IG GROUP HOLDINGS PLC

Interim results for the six months ended 30 November 2019
21 January 2020

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IG Group Holdings plc ("IG", "the Group", "the Company"), a global leader in online trading, today announces its results for the six months ended 30 November 2019 ("H1 FY20").

Highlights[1]

- The implementation of the Group's strategy is progressing as planned, and the Group reiterates its medium-term financial targets of:
    - Revenue growth in its Core Markets at around 3-5% per annum over the medium term; and
    - An increase in revenue from its Significant Opportunities markets of £100 million, to around £160 million in FY22.
- Core Markets performing in line with plan in a more restrictive regulatory environment.
    - Continued growth in the client base:
        - ESMA region OTC leveraged active client numbers up 4%;
        - Other Core Markets OTC leveraged active client numbers up 5%.
    - Actions are progressing as planned to enable successful navigation of the impact of regulatory change in Australia and across the Group's Core Markets.
- The Group's portfolio of Significant Opportunities delivered revenue of £40.4 million in H1 FY20, £12.2 million higher than H1 FY19:
    - Japan delivered revenue growth of over 80%;
    - Active client numbers in the Emerging Markets grew close to 40%;
    - Revenue growth of 18% in the Institutional business;
    - IG US OTC FX business delivering steady growth;
    - Marketing launch of the Group's Multi-lateral Trading Facility (MTF), Spectrum, in October;
    - Plans in Greater China are progressing well.

Financial Summary

- Net trading revenue £249.9 million (H1 FY19: £251.0 million). H1 FY19 included two months of trading prior to the implementation of the ESMA product intervention measures.
- Total operating expenses £136.3 million, reflecting investment in the Group's strategic initiatives, in line with guidance (H1 FY19: £122.1 million).
- Operating profit £100.1 million (H1 FY19: £112.5 million).
- Basic EPS 22.4 pence (H1 FY19: 24.9 pence).

[1] *The basis for calculation of the various metrics is detailed within the Operating and Financial Review.*

Dividend

An interim dividend of 12.96 pence per share, calculated as 30% of the FY19 full year dividend of 43.2 pence per share, will be paid on 27 February 2020 to those members on the register at the close of business on 31 January 2020.

FY20 Outlook

As previously guided the Group expects:

- To return to revenue growth in FY20;
- Total operating expenses, excluding variable remuneration, to be around £30 million higher than FY19; and
- To maintain the 43.2 pence per share annual dividend until the Group's earnings allow the Company to resume progressive dividends.

June Felix, Chief Executive, commented:

"At IG, we have one clear vision – to provide the world's best trading experience. In working to that vision, we lead our industry by focusing on our clients and making them central to everything we do. This client-centric approach is borne out in the behaviours of our people who all share three common values: to champion the client, lead the way and love what we do.

We are now six months into the delivery of our multi-year strategy and are on track to deliver on the medium-term growth targets we have set ourselves. Early indications are very encouraging with continued growth in the client base in our Core Markets, and convincing progress in the areas identified as Significant Opportunities. I am very much looking forward to continuing the delivery of our strategy, and also to welcoming Mike McTighe as Chairman of IG Group in February.

I believe that IG is in an excellent position to exploit our scale, skills and technological capability, to pivot into new product lines, to expand our geographic reach and to serve new client segments, as we continue to focus on delivering sustainable growth and attractive shareholder returns."

Further information

IG Group Investor Relations	IG Group Press	FTI Consulting
Liz Scorer	Jon Laycock	Edward Berry
020 7573 0727 investors@iggroup.com	07 388 440127 press@ig.com	020 3727 1046

Analyst presentation

There will be an analyst and investor presentation at 9:30am (UK Time) on Tuesday 21 January 2020 at the IG Group offices, Cannon Bridge House, 25 Dowgate Hill, London, EC4R 2YA.

The presentation will also be accessible live via audio webcast at https://pres.iggroup.com/ig050. If you wish to listen via conference call, please use the following link https://pres.iggroup.com/ig050/vip_connect. The audio webcast of the presentation and a transcript will be archived at: www.iggroup.com/investors

Disclaimer - forward-looking statements

This interim statement, prepared by IG Group Holdings plc (the “Company”), may contain forward-looking statements about the Company and its subsidiaries (the “Group”). Forward-looking statements involve known and unknown risks and uncertainties because they are beyond the Company’s control and are based on current beliefs and expectations about future events. No assurance can be given that such results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. 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 to ensure consistency with the financial statements. This may lead to differences between subtotals and the sum of individual numbers as presented. Acronyms used in this report are as defined in the Group’s Annual Report.

About IG

IG empowers informed, decisive, adventurous, people to access opportunities in over 16,000 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 provide the world’s best trading experience. 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 an award-winning, multi-platform trading company which allows retail, professional and institutional clients to trade indices, commodities, currencies, warrants, options and equities 24 hours a day, 6* days a week. IG is 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 stock trading service in the UK, Australia, Germany, France, Ireland, Austria and the Netherlands. IG has a range of affordable, fully managed investment portfolios, which provide a comprehensive offering to investors and active traders.

IG is a member of the FTSE 250, with offices across Europe, including a Swiss bank, Africa, Asia-Pacific, the Middle East and the US. The Group holds a long-term investment grade credit rating of BBB- with a stable outlook from Fitch Ratings.

*IG operates from 9pm Sunday (GMT) – 10pm Friday (GMT)
**Based on revenue excluding FX (from published financial statements, June 2019)

Group Performance Review

Overview

The Group has made good initial strategic and operational progress towards delivery of its medium-term objectives since the announcement of its revised strategy on 22 May 2019.

Net trading revenue was £249.9 million, compared with £251.0 million in the corresponding period of the prior year. The prior year period benefitted from two months of trading prior to the ESMA product intervention measures coming into effect.

IG's track record of sustainable revenue growth over the medium term has been delivered through growth in the size and quality of its active client base. The number of unique OTC leveraged active clients served by the Group has increased by 6% to 110,100 (H1 FY19: 103,900).

IG actively differentiates itself from others in the industry by operating a non-conflicted, sustainable business model that ensures its interests are aligned with those of its clients. The Group's Board approved risk limits are set at a small fraction of the notional exposure that IG's clients trade. Supported by real time automated hedging, the Group delivers a consistent revenue return on its client trading volume.

The benefit of the Group's focus on a non-conflicted business model is demonstrated in its industry leading client tenure metrics with 52% of the Group's OTC leveraged revenue in H1 FY20 generated by clients who have been trading with the business for more than three years. The Group's values and strategic proposition are focused on ensuring that its client retention is industry leading.

Total operating expenses excluding variable remuneration were £136.3 million, 12% higher than in the prior year, in line with Company guidance.

Operating profit was £100.1 million with the operating profit margin at 40.1%. The conversion of operating profit into cash generation is strong, with own funds generated from operations of £106.3 million (H1 FY19: £100.1 million).

In October 2019 the Group received a long-term investment grade credit rating of BBB- with a stable outlook from Fitch Ratings, reflecting the Group's sound profitability, capitalisation and well-established franchise. The Group has no current intention to raise additional debt or to change its capital structure.

The Group has a licensed operational client facing subsidiary in Germany, providing certainty that IG will be able to offer its regulated financial products in all EU member states following the UK's exit from the EU.

Delivering on our Strategy

Core Markets

Revenue in the Group's Core Markets was £209.5 million (H1 FY19: £222.8 million). The reduction in revenue is due to the prior year period including two months of trading prior to the implementation of the ESMA product intervention measures, and the lower level of trading by ESMA region Professional clients in Q2 FY20 compared with a strong Q2 FY19 where clients were able to identify a greater number of trading opportunities.

To understand the performance of the business in the ESMA region since the product intervention measures have been in effect, the most appropriate comparison is to compare the Q1-Q2 FY20 quarterly average with the Q2-Q4 FY19 quarterly average when the measures were in effect throughout.

The increase in the Group's active OTC leveraged client base in the ESMA region is in line with the Group's growth targets for its Core Markets. The average quarterly active client numbers in H1 FY20 were 4% higher than the Q2-Q4 FY19 average. ESMA region average quarterly revenue was 3% higher in H1 FY20 than the quarterly average in Q2-Q4 FY19.

Revenue in the Group's other core OTC markets was up 6%, driven by a 5% increase in the number of active clients.

Actions to enable successful navigation of the impact of proposed changes to the regulatory environment in Australia are progressing as planned. These requirements are expected to be confirmed in early 2020. Clients in Australia can elect to be categorised as Wholesale if they meet the relevant criteria. This can be done either through the Wealth Test or as Sophisticated Investors under the Corporations Act. Clients in these categories are not expected to be impacted by the product intervention measures proposed in the Australian Securities and Investments Commission (ASIC) consultation paper.

