	–	–	–	–	–	–	67
	2013	65	–	–	–	–	–	–	–	65
J A Newman	2014	40	–	–	–	–	–	–	–	40
	2013	–	–	–	–	–	–	–	–	–
S J Tymms	2014	53	–	–	–	–	–	–	–	53
	2013	1	–	–	–	–	–	–	–	1
R P Yates	2014	53	–	–	–	–	–	–	–	53
	2013	52	–	–	–	–	–	–	–	52

(1) P G Hetherington was paid a reduced pro-rata salary of £275,200, based on a £344,000 full-time equivalent salary, to reflect his flexible working arrangements. As in previous years, and consistent with the previous legacy arrangements, his SPP opportunity is based on his full-time equivalent salary.

(2) All Executive Directors are entitled to receive private medical cover, discounted gym membership and life assurance cover.

(3) The Group contributes 15% of base salary to personal pensions for each of the Executive Directors, who also have the option to receive part, or all, of their pension entitlement in cash. The additional cash payment is counted in lieu of pension, and is not treated as base salary for the purposes of calculating other benefits. T A Howkins elected to restrict pension contributions to £50,000 and receive the balance of the pension contribution as an additional cash payment. C F Hill elected to restrict pension contributions to £46,770 and receive the balance of the pension contribution as an additional cash payment. P G Hetherington elected to receive the full pension contributions as an additional cash payment.

(4) Figures provided are the SPP plan contributions for the year ended 31 May 2014. The vested element is the proportion of the plan contribution that vests shortly following the end of the financial year. The deferred element is the proportion that remains deferred in the plan account. Details of SPP awards held in the plan account, both vested and unvested, are provided in the Outstanding Share Awards table on page 82.

(5) The 2010 VSP awards had a performance period ending on 31 May 2013. Half the awards vested on 29 October 2013, with the remainder vesting on 29 October 2014. The value is based on the actual share price on the date of vesting for the first tranche, and we have used the average share price for the last quarter of the financial year ending 31 May 2014 to estimate the value for the second tranche vesting later in 2014.

The 2011 VSP awards had a performance period ending 31 May 2014. Half the awards vested on 22 July 2014 with the remainder vesting on 20 July 2015. We have used the average share price for the last quarter of the financial year ending 31 May 2014 to estimate the value of these awards.

DETERMINATION OF SPP PLAN CONTRIBUTION FOR THE FINANCIAL YEAR ENDING 31 MAY 2014

Performance targets for plan year 1 (financial year ending 31 May 2014) comprise diluted earnings per share (DEPS) targets, Total Shareholder Return (TSR) and non-financial measures. Performance for the financial year ending 31 May 2014 was measured over the period from 1 June 2013 to 31 May 2014.

Performance measure	Weighting	Potential of base salary	Threshold (25% payout for TSR and 0% for DEPS)	Maximum (100% payout)	Actual performance	Plan contribution as percentage of base salary
DEPS	45%	225%	37.50 pence	42.00 pence	40.18 pence	134%
TSR	35%	175%	Median ranking	Upper-quartile ranking	149 of 301 companies	47%
Non-financial	20%	100%	See commentary on page 79	See commentary on page 79	See commentary on page 79	90%
Total	100%	500%				271%

PERFORMANCE MEASURES – HOW THESE ARE SET AND REVIEW OF PERFORMANCE FOR THE FINANCIAL YEAR ENDING 31 MAY 2014 (AUDITED)

Diluted earnings per share

At the start of the year ending 31 May 2014, the committee established a diluted earnings per share (DEPS) range for payout under the SPP, which was demanding given the strategic investment the business is making in new technology and capability. In setting the DEPS range, the committee took account of the following considerations:

- The higher budgeted costs resulting from the planned significant investment in strategic objectives in the year to 31 May 2014, for which revenues are expected in subsequent financial years. This included the development of an execution-only stockbroking product, the establishment of the Group's new office in Switzerland and continued investment in the Group's mobile offering
- The actual DEPS for the year ended 31 May 2013 of 38.80 pence
- Developments in the business and levels of market activity between the time of Board agreement of the budget and shareholder/committee approval of the SPP, which contributed to the committee setting a threshold that was higher than that budgeted
- Analyst DEPS consensus for 2014

As a result, the committee approved the threshold for payout under the DEPS measure of 37.50 pence (with SPP awards starting to accrue from this point), with maximum at a DEPS of 42.00 pence (being 12% above threshold performance).

Actual DEPS for the year ended 31 May 2014 was 40.18 pence, resulting in 59.6% of the potential award under this measure being granted.

In setting the DEPS range for the 2015 financial year, the committee has taken into account the relevant factors in place at the time, including internal and external factors and an appropriate degree of stretch on prior year performance.

Total Shareholder Return

The committee approved a threshold of median-quartile ranking TSR performance against a peer group comprising the constituents of the FTSE 350 (excluding investment trusts), at which 25% of the maximum award would be granted. Full payout under this measure required upper-quartile ranking or better, with payout determined on a straight-line basis for performance between these points.

The actual TSR performance for IG Group, as measured by New Bridge Street, for the year ended 31 May 2014 was 19%. Against the peer group, this performance was sufficient to rank IG Group at 149 out of 301 companies and resulted in 27% of the potential payout under this measure being awarded.

Non-financial measures

The committee approved a basket of non-financial measures, comprising strategic goals as well as operational and client satisfaction measures, for the year ended 31 May 2014. These measures are also utilised for 25% of the staff general bonus pool. These measures, and the assessment of performance, for the year ended 31 May 2014 are set out in the following table. An average of the performance under the specific non-financial measures, combined with performance under the execution and delivery measure, resulted in an overall assessment of 90.5% of the potential payout under this element of the plan being awarded.

METRIC	PERFORMANCE	ASSESSMENT
SPECIFIC NON-FINANCIAL MEASURES		
System reliability/ uptime	The two main measures are core uptime per month and maximum percentage downtime in any one day. The Group strives to achieve 99.8% for the first measure and less than 4.0% for the second measure. During the year, core uptime per month was never breached and maximum percentage downtime was breached on a single day in January 2014. Overall, system reliability was better than in the prior year. The Group will continue to undertake further work in this area – a graphical representation of performance on this measure against the prior year is provided in the Key Performance Indicators section of the Strategic Report.	85%
Maintaining good standing relationships with regulators	The Group maintains constructive and open relationships with regulators. During the year ending 31 May 2014, the Group was subject to scrutiny by and on behalf of regulators across the markets in which it operates. This included an external audit on behalf of the Swiss regulator; an in-depth regulatory audit in Singapore; an anti-money-laundering processes review in Australia and a number of other regional reviews. None of these gave rise to any material issues and the Group has been pleased with the outcomes. Based on the above, the Remuneration Committee concluded that the Group continued to perform well and to make further progress under this metric.	90%
Reputation	The Remuneration Committee assessed whether there have been any events resulting in negative media coverage or reputational damage during the year. For the year ended 31 May 2014, there was one instance of negative media coverage, which was incorrect. The publisher printed a retraction and no reputational damage was suffered.	100%
Risk management	The Remuneration Committee used a number of indicators to judge performance against this measure, including: the level of bad debts throughout the year; the number of material market risk incidents throughout the year and the number of loss-making days throughout the year. This year the Group enjoyed very low incidence of bad debt (less than 0.4% of revenue). There were no material market risk events nor any loss-making days during the year.	100%

METRIC	PERFORMANCE	ASSESSMENT
SPECIFIC NON-FINANCIAL MEASURES (CONTINUED)		
Customer satisfaction	The Remuneration Committee uses a number of indicators to measure performance against this metric. Net Promoter Score data is collected independently by Investment Trends. IG's Net Promoter Score has improved in France and Germany but dropped slightly in other regions. Nevertheless, the Group's high ranking relative to competitors has been maintained, while we also scored significantly better than the industry average. Please refer to the Key Performance Indicators section of the Strategic Report for Net Promoter Score disclosures. During the year, the Group commissioned an independent study, carried out by Ipsos Mori, to conduct a 'mystery shopping' programme against a number of competitors. The study found that the Group was at least joint-first in each of the categories assessed. An independently conducted customer satisfaction survey, undertaken by Investment Trends with regards to UK leveraged trading, reported that clients rated the Group's service as 'good' or 'very good' 89% and 88% of the time for spread betting and CFDs respectively. The Remuneration Committee also assessed the customer scores collected by the Group's trading services team. Their survey assesses the overall level of customer service received, the quality of information provided, the knowledge of the customer service representative and his or her attitude. This showed an upwards trend on most metrics. The Group also launched IG Think Tank, an online community and forum which helps us engage with clients and include their feedback into our IT development cycle – this has proved to be a very valuable tool in developing our future offering.	80%
EXECUTION AND DELIVERY OF KEY STRATEGIC INITIATIVES		
Execution and delivery of key strategic initiatives	As part of the Board's strategy planning, there is a clear plan of strategic projects set down for delivery in the short-to-medium term. The Remuneration Committee uses this plan to judge performance against this metric. There were several key strategic projects delivered, all of which were achieved successfully and on time. Examples of such projects include the international rollout of IG.com; the rollout of the MetaTrader platform; setting up an office in Switzerland; continuing to develop the Nadex exchange and developing the stockbroking offering for pilot and launch in the first half of the year ending 31 May 2015. Specific examples and detailed case studies of the progress made towards our strategic objectives are given throughout the Strategic Report.	90%

Overall summary

Based on performance for the financial year ending 31 May 2014, we will grant awards under the SPP to the value of 271% of base salary (54% of the maximum potential payout) as plan contributions to the Executive Directors after the announcement of the results. The actual number of shares that will be deposited within the Directors' plan accounts will be based on the ten-day average share price immediately prior to grant.

LEGACY VALUE-SHARING PLAN VESTING IN RELATION TO PERFORMANCE PERIOD ENDING 31 MAY 2014

The legacy value-sharing plan (VSP), which was approved by shareholders in 2010, comprises annual awards. It provides the Executive Directors and other senior staff with a pre-defined number of shares for each £10.0 million of surplus shareholder value created over three years above a hurdle. Surplus shareholder value was calculated under two criteria: Total Shareholder Return (TSR) and profit before taxation (PBT). In relation to the 2011 VSP, despite growth in PBT of 19.5% to £194.7 million and a TSR of 54.7% over the three-year period ended 31 May 2014, only 3.2% of the maximum award vested.

The total surplus shareholder value created under the 2011 VSP was £109.7 million, and an explanation of the calculation follows. The Chief Executive receives 5,000 shares and other participating Directors receive 3,000 shares for each £10.0 million of surplus shareholder value created. This resulted in the following awards vesting:

- T A Howkins – 28,596 shares
- C F Hill – 17,158 shares
- P G Hetherington – 17,158 shares

The VSP awards made in October 2011 (2011 VSP) had a performance period ending 31 May 2014. The calculation of surplus shareholder value created in relation to this plan is explained below:

(i) TSR element (60%): This is based on the value created from the difference between the TSR of IG Group Holdings plc and that of the FTSE 350 Financial Services Index, multiplied by the IG Group Holdings plc starting market capitalisation. The latter is defined as the average market capitalisation in the three months to 31 May 2011, which was £1,671 million.

IG Group's TSR, as measured by Kepler, over the three-year period ending 31 May 2014 was 54.7%. This level of return was enough to outperform the FTSE 350 Financial Services Index by 4.0%. Based on a starting market capitalisation of £1,671 million, the 4.0% outperformance has resulted in £66.6 million of surplus shareholder value and only 4.0% of the maximum award vesting.

(ii) Profit before taxation (PBT) (40%): This is based on the growth in PBT over the three-year period, multiplied by a fixed multiple determined by the IG Group Holdings plc starting market capitalisation, plus net equity cash flows to shareholders above a hurdle return.

The multiple for the 2011 VSP was 10.75. This is derived by dividing the starting market capitalisation of £1,671 million by the PBT for the year ending 31 May 2011 (£155.4 million). The required hurdle return was 12% per annum.

The surplus shareholder value for this element is £43.1 million, calculated as the difference between:

- PBT for the year ending 31 May 2014 of £194.7 million multiplied by the 10.75 multiple plus net equity cash flows to shareholders, ie (£194.7 million x 10.75) + £288.8 million = £2,382.5 million, and
- The starting market capitalisation of £1,671 million multiplied by the hurdle rate of return (12% per annum over the three-year period), ie £1,671 million x $(1+12\%)^3$ = £2,339.4 million

For the purposes of the single-figure table disclosed on page 77, the value of the all the options vesting under the 2011 VSP has been estimated using the average share price for the last quarter of the financial year ending 31 May 2014.

AWARDS GRANTED DURING THE FINANCIAL YEAR ENDING 31 MAY 2014 (AUDITED)

As part of the move from the value-sharing plan (which has post-grant performance criteria) to the sustained performance plan (which has pre-grant performance criteria), no other long-term incentive awards were granted during the financial year ending 31 May 2014.

OUTSTANDING SHARE AWARDS

Sustained performance plan

	Event	Plan account brought forward (number of shares)	Plan contribution in respect of period ending 31 May 2014 (estimated number of shares)[1]	Plan account following contribution for the year	Dividend shares accruing on award shares held in the plan account	Estimated number of award shares vesting (40% following determination of plan year 1 contributions)	Estimated cumulative number of award shares remaining in plan account as unvested shares
T A Howkins	Plan year 1	–	207,144	207,144	–	82,858	124,286
C F Hill	Plan year 1	–	144,979	144,979	–	57,992	86,987
P G Hetherington	Plan year 1	–	155,415	155,415	–	62,166	93,249

(1) The Executive Directors will be granted the awards in respect of plan year 1 following the announcement of results for the year ended 31 May 2014 on 22 July 2014. The share price used to calculate the number of awards to be granted will be the ten-day average share price directly prior to grant. The above number of awards has been estimated using a share price of 601.5 pence, being the share price on 30 May 2014.

Share awards have an exercise price of 0.005 pence and are exercisable until August 2024. In accordance with the scheme rules, 40% of the awards granted will vest immediately on the date of grant in August 2014 with the vesting of the remaining options deferred.

Other share awards

	Award date	Share price at award date	Number as at 31 May 2013	Number awarded during the year	Number lapsed during the year	Number exercised during the year	Number as at 31 May 2014
T A Howkins							
LTIP: earnings per share award	23 Jul 07	312.25p	151,672	–	–	(151,672)	–
LTIP: share price growth award	23 Jul 07	312.25p	11,701	–	–	(11,701)	–
LTIP: earnings per share award	30 Sep 08	313.75p	26,015	–	–	(26,015)	–
LTIP: share price growth award	30 Sep 08	313.75p	21,865	–	–	(21,865)	–
LTIP: earnings per share award	25 Sep 09	318.80p	36,942	–	–	(36,942)	–
LTIP: share price growth award	25 Sep 09	318.80p	154,908	–	–	(154,908)	–
Long-term bonus plan – 2010[1]	10 Sep 10	500.00p	73,195	–	–	(73,195)	–
VSP: profit award – three-year	29 Oct 10	528.50p	117,511	–	(100,454)	–	17,057
VSP: profit award – four-year	29 Oct 10	528.50p	117,512	–	(100,455)	–	17,057
VSP: TSR award – three-year	29 Oct 10	528.50p	176,267	–	(176,267)	–	–
VSP: TSR award – four-year	29 Oct 10	528.50p	176,268	–	(176,268)	–	–
VSP: profit award – three-year	20 Jul 11	450.00p	167,099	–	(162,785)	–	4,314
VSP: profit award – four-year	20 Jul 11	450.00p	167,098	–	(162,784)	–	4,314
VSP: TSR award – three-year	20 Jul 11	450.00p	250,648	–	(240,664)	–	9,984
VSP: TSR award – four-year	20 Jul 11	450.00p	250,648	–	(240,664)	–	9,984
VSP: profit award – three-year	01 Aug 12	449.70p	163,636	–	–	–	163,636
VSP: profit award – four-year	01 Aug 12	449.70p	163,636	–	–	–	163,636
VSP: TSR award – three-year	01 Aug 12	449.70p	245,454	–	–	–	245,454
VSP: TSR award – four-year	01 Aug 12	449.70p	245,453	–	–	–	245,453
Long-term bonus plan – 2012[1]	01 Aug 12	450.45p	108,585	1,353	–	–	109,938
Long-term bonus plan – 2013[1]	29 Jul 13	545.00p	–	38,000	–	–	38,000
			2,826,113	39,353	(1,360,341)	(476,298)	1,028,827

	Award date	Share price at award date	Number as at 31 May 2013	Number awarded during the year	Number lapsed during the year	Number exercised during the year	Number as at 31 May 2014
C F Hill							
VSP: profit award – three-year	20 Jul 11	450.00p	100,259	–	(97,670)	–	2,589
VSP: profit award – four-year	20 Jul 11	450.00p	100,259	–	(97,670)	–	2,589
VSP: TSR award – three-year	20 Jul 11	450.00p	150,389	–	(144,399)	–	5,990
VSP: TSR award – four-year	20 Jul 11	450.00p	150,389	–	(144,399)	–	5,990
Long-term bonus plan – 2011[1]	19 Jul 11	433.70p	25,983	310	–	(26,293)	–
Share-incentive plan – 2012 matching shares	27 Jul 12	419.18p	328	–	–	–	328
VSP: profit award – three-year	01 Aug 12	449.70p	130,909	–	–	–	130,909
VSP: profit award – four-year	01 Aug 12	449.70p	130,908	–	–	–	130,908
VSP: TSR award – three-year	01 Aug 12	449.70p	196,363	–	–	–	196,363
VSP: TSR award – four-year	01 Aug 12	449.70p	196,363	–	–	–	196,363
Long-term bonus plan – 2012[1]	01 Aug 12	450.45p	71,406	890	–	(72,296)	–
Share-incentive plan – 2013 matching shares	26 Jul 13	555.19p	–	259	–	–	259
Long-term bonus plan – 2013[1]	29 Jul 13	545.00p	–	22,783	–	–	22,783
			1,253,556	24,242	(484,138)	(98,589)	695,071

	Award date	Share price at award date	Number as at 31 May 2013	Number awarded during the year	Number lapsed during the year	Number exercised during the year	Number as at 31 May 2014
P G Hetherington							
LTIP: earnings per share award	25 Sep 09	318.80p	26,742	–	–	(26,742)	–
LTIP: share price growth award	25 Sep 09	318.80p	112,134	–	–	(112,134)	–
VSP: profit award – three-year	29 Oct 10	528.50p	73,445	–	(62,785)	(10,660)	–
VSP: profit award – four-year	29 Oct 10	528.50p	73,445	–	(62,785)	–	10,660
VSP: TSR award – three-year	29 Oct 10	528.50p	110,167	–	(110,167)	–	–
VSP: TSR award – four-year	29 Oct 10	528.50p	110,168	–	(110,168)	–	–
VSP: profit award – three-year	20 Jul 11	450.00p	100,259	–	(97,670)	–	2,589
VSP: profit award – four-year	20 Jul 11	450.00p	100,259	–	(97,670)	–	2,589
VSP: TSR award – three-year	20 Jul 11	450.00p	150,389	–	(144,399)	–	5,990
VSP: TSR award – four-year	20 Jul 11	450.00p	150,389	–	(144,399)	–	5,990
VSP: profit award – three-year	01 Aug 12	449.70p	130,909	–	–	–	130,909
VSP: profit award – four-year	01 Aug 12	449.70p	130,908	–	–	–	130,908
VSP: TSR award – three-year	01 Aug 12	449.70p	196,363	–	–	–	196,363
VSP: TSR award – four-year	01 Aug 12	449.70p	196,363	–	–	–	196,363
Long-term bonus plan – 2012[1]	01 Aug 12	450.45p	77,603	967	–	(78,570)	–
Share-incentive plan – 2013 matching shares	26 Jul 13	555.19p	–	258	–	–	258
Long-term bonus plan – 2013[1]	29 Jul 13	545.00p	–	25,340	–	–	25,340
			1,739,543	26,565	(830,043)	(228,106)	707,959

(1) Under the rules of the previously offered long-term bonus plan the first £100,000 of any bonus granted, plus one third of the remainder, was paid in cash with the excess balance deferred for 12 months and provided in shares. The price per share was based on the average of the middle market closing quotation of a share as derived from the Daily Official List of the London Stock Exchange for each business day in the period of three months ending on the last day of the financial year immediately preceding the date of grant.

TABLE OF DIRECTORS' SHARE INTERESTS (AUDITED)

The share interests of each person who was a Director of the Company during the year, as at 31 May 2014 (together with interests held by his or her connected persons) were as follows:

	Legally owned shares		Share-incentive plan shares	VSP share option awards		Long-term bonus plan share option awards		Total	% of salary held under shareholding policy[1]
	31 May 2013	31 May 2014		Un-vested	Vested but unexercised	Un-vested	Vested but unexercised	31 May 2014[2]	% salary
Executive Directors									
T A Howkins	3,901,692	1,621,183	–	863,833	17,057	38,000	109,938	2,650,011	2,127%
C F Hill	328	34,500	631	671,701	–	25,340	–	732,172	66%
P G Hetherington[3]	113,693	113,693	277	682,361	–	25,340	–	821,671	249%
Non-Executive Directors									
J R Davie	200,000	200,000	–	–	–	–	–	200,000	627%
S G Hill	113,014	117,209	–	–	–	–	–	117,209	1,330%
D M Jackson	–	–	–	–	–	–	–	–	–
J A Newman	–	–	–	–	–	–	–	–	–
S J Tymms	–	–	–	–	–	–	–	–	–
R P Yates	25,000	25,000	–	–	–	–	–	25,000	284%

(1) Calculated as shares owned on 31 May 2014 at the closing mid-market share price of 601.5 pence.

(2) This figure excludes awards under the SPP scheme for performance year ending 31 May 2014 which will be granted following the announcement of the Group's results on 22 July 2014. Details of interests relating to this scheme can be found in the single-figure remuneration table on page 77.

(3) P G Hetherington also held 10,000 preference shares at 31 May 2014 and 31 May 2013. T A Howkins held 10,000 preference shares at 31 May 2013.

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

There have been no changes to any of the Directors' share interests in the period since 31 May 2014. The awards to be made under the Company's SPP are set out earlier in this report.

CHANGE IN REMUNERATION OF THE CHIEF EXECUTIVE

	Base salary			Taxable benefits			Bonus		
	% Change (2014/ 2013)[1]	% Change (2013/ 2012)	% Change (2012/ 2011)	% Change (2014/ 2013)	% Change (2013/ 2012)	% Change (2012/ 2011)	% Change (2014/ 2013)[2]	% Change (2013/ 2012)	% Change (2012/ 2011)
Chief Executive	7.49%	3.14%	2.99%	0%	0%	0%	N/A	(51.28%)	1,337.00%
Group employees	5.91%	4.44%	7.08%	2.78%	19.08%	(5.53%)	13.09%	(42.40%)	94.00%

(1) Prior to 2014, the Company operated a highly geared long-term incentive plan, the value-sharing plan (VSP), and Executive Directors were on significantly below-market salaries to reflect this high gearing. Following a review of remuneration, it was decided to rebalance the package and a less geared incentive arrangement was introduced, the sustained performance plan (SPP). Salaries were increased by more than that of the workforce to partially compensate for the reduced total remuneration quantum. After the salary increase, salaries continued to remain below mid-market levels.

(2) Given the move away from separate annual and long-term plans to a single variable pay plan in the 2014 financial year, it is not possible to compare the change in annual bonus opportunity over the year.

The change in the Chief Executive's remuneration is compared to the change in remuneration of all employees across the business over the last three years. We have not provided a comparison for annual bonus, as an annual bonus did not apply for financial year ending 31 May 2014.

EXECUTIVE DIRECTORS' OUTSIDE APPOINTMENTS

T A Howkins is a member of the Board and Executive Committee of FIA Europe. The Executive Directors have no other external appointments.

PAYMENT FOR LOSS OF OFFICE (AUDITED)

No Director has departed, nor has there been a payment for loss of office during the year.

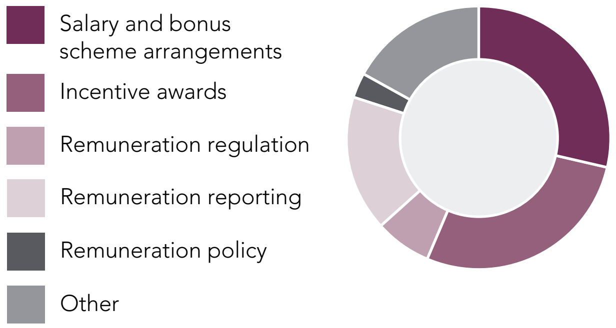
RELATIVE IMPORTANCE OF SPEND ON PAY

The following table sets out the percentage change in profit, dividends and overall spend on pay over the last five years:

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Profit after tax	147.0	141.7	136.8	(25.3)	101.5
Dividends	102.8	84.6	81.6	72.0	66.8
Employee remuneration costs	89.3	86.3	92.7	75.5	72.1
Average number of employees	1,070	1,005	960	951	828

REMUNERATION COMMITTEE ACTIVITY DURING THE YEAR

REMUNERATION COMMITTEE ALLOCATION OF TIME



REMUNERATION COMMITTEE EFFECTIVENESS

The committee undertook an internal, questionnaire-based review of its own effectiveness during the year. The review found that the committee had worked effectively and performed well. Areas for further development were identified, and plans are in place for a training and development programme for the Non-Executive Directors as a whole, with specific tailoring for the needs of those who sit on the Remuneration Committee and other Board committees.

