



IG GROUP HOLDINGS PLC

Interim Results for the six months ended 30 November 2015

19 January 2016

IG Group Holdings plc ("IG" or "the Group") today announces results for the six months ended 30 November 2015.

Operating and Financial Summary

- Solid and consistent performance in the first half
- Net trading revenue⁽¹⁾ up 8.8% at £214.8 million
- Administrative expenses up 18.7%, reflecting ongoing investment in future growth
- Profit before tax down⁽²⁾ 2.8% to £98.6 million
- Diluted EPS down 2.5% at 20.91 pence
- £87.2 million of own funds⁽³⁾ generated from operations, flat on prior year
- Interim dividend of 8.45 pence per share, in line with dividend policy
- New client numbers, defined as first trades, ahead of prior year by 35%, with a stable runrate
- Continued steady growth in Stockbroking client numbers
- Switzerland and Dubai offices performing in line with expectations
- Significant progress made in improving client onboarding process

Peter Hetherington, Chief Executive, commented:

"I am delighted to present my first set of half year results as Chief Executive of IG. The business continues to perform well and I am pleased with the progress on the strategic initiatives we are investing in to underpin the future growth of the Company. During my time here, IG has grown from a small phone-based UK trading company with around 25 employees, to a global leader in online trading with over 1,400 employees in 20 countries. But, as much as I am proud of the past, I am more excited about the future. Building on our strong operational and risk management capabilities, we are driving continuous improvement and value from the current business. At the same time, we are laying foundations for broadening the IG offering, to take advantage of supportive macro trends in financial behaviour, by leveraging the market-leading platform we have built."

Andy Green, Chairman, said:

"The Board is pleased to have appointed Peter Hetherington as Chief Executive, following a thorough selection process. We have also appointed an Interim CFO and the search for a permanent CFO is well underway. Peter and his management team have begun to sharpen the execution of the Company's strategy to ensure we take advantage of positive trends and deliver the next phase of growth."

⁽¹⁾ Net trading revenue is trading revenue excluding interest on segregated client funds net of introducing partner commissions. All references to 'revenue' in the Chief Executive's and Operating reviews are made with regards to net trading revenue.

⁽²⁾ In line with the prior period, a recent change in accounting treatment means there is no FSCS levy charge in the first half of the 2016 year, with the full annual charge being incurred in the second half.

⁽³⁾ Further detail on own funds generated from operations is available in Note 14.

All current financial results listed are for the six months ended 30 November 2015. All general references to 'the prior period', 'the prior year', and 'last year' mean the six months ended 30 November 2014, unless otherwise specified.

Financial summary

For the six months ended 30 November 2015	H1 FY16	H1 FY15	Up/(Down) %
Net trading revenue (£m)	214.8	197.4	8.8%
Profit before taxation (£m)	98.6	101.4	(2.8%)
Profit after taxation (£m)	76.7	78.6	(2.4%)
Diluted earnings per share (pence)	20.91	21.44	(2.5%)
Interim dividend per share (pence)	8.45	8.45	-
Own funds generated from operations (£m)	87.2	87.4	(0.2%)

Further information

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Analyst presentation

There will be an analyst presentation on the results at 9:30am on Tuesday 19 January 2016 at IG Group, Cannon Bridge House, 25 Dowgate Hill, London, EC4R 2YA.

The presentation will also be accessible live via audio webcast at www.iggroup.com and via a conference call on the following number:

All locations: +44 20 3059 8125

The audio webcast of the presentation and a transcript will be archived at: www.iggroup.com/investors

Disclaimer - forward-looking statements

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

Some numbers in this statement have been rounded and therefore there may be rounding differences between subtotals and the sum of individual numbers as presented. All period on period percentages are calculated off underlying unrounded numbers.

All market share data has been provided by Investment Trends Limited

- Investment Trends UK Leveraged Trading Report November 2015
- Investment Trends Australia CFD Report September 2015
- Investment Trends Singapore CFD and FX Report October 2015

IG is a global leader in online trading, providing fast and flexible access to over 10,000 financial markets – including shares, indices, forex, commodities and binaries.

Established in 1974 as the world's first financial spread betting firm, IG's aim is to become the default choice for active traders globally. It is an award-winning multi-platform trading company, the world's No.1 provider of CFDs* and a global leader in forex, and it now offers an execution-only stockbroking service in the UK, Ireland, Germany, Austria and the Netherlands.

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

*Based on revenue excluding FX, from published financial statements, September 2015.

Chief Executive's Review

I am delighted to present my first set of financial results as Chief Executive of IG. I joined IG in 1994 as a graduate trainee and have been part of a fantastic journey to this point. During my time here, IG has grown from a small phone-based UK trading company with around 25 employees, to a global leader in online trading with over 1,400 employees in 20 countries. But, as much as I am proud of the past, I am more excited about the future. Building on our strong operational and risk management capabilities, we are driving continuous improvement and value from the current business. At the same time, we are laying foundations for broadening the IG offering, to take advantage of supportive macro trends in financial behaviour, by leveraging the market-leading platform we have built.

In the first six months, revenue was £214.8 million, ahead of the prior year by almost 9%. Although overall revenue performance was reasonably consistent across the first two quarters of the year, each was marked by one particularly strong month, with August and September experiencing heightened volatility as global financial markets fell sharply on fears of economic weakness in emerging markets. Over the short term, these market conditions present clients with an increased number of trading opportunities.

The increase in operating costs, primarily as a result of our ongoing investment in growth initiatives, in addition to the combination of higher betting duty and lower interest on client funds, resulted in a small reduction in profit before tax, down 2.8% at £98.6 million (2015: £101.4 million); the first half of the prior year was strong, with 53% of the annual profit before tax delivered in the six months. Profit after tax was 2.4% lower at £76.7 million (2015: £78.6 million), supported by a slight reduction in the Group's effective tax rate; in line with this, diluted earnings per share was 2.5% behind the prior year, at 20.91 pence (2015: 21.44 pence).

