IG Group

Results for the financial year ended 31 May 2020

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IG GROUP HOLDINGS PLC

Preliminary results for the financial year ended 31 May 2020

23 July 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 twelve months ended 31 May 2020 ("FY20").

'A successful year for IG, with a return to growth in Core Markets, and momentum building around the Significant Opportunities, all accompanied by record performance in Q4'

Highlights

- Good performance in Q1-Q3 FY20 boosted by exceptional Q4 FY20 results:
    - Full year net trading revenue grew 36% to £649.2 million (FY19: £476.9 million) with profit before tax increasing 52% to £295.9 million (FY19: £194.3 million)
    - Net trading revenue in Q1-Q3 FY20 increased 9% to £389.7 million (Q1-Q3 FY19: £359.0 million) and Q4 FY20 revenue more than doubled year on year to £259.5 million (Q4 FY19: £117.9 million)
    - Active clients grew 34% to 239,600 (FY19:178,500), with 96,900 new clients onboarded in FY20
    - Full year dividend of 43.2 pence per share maintained for FY20 (FY19: 43.2 pence) consistent with previous guidance
- Significant, tangible progress on the strategic initiatives:
    - Core Markets net trading revenue grew 3% to £325.5 million in Q1-Q3 FY20 (Q1-Q3 FY19: £316.1 million), accelerating in Q4, to deliver £540.8 million for the full year (FY19: £418.2 million)
    - Significant Opportunities revenue nearly doubled to £108.4 million (FY19: £58.7 million), also supported by the extraordinary Q4 trading conditions, as momentum builds in Asia, the US, and with new product launches in Europe
- Successful navigation of the Covid-19 pandemic to date:
    - Continued investment in technology infrastructure and systems enabled all of IG's workforce to transition quickly and smoothly to remote working, whilst handling exceptional trade volumes and client onboarding; average daily trade volume exceeded 1 million in March 2020, versus an average daily trade volume of 336,000 in March 2019
    - Capital, funding and liquidity of the Group remained very strong throughout the period, enabling the Group to continue supporting its clients during the extreme volatility experienced in Q4; effective risk management allowed the Group to remain within Board-approved market risk limits
- Focused on supporting our broader communities through Group-wide environmental, social, and governance activities:
    - Donated £5 million to the IG Brighter Future Fund
    - Became a carbon-neutral company in July 2020[1]

Financial Summary

For the year ended 31 May 2020	FY20	FY19	Change %
Net trading revenue (£ million)	649.2	476.9	36%
Operating costs (£ million)[2]	352.9	284.3	24%
Profit before tax (£ million)	295.9	194.3	52%
Profit after taxation (£ million)	240.4	158.3	52%
Basic earnings per share (pence)	65.3	43.1	52%
Total dividend per share (pence)	43.2	43.2	unchanged

[1] In line with PAS2060

[2] Operating costs includes net credit losses on financial assets of £11.0 million (FY19: £1.8 million) which are presented separately on the Consolidated Income Statement in the Group Financial Statements

Dividend

The Board recommends a final dividend of 30.24 pence per share, taking the full year dividend for FY20 to 43.2 pence per share (FY19: 43.2 pence), in line with previous guidance. The final dividend, if approved by shareholders, will be paid on 22 October 2020 to those members on the register at the close of business on 25 September 2020.

Capital, funding, and liquidity remain very strong, supporting further investment in growth and the dividend payment. The Board reiterates its intention to maintain the 43.2 pence per share annual cash dividend until the Group's earnings allow for progressive dividends.

Outlook

The Group anticipates maintaining momentum around the Core Markets and the portfolio of Significant Opportunities, continuing the progress made in FY20, to deliver its medium-term financial targets. These targets remain unchanged; revenue growth in Core Markets of 3-5% over the medium term, and an incremental £100 million of revenue by the end of FY22 relating to the Significant Opportunities portfolio.

The Group anticipates a reversion to more normalised levels of market volatility during the course of FY21. Although current trading has continued to reflect elevated levels of volatility, this has moderated since the peak seen in March.

In FY21 the Group expects to grow underlying operating expenses by 3%. Additionally, in order to support the planned next stage of development in the Significant Opportunities portfolio and to further increase scalability and resilience in its technology and operations, the Group plans to make a £10 million investment in the year. Variable remuneration in FY21 is anticipated to be around the midpoint of the FY19 and FY20 levels.

June Felix, Chief Executive, commented:

"It's been a successful first year in our three-year growth strategy to become a more sustainable, diversified, and global business. We concluded FY20 well on track to deliver on our medium-term targets and are confident in achieving the goals we've set. I'm delighted with the tangible progress we've made, the resilience we've shown as a company, and the record results we've delivered.

Our focus is on providing a first-class service to sophisticated clients wanting to trade our products across a range of global financial markets. IG's continued investment in people and technology will further improve our platform and continue to deliver the new functionality and capabilities that our clients expect. Our clients are one of our most important stakeholders and our interests are aligned with theirs. Our success is built on their long-standing support and loyalty. In FY20, we experienced growing client demand across the world for IG's products and services even prior to the exceptional period in Q4, and delivered record results.

I am particularly proud of how our people have worked together through the Covid-19 pandemic to support our clients, their colleagues, and the broader communities in which we operate. Their performance during this extraordinary time has demonstrated that they are a credit to the business, and a key asset. We are aware that this is a difficult time for many, and this is why we have chosen to make a £5 million donation to the IG Brighter Future Fund, for children whose educational opportunities have been most impacted by Covid-19.

This year we have also welcomed Mike McTighe, Chairman of the Board, and Charlie Rozes, our new CFO, to IG Group. They both bring extensive international experience to the Company. I am looking forward to working closely with them as we continue to focus on delivering sustainable growth and attractive shareholder returns."

Further information

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Analyst presentation

There will be an analyst and investor presentation at 9:30am (UK Time) on Thursday 23 July.

The presentation will also be accessible live via audio webcast at https://pres.iggroup.com/ig052. If you wish to listen via conference call, please use the following link https://pres.iggroup.com/ig052/vip_connect. The audio webcast of the presentation and a transcript will be archived at: www.iggroup.com/investors

Disclaimer - forward-looking statements

This preliminary statement, prepared by IG Group Holdings plc (the "Company"), may contain forward-looking statements about the Company and its subsidiaries (the "Group"). Such forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "projects", "estimates", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "hopes", "may", "will", "would", "could" or "should" or, in each case, their negative or other various or comparable terminology.

Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors which are beyond the Company's control and are based on the Company's beliefs and expectations about future events as of the date the statements are made. If the assumptions on which the Group bases its forward-looking statements change, actual results may differ from those expressed in such statements. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including those set out under "Principal Risks" in the Company's annual report for the financial year ended 31 May 2019. The annual report can be found on the Company's website (www.iggroup.com).

Forward-looking statements speak only as of the date they are made. Except as required by applicable law and regulation, 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 17,000 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 one of the world's first providers of financial derivatives to retail traders, it continued leading the way by launching the world's first online and iPhone trading services.

IG is an award-winning, multi-product trading company which allows retail, professional and institutional clients to trade 24 hours a day, 7 days a week[3]. IG is the world's No.1 provider of CFDs[4] 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 North America. IG Group Holdings plc holds a long-term investment grade credit rating of BBB- with a stable outlook from Fitch Ratings.