On 8 October 2019 the Monetary Authority of Singapore (MAS) increased Retail client margin requirements for FX trading to 5%, from 2%. The Group's long standing, sophisticated client base is weighted towards clients that are able to be categorised as Accredited, Expert or Institutional investors. Clients in these categories are not impacted by the recent regulatory change.

The regulatory change in Singapore, and the proposed changes in Australia, were reflected in the Group's previously stated target of revenue growth in the Core Markets of 3-5% per annum over the medium term.

The Group's core market businesses include the stock trading offering which is focused on serving the needs of active equity traders. It helps retain existing OTC leveraged clients as well as providing an acquisition channel to attract new active traders to the Group for whom leveraged trading products may be appropriate. The Group served nearly 38,000 stock trading clients in H1 FY20 (H1 FY19: 37,000), 5,900 of whom also traded OTC leveraged derivatives.

Significant Opportunities

As set out in its strategy, the Group is targeting an increase in revenue from its portfolio of Significant Opportunities by £100 million - from £60 million in FY19 to around £160 million in FY22. Revenue from these businesses in H1 FY20 was £12.2 million higher than in the prior year period. Whilst the Group is still at an early stage in the implementation of its strategy, and noting that each opportunity is at a different stage of development, there has been good initial progress.

Japan has performed strongly in the period with revenue up by 82% and active client numbers up by 75%. Growth was driven by product differentiation, increased multi-channel marketing investment and greater local focus driven by new local leadership. As IG still has less than 2% share in the Japanese retail trading market, the Group believes that further growth can be achieved through localisation of the trading platform, continued marketing investment, and a planned brand relaunch. The Group will also continue to pursue partnership opportunities in Japan.

The Group's Emerging Markets business serves clients who discover IG through reverse enquiry and who are resident in jurisdictions where the Group does not have a physical presence. The Group's Emerging Markets client base has increased by nearly 40% in the period.

The Group's Institutional business has a good pipeline of opportunities and has delivered revenue growth of 18% in the period. This business is focused on serving hedge funds and family offices with less than US$200 million in assets under management, who are attracted by IG's competitive, transparent pricing and available liquidity. The Group plans to further expand its Institutional proposition through developments in its trading platform, and focused sales and client service.

To drive greater synergy, the Group's US businesses are now managed as a single business unit. IG US, the OTC FX business, has steadily increased the number of active clients it serves, and will continue to focus on building its brand by increasing the awareness of IG's low commissions, speed of execution and quality of customer service compared with the competition. IG US benefits from the lead generation provided by DailyFX, which receives around 2 million unique visitors a month. Client acquisition for the US Exchange Traded Derivatives business, Nadex, has been more challenging in the period, and the business continues to refine its product proposition and target audience.

The marketing launch of the Group's MTF, Spectrum, took place in October. Spectrum represents a further diversification of the Group's product range, offering European Retail clients the opportunity to trade securitised derivatives in the form of turbo warrants. Spectrum has successfully launched with turbo24s on equity indices, currencies and commodities and the plan is to expand its product set to include single name equities. Client interest has been positive, with around 700 active clients from launch to the end of the period. 33% of trades are made outside of normal market hours, utilising Spectrum's unique 24-hour, five day a week trading capability.

The Group has recruited a new Head of Greater China, who is responsible for building the Group's presence in this region, and for identifying and delivering routes to market that will provide clients with access to IG's proprietary technology, broad product capability and market leading execution. The Group is encouraged by the pipeline of opportunities from its discussions with potential regional partners.

Dividend

An interim dividend of 12.96 pence per share, calculated as 30% of the FY19 full year dividend of 43.2 pence per share, will be paid on 27 February 2020 to those members on the register at the close of business on 31 January 2020.

FY20 Outlook

As previously disclosed the Group expects:

- To return to revenue growth in FY20;
- Total operating expenses, excluding variable remuneration, to be around £30 million higher than FY19; and
- To maintain the 43.2 pence per share annual dividend until the Group's earnings allow the Company to resume progressive dividends.

Operating and Financial Review

Summary Group Income Statement

	H1 FY20 £m	H1 FY19 £m	Change %
Net trading revenue	**249.9**	**251.0**	**-**
Net interest on client money	2.6	3.0	
Betting duty and FTT	(1.4)	(5.9)	
Other operating income	0.9	1.7	
Net operating income	**252.0**	**249.8**	**1%**
Operating expenses	(136.3)	(122.1)	
Variable remuneration	(15.6)	(15.2)	
Total operating costs	**(151.9)**	**(137.3)**	**11%**
Operating profit	**100.1**	**112.5**	**(11%)**
Net finance income	1.1	0.5	
Profit before taxation	**101.2**	**113.0**	(10%)
Taxation	(18.8)	(21.6)	
Profit for the period	**82.4**	**91.4**	(10%)
Basic earnings per share	**22.4p**	**24.9p**	**(10%)**

The Group's net trading revenue in H1 FY20 was £249.9 million, compared with £251.0 million in H1 FY19. The first half of the prior year benefitted from two months of trading prior to the ESMA product intervention measures coming into effect.

The Group's net trading revenue reflects the transaction fees (spread, commission and overnight funding charges) paid by clients for the trading service offered by the business ("client income"), net of the Group's external hedging costs, clients' trading profits and losses, and hedging profits and losses. In H1 FY20 the conversion of client income to net trading revenue was consistent with the prior year.

Operating profit in the period was £100.1 million, 11% lower than H1 FY19. After net finance income of £1.1 million, profit before taxation was £101.2 million. The effective tax rate applied to the profit before tax for the period is 18.6% (H1 FY19: 19.1%) with profit after tax of £82.4 million.

Basic earnings per share of 22.4 pence is 10% lower than in the first half of FY19.

Revenue performance by product

	Net Trading Revenue (£m)		
	H1 FY20	H1 FY19	Change %
OTC leveraged	239.5	240.1	-
Exchange traded derivatives	7.8	8.4	(7%)
Stock trading and investments	2.6	2.5	4%
Group	**249.9**	**251.0**	**-**

Revenue Drivers	Active Clients (000s)			Revenue per client (£)		
	H1 FY20	H1 FY19	Change %	H1 FY20	H1 FY19	Change %
OTC leveraged	110.1	103.9	6%	2,175	2,311	(6%)
Exchange traded derivatives – Nadex	11.2	12.4	(10%)	707	673	5%
Exchange traded derivatives – Spectrum	0.7	-	-	-	-	-
Stock trading and investments	37.9	37.0	2%	69	67	3%
Multi-product clients	(5.9)	(5.7)	4%			
Group	**154.0**	**147.6**	**4%**			

OTC leveraged derivatives

In H1 FY20 the Group generated 96% of its net trading revenue from OTC leveraged derivatives. OTC leveraged revenue in the half was £239.5 million, in line with H1 FY19. The Group served 6% more active clients in H1 FY20 which was offset by a 6% reduction in revenue per client. The prior year period included two months of trading prior to the implementation of the ESMA product intervention measures, and Q2 FY20 also saw weaker market conditions compared to a strong Q2 FY19.

Asset class	OTC leveraged revenue (£m)		
	H1 FY20	H1 FY19	Change %
Indices	104.7	111.6	(6%)
Equities	36.0	48.0	(25%)
Foreign exchange	50.9	42.2	21%
Commodities	28.6	22.1	29%
Options	9.0	11.0	(18%)
Cryptocurrencies	10.3	5.2	98%
OTC leveraged	**239.5**	**240.1**	**-**

Changes in the composition of the Group's OTC leveraged revenue by asset class reflects both the impact of the introduction of the ESMA measures and the differing levels of volatility in each asset class, which impacts the extent to which clients can identify trading opportunities.

Revenue from clients trading indices and single name equities decreased by 6% and 25% respectively compared with H1 FY19, due to the impact of leverage restrictions and higher volatility in these asset classes in H1 FY19. The revenue from indices and shares accounted for 59% of OTC leveraged revenue, compared with 66% in H1 FY19.

Revenue from clients trading foreign exchange increased by 21% due to increased revenue from Japan where revenue predominantly comes from FX products, and IG US which only offers FX products. Revenue from commodities increased 29% driven by increased volatility, particularly in oil.

Revenue from clients trading cryptocurrencies doubled from £5.2 million to £10.3 million, reflecting increased volatility in the first half of the year.

Exchange traded derivatives

In H1 FY20 the Group generated £7.8 million revenue from exchange traded derivatives, all of which was from Nadex, the Group's US retail focused exchange. Spectrum, the Group's European MTF, was launched in October 2019, and did not contribute material revenue in H1 FY20.