Encouragingly, revenue in the period was ahead in all of our geographic regions, with the fastest growth coming from the less mature areas of Europe and Rest of World. The UK and Australia also delivered strongly, with revenue ahead by 3.4% and 5.7% respectively, against a good performance in the prior period. Revenue in Europe was ahead by 13%, with most countries ahead of the prior year and assisted by a good start in Switzerland, despite the region continuing to be negatively impacted by year-on-year weakness in the euro. All countries in the Rest of World region posted strong gains in revenue, and excluding Nadex, revenue in this region was ahead by 21%. Revenue at Nadex was more than double the prior period, following strong growth experienced during the second half of 2015, although progress slowed in the second quarter due to the relatively high levels of client attrition associated with the binaries product. In the period, we received extremely positive market share studies from the UK and Australia and a slightly more mixed result in Singapore; additional detail on these along with country revenue performance is given in the Operating Review.

Strategic direction

IG is a global leader in its current products. We have a strong brand, built on a market-leading technology platform, and a commitment to high ethical standards, fair client outcomes and regulatory compliance. Our strategy remains: to expand and diversify our product offering, recognising the changing financial priorities of a client through their life; to continue our geographic development, both delivering on the significant growth opportunities within our current footprint and opening in additional countries over time; and exploiting the great potential of the current business through process improvement, efficiency gains and best-in-class execution. This strategy is then underpinned by our commitment to remaining at the forefront of trading and investing technology.

Product diversification

For most of its history, IG has focused its efforts on leveraged trading products with great success, and we believe this market presents us with significant growth opportunities and will continue to provide the bulk of the Group's earnings for some time to come. However, we set out some time ago our intention to broaden our product range to significantly expand our addressable market. Current and potential clients of the financial services industry are defined by their level of financial sophistication, wealth, age, risk appetite or objective and these factors change throughout life. Leveraging our platform to offer clients a broader range of interconnected products and account types should mean that they remain with IG for a much longer time, potentially throughout their lives.

In September 2014 we launched our execution-only stockbroking product in the UK and Ireland, and we have since extended it to the Netherlands, Germany and Austria. To date I would consider this a qualified success. We are gaining clients each month, with over 7,000 funded accounts at the end of November. The majority of these clients are new to IG, and a number are going on to use our leveraged products. The rate of progress here is slower than we would like. To accelerate our growth here, in the second half of this financial year we will add SIPPs to our offering, and we are reviewing our charging structure with the intention of adding cost leadership to our current execution leadership.

In July we announced our partnership with BlackRock to launch ETF-based investment portfolios. This is an asset class which is growing rapidly and which we believe can challenge more traditional investment products. Importantly, along with

our enhanced stockbroking product, this broadens our product range to encompass a wider risk profile, which allows us to address a much larger market and could significantly increase the life and value of a client relationship. Over the long term, this has the potential to add a more predictable and a meaningful revenue stream to our already successful business. Initially, we intend to roll out this product in our more mature markets of the UK and Australia, where we have an established presence and brand, and a high market share in retail leveraged products. In our less mature markets, our concentration will be on the opportunity within the current leveraged product set, which remains compelling.

We also continuously review our core leveraged product, and we recognise that even within this arena there are a range of client categories. To address this, we are designing a new leveraged account which will assist less experienced clients to better manage their risk/reward balance. This account will ensure that these clients can never have a debit balance on their account. The security offered here should enable us to accept more clients into IG and maintain a trading relationship for longer.

As I mentioned, our global leadership position is underpinned by our technology suite. IG launched the first credible web trading platform some years ago and we have kept it fresh and responsive through a series of updates over the years. Over the last 12 months we have been working on an entirely new front-end web trading platform, which should leapfrog most, and perhaps all, of our competitors. We expect this to go into trial with a small number of our clients this month, and intend to roll out the first iteration around the middle of 2016.

Although the web is still the predominant interface with our clients, we recognise the speed of the transition to mobile. Within the next few years we expect the majority of client transactions to come through mobile apps, and for this trend to replicate itself right through the client cycle. We are currently setting up an operational and development hub in Poland and, in conjunction with our core team in London, we will focus on keeping IG at the forefront of mobile trends to ensure we continue to benefit from this technology shift.

Geographic development

Since 2002, we have grown rapidly outside the UK and now generate almost 50% of our revenue from our international operations, and the future opportunity is significant. Our most recent new offices in Switzerland and Dubai are performing at least in line with our plans, and exhibiting similar characteristics. In both jurisdictions the client sign-up process is currently quite manual and therefore, as anticipated, client numbers in the early stages are lower than other new offices. However, the value of clients is considerably higher than other countries, reflecting perhaps the financial sophistication of these populations. Although opening the office in additional countries is a key element of geographic development, it is only the first stage. It is equally important to continually hone the local offering and to share experiences and learnings between countries to maximise the revenue opportunity. This process has enabled us recently to significantly improve the performance in Sweden and Norway, which were, by some margin, the fastest growing established European offices in the first half of the year. We are also currently considering opening an office in one more European country in 2016.

In China, we have established a representative office in Shanghai and a small local team, led by a senior secondee from our Australian office. Although recent developments in China appear unsupportive to further liberalisation in the capital markets in the short term, we have never considered this a short term opportunity. Nevertheless, we will continue to consider the likelihood of a meaningful breakthrough here such that we can allocate our capital and resources appropriately. In the meantime, we continue to have dialogue with possible future partners in this market.

Moving on to the third leg of our strategy - exploiting the potential of the current business. We look at the business through the lens of the four key value drivers on the client journey; the recruitment of prospective clients through better marketing, their conversion to trading, the level of activity from each client including retention, and the value we achieve from the client activity. We are concentrating on optimising each stage of the client journey.

