IG GROUP HOLDINGS PLC

Results for the year ended 31 May 2017
18 July 2017

IG Group Holdings plc ("IG", "the Group", "the Company"), a global leader in online trading, today announces results for the year ended 31 May 2017.

Financial Summary

- Net trading revenue(1) up 8% at £491.1 million
- Operating expenses up 14%, reflecting continued investment in effective marketing
- Profit before tax up 3% to £213.7 million; profit before tax margin(2) 43.5% (FY16: 45.6%)
- Diluted EPS up 3% at 45.9 pence
- Final dividend of 22.88 pence per share; full year dividend up 2.9% to 32.3 pence per share

Operating and Strategic Summary

- New client numbers, defined as first trades, ahead of prior year by 38%; 15% in the OTC leveraged business
- Purchased and integrated the assets of DailyFX, a global retail FX research and education portal, for $40 million
- Continued progress in strategic evolution towards leadership in trading and investments
    - Share dealing offer rolled out to Australia and France
    - Launched a discretionary managed Investment service in the UK
    - Limited Risk account, with no-negative guarantee, rolled out globally
    - New platform released to all spread betting clients
- Regulatory uncertainty created by a number of developments during the year
    - IG is compliant with the results of consultations from BaFin and the AMF
    - FCA delayed final industry regulatory proposals in June 2017, pending the outcome of ESMA's discussions

Peter Hetherington, Chief Executive, commented:
"It was an interesting and challenging year in terms of global news flow, especially in the political and regulatory sphere, but the year turned out to be one of the least volatile in financial markets for decades. Against this backdrop I am pleased that IG once again delivered record revenue and profits.

The industry came under elevated regulatory scrutiny during the year. At IG we are proud of our track record of compliance and our culture of placing the client at the heart of our business. We try to do what is right, not just what is possible under the rules. We understand that leveraged trading products aren't right for everyone, and we therefore believe that it is in the best interests of many consumers to be prevented from accessing them. We seek to only offer our products to an appropriate audience and consistently innovate to improve client outcomes. IG's Limited Risk account, where clients can never lose more money than they have on their account, and their maximum risk per position is known, is a good example of this type of innovation. A third of our new trading accounts in the UK now use this feature.

Unfortunately client outcomes in the industry have suffered in recent years – unsuspecting consumers have been bombarded by providers who market the leveraged product to an inappropriate audience, often using bonus offers to attract clients. This is clearly wrong and we fully support regulators' attempts to stamp out this behaviour. Our efforts are concentrated on ensuring that appropriate clients can continue to trade on a level playing field. IG will continue to carefully consider and improve its procedures to ensure we either set or achieve industry best practice. We have a very long history of engaging constructively and productively with all our regulators and we look forward to continuing to do so.

This external uncertainty is unsettling for our people and I am proud of the way they have pulled together to accelerate the differentiation of our offering. This has involved some difficult choices, as we have reduced running costs to give us scope to invest in strategic projects. As the original and the biggest firm in our industry, I believe IG is well placed to evolve and prosper and to continue to empower our clients to access opportunities in financial markets."

All current financial results listed are for the year ended 31 May 2017. All general references to 'the prior period', 'the prior year', and 'last year' mean the year ended 31 May 2016, unless otherwise specified.
(1) Net trading revenue is trading revenue after deducting introducing partner commissions. All references to 'revenue' in the Group Performance and Operating and Financial reviews are made with regards to net trading revenue.
(2) Profit before tax margin is profit before tax divided by net trading revenue.

Financial summary

For the year ended 31 May 2017	FY17	FY16	Up/(Down) %
Net trading revenue (£m)	491.1	456.3	7.6%
Profit before taxation (£m)	213.7	207.9	2.8%
Profit after taxation (£m)	169.2	164.3	3.0%
Diluted earnings per share (pence)	45.9	44.6	2.9%
Total dividend per share (pence)	32.30	31.40	2.9%
Net own funds generated from operations (£m)	183.9	197.3	(6.8%)

Further information

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Analyst presentation

There will be an analyst and investor presentation on the results at 9:30am (UK Time) on Tuesday 18 July 2017 at IG Group, Cannon Bridge House, 25 Dowgate Hill, London, EC4R 2YA.
The presentation will also be accessible live via audio webcast at www.iggroup.com and via a conference call on the following number:
All locations: +44 20 3059 8125
The audio webcast of the presentation and a transcript will be archived at: www.iggroup.com/investors

Disclaimer - forward-looking statements and market abuse regulations

All market share data has been provided by Investment Trends Limited

- Investment Trends UK Leveraged Trading Report released July 2017

IG empowers informed, decisive, adventurous people to access opportunities in over 15,000 financial markets. With a strong focus on innovation and technology, the company puts client needs at the heart of everything it does.

IG’s vision is to be a global leader in retail trading and investments. Established in 1974 as the world’s first financial spread betting firm, it continued leading the way by launching the world’s first online and iPhone trading services.

IG is now an award-winning, multi-platform trading company, the world’s No.1 provider of CFDs* and a global leader in forex. It provides leveraged services with the option of limited-risk guarantees, and offers an execution-only share dealing service in the UK, Australia, Germany, France, Ireland, Austria and the Netherlands. IG has recently launched a range of affordable, fully managed investment portfolios, to provide a comprehensive offering to investors and active traders.

It is a member of the FTSE 250, with offices across Europe, including a Swiss bank, Africa, Asia-Pacific, the Middle East and the US, where it offers on-exchange limited risk derivatives via the Nadex brand.

*Based on revenue excluding FX (from published financial statements, October 2016)

Group Performance Review

The Company once again delivered record revenue in the twelve month period, up 8% on the prior year to £491.1 million (2016: £456.3 million) - a good performance in relatively quiet financial markets. Profit before tax was ahead by 3% at £213.7 million (2016: £207.9 million). Operating expenses rose by 14%. Excluding the impact of the acquisition of DailyFX in October 2016, marketing investment, which continued to pay back very rapidly, accounted for almost half of the absolute rise in expenses. Profit after tax was £169.2 million, 3% ahead of the prior year (2016: £164.3 million), assisted slightly by a fall in the Group's effective tax rate to 20.8%, from 21.0% in the prior year.

Business Performance

In the principal product area, OTC leveraged trading, the Company experienced good growth across all regions outside the UK. The strongest relative performance came in EMEA, where revenue was ahead of the prior year by 17%, with particular year-on-year strength in Switzerland, Dubai and South Africa. Revenue in APAC was ahead of the prior year by 9%. Client numbers were up in all regions, with growth at a Group level averaging 7%. The number of client first trades was also well ahead of the prior year, up by 15%.

The share dealing service, launched in the UK in 2014, grew well in the period. It was launched in Australia in the middle of 2016 and grew well during the year in both countries. At the end of the year, the Company had just over 20,000 clients holding positions, up around 200% on the prior year.

In the US, Nadex continued to grow strongly. Group revenue from the US was 26% ahead of last year, at £14.1 million. Ongoing marketing success, the addition of further market makers and technology improvements around latency and the mobile platform have all delivered benefits.

Further detail of the regional performance is provided in the Operating and Financial Review.

Business Development

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

The rollout of New Web Trading Platform began late in 2016 with a trial for UK spread betting clients and has since progressed well. This is now the default platform for UK spread bettors, with more than half of all client desktop trades being placed here. The CFD rollout will commence later this year in the UK and will be extended to other countries by the end of 2017.

The Company relaunched its Limited Risk Account in July 2016, which requires all clients using the account to cap the downside risk of every trade, which avoids them ever having a negative balance on their account. IG also only provides this type of account for new clients with lower levels of appropriateness, experience or wealth. In the last half of the year, around 28% of all OTC leveraged first trades were Limited Risk.

The acquisition of DailyFX from FXCM for $40 million was completed in October 2016. While the websites are delivering the expected number of new leads, the rate of conversion into trading clients has been lower than anticipated. However the accounts which are opened have proved to be more valuable than expected. This asset is likely to prove increasingly valuable in countries where paid-for-marketing restrictions are put in place.

IG is in a period of rapid product transition. The Company launched its discretionary managed investments service in the UK towards the end of this financial year. Together with the share dealing service, this is expected to be an effective means of engaging and retaining valuable leveraged trading clients. The number of clients using multiple products (a leveraged account and a share dealing or investments account) more than doubled in the period and there is early evidence that these clients trade more actively, making them more valuable.

Leading the Way

IG takes its leadership position in the industry extremely seriously and constantly assesses its self-imposed restrictions and controls, which ensure access to complex financial products is only provided to clients for whom they are appropriate. Just after the end of the financial year, the Company carried out a full review of its onboarding criteria and process. As a result of this, IG altered various elements, including raising its self-imposed wealth hurdles and its minimum deposit. IG has also created and rolled out globally a new appropriateness test which means that prospective clients who were previously allowed to proceed at their own risk can no longer have a leveraged account with IG unless they can demonstrate that they understand the potential risks and rewards of such an account. This is a clear example of IG doing the right thing to ensure fair client outcomes and going beyond what is demanded by regulation. As a result of these actions, the Company expects to recruit fewer clients, of greater average value, and so may see a fall in simple measures of market share.