ADVICE TO THE COMMITTEE

During the financial year ending 31 May 2014 the committee consulted T A Howkins, Chief Executive, about remuneration matters relating to individuals other than himself. The Company Secretary also provided advice and support to the committee.

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

EXTERNAL ADVISORS

The Remuneration Committee was advised during the year by New Bridge Street (NBS), which was appointed following a competitive tender process in early 2013.

NBS provided advice in respect of a wide range of issues, including the design of the new sustained performance plan, transitioning from the previous incentive arrangements, remuneration benchmarking, Total Shareholder Return (TSR) performance monitoring, investor consultation, drafting the Remuneration Report and implementation services.

NBS's fee for advice provided to the Remuneration Committee during the financial year ending 31 May 2014 was £150,000 (excluding VAT). This included implementation services, including legal drafting of the SPP rules, related documentation and inserts for the Annual General Meeting (AGM) circular during the year.

The Committee considers the advice obtained from NBS to be objective and independent. NBS is a member of the Remuneration Consultants Group and is a signatory to its Code of Conduct, which requires its advice to be objective and impartial.

STATEMENT OF SHAREHOLDER VOTING AT 2013 AGM

At the October 2013 AGM, a resolution was proposed for shareholders to approve the Directors' Remuneration Report for the financial year ended 31 May 2013 and the sustained performance plan. The following votes were received:

	2012/13 Remuneration Report	
	Total number of votes	% of votes cast
For[(1)]	271,078,248	93.81%
Against	17,874,677	6.19%
Total	288,952,925[(2)]	100.00%

	Sustained performance plan	
	Total number of votes	% of votes cast
For[(1)]	270,782,259	91.73%
Against	24,428,068	8.27%
Total	295,210,327[(3)]	100.00%

(1) For includes votes at the Chairman's discretion.
(2) There were 6,398,296 votes withheld.
(3) There were 50,894 votes withheld.

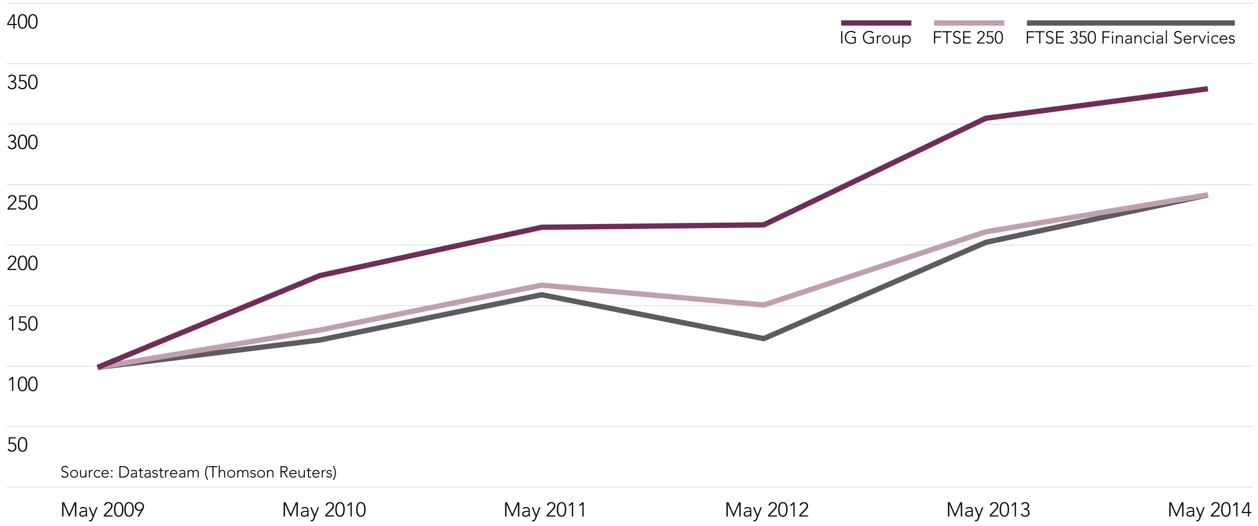
A majority (over 50%) of the votes cast was required for the resolutions to be passed, and both were duly approved by shareholders.

TOTAL SHAREHOLDER RETURN CHART

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

TOTAL SHAREHOLDER RETURN (REBASED)

This graph shows the value, by 31 May 2014, of £100 invested in IG Group on 31 May 2009 compared with the value of £100 invested in the FTSE 250 index and the FTSE 350 Financial Services index.



The graph represents the change in the value of a nominal investment of £100, made on 31 May 2009, in the Company and in the FTSE 350 Financial Services index. The closing values at 31 May 2014 represent the value of each nominal holding at that date, and reflect the change in the share price and the value of dividend income reinvested over the period.

CHIEF EXECUTIVE – FIVE-YEAR EARNINGS HISTORY

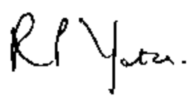
The five-year earnings history of the Chief Executive is shown in the table below:

Financial year	2014	2013	2012	2011	2010
Single-figure remuneration (£000)	1,456	1,103	2,201	1,141	1,628
Annual bonus outcome (% maximum)	–	47%	99%	7%	100%
LTIP vesting outcome (% maximum)	–	–	61%	40%	48%
VSP vesting outcome (% maximum)	3%	6%	–	–	–
SPP plan contribution (% maximum)	54%	–	–	–	–

The SPP replaced the annual bonus and VSP schemes from the financial year ending 31 May 2014. The VSP vesting for the financial year ending 31 May 2014 reflects the award that was granted in 2011, which has a performance period ending 31 May 2014.

APPROVAL

This report was approved by the Board of Directors on 22 July 2014 and signed on its behalf by:



Roger Yates
Chair, Remuneration Committee

AUDIT COMMITTEE

Martin Jackson, Chairman of the Audit Committee, gives his review of the committee's activities during the financial year.

CHAIRMAN'S OVERVIEW

During the year, the Audit Committee has continued to maintain its focus on the integrity of financial reporting and supported the Board in carrying out its responsibilities in relation to the Group's financial reporting requirements, through reviewing the results and formal financial announcements. The ultimate responsibility for reviewing and approving the Annual Report and other externally reported financial information remains with the Board.

The committee again considered the appropriateness of the design and effectiveness of the Group's system of internal controls and governance over a wide range of regulatory and compliance-related matters, including the segregation of client money. The committee also reviewed the quality of the external audit process, including the identified audit risks, the audit plan and reports from the Company's auditor.

Additionally, the committee noted the focus on the effectiveness of internal audit in the financial services sector, and has both received an internal review against best practice guidance and commissioned an independent external quality assessment, the output of which is discussed later in this report. These steps were part of its overall consideration of the effectiveness of the Company's internal audit function.

This year the committee was briefed by management, and consequently received specialist training, with regards to a wide range of regulatory and reporting developments that impact on this Annual Report. Subsequently the committee reviewed the required changes to the Annual Report, with particular focus on the Strategic Report and the Remuneration Report.

Following the publication of the revised Corporate Governance Code, the Board asked the committee to advise whether it considers the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable, and whether the document provides the information necessary for shareholders to assess the Company's performance, business model and strategy. Furthermore, during the year the Board strengthened the governance framework by implementing a Board Risk Committee to provide it with a more focused level of support on risk-management issues. The result of this change is that during the year a number of the duties performed by the Audit Committee have been transitioned to the Board Risk Committee. The Audit Committee's terms of reference, which have been amended to reflect both the revised Corporate Governance Code and the establishment of the Board Risk Committee in the year, are summarised below and can be found in full on the corporate website iggroup.com.

ROLE OF THE AUDIT COMMITTEE

In summary, the Audit Committee's terms of reference are to:

- Monitor the integrity of the Group's financial statements, including Annual and Interim Reports, preliminary results announcements and any other formal announcements relating to its financial performance, reviewing significant reporting issues and judgments which they contain
- Provide advice to the Board on whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance
- Review the continuing appropriateness of the Group's accounting policies
- Review the clarity of disclosures, ensuring the Group has made appropriate estimates and judgments in preparing all material information presented in the Annual Report
- Review an annual report from the Board Risk Committee on the Company's internal controls and Risk Management Framework
- Ensure there are suitable whistle-blowing arrangements for employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters

	Scheduled meetings eligible to attend	Scheduled meetings attended
Chairman of the Audit Committee		
Martin Jackson	4	4
Independent Non-Executive Directors		
Stephen Hill	2	2
Jim Newman	2	2
Sam Tymms[(1)]	4	4
Roger Yates	4	4

(1) Sam Tymms attended two meetings of the Audit Committee as an observer.

- Review an assessment of the control environment, via internal audit reports, and progress on implementing both internal and external audit recommendations
- Monitor and review the internal audit function's effectiveness in the overall context of the Group's internal controls and risk-management systems
- Consider and approve the internal audit function's remit, ensure it has adequate resources and appropriate access to information, and that it has adequate standing and is free from management or other restrictions
- Review and assess the internal audit plan
- Consider and make recommendations to the Board on appointing, reappointing and removing the Company's external auditors, which are subject to shareholder approval
- Oversee the relationship with the external auditors, including approving the audit fee, non-audit fees and non-audit services policy, as well as assessing annually the external auditors' independence and objectivity and the effectiveness of the audit process
- Review the annual audit plan and the findings of the external auditors, including a discussion on major areas of audit focus, accounting and audit judgments and any errors identified during the audit
- After each committee meeting, make a formal report to the Board in which the Chairman of the Audit Committee describes the proceedings

The Company Secretary drafts the agenda for each committee meeting, ensuring that each item in the terms of reference is covered at least once in the financial year, and more frequently if required.

In order to provide clarity, the following responsibilities have transitioned to the Board Risk Committee and accordingly been removed from the Audit Committee terms of reference during the year:

- Review the compliance systems and controls to ensure that adequate procedures are in place to comply with regulatory obligations, including client money, anti-money-laundering and treating customers fairly
- Consider the adequacy and effectiveness of the technology infrastructure and associated risk-management framework
- Monitor the completion of control recommendations and actions arising from internal and external audits
- Review the relevant risk sections of the Annual Report

AUDIT COMMITTEE – MEMBERSHIP AND ATTENDANCE

All Audit Committee members are independent Non-Executive Directors who can draw on considerable, recent financial services experience.

The Chief Financial Officer, Chief Risk Officer, Head of Finance, Head of Internal Audit, Company Secretary and the external auditors attend the Audit Committee by invitation appropriate to the matters under consideration. Other Directors and representatives from the finance function and other areas of the business attend the Audit Committee as necessary.

The committee normally meets four times a year and as and when required. Separately, members of the committee also meet privately with the Head of Internal Audit and the external auditors to focus on respective areas of responsibility and to discuss any potential requirements for support from the committee to address any issues arising.

MAIN ACTIVITIES DURING THE FINANCIAL YEAR

As noted earlier, following the establishment of the Board Risk Committee, responsibility for compliance, conduct risk, client money and fraud was handed over by the Audit Committee to the Board Risk Committee.

In addition to discharging its responsibilities as described above, the committee focused on a number of key areas. The following summary of activities includes all areas covered by the Audit Committee during the financial year even where responsibility as at the end of the year has been transferred to the Board Risk Committee.

FINANCIAL REPORTING

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

- Assessing the quality and acceptability of accounting policies and practices
- Ensuring disclosures are clear and compliant with financial reporting standards and relevant financial and governance reporting requirements
- Considering material areas in which significant judgments have been applied or there has been discussion with the external auditors
- Reviewing all formal financial announcements and financial statements prior to issuance
- Evaluating whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy

To aid this review, the committee has considered reports from the Chief Financial Officer and Head of Finance. It has also received reports from the external auditors on the outcomes of their half-year review and annual audit.

The committee considered and addressed the following primary areas of judgment in relation to the Financial Statements for the year ended 31 May 2014:

Goodwill

In accordance with accounting standards the Group is required to review any goodwill balances for impairment and consider the underlying assumptions involved in calculating the value-in-use of separate parts of the business known as cash-generating units (CGUs). The committee observed that a significant proportion of the Group's goodwill relates to the UK, Australian and South African CGUs, for which both the single-year profit for the year ended 31 May 2014 and that included in the Board-approved budget for the year ending 31 May 2015 are greater than the carrying value of the associated goodwill. Accordingly, the goodwill impairment reviews of these CGUs are not considered to contain material or significant judgments.

Therefore the key judgment in terms of goodwill impairment reviews relates to the underlying assumptions used in calculating the US CGU's value-in-use. The US CGU comprises both the Nadex exchange and the associated market-making business (the 'Nadex business') as well as the wider commercial use of the exchange technology within the Group. The Nadex business is in the early stages of development and has continued to be loss-making for the year ended 31 May 2014. Accordingly the Audit Committee received a paper from management setting out the financial forecasts for both the Nadex exchange business and the platform savings associated with the wider use of the exchange technology within the Group. This paper set out the key assumptions used in the impairment review and an associated sensitivity analysis.

The committee also considered the development of the Nadex business through the year ended 31 May 2014. This included advances in the platform and product offering, increased levels of client acquisition and volumes traded, the recent addition of further market-makers to the exchange and the continued commitment by management to ensure the US business has the investment it needs to reach profitability. The committee also reviewed detailed financial forecasts and assumptions, noting that each of the forecasts used in the goodwill impairment reviews are Board-approved. In addition the Group's auditor provided commentary on the matter to the committee.

Useful economic life of intangible fixed assets

The Group is required to make judgments regarding the useful economic life and carrying value of all its acquired and internally developed software and licences and domain names. During the year, the Group continued to invest in the technology platform, domain names and industry-specific generic top-level domains and to consolidate the online presence around the IG.com website. As at 31 May 2014, the Group had £5.25 million of domain assets in the Group balance sheet that are amortised over a ten-year useful economic life. As there is a risk of obsolescence for such assets, the committee reviewed a report from management detailing the financially significant intangible assets, the rationale for their useful economic life, their continued use within the business and their remaining carrying value.

Corporation tax

Calculating the Group's current corporation tax charge involves a degree of estimation and judgment, as the tax treatment of certain items cannot be finally determined until resolution has been reached with the relevant tax authority. The Group holds tax provisions in respect of the potential tax liability that may arise on these unresolved items. However, the amount ultimately payable may be materially lower than the amount accrued, and could therefore improve the Group's overall profitability and cash flows in future periods. The committee reviewed a report from management that detailed the assumptions made in calculating the Group's current corporation tax charge and provisions. The Group's auditor also provided commentary on this matter to the committee.

EXTERNAL AUDIT

The committee is responsible for making recommendations on the appointment, reappointment and removal of external auditors, and for assessing and agreeing the fees payable to the Company's auditor (both audit and non-audit fees). The committee is also responsible for reviewing the audit plans and reports from the external auditors. The main activities undertaken in relation to the external audit are summarised below.

Audit tendering

The committee has followed the debate on mandatory audit-firm rotation through the year and the guidance issued by the Financial Reporting Council in the context of tendering for the external audit contract at least every ten years. The Company's external audit was last retendered in 2010, resulting in a change of external auditors to PricewaterhouseCoopers LLP for the financial year ended 31 May 2011. In line with the requirement to rotate the senior statutory auditor, the Company's current audit partner will rotate after the audit for the year ending 31 May 2015 is complete. Having recently conducted a full audit-firm tender exercise, provided the committee remains satisfied with the external audit process, it does not anticipate a formal retender process ahead of the date suggested by the UK Corporate Governance Code for the year ending 31 May 2021. The EU requirements on mandatory rotation will apply from 2016, with the first mandatory rotation date under the UK implementation of these rules not yet being clear. The committee will continue to monitor the developing regulation in this area and in particular the convergence of EU and UK requirements, including those of the Competition and Markets Authority.

Oversight of the external audit

The effectiveness of the external audit process depends upon appropriately identifying risks at the start of the audit cycle, and consequently the committee receives a detailed audit plan from the auditor, on an annual basis, identifying its assessment of the key audit risks. International audit standards require that both the risk of override of internal controls and the risk of fraud in revenue recognition are assumed to be significant audit risks. In the auditors' assessment, the primary audit risk identified to the Financial Statements concerned management override of internal controls, including both information technology and possible fraud in revenue recognition. The work performed in this area by the audit firm is detailed in its audit opinion.

The risk associated with information technology relates to super-user access to certain legacy areas of the Group's trading system. The committee reviewed reports from management and internal audit on the design, operation and ongoing monitoring of a number of key controls designed to mitigate the risks associated with the super-user access. Additionally, the committee assessed whether the audit process addressed these matters effectively through the reporting received from the auditor during the audit cycle. Both management and the audit firm consider the risk in this area to have been appropriately managed. The committee concurs with this view. The committee has also considered the auditors' report on the potential override of internal controls, including the of additional substantive audit procedures and manual journal testing undertaken.

The committee also holds private meetings with the external auditor through the year as an additional opportunity for open dialogue and feedback from both the committee and the auditor without management being present.

Effectiveness of the external auditors

Having performed a review of the external auditors during the year, the committee is satisfied with their effectiveness. The committee noted that the Company's current audit partner will rotate after the audit for the year ending 31 May 2015 is complete, and that the replacement partner and handover process were key to the external auditors' continued effectiveness.

Audit and audit-related fees

Details of the Group's audit and audit-related fees for the year ended 31 May 2014 are disclosed in note 6 to the Financial Statements. Audit-related fees include the statutory audit of the Group and its subsidiaries, as well as audits required due to the regulated nature of our business. Also included therein are fees associated with the ISAE 3000 controls opinion relating to the Group's processes and controls over client money segregation.

During the year, the committee reviewed and approved a recommendation from management on the Company's audit and audit-related fees.

Non-audit fees

To safeguard the objectivity and independence of the external auditors from becoming compromised, the committee has a formal policy governing the engagement of the external auditors to provide non-audit services. This year, the committee again reviewed the Group's policy governing non-audit work, details of which are provided on the corporate website.

The policy makes an important distinction between 'audit-related services' and all other 'non-audit services'.

This is because a number of 'audit-related services' are specifically required of the Group's auditors, through regulatory, legislative or contractual obligations in addition to the statutory audit services. The policy also sets out the considerations and safeguards that are required in relation to non-audit services provided by the auditors, and the specific services the auditors are precluded from providing. Additionally, the policy sets out certain permitted services for which the committee has pre-approved management to engage the auditors. This approval is subject to the policies set out above, and to specified fee limits for individual engagements, as well as the reporting requirements for all non-audit services to the committee. There were no exceptions to this policy during the year.

Since appointing PricewaterhouseCoopers as auditors, the Group has established and developed relationships with a number of independent advisory and assurance firms which provide alternatives to engaging the audit firm. During the year, PricewaterhouseCoopers has performed non-audit services in accordance with the non-audit policy. The committee has monitored PricewaterhouseCoopers to ensure that under no circumstances has work been performed which affects its independence. This was done by carefully assessing the nature of all non-audit work performed, reviewing a summary of all the non-audit fees paid during the year, evaluating the non-audit policy and ensuring that appropriate safeguards were in place for each non-audit engagement. The committee also requested and received an explanation from PricewaterhouseCoopers of its own in-house independence process.

Non-audit fees of £457,000, payable to the auditors for the year ended 31 May 2014, are disclosed in note 6 to the Financial Statements. These relate largely to tax compliance and filing and corporation and sales-related tax advice. Firms other than the auditors have been engaged, following a competitive tender process for the provision of a wide range of non-audit services, including transfer pricing, tax advisory services related to new business offerings and changes to regulation, tax compliance services, risk and regulatory advice.

INTERNAL AUDIT

The internal audit function provided the committee with the internal audit reports and recommendations in line with the internal audit plan for this financial year. The main areas of focus have been regulatory and operational in nature. The committee monitored progress on the implementation of the audit recommendations raised by the internal audit function, and the effectiveness of the coordination between internal and external audit.

The committee reviewed the three-year rolling risk-based internal audit plan and considered the resources and skills allocated to the internal audit function in order to execute the plan. The plan consists of various different types of audit which require different skills in order to provide adequate coverage across the Group.

In the current year, internal audit resource was further supplemented with functional specialism from external advisory companies, and an IT Internal Audit Manager was recruited to focus on internal audits of the IT department and to provide assurance over technology risks. For the forthcoming year, the committee has authorised additional investment both in internal audit resource, through the addition of another Internal Audit Manager, and in external expertise. This will enable an increase in the number and scope of audits performed with support from external specialists. The Audit Committee considers this additional investment will ensure that resources remain sufficient to provide adequate coverage of the Group's risks, while retaining flexibility to address new risks as they arise over the three-year plan period.

The committee reviewed an assessment of the internal audit function performed against the recommendations issued, in July 2013, by the Chartered Institute of Internal Auditors with regards to Effective Internal Audit in the Financial Services Sector. The internal audit function demonstrated adherence to the majority of the recommendations and identified six areas for further development. Five of these areas were addressed during the financial year, and the one remaining action, to make the Internal Audit Charter publicly available, will be completed early in the next financial year.

In addition, the committee initiated a review of the internal audit function, referred to as the External Quality Assessment, performed by an independent external firm. The External Quality Assessment concluded that the Internal Audit Charter, policies and procedures 'generally conforms' to the IIA Standards and the Code of Ethics. This is the highest rating achievable in accordance with the IIA Standards. The review also identified some potential opportunities for improvement, and the committee will work with the internal audit function to take these forward in the next financial year.

CLIENT MONEY

The Group is proactive in ensuring that client monies are appropriately segregated in each jurisdiction where it operates. The design and operating effectiveness of controls over appropriate segregation of client monies are an important part of the Group's internal control framework. As noted earlier, following the establishment of the Board Risk Committee during the year, responsibility for client money was handed over by the Audit Committee to the Board Risk Committee.

INFORMATION TECHNOLOGY CONTROLS

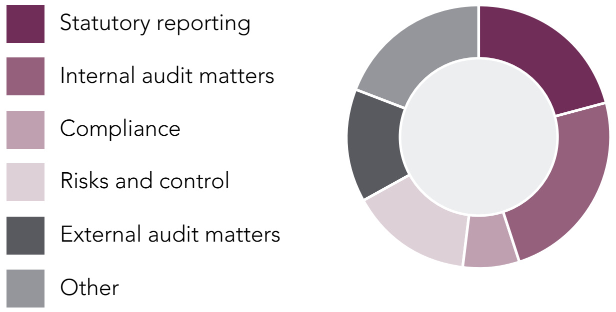
The Group's operations are heavily dependent on information technology (IT), and accordingly the committee has reviewed internal audit reports on IT controls and assessments of external penetration tests and cyber risk. All of these have been supported or performed by external specialists.

AUDIT COMMITTEE EFFECTIVENESS

The committee undertook an internal, questionnaire-based review of its own effectiveness during the year. As a result the committee has, among other actions, requested arrangements be made for additional formal training for all Audit Committee members and that, following the establishment of the new Board Risk Committee, the roles and responsibilities of each committee were clearly delineated and clarified to all Board committees.

The following chart highlights how the committee spent its time during the year ended 31 May 2014.

AUDIT COMMITTEE ALLOCATION OF TIME



Martin Jackson
Chairman, Audit Committee
22 July 2014

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

	Scheduled meetings eligible to attend	Scheduled meetings attended
Chairman of the Board Risk Committee		
Stephen Hill	2	2
Independent Non-Executive Directors		
Jim Newman	2	2
Sam Tymms	2	2
Roger Yates	2	2

CHAIRMAN'S OVERVIEW

During the year, we formed the Board Risk Committee to provide the Board with further opportunity to review and challenge the Group's risk management framework in relation to the current and potential risk exposures. This is becoming increasingly important for IG as we continue to expand globally and extend our product range, while regulators around the world are engaged in strengthening their regimes.

The formation of the Board Risk Committee is an important step in the enhancement of our Risk Governance Framework as we continually strive to improve our management of risk, though our underlying approach remains unchanged. The challenge and review of our risk management processes, which were previously carried out either directly by the Board or under the auspices of the Audit Committee, now vest in the Board Risk Committee as a dedicated forum for risk matters.

As Chairman, it is my responsibility to report to the Board on matters discussed by the committee and to refer recommendations to the Board.

