

Independent Auditors' Report to the Members of IG Group Holdings plc

Report on the audit of the Financial Statements

Opinion

In our opinion, IG Group Holdings plc's Group Financial Statements and Company Financial Statements (the "Financial Statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 May 2022 and of the Group's profit and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements, included within the Annual Report, which comprise: the Consolidated and Company Statements of Financial Position as at 31 May 2022; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity and Consolidated and Company Statements of Cash Flows for the year then ended; and the notes to the Financial Statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

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

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 5, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

This was the second year that it has been my responsibility to form this opinion on behalf of PricewaterhouseCoopers LLP ("PwC"), who you first appointed on 8 December 2010 in relation to that year's audit. In addition to forming this opinion, in this report we have also provided information on how we approached the audit, how it changed from the previous year and details of the significant discussions that we had with the Audit Committee.

Key audit matters

- Fair value of customer relationships recognised on the acquisition of tastytrade, Inc. (Group)
- Estimation of the recoverable amount of the cash generating unit – tastytrade, Inc. (Group)
- OTC derivative revenue (Group)
- Carrying value of the investments in subsidiaries (Company)

Materiality

- Overall Group materiality: £23,800,000 (2021: £22,500,000) based on 5% of adjusted profit before tax.
- Overall Company materiality: £17,600,000 (2021: £7,600,000) based on 1% of total assets.
- Performance materiality: £17,800,000 (2021: £16,900,000) (Group) and £13,200,000 (2021: £5,700,000) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements.

Independent Auditors' Report continued

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Fair value of customer relationships recognised on the acquisition of tastytrade, Inc., Estimation of the recoverable amount of the cash generating unit – tastytrade, Inc. and Carrying value of the investments in subsidiaries are new key audit matters this year. Impact of Covid-19 (Group and Company), which was a key audit matter last year, is no longer included because the impact of Covid-19 on the operations of the Group and the Company have lessened in the current year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter

How our audit addressed the key audit matter

Fair value of customer relationships recognised on the acquisition of tastytrade, Inc. (Group)

The Group acquired tastytrade, Inc. on 28 June 2021 for total consideration of £723mn. On acquisition customer relationships and other intangible assets totalling £260mn were recorded.

The valuation of the intangible assets requires management estimation as they are dependent on estimates of future cash flows, tax and discount rates and other asset specific assumptions such as the customer attrition rate for the customer relationship intangible. Management engaged their own external valuation experts to assist with the determination of the fair values of the acquired intangible assets.

We have focused on this area as the valuation of intangible assets on acquisition involves a significant degree of judgement and the estimation uncertainty is high. Based on our risk assessment, we focused our testing on the customer relationship intangible asset given its size and the estimation uncertainty associated with the key assumptions.

As part of our risk assessment procedures we assessed the sensitivity of the customer relationship intangible asset to reasonable variations in assumptions and identified customer attrition rates as the significant assumption.

Refer to notes 1 – General information and basis of preparation and 30 – Business acquisition for further details.

We understood and evaluated the design and implementation of controls relating to the Group's purchase price allocation assessment.

We obtained management's purchase price allocation results. We utilised our in-house valuation experts to evaluate the appropriateness of the valuation methodology used by management's experts against the requirements of the financial reporting framework and we tested the mathematical accuracy of the calculations. We also assessed the competency and objectivity of our in-house and management experts so that we were able to use their work.

In respect of the significant assumptions utilised in the valuation of the customer relationship intangible asset we performed the following procedures:

- For customer attrition we compared the forecast rates to historical tastytrade and Group data;
- For the other remaining assumptions these were validated to underlying support provided by management, for example, future cash flows were agreed to approved acquisition business cases; and
- For certain assumptions we used the work of our in-house valuation experts which included an independent assessment of the inputs used to determine the discount rate.

We evaluated the appropriateness of the critical accounting estimates and key sources of estimation uncertainty in note 1 to the Group Financial Statements and the disclosures on the business acquisition in note 30 and considered these to be reasonable. We performed independent sensitivity calculations for the relevant assumptions included in note 30.

Based on the procedures performed, we considered the directors' conclusion that the customer relationship intangible asset should be recognised at £163.5mn on acquisition of tastytrade, Inc. to be reasonable.