Optimising marketing efficiency

IG has got to be world-class at marketing, particularly online, to ensure we maximise IG's visibility to potential new clients. Historically, IG has not led online, not targeted or tracked well enough, and not responded rapidly enough to the early signs of success or failure. We have made considerable progress here over the last couple of years, and believe our algorithmic online marketing capabilities are now among the best in our industry and we continue to enhance our approach based on detailed analysis of the outcomes.

We have begun to exploit our generic Top Level Domains (gTLDs). News.markets, the first of our broader sites, is now live. This is a dedicated financial news site which we expect, over time, to rank well in natural search for terms relevant to our industry, providing us with opportunities to interact with a broad set of potential clients at the early stage of their journey. Over the next year, we will focus our efforts on building a small number of high quality sites and learning how best to use our marketing skills on these sites.

Transforming client conversion

Once a prospective client first engages with IG, there are several stages between this and the client actually commencing trading, and there are many opportunities to improve the experience on this journey. The majority of prospects who begin filling in an application form do not ultimately make it through to be a trading client. This may be because the product is inappropriate for someone with a low level of financial sophistication or because the process itself is too unwieldy or unintuitive, particularly in the context of the movement to mobile. IG's robust application process is built to screen out the former but we are making good progress on minimising the latter through a series of initiatives, some quite material and many small and incremental. Over the last year we have taken advantage of the appearance of electronic databases in some countries to automate and assist the client identification process. We have now rolled out improved solutions in most of our countries which allow clients to upload identity documents directly through their mobile device. We are now trialling a new application form for mobile which we believe will improve conversion rates for committed applicants. There are a great number of enhancements in our plans going forward, which we believe will squeeze out inefficiency from the conversion process and deliver additional value.

Improving client activity and retention

We aim to maximise the level of client engagement with IG while they remain active and retain them for the longest possible time. As set out above, expanding the range of services we can offer the client and the quality of our technology will be key. Client satisfaction is important to us at IG and it is something we measure regularly. As a result of client feedback, we recently introduced the IG community site. This closed site allows clients to engage with each other, and with our client service team, to share questions, views, concerns and suggestions for further improvement. In the second half of the year we will implement a new system which will allow us to better align our internal resource to streamline our dealings with clients across all the communication channels and address their queries more rapidly and in a prioritised fashion. We are also making strides in our proactive communication with clients, producing educational materials and trading ideas to better inform their activity. Our expanded product set also provides us with opportunities to reactivate dormant clients.

Maximising client value

IG has always been excellent at turning the volume of client trades into revenue – this is not a given in our industry. Scale is important, and explains in part IG's premium operating margin. While we remain agnostic on client outcomes, something which is out of our control, and continue to express no view on market direction, there is significant value in the natural hedge created by clients with opposing views. This is an area where we seek to optimise our processes to maximise the revenue we can earn from each transaction, while maintaining a robust risk management approach. We are monitoring the results of changes we made recently to risk limits; we raised certain of our indices limits and made them dynamic, such that they rise and fall as markets open and close, and we are pleased that the early indications support our analysis, and these changes are delivering additional value. We continue to assess the potential for further improvements in this area.

Board

There were several Board developments during and just after the end of the period; each of which has been the subject of a separate regulatory announcement. In July 2015, Tim Howkins announced his retirement after 16 years with IG, initially as Chief Financial Officer (CFO) and over the last nine years as Chief Executive Officer (CEO). In August 2015, Chris Hill, CFO, informed the Board of his intention to leave IG in order to take up the role of CFO of Hargreaves Lansdown plc, and stepped down from his position and the Board of IG at the end of October. I worked alongside Tim and Chris during their entire careers with IG and I would like to express my personal thanks to them both for their huge contributions. In early December, I was appointed as CEO by the Board, having been with IG since 1994 and a member of the IG Board since 2002. The Board is carrying out a thorough search and selection process for a successor to Chris as CFO and we will update the market as soon as this has concluded.

In early September, IG announced two new appointments to the Board. June Felix, President of Verifone Europe, was appointed as a Non-Executive Director. The Board was further strengthened with the appointment of Malcolm Le May as a Non-Executive Director. Malcolm also took up the roles of Senior Independent Director and Head of the Remuneration Committee when Roger Yates stepped down at the AGM in October after nine years' service at IG.

Dividend

As announced in July 2014, the Board established a formulaic approach to the interim ordinary dividend each year, such that it is calculated as 30% of the full year ordinary dividend for the prior year. Accordingly, we have declared an interim dividend of 8.45 pence.

Current trading and outlook

Half way through the year IG remains on track, and, although it is impossible to forecast what opportunities the markets will offer our clients over the next few months, the second half has started well. I have taken over as CEO of a company in great shape, with a number of strategic options and a broadly supportive macro backdrop. I am pleased with the progress we are making on the initiatives which will underpin the future growth of the company, but I am also acutely aware of the level of investment our shareholders are supporting and our need to produce returns which match our ambitions and their expectations. The rate of growth in investment spend is already moderating, having now almost established the appropriate resource and skills to allow us to develop the current business and exploit our other growth initiatives. Beyond the existing guidance for this financial year, the increase in operating costs is likely to be much more inflationary and discretionary in nature, with any discretionary element being primarily marketing related, and then only if the payback remains compelling. I am supported by a great team at IG, and I am confident that we will deliver on our strategic initiatives and drive growth into the future.