BOARD RISK COMMITTEE – MEMBERSHIP AND ATTENDANCE

All Board Risk Committee members are independent Non-Executive Directors who can draw on recent and relevant experience.

The Chief Financial Officer, Chief Operating Officer, Chief Risk Officer, Global Head of Legal and Compliance, Head of Internal Audit and Deputy Company Secretary attend the Board Risk Committee by invitation appropriate to the matters under consideration. Other Directors, representatives from the finance function and other areas of the business attend the Board Risk Committee as necessary.

The committee is scheduled to meet three times a year and additionally as and when required.

ROLE OF THE BOARD RISK COMMITTEE

The committee's responsibilities are to:

- Consider and recommend for approval by the Board, the Risk Appetite Statement (RAS) and Key Risk Indicators (KRIs) for the current and future strategy
- Monitor, review and challenge the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment (ILAA). This includes stress-testing, the liquidity and regulatory capital positions of the Group, the size of the liquidity and capital buffers, and the appropriateness of management mitigation actions
- Ensure rigorous stress-testing and scenario-testing of the Group's business and receive reports that explain the impact of identified risks and threats
- Ensure a sufficient level of risk mitigation is in place
- Review the Group's major risk exposures
- Consider the adequacy and effectiveness of the technology infrastructure and supporting documentation in the Risk Management Framework
- Provide input to the Remuneration Committee on the alignment of the remuneration policy to risk performance
- Review the scope and nature of the work undertaken by the control functions in connection with business model and industry risks, and specifically regulatory, compliance, client money, anti-money-laundering and conduct risks
- Review and approve the statements to be included in the Annual Report concerning controls and risk management
- Review and monitor risk-related control recommendations to ensure they are being actioned appropriately

The Company Secretary drafts the agenda for each committee meeting, ensuring that each item in the terms of reference is covered at least once in the financial year, and more frequently if required.

ACTIVITY DURING THE FINANCIAL YEAR

The committee met twice during the year. During these initial committee meetings the focus was on ensuring it has the correct governance structure in place to discharge its responsibilities.

The committee also provided input to the Remuneration Committee on the risks associated with our remuneration policy, paying particular attention to the design and monitoring of sales-incentive schemes.

In addition, the committee discussed the Group's operational risk framework and risk appetite. The Group has invested in operational risk over the year to develop and clearly document the control environment across the Group. The committee reviewed and challenged the proposal to introduce a capital model to further strengthen operational risk capital component calculations.

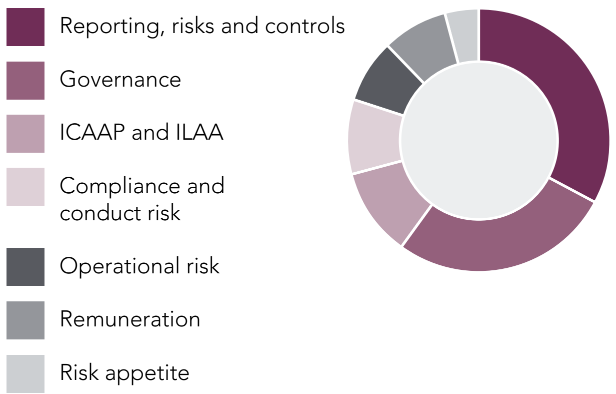
Updates were received from Compliance regarding their monitoring programme as well as current regulatory themes and thematic reviews, including how the department has been working across the business to embed conduct risk both in the Group's day-to-day activities and its strategic objectives. The internal audit function also provided updates on the risks highlighted in its reports.

The committee reviewed updates to the ICAAP and the ILAA, as well as updates to the RAS and associated KRIs.

The committee received the annual report from the Client Money Committee, and also reviewed the risks and processes around client money in relation to potential new business and product developments.

The following chart highlights how the committee spent its time during the year ended 31 May 2014.

BOARD RISK COMMITTEE ALLOCATION OF TIME



Stephen Hill
Chairman, Board Risk Committee
22 July 2014

DIRECTORS' REPORT

The Directors are pleased to submit their report, together with the Group Financial Statements for the year ended 31 May 2014. The Directors' Report comprises pages 96 to 98 of this report, together with the sections of the Annual Report incorporated by reference.

The Companies Act 2006 ('the Act') requires the Directors to present a Strategic Report in the Annual Report and Accounts. This information can be found on pages 8 to 47. The Company has chosen, in accordance with section 414 C(11) of the Act and as noted in this Directors' Report, to include certain matters in its Strategic Report that it would otherwise be necessary to disclose in the Directors' Report.

CORPORATE GOVERNANCE STATEMENT

In compliance with the Disclosure and Transparency Rules (DTR) 7.2.1, the disclosures required by DTR 7.2.2 to 7.2.7 are set out in this Directors' Report and in the Corporate Governance Report on pages 48 to 103 which, together with the Statement of Directors' Responsibilities, is incorporated by reference into this Directors' Report.

ACCOUNTABILITY AND AUDIT

A statement of the Directors' responsibilities in respect of the Financial Statements is set out immediately prior to that section of the Annual Report, on page 99, and a statement regarding the use of the going-concern basis in preparing these Financial Statements is provided later in this report.

The Independent Auditors' Report, which sets out the auditors' reporting responsibilities, can be found on pages 100 to 103.

PROFIT AND DIVIDENDS

The Group's statutory profit for the year after taxation amounted to £147,035,000 (2013: £141,748,000), all of which is attributable to the equity members of the Company (2013: £141,692,000).

The Directors recommend a final ordinary dividend of 22.40 pence per share, amounting to £81,814,000, making a total of 28.15 pence per share and £102,807,000 for the year. Dividends are recognised in the Financial Statements for the year in which they are paid or, in the case of a final dividend, when approved by the shareholders. The amount recognised in the Financial Statements, as described in note 12, includes this financial year's interim dividend and the final dividend from the previous year, both of which were paid.

The final ordinary dividend, if approved, will be paid on 18 November 2014 to those shareholders on the register at 24 October 2014.

OPERATIONS OUTSIDE THE UNITED KINGDOM

In line with our strategic objectives, the Group has branches in Australia, South Africa, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Ireland, Spain and Sweden. It has operating subsidiaries in the US, Singapore, Japan, Australia, India, Switzerland and Belarus.

REVIEW OF BUSINESS AND LIKELY FUTURE DEVELOPMENTS

We provide a review of the Group's progress, outlining developments during the year and giving an indication of likely future developments, in the Strategic Report on pages 8 to 47. The Strategic Report also covers an analysis of the financial position of the Group at the year-end, and information about our Key Performance Indicators.

ARTICLES OF ASSOCIATION

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

BOARD OF DIRECTORS AND THEIR INTERESTS

Details of the Directors who held office at the end of the year are set out on pages 50 to 51 and are incorporated into this report by reference. We provide information about the Directors' service contracts, and their interests in the share capital of the Company, in the Directors' Remuneration Report on pages 62 to 87.

Jim Newman joined the Board as Non-Executive Director on 1 October 2013 and will be appointed Chairman of the Audit Committee after Martin Jackson steps down from the Board at the Annual General Meeting (AGM) on 16 October 2014. Jonathan Davie will also retire from the Board at the AGM, and will be replaced by Andy Green as Chairman of the Group.

APPOINTMENT AND RETIREMENT OF DIRECTORS

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

The Articles also require that all those Directors who have been in office at the time of the two previous AGMs, and who did not retire at either of them, must retire as Directors by rotation. Such Directors are eligible to stand for re-election. However, in line with the Code's recommendation that all directors of FTSE 350 companies should be subject to annual election, all our Directors will stand for election or re-election at the 2014 AGM, with the exception of Jonathan Davie and Martin Jackson, who are retiring from the Board.

DIRECTORS' CONFLICTS OF INTEREST

In accordance with the Companies Act 2006, all Directors must disclose both the nature and extent of any potential or actual conflicts with the interests of the Company. We explain the procedure for this in the Board section, on page 55.

INSURANCE AND INDEMNITIES

The Group has Directors' and Officers' liability insurance in place, providing appropriate cover for any legal action brought against its Directors. Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the year ended 31 May 2014. These provisions remain in force for the benefit of the Directors, in relation to certain losses and liabilities which they may incur (or have incurred) to third parties in the course of acting as Directors of the Company.

RESEARCH AND DEVELOPMENT

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

GREENHOUSE GAS (GHG) EMISSIONS

Information on the required disclosure of the Group's GHG emissions for the year ended 31 May 2014 is set out in the Strategic Report on page 31.

POLITICAL DONATIONS

The Company made no political donations to political organisations or independent election candidates and incurred no political expenditure in the year (2013: £nil).

EMPLOYEE INVOLVEMENT

The Company is fully committed to involving employees in all aspects of the business. Detailed information on employee engagement can be found on page 28 of the Strategic Report.

EMPLOYEES WITH DISABILITIES

We give full and fair consideration to applications for employment from people with disabilities. Information on the Company's policy on employing people with disabilities can be found on page 28 of the Strategic Report.

SHARE CAPITAL

The Company has three classes of shares: ordinary shares, B shares and preference shares. As at 31 May 2014, the Company's issued shares comprised 365,754,631 ordinary shares of 0.005p each, 65,000 B shares of 0.001p and 40,000 preference shares of £1.00 each. Details of movement in the Company's share capital and rights attached to the issued shares are given in notes 26 and 27 to the Financial Statements. Information about the rights attached to the Company's shares can also be found in the Articles. Details of the Group's required regulatory capital are disclosed in note 37 to the Financial Statements.

RESTRICTIONS ON TRANSFER OF SECURITIES

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

EXERCISE OF RIGHTS OF SHARES IN EMPLOYEE SHARE SCHEMES

The trustees of the Employee Benefit Trust do not seek to exercise voting rights on shares held in the employee trusts, other than on the direction of the underlying beneficiaries. No voting rights are exercised in relation to shares unallocated to individual beneficiaries.

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

The Articles permit the Directors to issue or repurchase the Company's own shares, subject to obtaining shareholders' prior approval. The shareholders gave this approval at the 2013 AGM. The authority to issue or buy back shares will expire at the 2014 AGM, and it will be proposed at the meeting that the Directors be granted new authorities to issue or buy back shares. The Directors currently have authority to purchase up to 36,541,588 of the Company's ordinary shares. However, the Company did not repurchase any of its ordinary shares during the year.

During the year, the Company instructed the trustee of the Employee Benefit Trust to purchase shares in order to satisfy awards under the Group's share-incentive plan schemes. The Company also issued shares in respect of long-term incentive plan and value-sharing plan schemes. Details of the shares held by the Group's Employee Benefit Trusts and the amounts paid during the year are disclosed in note 28 to the Financial Statements.

DIRECTORS' REPORT (CONTINUED)

MAJOR INTERESTS IN SHARES

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

	31 May 2014	
	No. of shares	Percentage
Massachusetts Financial Services Company	18,150,880	5.00%
Artemis Investment Management LLP	18,806,983	5.15%
Black Rock Inc.	18,183,593	4.97%
Cantillon Capital Management LLC	17,140,794	4.69%
Prudential plc Group of Companies	11,066,471	3.00%

The company was informed of the following movement of notifiable interest between 31 May 2014 and 18 July 2014.

	18 July 2014	
	No. of shares	Percentage
Massachusetts Financial Services Company	36,574,828	10.00%

CHANGE OF CONTROL

Following any future change of control of the Company, the Group's banking facilities, which are currently undrawn (refer to note 18 of the Financial Statements), will be cancelled, and any obligations will become immediately due and payable.

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

RISK MANAGEMENT AND INTERNAL CONTROLS

The Group is exposed to a number of business risks in providing products and services to its clients. The Board is responsible for establishing the overall appetite for these risks, which is detailed and approved in the Risk Appetite Statement. Our Risk Management Framework is supported by a system of internal controls designed to embed the management of business risk throughout the Group. We outline the risks to which the Group is exposed and our Risk Management Framework, including a description of its system of internal controls, in the Managing Our Business Risk section of the Strategic Report.

FINANCIAL INSTRUMENTS

Details of our use of financial instruments and financial risk management are set out in note 35 and 36 to the Financial Statements.

RELATED–PARTY TRANSACTIONS

Details of related-party transactions are set out in note 34 to the Financial Statements.

ANNUAL GENERAL MEETING

The Company's AGM will be held on 16 October 2014. We set out details of the resolutions to be proposed at the AGM in a separate circular sent to all shareholders.

INDEPENDENT AUDITORS

Resolutions to reappoint PricewaterhouseCoopers LLP as the Company's auditors and to authorise the Directors to determine their remuneration will be put to shareholders at the AGM on 16 October 2014.

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 Group has adequate resources to continue in operational existence for the foreseeable future.

The Directors have reviewed the Group's processes for controlling the financial risks to which it is exposed, its available liquidity, its regulatory capital position and the annual budget. As a result of this review, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going-concern basis in preparing the Financial Statements.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware. Each Director has taken all the steps that he or she is obliged to take as a Director in order to make himself or herself aware of any relevant audit information, and to establish that the Company's auditors are aware of that information. This confirmation is given pursuant to section 418 of the Companies Act 2006 and should be interpreted in accordance with and subject to these provisions.

SUBSEQUENT EVENTS

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations.

The Companies Act 2006 requires the Directors to prepare Financial Statements for each financial year. Under this law, the Directors have prepared the Group and parent company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these Financial Statements, the Directors have also elected to comply with IFRSs issued by the International Accounting Standards Board (IASB).

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

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

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

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

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

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

RESPONSIBILITY STATEMENT

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

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

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

By order of the Board:

Christopher Hill
Chief Financial Officer
22 July 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IG GROUP HOLDINGS PLC

REPORT ON THE FINANCIAL STATEMENTS

OUR OPINION

In our opinion:

- The financial statements, defined below, give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 May 2014 and of the Group's profit and of the Group's and Parent Company's cash flows for the year then ended;
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- The Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

WHAT WE HAVE AUDITED

The Group financial statements and Parent Company financial statements (the "financial statements"), which are prepared by IG Group Holdings plc, comprise:

- the Group income statement and Group statement of comprehensive income for the year ended 31 May 2014;
- the Group and Parent Company statements of financial position as at 31 May 2014;
- the Group and Parent Company statements of changes in equity and cash flow statements for the year ended 31 May 2014; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union and, as regards the Parent Company, as applied in accordance with the provisions of the Companies Act 2006.

WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OVERVIEW OF OUR AUDIT APPROACH

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be £9.7 million which represents 5% of profit before tax because in our view this is the most relevant measure of performance.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £450,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

The Group consists of a UK holding company with a number of subsidiary entities and branches containing the operating businesses of both the UK and overseas territories. Both the UK and overseas businesses are managed and controlled in the UK. As a result, the majority of the audit work was performed by the Group engagement team in London, with certain, specific procedures carried out by overseas PwC engagement teams where necessary.

Where the work was performed by overseas PwC firms, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

Areas of particular audit focus

In preparing the financial statements, the directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 90.

AREA OF FOCUS	HOW THE SCOPE OF OUR AUDIT ADDRESSED THE AREA OF FOCUS
RISK OF MANAGEMENT OVERRIDE OF INTERNAL CONTROLS INCLUDING INFORMATION TECHNOLOGY AND RISK OF FRAUD IN REVENUE RECOGNITION	
RISK OF MANAGEMENT OVERRIDE OF INTERNAL CONTROLS	
ISAs (UK & Ireland) require that we consider this as management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	We tested the fraud risk assessment performed by management and the prevention and detection controls in place in the Group. We tested the appropriateness and authorisation of journal entries that we identified as unusual. We examined significant or one-off transactions and considered their accounting treatment. We also incorporated an element of unpredictability into our testing approach.
INFORMATION TECHNOLOGY	
This area of focus relates to super-user access to the core trading system by certain individuals in order to perform their role. Those individuals have an opportunity to commit and conceal fraud.	We understood and tested key controls in place over the financial information. Specifically, in relation to information technology we performed testing over the IT general controls in Universe, the main client ledger system, including access rights. Additionally we tested the controls mitigating system super-user access including controls that would identify unexpected changes to data which could impact the financial statements and reconciliations of Universe reports to external third party sources including broker and bank reconciliations.
RISK OF FRAUD IN REVENUE RECOGNITION	
ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve the planned results.	We tested the appropriateness and authorisation of journal entries relating to revenue that we identified as unusual.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IG GROUP HOLDINGS PLC

GOING CONCERN

Under the Listing Rules we are required to review the directors' statement, set out on page 98, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the Group's and Parent Company's financial statements using the going concern basis of accounting. The going concern basis presumes that the Group and Parent Company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and the Parent Company's ability to continue as a going concern.

OPINIONS ON MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

ADEQUACY OF ACCOUNTING RECORDS AND INFORMATION AND EXPLANATIONS RECEIVED

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

DIRECTORS' REMUNERATION

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

CORPORATE GOVERNANCE STATEMENT

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code ('the Code'). We have nothing to report having performed our review.

On page 99 of the Annual Report, as required by the Code Provision C.1.1, the directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. On page 90, as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

OTHER INFORMATION IN THE ANNUAL REPORT

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Parent Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

As explained more fully in the Directors' Responsibilities Statement set out on page 99, the directors are responsible for the preparation of the Group and Parent Company financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Group and Parent Company financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Darren Ketteringham (Senior Statutory Auditor)

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

London

22 July 2014

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY 2014

	Note	2014 Total £000	2013 Total £000
Trading revenue		407,899	397,946
Interest income on segregated client funds		5,817	8,477
Revenue		413,716	406,423
Interest expense on segregated client funds		(317)	(289)
Introducing partner commissions		(37,491)	(36,089)
Betting duty and financial transaction taxes		(3,873)	(5,204)
Other operating income	3	2,132	3,067
Net operating income	4	374,167	367,908
Analysed as:			
Net trading revenue	2, 4	370,408	361,857
Other net operating income		3,759	6,051
Administrative expenses		(178,912)	(175,980)
Operating profit	5	195,255	191,928
Finance income	8	1,456	2,036
Finance costs	9	(1,988)	(1,756)
Profit before taxation		194,723	192,208
Taxation	10	(47,688)	(50,460)
Profit for the year		147,035	141,748
Profit for the year attributable to:			
Owners of the parent		147,035	141,692
Non-controlling interests		–	56
		147,035	141,748

Earnings per ordinary share	Note	2014	2013
Basic	11	40.32p	39.02p
Diluted	11	40.18p	38.80p

The notes on pages 110 to 151 are an integral part of these Financial Statements.

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2014

	2014		2013	
Group	£000	£000	£000	£000
Profit for the year		147,035		141,748
Other comprehensive (expense) / income:				
Items that may be subsequently reclassified to profit or loss:				
Change in value of available-for-sale financial assets	59		(38)	
Foreign currency translation on overseas subsidiaries	(6,452)		(4,578)	
Other comprehensive expense for the year, net of tax		(6,393)		(4,616)
Total comprehensive income for the year		140,642		137,132
Total comprehensive income attributable to:				
Owners of the parent		140,642		137,079
Non-controlling interests		–		53
		140,642		137,132

All items of other comprehensive income or expense may be subsequently reclassified to profit or loss.
The items of comprehensive income noted above are stated net of related tax effects.

The notes on pages 110 to 151 are an integral part of these Financial Statements.

FINANCIAL STATEMENTS (CONTINUED)

STATEMENTS OF FINANCIAL POSITION
AT 31 MAY 2014

	Note	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Assets					
Non-current assets					
Property, plant and equipment	13	13,038	14,469	–	–
Intangible assets	14	122,670	120,479	1,554	–
Investment in subsidiaries	15	–	–	471,600	459,977
Financial investments	21	32,150	–	–	–
Deferred tax assets	10	5,711	9,470	–	–
		173,569	144,418	473,154	459,977
Current assets					
Trade receivables	17	327,478	300,636	–	–
Prepayments and other receivables		12,287	10,278	135,784	165,616
Cash and cash equivalents	18	101,487	98,345	–	245
Financial investments	21	50,307	50,468	–	–
		491,559	459,727	135,784	165,861
TOTAL ASSETS		665,128	604,145	608,938	625,838
Liabilities					
Current liabilities					
Trade payables	22	21,902	19,047	–	–
Other payables	23	53,334	53,781	7,702	32,460
Income tax payable		20,178	24,289	–	–
		95,414	97,117	7,702	32,460
Non-current liabilities					
Redeemable preference shares	26	40	40	40	40
		40	40	40	40
Total liabilities		95,454	97,157	7,742	32,500
Equity attributable to owners of the parent					
Share capital	27	18	18	18	18
Share premium	27	206,758	206,758	206,758	206,758
Other reserves	29	85,468	84,990	34,315	27,444
Retained earnings		277,430	215,222	360,105	359,118
Shareholders' equity		569,674	506,988	601,196	593,338
TOTAL EQUITY AND LIABILITIES		665,128	604,145	608,938	625,838

The Financial Statements on pages 104 to 151 were approved by the Board of Directors on 22 July 2014 and signed on its behalf by:

Tim Howkins
Chief Executive

Christopher Hill
Chief Financial Officer

Registered Company number: 04677092

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2014

Group	Share capital (note 27) £000	Share premium account (note 27) £000	Other reserves (note 29) £000	Retained earnings £000	Shareholders' equity £000	Non-controlling interests £000	Total equity £000
At 1 June 2012	18	206,291	85,543	155,145	446,997	146	447,143
Profit for the year	–	–	–	141,692	141,692	56	141,748
Other comprehensive expense for the year	–	–	(4,613)	–	(4,613)	(3)	(4,616)
Total comprehensive (expense) / income for the year	–	–	(4,613)	141,692	137,079	53	137,132
Equity-settled employee share-based payments (note 30)	–	–	4,309	–	4,309	–	4,309
Excess of tax deduction benefit on share-based payments recognised directly in shareholders' equity (note 10)	–	–	13	–	13	–	13
Issuance of shares	–	467	–	–	467	–	467
Exercise of US share-incentive plans	–	–	(20)	–	(20)	–	(20)
Purchase of own shares	–	–	(441)	–	(441)	–	(441)
Equity dividends paid (note 12)	–	–	–	(81,615)	(81,615)	–	(81,615)
Acquisition of non-controlling interests	–	–	199	–	199	(199)	–
Movement in equity	–	467	(553)	60,077	59,991	(146)	59,845
At 31 May 2013	18	206,758	84,990	215,222	506,988	–	506,988
Profit for the year	–	–	–	147,035	147,035	–	147,035
Other comprehensive expense for the year	–	–	(6,393)	–	(6,393)	–	(6,393)
Total comprehensive (expense) / income for the year	–	–	(6,393)	147,035	140,642	–	140,642
Equity-settled employee share-based payments (note 30)	–	–	6,556	–	6,556	–	6,556
Utilisation of own shares	–	–	348	–	348	–	348
Exercise of US share-incentive plans	–	–	(3)	–	(3)	–	(3)
Purchase of own shares	–	–	(30)	–	(30)	–	(30)
Equity dividends paid (note 12)	–	–	–	(84,827)	(84,827)	–	(84,827)
Movement in equity	–	–	478	62,208	62,686	–	62,686
At 31 May 2014	18	206,758	85,468	277,430	569,674	–	569,674

The notes on pages 110 to 151 are an integral part of these Financial Statements.