[3] Excluding 10pm Friday (GMT) to 8am Saturday (GMT)

[4] Based on revenue excluding FX (from published financial statements, June 2020)

Group Performance Review

Overview

IG is a global financial technology and trading business, with a clear purpose to enable our clients access to unique opportunities in the financial markets. In FY20, IG delivered record revenues and profits, with growth across all regions and products. It also built momentum and achieved significant progress towards its medium-term financial targets and the broader diversification of the business.

Net trading revenue was £649.2 million, 36% higher than the prior year. This performance was underpinned by good growth in the first three quarters of the financial year, prior to the heightened market volatility in Q4. In the first three quarters, net trading revenue of £389.7 million was up 9% on the prior year period (Q1-Q3 FY19: £359.0 million). In Q4, net trading revenue accelerated to £259.5 million. This reflected the unprecedented level of client trading activity from the sustained period of volatility across global financial markets triggered by the Covid-19 pandemic and other macro events.

IG's track record of revenue growth over time has been driven by steady increases in both the size and quality of its client base. The Group maintained its strict standards and policies throughout the year for new client recruitment and screening, and in total, recruited 96,900 new clients in FY20, up over 100% on the prior year. The Group also continues to benefit from the loyalty and tenure of its established client base, with 55% of revenue in the financial year generated from clients who have traded with IG for more than three years. In the final quarter of the financial year IG onboarded 51,200 new clients across its product offering with 35,300 new OTC Leveraged clients placing a first trade in the period.

Total operating expenses, excluding variable remuneration, were £308.6 million,19% higher than the prior year (FY19: £259.6 million). This included investments of £35 million in prospect acquisition and development of the IG brand, and the launch of our new businesses in the US and Europe. In addition, there was an increase in certain revenue related costs, and a £5 million charitable donation. Variable remuneration was £44.3 million, 79% higher than the prior year reflecting the exceptional performance against internal targets.

Profit before tax increased to £295.9 million (FY19: £194.3 million) with an operating profit margin of 45.6%. Conversion of operating profit into cash was strong, with own funds generated from operations of £345.0 million (FY19: £198.1 million).

Underpinning a strong set of financial and operating results, IG also progressed a number of activities as part of a renewed focus around environmental, social, and governance matters. Following several years of carbon emissions reductions, relative to headcount, in FY20 the Group commenced a programme of activities, including carbon offsetting, to achieve full carbon neutrality. As of July 2020 IG is a carbon neutral company in line with PAS2060. IG's role in the communities around the world in which it lives and works also led the Company to make a substantial charitable donation to those directly affected by the pandemic. In terms of governance, the Group appointed Mike McTighe to the role of Chairman of the Board from 3 February 2020 and Charlie Rozes to the role of CFO from 1 June 2020, alongside other important changes to the PLC Board of Directors announced previously.

Q4 FY20 Trading

While IG delivered good progress and results in the first three quarters of the year, the fourth quarter saw extraordinary market conditions driven by the Covid-19 pandemic and other macro events. During Q4, record levels of client onboarding saw 35,300 new OTC Leveraged clients, 17,900 new stock trading clients and 3,200 new on-exchange clients placing a first trade in the period. New clients onboarded in Q4 FY20 generated 14% of the total OTC Leveraged revenue in the quarter. The demographics of this Q4 client cohort are similar to that of IG's existing high quality client base, however it is too early to assess how their longer term trading patterns and behaviours will develop. Attrition has been slightly higher compared to historical cohorts, but the Group expects to see longer term value over time from an expanded client base. The Group continued to follow a multi-channel marketing approach throughout Q4, with organic search delivering a near threefold increase in applications compared to the Q1-Q3 quarterly average, a benefit of prior investment in brand and search engine optimisation. Further improvements in the Group's digital marketing capability are targeted for FY21, with additional investment in IG's brand following the new brand launch in June 2020, and an expansion in digital solutions to drive cost efficiency and improve scalability.

The Group's differentiated business model of internalising, or netting, client flows and hedging the residual risk in each market remained unchanged during this period, as did the Board-approved market risk limits. The Group's revenue does not benefit from client trading losses, nor is it exposed to client trading profits. This model has been an essential part of IG since it was founded almost 50 years ago, and demonstrated its value throughout the unprecedented activity levels in Q4 FY20. Market and credit risk were closely managed and clients were able to continue to trade, for example, when the market experienced a 30% gap in the price of oil in March and a brief move to negative oil price futures in April 2020. The Group has not experienced any loss-making days since 2015.

In response to the Covid-19 pandemic, the Group successfully implemented its comprehensive business continuity plans, enabling all of IG's 1,921 global employees to quickly transition to home-based working. Despite closure of IG offices around the world, the Group nonetheless conducted all of its operations successfully through the Q4 period of sustained levels of unprecedented client trading volumes. This highlighted the outstanding efforts of our people and the resilience, scalability, and agility of our communications and technology. In Q4, for example, the number of new client applications tripled from February to March, while client interactions doubled to approximately 190,000 for the same period. We intend to continue, and in FY21 increase, investment in this infrastructure as part of the continual improvement of our clients' experience trading with IG.

Regulatory update

As a global company, the Group operates in many regulatory jurisdictions. IG differentiates itself in the industry through a track record of good conduct and maintaining open and transparent relationships with all its regulators.

The compliance requirements across the sector's products and services have continued to evolve and may change further over time, including areas where the Group is expanding and growing, such as Asia, and where we design and launch new products. IG has worked constructively with regulators and has adapted its products and businesses and will continue to anticipate the pace and direction of new regulation and its adaptation to those changes is a long-term success factor. This adaptability can be evidenced by the return to growth in FY20 in the ESMA region Retail client base following a significant regulatory shift in FY19. In the ESMA region, revenue increased 26% to £328.5 million year on year, accompanied by growth in the number of active clients and a small increase in the revenue per client. In addition, during the period the Group successfully implemented new regulations in Singapore, an important Asian regional market for IG.

As previously indicated, further changes are possible in FY21 in some markets in which IG operates, including Australia. The Australian Securities and Investments Commission has not yet confirmed its final proposals or timelines to implement new regulations for leveraged OTC products, although this is expected within the next financial year.

Delivering on the Group's strategy

Core Markets

The Group delivered good underlying OTC Leveraged revenue growth of 3% to £319.1 million in Q1-Q3 FY20 (Q1-Q3 FY19: £310.9 million) prior to the sharp increase in Q4. Highlights in the Core Markets included:

- A significant recovery in the ESMA region (EU and UK) OTC Leveraged Retail client base. The FY19 comparison included two months of trading prior to the implementation of the ESMA product intervention measures. Comparing the Q1-Q3 FY20 quarterly average, with the FY19 Q2-Q4 quarterly average shows the two periods on a more consistent basis with Q1-Q3 quarterly average revenue up 26% driven by an 8% increase in the number of active clients. During the same period revenue from the Group's Professional client base in the ESMA region remained steady, with this group of clients contributing average quarterly revenue of £39.8 million in Q1-Q3 FY20 (Q2-Q4 FY19: £40.3 million)

- In Singapore, where increased margin requirements for retail FX traders were introduced in October 2019, the business continued to perform well with an 8% growth in Q1-Q3 FY20 versus Q1-Q3 FY19. In Australia, revenue increased 10%, driven by an 8% growth in the number of active clients.