Key audit matter

How our audit addressed the key audit matter

Estimation of the recoverable amount of the cash generating unit – tastytrade, Inc. (Group)

The Group recorded £462mn of goodwill on the acquisition of tastytrade, Inc. on 28 June 2021. As required by IAS 36 – Impairment of assets, management has performed its first annual goodwill impairment assessment.

The goodwill impairment assessment is dependent on an estimate of the recoverable amount of the tastytrade cash generating unit (“CGU”). Management used a value-in-use model to determine the recoverable amount of the tastytrade CGU in their impairment assessment.

We have focused on this area as the calculation of value-in-use of the tastytrade CGU involves a significant degree of judgement and the estimation uncertainty is high.

As part of our risk assessment procedures we also assessed the sensitivity of the value-in-use to reasonable variations in certain significant assumptions.

A number of assumptions principally relating to short and long term revenue growth, earnings before interest, tax, depreciation and amortisation, and discount rates are required to be assessed by management. To assist with the determination of the value-in-use, management engaged their own external valuation experts.

No impairment charge has been recorded for the year ended 31 May 2022.

Refer to notes 1 – General information and basis of preparation, and 15 – Goodwill for further details.

We understood and evaluated the design and implementation of controls relating to the Group’s impairment assessment.

We obtained management’s value-in-use impairment model. We assessed the methodology used by management and their experts against the requirements of the financial reporting framework and we tested the mathematical accuracy of the calculations. We validated the carrying amount of the CGU to underlying accounting records and compared the cash flows used in the impairment models to the Board approved plan.

We utilised our in-house valuation experts to evaluate the appropriateness of the methodology used in the impairment model. We also assessed the competency and objectivity of our in-house and management experts so that we were able to use their work.

In respect of management’s assumptions, our in-house valuation experts assessed the reasonableness of the discount rate and long-term growth rate used in the impairment model.

We performed the following procedures over significant assumptions:

- Challenged the appropriateness of management’s assumptions and, where relevant, their interrelationships;
- We identified the key drivers in management’s forecasts and obtained evidence to support the reasonableness of these assumptions including historic experience, third-party sources including market reports and information available from tastytrade management; and
- Assessed whether judgements made in deriving the assumptions gave rise to indicators of possible management bias.

Representations were obtained from management that assumptions used were their best estimate and were consistent with information currently available to them.

We evaluated the appropriateness of the critical accounting estimates and key sources of estimation uncertainty in note 1 to the Group Financial Statements and the disclosures on goodwill in note 15 and considered these to be reasonable. We performed independent sensitivity calculations for the relevant assumptions included in note 15.

Based on the procedures performed, we considered the directors’ conclusion that the goodwill within the tastytrade CGU is not impaired to be reasonable.

Independent Auditors' Report continued

Key audit matter

OTC derivative revenue (Group)

The Group's trading revenue is predominantly generated from over the counter ("OTC") derivatives placed by clients, offset by net gains or losses from the hedging trades that the Group places with external market counterparties to manage its market risk. The Group's revenue on these activities arises principally from spreads, overnight funding charges and commissions.

The audit of revenue from OTC derivatives is a focus of our audit given the magnitude of the balance, the large volume of transactions and the automated nature of the revenue calculations.

Refer to notes 2 – Significant accounting policies and 3 – Segment analysis for further details.

How our audit addressed the key audit matter

We focused firstly on understanding the control environment in which revenue is recorded. We understood and evaluated the design of key controls in place and tested their operating effectiveness.

These controls included:

- IT general controls over key revenue systems in scope;
- Automated business controls such as interfaces between in-scope systems, key reports and automated calculations;
- Validation of system calculated revenue numbers including manual client ledger postings by the Group's revenue control team;
- Cash and settlement reconciliations; and
- Market counterparty and other third party reconciliations.

We concluded that we could place reliance on these controls for the purpose of our audit.

Our substantive testing included, but was not limited to, the following:

- Using data enabled audit techniques, we recalculated the revenue recorded in relation to a sample of trades and agreed these to the underlying accounting records;
- Testing commission, overnight funding, guaranteed stop premium and cash currency transfer rates on a sample basis;
- We tested the valuation of selected client and broker positions to third party pricing sources;
- We agreed all cash account balances to external third-party evidence at year-end through a combination of independent confirmations and examination of bank statements;
- We agreed all amounts and balances held with market counterparties to independent confirmations or other external third party evidence; and
- We tested manual client ledger postings on a sample basis.