In June 2017 the Company developed and communicated internally and externally its updated purpose, vision and values – these define clearly why IG exists, clarify its ambitions and lay out a set of values by which the employees and business operate, which align with the culture of the organisation. The values are: Champion the client; Lead the way, and: Love what we do. These values centre on delighting the client and ensuring everything is designed to ensure fair outcomes at every stage. IG's business model ensures the Company's fortunes are aligned with those of its clients.

Regulation

The retail leveraged trading industry is under scrutiny globally, with particular emphasis currently in the UK and Europe. This new level of scrutiny is overdue and IG believes that a well thought through update to regulation should be beneficial for clients – if it is proportionate, consistent and properly enforced. IG has differentiated itself within the industry through its adherence to the highest regulatory standards and its focus on fair outcomes for clients. However, too many providers have been allowed to enter this industry in recent years, many of which have behaved very badly and targeted clients for whom such a product is entirely inappropriate. This has been exacerbated by an influx of entirely illegal providers, based in offshore regimes and using the uncontrollable nature of the internet to take advantage of unsophisticated or unwary individuals through misleading advertising. These companies have often provided a single product, the up/down binary option, using high pressure sales practices. This combination of poorly regulated and illegal providers has often left the impression that the entire industry is at fault and made it very difficult for compliant providers, such as IG, to make their voices heard. In order to improve outcomes for clients, the Company believes it is vital that regulators support and work with companies like IG to remove or greatly reduce the impact of these illegal and the poorly supervised providers.

In recent months, IG has been even more active in liaising with regulators to assist them in their efforts to improve outcomes for clients across the world. There are a number of reviews either complete or ongoing in countries where IG has either a presence or a material degree of business.

In Australia, the Government and regulator are proceeding to better protect client money – in the way that IG always has – and to provide additional powers of intervention on financial products provided to retail. IG welcomes both of these measures. In Dubai the regulator, the DFSA, has indicated an intention to alter the current regime surrounding leveraged products. IG has assisted the considerations of the DFSA and the outcomes are expected to be announced in the near future. The Company does not believe its activities are the subject of regulatory concern and so does not expect the changes to materially impact its operation in Dubai.

In Europe the regulatory situation is complex and in transition. IG is working with National Competent Authorities (NCAs) in several countries and has also been in discussion with the European Securities and Markets Association (ESMA) and shared its concerns about the divergence of regulation across the EU. Consultations in France and Germany have been finalised and the outcome of a requirement to provide an account which limits the downside for clients fits with the leadership position IG took last year and enhances IG's competitive position in these countries. The result of the consultations in The Netherlands and Ireland have not yet been announced.

In December 2016, in the UK, the FCA announced its intention to enhance conduct of business rules for firms providing contract for difference products to retail clients, and detailed a very specific set of proposals. Following an announcement by ESMA in June 2017, the FCA decided to delay making final rules until ESMA finalises its discussions. ESMA announced it is in the process of discussing the possible use of its product intervention powers under Article 40 of MiFIR, the possible content of any such measures, and how they could be applied. Measures being discussed include leverage limits, guaranteed limits on client losses, and restrictions on the marketing and distribution of these products.

The Company believes a common set of regulations across the EU provides a greater chance of successfully protecting consumers against poor behaviour in the industry. Any inconsistency in the application of regulatory standards in the EU region only creates arbitrage opportunities for ill-intentioned providers to take advantage of less sophisticated consumers. IG will continue to engage actively with NCAs and ESMA to seek to establish a set of rules which improve consumer outcomes and protect competition.

In its engagement to date, IG has provided consistent advice to individual NCAs and to ESMA. IG believes the correct response needs to be broad and properly enforced. IG sees five main areas where regulators are expressing concern and suggesting the need for remedies:

- Marketing. Regulators are seeking to ensure the product is marketed only to the correct audience, with an appropriate risk warning, including the probability of trading successfully. This would also outlaw sports sponsorship. IG fully supports this development.
- Bonus offers. There is a movement to ban account opening bonus offers. IG does not offer these and fully supports this development.
- Appropriateness. There already exists an obligation to assess whether a product is appropriate for a prospective client. However, under current MiFID guidance, firms are allowed to warn prospective clients that the product is inappropriate but allow them to proceed to trading. The ESMA Q&A makes it clear that a prospective client should not be allowed to proceed where the product is deemed inappropriate. IG does not take on inappropriate clients and fully supports this development.
- No negative protection. Certain NCAs have mandated only offering accounts to retail clients where the client cannot lose more money than they have deposited on their account. ESMA has indicated this may form part of its future guidance. IG already offers this option and fully supports this development.
- Leverage. There already exists an obligation to act in the best interests of a client. Given this, it is already impossible to justify high levels of leverage where the significance of the transaction fee can skew the client's probability of success. IG does not offer any products with this characteristic. However, there is pressure from certain regulators to explicitly cap leverage levels. With the caveat that any mandated leverage caps should aim solely to resolve the probability issue, IG fully supports this development.

Potential regulatory impact and actions being taken

IG's UK and EU OTC leveraged revenue last year of £330 million included £78 million from products and clients for which it is anticipated any regulatory impact would be minimal – equities trading, where leverage levels are low, corporate clients and non-resident clients. Therefore, around half of Group revenue will be unaffected by the proposals being discussed by regulators across the EU.

A potentially significant mitigating factor to the impact of any regulatory restrictions on retail clients, would be qualifying clients electing to take on a professional status in order to continue to trade as before. To qualify, a client must pass two of the three tests defined under MiFID – sufficient trading experience, a substantial investment portfolio, relevant occupational experience. As has always been the case, the Company's revenue is relatively concentrated towards the most active end of the client base. In the last year, 80% of the Group's revenue (excluding the US) was generated by less than 9% of clients. The vast majority of IG's top 9% of clients have a recent trading history which would suggest they should pass the sufficient trading experience test. In addition, a recent independent survey found that approximately 15% of IG's clients have a financial instrument portfolio of a sufficient size to pass the second test. These statistics underline the journey the Group has been on for a number of years to focus on serving the upper end of the OTC leveraged trading market. The Company cannot be sure of the degree of overlap between these groups of clients, and it is not possible to determine how many eligible clients would choose to be classified as professional.

For clients who would not be able to, or who choose not to, take on professional status, it is not possible to determine how they would respond to regulatory restrictions on their activities. Overall, IG clients with open positions are leveraged under 10 times. This calculation compares client cash on accounts with open positions to the total size of those notional trading positions and makes no allowance for the very different levels of leverage in the various asset types. Many of the Group's clients, however, currently have excess cash on their account compared to the trading margin required, and could choose to continue to trade with less headroom. Some clients may choose to increase the cash on their account to maintain their headroom. Other clients may choose to utilise their share portfolio held with IG as collateral. It is likely that some clients will simply constrain their trading, or open an account with a less constrained provider, although an EU wide harmonised approach to regulation reduces that risk.

IG has commenced work on developing a multi-lateral trading facility (MTF) to serve the European market. This on-exchange offering could provide further protection for IG's business across Europe and increase the opportunity for further growth in this region. There can be no certainty of success here.

The Group is planning for the UK's exit from the EU, and good progress is being made in securing regulatory approval for a subsidiary based in the EU. The Group is also at the early stages of exploring further opportunities outside the EU.

In the Company's experience, when tighter regulation has been applied appropriately, client outcomes have improved, the industry has become more sustainable, and more compliant providers have benefitted over the longer term.

Dividend

In line with the previously stated intention to pay out, as an ordinary dividend, approximately 70% of the Group's annual earnings, the Board is recommending a final dividend of 22.88 pence per share, taking the full year dividend to 32.30 pence per share, 2.9% ahead of the prior year.

Outlook

IG will continue to lead the way in the industry with respect to how it markets its services, how it deals with clients, and through the products and levels of client service it offers. IG believes in doing the right thing, rather than simply complying with minimum regulatory requirements. The Company is taking measures to further differentiate itself within its core OTC leveraged derivatives trading environment, and will continue to improve the transparency of its products, and extend its geographic footprint in order to maintain and extend its competitive advantage. The recent product extension into share dealing and investments sets IG further apart from the competition and extends the loyalty of the current client base.

None of the recently announced regulatory changes have adversely impacted the business to date, and the current year has started well. The nature and timing of potential regulatory changes in the UK and some other key markets for the Group remain uncertain, and it is therefore difficult to predict what impact, if any, regulatory change may have on the Group this financial year and beyond. Actions have been taken to manage costs to allow for investments to be made in strategic initiatives without a significant increase in the fixed cost base. Operating costs excluding variable remuneration in FY18 are expected to remain at a similar level to FY17.

IG is better placed than most, if not all, providers in the industry to both influence and respond to regulatory change. The Company will continue to engage fully with regulators, to seek to achieve the best possible outcomes for current and future clients of this industry, and the greatest long term value for shareholders of the Company.

