IG GROUP HOLDINGS PLC

Results for the year ended 31 May 2018
24 July 2018

LEI No: 2138003A5Q1M7ANOUD76

IG Group Holdings plc ("IG", "the Group", "the Company"), a global leader in online trading, today announces results for the year ended 31 May 2018 (FY18).

Financial Summary

- Net trading revenue £569.0 million (FY17: £491.1 million) – up 16%
- Operating expenses excluding variable remuneration £254.2 million (FY17: £252.5 million) – up 1%
- Operating profit £281.1 million (FY17: £213.4 million) – up 32%
- Operating profit margin 49.4% (FY17: 43.5%) – up 5.9% points
- Own funds generated from operations £320.9 million – 114% of operating profit
- Basic EPS 61.7 pence (FY17: 46.2 pence) – up 34%
- Final dividend of 33.51 pence per share; full year dividend 43.2 pence per share – up 34%

Operating and Strategic Summary

- Record revenue, operating profit and earnings driven by strong growth across all regions and products
- Action taken to position the business so that it will continue to deliver for its shareholders and other stakeholders under a more restrictive regulatory environment:
  - Online process that allows clients to request to be categorised as an elective professional launched in mid-November 2017. The proportion of IG's UK and EU revenue generated by clients categorised as professional as at 30 June 2018, was over 40% in the preceding 3 months and the Group continues to expect this proportion to rise to 50%
  - The Group allows appropriate retail clients affected by the ESMA measures to apply to contract with other regulated Group entities outside the EU
  - New, alternative, OTC leveraged derivative products under development that are compliant with regulations and that will be attractive for retail clients.
- Investing to deliver growth:
  - Launch of a multi-lateral trading facility (MTF) for the European market planned for the second half of FY19
  - US OTC FX business expected to launch in the first half of FY19
  - IG will continue to look to acquire licences to operate in additional jurisdictions.

FY19 Outlook

ESMA's measures relating to the provision of CFDs to retail clients in the UK and EU will come into effect on 1 August 2018. As previously disclosed:

- The Company believes that the reduction in historic revenue from the implementation of the measures announced by ESMA, taking into account the expected proportion of revenue that will be generated from clients categorised as professional, would have been approximately 10%, assuming no benefit from further mitigating action taken by the Company or its clients

- The Company expects that its revenue in FY19 will be lower than in FY18, reflecting the impact of the regulatory changes in the UK and EU
- Operating expenses excluding variable remuneration are expected to increase in FY19 reflecting the Group's continued investment in product and platform development and additional headcount in sales and client service. Total operating costs (operating expenses plus variable remuneration) in FY19 are expected to be at a similar level to the £290 million total operating costs in FY18, reflecting a lower expected charge for variable remuneration
- The Company expects to return to growth after FY19.

Peter Hetherington, Chief Executive, commented:

"The Company delivered record revenue, operating profit and earnings in FY18, driven by strong growth across all regions and products, and has continued to make good strategic and operational progress. We will continue with the investments we are making to deliver future growth and to position the business to benefit from the strong demand for our products.

"We are pleased that there is now greater clarity around the nature and extent of regulatory change in the UK and EU affecting the CFD industry. As ESMA's product intervention measures are focused on the CFD industry, they risk creating an unlevel playing field by giving an advantage to other forms of leveraged trading products which are offered to retail clients. IG has a long history of successful innovation, and is committed to offering the widest possible range of trading opportunities to appropriate clients that are fully compliant with regulations.

"IG has delivered a sustainable business for more than 40 years by placing good client outcomes at the heart of everything it does. IG's business model ensures that its interests as a business are aligned with the interests of its clients, which sets it apart from most companies in the industry. IG will continue to lead the way in the industry, and the business is well positioned to mitigate the impact of regulatory change and to continue to deliver sustainable growth and attractive shareholder returns.

"The Board expects to maintain the 43.2 pence per share annual dividend until the Group's earnings allow the Board to resume progressive dividends."

Further information

IG Group	**FTI Consulting**
Liz Scorer	Neil Doyle
020 7573 0727	Edward Berry
investors@iggroup.com	020 3727 1141 / 1046

Analyst presentation

There will be an analyst and investor presentation on the results at 9:30am (UK Time) on Tuesday 24 July 2018 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:
UK: +44 20 3059 5868 and all other locations: +44(0)20 3059 5868 when requested
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

This preliminary statement, prepared by IG Group Holdings plc (the “Company”), may contain forward-looking statements about IG Group Holdings plc and its subsidiaries (the “Group”). Forward-looking statements involve uncertainties because they relate to events, and depend on circumstances, that will, or may, occur in the future. If the assumptions on which the Group bases its forward-looking statements change, actual results may differ from those expressed in such statements. Forward-looking statements speak only as of the date they are made and the Company undertakes no obligation to update these forward-looking statements. Nothing in this statement should be construed as a profit forecast.

Some numbers and period on period percentages in this statement have been rounded or adjusted in order to ensure consistency with the financial statements.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation ("MAR"). Upon the publication of this announcement via Regulatory Information Service ("RIS"), this inside information is now considered to be in the public domain.

About IG

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 derivatives 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 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, February 2018)

Overview

The Company delivered record revenue, operating profit, and earnings in FY18, driven by growth across all regions and products, and has continued to make good strategic and operational progress. The Group is taking action to mitigate the potential financial impact of regulatory change, and to position the business so that it will continue to deliver for its shareholders and other stakeholders under a more restrictive regulatory environment.

Net trading revenue in FY18 was £569.0 million, 16% higher than the prior year. Our clients trade in markets where there are opportunities, and for a period during the year cryptocurrencies provided such opportunities. The interest in cryptocurrencies has now waned, and we look forward to facilitating client trading in other interesting markets this year. Operating expenses excluding variable remuneration were £254.2 million, 1% higher than in the prior year and in line with prior guidance. Total operating costs, including variable remuneration, were up 5%. Operating profit for the year of £281.1 million was 32% higher than in FY17, with the operating profit margin increasing to 49.4%.

Basic earnings per share for the year were 61.7 pence, 34% higher than the prior year. The Board is recommending a final dividend of 33.51 pence per share, taking the full year dividend to 43.2 pence per share, 34% higher than the 32.3 pence per share paid for FY17, in line with the previously stated intention to pay out, as ordinary dividends, around 70% of earnings.

Leading the Way

IG exists to empower informed, decisive, adventurous people to access opportunities in financial markets. IG started this industry over 40 years ago by providing clients with the opportunity to gain exposure to the price of gold and now offers clients over 15,000 financial markets.