In Q4, revenue growth in the Core Markets from the OTC Leveraged business accelerated to deliver revenue of £208.1 million, an 83% quarter on quarter increase. The number of active clients was exceptionally high, with strong levels of reactivation in addition to record levels of acquisition leading to a 41% increase in the number of Core Markets OTC Leveraged active clients quarter on quarter. This was supported by a 30% quarter on quarter increase in the revenue per client, with clients identifying more opportunities to trade the financial markets.

The Group's stock trading and investment products also performed strongly with an improved product offering and increased marketing spend coinciding with the higher levels of volatility seen in Q4. New client acquisition was almost double the prior year with 26,000 clients placing a first trade (FY19: 13,500) of which 69% were in Q4. Stock trading and investments continue to serve as a retention tool for 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.

Significant Opportunities

As previously set out in the May 2019 strategy launch, 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 this portfolio in FY20 was £108.4 million (FY19: £58.7 million), an increase of 85%, reflecting tangible progress of the initiatives and boosted by Q4 market volatility. The Group has now completed the first year of the three-year implementation programme designed to diversify the business and better position it for the long-term. Noting that each initiative is at a different stage of development, there has been good progress made across all of the Significant Opportunities.

Growth in revenue and the number of active clients has been strong in both the Japan and the Emerging Markets businesses, resulting from a number of actions completed during the year.

In Japan, new leadership introduced a more localised product offering which has been well received, with the investment in marketing through an extensive brand campaign, supported by a high-profile brand ambassador, driving further success. IG continues to innovate new products for this important market. Good progress has been made in partnership discussions and the Group will continue to focus on these opportunities in the year ahead to better reach the two million active FX traders who drive a £1 billion revenue pool in this market.

During the period the Group opened a new client-facing subsidiary, IG International. This better enables the Group to onboard new clients from many different parts of the world and simplifies its arrangements with existing international clients. Revenue growth was driven by an increase in the number of active clients who were onboarded via reverse enquiry.

In the US, the OTC FX business added new clients at a steady rate. The business provides clients with award winning service and leading technology. Nadex, our US retail exchange, has also continued to refine its product proposition, growing its revenues year on year. DailyFX, our US-based content provider, expanded its global reach through greater multi-lingual capability. Given the lead generation potential of the DailyFX brand, with over 27 million new readers, of which 5.1 million are in the US, the website is becoming a more important marketing and acquisition engine for IG, as it looks to expand its content beyond FX. The Group will continue to focus on the integration and alignment of its three US businesses to amplify the IG brand and increase the overall revenue opportunity.

The successful launch of Spectrum, the Group's multi-lateral trading facility, was a key milestone in the diversification of the Group's product range. Spectrum's differentiated offering has been well received by the market and volumes have grown steadily since the launch in 2019. Around 40% of trades on Spectrum in Q4 FY20 were made out of normal trading hours, showing the value of Spectrum's unique 24/5 trading capability. The Group is continuously improving its product offering to meet the needs of active turbo warrant traders and to facilitate further growth in this opportunity. Spectrum is currently integrating an additional broker, which will enable the exchange to offer its expanding product set to a wider array of potential clients and will mark further progress. Discussions are ongoing with additional issuers who have expressed a firm interest in issuing additional products on Spectrum.

Reflecting the Group's growing focus on the Institutional client segment, IG Prime, was launched in March 2020. FY20 revenue growth from this segment was encouraging and a further build out of IG Prime's product offering is planned in FY21 to provide additional opportunities for client acquisition. IG grew the number of active clients by 59% in this client segment in FY20.

While at an earlier stage, in Greater China, the Company recruited a new CEO with a strong network in Hong Kong and established a local office presence. The Group is advancing discussions with a number of banks and securities brokerage firms to distribute IG's suite of products. These partners, who recognise the Group's differentiated product and service capabilities, would provide more immediate market access for IG than a direct to consumer approach. Following completion, these partnerships would enable IG to begin accessing a market of more than 500,000 professional investors in Hong Kong, and better position the Group to reach the estimated 4 million high net worth individuals in Greater China.

Operating and Financial Review

Summary Group Income Statement

	FY20 £m	FY19 £m	Change %
Net trading revenue	**649.2**	**476.9**	**36%**
Net interest on client money	5.0	6.3	
Betting duty and FTT	(7.4)	(7.9)	
Other operating income	1.4	1.9	
Net operating income	**648.2**	**477.2**	**36%**
Operating expenses	(308.6)	(259.6)	
Variable remuneration	(44.3)	(24.7)	
Total operating costs[5]	**(352.9)**	**(284.3)**	**24%**
Gain/loss on sale of subsidiaries	**0.7**	**-**	
Operating profit	**296.0**	**192.9**	**53%**
Net finance (expense)/income	(0.1)	1.4	
Profit before taxation	**295.9**	**194.3**	**52%**
Taxation	(55.5)	(36.0)	
Profit for the period	**240.4**	**158.3**	**52%**
Basic earnings per share	**65.3p**	**43.1p**	**52%**

The Group's net trading revenue in FY20 increased by 36% to £649.2 million, compared with £476.9 million in FY19, driven by a period of sustained high market volatility in Q4, related to the Covid-19 pandemic and other macro events.

The Group's net trading revenue reflects the transaction fees (i.e., spread, commission and overnight funding charges) paid by clients net of the Group's external hedging costs and clients' trading profits and losses, offset by our hedging profits and losses.

Operating expenses of £308.6 million increased by 19%. This included investments of £35 million in prospect acquisition and development of the IG brand, in the launch of our new businesses in the US and Europe, and an increase in certain costs directly related to the significant increase in revenue and active client numbers. Operating expenses also included a £5 million charitable donation. Variable remuneration of £44.3 million reflected a higher level of headcount and the outperformance of the Group against its internal targets.

In FY20, the Group sold six minor entities, recognising a gain on sale of £0.7 million. These entities owned generic top-level domain names, which were acquired by the Group in FY15.

Operating profit in the period was £296.0 million, 53% higher than FY19. After net finance costs of £0.1 million, profit before taxation was £295.9 million. The effective tax rate for the year was 18.8% (FY19: 18.5%), with profit after tax of £240.4 million.

Basic earnings per share of 65.3 pence was 52% higher than in FY19.

[5] Operating costs includes net credit losses on financial assets of £11.0 million (FY19: £1.8 million) which are presented separately on the Consolidated Income Statement in the Group Financial Statements

Revenue Performance by Product

	Net Trading Revenue (£m)		
	FY20	**FY19**	**Change %**
OTC Leveraged	617.2	451.4	37%
Exchange Traded Derivatives	18.4	16.8	9%
Stock Trading and Investments	13.6	8.7	57%
Group	**649.2**	**476.9**	**36%**

Revenue Drivers	**Active Clients (000s)[6]**			**Revenue per Client (£)**		
	FY20	**FY19**	**Change %**	**FY20**	**FY19**	**Change %**
OTC Leveraged	176.6	129.7	36%	3,496	3,481	-
Exchange Traded Derivatives	19.8	17.5	13%	927	958	(3%)
Stock Trading and Investments	54.9	37.9	45%	248	229	8%
Group[6]	**239.6**	**178.5**	**34%**			

OTC Leveraged Derivatives

In FY20, OTC Leveraged revenue in the year was £617.2 million, an increase of 37% on FY19. The Group served 36% more OTC Leveraged active clients in FY20 whilst revenue per client was consistent with prior year. The increase in OTC Leveraged revenue was primarily driven by market conditions in Q4 where high levels of market volatility were observed throughout the period.