Stock trading and investments

Revenue from stock trading and investments was £2.6 million in H1 FY20, 4% higher than in the same period in the prior year. The H1 FY20 revenue comprises the transaction fees paid by clients on each trade (£2.7 million), plus custody fees paid by clients (£0.9 million) less the settlement and custody costs incurred by the Group (£1.0 million).

In H1 FY19 the custody fees paid by clients were included in other operating income.

The Group served 37,900 stock trading clients in H1 FY20, up 2% compared with the same period in the prior year.

Revenue performance by market

Consistent with the presentation of the Group's strategy and its financial targets, we split revenue performance into the Group's Core Markets and the Group's portfolio of Significant Opportunities.

The tables setting out more detail on revenue, active client numbers, and revenue per client, are shown in the Appendix to this document.

Core Markets

	Revenue (£m)		
	H1 FY20	**H1 FY19**	**Change %**
Core Markets – ESMA region	126.6	144.7	(13%)
Other Core Markets	80.3	75.6	6%
Core Markets OTC leveraged	**206.9**	**220.3**	**(6%)**
Stock trading and investments	2.6	2.5	4%
Total Core Markets	**209.5**	**222.8**	**(6%)**

Net trading revenue in the Core Markets was 6% lower in H1 FY20 than the same period in the prior year. This was driven by a 13% reduction in revenue in the ESMA region which was impacted by the introduction of the ESMA product intervention measures, and the lower level of trading by Professional clients in Q2 FY20 compared with a strong Q2 FY19.

The revenue from the other Core Markets in H1 FY20 increased by 6% compared with the same period in the prior year.

OTC leveraged – ESMA region

H1 FY19 included two months of trading prior to the implementation of the ESMA product intervention measures. To understand the performance of the business in the ESMA region since the measures have been in effect, the most appropriate comparison is to compare the Q1-Q2 FY20 quarterly average with the Q2-Q4 FY19 quarterly average when the product intervention measures were in effect throughout.

ESMA region	Quarterly average		
	Q1-Q2 FY20	Q2-Q4 FY19	Change %
Revenue (£m)	63.3	61.2	3%
Active clients (000s)	53.6	51.5	4%
Revenue per client (£)	1,181	1,188	(1%)

ESMA region Professional	Quarterly average		
	Q1-Q2 FY20	Q2-Q4 FY19	Change %
Revenue (£m)	38.6	40.5	(5%)
Active clients (000s)	5.0	5.1	(2%)
Revenue per client (£)	7,719	7,915	(2%)

ESMA region Retail	Quarterly average		
	Q1-Q2 FY20	Q2-Q4 FY19	Change %
Revenue (£m)	24.7	20.7	19%
Active clients (000s)	48.6	46.4	5%
Revenue per client (£)	508	447	14%

The FY20 quarterly average ESMA region revenue (Q1-Q2 FY20) was 3% higher than the FY19 average (Q2-Q4 FY19).

The number of average quarterly active clients was 4% higher, driven by an increase in the number of active Retail clients. The number of active Retail clients in the ESMA region fell sharply in the period immediately after the implementation of the ESMA product intervention measures, and there has been a steady recovery in the active Retail client base. The number of Professional clients active in each quarter of FY20 has remained very similar to the Q2-Q4 FY19 period.

Client acquisition in H1 FY20 was strong with 9,105 clients trading with the business for the first time. The quarterly average for first trades in H1 FY20 was 9% higher than the Q2-Q4 FY19 average.

Average revenue per client was little changed, with the H1 FY20 quarterly average revenue per client 1% lower than the Q2-Q4 FY19 quarterly average. Revenue per Retail client increased 14%, offset by a reduction in the revenue per Professional client of 2%.

Professional clients are more sensitive to market volatility than Retail clients and therefore the revenue from this cohort is more variable. The quarterly average Professional revenue per client in H1 FY20 was £7,719, 2% lower than the Q2-Q4 FY19 quarterly average. The lower average revenue per Professional client reflects the impact of weaker market conditions in Q2 FY20, when Professional clients found fewer opportunities to trade than in Q2 FY19.

The proportion of the ESMA region revenue generated by Professional clients in H1 FY20 was 61%, compared with 66% in the Q2-Q4 period.

OTC leveraged - Other Core Markets

	H1 FY20	H1 FY19	Change %
Revenue (£m)	80.3	75.6	6%
Active clients (000s)	29.6	28.2	5%
Revenue per client (£)	2,712	2,681	1%

The Group's other Core Markets comprise the Group's businesses in Australia, Singapore, Switzerland, Dubai and South Africa. Revenue from these markets increased by 6% in H1 FY20, to £80.3 million. The number of active clients increased by 5%, with 5,175 first trades in the half, 23% higher than in the first half of FY19. Revenue per client was little changed.

Product intervention measures in Australia are expected to come into effect in early 2020. Revenue and client numbers in Australia in H1 FY20 increased by 4%, driven by a 17% increase in first trades, while revenue per client remained unchanged.

In Singapore, the impact of increased margin requirements for FX trading, which came into effect in October 2019, contributed to a 3% reduction in revenue per client. This effect was however offset by a 7% increase in active clients.

Significant Opportunities

	Revenue (£m)		
	H1 FY20	**H1 FY19**	**Change %**
Japan	16.2	8.9	82%
Emerging Markets	11.3	8.1	40%
US	9.6	8.4	14%
Institutional	3.3	2.8	18%
Total Significant Opportunities	**40.4**	**28.2**	**43%**

	Active Clients ('000)			Revenue per client £		
	H1 FY20	**H1 FY19**	**Change %**	**H1 FY20**	**H1 FY19**	**Change %**
Japan	10.4	5.9	75%	1,553	1,499	4%
Emerging Markets	4.5	3.3	39%	2,495	2,481	1%
US	14.0	12.4	13%	684	673	2%
Institutional	0.2	0.1	30%	19,508	21,580	(10%)
Spectrum	0.7	-	-	-	-	-
Total Significant Opportunities	**29.8**	**21.7**	**37%**	**1,358**	**1,299**	**5%**

Revenue from the Group's portfolio of Significant Opportunities was £40.4 million in H1 FY20, 43% higher than in the same period in the prior year.

The total number of active clients has increased by 37% with a 5% increase in average revenue per client. The active client numbers include both OTC leveraged clients and the Exchange Traded Derivatives clients served by Nadex.

The number of active OTC leveraged clients in the Group's Significant Opportunities increased by 92% with 17,900 active clients in H1 FY20. The Group acquired 8,469 new OTC leveraged clients in the half, compared with 2,143 in the first half of the prior year.

Revenue from Japan was £16.2 million, 82% higher than in the same period in the prior year. The number of active clients increased by 75%, driven by strong new client acquisition, with 4,433 first trades in H1 FY20, compared with 938 in the first half of the prior year. New local leadership and a higher level of marketing investment has contributed to the significant growth in this market, along with the success of the Knockouts product which was introduced in October 2018.

Emerging Markets revenue of £11.3 million was 40% higher than H1 FY19, with a 39% increase in the number of active clients. Revenue per client remained stable. This business serves clients who discover IG through reverse enquiry and are resident in jurisdictions where the Group does not have a physical presence. First trades in the half were 46% higher than the same period in the prior year, showing that there is growing demand in these markets for the products that IG provides.

The Group's US businesses are now managed as a single business unit, and include Nadex, the Group's retail focused exchange, and IG US, the Group's OTC FX business, which went live in January 2019 with active marketing commencing in March 2019. Nadex revenue was £7.8 million in H1 FY20, 7% lower than in the same period in the prior year. The number of active clients was down by 10%, reflecting a reduction in the number of new clients acquired in the period. IG US delivered revenue of £1.8 million in H1 FY20 with 2,800 active clients. There has been good momentum in client acquisition, with an average of 380 new clients per month. The Group is actively exploring additional ways to optimise client acquisition through its online financial publisher, DailyFX. In H1 FY20 DailyFX delivered around 500,000 unique visitors on average per month in North America which is 35% higher than in the prior year period.

The Group's Institutional business generated revenue of £3.3 million in the half, an increase of 18% compared with the same period in the prior year, with a 30% increase in the number of active institutional clients. Revenue per client was 10% lower, driven by unusually high revenue per client in Q1 of FY19 which was skewed by a single large client's trading.

Spectrum, the Group's European MTF, which went live in October 2019, did not generate a material revenue in the period. Initial client interest has been positive, with around 700 active clients in the period.