Operating and Financial Review

With the increasing geographic and product diversity of IG's business and following a management realignment, the make-up of the segments reported on for FY17 have been adjusted. This reflects the information format that management review for the purposes of both allocating resources and assessing performance, and includes increased disclosure around the share dealing and investments business. For further details and a restatement of prior years' segments please refer to note 3 to the financial statements and the additional information section at the end of the preliminary announcement.

Reporting Segment	Revenue (£m)		% Change[1]	Clients ('000s)		% Change	Revenue per client[1]
	FY17	FY16		FY17	FY16		
UK	223.0	222.3	0.3%	64.7	59.9	8%	(7%)
EMEA	137.5	117.3	17%	45.9	41.6	10%	6%
APAC	114.1	104.7	9%	37.4	36.4	2.8%	6%
Leverage OTC	**474.6**	**444.3**	**7%**	**148.0**	**137.9**	**7%**	**(0.5%)**
US	14.1	11.2	26%	22.3	15.2	47%	(14%)
Share Dealing & Investments	2.4	0.8	187%	20.4	6.7	203%	(5%)
Multi-Product Clients	-	-	-	(5.0)	(2.4)	112%	-
Group	**491.1**	**456.3**	**8%**	**185.8**	**157.5**	**18%**	**(9%)**

(1) The financial tables above contain numbers which have been rounded, while all year-on-year percentages are calculated off underlying unrounded numbers.

The backdrop this year was dominated by significant political events, including the UK's EU Referendum in June, the US Presidential election in November and elections in key European countries in the second half of the year. However, the uncertainty these events created was not reflected in the financial markets, which, outside the specific events, displayed low levels of volatility. Although annual revenue was split almost equally between the two halves of the year, the quarterly performance was more variable. A weak first quarter, was followed by a record second quarter (£133.4 million). The second half of the year also started quietly and recovered in the final quarter, with client trading levels peaking around the French and German elections.

UK

OTC leveraged revenue in this region grew 0.3% to £223.0 million (FY16: £222.3 million) and represented 45% of group revenues. Active client numbers were up by 8% to 64,725 (FY16: 59,940). As previously outlined, the UK, due to the large installed client base that comes with the most mature market, responds more to volatility, both negatively and positively. In the quiet markets, this, along with the heavy client acquisition around the UK's EU Referendum and the US Presidential election, meant that average revenue per client was down by 7% to £3,446 (FY16: £3,710).

An annual study of the UK's retail leveraged trading industry was released in July 2017. The survey concluded that, although the retail leveraged trading market remains niche, the number of traders grew to 148,000 (2016: 138,000 - restated). The survey showed that IG's primary market share of spread bettors fell slightly, from 46% to 45%, and its primary share of CFD traders fell from 27% to 24%. The measurement of primary market share is based on an estimate of the number of primary accounts, excluding partner agreements, and makes no allowance for client value, therefore drawing precise conclusions about the share of total market revenue is difficult.

EMEA

OTC leveraged revenue grew 17% to £137.5 million in FY17 (FY16: £117.3 million), which equates to 28% of the group revenue. Active client numbers rose 10% to 45,903 (FY16: 41,566) and revenue per client was up 6% to £2,997 (FY16: £2,821).

This region divides into two broad areas when analysing performance. Like the UK, the EU-based offices are more mature and generate a slower rate of growth than the newer, non-EU offices of Dubai, South Africa and Switzerland. In the non-EU offices, where the regulatory environment appears more stable, revenue almost doubled to £30.7 million. Active client numbers were also up in these countries by 22% and revenue per client rose by 59%.

APAC

OTC leveraged revenue in FY17 grew by 9% to £114.1 million, against a prior year of £104.7 million. This was driven by a 3% growth in clients to 37,392 (FY16: 36,364) and a 6% rise in revenue per client to £3,051. Revenue in the second half of the year was 5% ahead of the first half.

US

Revenue grew 26% over the period to £14.1 million (FY16: £11.2 million). Active member numbers were up by 47% and revenue per client was down by 14%.

Share dealing and Investments

Share dealing is now active in IG's two largest markets of the UK and Australia, and is also offered in Austria, France, Germany, Ireland and the Netherlands. This is an important strategic product line for the business which further engages our current client base.

Total client numbers in the year were up around 200% on FY16 at 20,417 (FY16: 6,748). Revenue and first trades were also up by around 200% to £2.4 million and 18,188 respectively. This is partly down to ongoing growth in the UK and partly to the launch in Australia in July 2016.

The IG Smart Portfolio product was launched in the UK in April 2017, in partnership with BlackRock. This products seeks to take advantage of the growing market for low cost passive portfolio investment products and is based on BlackRock ETFs.

Financial Review

Summary group income statement

	Year ended 31 May 2017 £m	Year ended 31 May 2016 £m
Net trading revenue	**491.1**	**456.3**
Net interest on segregated client funds	4.0	3.4
Betting duty and financial transaction taxes	(7.5)	(11.2)
Other operating income	1.9	0.6
Net operating income	489.5	449.1
Operating expenses	(276.1)	(241.5)
Operating profit	213.4	207.6
Net finance income	0.3	0.3
Profit before taxation	213.7	207.9
Profit before taxation margin	*43.5%*	*45.6%*
Taxation	(44.5)	(43.6)
Profit for the year	169.2	164.3
Diluted earnings per share	45.9p	44.6p
Total dividend per share	32.3p	31.4p

Net Operating Income

Net operating income increased by 9% to £489.5 million (2016: £449.1 million) reflecting the 8% growth in net trading revenue, and a reduction in betting duties reflecting lower client losses on spread betting contracts. The long term average for betting duties as a percentage of net trading revenue is around 2%. Net interest income on segregated client funds increased by £0.6 million to £4.0 million (2016: £3.4 million) driven by increases in the amount of client money held.

Operating expenses

Operating expenses increased by 14% to £276.1 million (2016: £241.5 million).

	Year ended 31 May 2017 £m	Year ended 31 May 2016 £m
Employee remuneration costs – fixed	95.5	83.3
Employee remuneration costs – variable	23.6	30.2
Advertising and marketing	64.5	49.7
Depreciation and amortisation	16.4	12.7
Irrecoverable VAT and other sales taxes	14.1	11.2
Regulatory fees	2.3	5.7
Other costs	59.7	48.7
	276.1	241.5

Employee remuneration costs

Fixed employee remuneration costs increased by 15% to £95.5 million (2016: £83.3 million). This reflects an 8% increase in average headcount and a 6% increase in average cost per head. The increase in average headcount reflects investment in client service roles, the additional headcount associated with DailyFX, and the dual running of teams during the process of offshoring functions to the Group's resource hub in Poland. The increase in the average cost per head reflects the introduction of flexible benefits, the impact of salary benchmarking, and the increase in the GBP equivalent cost of non-UK staff due to the weakening of GBP compared with most other currencies relative to FY16. Variable employee remuneration costs reduced by 22% due to lower discretionary bonus payments for staff for FY17 compared to those made for the prior year.

	Year ended 31 May 2017	Year ended 31 May 2016
Average headcount	1,522	1,412
Year-end headcount	1,546	1,408

Advertising and marketing costs
Advertising and marketing costs increased by 30% to £64.5 million (2016: £49.7 million). The Group has continued to manage its external marketing spend to drive client recruitment whilst keeping acquisition cost per client flat. The cost per first trade in FY17 (excluding Nadex clients, and including irrecoverable VAT) was £1,172 (2016: £1,205).

Depreciation and amortisation
Depreciation and amortisation increased by £3.7m to £16.4 million (2016: £12.7 million). The increase includes the £1.9 million amortisation of the investment in DailyFX, which delivers market leading education, research, analysis and news focused on the FX markets and which is a key part of our future marketing strategy. In addition, the charge in FY17 includes £1.6 million relating to the write down of leasehold improvements and fixtures and fittings as a result of the office refurbishment that took place during the year.

Irrecoverable VAT and other sales taxes
The Group does not recover all of the input VAT and other sales taxes it incurs on its costs, and the £14.1 million charge in FY17 reflects the amounts not recovered. The increase in irrecoverable VAT and sales taxes reflects the increase in costs in the year on which VAT and other sales taxes are charged, predominantly marketing and advertising costs.

Regulatory fees
The Group is charged regulatory fees by the various regulators in the jurisdictions in which it operates, and in addition, is required to make a contribution to the Financial Services Compensation Scheme (FSCS) in the UK. The £3.4 million reduction in the cost of regulatory fees reflects the rebate the Group received during FY17 relating to FSCS levies paid in prior years, and the benefit from the actual FSCS levy for 2016 which was charged in FY16 being lower than the cost accrued. The charge for regulatory fees is expected to revert to the normal level in FY18.

