Going Concern and Viability Statement

Going concern

The Directors have prepared the Group 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 a period of at least 12 months from the date of approval of the Group Financial Statements.

The Directors' assessment has considered future performance, solvency and liquidity over a period of at least 12 months from the date of approval of the Financial Statements. The Board, following the review by the Audit Committee, has a reasonable expectation that the Group has adequate resources for that period, and confirm that they consider it appropriate to adopt the going concern basis in preparing the Financial Statements.

The Group meets its day-to-day working capital requirements through its available liquid assets and committed banking facilities. The Group's liquid assets exclude all monies held in segregated client money accounts. In assessing whether it is appropriate to adopt the going concern basis in preparing the Financial Statements, the Directors have considered the resilience of the Group, taking account of its liquidity position and cash generation, the adequacy of capital resources, the availability of external credit facilities and the associated financial covenants, stress-testing of liquidity and capital adequacy that takes into account the principal risks faced by the business. Further details of these principal risks and how they are mitigated and managed is documented in the Risk Management section on pages 48–53.

Viability statement

The UK Corporate Governance Code requires the Directors to make a statement regarding the viability of the Group, including explaining how they have assessed the prospects of the Group, the period of time over which they have made the assessment and why they consider that period to be appropriate.

The Group has a forecasting and planning cycle consisting of a strategic plan, an annual budget for the current year and financial projections for a further three years. The output from this business planning process is used in the Group's capital and liquidity planning, and the most recent forecasts are for the four-year period ending May 2027. The four-year forecasting period is the length of time over which the Board strategically assesses the business and the period of time over which the Board would typically look for investments to pay back.

The first year of the planning period has a greater degree of certainty. It is therefore used to set detailed financial targets across the Group. It is also used by the Remuneration Committee to set targets for the annual incentive scheme. Caution about the degree of certainty needs to be exercised – in the short term, the performance of the Group's business is impacted by influences such as market conditions and regulatory changes that it cannot control.

The further three-year period provides less certainty of outcome, but provides a robust planning tool against which strategic decisions can be made. These forecasts are also considered when setting targets for the executive and senior management share plans.

The Group's revenue, which is driven by client transaction fees, has remained resilient despite the quieter market conditions in FY23. The current year revenue has further been supported by the higher levels of interest earned on client money balances, reflecting the rising interest rate environment. Projections of the Group's revenue have conservatively considered financial market volatility for the four-year period based on historical levels which exclude exceptional events. Projections also include assumptions on interest rates which are expected to remain flat before decreasing, based on market expectation of future interest rate projections.

No significant changes to regulatory capital and liquidity requirements have been assumed over the forecasting period and the Group continues to be subject to IFPR. Aside from the introduction of Uncleared Margin Rules which came into effect on 1 September 2022, which requires the Group to pledge non-cash collateral to meet initial margin requirements resulting in a higher holding of portfolio gilts, there have been no changes in the Group's capital and liquidity requirements and resources since 31 May 2022.

Going Concern and Viability Statement continued

The Group undertakes stress testing on these forecasts through the ICARA and Recovery Plan, providing the Board with a robust assessment of the possible consequences of principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity.

The types of scenarios used include the collapse of a major financial services firm, an unexpected global economic event followed by a market dislocation and operational IT failures. The stress tests evaluate the impact of the scenarios on the relevant principal risks captured by the Group's Risk Management Framework.

Additionally, the Group has undertaken reverse stress-testing to understand the circumstances under which the Group's business model is no longer viable. With appropriate management actions, the results of these stresses showed that the Group was resilient to all severe, but plausible, scenarios considered and would be able to withstand the impact of these. Scenarios are reviewed at least annually to ensure they remain relevant, with any updates being incorporated into the ICARA accordingly. The ICARA also includes a contingency funding plan, outlining management actions to improve the Group's capital and liquidity position.

The Group has undertaken extensive modelling and analysis for potential changes in the regulatory landscape, in order to prepare the financial forecasts, and there is a range of potential outcomes. The Group is planning investments in new countries and in new products, that may be less successful than assumed by the financial forecasts and that are dependent on regulatory applications being successful.

The Directors are satisfied that these and other uncertainties have been assessed, and that the financial forecasts reflect an appropriate balance of the potential outcomes.

The Group continues to actively monitor and refine its comprehensive business continuity plan. The Group's significant long-term investment in communications and technology infrastructure enables the Group to operate in a hybrid working environment, with all colleagues given the opportunity to work from home, and IG continues to provide the best possible service for its clients when they choose to trade the financial markets.

Overall the Directors consider the Group well-placed to manage its business risks successfully, having taken into account the current economic outlook, the possible consequences of principal risks facing the business in severe but plausible scenarios, and the effectiveness of any mitigating actions on the Group's profitability, liquidity and capital adequacy. The Group's business model provides the Directors with comfort that the business is being run in a sustainable way, acting in the interest of its clients and acting responsibly in managing relationships with other stakeholders.

The Board regularly assesses the principal risks facing the Group. These risks include regulatory, legislative, or tax changes which may detrimentally impact our business in the jurisdictions in which we operate or seek to operate. In particular, a change that impacts on the Group's ability to sell or trade OTC derivative products may have a fundamental effect on the viability of the Group and its businesses, although this risk is lower than in previous years due to the continued diversification of the Group's product offering. Further details of these principal risks and how they are mitigated and managed is documented in the Risk Management section on pages 48–53. The Board receives reports on these and new emerging risks through the Risk Management Framework. On the basis of these and other matters considered and reviewed by the Board during the year, the Directors have reasonable expectations that the Group will be able to continue in operation and meet its liabilities as they fall due over the four-year period ending 31 May 2027.

The Strategic Report up to and including page 55 was approved for issue by the Board on 19 July 2023 and signed on its behalf by:

Charles A. Rozes
Chief Financial Officer