Based on the procedures performed, no material issues arose from this work.

Key audit matter

How our audit addressed the key audit matter

Carrying value of the investments in subsidiaries (Company)

The Company has total investments in subsidiaries of £1,076mn, of which the full amount is an investment in IG Group Limited ("IGGL").

IGGL is the Group holding Company which, via a series of other holding companies, owns all the operating entities of the Group.

This investment is held at cost less any provision for impairment.

IAS 36 'Impairment of Assets' requires that investments are subject to an impairment review when there is an indication that an asset may be impaired. Management identified an indicator of impairment and performed an impairment assessment and estimated the recoverable amount using a value-in-use model.

We have focused on this area as the calculation of value-in-use involves a significant degree of judgement.

Management's impairment assessment showed significant headroom at year-end, and consequently no impairment provision is held against this investment.

Refer to notes 2 – Accounting policies and 6 – Investment in subsidiaries of the Company Financial Statements for further details.

We have evaluated management's impairment assessment that identified an indicator for impairment and found this to be reasonable.

We obtained management's value-in-use calculation that was used to estimate the recoverable amount of the investment in subsidiaries and performed the following substantive procedures:

- Assessed the reliability of management's data used as inputs to management's value-in-use calculation;
- Assessed the discount rate used for reasonableness;
- Assessed the long – term growth rate for reasonableness; and
- Tested the mathematical accuracy of management's value-in-use model.

We concluded that the carrying value of the investment is supported by the recoverable amount of the underlying operating companies and consider the directors' conclusion that the investments in subsidiaries balance is not impaired to be reasonable.

We evaluated the appropriateness of the disclosures on the investment in subsidiaries in the Company Financial Statements and found these to be reasonable.

Independent Auditors' Report continued

How we tailored the audit scope

We performed a risk assessment, giving consideration to relevant external and internal factors including industry dynamics, litigation, climate change, impact of Covid-19, relevant accounting and regulatory developments, the Group's strategy and the changes taking place across the Group including the acquisition of tastytrade, Inc. and the disposal of Nadex. We also considered our knowledge and experience obtained in prior year audits.

As part of considering the impact of climate change in our risk assessment, we evaluated management's assessment of the impact of climate risk, the detail of which is set out on page 34, including their conclusion that there are no material risks. Management's assessment gave consideration to a number of matters, including the results of their climate related risks and opportunities exercise that was performed during the year. We have also understood the impact of the Group's carbon reduction targets, which are outlined on page 34 and these are not considered to have a material impact on the Financial Statements.

Using our risk assessment, we tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Financial Statements as a whole, taking into account the structure of the Group and the Company and the accounting processes and controls, and the industry in which they operate. We continually assessed risks and changed the scope of our audit where necessary.

The Group consists of a UK holding Company with a number of subsidiary entities and branches containing the operating businesses of both the UK, United States and overseas territories. Our risk assessment and scoping identified tastyworks, Inc. as a new significant component of the Group due to the acquisition of tastytrade, Inc. on 28 June 2021. We obtained a full scope audit opinion for the financial position as at 31 May 2022 and results of tastyworks, Inc. for the period from 28 June 2021 to 31 May 2022. The audit of tastyworks, Inc. was performed by a PwC member firm in the United States.

The other significant financial reporting component was determined to be the OTC derivatives and stock trading and investment businesses. As the accounting records and related controls for both the UK, United States and overseas businesses are primarily maintained and operated by the Group's finance teams in London and Krakow this was considered one financial reporting component. The technology and business process controls that are relevant to our financial statement audits are operated by the Group in London and Krakow. As a result, the audit work over this component was performed by the Group engagement team in London, supported by the PwC member firm in Poland, reflecting the centralised nature of the Group's financial reporting activities. Some of this work was also relied upon by the PwC engagement team auditing tastyworks, Inc.

All remaining components, which are Exchange Traded Derivative businesses, were subject to procedures which mitigated the risk of material misstatement including Group level analytical review procedures.