Other costs
The £11.0 million increase in other costs to £59.7 million reflects changes as follows:

	Year ended 31 May 2017 £m	Year ended 31 May 2016 £m
Premises-related costs	13.2	12.1
Telephone and data	2.0	1.7
IT Maintenance and support	12.2	9.7
Market data	9.7	7.9
Legal and professional costs	8.0	6.8
Net charge for impaired trade receivables	3.0	1.6
Payment card charges	2.2	0.4
Other costs	9.4	8.5
	59.7	48.7

The higher IT maintenance and support costs reflects investments made in data security and IT infrastructure. The higher market data costs reflects the growth in client numbers. The higher payment card charges is due to the increased volume of card payments by clients.

Taxation

The effective rate of tax for the year ended 31 May 2017 was 20.8%, slightly lower than the effective rate of 21.0% for the prior year. The effective rate of tax has continued to benefit from the reduction in the standard rate of UK corporation tax, which reduced from 20% to 19% on 1 April 2017.

The vast majority of the Group's taxable profit arises in the UK. An analysis of the tax charge by geographic segment is shown in Note F of the "Other Information" section of the Financial Statements. The Group's effective rate of tax remains dependent on the mix of taxable profit by geography, the availability and use of taxable losses, and the tax rates levied in those geographies. The Group's current estimate of the effective rate of tax for the year to 31 May 2018 is 20.5%.

The calculation of the Group's tax charge involves a degree of estimation and judgement, in particular with respect to certain items whose tax treatment cannot be finally determined until agreement has been reached with the relevant tax authority.

Diluted earnings per share

Diluted earnings per share of 45.9 pence for the year to 31 May 2017 is 3% higher than the 44.6 pence for the year ended 31 May 2016. Diluted earnings per share is used as a primary measure of profitability and as a financial measure in relation to the Executive Director and senior management share plans.

Dividend policy

The business continues to be highly cash-generative and the Board seeks to reflect this in the direct cash returns to shareholders. IG has a progressive dividend policy and it remains the Board's intention to pay out, as an ordinary dividend, approximately 70% of Group post-tax earnings. Accordingly, the Board is recommending a final dividend of 22.88 pence per share, giving a full-year dividend of 32.3 pence per share, 3% higher than the 31.4 pence per share paid for the year to 31 May 2016, reflecting the increase in post-tax earnings.

Cash generation, investments and dividends

The Group uses own funds, and net own funds, generated from operations as its key measures of cash generation. The make-up of own funds is shown on the balance sheet in Note A, and the own funds cash flow is shown in Note C, of the "other information" section of the financial statements.

Cash generation remains strong. Own funds generated from operations of £229.2 million (2016: £239.8 million), compares with operating profit of £213.4 million (2016: £207.6 million), with a cash conversion rate, calculated as own funds generated from operations divided by operating profit, of 107% (2016: 116%). The reduction in the conversion rate reflects the reduction in year end bonus accruals at 31 May 2017 compared with the prior year end. The Group continues to benefit from a net credit balance in working capital.

Capital expenditure in the year of £17.1 million includes £7.6 million relating to the purchase and development of intangible assets during the year, including the new web trading platform, and new financial systems to improve the control environment for cash and client money, and £10.5 million on tangible assets including £2.8 million for the office refurbishment in London, and £6.3 million for new and replacement IT hardware.

During the year the Group purchased the assets of DailyFX, a leading global news and research portal, from FXCM Inc. for $40.0 million (£32.7 million), with $4.0 million (£3.3 million) of this amount deferred for a year.

Dividend payments to shareholders during the year to 31 May 2017 of £118.7 million comprise the final dividend for the year to 31 May 2016 of £84.1 million, and the interim dividend for the year to 31 May 2017 of £34.6 million.

The final dividend for the year to 31 May 2017 of £83.9 million will, if approved, be paid in October 2017.

The group's own funds of £614.3m at the end of the year are £26.6 million higher than at the end of the prior year reflecting the £17.8 million own funds cash flow after investments and dividends, and £8.8 million of FX translation benefit reflecting the increased GBP equivalent value of own funds in non-UK businesses.

Liquidity

The Group's total liquid assets at the end of year were £731.4 million (2016: £626.7 million). The increase in liquid assets reflects the increase in own funds, and the increase in client funds on the balance sheet to £117.1 million at 31 May 2017 from £39.0 million at 31 May 2016. Client funds on the balance sheet includes £60.0 million (2016: £25.5 million) deposited by clients under title transfer arrangements, and £57.1 million (2016: £13.5 million) of client deposits with IG Bank SA, the Group's subsidiary in Switzerland. The Group does not currently use any of the Swiss Bank deposits for liquidity purposes, and all the clients' deposits in Switzerland are held in bank accounts in that country.

The Group's primary requirement for liquidity is for the margin it is required to deposit with its hedging brokers. The average broker margin requirement in FY17 was £286 million, £73 million higher than in FY16, with a peak broker margin requirement of £367 million during the year. At 31 May 2017 the actual broker margin requirement was £356 million (2016: £228 million).

The Group has access to a committed revolving credit facility of £160 million to assist in liquidity risk management. The Group draws down on its RCF during periods when broker margin is at elevated levels and in advance of events that could result in an elevated broker margin requirement, in order to reduce liquidity risk. During the year, the facility was partly drawn down ahead of three political events – the EU referendum on 23 June 2016, the US Presidential elections on 8 November 2016 and the Italian referendum on 4 December 2016. These precautionary drawdowns were repaid after the event. In June 2017 the group renewed the £160 million RCF with a syndicate of four UK banks. Of the £160 million, £60 million is available for three years and £100 million for 12 months.

Segregated client funds

At 31 May 2017 the Group held £1,215.3 million (2016: £917.3 million) of client money in segregated trust bank accounts, and £499.8 million (2016: £177.8 million) of client assets in third party custodian accounts. These amounts are segregated client money and assets and are therefore excluded from the balance sheet.

Regulatory capital resources

The calculation of the Group's consolidated capital resources, and capital ratio is shown in note E of the "other information" section of the financial statements. The Group's capital ratio – resources as a percentage of the total requirement was 26.7% as at 31 May 2017, compared with the minimum ratio for the Group of 18.7%. The Group continues to have sufficient capital headroom.

Impact of changes in foreign currency exchange rates

IG offers its clients opportunities to trade in over 15,000 markets. Our clients have the opportunity to gain exposure to these markets in the natural currency of that market or, in many cases, their account currency. The Group hedges its exposure to the underlying markets and to currencies. The Group's trading revenue from OTC leveraged derivatives is the aggregate of the transaction fees on many millions of individual client trades net of the transaction fees on hedging the exposures which are also denominated in a number of currencies. These transactions are almost all booked in entities whose functional currency is GBP. It is impractical to isolate the effect that changes in foreign currency exchange rates has on the Group's GBP reported revenue.

Around one third of the Group's operating expenses are incurred in currencies other than GBP. Although it is possible to identify the effect that changes in foreign currency exchange rates has on the GBP reported costs, as it is not practical to do so on revenue, the Group accepts that it manages its earnings in GBP, and reports on and explains its results accordingly.

Consolidated income statement
for the year ended 31 May 2017

	Note	Year ended 31 May 2017 £m	Year ended 31 May 2016 £m
Trading revenue		518.7	487.9
Introducing partner commissions		(27.6)	(31.6)
Net trading revenue	2	491.1	456.3
Betting duty and financial transaction taxes		(7.5)	(11.2)
Interest income on segregated client funds		4.6	3.8
Interest expense on segregated client funds		(0.6)	(0.4)
Other operating income		1.9	0.6
Net operating income		489.5	449.1
Operating expenses	4	(276.1)	(241.5)
Operating profit		213.4	207.6
Finance income		1.7	2.0
Finance costs		(1.4)	(1.7)
Profit before taxation		213.7	207.9
Taxation	5	(44.5)	(43.6)
Profit for the year and attributable to owners of the parent		169.2	164.3

Earnings per ordinary share:			
- Basic	6	46.2p	44.9p
- Diluted	6	45.9p	44.6p

Notes 1 to 13 are an integral part of this preliminary announcement.

Consolidated statement of comprehensive income
for the year ended 31 May 2017

	Year ended 31 May 2017		Year ended 31 May 2016	
	£m	£m	£m	£m
Profit for the year and attributable to owners of the parent		169.2		164.3
Other comprehensive (expense)/income:				
Items that may be reclassified to the income statement:				
Change in value of available-for-sale financial assets (note 12)	(0.2)		(0.1)	
Foreign currency translation income	14.7		4.5	
Other comprehensive income for the year, net of tax		14.5		4.4
Total comprehensive income for the year		183.7		168.7
Total comprehensive income attributable to owners of the parent		183.7		168.7

All items of other comprehensive income or expense may be subsequently recycled to the income statement.

The items of comprehensive income noted above are stated net of related tax effects (31 May 2017 and 31 May 2016: £nil).

Notes 1 to 13 are an integral part of this preliminary announcement.