CHAIRMAN'S STATEMENT
STRATEGIC REPORT
CORPORATE GOVERNANCE REPORT
FINANCIAL STATEMENTS
INVESTOR RESOURCES

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2014

Company	Share capital (note 27) £000	Share premium account (note 27) £000	Other reserves (note 29) £000	Retained earnings £000	Total equity £000
At 1 June 2012	18	206,291	23,596	316,396	546,301
Profit for the year and total comprehensive income	–	–	–	124,337	124,337
Equity-settled employee share-based payments (note 30)	–	–	4,309	–	4,309
Issuance of shares	–	467	–	–	467
Purchase of own shares	–	–	(441)	–	(441)
Exercise of US share-incentive plans	–	–	(20)	–	(20)
Equity dividends paid (note 12)	–	–	–	(81,615)	(81,615)
Movement in equity	–	467	3,848	42,722	47,037
At 31 May 2013	18	206,758	27,444	359,118	593,338
Profit for the year and total comprehensive income	–	–	–	85,814	85,814
Equity-settled employee share-based payments (note 30)	–	–	6,556	–	6,556
Utilisation of own shares	–	–	348	–	348
Purchase of own shares	–	–	(30)	–	(30)
Exercise of US share-incentive plans	–	–	(3)	–	(3)
Equity dividends paid (note 12)	–	–	–	(84,827)	(84,827)
Movement in equity	–	–	6,871	987	7,858
At 31 May 2014	18	206,758	34,315	360,105	601,196

The notes on pages 110 to 151 are an integral part of these Financial Statements.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 MAY 2014

	Note	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Cash generated from operations	20	176,465	66,402	85,773	82,347
Income taxes paid		(47,761)	(53,247)	–	–
Interest received on segregated client funds		5,996	9,013	–	–
Interest paid on segregated client funds		(301)	(289)	–	–
Net cash flow from operating activities		134,399	21,879	85,773	82,347
Investing activities					
Interest received		1,462	2,155	–	–
Purchase of property, plant and equipment		(3,428)	(4,813)	–	–
Payments to acquire intangible assets		(8,076)	(11,949)	–	–
Purchase of a non-controlling interest		–	(1,319)	–	–
Proceeds from maturity of financial investments		59,380	–	–	–
Purchase of financial investments		(91,294)	(50,486)	–	–
Net cash flow used in investing activities		(41,956)	(66,412)	–	–
Financing activities					
Interest paid		(1,988)	(3,175)	(1,158)	(641)
Equity dividends paid to owners of the parent	12	(84,827)	(81,615)	(84,827)	(81,615)
Proceeds from drawdown of committed banking facility	19(c)	80,000	–	–	–
Repayment of committed banking facility	19(c)	(80,000)	–	–	–
Purchase of own shares		(30)	(461)	(30)	(461)
Proceeds from the issuance of shares		–	467	–	467
Payment of redeemable preference share dividends		(3)	(3)	(3)	(3)
Net cash flow used in financing activities		(86,848)	(84,787)	(86,018)	(82,253)
Net increase / (decrease) in cash and cash equivalents		5,595	(129,320)	(245)	94
Cash and cash equivalents at the beginning of the year		98,345	228,156	245	151
Exchange loss on cash and cash equivalents		(2,453)	(491)	–	–
Cash and cash equivalents at the end of the year	18	101,487	98,345	–	245

For the purposes of the Cash Flow Statements, cash and cash equivalents is stated gross of the drawdown of the committed banking facility (31 May 2014 and 31 May 2013: £nil). Please refer to note 18.

The notes on pages 110 to 151 are an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

INDEX TO NOTES TO THE FINANCIAL STATEMENTS

1. PRESENTATION, CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

In the Directors' opinion, the accounting estimates or judgments that have the most significant impact on the measurement of items recorded in the Financial Statements remain the impairment of goodwill (refer to note 16); the useful economic life applied to the intangible assets and the calculation of the Group's current corporation tax charge (refer to note 10(b)).

The judgments in relation to the assessment of goodwill for impairment largely relate to the assumptions underlying the calculation of the value-in-use of the US cash-generating unit (CGU). The US CGU comprises both the Nadex exchange and the associated market-making business (the 'Nadex exchange business') as well as the wider commercial use of the exchange technology within the Group. While the Nadex exchange business remains loss-making, the wider commercial use of the technology by the Group provides other significant economic benefits, which taken alone, support the carrying value of the goodwill. For this reason the Directors consider that a reasonably possible change in a key assumption would not cause the unit's carrying amount to exceed its recoverable amount. In the event of the Nadex exchange business failing to generate sufficient profits, the deferred tax asset of £1.7 million held in relation to carry-forward tax losses might suffer impairment.

The assessment of the useful economic life of the Group's internally developed and acquired software-, licence-, domain name- and generic top level domain-based intangible assets is judgmental and can change due to obsolescence as a result of unforeseen technological developments. The useful life for licences represents management's view of the expected term over which the Group will receive benefits from the software, and does not exceed the licence term. For internally developed and acquired software and domain assets, the life is based on historical experience with similar products as well as anticipation of future events which may impact their useful economic life.

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

The measurement of the Group's net trading revenue is predominately based on quoted market prices (please refer to note 35 for the financial instrument valuation hierarchy disclosures) and accordingly involves little judgment. However, the calculation of the segmental net trading revenue, as the Group manages risk and hedges on a group-wide portfolio basis, involves the use of an allocation methodology. This allocation methodology does not impact on the overall Group net trading revenue disclosed.

2. NET TRADING REVENUE

Net trading revenue represents trading revenue from financial instruments carried at fair value through profit or loss net of introducing-partner commission. This is consistent with the management information received by the Chief Operating Decision Maker (refer to note 4). Revenue from external customers includes interest income on segregated client funds and is analysed as follows:

	2014 £000	2013 £000
Net trading revenue		
Contracts for difference	210,768	210,992
Spread betting	132,860	129,881
Binaries	26,780	20,984
Total net trading revenue	370,408	361,857
Interest income on segregated client funds	5,817	8,477
Revenue from external customers	376,225	370,334

In addition to the above, finance income is disclosed in note 8. The Group does not derive more than 10% of external revenue from any one single customer.

3. OTHER OPERATING INCOME

	2014 £000	2013 £000
Revenue-share arrangement[1]	1,421	1,333
Inactivity fees[2]	711	484
Settlement income[3]	–	1,250
	2,132	3,067

(1) The Group receives income under a revenue-share agreement with Spreadex Limited in relation to the client list of the former Sport business, calculated by reference to the revenue that Spreadex Limited generates from clients on the list. This arrangement ended on 23 June 2014.

(2) The Group charges inactivity fees for those accounts on which clients have not traded for two years.

(3) In the year ended 31 May 2013, the Group received one-off income in relation to settlement of an insurance claim made regarding the fit-out of the London headquarters.

4. SEGMENT INFORMATION

The segment information is presented as follows:

- Segment net trading revenue has been disclosed net of introducing-partner commissions, as this is consistent with the management information received by the Chief Operating Decision Maker (CODM), being the Executive Directors
- Net trading revenue is reported by the location of the office that manages the underlying client relationship and aggregated into the disclosable segments of UK, Australia, Europe and Rest of World. The Rest of World segment comprises the Group's operations in Japan, South Africa, Singapore and the United States
- The UK segment comprises the Group's operations in the UK and Ireland
- The Europe segment comprises the Group's operations in France, Germany, Italy, Luxembourg, the Netherlands, Norway, Spain, Sweden and Switzerland
- Segment contribution, being segment trading revenue less directly incurred costs, as the measure of segment profit and loss reported to the CODM

The UK segment derives its revenue from financial spread bets, contracts for difference (CFDs) and binary options. The Australian and European segments derive their revenue from CFDs and binary options. The businesses reported within Rest of World derive revenue from the operation of a regulated futures and options exchange as well as CFDs and binary options.

The Group employs a centralised operating model whereby market risk is managed principally in the UK, switching to Australia outside of UK hours. The costs associated with these operations are included in the Central segment, together with central costs of senior management, middle office, IT development, marketing and other support functions. As the Group manages risk and hedges on a Group-wide portfolio basis, the following segmental revenue analysis involves the use of an allocation methodology. Interest income and expense on segregated client funds is managed and reported to the CODM centrally, and thus has been reported in the Central segment. In the following analysis, the Central segment costs have been further allocated to the other reportable segments based on a number of cost-allocation assumptions and segment net trading revenue.

Japan's trading revenue and operating profit after allocations have both fallen below the 10% of Group threshold required by IFRS 8 for disclosure as a reportable segment, and accordingly have been included within the Rest of World segment.

Year ended 31 May 2014	UK £000	Australia £000	Europe £000	Rest of World £000	Central £000	Total £000
Segment net trading revenue	192,693	52,169	82,142	43,404	–	370,408
Interest income on segregated client funds	–	–	–	–	5,817	5,817
Revenue from external customers	192,693	52,169	82,142	43,404	5,817	376,225
Interest expense on segregated client funds	–	–	–	–	(317)	(317)
Other operating income	–	–	–	–	2,132	2,132
Betting duty and financial transaction taxes	(3,519)	(56)	(298)	–	–	(3,873)
Net operating income	189,174	52,113	81,844	43,404	7,632	374,167
Segment contribution	160,552	43,707	51,631	25,162	(76,100)	204,952
Allocation of central income and costs	(38,030)	(11,096)	(17,648)	(9,326)	76,100	–
Depreciation and amortisation	(5,004)	(1,262)	(2,113)	(1,318)	–	(9,697)
Operating profit	117,518	31,349	31,870	14,518	–	195,255
Net finance costs						(532)
Profit before taxation						194,723

Year ended 31 May 2013	UK £000	Australia £000	Europe £000	Rest of World £000	Central £000	Total £000
Segment net trading revenue	186,450	56,251	71,047	48,109	–	361,857
Interest income on segregated client funds	–	–	–	–	8,477	8,477
Revenue from external customers	186,450	56,251	71,047	48,109	8,477	370,334
Interest expense on segregated client funds	–	–	–	–	(289)	(289)
Other operating income	–	–	–	–	3,067	3,067
Betting duty and financial transaction taxes	(5,204)	–	–	–	–	(5,204)
Net operating income	181,246	56,251	71,047	48,109	11,255	367,908
Segment contribution	151,337	49,297	43,870	31,288	(71,698)	204,094
Allocation of central income and costs	(35,251)	(11,165)	(15,074)	(10,208)	71,698	–
Depreciation and amortisation	(5,888)	(1,544)	(2,170)	(2,564)	–	(12,166)
Operating profit	110,198	36,588	26,626	18,516	–	191,928
Net finance income						280
Profit before taxation						192,208

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5. OPERATING PROFIT

	Group 2014 £000	Group 2013 £000
This is stated after charging / (crediting):		
Depreciation of property, plant and equipment	4,656	6,050
Amortisation of intangible assets	5,041	6,116
Advertising and marketing	31,660	32,558
Net charge / (recovery) of impaired trade receivables	1,614	(348)
Operating lease rentals for land and buildings	4,352	4,375
Foreign exchange gains[1]	(356)	(399)
Legal and professional fees[2]	4,266	4,772

(1) All of the above except foreign exchange differences are included in administrative expenses within the Income Statement. Foreign exchange gains and losses are included in revenue.

(2) Legal and professional fees include costs of £nil (2013: £3.4 million) incurred in defence of claims made in relation to the insolvency of Echelon Wealth Management Limited. Following the closure of this claim against the Group, the claimants have paid a £nil (2013: £2.8 million) contribution to the Group's legal costs. This contribution was recorded within legal and professional fees.

6. AUDITORS' REMUNERATION

	Group 2014 £000	Group 2013 £000
Audit and audit-related fees[1]		
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated Financial Statements	297	195
Fees payable to the Company's auditor and its associates for other services:		
– Statutory and regulatory audit of subsidiaries and branches of the Company	234	192
– Audit-related assurance services:		
– Other services supplied pursuant to legislation	144	115
– Statutory audit fees of subsidiary entities in relation to prior-year audits	–	55
– Other audit-related assurance services	75	100
Total audit and audit-related fees	750	657
Non-audit fees		
Other services relating to taxation		
– Tax compliance services[2]	248	351
– Tax advisory services[3]	162	214
Services relating to regulatory advice[4]	12	109
All other services	35	136
Total other fees	457	810

(1) Includes the Group's audit fee as well as services that are specifically required of the Group's auditors through legislative or contractual requirements, controls assurance engagements required of the auditors by the regulatory authorities in whose jurisdiction the Group operates and other audit related assurance services.

(2) Includes corporate and other tax compliance and filing services which are closely related to the audit process and are therefore efficiently provided by the auditors due to their existing knowledge of the business.

(3) Includes advice relating to the Group's transfer pricing policies of £22,000 (2013: £18,000) and sales taxes of £63,000 (2013: £196,000), with the balance made up of general tax advice.

(4) Prior year costs included services provided in the review of regulatory filings and other regulatory advice.

An overview of the Audit Committee's review of auditors' remuneration and non-audit fee policy can be found in the Corporate Governance Report.

7. STAFF COSTS

The staff costs for the year, including Directors, were as follows:

	Group 2014 £000	Group 2013 £000
Wages and salaries[1]	75,374	73,189
Social security costs	8,671	8,016
Other pension costs (in relation to defined contribution schemes)	5,210	5,071
	89,255	86,276

(1) Includes redundancy programme costs of £nil (2013: £1.3 million).

Staff costs, including Directors, include the following amounts in respect of performance-related bonuses, inclusive of National Insurance and share-based payments charged to the Income Statement:

	Group 2014 £000	Group 2013 £000
Performance-related bonuses	17,191	17,304
Equity-settled share-based payment schemes	7,077	4,414
	24,268	21,718

The Directors' emoluments for the years ended 31 May 2014 and 31 May 2013, including amounts in relation to compensation for loss of office, can be found in the Directors' Remuneration Report.

The average monthly number of employees, including Directors, was made up as follows:

	Group 2014 Number	Group 2013 Number
IT development	395	341
IT support	71	65
Sales, marketing and client support	397	415
Dealing	38	35
Management and administrative	169	149
	1,070	1,005

8. FINANCE INCOME

	Group 2014 £000	Group 2013 £000
Bank interest receivable	594	983
Interest receivable from brokers	576	991
Other finance income	–	42
Interest accretion on financial investments	286	20
	1,456	2,036

9. FINANCE COSTS

	Group 2014 £000	Group 2013 £000
Liquidity facility arrangement and non-utilisation fees	1,638	1,473
Interest payable to clients	36	73
Interest payable to brokers	41	128
Bank interest payable	263	3
Dividend on redeemable preference shares	3	3
Other charges	7	76
	1,988	1,756

Interest payable to clients relates to interest paid or accrued to clients in relation to title transfer funds (refer to note 18).

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10. TAXATION

10(A) TAX ON PROFIT ON ORDINARY ACTIVITIES

Tax charged in the Income Statement:

		Group
	2014 £000	2013 £000
Current income tax:		
UK corporation tax	42,419	43,680
Foreign tax	3,575	4,197
Adjustment in respect of prior years	(1,808)	174
Total current income tax	44,186	48,051
Deferred income tax:		
Origination and reversal of temporary differences	526	2,409
Adjustment in respect of prior years	2,301	–
Impact of change in tax rates on deferred tax	675	–
Total deferred income tax (note 10(d))	3,502	2,409
Tax expense in the income statement (note 10(b))	47,688	50,460

10(B) RECONCILIATION OF THE TOTAL TAX CHARGE

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

	2014 £000	2013 £000
Profit before taxation	194,723	192,208
Profit multiplied by the UK standard rate of corporation tax of 22.67% (2013: 23.83%)	44,144	45,803
Expenses not deductible for tax purposes	73	1,892
Impact of timing differences not recognised	1,275	1,428
Higher taxes on overseas earnings	1,028	1,163
Adjustment in respect of prior years	493	174
Impact of change in tax rates on deferred tax	675	–
Total tax expense reported in the Income Statement	47,688	50,460

The effective tax rate is 24.5% (2013: 26.3%).

10(C) DEFERRED INCOME TAX ASSETS

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

		Group
	2014 £000	2013 £000
Decelerated capital allowances	397	727
Tax losses available for offset against future tax	1,656	1,767
Share-based payments	986	2,062
Other timing differences	2,672	4,914
	5,711	9,470

The tax losses available for offset against future tax relate to operating losses arising in the US consolidated tax group, the recoverability of which is dependent on sufficient future operating profits in those entities. A deferred tax asset is recognised where it is considered to be probable that future operating profits will exceed the losses that have arisen to date. Where it is not anticipated that future operating profits will exceed the losses that have arisen to date, a deferred tax asset is not recognised.

Share-based payment awards have been charged to the Income Statement but are not allowable as a tax deduction until the awards vest. The excess of tax relief in future years over the amount charged to the Income Statement is recognised as a credit directly to equity. The movement in the deferred income tax assets included in the Statement of Financial Position is as follows:

		Group
	2014 £000	2013 £000
At the beginning of the year	9,470	11,915
Income Statement charge (note 10(d))	(3,502)	(2,409)
Tax credited directly to equity	–	13
Foreign currency adjustment	(257)	(49)
At the end of the year	5,711	9,470

10(D) DEFERRED INCOME TAX – INCOME STATEMENT CREDIT

		Group
	2014 £000	2013 £000
The deferred income tax charge included in the Income Statement is made up as follows:		
Decelerated capital allowances	(330)	(1,292)
Share-based payments	(1,075)	(1,360)
Other timing differences	(2,097)	243
Income Statement charge	(3,502)	(2,409)
The deferred tax credited to equity during the year is as follows:		
Share-based payments	–	13

Closing deferred tax on UK temporary differences has been calculated at the substantively enacted rate of 20% (2013: 23%). The effect of the change in UK corporation tax to 20% from 1 April 2015 on the deferred tax assets is a deferred income tax charge of £675,000 (2013: £275,000), which is included in the movements above.

10(E) FACTORS AFFECTING THE TAX CHARGE IN FUTURE YEARS

Factors that may affect the Group's future tax charge include the geographic location of the Group's earnings, the transfer pricing policies, the tax rates in those locations, changes in tax legislation, future planning opportunities, the use of brought-forward tax losses and the resolution of open tax issues. The calculation of the Group's total tax charge involves a degree of estimation and judgment with respect to the recognition of deferred tax assets (refer to note 10(d)) and of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority. The Group holds tax provisions in respect of the potential tax liability that may arise on these unresolved items, however, the amount ultimately payable may be materially lower than the amount accrued and could therefore improve the overall profitability and cash flows of the Group in future periods.

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

11. EARNINGS PER ORDINARY SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as own shares in Employee Benefit Trusts. Diluted earnings per share is calculated using the same profit figure as that used in basic earnings per share, and by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive ordinary shares arising from share schemes. The following reflects the income and share data used in the earnings per share computation:

		Group
	2014 £000	2013 £000
Profit for the year	147,035	141,748
Earnings attributable to non-controlling interests	–	(56)
Earnings attributable to owners of the Parent	147,035	141,692
Weighted average number of shares		
Basic	364,710,756	363,172,810
Dilutive effect of share-based payments	1,213,527	2,016,025
Diluted	365,924,283	365,188,835

		Group
	2014	2013
Basic earnings per share	40.32p	39.02p
Diluted earnings per share	40.18p	38.80p

12. DIVIDENDS

	Company and Group	
	2014 £000	2013 £000
Declared and paid during the year:		
Final dividend for 2013 at 17.50p per share (2012: 16.75p)	63,834	60,769
Interim dividend for 2014 at 5.75p per share (2013: 5.75p)	20,993	20,846
	84,827	81,615
Proposed for approval by shareholders at the AGM:		
Final dividend for 2014 at 22.40p per share (2013: 17.50p)	81,814	63,767

The final dividend for 2014 of 22.40 pence per share, amounting to £81,814,000, was proposed by the Board on 18 July 2014 and has not been included as a liability at 31 May 2014. This dividend will be paid on 18 November 2014, following approval at the Company's Annual General Meeting, to those members on the register at the close of business on 24 October 2014.

13. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements £000	Office equipment, fixtures and fittings £000	Computer and other equipment £000	Total £000
Cost:				
At 1 June 2012	16,684	2,288	15,722	34,694
Foreign currency adjustment	340	99	(118)	321
Additions	1,616	333	2,483	4,432
Written off	(1,188)	(245)	(116)	(1,549)
At 31 May 2013	17,452	2,475	17,971	37,898
Foreign currency adjustment	(217)	(63)	(295)	(575)
Additions	714	201	2,527	3,442
Written off	(101)	(64)	(5,038)	(5,203)
At 31 May 2014	17,848	2,549	15,165	35,562
Accumulated depreciation:				
At 1 June 2012	5,970	1,331	11,838	19,139
Foreign currency adjustment	(52)	22	(181)	(211)
Provided during the year	2,321	443	3,286	6,050
Written off	(1,188)	(245)	(116)	(1,549)
At 31 May 2013	7,051	1,551	14,827	23,429
Foreign currency adjustment	(85)	(81)	(192)	(358)
Provided during the year	1,931	394	2,331	4,656
Written off	(101)	(64)	(5,038)	(5,203)
At 31 May 2014	8,796	1,800	11,928	22,524
Net book value – 31 May 2014	9,052	749	3,237	13,038
Net book value – 31 May 2013	10,401	924	3,144	14,469
Net book value – 1 June 2012	10,714	957	3,884	15,555

14. INTANGIBLE ASSETS

Group	Goodwill £000	Client lists and customer reltaionships £000	Domain names £000	Development costs £000	Software and licences £000	Total £000
Cost:						
At 1 June 2012	235,675	3,153	1,219	4,206	12,274	256,527
Foreign currency adjustment	(162)	(1,182)	(227)	(337)	(103)	(2,011)
Additions	–	–	3,966	3,386	3,909	11,261
Written off	–	–	(963)	–	(147)	(1,110)
At 31 May 2013	235,513	1,971	3,995	7,255	15,933	264,667
Foreign currency adjustment	(645)	(263)	(1)	–	(120)	(1,029)
Additions	–	–	1,805	4,763	1,307	7,875
Written off	–	–	–	(8)	(395)	(403)
At 31 May 2014	234,868	1,708	5,799	12,010	16,725	271,110
Accumulated amortisation:						
At 1 June 2012	128,210	2,741	1,219	655	8,336	141,161
Foreign currency adjustment	–	(1,154)	(222)	(525)	(78)	(1,979)
Provided during the year	–	369	97	1,765	3,885	6,116
Written off	–	–	(963)	–	(147)	(1,110)
At 31 May 2013	128,210	1,956	131	1,895	11,996	144,188
Foreign currency adjustment	–	(266)	(2)	2	(120)	(386)
Provided during the year	–	18	417	1,685	2,921	5,041
Written off	–	–	–	(8)	(395)	(403)
At 31 May 2014	128,210	1,708	546	3,574	14,402	148,440
Net book value – 31 May 2014	106,658	–	5,253	8,436	2,323	122,670
Net book value – 31 May 2013	107,303	15	3,864	5,360	3,937	120,479
Net book value – 1 June 2012	107,465	412	–	3,551	3,938	115,366

Goodwill primarily relates to the purchase of IG Group plc by IG Group Holdings plc – detail is provided in note 16. The client list acquired with the business of Ideal CFDs has been amortised on a sum-of-digits basis over three years.

Development costs relate to both internally generated intangible assets and third-party software acquired to further enhance the Group's own proprietary software.

Software and licences relate entirely to external purchases of off-the-shelf, commercially available software for internal consumption within the Group.

Domain names include the cost of acquiring IG.com and a suite of complementary domains to support the Group's global brand. As at 31 May 2014 this also includes an industry-specific generic top-level domain (gTLD). Additional gTLDs have been acquired for no capital outlay.

The expected useful lives of each class of intangible asset are set out in note 40, Accounting Policies.

Company	Domain names £000
Cost:	
At 1 June 2012 and 31 May 2013	–
Additions	1,580
At 31 May 2014	1,580
Accumulated amortisation:	
At 1 June 2012 and 31 May 2013	–
Provided during the year	26
At 31 May 2014	26
Net book value – 31 May 2014	1,554
Net book value – 1 June 2012 and 31 May 2013	–

Please refer to the Group Intangible Assets disclosure above regarding discussion of domain names.

15. INVESTMENT IN SUBSIDIARIES

PARENT COMPANY – INVESTMENT IN SUBSIDIARIES

	Company	
At cost:	2014 £000	2013 £000
At the beginning of the year	459,977	438,128
Additions[1]	11,623	21,849
At the end of the year	471,600	459,977

(1) Additions in the year ended 31 May 2014 comprise the investment relating to equity-settled share-based payments for subsidiary employees of £6,555,598 (2013: £4,309,000) and the purchase of shares in the Company's immediate subsidiary, IG Group Limited, of £5,067,309 (2013: £17,540,000).