IG differentiates itself within the industry through its good conduct, and the Company adheres to the highest regulatory standards. Leveraged derivative instruments are not appropriate for everyone. Through its focus on ensuring that its marketing and advertising targets an appropriate audience, IG seeks to only accept clients who understand its products and the risks involved.

IG's brand is synonymous with high levels of client service, excellent technology and strong risk management, all of which contribute to the business's competitive advantage. IG's business model ensures that its interests as a business are aligned with the interests of its clients, which sets it apart from most companies in the industry. IG's focus on championing the client provides the basis for long lasting, high value client relationships, and in FY18 52% of revenue was generated by clients who have traded with IG for over 3 years. The business is well positioned to mitigate the impact of regulatory change and to continue to deliver sustainable growth and attractive shareholder returns.

Regulatory Developments

The Company, and the industry as a whole, has faced significant uncertainty around the nature and extent of regulatory change in the UK and EU since the Consultation Paper (CP16/40) issued by the FCA in December 2016. This uncertainty was substantially removed at the end of March 2018 when ESMA announced measures pursuant to its new product intervention powers under Article 40 of MiFIR to address investor protection risks. These measures apply only to retail clients.

In accordance with MiFIR, ESMA can introduce temporary intervention measures on a three monthly basis, and before the end of the three months, ESMA will consider the need to extend the intervention measures for a further three months. The FCA expects to consult on whether to apply these measures on a permanent basis. The Company is working on the basis that the temporary restrictions will become permanent in the UK and across the EU.

The prohibition on the marketing, distribution or sale of binary options to retail clients came into effect on 2 July 2018. IG stopped offering its Sprint binary product to new retail clients in January 2017, and has now ceased offering binary products to all retail clients in the UK and EU.

The measures relating to the provision of contracts for difference (CFDs) to retail clients will come into effect on 1 August 2018.

The restrictions to be applied to CFDs are:

- Leverage limits on the opening of a position by a retail client from 30:1 to 2:1, which vary according to the volatility of the underlying asset:
  - 30:1 for major currency pairs;
  - 20:1 for non-major currency pairs, gold and major equity indices;
  - 10:1 for commodities other than gold and non-major equity indices;
  - 5:1 for individual equities and other reference values;
  - 2:1 for cryptocurrencies;
- A margin close-out rule on a per account basis;
- Negative balance protection on a per account basis;
- A restriction on the incentives offered to trade CFDs;
- A standardised risk warning.

IG is supportive of the objectives of regulators to improve client outcomes in the industry, and the Company supports ESMA in its efforts to enhance consumer protection and achieve harmonisation of regulation across the EU.

IG believes that enforcing consistent close-out procedures, putting a negative balance protection per account, restricting trading incentives such as bonus offers, and issuing standardised risk warnings would all improve client outcomes if implemented appropriately, and enforced effectively.

IG continues to believe, however, that the leverage restrictions are disproportionate and go beyond what is needed to protect consumers from poor outcomes associated with excessive leverage.

In IG's experience, when proportionate regulation has been applied consistently and appropriately, client outcomes have improved, and compliant providers have benefitted over the longer term. 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.

Championing the Client

At the beginning of FY18 the business refined its on boarding of new clients through the application of stringent appropriateness testing and an increase in the wealth hurdles. In FY18, 39,179 new clients traded OTC leveraged derivatives with IG for the first time. The number of client 'first trades' is significantly lower than the number of clients who applied for an account. There is huge demand for the OTC leveraged derivative product, but IG seeks to ensure that it only accepts appropriate clients who understand the products and the associated risk. The rigorous processes the business employs to assess applicants to ensure that they have sufficient knowledge and experience, and sufficient wealth, reflects IG's belief that leveraged derivative products are not suitable for the vast majority of individuals.

IG believes that it leads the way in the industry in its approach to appropriateness testing and its commitment to adhering to the highest standards of KYC and AML requirements. The Company believes that together with its culture of acting in clients' best interests and providing excellent client service, this results in a sustainable business, with industry leading client tenure and client value metrics.

IG has three categories of clients; retail, professional and institutional. Whilst IG has historically categorised the vast majority of its clients as retail as a matter of course, IG's client base is different from most in the industry due to the Company's long term focus on high value and sophisticated clients. Clients with a high level of understanding, significant trading experience, large investment portfolios, or relevant experience working in financial services, may elect to be categorised as professional.

In mid-November 2017, IG launched an online process that allows clients to request to be categorised as an elective professional. These requests are assessed internally, and clients who meet the requirements are now categorised as professional. To date, more than three quarters of all requests by number have been rejected. Clients who were categorised as professional on 30 June 2018, generated over 40% of the Company's UK and EU revenue in the preceding three months, and the Group continues to expect this proportion to rise to 50%.

IG has a very clear target market. The Group operates through a number of regulated legal entities in different jurisdictions, each compliant with its local regulatory rules. The Group allows appropriate retail clients affected by the ESMA measures to apply to contract with other regulated Group entities based in jurisdictions outside the EU.

As ESMA's product intervention measures are focused on the CFD industry, they risk creating an unlevel playing field by giving an advantage to other forms of leveraged trading products which are offered to retail clients such as futures, options, turbos and warrants. IG is developing new OTC leveraged derivative products that are compliant with regulations that it believes will be attractive to retail clients. The Company will also assess the opportunity to expand further its range of financial trading products to include exchange traded futures.

IG has a long history of successful innovation, and is committed to offering the widest possible range of trading opportunities to appropriate clients that are fully compliant with regulations.

Marketing Landscape

The Group seeks to ensure that its marketing and advertising targets an appropriate audience. The Company utilises integrated multi-channel marketing, fuelled by technology, data and insight and optimisation to deliver results. IG focuses on both paid and non-paid marketing activity in its regulated jurisdictions, with the investment in non-paid SEO (search engine optimisation) driving long term competitive advantage.

A number of large technology firms are taking action on inappropriate advertising and marketing, and on unlicensed operators in the industry. These actions include introducing bans on the advertising and marketing of cryptocurrencies and binary options, and the requirement that firms advertising and marketing CFDs can demonstrate that they are appropriately licensed in those jurisdictions in which the services are being promoted. The Group also expects that some of the large payment and card providers will soon introduce rules to ensure that these businesses only facilitate payments from and to clients in jurisdictions in which the firms are appropriately licensed.