Consolidated statement of financial position
at 31 May 2017

	Note	31 May 2017 £m	31 May 2016 £m
Assets			
Non-current assets			
Property, plant and equipment		17.4	13.0
Intangible assets	8	156.7	125.1
Financial investments	12	52.4	25.0
Deferred income tax assets		9.1	7.2
		235.6	170.3
Current assets			
Trade receivables	9	357.5	278.5
Prepayments and other receivables		12.2	12.4
Cash and cash equivalents	10	230.9	218.8
Financial investments	12	92.0	111.0
		692.6	620.7
TOTAL ASSETS		928.2	791.0
Liabilities			
Current liabilities			
Trade payables		117.3	43.4
Other payables		62.5	70.8
Income tax payable	5	13.1	13.8
		192.9	128.0
Non-current liabilities			
Redeemable preference shares		-	-
Total liabilities		192.9	128.0
Equity			
Share capital		-	-
Share premium		206.8	206.8
Other reserves		123.1	102.2
Retained earnings		405.4	354.0
Total equity		735.3	663.0
TOTAL EQUITY AND LIABILITIES		928.2	791.0

Notes 1 to 13 are an integral part of this preliminary announcement.

This preliminary announcement was approved by the Board of Directors on 18 July 2017 and signed on its behalf by:

Paul Mainwaring
Chief Financial Officer

Consolidated statement of changes in equity
for the year ended 31 May 2017

	Share capital	Share premium	Other reserves	Retained earnings	Total
	£m	£m	£m	£m	£m
At 1 June 2015	-	206.8	91.8	292.8	591.4
Profit for the year and attributable to the owners of the parent	-	-	-	164.3	164.3
Other comprehensive income for the year	-	-	4.4	-	4.4
Total comprehensive income	-	-	4.4	164.3	168.7
Equity-settled employee share-based payments	-	-	7.0	-	7.0
Tax deduction benefit on share-based payments recognised directly in equity (note 5)	-	-	-	-	-
Purchase of own shares	-	-	(1.0)	-	(1.0)
Equity dividends paid	-	-	-	(103.1)	(103.1)
Movement in equity	-	-	10.4	61.2	71.6
At 31 May 2016	-	206.8	102.2	354.0	663.0
Profit for the year and attributable to the owners of the parent	-	-	-	169.2	169.2
Other comprehensive income for the year	-	-	14.5	-	14.5
Total comprehensive income	-	-	14.5	169.2	183.7
Equity-settled employee share-based payments	-	-	7.7	-	7.7
Tax deduction benefit on share-based payments recognised directly in equity (note 5)	-	-	0.7	-	0.7
Purchase of own shares	-	-	(1.1)	-	(1.1)
Equity dividends paid	-	-	-	(118.7)	(118.7)
Dividends paid on own shares held in trust	-	-	(0.9)	0.9	-
Movement in equity	-	-	20.9	51.4	72.3
At 31 May 2017	-	206.8	123.1	405.4	735.3

There are no non-controlling interests.

Notes 1 to 13 are an integral part of this preliminary announcement.

Consolidated cash flow statement
for the year ended 31 May 2017

	Note	Year ended 31 May 2017 £m	Year ended 31 May 2016 £m
Operating activities			
Cash generated from operations	11	224.1	227.1
Income taxes paid		(45.3)	(42.5)
Net cash flow generated from operating activities		178.8	184.6
Investing activities			
Interest received		2.0	1.1
Purchase of property, plant and equipment		(10.6)	(5.1)
Payments to acquire and develop intangible assets		(36.3)	(8.6)
Net cashflow from (purchase)/sale of financial investments		(8.8)	2.1
Net cash flow used in investing activities		(53.7)	(10.5)
Financing activities			
Interest paid		(1.4)	(1.3)
Equity dividends paid to owners of the parent	7	(118.7)	(103.1)
Purchase of own shares		(1.1)	(1.0)
Net cash flow used in financing activities		(121.2)	(105.4)
Net increase in cash and cash equivalents		3.9	68.7
Cash and cash equivalents at the beginning of the year		218.8	148.8
Impact of movement in foreign exchange rates		8.2	1.3
Cash and cash equivalents at the end of the year	10	230.9	218.8

Notes 1 to 13 are an integral part of this preliminary announcement.

Notes to the preliminary results for the year ended 31 May 2017

1. Basis of preparation

The financial information in this announcement is derived from IG Group Holdings plc's group financial statements but does not, within the meaning of Section 435 of the Companies Act 2006, constitute statutory accounts for the years ended 31 May 2016 or 31 May 2017. The financial statements are prepared on a going concern basis and the accounting policies are consistent with the Group's 2016 Annual Report.

Although the financial information has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), this preliminary statement does not itself contain sufficient information to comply with IFRS. The Group will publish full IFRS compliant group financial statements in August 2017 and statutory accounts for 2017 will be delivered to the Registrar of Companies following the company's Annual General Meeting on 21 September 2017.

The Group's auditors, PricewaterhouseCoopers LLP, have reported on those financial statements and the report was unqualified, did not emphasise any matters nor contained any statements under Section 498(2) or (3) of the Companies Act 2006.

Copies of full group financial statements will be posted to all shareholders in August 2017. Further copies will be available, from the date of posting, from the Group's Headquarters, Cannon Bridge House, 25 Dowgate Hill, London, EC4R 2YA, by telephone on 020 7896 0011 or via the Group's corporate website at www.iggroup.com.

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 presentation and measurement of items recorded in the financial statements are the following:

(a) Consideration as to whether the group's purchase of DailyFX (a leading global FX related news and research website and selected associated assets, refer to note 8) was a business combination or an asset purchase. Determining whether the purchase is a business combination or an asset is a matter of judgment.

The purchase included the website together with its historical content and lead list. In order to enable lead capturing and to re-establish the DailyFX Plus facility, which captures details on new subscribers, the infrastructure necessary for operating and integrating the website needed to be rebuilt. A number of the DailyFX staff were offered and subsequently accepted roles with IG. Therefore whilst inputs had been acquired, the processes that IG would ultimately benefit from had to be recreated and rebuilt or separately acquired. Accordingly, the group accounted for the transaction as an asset purchase as not all the requirements for a business combination were met.

In addition, the assessment of the useful economic life of the assets acquired is judgmental. In line with the group's accounting policy for domain names and generic top level domains, the principal intangible asset arising from the purchase of the DailyFX assets will be amortised over ten years.

(b) The assessment of the useful economic life of the group's internally developed and acquired software, licenses, 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, and other factors. The useful life for licenses 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 (refer to note 8).

(c) 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. Amounts to be paid/received may ultimately be materially different than the amounts already accounted for and could therefore impact the overall profitability and cash flows of the group in future periods (refer to note 5).

(d) The measurement of the group's net trading revenue predominantly reflects transactions that have settled in cash and accordingly involves little judgment. However, the calculation of the segmental net trading revenue involves the use of an allocation methodology determined by management, as the group manages risk and hedges on a group-wide portfolio basis. This allocation methodology does not impact the overall group net trading revenue disclosed.

2. Net trading revenue

Net trading revenue represents trading revenue after deducting introducing partner commissions, and is analysed as follows:

	Year ended 31 May 2017 £m	Year ended 31 May 2016 £m
OTC leveraged derivatives:		
Indices	205.6	226.7
Commodities	66.3	36.0
Equities	76.4	67.4
Foreign exchange	82.3	77.4
Options	44.0	36.8
	474.6	444.3
Exchange traded derivatives	14.1	11.2
Share dealing and investments	2.4	0.8
Total net trading revenue	491.1	456.3

The group does not derive more than 10% of net trading revenue from any one single client.

3. Segment information

The Executive Directors are the group's chief operating decision-maker (CODM). Management has determined the operating segments based on the information reviewed by the Executive Directors for the purposes of allocating resources and assessing performance.

During the year, the management structure of the group has evolved and the CODM now receive information from the business on a different basis to previous years. Accordingly, the segmental reporting for the comparative year has been restated.

The Executive Directors continue to consider the business performance principally from a geographic perspective, but now as the United Kingdom (UK), Europe, Middle East and Africa (EMEA), Asia Pacific (APAC) and the United States of America (US):

- The UK segment comprises the group's local trading activities in the United Kingdom.
- The EMEA segment comprises the group's local trading activities in Ireland, France, Germany, Italy, Luxembourg, Spain, Sweden, Switzerland, United Arab Emirates and South Africa.
- The APAC segment comprises the group's local trading activities in Australia, Singapore and Japan.
- The US segment comprises the group's local trading activities in the US.

The UK segment derives its net trading revenue from OTC leveraged derivatives, share dealing, and investments. The EMEA and APAC segments derive their net trading revenue from OTC leveraged derivatives and share dealing. The US segment derives its net trading revenue from exchange traded derivatives.

Segment net trading revenue is stated after deducting introducing partner commissions as this is consistent with the management information received by the Executive Directors.

Net trading revenue from OTC leveraged derivatives is reported by segment reflecting the location of the office that manages the underlying client relationship and represents an allocation of the net trading revenue that the Group generates from clients' trading activity.

The Executive Directors review segment contribution as the measure of segment profit or loss. Segment contribution is segment net trading revenue less direct costs, which are reported by segment reflecting the costs that are directly related to activities within that region or controlled by management in that region.