Asset Class	**OTC Leveraged Revenue (£m)**		
	FY20	**FY19**	**Change %**
Indices	287.2	213.8	34%
Equities	88.6	85.7	3%
Foreign Exchange	113.3	79.6	42%
Commodities	86.2	41.8	106%
Options	24.4	20.3	20%
Cryptocurrencies	17.5	10.2	72%
OTC Leveraged	**617.2**	**451.4**	**37%**

Changes in the composition of the Group's OTC Leveraged revenue by asset class reflects the differing levels of volatility in each asset class, which impacts the extent to which clients can identify trading opportunities.

The impact of elevated levels of market volatility was reflected in all asset classes. Revenue generated from clients trading on commodities showed the largest asset class increase of 106% on FY19, driven by the highly volatile price of oil during Q4.

[6] Total active clients have been adjusted to remove the clients who are active in more than one product category (multi-product clients) to give a unique client count. In FY20 there were 11,700 multi-product clients, compared with 6,600 in FY19.

Exchange Traded Derivatives

In FY20, the Group generated £18.4 million of revenue from Exchange Traded Derivatives, traded on the two exchanges that the Group operates: Nadex, the US retail focused exchange, and Spectrum, the European multi-lateral trading facility, which was launched in October 2019. Active clients in FY20 increased 13% reflecting the acquisition of new clients trading on Spectrum. This also resulted in a 3% reduction in the average revenue per client, driven by new Spectrum clients, which were of a lower average value than the Nadex clients.

Stock Trading and Investments

For FY20, Stock Trading and Investments revenue now includes the income derived from foreign exchange conversions, which was previously reported within the OTC Leveraged revenue; the comparative for FY19 has been restated. The Group's Stock Trading and Investments revenue was 57% higher in FY20, driven by a 45% increase in the number of clients served and an 8% increase in revenue per client.

Revenue Performance by Market

Consistent with the presentation of the Group's strategy and its financial targets, revenue performance has been segmented into Core Markets and Significant Opportunities.

	Net Trading Revenue (£m)		
	FY20	FY19	Change %
ESMA Region - OTC Leveraged	328.5	260.4	26%
Other Core Markets - OTC Leveraged	198.7	149.1	33%
Stock Trading and Investments	13.6	8.7	57%
Total Core Markets	**540.8**	**418.2**	**29%**
Significant Opportunities - OTC Leveraged	90.0	41.9	115%
Significant Opportunities - ETDs	18.4	16.8	9%
Total Significant Opportunities	**108.4**	**58.7**	**85%**
Group	**649.2**	**476.9**	**36%**

Net trading revenue in the Core Markets was 29% higher in FY20 than the same period in the prior year, with all areas of the business benefiting significantly from increased client activity as a result of the high levels of market volatility in Q4.

ESMA region revenue increased 26% to £328.5 million, with a 49% increase in Retail client revenue and a 12% increase in Professional client revenue. The number of active Retail clients and revenue per Retail client increased throughout the year, and was further boosted by 34,000 new clients onboarded and increased activity of our existing clients. The number of active Professional clients trading and the revenue per Professional client remained steady in the Q1-Q3 period, with an increase in activity and revenue per client in Q4.

Other Core Markets comprise the Group's businesses in Australia, Singapore, Switzerland, Dubai and South Africa. Other Core markets revenue increased 33% to £198.7 million, driven by a 30% increase in the number of active clients.

Stock Trading and Investments revenue was 57% higher than FY19, at £13.6 million, driven by a 45% increase in the number of clients served and an 8% increase in revenue per client.

Revenue from the Group's portfolio of Significant Opportunities was £108.4 million in FY20, £49.7 million higher than in FY19, with a 115% increase in OTC Leveraged revenue and a 9% increase in Exchange Traded Derivatives revenue. Similar to the Core Markets, these revenues benefitted from the extraordinary trading conditions experienced across the Group in the fourth quarter.

Q4 Performance

Client activity and revenue in Q4 was exceptional, driven by the sustained levels of high volatility as a result of the Covid-19 global pandemic and other macro events.

In Q4 Group revenue was 86% higher than in Q3 FY20 and 120% higher than Q4 FY19. This sharp increase in revenue was driven by a significant rise in the number of active clients trading in the period with a higher average revenue per client, as the volatile markets provided more opportunities for clients to trade. Average OTC Leveraged revenue per client was 31% higher in Q4 than Q3.

Group active clients in Q4 reached 199,300 (Q4 FY19: 128,100), driven by more existing clients trading and a significant increase in the number of new clients onboarded in the period. In Q4 there were 51,200 new clients trading, 204% higher than Q3.

Whilst Group revenue was significantly boosted by the exceptional client activity in Q4, we do not expect this level of activity to be sustained as we anticipate market volatility returning to more normalised levels in the course of FY21. However, the Group anticipates some ongoing benefit from the record number of new active clients acquired in Q4. While preliminary indications are that these clients are of a similar profile to previous new client cohorts, it is too early to conclude how they will trade over time.

Q1-Q3 performance

Prior to Q4, the Group delivered good performance across all businesses and products. Q1-Q3 FY20 net trading revenue was £389.7 million, 9% higher than Q1-Q3 FY19 which was £359.0 million. The Q1-Q3 FY20 Core Markets net trading revenue was 3% higher and the Significant Opportunities net trading revenue was 50% higher than Q1-Q3 FY19.

OTC Leveraged products continue to generate the majority of the Group's net trading revenue and represented 95% of the Q1-Q3 FY20 revenue.

	OTC Leveraged Revenue (£m)			Active Clients (000)		
	Q1-Q3 FY20	Q1-Q3 FY19	% Change	Q1-Q3 FY20	Q1-Q3 FY19	% Change
ESMA region	197.0	200.3	(2%)	73.1	74.1	(1%)
Other Core Markets	122.1	110.6	10%	34.0	31.6	7%
Core Markets	319.1	310.9	3%	107.1	105.7	1%
Significant Opportunities	52.5	30.5	72%	23.1	11.2	106%
Group OTC Leveraged	**371.6**	**341.4**	**9%**	**130.2**	**116.9**	**11%**

ESMA region OTC Leveraged revenue and active clients in Q1-Q3 FY20 were slightly lower than Q1-Q3 FY19. The FY19 comparison includes two months of trading in Q1 FY19 prior to the implementation of the ESMA product intervention measures. Comparing the Q1-Q3 FY20 quarterly average with the FY19 Q2-Q4 quarterly average shows the two periods on a more consistent basis, with an 8% increase in the average quarterly revenue, driven by a 7% increase in the average quarterly active clients. The recovery in the Retail client base was strong with 26% higher revenue and an 8% increase in the number of active clients within the Retail client segment. The number of active Retail clients has increased each quarter since the implementation of the ESMA product intervention measures in August 2018 (Q1 FY19).

Average quarterly active Professional clients and revenue per Professional client remained largely unchanged across the two comparative periods.

Other Core Markets OTC Leveraged revenue in Q1-Q3 FY20 was £122.1 million, 10% higher than Q1-Q3 FY19. The number of active clients in the period increased by 7% on Q1-Q3 FY19, with a 3% increase in the revenue per client.

Australia and Singapore were the largest contributors to the Group's Other Core Markets representing 72% of the revenue in the Q1-Q3 FY20 period. Australia's Q1-Q3 FY20 net trading revenue increased by 10% on Q1-Q3 FY19. In Singapore, where increased margin requirements for FX trading came into effect in October 2019, revenue increased by 8%.