As a compliant provider of its services with a model of operating through local presence with local regulatory approvals, and with its investment over many years in SEO, the Company does not expect that the actions currently being taken, if applied appropriately, will have any significant impact on its business.

Growth Opportunities

As outlined at its recent Capital Markets Day, the Group believes that the macro demographic and economic trends of increasing wealth and financial awareness, combined with a move towards self-direction, will continue to fuel growth in its business. IG also believes that the business will benefit in the medium term from the macro trend towards increasing regulation.

IG believes these changes represent a significant opportunity in the medium term, and that the firms that are likely to succeed are those that are properly licenced, adhere to regulations, and operate a business model that develops long-term client relationships. Businesses that rely on client churn will be harder to sustain.

The Group is taking action to position the business to take advantage of this environment.

As announced in July 2017, the Company is developing a multi-lateral trading facility (MTF) for the European market where IG believes there is a significant opportunity in offering exchange traded products. The on-exchange market in Europe is considerably larger than the OTC market, providing the Company with an opportunity to appeal to a wider client base, strengthen its brand presence and potentially, over time, expand the adjacent OTC market. IG plans to offer its own leveraged securities on its MTF. These products are limited risk by nature, making the offering suitable for less experienced clients. The launch of the MTF is planned for the second half of FY19.

IG serves its clients through a strong online presence supported by local offices, where the size of market or local regulatory requirements, demand it. The company continually reviews new geographic opportunities and has identified potential in the US OTC FX market, where it believes the market is currently underserved. IG filed its licence application at the end of November 2017 to establish a new subsidiary based in Chicago, and has completed hiring for key roles. The Company expects to launch this business in the first half of FY19. IG will continue to look to acquire licences to operate in jurisdictions in emerging markets that fit within the Group's risk appetite.

IG has applied to BaFIN, the German regulator, to establish a subsidiary in Dusseldorf as a response to the UK's decision to leave the EU. This office will combine the existing German sales office with key management and control positions and will serve as a regional hub for the Group's well-established EU business. The establishment of this subsidiary will not have any impact on the Company's UK operations.

Outlook

IG has delivered a sustainable business for more than 40 years by placing good client outcomes at the heart of everything it does. IG will continue to lead the way in the industry, and the business is well positioned to mitigate the impact of regulatory change and to continue to deliver sustainable growth and attractive shareholder returns.

The Company is pleased that there is now greater clarity around the nature and extent of regulatory change in the UK and EU affecting the CFD industry. ESMA's measures relating to the provision of CFDs to retail clients in the UK and EU will come into effect on 1 August 2018.

The Company will continue with the investments that it is making to deliver future growth and to position the business to benefit from the strong demand for its products.

As previously disclosed:

- the Company believes that the reduction in historic revenue from the implementation of the measures announced by ESMA, taking into account the expected proportion of revenue that will be generated from clients categorised as professional, would have been approximately 10%, assuming no benefit from further mitigating action taken by the Company or its clients
- the Company expects that its revenue in FY19 will be lower than in FY18, reflecting the impact of the regulatory changes in the UK and EU
- Operating expenses excluding variable remuneration are expected to increase in FY19 reflecting the Group's continued investment in product and platform development and additional headcount in sales and client service. Total operating costs (operating expenses plus variable remuneration) in FY19 are expected to be at a similar level to the £290 million total operating costs in FY18, reflecting a lower expected charge for variable remuneration
- the Company expects to return to growth after FY19

The Board expects to maintain the 43.2 pence per share annual dividend until the Group's earnings allow the Board to resume progressive dividends.

Operating and Financial Review

Summary Group Income Statement

	FY18 £m	FY17 £m	Change
Net trading revenue	**569.0**	**491.1**	**16%**
Net interest on client money	4.5	4.0	
Betting duty and FTT	(5.1)	(7.5)	
Other operating income	2.8	1.9	
Net operating income	**571.2**	**489.5**	**17%**
Operating expenses	(254.2)	(252.5)	1%
Variable remuneration	(35.9)	(23.6)	
Total operating costs	**(290.1)**	**(276.1)**	**5%**
Operating profit	**281.1**	**213.4**	**32%**
Net finance (cost) / income	(0.3)	0.3	
Profit before taxation	**280.8**	**213.7**	
Taxation	(54.4)	(44.5)	
Profit for the year	**226.4**	**169.2**	**34%**
Basic earnings per share	**61.7p**	**46.2p**	**34%**
Total dividend per share	**43.2p**	**32.3p**	**34%**

Net trading revenue

Reporting segment	Revenue (£m)		%
	FY18	FY17	Change
UK	249.5	223.0	12%
EMEA	162.1	137.5	18%
APAC	136.8	114.1	20%
OTC Leveraged	**548.4**	**474.6**	**16%**
US	16.6	14.1	18%
Share Dealing & Investments	4.0	2.4	67%
Group	**569.0**	**491.1**	**16%**

Client trends

Reporting segment	Active clients ('000s)		%	Revenue per client (£)		%
	FY18	FY17	Change	FY18	FY17	Change
UK	59.9	64.7	(7%)	4,166	3,446	21%
EMEA	46.1	45.9	-	3,519	2,997	17%
APAC	38.6	37.4	3%	3,543	3,051	16%
OTC Leveraged	**144.6**	**148.0**	**(2%)**	**3,794**	**3,207**	**18%**
US	22.0	22.3	(1%)	756	630	20%
Share Dealing & Investments	35.5	20.4	74%	113	115	(2%)
Multi-Product Clients	(6.9)	(5.0)	38%			
Group	**195.2**	**185.8**	**5%**	**2,915**	**2,643**	**10%**

IG delivered record revenue in FY18, with strong growth across all regions and products. Record first half revenue of £268.4 million was followed by a new record quarter for revenue in Q3 of £152.9 million, with Q4 revenue of £147.7 million, the Group's second highest quarterly revenue performance.

OTC Leveraged

OTC leveraged revenue of £548.4 million was 16% higher than in FY17. The 144,600 active clients in FY18 were 2% lower than in FY17, which was more than offset by the 18% increase in average revenue per client to just under £3,800.

The lower number of active clients in FY18 compared with the prior year reflects the boost to client numbers in the first half of FY17 as a result of the trading opportunities created by the EU referendum in the UK in June 2016, and the US Presidential election in November 2016. The number of active clients in the first half of the year was 5% lower than in the comparative period. In the second half of FY18 the number of active clients was 1% higher than in the same period in the prior year.