The Group manages market risk and a number of other activities on a group-wide portfolio basis and accordingly a large proportion of costs are incurred centrally. These central costs are not allocated to individual segments for decision making purposes for the CODM and accordingly these costs have not been allocated to segments.

Capital expenditure is predominantly managed centrally and depreciation and amortisation is not allocated to individual segments for decision making and accordingly has not been allocated to segments.

3. Segment information (continued)

Year ended 31 May 2017	UK	EMEA	APAC	US	Central	Total
	£m	£m	£m	£m	£m	£m
Segment net trading revenue	225.0	137.7	114.3	14.1	-	491.1
Betting duty and financial transaction taxes	(6.9)	(0.6)	-	-	-	(7.5)
Interest income on segregated client funds	-	-	-	-	4.6	4.6
Interest expense on segregated client funds	-	-	-	-	(0.6)	(0.6)
Other operating income	-	-	-	-	1.9	1.9
Net operating income	218.1	137.1	114.3	14.1	5.9	489.5
Direct costs	(49.8)	(54.2)	(28.3)	(15.2)	-	(147.5)
Segment contribution	168.3	82.9	86.0	(1.1)	5.9	342.0
Central costs					(112.2)	(112.2)
Depreciation and amortisation					(16.4)	(16.4)
Operating profit						213.4
Net finance income						0.3
Profit before taxation						213.7

Year ended 31 May 2016 (restated)	UK	EMEA	APAC	US	Central	Total
	£m	£m	£m	£m	£m	£m
Segment net trading revenue	223.1	117.3	104.7	11.2	-	456.3
Betting duty and financial transaction taxes	(10.5)	(0.7)	-	-	-	(11.2)
Interest income on segregated client funds	-	-	-	-	3.8	3.8
Interest expense on segregated client funds	-	-	-	-	(0.4)	(0.4)
Other operating income	-	-	-	-	0.6	0.6
Net operating income	212.6	116.6	104.7	11.2	4.0	449.1
Direct costs	(45.9)	(47.4)	(20.9)	(10.4)	-	(124.6)
Segment contribution	166.7	69.2	83.8	0.8	4.0	324.5
Central costs					(104.2)	(104.2)
Depreciation and amortisation					(12.7)	(12.7)
Operating profit						207.6
Net finance income						0.3
Profit before taxation						207.9

4. Operating expenses

	Year ended 31 May 2017 £m	Year ended 31 May 2016 £m
Employee remuneration costs are as follows:		
Wages and salaries and other pension costs (in relation to defined contribution schemes)	95.5	83.3
Equity-settled share-based payment awards and related social security costs	7.5	8.3
Performance related bonus and related social security costs	16.1	21.9
	119.1	113.5
Advertising and marketing	64.5	49.7
Premises-related costs	13.2	12.1
Telephone and data	2.0	1.7
IT Maintenance and support	12.2	9.7
Market data	9.7	7.9
Legal and professional costs	8.0	6.8
Regulatory fees	2.3	5.7
Net charge for impaired trade receivables	3.0	1.6
Irrecoverable VAT and other sales taxes	14.1	11.2
Payment card charges	2.2	0.4
Other costs	9.4	8.5
Depreciation and amortisation	16.4	12.7
	276.1	241.5

Included in premises-related costs is operating lease rentals for office space of £6.9 million (2016: £6.1 million).

5. Taxation

Tax on profit on ordinary activities

Tax charged in the income statement:

	Year ended 31 May 2017 £m	Year ended 31 May 2016 £m
Current income tax:		
UK Corporation tax	40.5	41.0
Non-UK Corporation tax	3.2	3.5
Adjustment in respect of prior years	2.0	(0.9)
Total current income tax	45.7	43.6
Deferred income tax:		
Origination and reversal of temporary differences	(0.8)	(0.2)
Adjustment in respect of prior years	-	0.3
Impact of change in tax rates on deferred tax	(0.4)	(0.1)
Total deferred income tax	(1.2)	-
Tax expense in the income statement	44.5	43.6
Tax not credited to income statement:		
Tax deduction on share-based payments recognised directly in equity	(0.7)	-

Reconciliation of the current total tax charge

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly, the effective rate of corporation tax for the year ended 31 May 2017 is 19.83% (year ended 31 May 2016: 20%). Taxation outside the UK is calculated at the rates prevailing in the relevant jurisdictions. The tax expense in the income statement for the year can be reconciled as set out below:

	Year ended 31 May 2017	Year ended 31 May 2016
	£m	£m
Profit before taxation	213.7	207.9
Profit multiplied by the UK standard rate of corporation tax		
of 19.83% (2016: 20.00%)	42.4	41.6
Expenses not deductible for tax purposes	0.4	0.3
Timing differences not yet recognised in respect of share payments	1.0	-
Higher taxes on overseas earnings	0.5	1.4
Recognition of deferred tax assets	(1.8)	-
Adjustment in respect of prior years	2.0	(0.6)
Impact of change in tax rates on deferred tax	(0.4)	0.1
Deferred tax not recognised on current year tax losses	0.4	0.8
Total tax expense reported in the income statement	44.5	43.6

The effective tax rate is 20.81% (2016: 21.00%).

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 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 and of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority. The Group has made tax payments 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 already paid and could therefore improve the overall profitability and cash flows of the group in future periods.

Reconciliation of current corporation tax liability

The movement in the current corporation tax liability included in the statement of financial position is as follows:

	Year ended 31 May 2017	Year ended 31 May 2016
	£m	£m
At the beginning of the year	13.8	13.1
- Income statement charge	45.7	43.6
- Payments	(45.3)	(42.5)
- Tax credit directly to equity	(0.3)	-
- Research and development expenditure credit	(0.4)	(0.4)
- Impact of movement in foreign exchange rates	(0.4)	-
At the end of the year	13.1	13.8

6. Earnings per ordinary share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the year, excluding shares 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:

	Year ended 31 May 2017	Year ended 31 May 2016
	£m	£m
Earnings attributable to owners of the parent	169.2	164.3
Weighted average number of shares:		
Basic	366,441,640	365,620,585
Dilutive effect of share-based payments	2,442,663	2,910,404
Diluted	368,884,303	368,530,989

	Year ended 31 May 2017	Year ended 31 May 2016
Basic earnings per share	46.2p	44.9p
Diluted earnings per share	45.9p	44.6p

7. Dividends paid and proposed

	Year ended 31 May 2017	Year ended 31 May 2016
	£m	£m
Proposed final dividend for 2017 at 22.88p per share (2016 final paid: 22.95p)	83.9	84.0
Interim dividend for 2017 at 9.42p per share (2016: 8.45p)	34.6	30.9
	118.5	114.9
Dividend payout ratio	70%	70%

The final dividend for 2017 of 22.88p per share amounting to £83.9 million was proposed by the Board on 18 July 2017 and has not been included as a liability at 31 May 2017. This dividend will be paid on 27 October 2017, following approval at the Company's AGM, to those members on the register at the close of business on 29 September 2017.

8. Intangible assets

	Goodwill	Domain names	Development costs	Software and licences	Total
	£m	£m	£m	£m	£m
Cost:					
At 31 May 2015	107.1	7.3	15.1	17.8	147.3
Additions	-	0.6	4.8	3.1	8.5
Impact of movement in foreign exchange rates	-	0.2	-	0.1	0.3
At 31 May 2016	107.1	8.1	19.9	21.0	156.1
Additions	-	33.1	5.7	1.9	40.7
Impact of movement in foreign exchange rates	1.0	(1.3)	-	0.2	(0.1)
At 31 May 2017	108.1	39.9	25.6	23.1	196.7
Accumulated amortisation:					
At 31 May 2015	-	1.2	6.0	16.1	23.3
Provided during the year	-	3.4	2.5	1.6	7.5
Impact of movement in foreign exchange rates	-	-	-	0.2	0.2
At 31 May 2016	-	4.6	8.5	17.9	31.0
Provided during the year	-	2.4	4.2	1.9	8.5
Impact of movement in foreign exchange rates	-	0.4	-	0.1	0.5
At 31 May 2017	-	7.4	12.7	19.9	40.0
Net book value – 31 May 2017	108.1	32.5	12.9	3.2	156.7
Net book value – 31 May 2016	107.1	3.5	11.4	3.1	125.1
Net book value – 31 May 2015	107.1	6.1	9.1	1.7	124.0

Goodwill primarily relates to the purchase of IG Group plc by IG Group Holdings Limited.

Domain names include the cost of acquiring ig.com and a suite of complementary domains to support the group's global brand. Included within the amount provided during the year ended 31 May 2016 is £2.7 million relating to the impairment of industry specific generic top level domains.

On 31 October 2016 the group completed the purchase of DailyFX, a leading global news and research portal, from FXCM Inc. for a total consideration of $40.0 million (£32.7 million), with $4.0 million (£3.3 million) of this amount deferred for up to 12 months.