The Company audit was performed by the Group engagement team.

tastyworks, Inc. audit approach

We asked the partner and engagement team reporting to us on tastyworks, Inc. to work to an assigned materiality reflecting the size of the tastyworks, Inc. component. We were in active dialogue throughout the year with the partner and engagement team responsible for the audit, including consideration of how they planned and performed their work. We obtained direct access to their working papers to oversee and review their work. We also attended meetings with tastyworks, Inc. management at year-end. The majority of our interactions were undertaken virtually.

Using the work of others

We continued to make use of evidence provided by others. We used the work of PwC experts, for example, valuation experts for our work over the carrying value of goodwill and acquired intangible assets at 31 May 2022 and the fair value of those intangible assets recognised on acquisition.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	Financial Statements – Group	Financial Statements – Company
Overall materiality	£23,800,000 (2021: £22,500,000).	£17,600,000 (2021: £7,600,000).
How we determined it	5% of adjusted profit before tax (2021: 5% of profit before tax)	1% of total assets
Rationale for benchmark applied	We believe a standard benchmark of 5% of adjusted profit before tax is an appropriate quantitative indicator or materiality, although certain items could also be material for quantitative reasons. This benchmark is standard for listed entities like IG. We selected an adjusted profit measure this year in order to exclude the performance and gain on sale of Nadex and Small Exchange during the period, as in our opinion they are non recurring items that do not form part of ongoing business performance.	We have used a benchmark of total assets as the Company's primary purpose is to act as a holding Company with investments in the Group's subsidiaries, not to generate operating profits and therefore a profit based measure is not relevant. The benchmark used is consistent with last year.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £5,000,000 to £22,600,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £17,800,000 (2021: £16,900,000) for the Group Financial Statements and £13,200,000 (2021: £5,700,000) for the Company Financial Statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1,100,000 (Group audit) (2021: 1,100,000) and £880,000 (Company audit) (2021: £300,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Performing a risk assessment to identify factors that could impact the going concern basis of accounting.
- Obtaining and evaluating management's going concern assessment.
- Understanding and evaluating the Group's financial forecasts and the Group's stress testing of liquidity and capital, including the severity of the stress scenarios that were used.
- Validation of year end financial resources such as cash and debt securities in issue.
- Evaluating the adequacy of the disclosures made in the Financial Statements in relation to going concern.
- Consideration of the regulatory capital and liquidity requirements applicable to the Group.
- Obtaining and reviewing the Group's most recent internal capital adequacy assessment process and individual liquidity adequacy assessment documents.

Independent Auditors' Report continued

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

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

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

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the Financial Statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the Financial Statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

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

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

Strategic Report and Directors' Report

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

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

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report and Policy to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the Financial Statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the Financial Statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the Financial Statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Independent Auditors' Report continued

Responsibilities for the Financial Statements and the audit Responsibilities of the directors for the Financial Statements

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

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

Auditors' responsibilities for the audit of the Financial Statements

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

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

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Financial Conduct Authority (FCA) Listing Rules and rulebook requirements and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the Financial Statements. We also considered those laws and regulations that have a direct impact on the Financial Statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the Financial Statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce costs and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Enquiries of management, internal audit, and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of correspondence with regulators, and internal audit reports in so far as they are related to the Financial Statements;
- Specific written enquiries of external legal counsel to assist with our evaluation of known instances of non-compliance with laws and regulations, including their potential impact;
- Challenging assumptions and judgements made by management in its significant accounting estimates, in particular in relation to the carrying value of the goodwill and acquired intangible assets, fair value of the intangible assets recognised on acquisition and the investment in subsidiaries (see related key audit matters);
- Identifying and testing journal entries, including those posted to certain account combinations, posted with certain descriptions, backdated journals or posted by unexpected users;
- Incorporating unpredictability into the nature, timing and/or extent of our testing; and
- Review of reporting to the Audit Committee and minutes of Board of Directors' meetings and made enquiries of management to understand the business rationale for unusual and significant transactions.

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company Financial Statements and the part of the Directors' Remuneration Report and Policy to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors on 8 December 2010 to audit the Financial Statements for the year ended 31 May 2011 and subsequent financial periods. The period of total uninterrupted engagement is 12 years, covering the years ended 31 May 2011 to 31 May 2022.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these Financial Statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Carl Sizer (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
20 July 2022