In total, the number of new OTC leveraged clients who traded for the first time in the year was 39,179, with 18,027 new clients in the first half and 21,152 new clients in the second half. The relatively low level of new client recruitment during the first half reflects the introduction of the new appropriateness test for prospective clients together with increased wealth hurdles, and a lower level of advertising and marketing.

The cost per first trade for OTC leveraged equivalent accounts, based on the external advertising and marketing spend in the year, was £1,400 – the same as for the prior year.

The number of active clients in a quarter reached a new record of 99,500 in Q3 FY18, including 12,500 new clients who traded for the first time in that quarter. Interest in trading in that period was heightened by the excitement around cryptocurrencies and by a significant spike in financial market volatility in February.

Client trading in cryptocurrencies accounted for 7% of OTC leveraged revenue in FY18. The level of client activity in cryptocurrencies has slowed markedly since the end of January, and accounted for 3% of revenue in Q4.

Financial market volatility was relatively subdued during the year until February. The interest in cryptocurrencies during Q3 and the increased level of volatility in Q4 created trading opportunities for clients and the business experienced an increase in client trades in the second half compared with the first half.

Revenue per client has been strong throughout the year. In the first half of the year, revenue per client was 15% higher than in the prior year at £2,290. In the second half of the year revenue per client of £2,497 was 21% higher than in the prior year, and 9% higher than in the first half. In addition to the factors which drive client income, revenue per client is impacted by the Company's hedging efficiency, which determines the extent to which client income is converted into trading revenue. Hedging efficiency has been good throughout the year.

Revenue in the UK of £249.5 million was 12% higher than FY17, with the lower level of active clients offset by a 21% increase in revenue per client to £4,166 (FY17: £3,446).

Revenue in EMEA, which comprises our branches in the EU and our subsidiaries outside the EU in Switzerland, Dubai and South Africa, increased 18% to £162.1 million (FY17: £137.5 million). The number of active clients was broadly flat compared to the prior period, with revenue per client up 17% to £3,519 (FY17: £2,997). Growth in revenue of over 25% from our subsidiaries in Switzerland and Dubai reflects our success in developing our business through establishing a local presence in attractive markets.

Revenue in APAC increased 20% to £136.8 million (FY17: £114.1 million). The number of active clients increased 3%, with revenue per client up 16% to £3,543 (FY17: £3,051). Our businesses in Australia and Singapore both had a particularly successful year.

OTC Leverage revenue by asset class

	FY18 £m	FY17 £m	% Change
Indices	224.2	203.8	10%
Foreign Exchange	130.7	82.2	59%
Equities	95.4	76.4	25%
Commodities	55.0	68.2	(19%)
Options	43.1	44.0	(2%)
OTC Leveraged	**548.4**	**474.6**	**16%**

Revenue was higher in FY18 for indices, foreign exchange and equities. The fall in commodities revenue can be largely attributed to a particularly strong year in FY17, reflecting the trading opportunities in the oil markets resulting from sustained high levels of volatility.

Revenue from foreign exchange in FY18 includes £36.5 million from cryptocurrencies (FY17: £5.9 million) with the growth in revenue from conventional FX pairs up by 23%. Revenue from options includes OTC binaries which are no longer offered to retail clients in the UK and EU.

US

Revenue from Nadex, our exchange traded derivatives business in the US, was up 18% to £16.6 million (FY17: £14.1 million). A 1% drop in the number of active clients was offset by revenue per client rising 20% to £756 (FY17: £630).

Share Dealing and Investments

Revenue from our share dealing and investments services increased 67% to £4.0 million (FY17: £2.4 million). The number of active clients increased by 74%. The share dealing and investments products help to retain existing OTC leveraged clients, and the share dealing product provides an acquisition channel to attract new clients, for whom it is appropriate, to OTC leveraged trading.

Multi-product clients (who trade both OTC leveraged products and also hold stocks in a share dealing or investments account at the end of the period) at the end of the year increased by nearly 40% compared with the same time last year to just under 7,000. This is an important metric for the Group, as it shows engagement of our client base in our whole product set, with multi-product clients having a higher value and lower rate of attrition than single product clients.

Operating income

Net operating income increased 17% to £571.2 million, primarily reflecting the 16% increase in trading revenue.

Net interest income on client money increased to £4.5 million, driven by an increase in the amount of client money held.

Betting duties incurred by the Group decreased reflecting lower client losses. The Group also bears Italian financial transaction tax (FTT) costs, which have increased in line with activity.

The increase in other operating income primarily reflects the full-year effect of the income from the sale of client leads generated by DailyFX in the USA. This income has now ceased, as the Group prepares to launch its US OTC FX business.

Operating expenses

Operating expenses by cost type

	FY18 £m	FY17 £m	% Change
Fixed remuneration	96.0	95.5	1%
Advertising and marketing	58.7	64.5	(9%)
IT maintenance and communications	13.3	14.2	(6%)
Premises	12.6	13.2	(5%)
Market data	9.7	9.7	-
Legal and professional fees	8.8	8.0	10%
Regulatory fees	7.1	2.3	209%
Irrecoverable VAT and other sales taxes	13.1	14.1	(7%)
Credit card and alternative payment charges	5.5	2.2	150%
Depreciation and amortisation	17.6	16.4	7%
Other	11.8	12.4	(5%)
Operating expenses	**254.2**	**252.5**	1%
Headcount at year end	**1,677**	**1,546**	8%

Operating expenses increased 1% to £254.2 million (FY17: £252.5 million).

Fixed remuneration costs were little changed despite an 8% increase in year-end headcount, reflecting a lower average cost per head as a result of offshoring a number of roles to our non-UK operational hubs.

Advertising and marketing spend reduced by 9% to £58.7 million. Expenditure at the start of the financial year was reduced to allow the business to assess the impact of the revised appropriateness tests and wealth hurdles on client applications. Additionally, expenditure in the prior year was elevated, reflecting the client recruitment opportunities around the EU referendum and the US Election.

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 increase in regulatory fees is due to the rebate of FSCS levies that the Group received in the prior year. The £7.1 million charge in FY18 is more indicative of the ongoing annual cost.

The Group does not recover all of the input VAT and other sales taxes it incurs on costs. The decrease in irrecoverable VAT and other sales taxes reflects the lower marketing and advertising costs in FY18 compared with the prior year.

Credit card and alternative payment charges increased to £5.5 million reflecting the removal of charges to clients for credit card payments in a number of jurisdictions and the introduction of PayPal as a payment method in FY18.