The following companies are all owned directly or indirectly by IG Group Holdings plc:

Name of company	Country of incorporation	Holding	Voting rights	Nature of business
Subsidiary undertakings held directly:				
IG Group Limited	UK	Ordinary shares	100%	Holding company
IG Jersey Cashbox Limited	Jersey	Ordinary shares	100%	Non-trading
Subsidiary undertakings held indirectly:				
IG Index Limited	UK	Ordinary shares	100%	Spread betting and IT development
IG Markets Limited	UK	Ordinary shares	100%	CFD trading, foreign exchange and market risk management
IG Markets South Africa Limited	UK	Ordinary shares	100%	CFD trading
IG Australia Pty Limited	Australia	Ordinary shares	100%	Sales and marketing office
IG Asia Pte Limited	Singapore	Ordinary shares	100%	CFD trading and foreign exchange
North American Derivatives Exchange Inc	USA	Ordinary shares	100%	Exchange
IG Securities Limited[1]	Japan	Ordinary shares	100%	CFD trading and foreign exchange
IG Switzerland S.A.	Switzerland	Ordinary shares	100%	CFD trading and foreign exchange
Market Data Limited	UK	Ordinary shares	100%	Data distribution
Market Risk Management Inc	USA	Ordinary shares	100%	Market maker
IG Infotech (India) Private Limited	India	Ordinary shares	100%	Software development
IG Nominees Limited	UK	Ordinary shares	100%	Nominee company
IG Knowhow Limited	UK	Ordinary shares	100%	Software development
extrabet Limited	UK	Ordinary shares	100%	Non-trading
Broker Connect Inc	USA	Ordinary shares	100%	Software development
LLC IG Dev	Belarus	Ordinary shares	100%	Software development
IG Finance	UK	Ordinary shares	100%	Financing
IG Finance Two	UK	Ordinary shares	100%	Financing
IG Finance Three	UK	Ordinary shares	100%	Financing
IG Finance Four	UK	Ordinary shares	100%	Financing
IG Finance 5 Limited	UK	Ordinary shares	100%	Financing
IG Forex Limited (previously called IG Finance 6 Limited)	UK	Ordinary shares	100%	Financing
IG Spread Betting Limited (previously called IG Finance 7 Limited)	UK	Ordinary shares	100%	Financing
IG Finance 8 Limited	UK	Ordinary shares	100%	Financing
IG Finance 9 Limited	UK	Ordinary shares	100%	Financing
ITS Market Solutions Limited	UK	Ordinary shares	100%	Non-trading
Fox Sub Limited	Gibraltar	Ordinary shares	100%	Financing
Fox Sub Two Limited	Gibraltar	Ordinary shares	100%	Financing
Fox Japan Holdings[1]	Gibraltar	Ordinary shares	100%	Holding company
IG US Holdings Inc	USA	Ordinary shares	100%	Holding company
Market Data Japan KK	Japan	Ordinary shares	100%	Holding company
FXOnline Japan Co., Limited	Japan	Ordinary shares	100%	Non-trading

(1) IG Securities Limited and Fox Japan Holdings have a year-end of 31 March due to local Japanese law.

Employee Benefit Trusts:
IG Group Holdings plc Inland Revenue Approved Share Incentive Plan (UK Trust)
IG Group Limited Employee Benefit Trust (Jersey Trust)
IG Group Employee Equity Plan Trust (Australian Trust)

The following UK entities, all of which are 100% owned by the Group, are not subject to an audit by virtue of s479A of the Companies Act 2006 relating to subsidiary companies: IG Finance 5 Limited (06752558), IG Finance 9 Limited (07306407), and extrabet Limited (04560348).

The following UK entities, all of which are 100% owned by the Group, are exempt from the requirement to prepare individual accounts by virtue of s394A of the Companies Act 2006 relating to the individual accounts of dormant subsidiaries: IG Nominees Limited (04371444), IG Finance (05024562), IG Finance Two (05137194), IG Finance Three (05297886), IG Finance Four (05312015), IG Forex Limited (06808361), IG Spread Betting Limited (06806588), IG Finance 8 Limited (06807656) and ITS Market Solutions Limited (04768327).

16. IMPAIRMENT OF GOODWILL

ANALYSIS OF GOODWILL

Goodwill has been allocated for impairment-testing purposes to the cash-generating units (CGUs), as follows:

	Group	
	2014 £000	2013 £000
UK	100,012	100,012
Australia	934	934
US	4,535	4,998
South Africa	1,177	1,359
	106,658	107,303

UK goodwill arose on the purchase of IG Group plc by IG Group Holdings plc on 5 September 2003. Goodwill disclosed as Australia arose on the acquisition of the non-controlling interest in IG Australia Pty Limited in the year ended 31 May 2006. Goodwill arising on the acquisitions of Nadex (formerly HedgeStreet), and the associated exchange technology and licence, and Ideal CFD's has been allocated to the separate US and South African CGUs respectively.

IMPAIRMENTS DURING THE FINANCIAL YEAR ENDED 31 MAY 2014

There was no indication of an 'impairment trigger' existing on any of the CGUs (2013: £nil), nor any impairment recognised during the year ended 31 May 2014.

IMPAIRMENT–TESTING AT YEAR–END

The goodwill associated with each CGU has been subject to an impairment test at 31 May 2014, as set out in the following disclosures. For the purposes of impairment-testing of goodwill, the carrying amount of each CGU is compared to the recoverable amount of each CGU and any deficits are provided. The carrying amount of a CGU includes only those assets that can be attributed directly, or allocated on a reasonable and consistent basis.

The estimated recoverable amount for the UK CGU of £1.3 billion is based upon fair value less costs of disposal. This is £1.2 billion in excess of the carrying amount of the CGU.

The estimated recoverable amount of the US CGU, however, is based upon a value-in-use calculation due to the difficulty in determining a fair value for this CGU. For the US CGU this is calculated as the total of the present value of projected future cash flows and a terminal value.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

The UK, Australian and South African CGU's reported a segment operating profit, after the allocation of central costs, of £117.5 million, £31.3 million and £2.1 million respectively for the year ended 31 May 2014 (refer to note 4, Segment Information). Furthermore, the UK CGU represents 52% of the Group's net trading revenue for the year ended 31 May 2014. The Board-approved budget for the financial year ending 31 May 2015 and longer-term strategic plans for the Group forecast at least a similar level of performance for these CGUs to continue. As a result, both the single-year operating profit and thus the recoverable amount of the UK, Australian and South African CGUs is significantly in excess of the carrying value. Accordingly, the outcome of the impairment review for the CGUs is not considered to be sensitive to the assumptions used.

The Directors have performed a sensitivity analysis around the assumptions used in the value-in-use calculation of the goodwill associated with the US CGU. The US CGU comprises both the Nadex exchange and associated market-making business (the 'Nadex exchange business') as well as the wider commercial use of the exchange technology within the Group. While the Nadex exchange business remains loss-making, the wider commercial use of the technology by the Group provides other significant economic benefits which, taken alone, support the carrying value of the goodwill. For this reason the Directors consider that a reasonably possible change in a key assumption would not cause the unit's carrying amount to exceed its recoverable amount. In the event of the Nadex exchange business failing to generate sufficient profits, the deferred tax asset of £1.7 million held in relation to carry forward tax losses might suffer impairment.

KEY ASSUMPTIONS USED IN FAIR VALUE LESS COSTS OF DISPOSAL CALCULATIONS

The fair value less costs of disposal of the UK CGU has been calculated using an earnings multiple determined by reference to the Company's quoted market capitalisation and the Group's segmental operating profit. As the business model of this CGU is largely synonymous with that of the Group, this methodology is deemed to be appropriate.

16. IMPAIRMENT OF GOODWILL (CONTINUED)

KEY ASSUMPTIONS USED IN VALUE-IN-USE CALCULATIONS

Projected future cash flows for the US CGU were based upon the Board-approved budget for the financial year ending 31 May 2015. Forecasts to the year ending 31 May 2019 were then extrapolated from the budget using a range of client recruitment, client retention rates and average revenue per client assumptions. These were based upon actual amounts measured in prior periods which were projected forward in accordance with expected trends. This methodology is consistent with that used for the 31 May 2013 year-end impairment review. The revenue growth rates disclosed in the following table are consistent with the long-term growth rates of other Group businesses measured over a five-year period.

The calculation of value-in-use for the US CGU is most sensitive to the following assumptions:

- Client recruitment and retention rates
- Average revenue per client
- The discount rate
- The long-term growth rate used for the terminal value calculation

Cash flows were translated into sterling using year-end exchange rates.

The cash flows were discounted using a pre-tax discount rate as disclosed in the table below. This was derived using a region-specific, market-based cost of equity and debt assumption, in order to reflect both the financing cost and risk associated with the US CGU. The long-term growth rate (g) used in the terminal value calculation of the US CGU is also disclosed below, and is equivalent to, or lower than, the respective long-term growth rate for the US economy.

	Discount rate		Average years 1-5 growth rate		g	
Cash-generating unit	2014	2013	2014	2013	2014	2013
US	16.8%	14.9%	44.3%	40.5%	1.9%	1.9%

On the basis of the results of the above analysis, there was no impairment of goodwill during the year.

17. TRADE RECEIVABLES

	Group 2014 £000	2013 £000
Amounts due from brokers[1]	303,861	283,940
Other amounts due to the Group[2]	21,283	15,003
Amounts due from clients[3]	2,334	1,693
	327,478	300,636

(1) Amounts due from brokers represent balances with brokers where the combination of cash held on account and the valuation of open financial-derivative positions results in an amount due to the Group. At 31 May 2014 the actual broker margin requirement was £285.1 million (2013: £245.7 million) with the balance being excess cash margin held at brokers.

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

(3) Amounts due from clients arise when a client's total funds deposited with the Group are insufficient to cover any trading losses incurred and are stated net of an allowance for impairment (refer to note 36).

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Gross cash and cash equivalents[1]	959,906	921,869	–	245
Less: segregated client funds[2]	(858,419)	(823,524)	–	–
Own cash and title transfer funds[3]	101,487	98,345	–	245

(1) Gross cash and cash equivalents include the Group's own cash, proceeds from drawdown of the committed banking facility (2014 and 2013: £nil), as well as all client monies held including both segregated client and title transfer funds.

(2) Segregated client funds comprise individual client funds held in segregated client money accounts established under the UK's Financial Conduct Authority (FCA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates. Such monies are not included in the Group's Statement of Financial Position.

(3) Title transfer funds are held by the Group under a Title Transfer Collateral Arrangement (TTCA) by which a corporate client agrees that full ownership of such monies is unconditionally transferred to the Group (refer to note 22).

The Group's total available liquidity including undrawn committed borrowing facilities is disclosed in note 19 to the Financial Statements.

19. LIQUIDITY ANALYSIS AND RISK MANAGEMENT

The following section provides an analysis of the Group's available liquidity and the liquidity requirements that result from the Group's business model, and sets out the key measures used by the Group to monitor and manage the level of liquidity available to the Group.

The key measures used by the Group are explained below:

Liquid assets: These are total liquid assets that the Group can access. These include cash held at bank (both own cash and title transfer funds) as well as at brokers, the liquid assets buffer held by the Group and other cash amounts due to the Group.

Own funds: These are liquid assets less title transfer funds. Title transfer funds are client monies held by the Group under a Title Transfer Collateral Arrangement (TTCA).

Available liquid assets: Certain of the Group's funds are not immediately available for the purposes of central market risk management as they are required to provide regulatory capital balances in regulated subsidiaries. Additionally, the Group's overseas businesses require working capital balances to fund daily operations and to ensure sufficient liquidity is available to fund the local client segregation requirements. Available liquid assets are therefore liquid assets less both amounts held in overseas subsidiaries and amounts due from segregation – each of which are not considered immediately available to the Group.

Net available liquidity: This is the remaining liquidity available to the Group after the funding of the broker margin requirement associated with market risk management.

Total available liquidity: This measure is the total of the Group's liquid assets and the Group's undrawn committed banking facilities.

In order to mitigate liquidity risks, the Group regularly stress-tests its three-year liquidity forecast to validate the appropriate level of committed unsecured bank facilities held. On 15 July 2014 the Group completed the renewal negotiations of the liquidity facility with a syndicate of three banks. In doing so, the Group has maintained the size of the overall facility at £200.0 million. Of the total committed banking facility, £120.0 million is available for a period of one year and £80.0 million is available for three years respectively. The drawings made under the Group's facility in the year ended 31 May 2014 are disclosed in note 19(c).

Additionally, the Group's Japanese business, IG Securities Limited, has a ¥300 million (£1.8 million) liquidity facility as at 31 May 2014 (2013: ¥300 million (£2.0 million)).

The following notes have been provided to further explain the derivation of liquid assets, own funds, available liquid assets, net available liquidity and total available liquidity. The generation of own funds is disclosed in note 19(d).

19(A) LIQUID ASSETS AND OWN FUNDS

'Liquid assets', stated net of borrowings, and 'own funds' are the key measures the Group uses to monitor the overall level of liquidity available to the Group. The derivation of both liquid assets and own funds are shown in the following table:

	Note	2014 £000	2013 £000
Cash held, including title transfer funds[1]	18	101,487	98,345
Amounts due from brokers[2]	17	303,861	283,940
Financial investments – liquid assets buffer[3]	21	82,457	50,468
Other amounts due to the Group[4]	17, 22	20,450	15,003
Liquid assets		508,255	447,756
Less:			
Drawdown of committed banking facility		–	–
Title transfer funds	22	(20,974)	(18,465)
Own funds		487,281	429,291

(1) Own cash and title transfer funds represent cash held on demand with financial institutions (please refer to note 18).

(2) Amounts due from brokers represent balances with brokers where the combination of cash held on account and the valuation of financial derivative open positions results in an amount due to the Group. These positions are held to hedge client market exposures in accordance with the Group's market risk management policy.

(3) Financial investments represent UK government securities held in accordance with the BIPRU 12 liquidity standards and the Group's regulatory oversight by the UK's Financial Conduct Authority (FCA). This is the Group's 'liquid assets buffer'.

(4) Other amounts due to the Group include balances that will be transferred to the Group's own cash from segregated client funds on the following working day in accordance with the FCA 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates. This also includes amounts due from banking counterparties or held within segregated client funds in relation to monies transferred by clients to the Group that remain unsettled at the year-end. The Group is required to segregate these client funds at the point of client funding and not at cash settlement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. LIQUIDITY ANALYSIS AND RISK MANAGEMENT (CONTINUED)

19(B) THE GROUP'S LIQUIDITY REQUIREMENTS

The Group requires day-to-day liquidity for each of: the full segregation of client monies; the funding of regulatory and working capital in overseas businesses; the funding of margin requirements at brokers to hedge the underlying client positions under both normal and stressed conditions; the funding of a liquid asset buffer and amounts associated with general working capital.

The available liquid assets measure excludes cash amounts tied up in both the requirement to segregate client funds and in the regulatory and working capital of overseas businesses, as they are not considered to be available for the purposes of central market and liquidity risk management.

These requirements are analysed in the following table:

	Note	2014 £000	2013 £000
Liquid assets	19(a)	**508,255**	**447,756**
Less amounts required to ensure appropriate client money segregation	17, 22	(20,450)	(15,003)
Less amounts required for regulatory and working capital of overseas businesses(1)		(28,666)	(32,542)
Available liquid assets		**459,139**	**400,211**
Less broker margin requirement(2)	17	(285,102)	(245,689)
Net available liquidity		**174,037**	**154,522**
Of which:			
Held as a liquid assets buffer(3)	21	82,457	50,468
Drawdown of committed banking facility(4)		–	–

(1) The Group's regulated subsidiaries in Singapore, Japan, South Africa and the US all have minimum cash holding requirements associated with their respective regulatory capital requirements. Additionally the Group's regulated business or subsidiaries in Australia, Singapore, Japan, South Africa and the US are required to segregate individual client funds in segregated client money bank accounts. This daily segregation requirement occurs prior to the release of funds from the UK (note: market risk management is performed centrally for the Group in the UK) in relation to the associated hedging positions held at external brokers. Accordingly cash balances are held in each of the overseas businesses in order to ensure client money segregation obligations are met. These regulatory or working capital cash balances are not available to the Group for the purposes of market risk management. It is anticipated that following the granting of a regulatory license in Switzerland the overseas regulatory and working capital balances will increase.

(2) Positions are held with external brokers in order to hedge client market risk exposures in accordance with the Group's market risk management policies.

(3) The liquid assets buffer is not available to the Group in the ordinary course of business, however utilisation is allowed in times of liquidity stress and therefore it is considered as available for the purposes of overall liquidity planning.

(4) The short-term banking facility was undrawn at 31 May 2014 and 31 May 2013.

19(C) LIQUIDITY MANAGEMENT AND LIQUIDITY RISK

Liquidity risk is managed centrally and on a Group-wide basis. The Group's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its broker margin requirements and other financial liabilities when due, under both normal circumstances and stressed conditions. The Group has carried out an Individual Liquidity Adequacy Assessment (ILAA) during the year, and while this applies specifically to the Group's FCA regulated entities, it provides the context in which liquidity is managed on a continuous basis for the whole Group.

The Group does not have any material liquidity mismatches with regard to liquidity maturity profiles due to the very short-term nature of its financial assets and liabilities. Liquidity risk can, however, arise as all individual client funds are required to be placed in segregated client money accounts. A result of this policy is that short-term (less than one week) liquidity 'gaps' can potentially arise in periods of very high client activity or significant increases or falls in global financial market levels.

During periods of significant market falls the Group will be required to fund margin payments to brokers prior to the release of funds from segregation, and in periods of significant market increases or increased client activity, the Group will be potentially required to fund higher margin requirements at brokers to hedge increased underlying client positions. These additional requirements are funded from the Group's available liquid assets while these individual client positions are open, as individual client funds remain in segregated client money bank accounts.

In order to mitigate this and other liquidity risks, the Group regularly stress-tests its three-year liquidity forecast to validate the appropriate level of committed unsecured bank facilities held.

These facilities were drawn to a maximum of £50.0 million for a period of 30 days, but partially repaid down to £25.0 million for a further 32 days in October to December 2013, and to £30.0 million for 28 days during February and March 2014 following the reduction in available liquidity after payment of dividends and at a time of relatively high levels of broker margin. In the year ended 31 May 2013 the facilities were drawn down to a maximum of £25.0 million for a period of 22 days in April 2013, when the broker margin requirement reached a level of £294.7 million and the Group held a liquid assets buffer of £50.5 million.

As well as the three-year liquidity forecast, the Group also produces more detailed short-term liquidity forecasts and detailed stress tests such that appropriate management actions or liquidity facility drawdown can occur prior to a period of expected liquidity requirements.

Additionally the Group's Japanese business, IG Securities Limited has a ¥300 million (£1.8 million) liquidity facility as at 31 May 2014 (2013: ¥300 million (£2.0 million)).

A number of measures are used by the Group for managing liquidity risk, one of which is the level of total available liquidity. For this purpose total liquidity is calculated as set out in the following table inclusive of the undrawn committed facility.

	2014 £000	2013 £000
Liquid assets	**508,255**	**447,756**
Undrawn committed banking facility(1)	200,000	180,000
Total liquidity (including facilities)(2)	**708,255**	**627,756**

(1) Drawdown of the committed banking facility is capped at 80% of the actual broker margin requirement on the drawdown date. The maximum available drawdown was £200.0 million at 31 May 2014 (2013: £180.0 million) based on the broker margin requirements on those dates, of which £nil was drawn down as at 31 May 2014 (31 May 2013: £nil).

(2) Stated inclusive of the liquid assets buffer of £82.5 million (2013: £50.5 million) that is held by the Group in satisfaction of the FCA requirements to hold a 'liquid asset buffer' against potential liquidity stress under BIPRU 12. Utilisation of the liquid assets buffer is allowed in times of liquidity stress, and therefore it is considered as available for the purposes of overall liquidity planning.

The Group's total liquidity enables the funding of large broker margin requirements when required – the total available liquidity that can be utilised for market risk management at 31 May 2014 should be considered in light of the intra-period-high broker margin requirement of £290.3 million (2013: £297.5 million), the requirement to hold a liquid assets buffer, the continued growth of the business (both for client trading and geographic expansion), the Group's commitment to segregation of individual clients money and the declared final dividend for the year ending 31 May 2014, all of which draw upon the Group's liquidity.

19(D) OWN FUNDS GENERATED FROM OPERATIONS

The following Cash Flow Statement summarises the Group's generation of own funds during the year and excludes all cash flows in relation to monies held on behalf of clients. Additionally, both amounts due from brokers and the liquid assets buffer have been treated as 'cash equivalents' and included within 'own funds' in order to provide a clear presentation of the Group's cash resources. The derivation of own funds is explained in note 19(a), and is stated net of amounts drawn on the Group's committed banking facility. A narrative explanation of the key cash flows disclosed in the following Cash Flow Statement is provided within the Operating and Financial Review.

	2014 £000	2013 £000
Operating activities		
Profit before tax	194,723	192,208
Depreciation and amortisation	9,697	12,166
Other non-cash adjustments(1)	3,897	3,204
Income taxes paid	(47,761)	(53,247)
Own funds generated from operations	**160,556**	**154,331**
Movement in working capital(1)	**(3,298)**	**(12,038)**
(Outflow) / inflow from investing activities		
Interest received	1,537	2,172
Purchase of property, plant and equipment and intangible assets	(11,504)	(16,762)
Purchase of non-controlling interests	–	(1,319)
Outflow from financing activities		
Interest paid	(1,988)	(3,175)
Equity dividends paid to owners of the parent	(84,827)	(81,615)
Other outflow from financing activities	(33)	(33)
Total outflow from investing and financing activities	**(96,815)**	**(100,732)**
Increase in own funds	**60,443**	**41,561**
Own funds at 1 June	429,291	388,221
Exchange losses on own funds	(2,453)	(491)
Own funds at 31 May	487,281	429,291

(1) For the comparative year 31 May 2013 £1,043,000 has been reclassified in order to include the recovery or impairment of trade receivables within working capital rather than other non-cash adjustments, reducing 'other non-cash adjustments' from £4,247,000 to £3,204,000 and reducing the 'movement in working capital' from £13,081,000 to £12,038,000.

19(E) SUBSEQUENT EVENTS

The Group has on 15 July 2014 completed the renegotiation of the £200.0 million liquidity facility with a syndicate of three banks. In doing so the Group has renewed the £120.0 million element of the facility available for a period of one year (with an option to extend for a further year) and renegotiated the £80.0 million element of the facility to be available for a further three years respectively from 31 July 2014. Please refer to note 38.

A final dividend of 22.40 pence per share, amounting to £81,814,000, was proposed by the Board on 18 July 2014.

In the Directors' opinion the Group has sufficient liquidity available to meet operational requirements under both normal and stressed conditions. Liquidity management is also dependent on credit risk management, subsequently described in note 36(ii).

20. CASH GENERATED FROM OPERATIONS

		Group		Company	
Operating activities	Note	2014 £000	2013 £000	2014 £000	2013 £000
Operating profit / (loss)		195,255	191,928	(2,282)	(3,122)
Adjustments to reconcile operating profit to net cash flow from operating activities:					
Net interest income on segregated client funds		(5,500)	(8,188)	–	–
Depreciation of property, plant and equipment	13	4,656	6,050	–	–
Amortisation of intangible assets	14	5,041	6,116	–	–
Non-cash foreign exchange losses / (gains) in operating profit		8,572	(2,399)	–	–
Share-based payments		6,556	4,309	6,556	4,309
(Increase) / decrease in trade and other receivables[1]		(40,934)	(78,372)	80,492	84,801
Increase / (decrease) in trade and other payables		2,819	(52,228)	1,007	(3,641)
Decrease in provisions		–	(202)	–	–
Other non-cash items		–	(612)	–	–
Cash generated from operations		176,465	66,402	85,773	82,347

(1) For the comparative year of 31 May 2013 £1,043,000 relating to 'recovery of trade receivables' has been reclassified into 'increase in trade and other receivables' reducing 'increase in trade and other receivables' from £79,415,000 to £78,372,000.

21. FINANCIAL INVESTMENTS

	Group	
	2014 £000	2013 £000
UK government securities:		
At 1 June	50,468	–
Purchase of securities	91,294	50,486
Maturity of securities and coupon receipts	(59,598)	–
Accrued interest	234	20
Net gains / (losses) transferred to equity	59	(38)
At 31 May	**82,457**	**50,468**
Less non-current portion	(32,150)	–
Current portion	**50,307**	**50,468**

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

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

Financial investments are shown as current assets when they have a maturity less than one year and are held as 'available-for-sale'. The fair value of securities held is based on closing market prices at the year-end as published by the UK Debt Management Office. Please refer to note 36(i)(c) for a maturity profile.

22. TRADE PAYABLES

	Group	
	2014 £000	2013 £000
Amounts due to title transfer clients	20,974	18,465
Amounts due to clients[1]	833	–
Other trade payables	95	582
	21,902	19,047

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

23. OTHER PAYABLES

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Accruals	50,506	51,534	7,155	6,164
Other taxes and social security	2,825	2,244	–	–
Amounts due to Group companies (note 34(b))	–	–	544	26,293
Dividends on redeemable preference shares	3	3	3	3
	53,334	53,781	7,702	32,460

Included within accruals are amounts in relation to employee bonuses.

24. PROVISIONS

	Group	
	2014 £000	2013 £000
At the beginning of the year	–	1,353
Utilised in the year	–	(1,353)
At the end of the year	–	–

25. LITIGATION

On the 27 March 2013, the High Court dismissed the claim against IG Markets Limited, which dated from late 2010, in relation to the insolvency of Echelon Wealth Management Limited, a former client of IG Markets Limited. No provision had been made in the Group Statement of Financial Position as at 31 May 2012.

Subsequently the claimants chose not to appeal and have paid a substantial contribution to the legal costs incurred by the Group as disclosed in note 5.