Operating expenses by activity

	£m		
	H1 FY20	**H1 FY19**	**Change**
Prospect acquisition	39.1	35.5	3.6
Sales and client management	13.1	10.8	2.3
Technology	27.2	26.2	1.0
Operations (excl. premises)	13.6	13.7	(0.1)
Premises	3.8	6.5	(2.7)
Business administration (excl. regulatory fees)	27.4	25.8	1.6
Regulatory fees	1.3	(2.0)	3.3
Cash operating expenses	**125.5**	**116.5**	**9.0**
Capitalised salary costs	(1.7)	(3.2)	1.5
Depreciation lease assets	3.4	-	3.4
Depreciation and amortisation - other	9.1	8.8	0.3
Total operating expenses	**136.3**	**122.1**	**14.2**

The Group has guided that operating expenses, excluding variable remuneration, are expected to increase by around £30 million in FY20. Operating expenses in the first half of £136.3 million are £14.2 million higher than in the prior year period, in line with that guidance.

The presentation of the Group's operating expenses by activity category provides an analysis of the operating expenses by the driver of the spend. The table above also splits out property costs separately to show the impact of the implementation of IFRS16, and splits out regulatory fees to highlight the significant variance in this expense line.

Expenditure on prospect acquisition, which is targeted at attracting suitable prospects for conversion into new clients, has increased by £3.6 million reflecting increased investment in external advertising and marketing, and increased salary costs. The mix of external advertising and marketing spend has changed compared with the prior year period, with a reduction in centrally managed online spend reflecting improved efficiency and investment in the Group's search engine optimisation capability, and an increase in locally managed and brand related spend, to enable a more localised marketing approach.

Sales and client management costs have increased by £2.3 million, primarily driven by the increase in headcount in this area including a number of specialist hires to enable the delivery of the Group's strategic initiatives in both the Core Markets and the Significant Opportunities. In addition, as the business continues to expand its geographic reach and the number of payment options it offers to clients, the costs of payment provider services have increased.

The Group's expenditure on technology increased by £1.0 million reflecting investment in headcount.

The Group's operations expenditure (excluding the change to the treatment of property leases under IFRS16) is little changed.

The £1.6 million increase in business administration costs excluding regulatory fees primarily reflects higher professional fees incurred in support of the implementation of the strategy.

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 Group estimates the cost of the FSCS levy which is booked in full in the second half of the year. The actual charge is notified to the Group in the first half of the following year. The net credit to the income statement in H1 FY19 reflects the release in that period of part of the FSCS levy charge recognised in H2 FY18. The full year charge for regulatory fees in FY20 is expected to be around £6 million.

Operating expenses by cost type

	£m		
	H1 FY20	**H1 FY19**	**Change**
Fixed remuneration	56.6	51.7	4.9
Advertising and marketing	27.5	25.6	1.9
Premises	3.8	6.5	(2.7)
Regulatory fees	1.3	(2.0)	3.3
Other structural costs	34.6	31.5	3.1
Depreciation lease assets	3.4	-	3.4
Depreciation and amortisation - other	9.1	8.8	0.3
Operating expenses	**136.3**	**122.1**	**14.2**
Headcount at end of period	**1,889**	**1,810**	4%

The analysis of operating expenses by cost type shows that of the £14.2 million increase, £4.9 million is due to higher fixed remuneration costs reflecting the investment in headcount and capabilities and £1.9 million is due to increased external advertising and marketing spend. The £3.1 million increase in structural costs (excluding property and regulatory fees) reflects the higher professional fees and higher payment card charges.

Variable remuneration

	£m		
	H1 FY20	**H1 FY19**	**Change %**
Share based compensation	4.9	4.4	11%
Sales bonuses	3.0	2.7	11%
General bonuses	7.7	8.1	(5%)
Variable remuneration	**15.6**	**15.2**	**3%**

Share based compensation costs relate to the long-term incentive plans for senior management and reflect the size of the 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 11% reflecting higher commission payments to sales staff for the onboarding and management of their own sourced high value clients. The charge for the general bonus pool is £0.4 million lower than in the prior year period reflecting the release of an over accrual from the prior year.

Net finance income

The Group earned net finance income of £1.1 million during H1 FY20, (H1 FY19: £0.5 million) comprising finance income of £3.7 million and finance costs of £2.6 million.

The Group earned net interest income on its cash balances and its gilts holdings of £2.5 million in the period, £1.0 million higher than in the same period in the prior year, reflecting larger average cash balances and increased holdings of gilts.

The Group earns and pays interest on its cash balances at hedging brokers. The Group earned £0.6 million net interest income on its balances with hedging brokers during the six-month period (H1 FY19: £0.4 million).

The Group pays fees and interest relating to its debt facilities. The cost of these facilities totalled £1.7 million in the period (H1 FY19: £1.6 million).

In H1 FY20 the Group has recognised a £0.3 million interest charge relating to the financing element of operating leases arising from the application of IFRS 16 Leases with effect from the start of the financial year.

Taxation

The effective tax rate (ETR) applied to the profit before tax for the period is 18.6%. This reflects the forecast full year ETR for FY20 (FY19 actual ETR: 18.5%).

The Group's ETR is dependent on a mix of factors including taxable profit by geography, the tax rates levied in those geographies and the availability and use of taxable losses.

The forecast ETR applied to the H1 FY20 profit before tax is calculated based on tax rates substantively enacted as at 30 November 2019. This includes a reduction in the rate of UK Corporation Tax to 17% from 19% with effect from 1 April 2020. If the UK Corporation Tax rate remains at 19% the Group's forecast ETR for FY20 would be 18.9%.

The Group's future ETR may also be impacted by changes in the Group's business activities, client composition and regulatory status, as these changes could impact the Group's ability to benefit from an exemption from the UK Bank Corporation Tax Surcharge.

Dividend

The Board has declared an interim dividend of 12.96 pence per share, calculated as 30% of the full year dividend per share for the prior year.

The interim dividend will be paid on 27 February 2020 to those members on the register at the close of business on 31 January 2020.

Own funds flow

£m	H1 FY20	H1 FY19
Operating profit	100.1	112.5
Lease asset depreciation	3.4	-
Depreciation and amortisation - other	9.1	8.8
Lease liability payments	(3.3)	-
Share based compensation	4.5	4.9
Change in working capital	(7.5)	(26.1)
Own funds generated from operations	**106.3**	**100.1**
as % of operating profit	*106%*	*89%*
Taxes paid	(31.5)	(19.9)
Net own funds generated from operations	**74.8**	**80.2**

The Group uses own funds generated from operations, and net own funds generated from operations, as its key measures of cash generation. Cash generation remains strong with own funds generated from operations of £106.3 million, with a cash conversion rate, calculated as own funds generated from operations divided by operating profit, of 106%.

Tax payments of £31.5 million reflect the payment of the £13.8 million balance of the UK corporation tax liability for FY19, £18.0 million of tax in respect of the UK FY20 liability and the payment of £2.2 million of overseas tax, partly offset by the receipt of £2.5 million of UK tax overpaid in earlier periods.

Tax payments in H1 FY20 were significantly higher than in H1 FY19 due to the acceleration of UK Corporation Tax quarterly instalment payments. The Group has made four instalment payments in H1 FY20, versus the two payments previously required in a six-month period, due to a change in UK tax legislation.

Movement in own funds

£m	H1 FY20	H1 FY19
Net own funds generated from operations	74.8	80.2
Net financing receipts	0.7	0.1
Capital expenditure	(7.9)	(9.6)
Purchase of own shares	(1.5)	(1.9)
Pre-dividend increase in own funds	**66.1**	**68.8**
Dividends paid	(111.4)	(123.3)
Decrease in own funds	**(45.3)**	**(54.5)**
Own funds at start of the period	720.8	746.1
Impact of movement in exchange rates	(5.1)	3.0
Own funds at the end of period	**670.4**	**694.6**

Capital expenditure in the period of £7.9 million relates to internally developed software, and the purchase of third-party software and IT equipment.

Dividend payments in the period reflect the final dividend for the year ended 31 May 2019.

Summary Group balance sheet

£m	30 Nov 2019	31 May 2019	30 Nov 2018
Goodwill	107.9	108.1	108.1
Intangible assets	40.0	43.4	45.5
Property, plant and equipment	15.6	14.4	15.1
Operating lease net asset	0.2	-	-
Fixed assets	**163.7**	**165.9**	**168.7**
Liquid asset buffer	84.3	84.4	82.1
Amounts at brokers	391.8	419.3	398.9
Cash in IG bank accounts	416.4	373.3	393.4
Own funds in client money	38.1	51.1	43.1
Liquid assets	**930.6**	**928.1**	**917.5**
Short term bank borrowings	(20.0)	-	-
Long term bank borrowings	(100.0)	(100.0)	(100.0)
Client deposits IG Bank SA	(43.6)	(31.6)	(34.0)
Title transfer funds	(96.6)	(75.7)	(88.9)
Own funds	**670.4**	**720.8**	**694.6**
Working capital	(34.7)	(43.1)	(36.0)
Tax receivable / (payable)	2.9	(10.4)	(18.0)
Deferred tax net asset	8.3	8.6	8.2
Net assets	810.6	841.8	817.5

The operating lease net asset of £0.2 million at 30 November 2019 reflects the adoption of IFRS16, Leases, with effect from 1 June 2019. The balance comprises a £24.9 million right of use asset offset by a £24.7 million lease liability. These figures reflect the discounted value of minimum future operating lease payments.