Depreciation and amortisation was 7% higher at £17.6 million (FY17: £16.4 million) reflecting a full year of amortisation of DailyFX, which was acquired in October 2016.

Operating expenses by activity category

	FY18 Year-end Headcount	FY18 £m	FY17 £m	% Change
Prospect acquisition	199	79.8	85.9	(7%)
Sales and client service	463	33.1	30.2	10%
Technology and innovation	762	88.5	90.6	(2%)
Business administration	253	52.8	45.8	15%
Operating expenses	**1,677**	**254.2**	**252.5**	1%

The four key areas of activity in the business are prospect acquisition, sales and client service, technology and innovation, and business administration. The analysis of operating expenses into these four areas provides additional information on the drivers of operating expenses.

Prospect acquisition

The purpose of this expenditure is to attract suitable prospects for conversion into new clients. The majority of this expenditure is discretionary, and can be flexed according to market conditions and acquisition opportunities. Prospect acquisition costs decreased by 7% to £79.8 million, primarily due to the lower advertising and marketing expenditure in FY18.

Sales and client service

The majority of the expenditure in this area relates to the costs of our client facing staff, 30% of whom are directly involved in sales and conversion, with nearly two-thirds working in client service roles. Sales and client service expenditure increased by 10% to £33.1 million. Staff costs remained flat, with the increased cost reflecting the higher credit card and alternative payment costs in FY18.

Technology and innovation

The expenditure in this area includes all the costs associated with the provision of the platform that our clients use to trade, and through which we manage our market risk. It also includes our product and platform development costs, the costs of managing and running our internalisation and hedging processes and the costs of our office infrastructure. Technology and innovation costs decreased 2% to £88.5 million. These costs are largely fixed in nature, and do not directly flex with revenue.

Business administration

The costs of this area includes our finance teams, our risk and compliance function, HR, legal and other corporate functions, and the legal, professional and regulatory fees we incur in administering and managing the Group. Business administration costs increased 15% to £52.8 million reflecting the higher cost of regulatory fees in the period, and an increase in fixed remuneration costs as we invested in our control and support functions.

Variable remuneration

	FY18 £m	FY17 £m	% Change
Share based compensation	8.8	7.5	17%
Sales bonuses	4.5	3.6	25%
General bonuses	22.6	12.5	81%
Variable remuneration	**35.9**	**23.6**	52%

Variable remuneration costs increased by 52% to £35.9 million.

Share-based compensation costs relate to the long-term incentive plans for senior management. The costs reflect the size of these awards and the extent to which they are expected to vest, which is driven predominantly by EPS and relative TSR performance.

Sales bonuses increased by 25% reflecting increased bonuses paid to sales staff based on new accounts opened and funded, and to some of our client service staff who manage our high-value client relationships.

The general bonus pool increased by 81% to £22.6 million. The size of the general bonus pool is dependent upon the Group's annual performance against internal targets, which reflect both financial and non-financial measures. It is not based on financial performance compared with the prior year.

Net finance (costs)/income

The Group earns interest income on its cash balances and on its holdings of gilts, which in FY18 totalled £1.6 million, £0.3 million higher than in the prior year (FY17: £1.3 million) reflecting the higher average cash balances during the year.

The Group pays fees and interest relating to its revolving credit facility, which in FY18 totalled £1.8 million, £0.3 million higher than in the prior year (FY17: £1.5 million) reflecting the higher average utilisation of the facility during FY18.

The Group earns and pays interest on its cash balances at hedging brokers. Interest is earned on positive balances in each currency, and is paid on any negative balances in each currency, which occur as the Group frequently deposits GBP to cover margin requirements in USD and EUR. In FY18 the Group earned nil net interest income on its balances at hedging brokers (FY17: net charge £0.2 million).

In FY17 the Group's net finance (costs)/income benefitted from the release of a provision related to interest payable on unpaid withholding tax in Australia. The interest cost was settled at a lower rate than had been provided for, and the £0.7 million balance of the provision was released.

Taxation

The effective tax rate for the year is 19.4%, 1.4% points lower than the prior year (FY17: 20.8%).

The vast majority of the Group's taxable profit arises in the UK. The reduction in the effective tax rate reflects the full-year benefit of the reduction in the standard rate of UK corporation tax to 19% from 20% with effect from 1 April 2017. In addition, the rate benefits from the recognition of a 'patent box' claim that will be made in the UK tax filings for FY18. These benefits have been partly offset by the £1.4 million reduction in the value of the Group's deferred tax assets relating to its tax losses in the USA, as a result of the reduction in the US corporation tax rate enacted in the second half of FY18.

The patent box claim relates to the grant of a patent by the UK Patent Office for the Group's invention in measuring latency. Further patents are expected to be granted by the European patent office for inventions relating to automatic pricing and for the synchronisation of independent systems. The recognition of this claim has reduced the effective tax rate for FY18 by 1.2% points. Half of that benefit relates to FY17, the year in which the patent box election first has effect.

The Group's effective rate of tax remains dependent on the mix of taxable profit by geography, the tax rates levied in those geographies and the availability and use of taxable losses. The Group's current estimate of the effective rate of tax for FY19 is 19.5%.

Dividend

The Board is recommending a final dividend of 33.51 pence per share, giving a full year dividend of 43.2 pence per share, 34% higher than the 32.3 pence per share paid for FY17.

If approved at the Company's AGM, the final dividend will be paid on 26 October 2018 to those members on the register at the close of business on 28 September 2018.

Cash generation and movement in own funds

The Group uses own funds, and net own funds, generated from operations as its key measures of cash generation.

Own funds flow

	FY18 £m	**FY17 £m**
Operating profit	281.1	213.4
Depreciation and amortisation	17.6	16.4
Share based compensation	7.0	7.7
Change in working capital	15.2	(8.3)
Own funds generated from operations	**320.9**	**229.2**
as % of operating profit	*114%*	*107%*
Taxes paid	(48.9)	(45.3)
Net own funds generated from operations	**272.0**	**183.9**

Cash generation remains strong, with own funds generated from operations of £320.9 million, 40% higher than in the prior year. The high level of conversion of profit into cash reflects the non-cash charges in operating profit and the increase in the net credit balance in working capital due to the higher level of the bonus accrual at the end of FY18, compared with the prior year.

Tax payments of £48.9 million reflect the payment of the £20.0m balance of the UK corporation tax liability for FY17 outstanding at the start of the year, £24.8 million representing around half of the estimated UK corporation tax liability for FY18, and £4.1 million of overseas tax.