Peter Hetherington

Chief Executive

19 January 2016

Geographical Revenue	H1 revenue			KPI	
	FY16 £m	FY15 £m	% Change	Active client growth	Revenue per client growth
UK (Incl Ireland)	110.4	106.8	3.4%	2.2%	1.2%
Europe	45.6	40.5	12.6%	17.6%	(4.2%)
Australia	30.4	28.7	5.7%	11.6%	(5.3%)
Rest of World	28.5	21.4	32.8%	24.5%	6.6%
Total	214.8	197.4	8.8%	11.0%	(2.0%)

Geographical Revenue	Q1 revenue			KPI	
	FY16 £m	FY15 £m	% Change	Active client growth	Revenue per client growth
UK (inc Ireland)	56.4	45.9	22.8%	16.0%	5.8%
Europe	20.8	18.4	13.0%	18.2%	(4.4%)
Australia	14.9	12.3	21.0%	20.1%	0.8%
Rest of World	13.9	9.0	54.2%	28.3%	20.2%
Total	106.0	85.6	23.8%	19.4%	3.6%

Geographical Revenue	Q2 revenue			KPI	
	FY16 £m	FY15 £m	% Change	Active client growth	Revenue per client growth
UK (inc Ireland)	54.0	60.9	(11.2%)	(9.2%)	(2.3%)
Europe	24.8	22.1	12.2%	14.4%	(1.9%)
Australia	15.5	16.4	(5.8%)	3.1%	(8.6%)
Rest of World	14.6	12.4	17.2%	13.2%	3.5%
Total	108.9	111.8	(2.6%)	1.7%	(4.3%)

The financial tables above and herein may contain numbers which have been subject to rounding adjustments, and which therefore differ from the equivalent numbers contained in the Financial Statements. All percentage movements in numbers have been calculated from the underlying data, before rounding occurred.

Operating Review

IG delivered record revenue in the half of £214.8 million, up 8.8% on the first half of the prior year (2015: £197.4 million). The period was characterised by bursts of volatility in the financial markets, presenting more trading opportunities for our clients. Profit before tax was £98.6 million, 2.8% behind the prior year (2015: £101.4 million). This reduction in pre-tax profit reflects an increase in headcount and marketing costs to support the ongoing investment in our strategic initiatives to deliver future growth and diversification. Diluted earnings per share fell by 2.5% to 20.91 pence, supported slightly by a drop in the Group effective tax rate. Included in the tax charge for the first half is £1.2 million relating to the Bank Corporation Tax Surcharge, which is effective from 1 January 2016. The total charge for FY16 is expected to be around £2.5 million. IG strongly believes that this charge was not intended to apply to its business and is lobbying the Government to be excluded.

Client numbers for the first half for the Group were ahead of the prior year by 11%. Revenue per client was 2.0% below the first half of the prior year, but 2.1% up on the second half. The number of new clients in the period, measured by first trades, was 35% above the prior period and the higher monthly level was maintained through the second quarter.

UK

The UK segment comprised our offices in London and Dublin. Revenue in the UK grew 3.4% to £110.3 million against a strong prior period (2015: £106.8 million). Revenue was slightly higher in the first quarter, at £56.4 million against £54.0 million in the second quarter, following the sharp drop in financial markets in August. The uplift in revenue in the period was driven by a rise in the number of active clients of 2.2% and an increase in revenue per client of 1.2%. The UK constituted 51% of Group revenue in the period, down from 54% in the same period last year.

An annual study of the UK's retail leveraged trading industry was released in late 2015. The survey showed that IG's market share of spread bettors had risen from 40% to 44% and its share of CFD traders had risen from 26% to 29%. According to the survey, IG's position as market leader was supported by clients seeking out well-regulated and financially stable providers. The study also showed a slight increase in those trading these instruments, from 89,000 to 92,000 retail traders. Drawing precise quantitative conclusions from this research is increasingly difficult as the measurement of market share is based on the number of primary accounts, it does not reflect white label or introducing partner agreements consistently and makes no allowance for client value.

Our stockbroking offering has now been live in the UK for over a year. Progress has been steady and we are seeing a consistent number of new clients signing up to the service every month. There continues to be an encouraging number of new clients, who come in through the stockbroking service, going on to trade our leveraged offering.

Europe

The Europe segment comprised the German, French, Italian, Spanish, Dutch, Swedish, Norwegian, Luxembourg and Swiss offices and accounted for 21% of Group revenue, in line with the prior year. Revenue rose 13% from £40.5 million to £45.6 million, although the prior year performance was disappointing. Client numbers increased in all offices, ahead of the prior year across the region by 18%. Revenue per client fell year-on-year, down 4.2%, as a weakening euro continued to impact here. In Europe, this measure reflected the Group trend, lower than the prior year comparator, but ahead of the second half of the 2015 financial year.

Although revenue for the half year for the German and Italian offices was slightly behind the prior period, both recovered strongly in the second quarter. Revenue in all other offices was well ahead in the period. The Swiss office, now open for over a year, is trading above our expectations. As expected, and despite a more complicated sign-up process, the clients we sign-up here have a significantly higher average revenue than the Group average. The Scandinavian offices of Sweden and Norway were the standout performers in the period, both increasing revenue by over 50%.

During the period IG extended its European stockbroking offering to Germany. Like the Netherlands before it, so far the take-up has been relatively slow, most likely due to the lack of wide recognition of the IG brand in these markets. We continue to refine this service based on the valuable feedback we receive from our clients.

Australia

The Australia segment comprised the Melbourne office and the revenue from New Zealand and other countries in the Asia Pacific region where we have no physical presence. Revenue grew 5.7% to £30.4 million (2015: £28.7 million), despite the weakening Australian dollar. Against prior year, the proportion of revenue generated in the Asia Pacific region where we have no physical presence showed encouraging growth. The increase in revenue in this segment was driven by strong client growth, up 12% on the prior year. Revenue per client fell 5.3% on the prior year, driven predominantly by the unfavourable Australian dollar exchange rate movement. The Australia segment accounted for 14% of Group revenue in the period, against 15% in the prior year.

During the year an annual market research study showed that IG's market share had risen by five percentage points to 38%, extending our market leadership in Australia. As with the UK, this simple measure is based on primary accounts.

While this makes drawing precise quantitative conclusions difficult, the general growth in this measure is reflective of IG's continued capture of a greater share of the Australian CFD market. In addition, the local market grew slightly, from 42,000 to 43,000 retail traders.