Available liquidity

£m	30 Nov 2019	31 May 2019
Liquid assets	**930.6**	**928.1**
Broker margin requirement	(334.3)	(314.0)
Cash balances in non-UK subsidiaries	(183.5)	(187.5)
Own funds in client money	(38.1)	(51.1)
Available liquidity at end of period	**374.7**	**375.5**
of which:		
Held as liquid asset buffer	84.3	84.4
Dividend due	47.8	111.3

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 regulatory and working capital of its subsidiaries, and to fund adequate buffers in client money accounts.

The average broker margin requirement in H1 FY20 was £329.4 million, with a peak broker margin requirement of £380.8 million in November. The level of broker margin is driven by the notional value of the Group's open hedging positions which vary with client trading activity and the extent to which client trades can be internalised. At 30 November 2019, the broker margin requirement was £334.3 million (31 May 2019: £314.0 million).

Cash held by subsidiaries outside the UK was £183.5 million at 30 November 2019 (31 May 2019: £187.5 million). This cash is held for the purposes of local regulatory and working capital requirements.

In addition, as at 30 November 2019 the Group had access to £80 million additional liquidity through the available undrawn commitment under its Revolving Credit Facility.

Regulatory capital resources

£m	30 Nov 2019	31 May 2019
Shareholders' funds	810.6	841.8
Less interim profit/ declared dividends	(82.4)	(111.3)
Less goodwill	(107.9)	(108.1)
Less intangible assets	(40.0)	(43.4)
Less deferred tax assets	-	(9.0)
Less value adjustment for prudent valuation	(1.2)	(1.1)
Regulatory Capital resources	**579.1**	**568.9**

Pillar 1 Risk Exposure Amounts (REA)

£m	30 Nov 2019	31 May 2019
Total Pillar 1 REA	1,892.7	1,875.9
Capital ratio	**30.6%**	**30.3%**
Required capital ratio		
Pillar 1 minimum	8.0%	8.0%
Individual Capital Guidance (ICG)	9.4%	9.4%
ICG requirement	17.4%	17.4%
Combined buffer requirement	3.1%	3.1%
Total requirement %	**20.5%**	**20.5%**
Total requirement - £m	388.2	385.0
Capital headroom - £m	190.9	183.8

The Group's Capital Ratio at 30 November 2019 was 30.6% compared with the required minimum capital ratio, including the combined buffer requirement, of 20.5%.

Principal risks and uncertainties

The principal risks and uncertainties which could impact the Group for the remainder of the current financial year remain consistent with those detailed in the 2019 Group Annual Report. There have been no significant changes in the Group's risk management framework in the six-month period ended 30 November 2019 and up to the date of approval of the Consolidated Condensed Interim Financial Statements.

IG's Risk Taxonomy categorises the principal risks faced by the firm into five areas: the risks inherent in the regulatory environment, the risks inherent in the commercial environment, business model risk, operational risk and conduct risk.

Detail on all of the above risks and how they are managed is included on pages 56 to 62 of the 2019 Group Annual Report, which is available on the Group's website.

Segregated client funds

At 30 November 2019 the Group held £1,401.0 million (31 May 2019: £1,349.2 million) of client money in segregated bank accounts, and £1,178.5 million (31 May 2019: £1,096.8 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 Interim Income Statement
for the six months ended 30 November 2019 (unaudited)

	Note	Unaudited six months ended 30 November 2019 £m	Unaudited six months ended 30 November 2018 £m
Trading revenue		254.0	257.2
Introducing partner commissions		(4.1)	(6.2)
Net trading revenue	3	249.9	251.0
Betting duty and financial transaction taxes		(1.4)	(5.9)
Interest income on segregated client funds		3.0	3.2
Interest expense on segregated client funds		(0.4)	(0.2)
Other operating income		0.9	1.7
Net operating income		252.0	249.8
Operating costs	4	(151.9)	(137.3)
Operating profit		100.1	112.5
Finance income		3.7	2.2
Finance costs		(2.6)	(1.7)
Profit before taxation		101.2	113.0
Taxation	5	(18.8)	(21.6)
Profit for the period and attributable to owners of the parent		82.4	91.4
Earnings per ordinary share			
- basic	6	22.4p	24.9p
- diluted	6	22.2p	24.6p

Consolidated Interim Statement of Comprehensive Income
for the six months ended 30 November 2019 (unaudited)

	Unaudited six months ended 30 November 2019		Unaudited six months ended 30 November 2018	
	£m	£m	£m	£m
Profit for the period		82.4		91.4
Other comprehensive income / (expense):				
Items that may be subsequently reclassified to the Income Statement:				
Changes in the fair value of financial assets held at fair value through other comprehensive income, net of tax	(0.1)		(0.1)	
Foreign currency translation gain / (loss)	(6.1)		4.4	
Other comprehensive income / (expense) for the period		(6.2)		4.3
Total comprehensive income attributable to owners of the parent		76.2		95.7

Consolidated Interim Statement of Financial Position

at 30 November 2019 (unaudited)

	Note	Unaudited 30 November 2019	31 May 2019	Unaudited 30 November 2018
		£m	£m	£m
Assets				
Non-current assets				
Property, plant and equipment	8	40.5	14.4	15.1
Intangible assets	9	147.9	151.5	153.6
Financial investments	10	139.5	189.9	141.4
Deferred income tax assets		9.0	9.0	8.4
		336.9	364.8	318.5
Current assets				
Trade receivables	11	270.1	301.1	318.2
Other assets	12	24.5	33.1	4.3
Prepayments		9.0	9.7	8.6
Other receivables		5.3	5.3	2.7
Income tax receivable		4.2	-	-
Cash and cash equivalents		416.4	373.3	393.4
Financial investments	10	85.1	35.3	62.3
		814.6	757.8	789.5
TOTAL ASSETS		1,151.5	1,122.6	1,108.0
Liabilities				
Non-current liabilities				
Borrowings		99.7	99.6	99.5
Lease liabilities		18.0	-	-
Deferred income tax liabilities		0.5	0.4	0.2
		118.2	100.0	99.7
Current liabilities				
Trade payables	13	144.1	110.4	123.3
Other payables		50.4	60.0	49.5
Borrowings		20.0	-	-
Lease liabilities		6.7	-	-
Income tax payable		1.5	10.4	18.0
		222.7	180.8	190.8
Total liabilities		340.9	280.8	290.5
Equity				
Share capital and share premium		206.8	206.8	206.8
Other reserves		72.8	80.2	73.4
Retained earnings		531.0	554.8	537.3
Total equity		810.6	841.8	817.5
TOTAL EQUITY AND LIABILITIES		1,151.5	1,122.6	1,108.0

Notes 1 to 16 are an integral part of these Consolidated Interim Condensed Financial Statements.

These Consolidated Interim Condensed Financial Statements were approved by the Board of Directors on 21 January 2020 and signed on its behalf by:

P R Mainwaring, Chief Financial Officer

Consolidated Interim Statement of Changes in Equity
for the six months ended 30 November 2019 (unaudited)

	Share capital and share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
At 31 May 2018	206.8	71.6	563.7	842.1
Profit for the period	-	-	91.4	91.4
Other comprehensive income for the period	-	4.3	-	4.3
Total comprehensive income for the period	-	4.3	91.4	95.7
Equity-settled employee share-based payments	-	4.9	-	4.9
Transfer of share-based payment reserve	-	(5.5)	5.5	-
Employee Benefit Trust purchase of shares	-	(1.9)	-	(1.9)
Equity dividends paid	-	-	(123.3)	(123.3)
At 30 November 2018	206.8	73.4	537.3	817.5
At 31 May 2019	206.8	80.2	554.8	841.8
IFRIC 23 transitional adjustment	-	-	0.5	0.5
IFRS 16 transitional adjustment	-	-	0.5	0.5
At 1 June 2019	206.8	80.2	555.8	842.8
Profit for the period	-	-	82.4	82.4
Other comprehensive expense for the period	-	(6.2)	-	(6.2)
Total comprehensive (expense) / income for the period	-	(6.2)	82.4	76.2
Equity-settled employee share-based payments	-	4.5	-	4.5
Transfer of share-based payment reserve	-	(4.2)	4.2	-
Employee Benefit Trust purchase of shares	-	(1.5)	-	(1.5)
Equity dividends paid	-	-	(111.4)	(111.4)
At 30 November 2019	206.8	72.8	531.0	810.6