Movement in own funds

	FY18 £m	FY17 £m
Net own funds generated from operations	272.0	183.9
Net financing payments / receipts	(0.6)	0.6
Investments		
- Purchase of DailyFX	(3.0)	(29.8)
- Capital expenditure	(11.0)	(17.1)
- Purchase of own shares	(4.3)	(1.1)
Pre-dividend increase in own funds	**253.1**	**136.5**
Dividends paid in the year	(119.6)	(118.7)
Increase in own funds	**133.5**	**17.8**
Own funds at start of the year	614.3	587.7
Impact of movement in exchange rates	(1.7)	8.8
Own funds at the end of period	**746.1**	**614.3**

The Group paid the final consideration of £3.0 million relating to the purchase of the assets of DailyFX, a leading global news and research portal, which the Group purchased in October 2016.

Capital expenditure in the year of £11.0 million relates primarily to internal IT development, third-party software, and IT equipment. In FY17 capital expenditure also included amounts related to the refurbishment of the London office.

Dividend payments to shareholders during FY18 of £119.6 million comprise the final dividend for FY17 of £84.0 million and the interim dividend for FY18 of £35.6 million.

The final dividend FY18 of £123.1 million will, if approved, be paid on 26 October 2018.

The Group's own funds of £746.1 million at the end of the year are £131.8 million higher than at the end of the prior year, reflecting the £133.5 million own funds cash flow after investments and dividends, and £1.7 million of FX retranslation of own funds in non-UK businesses.

Summary Group balance sheet

	31 May 2018 £m	31 May 2017 £m
Goodwill	108.0	108.1
Intangible assets	43.4	48.6
Property, plant and equipment	15.5	17.4
Fixed assets	**166.9**	**174.1**
Liquid asset buffer	83.1	81.2
Amounts at brokers	450.0	376.1
Cash in IG bank accounts	289.7	230.9
Own funds in client money	49.5	43.2
Liquid assets	**872.3**	**731.4**
Client deposits IG Bank SA	(37.0)	(57.1)
Title transfer funds	(89.2)	(60.0)
Own funds	**746.1**	**614.3**
Working capital	(62.4)	(49.1)
Tax payable	(17.6)	(13.1)
Deferred tax assets	9.1	9.1
Capital employed	**842.1**	**735.3**
Shareholders' funds	**842.1**	**735.3**

As at 31 May 2018 the Group's capital employed was £842.1 million (31 May 2017: £735.3 million), all of which was provided by shareholders' funds. The Group's capital is employed to fund the Group's operations.

Available liquidity

	31 May 2018 £m	31 May 2017 £m
Liquid assets	**872.3**	**731.4**
Broker margin requirement	(386.8)	(356.3)
Non-UK cash balances	(154.1)	(134.6)
Own funds in client money	(49.5)	(43.2)
Available liquidity at end of period	**281.9**	**197.3**
of which:		
Held as liquid asset buffer	83.1	81.2
Final dividend due	123.1	83.9

The Group's liquidity is primarily provided by its own funds, supplemented by clients' deposits at IG Bank in Switzerland and client funds which have been transferred to the Group under title transfer arrangements. The Group has access to additional liquidity through a committed revolving credit facility.

The Group's total liquid assets at the end of year were £872.3 million (31 May 2017: £731.4 million). The increase in liquid assets primarily reflects the increase in own funds.

The Group requires liquidity to fund its day-to-day operations, primarily to fund the margin that its hedging brokers require to support the Group's hedging positions, the capital that its subsidiaries are required to maintain, and to fund the requirement to maintain adequate buffers in client money accounts.

The average broker margin requirement in FY18 was £372 million, £87 million higher than in FY17, with a peak broker margin requirement of £453 million during the year. At 31 May 2018, the actual broker margin requirement was £387 million.

Throughout the year, the Group had access to a committed revolving credit facility (RCF) of £160 million to assist its liquidity risk management. The Group seeks to manage its liquidity so that it will be able to meet all liquidity requirements without delay. The Group's practice has been to draw 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, particularly during periods when the Group's available liquidity has been reduced as a result of the payment of the final dividend. During FY18, reflecting the increase in the peak and general level of broker margin requirement, the revolving credit facility was at least partly drawn for the period from the end of October 2017 through to the beginning of April 2018.

Subsequent to the year end the Group cancelled the existing £160 million bank facility agreement and entered into a new £200m agreement consisting of a £100 million revolving credit facility and a £100 million three-year term loan.

Group consolidated capital resources and requirements

	31 May 2018 £m	31 May 2017 £m
Shareholders' funds	842.1	735.3
Less foreseeable declared dividends	(123.1)	(83.9)
Less acquisition intangibles	(108.0)	(108.1)
Less intangible assets	(43.4)	(48.6)
Less deferred tax assets	(9.1)	(9.1)
Capital resources	558.5	485.6
Pillar 1 Risk Exposure Amounts (REA)		
Total Pillar 1 REA	2,037.7	1,817.3
Capital ratio	27.4%	26.7%
Required capital ratio		
Pillar 1 minimum	8.0%	8.0%
Individual Capital Guidance (ICG)	9.4%	9.4%
ICG requirement	17.4%	17.4%
plus combined buffer requirement	2.2%	1.3%
Total requirement %	19.6%	18.7%
Total requirement - £m	399.4	339.8
Capital headroom - £m	159.1	145.7

The Group's Total Capital Ratio using the balance sheet of the Group as at 31 May 2018 including the profit for the financial year, was 27.4% (31 May 2017: 26.7%).

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 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 required minimum capital ratio at 31 May 2018 was 19.6%, including the effect of the Combined Buffers, being the Capital Conservation Buffer, which the Bank of England raised on 1 January 2018 to 1.875% in line with the transitional provisions laid out by the FCA in IFPRU TP 7, and the Countercyclical Buffer.

Segregated client funds

At 31 May 2018, the Group held £1,386.9 million (31 May 2017: £1,215.3 million) of client money in segregated trust bank accounts, and £945.0 million (31 May 2017: £499.8 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.