The OTC Leveraged revenue in Q1-Q3 FY20 from the Significant Opportunities increased by £22.0 million, to £52.5 million, 72% higher than Q1-Q3 FY19, with each of the businesses within the Significant Opportunities portfolio reporting growth in revenue in this period. The increased revenue is driven by growth in the client base, with the Q1-Q3 FY20 active clients increasing 106% on Q1-Q3 FY19. The average revenue per client in the Significant Opportunities reduced by 16% due to changes in the mix of the revenue. For example, clients of IG US, the Group's OTC FX business which went live in January 2019, have a lower revenue per client than the more established business units in the portfolio.

Operating Expenses (excluding Variable Remuneration) by Cost Type

	£m		
	FY20	**FY19**	**Change %**
Fixed remuneration	116.4	106.3	9%
Advertising and marketing	61.8	51.7	20%
Bad debts	11.0	1.8	n/m
Premises	7.3	13.1	(45%)
Regulatory fees	6.8	3.6	88%
Other structural costs	79.7	65.8	21%
Depreciation and amortisation	25.6	17.3	48%
Operating expenses	**308.6**	**259.6**	**19%**
Headcount at end of period	**1,921**	**1,788**	**7%**

Operating expenses were £308.6 million, £49.0 million higher than FY19. The increase reflects the planned investment to support growth in the Significant Opportunities portfolio, and an increase in certain costs directly related to the increased revenue and trading activity in Q4, including a higher bad debt provision, and increased credit card charges. The FY20 operating expenses also included a £5 million charitable donation.

Fixed remuneration increased by 9% in FY20 to £116.4 million, driven by planned growth in headcount during the year. Included in fixed remuneration was an increase of £1.6 million for holiday accrual, as the employee holiday balance carried into the next financial year was significantly higher due to the Covid-19 pandemic.

Advertising and marketing spend increased by 20% in FY20 to £61.8 million (FY19: £51.7 million). The mix of external advertising and marketing spend changed compared with the prior year, with a reduction in centrally managed online spend reflecting improved efficiency, 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.

The bad and doubtful debt provisions in the year were £11.0 million (FY19: £1.8 million), the majority of which relates to provisions for client debts which arose during the highly volatile markets in Q4.

Premises costs were £7.3 million (FY19: £13.1 million). The decrease of £5.8 million was due to the majority of building rent now being recognised as depreciation, following the adoption of the IFRS16, Leases accounting standard; this also contributed to the £8.3 million increase in depreciation and amortisation. The remaining increase in depreciation and amortisation reflects the increase in the amortisation of internally developed assets, following high levels of capitalisation in FY19, and higher lease costs due to new premises.

The Group is charged 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 in the UK. The charge for the Group is dependent on the size of the compensation fund required by the FCA for the scheme. This requirement increased from FY19, which drove the increase of £3.2 million in regulatory fees.

Other structural costs were £79.7 million, an increase of 21% on FY19. The increase reflects higher credit card charges, linked to an increase in the number of payment transactions in Q4, and the £5 million charitable donation.

Variable Remuneration

	£m		
	FY20	**FY19**	**Change %**
Share based compensation	11.3	6.6	72%
Sales bonuses	8.2	5.4	50%
General bonuses	24.8	12.7	95%
Variable remuneration	**44.3**	**24.7**	**79%**

Variable remuneration rose 79% to £44.3 million; this was 15% of operating profit, versus 13% in the prior year. Average monthly headcount in the Group increased to 1,887 at the end of FY20 from 1,780 at the end of FY19.

Share based compensation costs relate to the long-term incentive plans for key employees 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 Total Shareholder Return performance. The increase of 72%, to £11.3 million, reflects the higher accounting charge as a result of the outperformance in FY20 against internal targets as well as a higher level of headcount.

Sales bonuses increased by 50% reflecting higher commission payments to sales employees for the onboarding and management of their own-sourced high value clients.

The charge for the general bonus pool was £24.8 million, an increase over the prior year period reflecting the Group's outperformance against internal targets as well as a higher headcount.

Net Finance Costs

The Group recognised net finance costs of £0.1 million during FY20, comprising finance income of £5.8 million (FY19: £5.4 million) and finance costs of £5.9 million (FY19: £4.0 million). The increase in finance costs is attributable to higher fees and interest relating to its debt facilities and the adoption of IFRS 16, Leases from 1 June 2019, which resulted in a £0.6 million interest charge for the financing element of operating leases.

Taxation

The effective tax rate (ETR) for the year was 18.8% (FY19: 18.5%).

The majority of the Group's taxable profit arises in the UK. The ETR is lower than the 19% statutory rate of UK corporation tax due to the benefit of the UK 'Patent Box' incentive as a result of UK and European patents held, and the recognition of previously unrecognised tax losses for deferred tax purposes relating to the US and Japan.

The Group's ETR is dependent on a mix of factors including taxable profit by geography, tax rates levied in those geographies, and the availability and use of taxable losses. The Group's future ETR may also be impacted by changes in the Group's business activities, client composition, and regulatory status, which could affect the Group's exemption from the UK Bank Corporation Tax Surcharge.

The Group's current estimate of the ETR for FY21 is 19%.

Dividend

The Board recommends a final dividend of 30.24 pence per share, taking the full-year dividend for FY20 to 43.2 pence per share (FY19: 43.2 pence per share), in line with previous guidance.

The final dividend, if approved by shareholders at the Company's Annual General Meeting (AGM), will be paid on 22 October 2020 to those members on the register at the close of business on 25 September 2020.

Distributable Reserves

As a result of an internal Group review of historical distributable reserves, three dividends were identified where the determination of distributable reserves was incorrect. The relevant dividends were interim FY18, final FY17, and interim FY10. Whilst sufficient distributable reserves existed in the Group at the times of all the payments, the Company itself did not have sufficient distributable reserves.

At the September AGM, resolutions will be proposed to rectify the historical positions.

The Group's current and historical capital positions are unaffected.

Own funds flow

£m	**FY20**	**FY19**
Operating profit	296.0	192.9
Depreciation and amortisation - other	18.9	17.3
Lease asset depreciation	6.7	-
Lease liability payments	(7.3)	-
Share based compensation	9.7	7.2
Gain on sale of subsidiaries	(0.7)	-
Change in working capital	21.7	(19.3)
Own funds generated from operations	**345.0**	**198.1**
as % of operating profit	*117%*	*103%*
Taxes paid	(57.1)	(38.4)
Net own funds generated from operations	**287.9**	**159.7**

The Group uses own funds, and net own funds generated from operations, as its key measures of cash generation. Cash generation remained strong in FY20 with own funds generated from operations of £345.0 million (FY19: £198.1 million). The cash conversion rate, calculated as own funds generated from operations divided by operating profit, increased to 117% (FY19: 103%). The high level of conversion of profit into cash reflects the non-cash charges in operating profit and the movement in working capital due to the higher level of the bonus accrual at the end of FY20, compared with the prior year.

Cash tax payments of £57.1 million consisted of £13.8 million in respect of the UK corporation tax liability for FY19, £41.2 million of tax in respect of the UK FY20 liability, and the payment of £4.6 million of overseas taxes, partly offset by the receipt of £2.5 million of UK tax overpaid in earlier periods.

Tax payments in FY20 were significantly higher than in FY19 due to increased profits during the year and the acceleration of UK Corporation Tax quarterly instalment payments. The Group was required to make six instalment payments in FY20, versus four payments previously required in a twelve-month period, due to a change in UK tax legislation. This is expected to normalise back to four instalment payments in FY21.