Consolidated Interim Cash Flow Statement
for the six months ended 30 November 2019 (unaudited)

	Note	Unaudited six months ended 30 November 2019	Unaudited six months ended 30 November 2018
		£m	£m
Operating activities			
Operating profit		100.1	112.5
Depreciation and amortisation		12.5	8.8
Share-based payments charge		4.5	4.9
Decrease in trade and other receivables		39.9	88.8
Increase / (decrease) in trade and other payables		25.0	(29.1)
Cash generated from operations		182.0	185.9
Income taxes paid		(31.5)	(19.9)
Net cash flow generated from operating activities		150.5	166.0
Investing activities			
Interest received		3.1	1.8
Purchase of property, plant and equipment		(5.0)	(3.4)
Payments to acquire and develop intangible assets		(2.9)	(6.2)
Net cash flow from sale / purchase of financial investments		1.2	(29.8)
Net cash flow used in investing activities		(3.6)	(37.6)
Financing activities			
Interest paid		(2.4)	(1.7)
Lease payments		(3.3)	-
Equity dividends paid to owners of the parent	7	(111.4)	(123.3)
Employee Benefit Trust purchase of own shares		(1.5)	(1.9)
Drawdown of term loan net of fees		-	99.5
Net drawdown on Revolving Credit Facility		20.0	-
Net cash flow used in financing activities		(98.6)	(27.4)
Net increase in cash and cash equivalents		48.3	101.0
Cash and cash equivalents at the beginning of the period		373.3	289.7
Impact of movement in foreign exchange rates		(5.2)	2.7
Cash and cash equivalents at the end of the period		416.4	393.4

1. General information

The Group provides online trading services allowing clients access to various financial markets, including indices, shares, forex, commodities, options and cryptocurrencies.

The Consolidated Interim Condensed Financial Statements of the Group for the six months ended 30 November 2019 were authorised for issue by the Board of Directors on 21 January 2020. IG Group Holdings plc is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on the London Stock Exchange.

The interim information, together with the comparative information contained in this report for the six months ended 30 November 2018, does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The interim information is unaudited but has been reviewed by the Company's auditors, PricewaterhouseCoopers LLP, and their report appears at the end of these Consolidated Interim Condensed Financial Statements. The Financial Statements for the year ended 31 May 2019 have been audited and reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2. Basis of preparation and accounting policies

Basis of preparation

The Consolidated Interim Condensed Financial Statements for the six months ended 30 November 2019 have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority and in accordance with IAS 34 Interim Financial Reporting. The Consolidated Interim Condensed Financial Statements are presented in Sterling.

The Consolidated Interim Condensed Financial Statements do not include all of the information and disclosures required in the Annual Financial Statements and should be read in conjunction with the Group's Annual Report for the year ended 31 May 2019 which was prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Throughout this report, FY20, FY19 and FY18 refer to the financial years ended 31 May 2020, 31 May 2019 and 31 May 2018 respectively. H1 FY20, H1 FY19 and H1 FY18 refer to the six months ended 30 November 2019, 30 November 2018 and 30 November 2017 respectively.

Going concern basis of accounting

The Group meets its day-to-day working capital requirements through its available liquid assets and committed banking facilities. The Group's liquid assets exclude all monies held in segregated client money accounts.

In assessing whether it is appropriate to adopt the going concern basis in preparing the Financial Statements, the Directors have considered the resilience of the Group, taking account of its liquidity position and cash generation, the adequacy of capital resources, the availability of external credit facilities and the associated financial covenants, and stress-testing of liquidity and capital adequacy taking into account the principal risks faced by the business. Further details of these principal risks and how they are mitigated and managed is documented in the Risk Management section in the 2019 Group Annual Report on page 56.

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

Critical accounting estimates and judgements

The preparation of financial statements requires the Group to make estimates and judgements that affect the amounts reported for assets and liabilities as at the interim reporting date, and the amounts reported for revenue and expenses during the period.

The nature of estimates means that actual outcomes could differ from those estimates. In the Directors' opinion, the accounting estimates or judgements that have the most significant impact on the presentation or measurement of items recorded in the financial statements are the following:

(a) Carrying value of intangible assets (excluding goodwill) (estimate) – the Group undertook an analysis as at 30 November 2019 in relation to the DailyFX intangible asset, which has a carrying value of £21.7 million at 30 November 2019, to determine whether there were any indicators of impairment. The Group considered the number of first trades generated by the asset, the attrition rate of customers, the average net trading income generated by each active client and an assessment of the overall economic environment to determine whether there were any indicators that would require a full impairment assessment to be undertaken. The Group concluded that there were no indicators of impairment. The Group also considered the estimated life of DailyFX and concluded that the useful life of 10 years remained appropriate.

(b) Tax charge (estimate) – the calculation of the Group's total tax charge involves a degree of estimation. In calculating the tax charge, the Group makes assumptions about the availability of reliefs, such as the UK Patent Box, the availability of future profits to support the recognition of deferred tax assets and assessments of the outcome of tax enquiries as the tax treatment of some transactions and the application of tax legislation cannot be finally determined until formal resolution has been reached with the relevant tax authority. The Group recognises a tax charge for open tax matters based on an assessment of the taxes that may be due. Tax payable may ultimately be materially more or less than the amount already accounted for. Further information is disclosed in Note 8 of the FY19 Annual Report.

(c) DailyFX asset acquisition (judgement) – determining whether the purchase of DailyFX during the year ended 31 May 2017 was a business combination or an asset purchase was a matter of critical accounting judgement which remains relevant for the period ended 30 November 2019 given the size of the asset on the Group's Statement of Financial Position at £21.7 million. 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.

(d) Accounting for cryptocurrencies (judgement) – the Group has recognised £24.5 million of cryptocurrencies and rights to cryptocurrencies on its Statement of Financial Position as at 30 November 2019 (31 May 2019: £33.1 million). The accounting treatment adopted is based on IAS2, Inventories, and the assets are disclosed as 'Other assets' in the Statement of Financial Position. The accounting treatment of cryptocurrencies is considered to be a critical accounting judgement.

New accounting standards and interpretations – standards and amendments adopted during the year

The accounting policies adopted in the preparation of the Consolidated Interim Condensed Financial Statements are consistent with those followed in the preparation of the Group's Annual Consolidated Financial Statements for the year ended 31 May 2019, except for the adoption of new standards and interpretations from 1 June 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In the six-month period to 30 November 2019 the Group has applied, for the first time, IFRS 16, Leases. The adoption of this standard did not require restatement of prior year Financial Statements. As required by IAS 34, Interim Financial Reporting, the nature and effect of adoption of this standard is disclosed below.

In the six-month period to 30 November 2019 the Group has also applied, for the first time, IFRIC 23, Uncertainty over Income Tax Treatment. The adoption of this interpretation did not require restatement of prior year Financial Statements.

IFRS 16 Leases
IFRS 16 was endorsed by the EU in November 2017 and is effective for periods beginning on or after 1 January 2019. IFRS 16 reflects a major change in the way that operating leases are accounted for. Whereas previously the annual lease expense was recognised in the income statement, with future minimum rentals payments disclosed in the notes, IFRS 16 requires all leased assets, except for short-term or low value leases, to be recognised as an asset on the balance sheet, with a corresponding lease liability. This has the effect of grossing up the balance sheet. The depreciation of the asset is recognised in the income statement, along with a corresponding finance cost.

Where the Group is the lessee, it now recognises a right-of-use (RoU) asset and a related lease liability from the date at which the RoU asset has been obtained. The lease liability is measured as the net present value of future lease payments, which are discounted at the Group's estimated incremental secured borrowing rate. For low value or short-term leases, payments are recognised as lease payments on a straight-line basis over the lease term. These are recognised as premises costs in operating expenses.

Where the Group is a lessor, these arrangements are classified as operating leases, with income recognised on a straight-line basis over the lifetime of the lease.

Transition considerations

IFRS 16 has been adopted using the modified retrospective approach to measure the lease asset and liability as if a lease was entered on 1 June 2019. The lease liability is measured at the present value of future lease payments, discounted using the Group's estimated incremental secured borrowing rate. The RoU asset is initially measured at cost, comprising the initial measurement of lease liability, adjusted for lease payments made at or before commencement date, restoration costs, and lease incentives. Under the modified retrospective approach comparative figures are not restated and as such these continue to be measured and presented under IAS 17.