Consolidated income statement

for the year ended 31 May 2018

	Note	Year ended 31 May 2018 £m	Year ended 31 May 2017 £m
Trading revenue		590.2	518.7
Introducing partner commissions		(21.2)	(27.6)
Net trading revenue	2	569.0	491.1
Betting duty and financial transaction taxes		(5.1)	(7.5)
Interest income on segregated client funds		5.2	4.6
Interest expense on segregated client funds		(0.7)	(0.6)
Other operating income		2.8	1.9
Net operating income		571.2	489.5
Operating expenses		(290.1)	(276.1)
Operating profit		281.1	213.4
Finance income		2.9	1.7
Finance costs		(3.2)	(1.4)
Profit before taxation		280.8	213.7
Taxation	3	(54.4)	(44.5)
Profit for the year attributable to owners of the parent		226.4	169.2

	Note		
Earnings per ordinary share:			
- basic	4	61.7p	46.2p
- diluted	4	61.2p	45.9p

Consolidated statement of comprehensive income

for the year ended 31 May 2018

	Year ended 31 May 2018		Year ended 31 May 2017	
	£m	£m	£m	£m
Profit for the year attributable to owners of the parent		226.4		169.2
Other comprehensive income/(expense):				
Items that may be reclassified to the income statement:				
Change in value of available-for-sale financial assets, net of tax	(0.2)		(0.2)	
Foreign currency translation (loss)/gain	(3.0)		14.7	
Other comprehensive (expense)/income for the year		(3.2)		14.5
Total comprehensive income attributable to owners of the parent		223.2		183.7

Consolidated statement of financial position

at 31 May 2018

	Note	31 May 2018 £m	31 May 2017 £m
Assets			
Non-current assets			
Property, plant and equipment		15.5	17.4
Intangible assets		151.4	156.7
Financial investments	10	111.6	52.4
Deferred income tax assets		9.1	9.1
		287.6	235.6
Current assets			
Trade receivables	7	382.8	345.6
Other assets	8	27.2	11.9
Prepayments and other receivables		11.8	12.2
Cash and cash equivalents		289.7	230.9
Financial investments	10	62.0	92.0
		773.5	692.6
TOTAL ASSETS		1,061.1	928.2
Liabilities			
Current liabilities			
Trade payables		126.7	117.3
Other payables		74.7	62.5
Income tax payable		17.6	13.1
Total liabilities		219.0	192.9
Equity			
Share capital and share premium		206.8	206.8
Other reserves		71.6	123.1
Retained earnings		563.7	405.4
Total equity		842.1	735.3
TOTAL EQUITY AND LIABILITIES		1,061.1	928.2

This preliminary announcement was approved by the Board of Directors on 24 July 2018 and signed on its behalf by:

Paul Mainwaring
Chief Financial Officer
Registered Company number: 04677092

Consolidated statement of changes in equity

for the year ended 31 May 2018

	Share capital	Share premium	Other reserves	Retained earnings	Total
	£m	£m	£m	£m	£m
At 1 June 2016	-	206.8	102.2	354.0	663.0
Profit for the year and attributable to 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 recognised directly in equity on share-based payments	-	-	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
Profit for the year and attributable to owners of the parent	-	-	-	226.4	226.4
Other comprehensive expense for the year	-	-	(3.2)	-	(3.2)
Total comprehensive income	-	-	(3.2)	226.4	223.2
Equity-settled employee share-based payments	-	-	7.0	-	7.0
Tax recognised directly in equity on share-based payments	-	-	-	0.5	0.5
Purchase of own shares	-	-	(4.3)	-	(4.3)
Equity dividends paid	-	-	-	(119.6)	(119.6)
Transfer of share based payment reserve	-	-	(51.0)	51.0	-
Movement in equity	-	-	(51.5)	158.3	106.8
At 31 May 2018	-	206.8	71.6	563.7	842.1

Consolidated cash flow statement

for the year ended 31 May 2018

	Year ended 31 May 2018	Year ended 31 May 2017
	£m	£m
Operating activities		
Cash generated from operations	276.6	224.1
Income taxes paid	(48.9)	(45.3)
Net cash flow generated from operating activities	227.7	178.8
Investing activities		
Interest received	2.6	2.0
Purchase of property, plant and equipment	(4.4)	(10.6)
Payments to acquire and develop intangible assets	(9.6)	(36.3)
Net cash flow from (purchase)/sale of financial investments	(28.9)	(8.8)
Net cash flow used in investing activities	(40.3)	(53.7)
Financing activities		
Interest paid	(3.2)	(1.4)
Equity dividends paid to owners of the parent	(119.6)	(118.7)
Purchase of own shares	(4.3)	(1.1)
Net cash flow used in financing activities	(127.1)	(121.2)
Net increase in cash and cash equivalents	60.3	3.9
Cash and cash equivalents at the beginning of the year	230.9	218.8
Impact of movement in foreign exchange rates	(1.5)	8.2
Cash and cash equivalents at the end of the year	289.7	230.9

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 2017 or 31 May 2018. The financial statements are prepared on a going concern basis and the accounting policies are consistent with the Group's 2017 Annual Report, except for the accounting policy for cryptocurrencies.

The Group recognised £27.2 million of cryptocurrency assets on its statement of financial position as at 31 May 2018 (2017: £11.9 million). During the year the Group changed the accounting policy it applies to these assets, which is considered to be a critical accounting judgement, as the change reclassified these assets from trade receivables and into other assets. There was no impact on the income statement as a result of this change in judgement.

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 2018 and statutory accounts for 2018 will be delivered to the Registrar of Companies following the company's Annual General Meeting on 20 September 2018.

The Group's auditors, PricewaterhouseCoopers LLP, have reported on those financial statements and the report was unqualified, did not emphasise any matters, and it did not contain 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 2018. 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.

2. Net trading revenue

Net trading revenue represents trading revenue after deducting introducing partner commissions.

Net trading revenue by operating segment
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.

The Executive Directors continue to consider the business performance principally from a product perspective, split into OTC leveraged derivatives, exchange traded derivatives and share dealing and investments. Segment net trading revenue is stated after deducting introducing partner commissions, as this is consistent with the management information received by the Executive Directors.

The income from OTC leveraged derivatives is split by geographical location into the United Kingdom (UK), Europe, Middle East and Africa (EMEA) and Asia Pacific (APAC).

- EMEA comprises the Group's activities in Ireland, France, Germany, Italy, Spain, Sweden, Switzerland, United Arab Emirates and South Africa.
- APAC comprises the Group's activities in Australia, Singapore and Japan.

Net trading revenue from OTC leveraged derivatives is reported geographically, 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 income from exchange traded derivatives derives wholly from the United States.

The income from share dealing derives from the UK, EMEA and APAC, whilst the income from investments derives wholly from the UK. In the year ended 31 May 2018, £3.0 million of share dealing and investment income was generated in the UK (FY17: £2.0 million), £0.8 million was generated in APAC (FY17: £0.2 million) and £0.2 million was generated in EMEA (FY17: £0.2 million).