Rest of World

The Rest of World segment comprised our offices in Singapore, Japan, South Africa and Dubai and our retail exchange, Nadex, in the US. Revenue for the Rest of World was up 33% on prior year to £28.5 million (2015: £21.4 million). Our Rest of World offices all delivered strong revenue growth with Japan ahead by 27% and South Africa by 12%. The number of clients and revenue per client both rose in this segment, even when stripping out the effect of the sharp growth at Nadex through the latter part of the last financial year. The Rest of World segment accounted for 13% of Group revenue against 11% in the prior year.

Singapore revenue for the first half was ahead of prior year by 17% at £12.9 million (2015: £11.0 million). This was driven by an increase in active clients trading, which rose 11% and in revenue per client, which was ahead by 6.0%. An annual market research study concluded that IG's market share of the retail CFD industry fell from 17% to 16% in a market which grew to 18,000 retail traders.

Our Dubai office began trading early in the period and we carried out our official launch in September. The office is progressing in line with our expectations.

In the US, at our retail exchange Nadex, revenue was ahead by 149% at £4.8 million (2015: £1.9 million). Active member numbers were ahead by 79%. The growth came through primarily during the latter part of last year and into the first quarter of this and activity levels did flatten towards the end of the period.

Consolidated interim income statement

for the six months ended 30 November 2015 (unaudited)

	Note	Unaudited Six months ended 30 November 2015 £m	Unaudited Six months ended 30 November 2014 £m
Trading revenue		230.6	213.9
Interest income on segregated client funds	4	1.9	2.6
Revenue		232.5	216.5
Interest expense on segregated client funds		(0.2)	(0.2)
Introducing partner commissions		(15.8)	(16.5)
Betting duty and financial transaction taxes		(6.4)	(4.5)
Other operating income		0.3	0.3
Net operating income		210.4	195.6
Analysed as:			
Net trading revenue	4	214.8	197.4
Other net operating cost		(4.4)	(1.8)
Administrative expenses	5	(111.9)	(94.3)
Operating profit		98.5	101.3
Finance income		1.0	0.9
Finance costs		(0.9)	(0.8)
Profit before taxation		98.6	101.4
Tax expense	6	(21.9)	(22.8)
Profit for the period		76.7	78.6
Profit for the period attributable to owners of the parent		76.7	78.6
Earnings per ordinary share			
- basic	7	20.97p	21.53p
- diluted	7	20.91p	21.44p

The notes on pages 15 to 31 are an integral part of these condensed interim financial statements.

Consolidated interim statement of comprehensive income

for the six months ended 30 November 2015 (unaudited)

	Unaudited Six months ended 30 November 2015		Unaudited Six months ended 30 November 2014	
	£m	£m	£m	£m
Profit for the period		76.7		78.6
Other comprehensive (expense)/income:				
Items that may be subsequently reclassified to profit or loss:				
Change in value of available-for-sale financial assets	(0.1)		0.4	
Foreign currency translation (expenses)/income on overseas subsidiaries	(2.4)		1.1	
Other comprehensive (expense)/income for the period, net of tax		(2.5)		1.5
Total comprehensive income for the period		74.2		80.1
Total comprehensive income attributable to owners of the parent		74.2		80.1
		74.2		80.1

All items of other comprehensive income and expense may be subsequently reclassified to profit and loss.

The items of comprehensive income noted above are stated net of related tax effects.

Notes on pages 15 to 31 are an integral part of these condensed financial statements.

Consolidated interim statement of financial position

at 30 November 2015 (unaudited)

	Note	Unaudited 30 November 2015 £m	Unaudited 30 November 2014 £m	31 May 2015 £m
Assets				
Non-current assets				
Property, plant and equipment		12.7	13.8	13.3
Intangible assets		123.9	124.1	124.0
Financial investments	12	103.7	58.6	75.5
Deferred income tax assets		7.0	7.0	7.1
		<u>247.3</u>	<u>203.5</u>	<u>219.9</u>
Current assets				
Trade receivables	9	239.7	226.6	269.6
Prepayments and other receivables		12.1	9.6	12.2
Cash and cash equivalents	10	162.4	149.6	148.8
Financial investments	12	33.1	50.4	32.9
		<u>447.3</u>	<u>436.2</u>	<u>463.5</u>
TOTAL ASSETS		<u>694.6</u>	<u>639.7</u>	<u>683.4</u>
Liabilities				
Current liabilities				
Trade payables		33.8	11.0	17.7
Other payables		49.2	43.2	61.2
Income tax payable		15.5	18.6	13.1
		<u>98.5</u>	<u>72.8</u>	<u>92.0</u>
Non-current liabilities				
Redeemable preference shares		-	-	-
Total liabilities		<u>98.5</u>	<u>72.8</u>	<u>92.0</u>
Equity attributable to owners of the parent				
Share capital		-	-	-
Share premium		206.8	206.8	206.8
Other reserves		91.9	89.7	91.8
Retained earnings		297.4	270.4	292.8
Shareholders' equity		<u>596.1</u>	<u>566.9</u>	<u>591.4</u>
TOTAL EQUITY AND LIABILITIES		<u>694.6</u>	<u>639.7</u>	<u>683.4</u>

The notes on pages 15 to 31 are integral part of these condensed interim financial statements

These condensed consolidated interim financial statements on pages 10 to 31 were approved by the Board of Directors on 19 January 2016 and signed on its behalf by:

Peter Hetherington, Director

Consolidated interim statement of changes in equity

for the six months ended 30 November 2015 (unaudited)