IFRS 16 has had a significant impact on the Group's balance sheet. Prior to adoption, the future minimum rentals payable for operating leases, all of which relate to office accommodation in various locations around the world, totalled £28.6 million at 31 May 2019 (2018: £25.4 million). As at 1 June 2019, the Group recognised a RoU asset of £24.0 million, a lease liability of £24.5 million and an adjustment to retained earnings of £0.5 million.

Lease related depreciation of £3.4 million and an interest expense of £0.3 million has been recognised in the Consolidated Income Statement for the six months ended 30 November 2019. Under IAS 17, Leases, the corresponding operating lease expense recognised in operating expenses would have been £3.2 million.

Seasonality of operations

The Directors consider that there is no predictable seasonality to the Group's operations.

3. Net trading revenue

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

The segmental analysis shown below has been prepared on the same basis as FY19 and more details can be found on page 141 of the 2019 Group Annual Report. The segmental analysis does not include a measure of profitability, nor a segmented Consolidated Interim Statement of Financial Position, as this would not reflect the information which is received by the Group's Chief Operating Decision Maker on a regular basis.

Net trading revenue by geography:

	Unaudited six months ended 30 November 2019	Unaudited six months ended 30 November 2018
	£m	£m
UK	97.9	108.9
EU	33.4	38.6
EMEA – Non-EU	21.8	20.6
Australia	35.7	36.4
Singapore	22.0	21.4
Japan	16.2	8.9
Emerging Markets	13.3	7.9
USA	9.6	8.3
	249.9	251.0

Net trading revenue by product:

	Unaudited six months ended 30 November 2019	Unaudited six months ended 30 November 2018
	£m	£m
OTC leveraged derivatives	239.5	240.1
Exchange traded derivatives	7.8	8.4
Stock trading and investments	2.6	2.5
	249.9	251.0

4. Operating costs

	Unaudited six months ended 30 November 2019 £m	Unaudited six months ended 30 November 2018 £m
Fixed remuneration	56.6	51.7
Variable remuneration	15.6	15.2
Employee related expenses	72.2	66.9
Advertising and marketing	27.5	25.6
Depreciation and amortisation	12.5	8.8
Premises related costs	3.8	6.5
Regulatory fees	1.3	(2.0)
Loss allowance	0.5	(0.5)
Other structural costs	34.1	32.0
	151.9	137.3

5. Taxation

The Income Tax expense of £18.8 million (H1 FY19: £21.6 million) is recognised based on management's estimate of the effective tax rate for the full year of 18.6% (H1 FY19: 19.1%). The actual effective tax rate for FY19 was 18.5%.

6. Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period, excluding shares held as own shares in the Group's Employee Benefit Trusts. Diluted earnings per ordinary share is calculated using the same profit figure as that used in basic earnings per ordinary 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.

Weighted average number of ordinary shares	Unaudited 30 November 2019	Unaudited 30 November 2018
Basic	367,995,715	367,441,946
Dilutive effect of share-based payments	3,151,170	4,150,519
Diluted	371,146,885	371,592,465

	Unaudited six months ended 30 November 2019	Unaudited six months ended 30 November 2018
Basic earnings per ordinary share	22.4p	24.9p
Diluted earnings per ordinary share	22.2p	24.6p

7. Dividends paid and proposed

The Group paid a final dividend of 30.24 pence per share for FY19 totalling £111.4 million during H1 FY20. The Group paid a final dividend of 33.51 pence per share for FY18 totalling £123.3 million during H1 FY19.

The proposed interim dividend for FY20 of 12.96 pence per share totalling £47.8 million was approved by the Board on 21 January 2020 and has not been included as a liability at 30 November 2019. This dividend will be paid on 27 February 2020 to those members on the register at the close of business on 31 January 2020.

Notes to the Consolidated Interim Condensed Financial Statements
for the six months ended 30 November 2019 (unaudited)

8. Property, plant and equipment

	Leasehold improvements	Office equipment, fixtures and fittings	Computer and other equipment	Right-of-use assets	Total
	£m	£m	£m	£m	£m
Net book value - 30 November 2019 (unaudited)	6.4	1.9	7.3	24.9	40.5
Net book value - 31 May 2019	5.9	2.3	6.2	-	14.4
Net book value - 30 November 2018 (unaudited)	5.8	2.3	7.0	-	15.1

The Group has implemented IFRS16, Leases, with effect from 1 June 2019, and has recognised right-of-use assets of £24.9 million at 30 November 2019. Further details are provided in note 2.

9. Intangible assets

	Goodwill	Domain Names	Internally developed software	Software and licences	Total
	£m	£m	£m	£m	£m
Net book value - 30 November 2019 (unaudited)	107.9	23.0	14.0	3.0	147.9
Net book value - 31 May 2019	108.1	25.4	14.6	3.4	151.5
Net book value - 30 November 2018 (unaudited)	108.1	26.8	14.5	4.2	153.6

10. Financial investments

Financial investments are UK Government securities held for the following purposes:

	Unaudited 30 November 2019	31 May 2019	Unaudited 30 November 2018
	£m	£m	£m
Liquid asset buffer	84.3	84.4	82.1
Collateral at brokers	140.3	140.8	121.6
	224.6	225.2	203.7
Split as:			
Non-current portion	139.5	189.9	141.4
Current portion	85.1	35.3	62.3
	224.6	225.2	203.7

11. Trade receivables

	Unaudited 30 November 2019	31 May 2019	Unaudited 30 November 2018
	£m	£m	£m
Amounts due from brokers	227.1	245.4	273.1
Own funds in client money	41.2	53.9	43.1
Amounts due from clients	1.8	1.8	2.0
	270.1	301.1	318.2

Amounts due from brokers represent balances with brokers where the combination of cash held on account and the valuation of financial derivative open positions results in an amount due to the Group. In addition to the Amounts due from brokers, the Group held UK Government Securities 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 £3.5 million (31 May 2019: £13.5 million and 30 November 2018: £10.6 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.

12. Other assets

Other assets are cryptocurrencies and rights to cryptocurrencies, which are owned and controlled by the Group for the purpose of hedging the Group's exposure to clients' cryptocurrency trading positions. The Group holds cryptocurrencies on exchange and in vaults as follows:

	Unaudited 30 November 2019	31 May 2019	Unaudited 30 November 2018
	£m	£m	£m
Exchange	9.4	14.2	4.3
Vaults	15.1	18.9	-
	24.5	33.1	4.3

13. Trade payables

	Unaudited 30 November 2019	31 May 2019	Unaudited 30 November 2018
	£m	£m	£m
Client funds held on balance sheet	140.1	107.4	122.9
Amounts due to clients	4.0	3.0	0.4
	144.1	110.4	123.3

Client funds held on balance sheet comprise title transfer funds and client monies deposited with the Group's Swiss banking subsidiary. These amounts are included within cash and cash equivalents in the Group's Statement of Financial Position.

Amounts due to clients represent balances that will be transferred from the Group's own cash into segregated client funds on the following business day in accordance with the UK's Financial Conduct Authority 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates.

14. Related party transactions

The basis of remuneration of key management personnel remains consistent with that disclosed in the 2019 Group Annual Report. There were no other related party transactions which had a material impact on these Consolidated Interim Condensed Financial Statements.

15. Contingent liabilities and provisions

There are currently no contingent liabilities expected to have a material adverse impact on the Group's Consolidated Interim Condensed Financial Statements. The Group had no material provisions at 30 November 2019 (year ended 31 May 2019 and period ended 30 November 2018: £nil).

16. Financial risk management

Financial risks arising from financial instruments are analysed into market, credit, concentration and liquidity risks. These Consolidated Interim Condensed Financial Statements do not include all financial risk management information and disclosures required in the Annual Financial Statements. Details of how these risks are managed are discussed in the financial risk management note in note 27 of the 2019 Group Annual Report.

There has not been a significant change in the Group's financial risk management processes or policies since the year end.

The financial instruments valuation hierarchy, the definitions and details of the inputs and the valuation techniques in determining the fair values of the Group financial instruments are shown in note 26 of the 2019 Group Annual Report.

There have been no changes in the valuation techniques for any of the Group's financial instruments held at fair value in the period (year ended 31 May 2019 and period ended 30 November 2018: none). There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 for the period ended 30 November 2019 (year ended 31 May 2019 and period ended 30 November 2018: none).

Statement of Directors' Responsibilities

The Directors confirm to the best of their knowledge that the Consolidated Interim Condensed Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting", give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, and that the interim management report herein includes a fair review of the information required by Disclosure and Transparency Rules 4.2.7 and 4.2.8, namely:

- an indication of important events that have occurred during the six months ended 30 November 2019 and their impact on the Consolidated Interim Condensed Financial Statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the six months ended 30 November 2019 and any material changes in the related party transactions described in the last Annual Report.