Movement in own funds

£m	FY20	FY19
Net own funds generated from operations	287.9	159.7
Net financing (costs)/receipts	(0.8)	0.5
Capital expenditure	(16.3)	(14.3)
Proceeds from sale of subsidiaries	0.6	-
Purchase of own shares	(1.5)	(2.0)
Pre-dividend increase in own funds	**269.9**	**143.9**
Dividends paid	(159.2)	(171.1)
Increase/(decrease) in own funds	**110.7**	**(27.2)**
Own funds at start of the year	720.8	746.1
Impact of movement in exchange rates	1.0	1.9
Own funds at the end of year	**832.5**	**720.8**

Capital expenditure in the year of £16.3 million primarily related to internally developed software, and the purchase of third-party software and IT equipment.

Dividend payments during the year reflect the final dividend for FY19 of £111.4 million and the interim dividend for FY20 of £47.8 million.

Summary Group balance sheet

£m	31 May 2020	31 May 2019
Goodwill	108.1	108.1
Intangible assets	39.1	43.4
Property, plant and equipment	17.0	14.4
Operating lease net asset	0.1	-
Fixed assets	**164.3**	**165.9**
Liquid asset buffer	83.8	84.4
Amounts at brokers	437.4	419.3
Cash in IG bank accounts	486.2	373.3
Own funds in client money	66.5	51.1
Liquid assets	**1,073.9**	**928.1**
Long term bank borrowings	(100.0)	(100.0)
Client deposits IG Bank SA	(58.9)	(31.6)
Title transfer funds	(82.5)	(75.7)
Own funds	**832.5**	**720.8**
Working capital	(61.8)	(43.1)
Tax payable	(9.9)	(10.4)
Deferred tax net asset	10.8	8.6
Net assets	**935.9**	**841.8**

The operating lease net asset of £0.1 million at 31 May 2020 reflected the adoption of IFRS16, Leases, with effect from 1 June 2019. The balance comprised a £29.3 million right of use asset offset by a £29.2 million lease liability.

The Group's liquid assets have increased by £145.8 million to £1,073.9 million during the year. This was driven by an increase in the Group's cash, after taking into account dividends of £159.2 million (FY19: £171.1 million) tax payments of £57.1 million during the year, and an increase in amounts held at brokers. The increase in amounts at brokers reflected increased margin requirements at 31 May 2020 relative to 31 May 2019. Own funds in client money represents the Group's cash which is in segregated client money pools.

Own funds are the Group's liquid assets, reduced by borrowings and client money held on balance sheet. Client deposits and title transfer funds increased relative to the prior year, reflecting high levels of account funding by clients.

The change in the Group's working capital requirement reflected the relative size of the bonus pool accrual and other accruals which relate to variable costs.

Available liquidity

£m	31 May 2020	31 May 2019
Liquid assets	**1,073.9**	**928.1**
Broker margin requirement	(326.0)	(314.0)
Cash balances in non-UK subsidiaries	(177.4)	(187.5)
Own funds in client money	(66.5)	(51.1)
Available liquidity at end of year	**504.0**	**375.5**
of which:		
Held as Liquid Asset Buffer	83.8	84.4
Dividend due	111.7	111.3

The Group's total liquid assets at the end of year were £1,073.9 million (31 May 2019: £928.1 million). The Group's liquidity is provided by shareholders' funds supplemented by a £100 million bank term loan, client 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 £100 million committed revolving credit facility.

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. Despite the unprecedented levels of financial market volatility, no issues were encountered with the management of liquidity during the period, reflecting the Group's resilient business model and prudent financial and risk management.

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 offset against each other. At 31 May 2020, the broker margin requirement was £326.0 million (31 May 2019: £314.0 million). The peak broker margin during FY20 was £380.8 million.

For liquidity management and planning purposes, the Group conservatively treats cash held by subsidiaries outside the UK as not immediately available. The amount of cash held in entities outside the UK was £177.4 million at 31 May 2020 (31 May 2019: £187.5 million). Balances in excess of capital and operating requirements are regularly repatriated to the UK by these entities to ensure efficient management of liquidity.

Regulatory capital resources

£m	31 May 2020	31 May 2019
Shareholders' funds	935.9	841.8
Less interim profit/ declared dividends	(111.7)	(111.3)
Less goodwill	(108.1)	(108.1)
Less intangible assets	(39.0)	(43.4)
Less deferred tax assets[7]	-	(9.0)
Less value adjustment for prudent valuation	(1.6)	(1.1)
Regulatory Capital resources	**675.5**	**568.9**

Pillar 1 Risk Exposure Amounts (REA)

£m	31 May 2020	31 May 2019
Total Pillar 1 REA	2,018.6	1,875.9
Capital ratio	**33.5%**	**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	2.5%	3.1%
Total requirement %	**19.9%**	**20.5%**
Total requirement - £m	401.7	385.0
Capital headroom - £m	273.8	183.8

The Group's Capital Ratio at 31 May 2020 was 33.5% (31 May 2019: 30.3%), well above the required minimum capital ratio, including the combined buffer requirement, of 19.9% (31 May 2019: 20.5%), demonstrating the Group's solid capital base.

[7] For FY20, in line with the EU CRR Regulations Article 48, the deferred tax assets meet the threshold requirements to allow them to be risk weighted as part of the Credit Risk Requirement and are not deducted in full from Regulatory Capital resources.

Segregated client funds

At 31 May 2020 the Group held £1,964.1 million (31 May 2019: £1,349.2 million) of client money in segregated bank accounts, and £1,509.8 million (31 May 2019: £1,096.8 million) of client assets in third party custodian accounts. These amounts are classified as segregated client money and assets, and therefore excluded from the Group balance sheet.

Consolidated Income Statement

for the year ended 31 May 2020

	Note	Year ended 31 May 2020 £m	Year ended 31 May 2019 £m
Trading revenue		657.7	488.0
Introducing partner commissions		(8.5)	(11.1)
Net trading revenue	2	649.2	476.9
Betting duty and financial transaction taxes		(7.4)	(7.9)
Interest income on segregated client funds		6.0	6.9
Interest expense on segregated client funds		(1.0)	(0.6)
Other operating income		1.4	1.9
Net operating income		648.2	477.2
Operating costs		(341.9)	(282.5)
Net credit losses on financial assets		(11.0)	(1.8)
Gain on sale of subsidiaries		0.7	-
Operating profit		296.0	192.9
Finance income		5.8	5.4
Finance costs		(5.9)	(4.0)
Profit before taxation		295.9	194.3
Taxation	3	(55.5)	(36.0)
Profit for the year and attributable to owners of the parent		240.4	158.3
Earnings per share:			
Basic	4	65.3p	43.1p
Diluted	4	64.9p	42.8p

Consolidated Statement of Comprehensive Income

for the year ended 31 May 2020

		Year ended 31 May 2020		Year ended 31 May 2019
	£m	£m	£m	£m
Profit for the year attributable to owners of the parent		240.4		158.3
Other comprehensive income :				
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	0.7		0.6	
Foreign currency translation gain	2.4		6.2	
Other comprehensive income for the year		3.1		6.8
Total comprehensive income attributable to owners of the parent		243.5		165.1