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Shareholders' equity £m	Non- controlling interests £m	Total equity £m
At 31 May 2014 (restated)*	-	206.8	85.4	273.7	565.9	-	565.9
Profit for the period	-	-	-	78.6	78.6	-	78.6
Other comprehensive income/(expense) for the period	-	-	1.5	-	1.5	-	1.5
Total comprehensive income/(expense) for the period	-	-	1.5	78.6	80.1	-	80.1
Equity-settled employee share-based payments	-	-	3.1	-	3.1	-	3.1
Purchase of own shares	-	-	(0.3)	-	(0.3)	-	(0.3)
Equity dividends paid	-	-	-	(81.9)	(81.9)	-	(81.9)
Movement in shareholders' equity	-	-	4.3	(3.3)	1.0	-	1.0
At 30 November 2014	-	206.8	89.7	270.4	566.9	-	566.9
At 31 May 2015	-	206.8	91.8	292.8	591.4	-	591.4
Profit for the period	-	-	-	76.7	76.7	-	76.7
Other comprehensive income/(expense) for the period	-	-	(2.5)	-	(2.5)	-	(2.5)
Total comprehensive income/(expense) for the period	-	-	(2.5)	76.7	74.2	-	74.2
Equity-settled employee share-based payments	-	-	3.6	-	3.6	-	3.6
Purchase of own shares	-	-	(1.0)	-	(1.0)	-	(1.0)
Equity dividends paid	-	-	-	(72.1)	(72.1)	-	(72.1)
Movement in shareholders' equity	-	-	0.1	4.6	4.7	-	4.7
At 30 November 2015	-	206.8	91.9	297.4	596.1	-	596.1

*As outlined in the Group accounting policies on page 168 of the Group's annual financial statements for the year ended 31 May 2015, comparative periods have been restated to reflect the change in timing of recognition of the FSCS levy in accordance with IFRIC 21 'Levies'.

Consolidated interim cash flow statement

for the six months ended 30 November 2015 (unaudited)

		Unaudited Six months ended 30 November 2015	Unaudited Six months ended 30 November 2014
	Note	£m	£m
Operating activities			
Cash generated from operations	13	110.2	182.3
Income taxes paid		(19.1)	(23.5)
Interest received on segregated client funds		1.9	3.1
Interest paid on segregated client funds		(0.2)	(0.2)
Net cash flow from operating activities		92.8	161.7
Investing activities			
Interest received		0.5	1.0
Purchase of property, plant and equipment		(1.9)	(3.3)
Payments to acquire intangible fixed assets		(2.5)	(3.4)
Proceeds from maturity of financial investments and coupon receipts	12	25.5	24.9
Purchase of financial investments	12	(24.5)	(51.0)
Net cash flow used in investing activities		(2.9)	(31.8)
Financing activities			
Interest paid		(0.9)	(0.9)
Equity dividends paid to owners of the parent	8	(72.1)	(81.9)
Proceeds from draw down of committed banking facility	14	50.0	-
Repayment of committed banking facility	14	(50.0)	-
Purchase of own shares		(1.0)	(0.3)
Net cash flow used in financing activities		(74.0)	(83.1)
Net increase in cash and cash equivalents		15.9	46.8
Cash and cash equivalents at the beginning of the period		148.8	101.5
Exchange (losses)/gains on cash and cash equivalents		(2.3)	1.3
Cash and cash equivalents at the end of the period	10	162.4	149.6

The notes on pages 15 to 31 are integral part of these condensed interim financial statements

Notes to the consolidated interim condensed financial statements

for the six months ended 30 November 2015 (unaudited)

1. General information

IG Group Holdings plc and its subsidiaries provide online trading services, access to various financial markets, including shares, indices, forex, commodities and binaries.

The consolidated interim condensed financial statements of IG Group Holdings plc and its subsidiaries for the six months ended 30 November 2015 were authorised for issue by the Board of Directors on 19 January 2016. 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 year ended 31 May 2015, 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 condensed interim financial statements. The financial statements for the year ended 31 May 2015 have been 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 condensed interim financial statements for the six months ended 30 November 2015 have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority and with IAS 34 "Interim Financial Reporting" as adopted by the European Union (EU). The interim condensed consolidated financial statements are presented in Sterling and all values are rounded to the million except where otherwise indicated.

The consolidated interim condensed financial statements do not include all 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 2015 which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

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 comprise cash balances available to the Group for its own purposes and exclude all monies held in segregated client money accounts. An element of the Group's liquidity is not available for purposes of centrally performed market risk management as it is held in overseas businesses for purposes of local regulatory and working capital requirements or is currently held within segregated client money bank accounts to ensure the Group's segregation obligations are met. Refer to note 14 for details of the Group's available liquid assets and net available liquidity.

In assessing whether it's appropriate to adopt the going concern basis in preparing the condensed interim financial statements, the Directors have considered the resilience of the Group, taking account of its current position, the principal risks facing the business in severe but reasonable scenarios, and the effectiveness of any mitigating actions. Further details of these principal risks and how they are mitigated is documented in the Group Annual Report for the year ended 31 May 2015 from page 48 to 53, and on pages 34 and 35 of this Interim Statement.

The Directors' assessment has considered the potential impacts of these risks on the business model, future performance, solvency and liquidity over a period of at least 12 months from the date of approval of the condensed interim financial statements. Further 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 considered it appropriate to adopt the going concern basis in preparing its condensed interim financial statements.

Critical accounting estimates and judgements

The preparation of these consolidated interim financial statements requires the Group to make estimates and judgements that impact the reported amounts of assets and liabilities as at the interim reporting date and the amounts reported for revenues and expenses during the period. The nature of estimates means that actual outcomes could differ from those estimates. The significant judgments and estimates applied by the Group in this interim information have been applied on a consistent basis with the Annual Report for the year ended 31 May 2015.

In the Directors' opinion, the accounting estimates or judgements that have the most significant impact on the measurement of items recorded in the interim financial statements remain the following:

(a) The judgments in relation to the assessment of goodwill for impairment largely relate to the assumptions underlying the calculation of the value-in-use of the US cash generating unit (CGU). However, in accordance with the interim financial period accounting standard a formal impairment review is required only where an indication that an 'impairment trigger' exists. The Directors consider that such an 'impairment trigger' has not occurred in the six month period ended 30 November 2015.