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.

The segmental analysis shown below therefore does not include a measure of profitability, nor a segmented statement of financial position, as this would not reflect the information which is received by the CODM on a regular basis. The segmental breakdown of net trading revenue is as follows:

	Year ended 31 May 2018 £m	Year ended 31 May 2017 £m
OTC leveraged derivatives		
UK	249.5	223.0
EMEA	162.1	137.5
APAC	136.8	114.1
	548.4	474.6
Exchange traded derivatives	16.6	14.1
Share dealing and investments	4.0	2.4
Total net trading revenue	569.0	491.1

Net trading revenue by product

The income from OTC leveraged derivatives can also be split by the nature of the underlying asset:

	Year ended 31 May 2018 £m	Year ended 31 May 2017 £m
OTC leveraged derivatives:		
Indices	224.2	203.8
Foreign exchange	130.7	82.2
Equities	95.4	76.4
Commodities	55.0	68.2
Options	43.1	44.0
	548.4	474.6

3. **Taxation**

Tax on profit on ordinary activities

Tax charged/(credited) in the income statement:

	Year ended 31 May 2018	Year ended 31 May 2017
Current income tax:	£m	£m
UK Corporation tax	48.4	40.5
Non-UK Corporation tax	4.3	3.2
Adjustment in respect of prior years	1.3	2.0
Total current income tax	54.0	45.7
Deferred income tax:		
Origination and reversal of temporary differences	(0.6)	(0.8)
Adjustment in respect of prior years	(0.9)	-
Impact of change in tax rates on deferred tax balances	1.9	(0.4)
Total deferred income tax	0.4	(1.2)
Tax expense in the income statement	54.4	44.5
Tax not credited to income statement:		
Tax recognised directly in equity on share-based payments	(0.5)	(0.7)

Reconciliation of the 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 rate of corporation tax for the year ended 31 May 2018 is 19.0% (year ended 31 May 2017: 19.83%). 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 2018	Year ended 31 May 2017
	£m	£m
Profit before taxation	280.8	213.7
Profit multiplied by the UK standard rate of corporation tax of 19.0% (FY17: 19.83%)	53.4	42.4
Higher taxes on overseas earnings	0.4	0.5
Adjustment in respect of prior years	0.4	2.0
Expenses not deductible for tax purposes	1.8	0.4
Patent Box deduction	(3.5)	-
Temporary differences not yet recognised in respect of share schemes	-	1.0
Impact of change in tax rates on deferred tax balances	1.9	(0.4)
Recognition of deferred tax assets	-	(1.8)
Deferred tax not recognised on current year tax losses	-	0.4
Total tax expense reported in the income statement	54.4	44.5

The effective tax rate for the year is 19.4% (FY17: 20.8%).

4. 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 assuming the vesting of all outstanding share scheme awards and that vesting is satisfied by the issue of new ordinary shares.

The following reflects the income and share data used in the earnings per share computation:

	Year ended 31 May 2018	Year ended 31 May 2017
	£m	£m
Earnings attributable to owners of the parent	226.4	169.2
Weighted average number of shares:		
Basic	366,780,442	366,441,640
Dilutive effect of share-based payments	3,162,903	2,442,663
Diluted	369,943,345	368,884,303

	Year ended 31 May 2018	Year ended 31 May 2017
Basic earnings per share	61.7p	46.2p
Diluted earnings per share	61.2p	45.9p

5. Dividends paid and proposed

	Year ended 31 May 2018	Year ended 31 May 2017
	£m	£m
Proposed final dividend for FY18 at 33.51p per share (FY17 final paid: 22.88p)	123.1	83.9
Interim dividend for FY18 at 9.69p per share (FY17: 9.42p)	35.6	34.6
	158.7	118.5

The final dividend for FY18 of 33.51p per share amounting to £123.1 million was proposed by the Board on 24 July 2018 and has not been included as a liability at 31 May 2018. This dividend will be paid on 26 October 2018, following approval at the Company's AGM, to those members on the register at the close of business on 28 September 2018.

6. Intangible assets

	Goodwill	Domain names	Development costs	Software and licences	Total
	£m	£m	£m	£m	£m
Net book value – 31 May 2018	108.0	27.5	13.6	2.3	151.4
Net book value – 31 May 2017	108.1	32.5	12.9	3.2	156.7

7. Trade receivables

	31 May 2018	31 May 2017
	£m	£m
Amounts due from brokers	332.3	301.1
Own funds in client money	50.0	43.4
Amounts due from clients	0.5	1.1
	382.8	345.6

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 £332.3 million (31 May 2017: £301.1 million) the Group had £90.5 million (31 May 2017: £63.2 million) of UK Government Securities held as collateral at brokers which are classified as financial investments in the Group's statement of financial position.

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 £11.9 million (31 May 2017: £12.7 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 and is stated net of an allowance for impairment.

8. Other assets

Other assets of £27.2 million at 31 May 2018 (31 May 2017: £11.9 million) are cryptocurrency assets owned and controlled by the Group for the purpose of hedging the Group's exposure to clients' cryptocurrency trading positions. Classifying these assets as other assets in the Group's statement of financial position at 31 May 2018, and retrospectively applying this change at 31 May 2017, is a voluntary change in accounting policy.

9. Financial investments

Financial investments are UK Government securities:

Held as:	31 May 2018 £m	31 May 2017 £m
Liquid asset buffer	83.1	81.2
Collateral at brokers	90.5	63.2
	173.6	144.4
Of which:		
Non-current portion	111.6	52.4
Current portion	62.0	92.0
	173.6	144.4

During the year ended 31 May 2018 the Group purchased UK Government Gilts for £122.1 million (year ended 31 May 2017: £120.4 million) and gilts with a nominal value of £90.0 million matured (year ended 31 May 2017: £112.4 million).

The effective interest rates of securities held at the year-end range from 0.08% to 0.87% (31 May 2017: 0.03% to 0.59%).

Financial investments are shown as current assets when they have a maturity of less than one year and as non-current assets when they have a maturity of more than one year. The fair value of securities held is based on closing market prices at the year end.

10. Subsequent events

In June 2018 the Group replaced its credit agreement with four UK banks. The overall size of the new credit facility is £200.0 million, of which £100.0 million is a three year term loan repayable in full in 2021 and £100.0 million is a one year revolving credit facility that can be extended by one year.