Consolidated Statement of Financial Position

at 31 May 2020

	Note	31 May 2020 £m	31 May 2019 Restated[1] £m
Assets			
Non-current assets			
Property, plant and equipment	6	46.4	14.4
Intangible assets	7	147.2	151.5
Financial investments	8	83.8	189.9
Deferred income tax assets		11.5	9.0
		288.9	364.8
Current assets			
Trade receivables	9	347.0	301.1
Other assets	10	22.1	33.1
Prepayments		11.1	9.7
Other receivables		3.9	5.3
Cash and cash equivalents		486.2	373.3
Financial investments	8	140.5	35.3
		1,010.8	757.8
TOTAL ASSETS		1,299.7	1,122.6
Liabilities			
Non-current liabilities			
Borrowings		99.7	99.6
Lease liabilities		22.5	-
Deferred income tax liabilities		0.7	0.4
		122.9	100.0
Current liabilities			
Trade payables	12	143.1	110.4
Other payables		81.1	60.0
Lease liabilities		6.8	-
Income tax payable		9.9	10.4
		240.9	180.8
TOTAL LIABILITIES		363.8	280.8
Equity			
Share capital and share premium		125.8	125.8
Other reserves		168.4	161.2
Retained earnings		641.7	554.8
TOTAL EQUITY		935.9	841.8
TOTAL EQUITY AND LIABILITIES		1,299.7	1,122.6

[1]Refer to note 13 for further information.

This preliminary announcement was approved by the Board of Directors on 23 July 2020 and signed on its behalf by

Charles Rozes
Chief Financial Officer
Registered Company number: 04677092

Consolidated Statement of Changes in Equity

for the year ended 31 May 2020

	Note	Share capital £m	Share premium Restated[1] £m	Other reserves Restated[1] £m	Retained earnings £m	Total £m
At 1 June 2018		-	125.8	152.6	563.7	842.1

Profit for the year and attributable to owners of the parent		-	-	-	158.3	158.3
Other comprehensive income for the year		-	-	6.8	-	6.8
Total comprehensive income for the year		-	-	6.8	158.3	165.1
Transfer of transactions with non-controlling interests reserve		-	-	2.1	(2.1)	-
Equity-settled employee share-based payments		-	-	7.2	-	7.2
Tax recognised directly in equity on share-based payments		-	-	-	0.5	0.5
Employee Benefit Trust purchase of own shares		-	-	(2.0)	-	(2.0)
Equity dividends paid	5	-	-	-	(171.1)	(171.1)
Transfer of share-based payment reserve		-	-	(5.5)	5.5	-
At 31 May 2019		-	125.8	161.2	554.8	841.8
IFRIC 23 transitional adjustment		-	-	-	0.5	0.5
IFRS 16 transitional adjustment		-	-	-	0.5	0.5
At 1 June 2019		-	125.8	161.2	555.8	842.8
Profit for the year and attributable to owners of the parent		-	-	-	240.4	240.4
Other comprehensive income for the year		-	-	3.1	-	3.1
Total comprehensive income for the year		-	-	3.1	240.4	243.5
Equity-settled employee share-based payments		-	-	9.7	-	9.7
Tax recognised directly in equity on share-based payments		-	-	-	0.6	0.6
Employee Benefit Trust purchase of own shares		-	-	(1.5)	-	(1.5)
Equity dividends paid	5	-	-	-	(159.2)	(159.2)
Transfer of share-based payment reserve		-	-	(4.1)	4.1	-
At 31 May 2020		-	125.8	168.4	641.7	935.9

[1]Refer to note 13 for further information.

Consolidated Cash Flow Statement

for the year ended 31 May 2020

	Year ended 31 May 2020	Year ended 31 May 2019
	£m	£m
Operating activities		
Cash generated from operations	349.6	256.8
Income taxes paid	(57.1)	(38.4)
Net cash flow generated from operating activities	292.5	218.4
Investing activities		
Interest received	4.5	4.2
Purchase of property, plant and equipment	(9.9)	(5.6)
Payments to acquire and develop intangible assets	(6.4)	(8.7)
Proceeds on disposal of subsidiaries	0.6	-
Net cash flow from financial investments	3.3	(50.1)
Net cash flow used in investing activities	(7.9)	(60.2)
Financing activities		
Interest and fees paid	(5.3)	(3.3)
Interest unwinding of lease liabilities	(0.6)	-
Repayment of principal element of lease liabilities	(6.7)	-
Equity dividends paid to owners of the parent	(159.2)	(171.1)
Employee Benefit Trust purchase of own shares	(1.5)	(2.0)
Drawdown of term loan net of fees	-	99.5
Net cash flow used in financing activities	(173.3)	(76.9)
Net increase in cash and cash equivalents	111.3	81.3
Cash and cash equivalents at the beginning of the year	373.3	289.7
Impact of movement in foreign exchange rates	1.6	2.3

Cash and cash equivalents at the end of the year	486.2	373.3

Notes

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 2019 or 31 May 2020. The Financial Statements are prepared on a going concern basis and the accounting policies are consistent with the Group's 2019 Annual Report, except for the adoption of new standards that were effective as of 1 June 2019.

The Group has applied, for the first time, IFRS 16 Leases and IFRIC 23 Uncertainty over Income Tax Treatments. The adoption of these standards did not require restatement of prior year Financial Statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 2020 and statutory accounts for 2020 will be delivered to the Registrar of Companies following the company's Annual General Meeting on 17 September 2020.

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

Copies of full Group Financial Statements will be posted to all shareholders in August 2020. Further copies will be available, from the date of posting, from the Group's Headquarters, Cannon Bridge House, 25 Dowgate Hill, London, EC4R 2YA, 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 CODM consider business performance based on geographical location. This geographical split reflects the location of the office that manages the underlying client relationship. Net trading revenue represents an allocation of the total net trading revenue that the Group generates from client trading activity.

The CODM continue to consider business performance from a product perspective, split into OTC leveraged derivatives, exchange traded derivatives and stock trading and investments. The revenue from exchange traded derivatives derives from the United States and EU. The revenue from stock trading and investments derives from the UK, EU and Australia.

During the year ended 31 May 2020, the basis of allocation for net trading revenue by product has changed. Net trading revenue allocated to the stock trading and investments product now includes the currency conversion fees charged to stock trading and investments clients. These fees were previously included in OTC leveraged revenue.

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. Additionally, the Group's assets and liabilities are not allocated to individual segments and not reported as such for decision making purposes to the CODM.

The segmental analysis shown below therefore does not include a measure of profitability, nor a segmented balance sheet, 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 2020 £m	Year ended 31 May 2019 £m
Net trading revenue by geography:		
UK	257.7	201.1
EU	89.0	68.0
EMEA - Non EU	55.2	43.5
Australia	91.9	70.1
Singapore	57.0	40.5
Japan	46.6	19.2
Emerging markets	28.3	17.5
USA	23.5	17.0
Total net trading revenue	649.2	476.9
Net trading revenue by product:		
OTC leveraged derivatives	617.2	451.4

Exchange traded derivatives	18.4	16.8
Stock trading and investments	13.6	8.7
Total net trading revenue	649.2	476.9

The Group does not derive more than 10% of revenue from any single client.