26. REDEEMABLE PREFERENCE SHARES

	Company and Group	
	2014 £000	2013 £000
Allotted, called up and fully paid:		
40,000 preference shares of £1 each	40	40

The preference shares are entitled to a fixed non-cumulative dividend of 8% paid in preference to any other dividend. Redemption is only permissible in accordance with capital distribution rules or on the winding up of the Company where the holders are entitled to £1 per share plus, if the Company has sufficient distributable reserves, any accrued or unpaid dividends. The preference shares have no voting rights, except that they are entitled to vote should the Company fail to pay any amount due on redemption of the shares. The effective interest rate on these shares is 8% (2013: 8%).

27. SHARE CAPITAL

COMPANY AND GROUP

	Number of shares	Share capital £000	Share premium account £000
Allotted and fully paid:			
(i) Ordinary shares (0.005p)			
At 1 June 2012	363,315,023	18	206,291
Issued during the year	1,579,901	–	467
At 31 May 2013	364,894,924	18	206,758
Issued during the year	859,707	–	–
At 31 May 2014	365,754,631	18	206,758
(ii) B shares (0.001p)			
At 31 May 2013 and 31 May 2014	65,000	–	–

During the year to 31 May 2014, 859,707 (2013: 1,579,901) ordinary shares with an aggregate nominal value of £43 (2013: £79) were issued following the exercise of long-term incentive and value-sharing plan awards for a consideration of £43 (2013: £467,000).

Except as the ordinary shareholders have agreed or may otherwise agree, on a winding up of the Company, the balance of assets available for distribution after the payment of all of the Company's creditors and subject to any special rights attaching to other classes of shares are distributed among the shareholders according to the amounts paid up on shares by them.

B shares

The B shares carry no entitlement to dividends and no voting rights. To the extent not already received by them the B shareholders shall, on a winding up of the Company, be entitled to receive, from the trustee, a consideration equal to the amount realised by the sale by the trustee of approximately 122 ordinary shares for every B share held.

28. OWN SHARES HELD IN EMPLOYEE BENEFIT TRUSTS

The movements in own shares held in Employee Benefit Trusts in respect of employee share plans during the year were as follows:

	Company and Group 2014 £000	2013 £000
At the beginning of the year:		
1,223,411 (2013: 1,207,619) ordinary shares of 0.005p each	1,456	1,508
Purchased during the year:		
4,968 (2013: 97,075) ordinary shares of 0.005p each	30	441
Exercised/re-allocated during the year:		
181,652 (2013: 81,283) ordinary shares of 0.005p each	(397)	(493)
At the end of the year:		
1,046,727 (2013: 1,223,411) ordinary shares of 0.005p each	1,089	1,456

The Group has a UK-resident Employee Benefit Trust in order to hold shares in the Company in respect of awards under the Group's HM Revenue and Customs-approved share-incentive plan (SIP). At 31 May 2014, 389,725 ordinary shares (2013: 559,762) were held in the trust and at the year-end have reduced shareholders' equity by £2,344,196 (2013: £3,241,022). These include 151,711 ordinary shares (2013: 252,580) which were not allocated to employees and are available for future SIP awards. The market value of the shares held conditionally at the year-end was £912,542 (2013: £1,462,438).

The Group has a Jersey-resident Employee Benefit Trust which holds shares in the Company. At the 31 May 2014, the trust held 512,075 (2013: 512,075) ordinary shares which are available to satisfy awards under the long-term share plans and Directors' deferred bonus award. The shares held at the year-end have reduced shareholders' equity by £26 (2013: £26). The market value of the shares held conditionally at the year-end was £3,080,131 (2013: £2,964,914).

The Group has an Australian-resident Employee Equity Plan Trust in order to hold shares in the Company in respect of awards under a SIP. At 31 May 2014, 9,790 ordinary shares (2013: 12,412) were held in the trust and at the year-end have reduced shareholders' equity by £58,887 (2013: £71,865). These include nil ordinary shares (2013: nil) which were not allocated to employees and are available for future SIP awards. The market value of the shares held conditionally at the year-end was nil (2013: nil).

Upon flotation of the Company on 4 May 2005, 5,861,497 ordinary shares and cash of £2.4 million were transferred to the Jersey Employee Benefit Trust by institutional shareholders in order to satisfy their obligations to holders of 48,059 B shares and 16,941 B shares respectively. During the year ended 31 May 2014, 33 (2013: 237) B shares were sold by B shareholders to the Trust. The Trust sold 4,025 (2013: 28,905) ordinary shares in order to realise the funds necessary to purchase these B shares. The Trust unconditionally held 63,892 (2013: 63,859) B shares at the year-end. The Trust also held 1,108 (2013: 1,141) B shares and 135,137 (2013: 139,162) ordinary shares which it may sell in order to satisfy its obligations to B shareholders, all of whom are current or former employees.

29. OTHER RESERVES

The share-based payment reserve relates to the estimated cost of equity-settled employee share plans based on a straight-line basis over the vesting period and the associated taxation. The foreign currency translation reserve includes amounts in relation to the translation of overseas subsidiaries. The available-for-sale reserve includes unrealised gains or losses in respect of financial investments.

Group	Share-based payments (note 30) £000	Foreign currency translation £000	Own shares held in Employee Benefit Trusts (note 28) £000	Transactions with non-controlling interests £000	Available-for-sale reserve £000	Total other reserves £000
At 1 June 2012	29,477	59,876	(1,508)	(2,302)	–	85,543
Equity-settled employee share-based payments	4,309	–	–	–	–	4,309
Excess of tax deduction benefit on share-based payments recognised directly in equity (note 10)	13	–	–	–	–	13
Foreign currency translation on overseas subsidiaries	–	(4,575)	–	–	–	(4,575)
Exercise of Australian share-incentive plans	(5)	–	5	–	–	–
Exercise of US share-incentive plans	(20)	–	–	–	–	(20)
Exercise of UK share-incentive plans	(488)	–	488	–	–	–
Purchase of own shares	–	–	(441)	–	–	(441)
Acquisition of non-controlling interest	–	–	–	199	–	199
Loss on financial investments	–	–	–	–	(38)	(38)
At 31 May 2013	33,286	55,301	(1,456)	(2,103)	(38)	84,990
Equity-settled employee share-based payments	6,556	–	–	–	–	6,556
Foreign currency translation on overseas subsidiaries	–	(6,452)	–	–	–	(6,452)
Exercise of Australian share-incentive plans	(17)	–	17	–	–	–
Exercise of US share-incentive plans	(3)	–	–	–	–	(3)
Exercise of UK share-incentive plans	(178)	–	178	–	–	–
Utilisation of own shares	146	–	202	–	–	348
Purchase of own shares	–	–	(30)	–	–	(30)
Gain on financial investments	–	–	–	–	59	59
At 31 May 2014	39,790	48,849	(1,089)	(2,103)	21	85,468

Company	Share-based payments (note 30) £000	Own shares held in Employee Benefit Trusts (note 28) £000	Total other reserves £000
At 1 June 2012	25,104	(1,508)	23,596
Equity-settled employee share-based payments	4,309	–	4,309
Exercise of Australian share-incentive plans	(5)	5	–
Exercise of US share-incentive plans	(20)	–	(20)
Exercise of UK share-incentive plans	(488)	488	–
Purchase of own shares	–	(441)	(441)
At 31 May 2013	28,900	(1,456)	27,444
Equity-settled employee share-based payments	6,556	–	6,556
Exercise of Australian share-incentive plans	(17)	17	–
Exercise of US share-incentive plans	(3)	–	(3)
Exercise of UK share-incentive plans	(178)	178	–
Utilisation of own shares	146	202	348
Purchase of own shares	–	(30)	(30)
At 31 May 2014	35,404	(1,089)	34,315

30. EMPLOYEE SHARE PLANS

The Company operates four employee share plans; a sustained performance plan (SPP), a long-term incentive plan (LTIP), a value-sharing plan (VSP) and a share-incentive plan (SIP), all of which are equity-settled. The SPP and a new LTIP have been awarded in the current year in place of the VSP. The expense recognised in the Income Statement in respect of share-based payments (including associated social security costs) was £7,077,000 (2013: £4,414,000).

30(A) CURRENT SCHEMES

Sustained performance plan (SPP)

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

The legal grant of awards under the SPP is post the relevant performance period. At the outset of the financial year the Remuneration Committee approves, and communicates to the participants, performance conditions and a pre-defined maximum monetary award in terms of multiple of salary. The grant of awards, in the form of equity settled par-value options, is based upon three performance conditions: Total Shareholder Return (TSR), diluted earnings per share and operational non-financial performance. Awards subsequently vest in tranches over the long term (up to seven years), so the participant retains an ongoing substantial stake in the share price performance of the Company.

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

Further information on the Company's SPP awards is given in the Directors' Remuneration Report.

Awards under the SPP will be granted post year-end following the approval of actual performance against targets set by the Remuneration Committee. A ten-day share-price averaging period that will commence after the Company's closed period is utilised to convert notional salary awarded into a number of options.

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

Long-term incentive plan (LTIP)

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

LTIP awards allow the award of nominal cost options which vest when specific performance targets are achieved, conditional upon continued employment at the vesting date. For each award, a minimum performance target has to be achieved before any shares vest, and the awards vest fully once the maximum performance target is achieved.

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

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

Award date	Share price at award	Expected vesting date	At the start of the year (number)	Awarded during the year (number)	Lapsed during the year (number)	Exercised during the year (number)	At the end of the year (number)
28 Nov 2013	584.00p	28 Nov 2016	–	446,001	(8,268)	–	437,733
Total			–	446,001	(8,268)	–	437,733

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

Share-incentive plan (SIP)

SIP awards are made available to all UK, Australian and US employees. The Executive Directors have responsibility for setting the terms of the award, which are then approved by the Remuneration Committee.

The UK and Australian awards invite all employees to subscribe for up to £1,500 / A$3,000 (2013: £1,500 / A$3,000) of partnership shares, with the Company typically matching on a one-for-one basis. All matching shares vest after three years, as long as the employee remains employed with the Group for the term of the award. Shares awarded under the scheme are held in trust in accordance with local tax authority rules. Employees are entitled to receive dividends on the shares held in trust for as long as they remain employees.

The US award invites employees to invest a maximum of 5% of their salary bi-annually to the award. The award runs for a six-month period, and at the end of this period the employees are invited to purchase shares in IG Group Holdings plc at a discount of 15% to the scheme price, being the lower of the opening share price and the closing share price for the period.

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

Country of award	Award date	Share price at award	Expected vesting date	At the start of the year (number)	Awarded during the year (number)	Lapsed during the year (number)	Exercised during the year (number)	At the end of the year (number)
UK	21 Jul 10	483.85p	21 Jul 13	42,716	–	–	(42,716)	–
Australia	05 Aug 10	489.90p	05 Aug 13	3,043	–	–	(3,043)	–
UK	28 Jul 11	443.74p	28 Jul 14	51,344	–	(3,041)	(676)	47,627
Australia	01 Aug 11	444.77p	01 Aug 14	4,059	–	(902)	(451)	2,706
UK	27 Jul 12	456.00p	27 Jul 15	81,526	–	(7,715)	(658)	73,153
Australia	22 Aug 12	432.02p	22 Aug 15	5,664	–	(1,416)	(944)	3,304
UK	26 Jul 13	580.00p	26 Jul 16	–	59,990	(3,533)	–	56,457
Australia	15 Jul 13	572.50p	15 Jul 16	–	4,968	(540)	(648)	3,780
Total				188,352	64,958	(17,147)	(49,136)	187,027

Of the above SIP awards exercised during the year ending 31 May 2014, the average weighted share price at exercise was:

Country of award	Award date	
UK	28 Jul 11	578.00p
Australia	01 Aug 11	559.00p
UK	27 Jul 12	579.25p
Australia	22 Aug 12	556.25p
UK	26 Jul 13	599.25p

The weighted average exercise price of all SIP awards is £5.737.

30(B) FAIR VALUE OF EQUITY-SETTLED AWARDS

The fair value of the equity-settled share-based payments to employees is determined at the date at which a shared understanding of the terms and conditions of the arrangement is reached between the Company and the participants. The weighted average fair value of the equity-settled awards granted or deemed as such under IFRS2 during the year was £11,212,802 (2013: £18,365,223).

For SIP awards, the fair value is determined to be the share price at the grant date without making an adjustment for expected dividends, as awardees are entitled to dividends over the vesting period.

For LTIP awards, the fair value at grant date is determined by taking the share price at grant date. An adjustment for the present value of future dividends is not required, as dividend equivalents are awarded on options granted under the LTIP.

For potential SPP awards made under the Total Shareholder Return (TSR) criteria, fair value is calculated using an option-pricing model prepared by advisers. For the SPP awards made under the earnings-per-share and non-financial operational measures, the fair value is determined by taking the share price at deemed grant date less the present value of future dividends for the duration of the performance period. Dividend equivalents accrue under the SPP on awarded but unvested options post the performance period. Post vesting (minimum holding period) dividend equivalents cease to accrue on unexercised options.

The inputs below were used to determine the fair value of the TSR element of the SPP award issued on 28 November 2013:

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

(1) Due to minimal exercise price the risk-free rate has no impact on the fair value calculation.

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

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

30. EMPLOYEE SHARE PLANS (CONTINUED)

30(B) FAIR VALUE OF EQUITY-SETTLED AWARDS (CONTINUED)

The weighted average fair values per award granted are as follows:

	At the beginning of the year	Awarded during the year	Lapsed during the year	Exercised during the year	At the end of the year
Year ended 31 May 2014	267.13p	583.42p	305.11p	254.55p	241.10p
Year ended 31 May 2013	279.09p	238.61p	290.50p	192.01p	267.13p

30(C) LEGACY SCHEMES

Value-sharing plan (VSP)

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

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

Award date	Share price at award	Expected vesting date	At the start of the year (number)	Awarded during the year (number)	Lapsed during the year (number)	Exercised during the year (number)	At the end of the year (number)
29 Oct 10	528.50p	29 Oct 13	1,831,999	–	(1,679,797)	(135,145)	17,057
29 Oct 10	528.50p	29 Oct 14	1,808,440	–	(1,686,547)	–	121,893
20 Jul 11	450.00p	31 Jul 14	3,064,441	–	(2,927,582)	(36,645)	100,214
20 Jul 11	450.00p	31 Jul 15	3,040,752	–	(2,941,888)	–	98,864
01 Aug 12	449.70p	31 Jul 15	3,763,606	–	(271,614)	–	3,491,992
01 Aug 12	449.70p	31 Jul 16	3,763,641	–	(281,452)	–	3,482,189
Total			17,272,879	–	(9,788,880)	(171,790)	7,312,209

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

Award date	**Average share price at exercise**
29 October 2010	609.13p
20 July 2011	553.50p

Exercise of awards in relation to the July 2011 grant results from the departure of A R MacKay. These awards vested early at the discretion of the Remuneration Committee, as disclosed in the Remuneration Report for the year ended 31 May 2013.

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

Historic long-term incentive plan (LTIP)

The historic LTIP awards were made available to Executive Directors and other senior staff in the years ended 31 May 2005 to 31 May 2010, and were then replaced by the VSP award.

These historic LTIP awards allowed the award of nil cost or nominal cost shares, which were legally classified as options and vested when specific performance targets were achieved, conditional upon continued employment at the vesting date. For each award a minimum performance target had to be achieved before any options vested, and the awards vested fully once the maximum performance target was achieved.

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

Award date	Share price at award	Expected vesting date	At the start of the year	Awarded during the year (number)	Lapsed during the year (number)	Exercised during the year (number)	At the end of the year (number)
04 Oct 06	261.75p	04 Oct 09	32,639	–	–	(32,639)	–
23 Jul 07	312.25p	23 Jul 10	197,588	–	–	(181,636)	15,952
14 Aug 07	311.00p	14 Aug 10	14,700	–	–	(14,700)	–
30 Sep 08	313.75p	30 Sep 11	80,538	–	–	(80,538)	–
25 Sep 09	318.80p	25 Sep 12	378,402	–	–	(378,402)	–
Total			703,867	–	–	(687,915)	15,952

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

Award date	**Average share price at exercise**
04 June 2006	599.50p
23 July 2007	572.79p
14 August 2007	613.00p
30 September 2008	589.14p
25 September 2009	582.89p

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

31. CAPITAL COMMITMENTS

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

	Group 2014 £000	Group 2013 £000
Property, plant and equipment	870	189
Intangible assets	–	162
	870	351

32. OBLIGATIONS UNDER LEASES

OPERATING LEASE AGREEMENTS

The Group and Company have entered into commercial leases on certain properties. Future minimum rentals payable under non-cancellable operating leases are as follows:

Group	2014 £000	2013 £000
Future minimum payments due:		
Not later than one year	4,921	4,419
After one year but not more than five years	16,417	15,547
After more than five years	17,868	19,626
	39,206	39,592

Company	2014 £000	2013 £000
Future minimum payments due:		
Not later than one year	2,290	2,242
After one year but not more than five years	9,617	9,472
After more than five years	15,316	16,033
	27,223	27,747

The Group's main leases on its UK headquarters and several of its smaller offices include annual inflationary rent increase clauses.

33. TRANSACTIONS WITH DIRECTORS

The Group had no transactions with its Directors other than those disclosed in the Directors' Remuneration Report.

34. RELATED-PARTY TRANSACTIONS

34(A) GROUP

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

	2014 £000	2013 £000
Short-term employee benefits	2,708	2,558[1]
Post-employment benefits	253	175[1]
Share-based payments	4,048	1,346
	7,009	4,079

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

34(B) COMPANY

The Company pays for certain expenses incurred by subsidiaries and received preference dividends from IG Group Limited of £nil (2013: £41.2 million). In the year ending 31 May 2013, post the receipt of the dividend the preference shares held in IG Group Limited were redesignated as ordinary shares.

The Company had the following amounts outstanding with subsidiaries at the year-end:

	2014 £000	2013 £000
Loans to related parties	132,987	163,576
Loans from related parties	544	26,293

All amounts remain outstanding at the year-end and are repayable on demand. A number of intercompany amounts were subject to offset arrangements during the year.

35. FINANCIAL INSTRUMENTS

ACCOUNTING CLASSIFICATIONS AND FAIR VALUES – GROUP

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

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

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

The Group's financial instruments are classified as follows:

Group	Note	FVTPL – held for trading £000	Loans and receivables £000	Other amortised cost £000	Available-for-sale £000	Total carrying amount £000	Fair value £000
As at 31 May 2014							
Financial assets							
Cash and cash equivalents	18	–	101,487	–	–	101,487	101,487
Financial investments	21	–	–	–	82,457	82,457	82,457
Trade receivables – due from brokers							
Non-exchange-traded instruments		12,302	175,916	–	–	188,218	188,218
Exchange-traded instruments		(35,666)	151,309	–	–	115,643	115,643
Total trade receivables – due from brokers		(23,364)	327,225	–	–	303,861	303,861
Trade receivables – due from clients	17	–	2,334	–	–	2,334	2,334
Trade receivables – other amounts due from clients	17	–	21,283	–	–	21,283	21,283
		(23,364)	452,329	–	82,457	511,422	511,422
Financial liabilities							
Trade payables – due to title transfer clients	22	–	–	20,974	–	20,974	20,974
Trade payables – due to clients	22	–	833	–	–	833	833
Redeemable preference shares	26	–	–	40	–	40	40
		–	833	21,014	–	21,847	21,847

Group	Note	FVTPL – Held for trading £000	Loans and receivables £000	Other amortised cost £000	Available-for-sale £000	Total carrying amount £000	Fair value £000
As at 31 May 2013							
Financial assets							
Cash and cash equivalents	18	–	98,345	–	–	98,345	98,345
Financial investments available-for-sale	21	–	–	–	50,468	50,468	50,468
Trade receivables – due from brokers							
Non-exchange-traded instruments		16,784	179,475	–	–	196,259	196,259
Exchange-traded instruments		(20,858)	108,539	–	–	87,681	87,681
Total trade receivables – due from brokers		(4,074)	288,014	–	–	283,940	283,940
Trade receivables – due from clients	17	–	1,693	–	–	1,693	1,693
Trade receivables – other amounts due to the Group	17	–	15,003	–	–	15,003	15,003
		(4,074)	403,055	–	50,468	449,449	449,449
Financial liabilities							
Trade payables – due to title transfer clients	22	–	–	18,465	–	18,465	18,465
Redeemable preference shares	26	–	–	40	–	40	40
		–	–	18,505	–	18,505	18,505

FINANCIAL INSTRUMENT VALUATION HIERARCHY

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

Group	Level 1[1] £000	Level 2[2] £000	Level 3[3] £000	Total fair value £000
As at 31 May 2014				
Financial assets				
Trade receivables – due (to) / from brokers	(35,666)	12,302	–	(23,364)
Financial investments	82,457	–	–	82,457

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

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

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

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

35. FINANCIAL INSTRUMENTS (CONTINUED)

Group	Level 1 £000	Level 2 £000	Level 3 £000	Total fair value £000
As at 31 May 2013				
Financial assets				
Trade receivables – due from brokers	(20,858)	16,784	–	(4,074)
Financial investments	50,468	–	–	50,468

RECONCILIATION OF THE MOVEMENT IN LEVEL 3 OF THE VALUATION HIERARCHY

Group	At 1 June 2013 £000	Gains or losses in revenue(1) £000	Cash-settled positions(2) £000	Transfers £000	At 31 May 2014(3) £000
Financial liabilities					
Trade receivables – due to clients	–	26,780	(26,780)	–	–

(1) Disclosed in trading revenue in the Income Statement. This represents client positions that have closed in the year as well those open at year-end.

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

(3) Value of open, unsettled client positions at year-end disclosed in trading revenue in the Income Statement.

Group	At 1 June 2012 £000	Gains or losses in revenue £000	Cash-settled positions £000	Transfers £000	At 31 May 2013 £000
Financial liabilities					
Trade receivables – due to clients	–	20,984	(20,984)	–	–

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

ACCOUNTING CLASSIFICATIONS AND FAIR VALUES – COMPANY

Company	FVTPL – held for trading £000	Loans and receivables £000	Other amortised cost £000	Available-for-sale £000	Total carrying amount £000	Fair value £000
As at 31 May 2014						
Financial assets						
Cash and cash equivalents	–	–	–	–	–	–
Amounts due from Group companies (note 34(b))	–	132,987	–	–	132,987	132,987
	–	132,987	–	–	132,987	132,987
Financial liabilities						
Amounts due to Group companies (note 34(b))	–	–	544	–	544	544
Redeemable preference shares	–	–	3	–	3	3
	–	–	547	–	547	547

Company	FVTPL – held for trading £000	Loans and receivables £000	Other amortised cost £000	Available-for-sale £000	Total carrying amount £000	Fair value £000
As at 31 May 2013						
Financial assets						
Cash and cash equivalents	–	245	–	–	245	245
Amounts due from Group companies (note 34(b))	–	163,576	–	–	163,576	163,576
	–	163,821	–	–	163,821	163,821
Financial liabilities						
Amounts due to Group companies (note 34(b))	–	–	26,293	–	26,293	26,293
Redeemable preference shares	–	–	3	–	3	3
	–	–	26,296	–	26,296	26,296

ITEMS OF INCOME, EXPENSE, GAINS OR LOSSES – GROUP

Gains and losses arising from financial assets and liabilities classified as fair value through the profit and loss, held for trading amounted to net gains of £370,408,000 (2013: £361,857,000).

Finance income (refer to note 8) totalled £1,456,000 (2013: £2,036,000). An amount of £1,456,000 (2013: £1,994,000) represents interest income on financial assets not at fair value through profit or loss and includes interest receivable in respect of non-segregated client balances, part of which is held with broker and interest receivable calculated using the Effective Interest Rate methodology financial investments.

Finance costs (refer to note 9) totalled £1,988,000 (2013: £1,756,000). An amount of £382,000 represents interest expense on financial liabilities not at fair value through profit or loss (2013: £283,000). The remainder, £1,606,000 (2013: £1,473,000) represents fee expense arising from maintaining the Group's committed bank facilities.