A list of current directors is maintained on the IG Group Holdings plc website: www.iggroup.com

On behalf of the Board

P R Mainwaring
Chief Financial Officer

Independent review report to IG Group Holdings plc
Report on the Consolidated Interim Condensed Financial Statements

Our conclusion

We have reviewed IG Group Holdings plc's Consolidated Interim Condensed Financial Statements (the 'Interim Financial Statements') in the interim results of IG Group Holdings plc for the 6-month period ended 30 November 2019. Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The Interim Financial Statements comprise:

- The consolidated interim statement of financial position as at 30 November 2019;
- The consolidated interim income statement and consolidated statement of comprehensive income for the
- period then ended;
- The consolidated interim cash flow statement for the period then ended;
- The consolidated interim statement of changes in equity for the period then ended; and
- The explanatory notes to the interim financial statements.

The Interim Financial Statements included in the interim results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the Interim Financial Statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the Interim Financial Statements and the review

Our responsibilities and those of the Directors

The interim results, including the Interim Financial Statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the interim results based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of Interim Financial Statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
21 January 2020
London

(a)The maintenance and integrity of the IG Group website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.

(b)Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions

Appendix

1. Core Markets

	Revenue (£m)		
	H1 FY20	**H2 FY19**	**H1 FY19**
UK	93.4	87.7	106.3
EU	33.2	29.4	38.4
EMEA ex EU	21.4	22.0	18.9
Australia	37.0	33.1	35.5
Singapore	21.9	19.5	21.2
Total OTC Core	**206.9**	**191.7**	**220.3**
Stock trading and investments	2.6	3.4	2.5
Total Core	**209.5**	**195.1**	**222.8**

	Active Clients ('000)			Revenue per client (£)		
	H1 FY20	**H2 FY19**	**H1 FY19**	**H1 FY20**	**H2 FY19**	**H1 FY19**
UK	38.9	38.6	41.5	2,396	2,269	2,559
EU	23.6	22.5	24.8	1,409	1,306	1,546
EMEA ex EU	5.6	5.4	5.4	3,818	4,104	3,527
Australia	15.9	15.1	15.3	2,326	2,185	2,322
Singapore	8.1	7.5	7.6	2,709	2,591	2,805
Total OTC Core	**92.1**	**89.1**	**94.6**	**2,245**	**2,150**	**2,329**
Stock trading and investments	37.9	37.9	37.0	69	90	67
Multi-product	(5.3)	(5.4)	(5.6)			
Total Significant Opportunities	**124.7**	**121.6**	**126.0**			

2. Significant Opportunities

	Revenue (£m)		
	H1 FY20	H2 FY19	H1 FY19
Japan	16.2	10.5	8.9
Emerging Markets	11.3	9.5	8.1
US	1.8	0.2	-
Institutional	3.3	2.3	2.8
Total OTC Significant Opportunities	**32.6**	**22.5**	**19.8**
ETD – US	7.8	8.4	8.4
Total Significant Opportunities	40.4	30.9	28.2

	Active Clients ('000)			Revenue per client (£)		
	H1 FY20	H2 FY19	H1 FY19	H1 FY20	H2 FY19	H1 FY19
Japan	10.4	6.9	5.9	1,553	1,515	1,499
Emerging Markets	4.5	4.3	3.3	2,495	2,240	2,481
US	2.8	0.8	-	594	242	-
Institutional	0.2	0.1	0.1	19,508	16,063	21,580
Total OTC Significant Opportunities	**17.9**	**12.1**	**9.3**	**1,814**	**1,851**	**2,129**
ETD – US	11.2	12.1	12.4	707	700	673
ETD – EU	0.7	-	-	-	-	-
Total Significant Opportunities	**29.8**	**24.2**	**21.7**	**1,358**	**1,276**	**1,299**

3. Quarterly analysis – Core Markets

	Revenue (£m)					
	Q2 FY20	**Q1 FY20**	**Q4 FY19**	**Q3 FY19**	**Q2 FY19**	**Q1 FY19**
UK	46.1	47.3	44.8	42.8	51.1	55.2
EU	15.4	17.8	15.6	13.7	15.6	22.8
EMEA ex EU	10.4	11.0	11.3	10.7	10.1	8.9
Australia	17.1	19.9	17.1	15.9	17.9	17.4
Singapore	10.0	11.9	10.4	9.2	10.4	10.9
Total OTC Core	**99.0**	**107.9**	**99.2**	**92.3**	**105.1**	**115.2**
Stock trading and investments	1.3	1.3	2.6	0.8	1.3	1.2
Total Core	**100.3**	**109.2**	**101.8**	**93.1**	**106.4**	**116.4**

	Active Clients ('000)					
	Q2 FY20	**Q1 FY20**	**Q4 FY19**	**Q3 FY19**	**Q2 FY19**	**Q1 FY19**
UK	33.1	33.5	32.6	32.8	32.5	35.4
EU	20.5	20.1	19.2	19.0	18.6	21.3
EMEA ex EU	4.7	4.7	4.6	4.4	4.5	4.4
Australia	12.7	13.8	12.7	12.7	13.2	12.5
Singapore	7.0	6.8	6.5	6.5	6.5	6.6
Total OTC Core	**78.0**	**78.9**	**75.6**	**75.4**	**75.3**	**80.2**
Stock trading and investments	37.9	38.3	37.9	37.4	37.0	37.2
Multi-product	(4.6)	(4.8)	(4.6)	(4.7)	(4.8)	(4.9)
Total Core	**111.3**	**112.4**	**108.9**	**108.1**	**107.5**	**112.5**

	Revenue per client (£)					
	Q2 FY20	**Q1 FY20**	**Q4 FY19**	**Q3 FY19**	**Q2 FY19**	**Q1 FY19**
UK	1,391	1,414	1,377	1,307	1,569	1,561
EU	754	884	815	723	841	1,066
EMEA ex EU	2,204	2,348	2,483	2,413	2,228	2,028
Australia	1,357	1,439	1,348	1,253	1,366	1,399
Singapore	1,429	1,759	1,595	1,400	1,597	1,640
Total OTC Core	**1,270**	**1,367**	**1,315**	**1,224**	**1,396**	**1,436**
Stock trading and investments	36	33	68	22	36	31

4. Quarterly analysis – Significant Opportunities

	Revenue (£m)					
	Q2 FY20	Q1 FY20	Q4 FY19	Q3 FY19	Q2 FY19	Q1 FY19
Japan	8.5	7.7	4.9	5.5	5.0	3.9
Emerging Markets	5.4	5.9	5.3	4.2	4.9	3.2
US	1.0	0.7	0.2	-	-	-
Institutional	1.5	1.8	1.2	1.0	1.3	1.5
Total OTC Significant Opportunities	**16.4**	**16.1**	**11.6**	**10.7**	**11.2**	**8.6**
ETD – US	4.1	3.8	4.4	4.1	4.5	3.9
Total Significant Opportunities	**20.5**	**19.9**	**16.0**	**14.8**	**15.7**	**12.5**

	Active Clients ('000)					
	Q2 FY20	Q1 FY20	Q4 FY19	Q3 FY19	Q2 FY19	Q1 FY19
Japan	8.9	8.1	6.0	5.6	5.2	4.9
Emerging Markets	3.4	3.5	3.6	3.1	2.8	2.3
US	2.2	1.7	0.8	-	-	-
Institutional	0.1	0.1	0.1	0.1	0.1	0.1
Total OTC Significant Opportunities	**14.6**	**13.4**	**10.5**	**8.8**	**8.1**	**7.3**
ETD – US	7.8	8.3	8.8	8.7	8.6	9.1
ETD - EU	0.7	-	-	-	-	-
Total Significant Opportunities	**23.1**	**21.7**	**19.3**	**17.5**	**16.7**	**16.4**

	Revenue per client (£)					
	Q2 FY20	Q1 FY20	Q4 FY19	Q3 FY19	Q2 FY19	Q1 FY19
Japan	961	951	817	996	968	791
Emerging Markets	1,581	1,688	1,477	1,398	1,791	1,391
US	451	398	240	70	-	-
Institutional	11,416	13,405	9,529	7,783	10,898	13,439
Total OTC Significant Opportunities	**1,127**	**1,197**	**1,102**	**1,232**	**1,404**	**1,172**
ETD – US	518	463	499	466	516	429
ETD - EU	-	-	-	-	-	-
Total Significant Opportunities	**888**	**918**	**828**	**850**	**946**	**759**