3. Taxation

Tax on profit on ordinary activities

Tax charged in the income statement:

	Year ended 31 May 2020 £m	Year ended 31 May 2019 £m
Current income tax:		
UK corporation tax	52.7	32.6
Non-UK corporation tax	4.9	4.1
Adjustment in respect of prior years	(0.2)	(1.1)
Total current income tax	57.4	35.6
Deferred income tax:		
Origination and reversal of temporary differences	(1.4)	(0.3)
Adjustment in respect of prior years	(0.2)	0.7
Impact of change in tax rates on deferred tax balances	(0.3)	-
Total deferred income tax	(1.9)	0.4
Tax expense in the income statement	55.5	36.0

Tax not charged to income statement:		
Tax recognised in other comprehensive income	0.2	0.1
Tax recognised directly in equity	(0.6)	(0.5)

Reconciliation of the total tax charge

The standard rate of corporation tax in the UK for the year ended 31 May 2020 is 19.0% (31 May 2019: 19.0%). 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 2020 £m	Year ended 31 May 2019 £m
Profit before taxation	295.9	194.3
Profit multiplied by the UK standard rate of corporation tax of 19.0% (year ended 31 May 2019: 19.0%)	56.2	36.9
Higher taxes on overseas earnings	0.4	0.9
Adjustment in respect of prior years	(0.4)	(0.4)
Expenses not deductible for tax purposes	1.1	1.5
Patent Box deduction	(1.7)	(1.1)
Impact of change in tax rates on deferred tax balances	(0.3)	-
Recognition and utilisation of losses previously not recognised	(1.3)	(3.3)
Current year losses not recognised as deferred tax assets	1.5	1.5
Total tax expense reported in the income statement	55.5	36.0

The effective tax rate for the year is 18.8% (year ended 31 May 2019: 18.5%).

4. Earnings per 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 the Group's 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.

	Year ended 31 May 2020 £m	Year ended 31 May 2019 £m
Earnings attributable to owners of the parent	240.4	158.3
Weighted average number of shares:		
Basic	368,081,407	367,570,489
Dilutive effect of share-based payments	2,540,279	2,796,998
Diluted	370,621,686	370,367,487

	Year ended 31 May 2020	Year ended 31 May 2019
Basic earnings per share	65.3p	43.1p

Diluted earnings per share	64.9p	42.8p

5. Dividends paid and proposed

	Year ended 31 May 2020	Year ended 31 May 2019
	£m	£m
Final dividend for FY19 at 30.24p per share (FY18: 33.51p)	111.4	123.3
Interim dividend for FY20 at 12.96p per share (FY19: 12.96p)	47.8	47.8
	159.2	171.1

The final dividend for the year ended 31 May 2020 of 30.24 pence per share amounting to £111.7 million was proposed by the Board on 23 July 2020 and has not been included as a liability at 31 May 2020. This dividend will be paid on 22 October 2020, following approval at the Company's AGM, to those members on the register at the close of business on 25 September 2020.

6. 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 - 31 May 2020	5.8	2.1	9.2	29.3	46.4
Net book value - 31 May 2019	5.9	2.3	6.2	-	14.4
Net book value - 31 May 2018	6.1	2.6	6.8	-	15.5

As of 1 June 2019, the Group has adopted IFRS 16 Leases and recognised right-of-use assets arising from the Group's lease arrangements. All right-of use assets relate to premises leases.

7. Intangible assets

	Goodwill	Domain names	Internally developed software	Software and licences	Total
	£m	£m	£m	£m	£m
Net book value - 31 May 2020	108.1	22.3	13.2	3.6	147.2
Net book value - 31 May 2019	108.1	25.4	14.6	3.4	151.5
Net book value - 31 May 2018	108.0	27.5	13.6	2.3	151.4

8. Financial investments

Financial investments are UK Government securities:

Held as:	31 May 2020	31 May 2019
	£m	£m
Liquid asset buffer	83.8	84.4
Collateral at brokers	140.5	140.8
	224.3	225.2
Of which:		
Non-current portion	83.8	189.9
Current portion	140.5	35.3
	224.3	225.2

9. Trade receivables

	31 May 2020	31 May 2019
	£m	£m
Amounts due from brokers	274.8	245.4
Own funds in client money	66.5	53.9
Amounts due from clients	5.7	1.8
	347.0	301.1

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 amounts due from brokers, the Group posts UK Government Securities as collateral with brokers to partly meet margin requirements of which £51.8 million (31 May 2019: £81.6 million) are held in custody accounts and £88.7 million (31 May 2019: £59.2 million) is considered as full title transferred held in non-custody accounts. These are classified as financial investments.

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 £16.5 million (31 May 2019: £13.5 million) to be transferred to the Group on the following business day.

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

10. 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 rights to cryptocurrencies on exchange and in vaults as follows:

	31 May 2020	31 May 2019
	£m	£m
Exchange	6.0	14.2
Vaults	16.1	18.9
	22.1	33.1

11. Leases

Following the adoption of IFRS 16 Leases from 1 June 2019, the Group now recognises a lease liability on the balance sheet to represent its obligation to make lease payments. The table below shows the maturity analysis of the recognised lease liability at 31 May 2020, and the rental commitments under non-cancellable operating leases that related to leases that have not been recognised as right-of-use assets prior to the adoption IFRS 16 at 31 May 2019.

	31 May 2020	31 May 2019
Future minimum payments due:	£m	£m
Within one year	6.8	7.0
After one year but not more than five years	20.9	19.0
After more than five years	1.6	2.6
	29.3	28.6

In addition to the £29.3 million lease liability, the Group has £0.2 million lease commitments under non-cancellable operating leases which are not capitalised as right-of-use assets.

11. Leases (continued)

The movements in balances associated with IFRS 16 Leases can be reconciled as follows:

Right-of-use asset	£m
Right-of-use asset at 1 June 2019	24.0
New lease agreements - present value of lease liabilities	11.5
New lease agreements - estimated restoration costs	0.7
Depreciation in the year	(6.9)
Right-of-use asset at 31 May 2020	29.3

Lease liability	£m
Lease liability at 1 June 2019	24.5
New lease agreements - present value of lease liabilities	11.5
Lease payments made in the year	(7.3)
Unwinding of discount	0.6
Lease liability at 31 May 2020	29.3

12. Trade payables

	31 May 2020	31 May 2019
	£m	£m
Client funds	141.4	107.4
Amounts due to clients	1.7	3.0
	143.1	110.4

Client funds comprise title transfer funds and client deposits with the Group's Swiss banking subsidiary. These amounts are included within cash and cash equivalents. Client funds also includes financial liabilities relating to issued turbo warrants.

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 (FCA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates.

13. Other reserves

In the year ended 31 May 2009, the Group carried out a share placement of 27,864,407 shares at a placing price of £2.95 per share, raising £82.2 million. After deducting £1.2m transaction costs, £81.0 million was recognised as Share Premium.

This placing was facilitated through IG Jersey Cashbox Limited, a Jersey incorporated company which has since been liquidated. The Group has now determined that the transaction qualified for merger relief under s612 Companies Act 2006. As a result, £81.0 million has now been reclassified to Other Reserves from Share Premium, reflecting the merger relief treatment. The affected financial statement line items for the prior periods are restated as follows:

Statement of Financial Position and Statement of Changes in Equity (Extract)

	Previously reported	Adjustments	Restated
	£m	£m	£m
At 1 June 2018			
Equity			
Share capital and share premium	206.8	(81.0)	125.8
Other reserves	71.6	81.0	152.6
At 31 May 2019			
Equity			
Share capital and share premium	206.8	(81.0)	125.8
Other reserves	80.2	81.0	161.2

14. Subsequent events

There are no subsequent events that have a material impact on the Financial Statements.

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