DailyFX, through a series of global websites, delivers market-leading education, research, analysis and news, focused predominantly on the FX markets. The group believes this transaction will significantly enhance its ability to acquire new clients and to engage with and improve the retention rates of its current clients.

In line with the group's accounting policy for domain names and generic top level domains, the intangible asset arising from the purchase of DailyFX is amortised over ten years.

Development costs relate to internally generated intangible assets.

Software and licences relate entirely to external purchases of off-the-shelf commercially available software for internal consumption within the group.

9. Trade receivables

	31 May 2017	31 May 2016
	£m	£m
Amounts due from brokers	313.0	245.5
Own funds in client money	43.4	30.8
Amounts due from clients	1.1	2.2
	357.5	278.5

Amounts due from brokers represent balances with brokers where the combination of cash held on account and the valuation of financial derivative open positions results in an amount due to the group. In addition to the £313.0 million (2016: £245.5 million) the group had £63.2 million (2016: £53.4 million) of UK Government Securities held as collateral at brokers.

Included within amounts due from brokers is £11.9 million (31 May 2016: £3.2 million) related to amounts held on Bitcoin exchanges and in third party vaults.

Own funds in client money represents the group's own cash held in segregated client funds, in accordance with the UK's Financial Conduct Authority (FCA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the group operates and includes £12.7 million (31 May 2016: £1.5 million) to be transferred to the group on the following business day.

Amounts due from clients arise when a client's total funds deposited with the group are insufficient to cover any trading losses incurred or when a client utilises a trading credit limit, stated net of an allowance for impairment.

10. Cash and cash equivalents

	31 May 2017	31 May 2016
	£m	£m
Cash and cash equivalents	230.9	218.8

Cash and cash equivalents includes:

- title transfer funds held by the group under a title transfer collateral arrangement (TTCA) under which a client agrees that full ownership of such monies is unconditionally transferred to the group of £60.0 million (31 May 2016: £25.5 million); and
- client monies deposited with the group's Swiss banking subsidiary, IG Bank SA, of £57.1 million (31 May 2016: £13.5 million).

To ensure effective management of the group's cash resources, all of the Company's cash and cash equivalents are swept to another group company each day and accordingly the Company holds no cash at year end.

11. Cash generated from operations

	31 May 2017	31 May 2016
	£m	£m
Operating activities		
Operating profit	213.4	207.6
Adjustments to reconcile operating profit to cash generated from operations:		
Depreciation	7.9	5.2
Amortisation	8.5	7.5
Non-cash foreign exchange losses in operating profit	-	3.0
Share-based payments charge	7.7	7.0
(Increase) in trade and other receivables	(78.6)	(29.5)
Increase in trade and other payables	65.2	26.3
Cash generated from operations	224.1	227.1

12. Financial investments

Financial investments are UK Government securities as follows:

	31 May 2017 £m	31 May 2016 £m
Liquid asset buffer	81.2	82.6
Collateral at brokers	63.2	53.4
	144.4	136.0
Split as:		
- Non-current portion	52.4	25.0
- Current portion	92.0	111.0
	144.4	136.0

Certain 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.

During the year ended 31 May 2017 the Group purchased UK Government Gilts for £120.4 million (year ended 31 May 2016: £61.3 million) and disposed of gilts for £112.4 million (year ended 31 May 2016: £34.5 million).

The effective interest rates of securities held at the year-end range from 0.03% to 0.59% (2016: 0.33% to 1.01%).

Financial investments are shown as current assets when they have a maturity of 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.

13. Subsequent events

In June 2017 the group renewed its £160.0 million revolving credit facility from a syndicate of four UK banks. This facility has two tranches, a £100.0 million tranche available for up to a 1 year term (with an option to extend for a further year) and a £60.0 million tranche available for up to 3 years.

A final dividend of 22.88p per share amounting to £83.9 million was proposed by the Board on 14 July 2017.

Other information (unaudited)

The following supplemental notes provide additional analysis to aid the readers' understanding of this preliminary statement:

A. Balance sheet

	31 May 2017 £m	31 May 2016 £m
Intangible assets arising on acquisition	108.1	107.1
Other intangible assets	48.6	18.0
Property plant and equipment	17.4	13.0
Fixed assets	174.1	138.1
Liquid assets buffer	81.2	82.6
Amounts held at/due from brokers	376.1	298.9
Cash in IG bank accounts	230.9	218.8
Own funds in client money	43.2	26.4
Liquid assets	**731.4**	**626.7**
Client funds on balance sheet	(117.1)	(39.0)
Own funds	**614.3**	**587.7**
Working capital	(49.1)	(56.2)
Tax payable	(13.1)	(13.8)
Deferred tax assets	9.1	7.2
NET ASSETS/SHAREHOLDERS' FUNDS	**735.3**	**663.0**

B. Client funds and assets

Segregated client funds comprise 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. Such monies are not included in the group's statement of financial position.

	31 May 2017	31 May 2016
	£m	£m
Segregated client funds	1,215.3	917.3
Segregated client assets	499.8	177.8
Total segregated client funds and assets	1,715.1	1,095.1

In addition, the group's Swiss banking subsidiary, IG Bank SA, is required to protect customer deposits under the FINMA Privileged Deposit Scheme. At 31 May 2017, IG Bank SA was required to hold £16.5 million (31 May 2016: £7.0 million) in satisfaction of this requirement. This amount is included in cash and cash equivalents on the statement of financial position.

C. Own funds

	31 May 2017 £m	31 May 2016 £m
Own funds flow:		
Operating profit	213.4	207.6
Depreciation and amortisation	16.4	12.7
Share based payments	7.7	7.0
Movement in working capital	(8.3)	12.5
Own funds generated from operations	**229.2**	**239.8**
Income tax paid	(45.3)	(42.5)
Net own funds generated from operating activities	**183.9**	**197.3**
Interest received	2.0	1.1
Interest paid	(1.4)	(1.3)
Purchase of DailyFX	(29.8)	-
Purchase of other capital expenditure	(17.1)	(13.7)
Purchase of own shares	(1.1)	(1.0)
Net own funds generated before dividends	**136.5**	**182.4**
Dividends	(118.7)	(103.1)
Increase in own funds	**17.8**	**79.3**
Own funds at start of the year	587.7	507.1
Impact of movement in foreign exchange rates	8.8	1.3
Own funds at end of the year	**614.3**	**587.7**

D. Liquidity

	31 May 2017 £m	31 May 2016 £m
Liquid assets	**731.4**	**626.7**
Broker margin requirement	(356.3)	(227.6)
Non-UK liquid assets	(134.6)	(64.3)
Own funds in client money	(43.2)	(26.4)
Total available liquidity at the end of the year	**197.3**	**308.4**
Of which is:		
Held as liquid asset buffer	81.2	82.6
Final dividend due	83.9	84.1
Additional sources of liquidity		
- Undrawn committed RCF	160.0	160.0

E. Regulatory capital

Group consolidated capital resources (audited)

		31 May 2017 £m	31 May 2016 £m
Shareholders' funds		735.3	663.0
Less foreseeable declared dividends		(83.9)	(84.0)
Less acquisition intangibles		(108.1)	(107.1)
Less other intangible assets		(48.6)	(18.0)
Less deferred tax assets		(9.1)	(7.2)
Capital resources (audited)	A	485.6	446.7

Group consolidated capital requirement (unaudited)

Capital resources	A	485.6	446.7
Pillar 1 Risk Exposure Amounts (REA)			
Total Pillar 1 REA	B	1,817.3	1,568.4
Capital ratio	A/B=C	26.7%	28.5%
Required capital ratio			
Pillar 1 minimum	D	8.0%	8.0%
Individual Capital Guidance (ICG)	E	9.4%	5.0%
ICG requirement	D + E = F	17.4%	13.0%
plus combined buffer requirement	G	1.3%	0.6%
Total requirement %	F+G =H	18.7%	13.6%
Total requirement - £m	H x B = I	339.8	213.3
Capital headroom - £m	A - I	145.7	233.4

The Group is required to hold a minimum amount of regulatory capital in accordance with the Individual Capital Guidance ('ICG') periodically determined by the FCA based on their supervisory review and evaluation process ('SREP') of the Group, plus an amount equal to the higher of the internally calculated Capital Planning Buffer and the combination of the Conservation and Countercyclical buffers. The FCA determine the ICG following review of the Group's Internal Capital Adequacy Assessment Process through which the Group calculates the amount of capital that should be held against specific firm risks, in addition to the Pillar 1 requirements.

The FCA last undertook a SREP of IG Group in the first half of calendar year 2016, and advised the Board of the level of capital the Group is required to hold in August 2016. The ICG advised in August 2016 replaced the ICG advised to the Board in May 2013. The FCA plan to carry out their next SREP around August 2019.

The Group's total capital ratio and its minimum capital requirements are expressed as a percentage, calculated as capital resources divided by the Pillar 1 Risk Exposure Amounts in accordance with CRD IV rules.