FINANCIAL INSTRUMENTS SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING AGREEMENTS AND SIMILAR ARRANGEMENTS

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

Group	Note	Gross amounts before offsetting £000	Amounts set off in the balance sheet £000	Net amounts presented in the balance sheet £000
As at 31 May 2014				
Financial assets				
Cash and cash equivalents(1)	18	959,906	(858,419)	101,487
Financial investments available-for-sale	21	82,457	–	82,457
Trade receivables – due from brokers(2)	17	379,501	(75,640)	303,861
Trade receivables – due from all clients(3)	17	282,055	(279,721)	2,334
Trade receivables – other amounts due to the Group	17	21,283	–	21,283
		1,725,202	(1,213,780)	511,422
Financial liabilities				
Trade payables – due to brokers(2)		75,640	(75,640)	–
Trade payables – due to all clients(1)(3)	22	1,159,947	(1,138,140)	21,807
Redeemable preference shares	26	40	–	40
		1,235,627	(1,213,780)	21,847

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

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

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

Group	Note	Gross amounts before offsetting £000	Amounts set off in the balance sheet £000	Net amounts presented in the balance sheet £000
As at 31 May 2013				
Financial assets				
Cash and cash equivalents	18	921,869	(823,524)	98,345
Financial investments available-for-sale	21	50,468	–	50,468
Trade receivables – due from brokers	17	385,179	(101,239)	283,940
Trade receivables – due from clients	17	286,349	(284,656)	1,693
Trade receivables – other amounts due to the Group	17	15,003	–	15,003
		1,658,868	(1,209,419)	449,449
Financial liabilities				
Trade payables – due to brokers		101,239	(101,239)	–
Trade payables – due to all clients	22	1,126,645	(1,108,180)	18,465
Redeemable preference shares	26	40	–	40
		1,227,924	(1,209,419)	18,505

36. FINANCIAL RISK MANAGEMENT

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

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

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

(I) MARKET RISK

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

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

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

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

There is a significant level of 'natural' hedging arising from the Group's global client base pursuing varying trading strategies, which results in a significant portfolio hedging effect. This reduces the Group's net market exposure prior to the Group hedging any residual net client exposures.

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

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

(a) Market-price risk

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

Equity-market-price risk

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

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

The Group has no significant concentration of market risk.

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

Other market-price risk

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

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

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

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

(b) Foreign-currency risk

The Group is exposed to two sources of foreign-currency risk.

(i) Translational foreign-currency risk

Translation exposures arise from financial and non-financial items held by an entity with a functional currency different from the Group's presentation currency. The functional currency of each company in the Group is that denominated by the country of incorporation as disclosed in note 15. The Group does not hedge translational exposures as they do not have a significant impact on the Group's capital resources.

(ii) Transactional foreign-currency risk

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

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

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

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

(c) Non-trading interest-rate risk

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

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

Group	Within one year 2014 £000	Within one year 2013 £000	Between two and five years 2014 £000	Between two and five years 2013 £000	More than five years 2014 £000	More than five years 2013 £000	Total 2014 £000	Total 2013 £000
Fixed rate								
Redeemable preference shares (8%)	–	–	–	–	(40)	(40)	(40)	(40)
Financial investments available-for-sale	50,307	50,468	32,150	–	–	–	82,457	50,468
Floating rate								
Cash and cash equivalents	101,487	98,345	–	–	–	–	101,487	98,345
Trade receivables – due from brokers	303,861	283,940	–	–	–	–	303,861	283,940
Trade payables – amounts due to clients	(20,974)	(18,465)	–	–	–	–	(20,974)	(18,465)
	434,681	414,288	32,150	–	(40)	(40)	466,791	414,248

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. Please refer to note 21 for effective interest rates received.

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

Interest-rate risk sensitivity analysis

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

(II) CREDIT RISK

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

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

(a) Financial-institution credit risk

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

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

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

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(II) CREDIT RISK (CONTINUED)

(a) Financial-institution credit risk (continued)

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

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

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

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

(b) Client credit risk

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

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

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

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

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

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

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

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

Credit accounts

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

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

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

Credit limits are only granted following provision by the client of evidence of their available financial resources, and credit accounts limits are continuously reviewed by the Group's Credit Department. Each client with a credit limit is also assigned a liquidation level, breach of which will result in closure of positions. Credit accounts are small in number, are not actively promoted and in general they are not made available to new clients.

Risk-based tiered margins

The Group applies a tiered-margin requirement for equities and other instruments with risk-adjusted margin requirements dependent on several factors including the volatility and liquidity of the underlying instrument.

This has resulted in potential margin requirement of up to 90% of the value of the notional client position for large client positions, but a reduced margin requirement for smaller client positions.

These tiered margins, in addition to the COM discussed earlier, contribute to the further mitigation of the Group's client counterparty credit-risk exposure.

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

	Cash and cash equivalents (note 18)		Trade receivables – due from brokers (note 17)		Trade receivables – due from clients (note 17)	
Group	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000
Individually impaired						
Gross exposure	–	–	–	–	11,485	11,247
Allowance for impairment	–	–	–	–	(10,644)	(10,836)
	–	–	–	–	841	411
Past due but not impaired						
Ageing profile:						
0-3 months	–	–	–	–	346	410
> 6 months	–	–	–	–	–	–
	–	–	–	–	346	410
Neither past due nor impaired						
Credit rating:						
AA+ and above	–	–	–	–	–	–
AA to AA-	9,118	11,905	55,109	61,103	–	–
A+ to A-	86,708	81,015	247,355	219,795	–	–
BBB+ to BBB-	5,079	5,009	72	6	–	–
BB+ to B	116	7	–	–	–	–
CCC	–	–	–	–	–	–
Unrated[1]	466	409	1,325	3,036	1,147	872
	101,487	98,345	303,861	283,940	1,147	872
Total carrying amount	101,487	98,345	303,861	283,940	2,334	1,693

(1) Amounts due from brokers are primarily related to the Group's operations in South Africa. Unrated amounts due from clients relate to open positions. Prepayments and other receivables are all unrated (2013: all unrated).

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

Impairment of trade receivables due from clients

The Group records specific impairments of trade receivables due from clients in a separate allowance account. Impairments are recorded where the Group determines that it is probable that it will be unable to collect all amounts owing according to the contractual terms of the agreement. There are no collective impairments taken, and no other assets are considered impaired. Below is a reconciliation of changes in the separate allowance account during the year:

Group	2014 £000	2013 £000
Balance at 1 June	10,836	17,202
Impairment loss for the year		
– gross charge for the year	2,926	955
– recoveries	(1,319)	(1,389)
Write-offs	(1,461)	(6,228)
Foreign exchange	(338)	296
Balance at 31 May	10,644	10,836

Credit risk – Company

Held within prepayments and other receivables in the Statement of Financial Position of the Company are amounts payable to the Company from related parties that are unrated. Refer to note 34(b). The Company is not otherwise exposed to material amounts of credit risk.

(III) CONCENTRATION RISK

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

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(III) CONCENTRATION RISK (CONTINUED)

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

Analysis of credit exposures at carrying amount by geographical segment:

Group	UK £000	Europe £000	Australia £000	Rest of World £000	Total £000
As at 31 May 2014					
Financial assets					
Cash and cash equivalents	74,334	1,178	6,464	19,511	101,487
Financial investments	82,457	–	–	–	82,457
Trade receivables – due from brokers	92,540	51,800	52,228	107,293	303,861
Trade receivables – due from clients	1,942	242	77	73	2,334
Other amounts due to the Group	14,235	–	1,619	5,429	21,283
Total financial assets	265,508	53,220	60,388	132,306	511,422

Group	UK £000	Europe £000	Australia £000	Rest of World £000	Total £000
As at 31 May 2013					
Financial assets					
Cash and cash equivalents	66,964	2,658	6,028	22,695	98,345
Financial investments	50,468	–	–	–	50,468
Trade receivables – due from brokers	96,175	80,092	53,029	54,644	283,940
Trade receivables – due from clients	1,242	156	78	217	1,693
Other amounts due to the Group	9,489	–	214	5,300	15,003
Total financial assets	224,338	82,906	59,349	82,856	449,449

The comparative disclosure has been restated in order to include Japan with the Rest of the World, consistent with the Group's segmental disclosures.

The Group's largest credit exposure to any one individual broker at 31 May 2014 was £79,038,000 (A- rated) (2013: £61,103,500, AA- rated). Included in cash and cash equivalents, the Group's largest credit exposure to any bank at 31 May 2014 was £61,480,000 (AA+ rated) (2013: £60,773,000, A rated). The Group has no significant exposure to any one particular client or group of connected clients.

All of the Company's credit exposures arise in the UK at both 31 May 2014 and 31 May 2013.

(IV) LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or other financial assets. For further details refer to note 19.

Derivative and non-derivative cash flows by remaining contractual maturity – Group

The following tables present the undiscounted cash flows receivable and payable (excluding interest payments) by the Group under derivative and non-derivative financial assets and liabilities allocated to the earliest period in which the Group can be required to pay although the remaining contractual maturities may be longer.

Amounts payable on demand

As at 31 May 2014	Derivative £000	Non-derivative £000	Total £000
Financial assets			
Cash and cash equivalents	–	101,487	101,487
Financial investments	–	82,457	82,457
Trade receivables – due (to) / from brokers	(23,364)	327,225	303,861
Trade receivables – due from clients	–	2,334	2,334
Trade receivables – other amounts due to the Group	–	21,283	21,283
	(23,364)	534,786	511,422
Financial liabilities			
Trade payables – due to clients	–	(20,974)	(20,974)
	(23,364)	513,812	490,448

Derivative trade receivables disclosed in the table at the bottom of page 142 represent the Group's open positions with brokers. Non-derivative trade receivables and payables disclosed in this table represent cash margin held at brokers, UK Government securities and client debtors. Derivative and non-derivative cash flows are presented alongside each other in this table as they result from the same underlying trading relationship and as the Group has both the legal right and intention to settle on a net basis.

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

Trade payables are disclosed in the table at the bottom of page 142 as repayable on demand, as positions can be closed at any time by clients and can also be closed by the Group, in accordance with the Group's margining rules. If after closing a position a client is in surplus, then the amount owing is repayable on demand by the Group.

Amounts payable on demand

As at 31 May 2013	Derivative £000	Non-derivative £000	Total £000
Financial assets			
Cash and cash equivalents	–	98,345	98,345
Financial investments available-for-sale	–	50,468	50,468
Trade receivables – due (to) / from brokers	(4,074)	288,014	283,940
Trade receivables – due from clients	–	1,693	1,693
Trade receivables – other amounts due to the Group	–	15,003	15,003
	(4,074)	453,523	449,449
Financial liabilities			
Trade payables – due to clients	–	(18,465)	(18,465)
	(4,074)	435,058	430,984

Amounts payable over five years

The Group has non-derivative cash flows payable over five years in relation to the redeemable preference shares at 31 May 2014 and 2013, as disclosed in note 26.

Derivative and non-derivative cash flows by remaining contractual maturity – Company

There were no Company derivative cash flows as at 31 May 2014 (2013: £nil).

At 31 May 2014 the Company held cash and cash equivalents of £194 (2013: £245,000) available on demand and redeemable preference shares of £40,000 (2013: £40,000) the terms of which are disclosed in note 26.

37. CAPITAL MANAGEMENT AND RESOURCES

CAPITAL MANAGEMENT

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

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

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

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

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

RETURN ON ASSETS

In accordance with the Capital Requirements Directive IV (CRD IV) and the IFPRU prudential regulations the Group is required to disclose a return-on-assets metric. This has been calculated as 'profit for the year' divided by 'shareholders'equity':

	2014	2013
Return on assets	25.8%	27.9%

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37. CAPITAL MANAGEMENT AND RESOURCES (CONTINUED)

CAPITAL RESOURCES

The Group had significant surplus regulatory capital resources over the Pillar 1 regulatory capital resources requirement throughout the year. An analysis of the Group's consolidated capital resources and capital resources requirement is provided in the Operating and Financial Reviews.

The following table summarises the Group's capital adequacy on a consolidated basis.

£m	2014	2013
Total Tier 1 capital	570.8	508.4
Less: intangible assets	(122.7)	(120.5)
Less: investment in own shares	(1.1)	(1.5)
Less: deferred tax asset[1]	(5.7)	–
Total capital resources (CR)	441.3	386.4
Capital resources requirement (CRR) – Pillar 1	(115.4)	(115.1)
Surplus	325.9	271.3

(1) The new CRD IV requirements which came into force on 1 January 2014 require deferred tax assets relating to future profitability to be deducted from Tier 1 Capital in the determination of capital resources for the Group.

38. SUBSEQUENT EVENTS

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

39. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRS

The Financial Statements of IG Group Holdings plc (the Company) and its subsidiaries (together the Group) for the year ended 31 May 2014 were authorised for issue by the Board of the Directors on 22 July 2014 and the Statements of Financial Position signed on the Board's behalf by Tim Howkins and Christopher Hill. IG Group Holdings plc is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on the London Stock Exchange.

The Group and Company Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and IFRIC interpretations as they apply to the Financial Statements of the Group and of the Company for the year ended 31 May 2014 and applied in accordance with the provisions of the Companies Act 2006. The Group and Company Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivatives) at fair value through profit or loss.

The principal accounting policies adopted by the Group and the Company are set out in note 40.

40. ACCOUNTING POLICIES

40.1 BASIS OF PREPARATION

The accounting policies which follow have been applied in preparing the Financial Statements for the year ended 31 May 2014.

As permitted by Section 408(1)(b), (4) of the Companies Act 2006, the individual income statement of IG Group Holdings plc (the Company) has not been presented in these Financial Statements. The amount of profit for the year dealt with in the Financial Statements of IG Group Holdings plc is £85,814,000 (2013: £124,337,000). A statement of comprehensive income for IG Group Holdings plc has also not been presented in these Financial Statements. No items of other comprehensive income arose in the year (2013: £nil).

The Group and Company Financial Statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000), except where otherwise indicated.

40.1.1 GOING CONCERN

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

40.2 BASIS OF CONSOLIDATION

(a) Subsidiaries

The Group Financial Statements consolidate the Financial Statements of IG Group Holdings plc and the entities it controls (its subsidiaries) made up to the reporting date as listed in note 15.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities, and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights or by way of contractual agreement. The results, cash flows and final positions of the subsidiaries used in the preparation of the consolidated Financial Statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All inter-company balances and transactions between Group entities, including unrealised profits arising from them, are eliminated on consolidation.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. The cost of an acquisition is measured at the fair value of consideration paid including an estimate of any contingent or deferred consideration. Contingent or deferred consideration is re-measured at each Statement of Financial Position date with periodic changes to the estimated liability recognised in the Consolidated Income Statement. Acquisition-related costs are expensed as incurred. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (discount on acquisition) is credited to the Income Statement in the period of acquisition.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

(b) Non-controlling interests

Where the Group and a non-controlling shareholder enter into a forward contract (symmetrical put and call options) under which the Group is required to purchase the non-controlling interest for its fair value (formulae-based valuation), at the forward date, the Group continues to recognise the non-controlling interest at the proportionate share of the acquiree's identifiable net assets, until expiry of the arrangement. The forward liability is also recognised for management's best estimate of the present value of the redemption amount with a corresponding entry in equity. The accretion of the discount on the liability is recognised as a finance charge in the Consolidated Income Statement. The liability is re-measured to the final redemption amount with any periodic changes to the estimated liability recognised in the Consolidated Income Statement. On expiry of the forward, the liability is eliminated as paid and any difference in the value of the non-controlling interest to the exercise price deducted from equity.

On an acquisition by acquisition basis non-controlling interests are measured either at fair value or at the non-controlling interest proportionate share of the acquiree's net assets.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of the non-controlling interest is recorded in equity.

Losses applicable to the non-controlling shareholder in a consolidated subsidiary's equity may exceed the non-controlling interest in the subsidiary's equity. The excess and any further losses applicable to the non-controlling shareholder, are allocated against the majority interest, except to the extent that the non-controlling shareholder has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interests until the non-controlling shareholder's share of losses previously absorbed by the majority has been recovered.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented within equity in the Consolidated Statement of Financial Position, separately from parent shareholders' equity.

40.3 FOREIGN CURRENCIES

The functional currency of each company in the Group is that of the country of incorporation (as disclosed in note 15) as this is consistent with the primary economic environment in which the entity operates. The Group's most significant functional currency is sterling. Transactions in other currencies are initially recorded in the functional currency by applying spot exchange rates prevailing on the dates of the transactions. At each Statement of Financial Position date, monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing on the same date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on translation are taken to the Income Statement, except for exchange differences arising on monetary assets and liabilities that form part of the Group's net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into sterling at exchange rates prevailing on the Statement of Financial Position date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and taken directly to a translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

40.4 PROPERTY, PLANT AND EQUIPMENT

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

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

Leasehold improvements	–	over the lease term of up to 15 years
Office equipment, fixtures and fittings	–	over five years
Computer and other equipment	–	over two, three or five years

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

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

40. ACCOUNTING POLICIES (CONTINUED)

40.5 GOODWILL

Goodwill arising on consolidation represents the excess of the cost of acquisition (fair value of consideration paid) over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a business at the date of acquisition. Goodwill is recognised as an asset and is allocated to cash-generating units for purposes of impairment testing. Cash-generating units represent the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Business combinations are accounted for using the purchase method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the Statement of Financial Position as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the Income Statement. Any goodwill asset arising on the acquisition of equity accounted entities is included within the cost of those entities.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the Income Statement.

The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it.

40.6 INTANGIBLE ASSETS

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination such as a trade name or customer relationship is recognised at fair value outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Expenditure on internally developed intangible assets, excluding development costs, is taken to the Income Statement in the year in which it is incurred. Development expenditure is recognised as an intangible asset only after all the following criteria are met:

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

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

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

Development costs	–	straight-line basis over three years
Software and licences	–	straight-line basis over the contract term of up to five years
Trade names	–	sum-of-digits method over two years
Client lists and customer relationships	–	sum-of-digits method over three years
Domain names and generic top-level domains	–	straight-line basis over ten years

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. In addition, the carrying value of capitalised development expenditure is reviewed for impairment annually before being brought into use.

40.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

At least annually, or when impairment-testing is required, the Directors review the carrying amounts of the Group's property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists (or at least annually for goodwill), the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, although impairment losses relating to goodwill may not be reversed.

40.8 INVESTMENTS IN SUBSIDIARIES

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

40.9 FINANCIAL INSTRUMENTS

40.9.1 CLASSIFICATION, RECOGNITION AND MEASUREMENT

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

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

Financial assets and financial liabilities classified as held for trading, or designated as such on inception, are included in this category and relate to the financial derivative open positions included in trade receivables – due from brokers and trade payables – due to clients as shown in the Statement of Financial Position and related notes. Financial instruments are classified as held for trading if they are expected to settle in the short-term. The Group uses derivative financial instruments, in order to hedge derivative exposures arising from open client positions, which are also classified as held for trading.

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

Determination of fair value

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

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

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

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade receivables', 'cash and cash equivalents' and trade payable 'amounts due to title transfer clients'.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless the investment matures or management intend to dispose of it within 12 months of the end of the reporting period. The Group's available-for-sale assets comprise 'financial investments'.

40.9.2 DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

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

(a) Financial assets

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

(b) Financial liabilities

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

40.10 TRADE RECEIVABLES AND TRADE PAYABLES

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

Trade receivables represent balances with counterparties and clients where the combination of cash held on account and the valuation of financial derivative open positions result in an amount due to the Group. A provision for impairment is established where there is objective evidence of non-collectability. Reference is made to an aged profile of debt and the provision is subject to management review.

Trade payables represent balances with counterparties and clients where the combination of cash held on account and the valuation of financial derivative open positions results in an amount payable by the Group.

40. ACCOUNTING POLICIES (CONTINUED)

40.11 PREPAYMENTS AND OTHER RECEIVABLES

Prepayments and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as fair value through profit or loss. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when the receivables are derecognised or impaired, and when economic benefit is consumed. A provision for impairment is established where there is objective evidence of non-collectability.

40.12 CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits which may be accessed without penalty. Cash equivalents comprise short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the Consolidated Cash Flow Statement, net cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

The Group holds money on behalf of clients in accordance with the client money rules of the UK Financial Conduct Authority (FCA) and other regulatory bodies. Such monies are classified as either 'cash and cash equivalents' or 'segregated client funds' in accordance with the relevant regulatory requirements. Segregated client funds comprise individual client funds held in segregated client money accounts or money market facilities. Segregated client money accounts hold statutory trust status restricting the Group's ability to control the monies and accordingly such amounts and are not held on the Group's Statement of Financial Position.

The amount of segregated client funds held at year-end is disclosed in note 18 to the Financial Statements. The return received on managing segregated client funds is included within net operating income.

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

40.13 FINANCIAL INVESTMENTS

Financial investments are held as available-for-sale and are non-derivative financial assets that are not classified as held for trading, designated at fair value through profit or loss, or loans and receivables. Financial investments are recognised on a trade date basis. They are initially recognised at fair value plus directly related transactions costs. They are subsequently carried at fair value. Fair value is the quoted market price of the specific investments held.

Financial investments available-for-sale are carried at fair value. Unrealised gains or losses are reported in equity (in the available-for-sale reserve) and in other comprehensive income, until such investments are sold, collected or otherwise disposed of, or until any such investment is determined to be impaired. On disposal of an investment, the accumulated unrealised gain or loss included in equity is recycled to the Income Statement for the period and reported in other income. Gains and losses on disposal are determined using the average cost method.

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

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (eg prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see IAS 18 Revenue), transaction costs, and all other premiums or discounts.

At the year-end date the Group considers whether there is objective evidence that a financial investment is impaired. In case of such evidence, it is considered impaired if its cost exceeds the recoverable amount. The recoverable amount for a quoted financial investment is determined by reference to the market price. A quoted financial investment is considered impaired if objective evidence indicates that the decline in market price has reached such a level that recovery of the cost value cannot be reasonably expected within the foreseeable future.

If a financial investment is determined to be impaired, the cumulative unrealised loss previously recognised in equity is recycled to profit for the period.

40.14 OTHER PAYABLES

Non-trading financial liabilities are recognised initially at fair value and carried at amortised cost using the effective interest rate method if the time value of money is significant.

40.15 PROVISIONS

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

40.16 BORROWINGS

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

All borrowing costs are expensed as they are incurred.

40.17 EMPLOYEE BENEFITS

(a) Pension obligations

The Group operates defined contribution schemes. Contributions are charged to the income statement as and when they become payable according to the rules of the schemes. Once the contributions have been paid the Group has no legal or constructive obligations to pay further contributions.

(b) Bonus schemes

The Group recognises a liability and an expense for bonuses based on formulae that take into consideration the revenue or earnings attributable to the Group's shareholders after certain adjustments and also based on operational non-financial measures.

(c) Termination benefits

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

40.18 TAXATION

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

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

Deferred tax is accounted for on all temporary differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available, against which deductible temporary differences may be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

40.19 SHARE CAPITAL

(a) Classification of shares as debt or equity

When shares are issued, any component that creates a financial liability of the Group is presented as a liability in the Statement of Financial Position, measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption. The corresponding dividends relating to the liability component are charged as interest expense in the Income Statement.

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

(b) Own shares held in Employee Benefit Trusts

Shares held in trust by the Company for the purposes of employee share schemes are classified as a deduction from shareholders' equity and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from the sale and the original cost being taken to revenue reserves. No gain or loss is recognised in the Income Statement on the purchase, sale, issue or cancellation of equity shares.

(c) Share-based payments

The Company operates three employee share plans: a share-incentive plan, a sustained performance plan and a long-term incentive plan. Previously the Group operated a value-sharing plan, all of which are all equity-settled.

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

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

The grant by the Company of options over its equity instruments to employees of the subsidiary undertakings in the Group is treated as a capital contribution. The fair value of the employee services received is recognised over the vesting period as an increase in the investment in subsidiary undertakings, with a corresponding credit to equity.

40.20 REVENUE RECOGNITION

Trading revenue represents gains and losses arising on client trading activity, primarily in financial spread betting, contracts for difference or binary bets, and the transactions undertaken to hedge the risk associated with client trading activity. Open client and hedging positions are carried at fair market value and gains and losses arising on this valuation are recognised in revenue as well as gains and losses realised on positions that have closed. The policies and methodologies associated with the determination of fair value have been discussed previously under Financial Instruments. Trading revenue also includes spread, commission and funding charges made to clients in respect of the opening, holding and closing of financial spread bets, contracts for difference or binary bets.

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

Trading revenue also includes member fees charged by the Group's regulated futures and options exchange.

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

40. ACCOUNTING POLICIES (CONTINUED)

40.20 REVENUE RECOGNITION (CONTINUED)

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

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

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

40.21 OPERATING PROFIT

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

40.22 EXCEPTIONAL ITEMS

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

40.23 FINANCE COSTS AND INTEREST EXPENSE ON SEGREGATED CLIENT FUNDS

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

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

40.24 DIVIDENDS

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

40.25 OPERATING LEASES

Leases are classified as operating leases where the lessor retains substantially all the risks and benefits of ownership of the asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

40.26 SEGMENT INFORMATION

The Group's segmental information is disclosed in a manner consistent with the basis of internal reports regarding components of the Group that are regularly reviewed by the Chief Operating Decision Maker (CODM), who for the Group is the Executive Directors, in order to assess the performance and to allocate resources to those 'operating segments'. The Group has therefore determined its operating segments based on the management information received on a regular basis by the Executive Directors of the IG Group Holdings plc Board, as they are considered to be the CODM. Operating segments that do not meet the quantitative thresholds required by IFRS 8 are aggregated.