(b) The assessment of the useful economic life of the Group's internally developed and acquired software, licenses, domain names and generic top-level domains based intangible assets is judgmental and can change due to obsolescence as a result of unforeseen technological developments. The useful life for licenses represents management's view of the expected term over which the Group will receive benefits from the software, and does not exceed the licence term. For internally developed and acquired software and domain assets the life is based on historical experience with similar products as well as anticipation of future events which may impact their useful economic life.

(c) The recoverability of amounts owed by clients, is dependent on the Group's ability to collect the remaining outstanding amounts. Provisions have been made where the directors consider there is a risk of non-recoverability.

(d) The calculation of the Group's current corporation tax charge involves a degree of estimation and judgment with respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority. The Group has made payments in respect of the potential tax liability that may arise on these unresolved items, however, the amount ultimately payable may be materially lower than the amount accrued and paid and could therefore improve the overall profitability and cash flows of the Group in future periods.

Notes to the consolidated interim condensed financial statements for the six months ended 30 November 2015 (unaudited)

2. Basis of preparation and accounting policies (continued)

Critical accounting estimates and judgements (continued)

(e) The measurement of the Group's net trading revenue is predominantly based on quoted market prices and accordingly involves little judgement. However, the calculation of the segmental net trading revenue, as the Group manages risk and hedges on a group-wide portfolio basis, involves the use of an allocation methodology. This allocation methodology does not impact on the overall Group net trading revenue disclosed.

Significant accounting policies

The accounting policies, methods of computation and presentation adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Group's Annual Report for the year ended 31 May 2015 except as described below:

- Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.
- The measurement and disclosure requirements of IFRS 13 'Fair value measurement' are applicable for the year ending 31 May 2016. The Group has therefore included the disclosures required by IAS 34 para 16A(j), see note 16.

Future accounting developments

During July 2015 the IASB confirmed the deferral of the effective date of IFRS 15 *Revenue from Contracts with Customers* by one year to 1 January 2018.

There were no new accounting standards that were issued during the period which have a material impact on these interim financial statements.

For further information on future accounting changes, refer to the IG Group Holdings Plc 2015 Annual Report.

Seasonality of operations

The Directors consider that, given the impact of market volatility, and the growth in overseas business and the use of mobile platforms, there is no predictable seasonality to the Group's operations.

Notes to the consolidated interim condensed financial statements

for the six months ended 30 November 2015 (unaudited)

3. Segment information

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

The Executive Directors consider the business from both a geographic and product offering perspective. Geographically, management considers the performance in the UK, Australia, Europe and 'Rest of World'.

The 'UK' segment comprises the Group's operations in each of UK and Ireland.

The 'Europe' segment comprises the Group's operations in each of France, Germany, Italy, Luxembourg, the Netherlands, Norway, Spain, Sweden and Switzerland.

The Australia segment comprises the Melbourne office and the revenues from New Zealand and the other countries in the Asia Pacific region where we have no physical presence.

The 'Rest of World' segment comprises the Group's operations in each of Japan, South Africa, Singapore, United Arab Emirates and the United States of America.

From a product offering perspective, management separately considers the nature of the 'net trading revenue' (refer to note 4) generated in these geographies. Segment net trading revenue is consistent with the management information received by the Executive Directors.

The Group's reporting segments include the UK, Australia, Europe and the Rest of the World.

The UK segment derives its revenue from financial spread bets, Contracts for Difference (CFDs), binary options and execution only stockbroking. The Australian and European segments derive their revenue from CFDs and binary options. The businesses reported within the 'Rest of World' derive revenue from the operation of a regulated futures and options exchange as well as CFDs and binary options.

Net trading revenue is reported by the location of the office that manages the underlying client relationship and is aggregated into the disclosable segments of UK, Australia, Europe and 'Rest of World'. The Rest of the World segment is an aggregation of the Group's locations which are not geographically located in the UK, Australia and Europe, and these individual locations have revenues which are less than 10% of the Group's total revenues.

The Executive Directors also review the segment contribution, being segment net trading revenue less directly incurred costs, as the measure of segment profit and loss.

The Group employs a centralised operating model whereby market risk is managed principally in the UK, switching to Australia outside of UK hours. The costs associated with these operations are included in the Central segment, together with central costs of senior management, middle office, IT development, marketing and other support functions. As the Group manages risk and hedges on a group-wide portfolio basis, the following segmental net trading revenue analysis involves the use of an allocation methodology. Interest income and expense on segregated client funds is managed and reported to the CODM centrally and thus has been reported in the Central segment. In the following analysis, the Central segment costs have been further allocated to the other reportable segments based on a number of cost allocation assumptions and segment net trading revenue. There are no other significant elements of judgement applied in aggregating operating segments.

The Group envisages that the reportable segments may change as overseas businesses move towards operational maturity, breaking through the quantitative thresholds of IFRS 8. The segments are therefore subject to annual review and the comparatives will be restated to reflect any reclassifications within the segmental reporting.