The ICG advised by the FCA in August 2016 requires the Group to hold capital in addition to the Pillar 1 minimum equal to 9.4% of the Pillar 1 Risk Exposure Amounts. The previous ICG required the Group to hold capital in addition to the Pillar 1 minimum equal to 5.0% of the Pillar 1 Risk Exposure Amounts. The increase in the ICG primarily reflects an increase in the level of market risk that will be faced by the Group as a result of the increasing take up of Limited Risk Accounts, and includes a scalar (at 5% of the minimum requirements) to reflect 'unsighted' risks the Group may face following the launch of IG Investments.

The required minimum capital ratio at 31 May 2017 was 18.7%, including the effect of the Capital Conservation Buffer, which the Bank of England raised on 1 January 2017 to 1.25% in line with the transitional provisions laid out by the FCA in IFPRU TP 7.

The Group's Total Capital Ratio, using the balance sheet of the Group as at 31 May 2017 including the profit for the financial year, was 26.7%.

F. Segmental tax information

The segmental analysis in note 3 reflects the information reviewed by the Executive Directors for the purposes of allocating resources and assessing performance. Net trading revenue from OTC leveraged derivatives is reported by segment reflecting the location of the office that manages the underlying client relationship and represents an allocation of the net trading revenue that the Group generates from clients' trading activity. This does not reflect the statutory revenue or costs recorded in individual legal entities and branches which is the basis for the determination of taxable profit.

With the exception of South Africa, where the local office hedges the market risk arising from clients' trading in onshore products, all the local offices hedge the market risk arising from their clients' activities in OTC leveraged derivatives with a legal entity in the UK, on a back to back basis, and as result report nil net trading revenue from OTC leveraged derivatives in their statutory accounts.

Revenue and profit reported in the statutory accounts of legal entities and branches reflect the transfer pricing arrangements in place, which change from time to time reflecting the commercial and operational circumstances of the individual legal entity or branch, and changes in tax legislation. These arrangements mean that the majority of the group's profit is taxed in the UK, reflecting the fact that majority of the business value is created through the trading platform developed and maintained in the UK, and through the internalisation of global client flows in the UK.

The table below sets out the statutory profit before tax, and tax charge, reported by the legal entities and branches in each of the geographic segments in order to explain the make-up of the group's tax charge by region.

Year ended 31 May 2017	UK	EMEA	APAC	US	Total
	£m	£m	£m	£m	£m
Profit before tax	197.7	10.6	6.6	(1.2)	213.7
Current tax charge	(42.5)	(1.8)	(1.4)	-	(45.7)
Deferred tax charge	(1.4)	-	1.2	1.4	1.2
Tax charge	(43.9)	(1.8)	(0.2)	1.4	(44.5)
Effective tax rate	22.2%	17.0%	3.0%	(116.7)%	20.8%

Year ended 31 May 2016	UK	EMEA	APAC	US	Total
	£m	£m	£m	£m	£m
Profit before tax	197.6	7.1	7.0	(3.8)	207.9
Current tax charge	(40.6)	(1.9)	(1.1)	-	(43.6)
Deferred tax charge	0.5	-	(0.5)	-	-
Tax charge	(40.1)	(1.9)	(1.6)	-	(43.6)
Effective tax rate	20.3%	26.8%	22.9%	0.0%	21%

Additional information – quarterly geographical revenue for the year ended 31 May 2017

The tables below contain numbers which have been rounded and therefore there may be rounding differences between subtotals and the sum of individual numbers as presented. All year-on-year percentages are calculated off underlying unrounded numbers.

Reporting Segment	Q1 Revenue			KPI %	
	FY17	FY16	% Change	Active Client Growth	Revenue per client Growth
UK	53.0	54.5	(2.8%)	11%	(13%)
EMEA	29.8	24.1	24%	18%	5%
APAC	25.2	25.1	0.3%	(1.3%)	1.6%
Leverage OTC	108.0	103.7	4.2%	9%	(4.8%)
US	3.0	2.2	38%	43%	(3.9%)
Share Dealing & Investments	0.5	0.1	248%	206%	14%
Multi-Product Clients	-	-	-	92%	
Group	111.4	106.0	5.2%	17%	(10.3%)

Reporting Segment	Q2 Revenue			KPI %	
	FY17	FY16	% Change	Active Client Growth	Revenue per client Growth
UK	62.0	51.9	20%	17%	2.3%
EMEA	37.2	29.0	28%	21%	6%
APAC	30.4	25.2	21%	4.2%	16%
Leverage OTC	129.7	106.1	22%	14%	7%
US	3.3	2.6	25%	40%	(11%)
Share Dealing & Investments	0.5	0.1	246%	236%	3.1%
Multi-Product Clients	-	-	-	114%	
Group	133.4	108.9	23%	24%	(1.1%)

Reporting Segment	Q3 Revenue			KPI %	
	FY17	FY16	% Change	Active Client Growth	Revenue per client Growth
UK	51.1	60.3	(15%)	(0.9%)	(14%)
EMEA	33.5	30.4	11%	11%	(0.2%)
APAC	28.2	28.5	(1.1%)	(0.8%)	(0.3%)
Leverage OTC	112.8	119.1	(5%)	2.6%	(8%)
US	3.9	2.6	49%	57%	(4.9%)
Share Dealing & Investments	0.6	0.2	166%	237%	(21%)
Multi-Product Clients	-	-	-	116%	
Group	117.4	122.0	(3.8%)	16%	(17%)

Reporting Segment	Q4 Revenue			KPI %	
	FY17	FY16	% Change	Active Client Growth	Revenue per client Growth
UK	56.9	55.7	2.2%	6%	(3.9%)
EMEA	37.0	33.8	9%	14%	(4.2%)
APAC	30.3	25.9	17%	3.8%	13%
Leverage OTC	124.2	115.4	8%	8%	(0.4%)
US	3.9	3.8	2.9%	47%	(30%)
Share Dealing & Investments	0.8	0.3	149%	203%	(18%)
Multi-Product Clients	-	-	-	107%	
Group	128.8	119.5	8%	22%	(12%)

Additional information – half yearly geographical revenue for the year ended 31 May 2017

The tables below contain numbers which have been rounded and therefore there may be rounding differences between subtotals and the sum of individual numbers as presented. All year-on-year percentages are calculated off underlying unrounded numbers.

Reporting Segment	H1 Revenue			KPI %	
	FY17	FY16	% Change	Active Client Growth	Revenue per client Growth
UK	115.0	106.4	8%	15%	(6%)
EMEA	67.0	53.1	26%	18%	7%
APAC	55.6	50.3	11%	0.7%	10%
Leverage OTC	237.6	209.8	13%	12%	1.5%
US	6.3	4.8	31%	44%	(9%)
Share Dealing & Investments	1.0	0.3	247%	236%	3.4%
Multi-Product Clients	-	-	-	115%	
Group	244.9	214.8	14%	20%	(5%)

Reporting Segment	H2 Revenue			KPI %	
	FY17	FY16	% Change	Active Client Growth	Revenue per client Growth
UK	108.0	116.0	(7%)	0.2%	(7%)
EMEA	70.5	64.2	10%	9%	1.0%
APAC	58.5	54.4	8%	1.9%	6%
Leverage OTC	237.0	234.5	1.1%	3.3%	(2.2%)
US	7.8	6.4	22%	50%	(19%)
Share Dealing & Investments	1.4	0.5	156%	203%	(15%)
Multi-Product Clients	-	-	-	105%	
Group	246.2	241.5	2.0%	16%	(12%)

Additional information – restatement of current and prior year revenue and client to reflect reporting changes

The tables below contain numbers which have been rounded and therefore there may be rounding differences between subtotals and the sum of individual numbers as presented. All year-on-year percentages are calculated off underlying unrounded numbers.

Historic Segments	FY17 Revenue	Ireland	ROW > EMEA	ROW > APAC	US	Non-Leverage	FY17 Revenue	New Segments
UK & Ireland	232.7	(7.7)				(1.9)	223.0	UK
Europe	109.5	7.7	20.5			(0.2)	137.5	EMEA
Australasia	71.3			43.0		(0.2)	114.1	APAC
Rest of World	77.6		(20.5)	(43.0)	(14.1)		0.0	
Group	**491.1**	**0.0**	**0.0**	**0.0**	**(14.1)**	**(2.4)**	**474.6**	**Leverage OTC**
					14.1		14.1	US
						2.4	2.4	Non Leverage
							491.1	**Group**

Historic Segments	FY16 Revenue	Ireland	ROW > EMEA	ROW > APAC	US	Non-Leverage	FY16 Revenue	New Segments
UK & Ireland	231.1	(8.0)				(0.8)	222.3	UK
Europe	98.6	8.0	10.7			(0.0)	117.3	EMEA
Australasia	64.0			40.7			104.7	APAC
Rest of World	62.6		(10.7)	(40.7)	(11.2)		0.0	
Group	**456.3**	**0.0**	**0.0**	**0.0**	**(11.2)**	**(0.8)**	**444.3**	**Leverage OTC**
					11.2		11.2	US
						0.8	0.8	Non Leverage
							456.3	**Group**