The Group envisages that the reportable segments may change as overseas businesses move towards operational maturity, breaking through the quantitative thresholds of IFRS 8. The segments are therefore subject to annual review and the comparatives restated to reflect any reclassifications within the segmental reporting.

40.27 CHANGES IN ACCOUNTING POLICIES

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

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

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

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

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

- Amendment to IAS 32 'Financial Instruments: Presentation' on offsetting financial assets and financial liabilities (effective 1 January 2014)
- Amendments to IFRS 10 'Consolidated Financial Statements' (effective 1 January 2014)
- Amendments to IAS 36 'Impairment of Assets' (effective 1 January 2014)
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' on novation of derivatives and hedge accounting (effective 1 January 2014)
- Amendment to IAS 19 'Employee Benefits' (effective 1 July 2014)
- Annual improvements 2012 (effective 1 July 2014)
- Annual improvements 2013 (effective 1 July 2014)
- IFRS 9 'Financial Instruments' – classification and measurement (effective 1 January 2018)
- Amendments to IFRS 9 ' Financial Instruments' regarding general hedge accounting (effective 1 January 2018)
- IFRIC 21 'Levies' (effective 1 January 2014)

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

FIVE–YEAR SUMMARY

GROUP INCOME STATEMENT

For the year ended 31 May	2014 £000	2013 £000	2012[(1)] £000	2011[(1)] £000	2010 £000
Net trading revenue	**370,408**	**361,857**	**366,812**	**312,721**	**298,551**
Other net operating income	3,759	6,051	2,358	5,875	1,172
Net operating income	374,167	367,908	369,170	318,596	299,723
Administrative expenses	(169,215)	(163,804)	(172,897)	(145,075)	(133,782)
Depreciation, amortisation and amounts written off property, plant and equipment	(9,697)	(12,176)	(10,760)	(10,308)	(8,654)
Operating profit	195,255	191,928	185,513	163,213	157,287
Finance income	1,456	2,036	2,487	2,401	2,664
Finance costs	(1,988)	(1,756)	(2,283)	(2,411)	(2,312)
Profit before taxation	**194,723**	**192,208**	**185,717**	**163,203**	**157,639**
Amortisation and impairment of intangibles arising on consolidation[(2)]	–	–	–	(150,703)	(17,298)
Profit before taxation from continuing operations	194,723	192,208	185,717	12,500	140,341
Tax expense	(47,688)	(50,460)	(48,583)	(32,792)	(38,855)
Loss from discontinued operations	–	–	(374)	(5,002)	–
Profit / (loss) for the year	147,035	141,748	136,760	(25,294)	101,486

(1) The 2012 and 2011 numbers have been restated to remove the discontinued Sport business and present as a discontinued operation.

(2) In 2010 and 2011, the Group presented adjusted administrative expenses and adjusted profit before taxation to adjust for the amortisation or impairment of intangible assets associated with the Group's Japanese or Sport business. In the year ending 31 May 2014, the adjusted and unadjusted administrative expenses and profit before taxation are equivalent.

GROUP STATEMENT OF FINANCIAL POSITION

As at 31 May	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Assets					
Non-current assets					
Property, plant and equipment	13,038	14,469	15,555	16,761	9,632
Intangible assets	122,670	120,479	115,366	117,202	265,328
Financial investments	32,150	–	–	–	–
Deferred tax assets	5,711	9,470	11,915	11,264	14,264
	173,569	144,418	142,836	145,227	289,224
Current assets					
Trade receivables	327,478	300,636	222,342	270,104	206,243
Prepayments and other receivables	12,287	10,278	9,745	8,199	7,084
Cash and cash equivalents	101,487	98,345	228,156	124,528	128,097
Financial investments	50,307	50,468	–	–	–
	491,559	459,727	460,243	402,831	341,424
TOTAL ASSETS	665,128	604,145	603,079	548,058	630,648
Liabilities					
Current liabilities					
Trade payables	21,902	19,047	61,076	83,490	57,673
Other payables	53,334	53,781	64,815	45,149	44,825
Provisions	–	–	1,353	1,427	1,377
Income tax payable	20,178	24,289	28,652	37,060	38,863
	95,414	97,117	155,896	167,126	142,738
Non-current liabilities					
Deferred tax liabilities	–	–	–	–	11,463
Provisions	–	–	–	1,991	1,779
Redeemable preference shares	40	40	40	40	40
	40	40	40	2,031	13,282
Total liabilities	95,454	97,157	155,936	169,157	156,020
Capital and reserves					
Total shareholders' equity	569,674	506,988	446,997	378,700	471,449
Non-controlling interests	–	–	146	201	3,179
Total equity	569,674	506,988	447,143	378,901	474,628
TOTAL EQUITY AND LIABILITIES	665,128	604,145	603,079	548,058	630,648

Each of the Statements of Financial Position presented above has been restated in order to be prepared consistently with the accounting policies disclosed in the Financial Statements for the year ended May 2014.

FIVE-YEAR SUMMARY (CONTINUED)

OTHER METRICS

Year ended 31 May	2014	2013	2012	2011	2010
Own funds generated from operations	£160.6m	£154.3m	£140.7m	£137.7m	£114.4m
Earnings per share (EPS)					
Basic earnings per share	40.32p	39.02p	37.90p[1]	32.86p[1]	30.98p
Diluted earnings per share	40.18p	38.80p	37.54p[1]	32.57p[1]	30.77p
Dividend per share					
Interim dividend per share	5.75p	5.75p	5.75p	5.25p	5.00p
Final dividend per share	22.40p	17.50p	16.75p	14.75p	13.50p
Total dividend per share	28.15p	23.25p	22.50p	20.00p	18.50p
Dividend payout ratio (against diluted EPS)	70.06%	59.92%	59.94%	61.41%	60.12%
Profit margin					
Profit before taxation margin[2]	52.57%	53.10%	50.60%	52.20%	52.80%

(1) EPS presented for the continuing business. Adjusted and unadjusted EPS measures are equivalent.

(2) Calculated as profit before tax divided by net trading revenue.

CLIENT METRICS

Year ended 31 May	2014	2013	2012	2011	2010
Average revenue per client	£2,937	£2,659	£2,560	£2,341	£2,425
Number of active clients	126,108	136,063	143,304	133,580	120,689
Number of clients opened	54,957	55,889	67,593	71,344	81,155
Number of clients trading for the first time	33,709	37,914	48,029	49,246	55,674

EXAMPLES

BUYING A SPREAD BET

In this example, you decide to buy A plc (assumed to be a FTSE 100 company) at £100 per point, as you expect that A plc's share price will rise. This is known as 'going long'. Later in the day the share price has indeed risen and you decide to close your position by selling A plc at our then current bid price.

Your profit is the difference between the buying and selling prices, plus or minus any funding charges or other costs (discussed in Steps 3 and 5).

As long as your bet is open, your account will show any 'running' profit or loss on your open position (not illustrated below). You must have deposited sufficient funds to cover any running losses.

You cannot place a bet without having any money in your account. In this example, we assume you have £1,000. It is important to note that you can make losses in excess of your initial deposit, if the market moves against you.

STEP 1 – OPENING THE POSITION

A plc is trading in the market at 144.5p/144.7p and our quote for A plc on a daily funded bet is 144.3p/144.9p. You decide to buy £100 per point at 144.9p, our offer price. In this example one point represents a 1p movement in the underlying share price, so your £100 per point bet is equivalent to buying 10,000 shares in A plc.

IG OFFER PRICE: 144.9P

UNDERLYING SHARE PRICE: A plc 144.5P/144.7P

IG BID PRICE: 144.3P

Expecting the market will rise, you open the bet at the OFFER PRICE

GOING LONG

BET DETAILS

OFFER PRICE	SIZE (£ PER POINT)
144.9P	£100.00

INITIAL DEPOSIT REQUIREMENT(1)

£723.00

£100.00 (bet size) x 144.6p (the mid-price) x 5% (the deposit factor)

SPREAD(2)

£20.00

Difference between the market price and our quote (144.9p–144.7p) x £100.00 per point

STEP 2

When you open the position, you are required to have the initial £723 deposit requirement in your account. The available funds in your account will therefore fall from £1,000 to £277 (ie £1,000-£723). The available funds remaining in your account need to be enough to cover any running losses you may incur, or you run the risk of being closed out of the bet. It is important to note that the £723 is held as a deposit against the risk of the open position and will be released on the closing of the position: it is still your money but is not available for withdrawal from the account while the position is open.

At this stage you may choose to add a stop to your position. If you choose a guaranteed stop (only available for certain products), we guarantee that your position will be closed at this level and your maximum loss is therefore fixed. There is a small charge for a guaranteed stop, which will be added to the transaction cost. You may also choose to add a non-guaranteed stop, which will trigger a closing order when this level is breached. Non-guaranteed stops are free, but you may not be closed at this level, particularly if the market gaps.

STEP 3

In this example we have kept things simple and assumed no corporate actions occur. However, we will also reflect the impact of any corporate action on the underlying share, such as a dividend or a rights issue, on your positions. For more details, please see our website, IG.com.

(1) The deposit factor (and therefore deposit requirement) depends on your account type and other factors such as the volatility and liquidity of the underlying share.

(2) Our dealing spread varies depending on the market and asset class traded and can be variable, especially in volatile market conditions. For examples please see our website, IG.com.

STEP 4 – CLOSING THE POSITION

Later that day, the A plc share price has indeed risen and you decide to close the position, realising your profit on the bet. At this point A plc is trading in the market at 148.6p/148.8p and our daily quote is 148.4p/149.0p.

IG OFFER PRICE: 149.0P

UNDERLYING SHARE PRICE: A plc 148.6P/148.8P

IG BID PRICE: 148.4P

The market has risen – you sell at the IG BID PRICE

CLOSING POSITION

BET DETAILS

BID PRICE	SIZE (£ PER POINT)
148.4P	£100.00

GROSS PROFIT

£390.00

Calculated as the market price movement of the share (148.6p–144.7p) x £100.00 per point)

SPREAD

£20.00

Calculated at 148.6p–148.4p x £100.00 per point

Of course, had the market moved in the opposite direction, you would have made a loss of £100 for every penny the share price fell, which may have exceeded your initial deposit.

STEP 5 – CALCULATING THE PROFIT OR LOSS

ITEM	CLIENT	IG(1)
Buying spread (Step 1)	(£20.00)	£20.00
Selling spread (Step 4)	(£20.00)	£20.00
Gross profit (Step 4)	£390.00	(£390.00)
IG hedging gain(1)	N/A	£390.00
Net gain	£350.00	£40.00

In the example above, if the bet had remained open at 10pm, and assuming one-month LIBOR of 0.49%, a funding charge of £1.23 would have been applied against the client account and recorded as revenue for IG (calculated as (£100 x 150.0p [assumed end-of-day price] x 2.99%) / 365 = £1.23).

For many markets (eg index futures), we build funding charges into the quote price. For share daily funded bets we make funding adjustments each day at 10pm. We apply funding at the rate of one-month LIBOR +/- a spread (generally 2.5%).

(1) This simple example assumes IG is 100% hedged on the client trade and makes an equal and opposite gain on our broker position to the amount paid to the client. The cost of our hedging with the broker has been ignored for simplicity. Therefore our net profit is £40.00, which is recorded in trading revenue and is equivalent to the spread included in our quoted prices.

EXAMPLES (CONTINUED)

SELLING A CFD

In this example, on day one you decide to sell a CFD for 20,000 shares in B plc (assumed to be a FTSE 100 company) as you expect B plc's share price to fall. This is known as 'going short'. On day two the share price has indeed fallen, and you decide to close your position.

As long as your contract is open, your account will show any 'running' profit or loss on your open CFD position (not illustrated below). You must have deposited sufficient funds to cover any running losses.

You cannot place a trade without having any money in your account. In this example, we assume you have £1,000. It is important to note that you can make losses in excess of your initial deposit requirement (referred to as 'margin requirement' in CFD trading), if the market moves against you.

STEP 1 – DAY ONE – OPENING THE POSITION

The quoted bid/offer price for B plc is 80.25p/80.35p.

OFFER PRICE	80.35P
MID-PRICE	B plc 80.30P
BID PRICE	80.25P

Expecting the market will fall, you sell at the **BID PRICE**
GOING SHORT

TRADE DETAILS

BID PRICE	SIZE (SHARES)
80.25P	20,000

INITIAL MARGIN REQUIREMENT[1]
£803.00
20,000 (number of shares) x 80.30p (the mid-price) x 5% (the margin percentage)

COMMISSION[2]
£16.05
20,000 (number of shares) x 80.25p (the bid price) x 0.10% (commission)

STEP 2

When you open the position, you are required to have enough funds in your account to cover the initial margin plus commission on the trade. In this example the margin requirement is £803.00 and the commission is £16.05, so the available funds in your account will fall from £1,000.00 to £180.95 (ie £1,000.00-£803.00-£16.05). It is important to note that the £803.00 is held as a margin requirement against the risk of the open position and will be released on the closing of the position: it is still your money but is not available for withdrawal from the account while the position is open.

STEP 3

Traditionally, clients who held long positions overnight would need to pay a funding charge, while clients with short positions would receive interest if held overnight. This charge or interest is calculated as the one-month sterling LIBOR rate +/- a spread. However, with current market interest rates lower than the spread, clients with short positions also incur a charge. As at 30 May 2014, the current LIBOR rate was 0.49%, while the spread was 2.50%, resulting in a net financing charge of 2.01% for short CFD positions held overnight (which for UK CFDs means those open at 10pm UK time). A corresponding long CFD position would incur a charge of 2.99%. This is re-calculated daily.

END-OF-DAY PRICE (DAY ONE)	80.75P

DAILY INTEREST CHARGED
£0.89
20,000 x 80.75p x 2.01%/365 days

STEP 4

In this example we have kept things simple and assumed no corporate actions occur. However, we will also reflect the impact of any corporate action on the underlying share, such as a dividend or a rights issue, on your positions. For more details, please see our website, IG.com.

(1) The margin percentage (and therefore margin requirement) depends on the size of your CFD position and other factors such as the volatility and liquidity of the underlying share. In this example we have used a margin requirement of 5%.

(2) Commissions are variable, but for UK FTSE 100 CFDs (as assumed for B plc), this was 0.10% on 30 May 2014.

STEP 5 – DAY TWO – CLOSING THE POSITION

On day two, the share price has fallen and you decide to close the position.

OFFER PRICE	78.35P
MID-PRICE	B plc 78.30P
BID PRICE	78.25P

The market has fallen – you buy at the IG **OFFER PRICE**
CLOSING POSITION

TRADE DETAILS

OFFER PRICE	SIZE (SHARES)
78.35P	20,000

COMMISSION[1]
£15.67
20,000 x 78.35p x 0.10%

PROFIT PER SHARE
1.9p
Difference between opening bid and closing offer prices
(80.25p–78.35p)

GROSS PROFIT ON TRADE
£380.00
20,000 x 1.9p

Of course, had the market moved in the opposite direction, you would have made a loss of £100 for every penny the share price gained, which may have exceeded your initial margin outlay.

STEP 6 – CALCULATING THE PROFIT OR LOSS

ITEM	CLIENT	IG[2]
Selling commission (Step 1)	(£16.05)	£16.05
Financing charge (Step 3)	(£0.89)	£0.89
Buying commission (Step 5)	(£15.67)	£15.67
Gross profit (Step 5)	£380.00	(£380.00)
IG hedging gain[2]	N/A	£380.00
Net gain	£347.39	£32.61

When you open your position you may choose to add a stop. If you choose a guaranteed stop (only available for certain products), we guarantee that your position will be closed at this level and your maximum loss is therefore fixed. There is a small charge for a guaranteed stop, which will be added to the transaction cost. You may also choose to add a non-guaranteed stop, which will trigger a closing order when this level is breached. Non-guaranteed stops are free, but you may not be closed at this level, particularly if the market gaps.

(1) Commissions are variable, but for UK FTSE 100 CFDs (as assumed for B plc), this was 0.10% on 30 May 2014.

(2) This simple example assumes IG is 100% hedged on the client trade and makes an equal and opposite gain on our broker position to the amount paid to the client. The cost of our hedging with the broker has been ignored for simplicity. Thus our net profit is £32.61, which is recorded in trading revenue and consists of the commission and financing charges levied on the client.

GLOSSARY OF TERMS

Term	Notes
ABI	Association of British Insurers
AGM	Annual General Meeting
Basel III	The comprehensive set of reform measures designed to strengthen regulation, supervision and risk management in the banking sector
Binary bet	A special form of spread bet with only two outcomes at expiry: if a specified result is achieved, the bet is closed at a level of 100. If the result is not achieved, the bet closes at 0
CFTC	The US Commodities Futures Trading Commission
Close-out monitor (COM)	The Group's automatic real-time position-closing system (see the Managing Our Business Risk section in the Strategic Report and note 36 to the Financial Statements)
Contract for difference (CFD)	A CFD is a contract to exchange the difference in the price of an asset between the time the contract is opened and the time it is closed. An example is shown on page 158
CSR	Corporate social responsibility
Direct market access (DMA)	DMA enables clients to interact directly with the market, including participating in the order book of a stock exchange
DTRs	The FCA's Disclosure and Transparency Rules
EBA	European Banking Authority
EPS	Earnings per share
ESMA	European Securities and Markets Authority
Exposure monitor	Our real-time technology solution which constantly measures our financial exposure to all traded instruments
FCA	Financial Conduct Authority (UK regulator)
FINMA	The Swiss Financial Market Supervisory Authority
FRC	Financial Reporting Council
FSB	Financial Services Board (South Africa)
FSCS	Financial Services Compensation Scheme
FTT	Financial Transaction Tax
Fugitive emissions	Greenhouse gas emissions caused by intentional or unintentional releases, eg equipment leaks or hydrofluorocarbon emissions from the use of refrigeration and air-conditioning equipment
GHG emissions	Greenhouse gas emissions
Goodwill	An intangible asset representing the additional value that arises as a result of the acquisition of the acquired company by another at a value greater than that of the target company's assets
GTLDs	Generic top-level domains – represented by the characters following the dot at the end of an internet domain name, eg .com, .net
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process. The ICAAP is an internal document which identifies the controls we use to mitigate risks to the Group's capital and assesses and quantifies our capital requirements
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
ILAA	Individual Liquidity Adequacy Assessment. The ILAA is an internal document which identifies the controls we use to mitigate liquidity risks and assesses and quantifies our liquidity requirements
IOSCO	International Organization of Securities Commissions
ISA	International Standards on Auditing
ISS	Institutional Shareholder Services Inc
JFSA	Japanese Financial Services Agency

Term	Notes
KPIs	Key Performance Indicators
KRIs	Key Risk Indicators
LIBOR	London inter-bank offered rate – a benchmark interest rate published by leading London banks
LTIP	Long-term incentive plan
MAS	The Monetary Authority of Singapore
MiFID	Markets in Financial Instruments Directive – EU law covering financial regulation in all member states
Multilateral trading facility (MTF)	A non-exchange financial-trading venue providing an alternative to traditional stock exchanges
Nadex	The North American Derivatives Exchange, our US-based retail derivatives exchange business
Net Promoter Score (NPS)	NPS is calculated by asking respondents how likely they are to recommend a company to a friend or colleague. Respondents reply on a 0-10 scale, with the final NPS calculated as the percentage of promoters (those answering 9 or 10) minus the percentage of detractors (those answering 0-6)
OTC	'Over the counter' refers to non-exchange-traded financial instruments
PRIPs	Packaged Retail Investment Products
Regulatory capital resources	The total capital available to the Group, as calculated under the EU Capital Requirements Regulation and the Financial Conduct Authority's IFPRU 3 rules
Rest of World	One of our four reporting segments, consisting of our operations in Japan, Singapore, South Africa and the US
RREV	Research Recommendations Electronic Voting
Scope 1/2/3 emissions	The three classifications of emissions required to be considered under the mandatory GHG reporting
SIP	Share-incentive plan
SPP	Sustained performance plan
Spread bet	A bet on whether a financial market (the underlying market) will rise or fall. We offer two prices on every market, and the difference is known as the bid/offer spread. If you think a market is set to rise you 'buy' at the higher (offer) price, and if you think it will fall you 'sell' at the lower (bid) price. Your subsequent gain or loss on the bet will be determined by the direction and degree of any movement in the underlying market. An example is shown on page 156
Tiered margins	We use a system of margin tiers that reflect the degree of risk involved in client trades. Generally, the riskier the traded instrument or the larger the trade size, the higher the level of margin required, up to 100%
Title Transfer Collateral Arrangement (TTCA)	A financial agreement to transfer money to cover obligations, such that that money will not be regarded as client money, which must be segregated, although IG retains the liability to repay the client
TSR	Total Shareholder Return
UK Corporate Governance Code (the Code)	The Code sets out standards of good practice in board leadership and effectiveness, remuneration, accountability and relations with shareholders. Provision B7.1 states that all directors of FTSE 350 companies should be subject to annual election by shareholders
Up/down binary bet	A specific type of binary bet where the outcome is expressed as being above or below the current market value (ie the market has moved up or the market has moved down)
Volatility-based binary bet	A category of binary bet where the achievement of a specific outcome is directly related to the volatility of the underlying market
VSP	Value-sharing plan

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SHAREHOLDER AND COMPANY INFORMATION

SHAREHOLDER INFORMATION

RECEIVING SHAREHOLDER INFORMATION BY EMAIL

You can opt to receive shareholder information from us by email rather than by post. We will then email you whenever we add shareholder communications to the Company website. To set this up, please visit www.investorcentre.co.uk/ecomms and register for electronic communications (e-comms).

If you subsequently wish to change this instruction or revert to receiving documents or information by post, you can do so by contacting the Company's registrars at the address shown in the Company Information opposite.

You can also contact them by telephone on 0871 495 2032. Calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary. These prices are for indication purposes only; if in doubt, please check the cost of calling this number with your phone line provider. Lines are open 8.30am – 5.30pm, Mon-Fri excluding bank holidays.

SHAREHOLDER ENQUIRIES

If you have any queries relating to your shareholding, dividend payments or lost share certificates, or if any of your details change, please contact Computershare by visiting www.investorcentre.co.uk or by using the contact details above.

AMERICAN DEPOSITARY RECEIPTS (ADRS)

The company has a sponsored Level 1 American Depositary Receipt (ADR) programme, with Citibank N.A. acting as the depositary bank, which enables US investors to invest in IG shares though an ADR, denominated in US dollars. IG's ADR programme trades in the US over-the-counter (OTC) market, under the symbol IGGHY. Each ADR currently represents one ordinary share.

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DIVIDEND DATES(1)

Ex-dividend date	23 October 2014
Record date	24 October 2014
Last day to elect for dividend reinvestment plan	4 November 2014
Annual General Meeting	16 October 2014
Final dividend payment date	18 November 2014
2015 interim dividend	February 2015

ANNUAL SHAREHOLDER CALENDAR(1)

Company reporting

Final results announced	22 July 2014
Annual Report published	16 September 2014
Annual General Meeting	16 October 2014

INTERIM REPORT

As part of our e-comms programme, we have decided not to produce a printed copy of our Interim Report. We will instead publish the report on our website, where it will be available around mid-January each year.

(1) Please note that these dates are provisional and subject to change.

COMPANY INFORMATION

DIRECTORS

Executive Directors
T A Howkins (Chief Executive)
P G Hetherington
C F Hill

Non-Executive Directors
J R Davie (Chairman)
S G Hill
D M Jackson
J A Newman
S J Tymms
R P Yates (Senior Independent Director)

COMPANY SECRETARY

B E Messer

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REGISTERED NUMBER

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CAUTIONARY STATEMENT

Certain statements included in our 2014 Annual Report, or incorporated by reference to it, may constitute 'forward-looking statements' in respect of the Group's operations, performance, prospects and/or financial condition.

By their very nature, forward-looking statements involve uncertainties because they relate to events, and depend on circumstances, that will or may occur in the future. If the assumptions on which the Group bases its forward-looking statements change, actual results may differ from those expressed in such statements. The forward-looking statements contained herein reflect knowledge and information available at the date of this Annual Report and the Group undertakes no obligation to update these forward-looking statements except as required by law.

This report does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase any shares or other securities in the Company and nothing in this report should be construed as a profit forecast.

MARKET SHARE

Market share data has been provided by Investment Trends Pty Limited (website: www.investmenttrends.co.uk). Contact: Pawel Rokicki (email: pawel@investmenttrends.co.uk). Unless stated, market share data is sourced from the following current reports:

- Investment Trends August 2013 Australia CFD Report
- Investment Trends December 2013 Australia Online Broking Report
- Investment Trends February 2013 Australia FX Report
- Investment Trends April 2014 France CFD/FX Report
- Investment Trends May 2014 Germany CFD/FX Report
- Investment Trends November 2013 Singapore CFD/FX Report
- Investment Trends December 2013 UK Leveraged Trading Report

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