Notes to the consolidated interim condensed financial statements

for the six months ended 30 November 2015 (unaudited)

3. Segment information (continued)

Six months ended 30 November 2015 (unaudited)	UK £m	Australia £m	Europe £m	Rest of World £m	Central £m	Total £m
Segment net trading revenue	110.3	30.4	45.6	28.5	-	214.8
Interest income on segregated client funds	-	-	-	-	1.9	1.9
	110.3	30.4	45.6	28.5	1.9	216.7
Interest expense on segregated client funds	-	-	-	-	(0.2)	(0.2)
Other operating income	-	-	-	-	0.3	0.3
Betting duty and financial transaction taxes	(6.2)	-	(0.2)	-	-	(6.4)
Net operating income	104.1	30.4	45.4	28.5	2.0	210.4
Segment contribution	84.0	26.1	28.6	15.7	(50.9)	103.5
Allocation of central costs	(25.8)	(7.6)	(11.3)	(6.2)	50.9	-
Depreciation and amortisation	(2.5)	(0.6)	(1.1)	(0.8)	-	(5.0)
Operating profit	55.7	17.9	16.2	8.7	-	98.5
Net finance revenue						0.1
Profit before taxation						98.6

Six months ended 30 November 2014 (unaudited)	UK £m	Australia £m	Europe £m	Rest of World £m	Central £m	Total £m
Segment net trading revenue	106.8	28.7	40.5	21.4	-	197.4
Interest income on segregated client funds	-	-	-	-	2.6	2.6
	106.8	28.7	40.5	21.4	2.6	200.0
Interest expense on segregated client funds	-	-	-	-	(0.2)	(0.2)
Other operating income	-	-	-	-	0.3	0.3
Betting duty and financial transaction taxes	(4.3)	-	(0.2)	-	-	(4.5)
Net operating income	102.5	28.7	40.3	21.4	2.7	195.6
Segment contribution	88.9	25.5	24.4	11.5	(44.1)	106.2
Allocation of central costs	(22.3)	(6.6)	(10.2)	(5.0)	44.1	-
Depreciation and amortisation	(2.5)	(0.6)	(1.1)	(0.7)	-	(4.9)
Operating profit	64.1	18.3	13.1	5.8	-	101.3
Net finance revenue						0.1
Profit before taxation						101.4

Notes to the consolidated interim condensed financial statements

for the six months ended 30 November 2015 (unaudited)

4. Net trading revenue

Net trading revenue represents the trading revenue from financial instruments carried at fair value through profit and loss net of introducing partner commissions as this is consistent with the management information received by the CODM and is broken down as follows:

	Unaudited Six months ended 30 November 2015 £m	Unaudited Six months ended 30 November 2014 £m
Net trading revenue		
Contracts for Difference	113.4	104.7
Spread Betting	78.2	75.2
Binaries	22.9	17.5
Stockbroking commission ⁽¹⁾	0.3	-
Total net trading revenue	214.8	197.4

⁽¹⁾ The Group commenced the offering of an execution only stockbroking service in the UK and Ireland on 12 September 2014. The service was subsequently expanded into the Netherlands and Germany in 2015.

Notes to the consolidated interim condensed financial statements

for the six months ended 30 November 2015 (unaudited)

5. Administrative expenses

	Unaudited Six months ended 30 November 2015 £m	Unaudited Six months ended 30 November 2014 £m
Director and employee remuneration costs	55.2	47.4
Advertising and marketing	21.4	17.5
Premises-related costs	5.9	5.4
IT, market data and communications	9.0	7.8
Legal and professional costs	2.7	2.4
Regulatory fees	0.1	0.2
Net charge for impaired trade receivables	1.8	0.4
Other costs	10.8	8.3
Operating costs	106.9	89.4
Depreciation and amortisation	5.0	4.9
Total administrative expenses	111.9	94.3

6. Tax expense

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 May 2016 is 22.2% (year ended 31 May 2015: 22.18%).

Notes to the consolidated interim condensed financial statements

for the six months ended 30 November 2015 (unaudited)

7. 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 purchased and held as own shares in 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 outstanding to assume conversion of all dilutive ordinary shares arising from share schemes.

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

	Unaudited Six months ended 30 November 2015 £m	Unaudited Six months ended 30 November 2014 £m
Profit for the period:		
Earnings attributable to equity shareholders of the parent	76.7	78.6
	Number	Number
Weighted average number of ordinary shares		
Basic	365,571,437	365,163,764
Dilutive effect of share-based payments	1,153,509	1,429,088
Diluted	366,724,946	366,592,852
	Unaudited Six months ended 30 November 2015	Unaudited Six months ended 30 November 2014
Basic earnings per ordinary share	20.97p	21.53p
Diluted earnings per ordinary share	20.91p	21.44p

Notes to the consolidated interim condensed financial statements for the six months ended 30 November 2015 (unaudited)

8. Dividends paid and proposed

	Unaudited Six months ended 30 November 2015 £m	Unaudited Six months ended 30 November 2014 £m	Year ended 31 May 2015 £m
Amounts recognised as distributions to equity holders in the period:			
Interim dividend of 8.45p for 2015 (2014: 5.75p)	-	-	30.9
Final dividend of 19.70p for 2015 (2014: 22.40p)	71.8	81.9	81.9
	<u>71.8</u>	<u>81.9</u>	<u>112.8</u>
Proposed but not recognised as distributions to equity holders in the period:			
Interim dividend of 8.45p for 2016 (2015: 8.45p)	30.9	30.9	-
Final dividend of 19.70p for 2015 (2014: 22.40p)	-	-	71.8
	<u>30.9</u>	<u>30.9</u>	<u>71.8</u>

The Board will continue to monitor the capital structure of the business closely to allow sufficient headroom for the planned investment in growth initiatives, whilst retaining the ability to respond to any changes in the regulatory or financial environment.

The proposed interim dividend for 2016 of 8.45p per share amounting to £30.9 million was approved by the Board on 18 January 2016 and has not been included as a liability at 30 November 2015. This dividend will be paid on 26 February 2016 to those members on the register at the close of business on 29 January 2016.

9. Trade receivables

	Unaudited 30 November 2015 £m	Unaudited 30 November 2014 £m	31 May 2015 £m
Amounts due from brokers ⁽¹⁾	200.7	196.5	239.2
Other amounts due to the Group ⁽²⁾	36.5	27.7	28.4
Amounts due from clients ⁽³⁾	2.5	2.4	2.0
	<u>239.7</u>	<u>226.6</u>	<u>269.6</u>

⁽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. At 30 November 2015 the actual broker margin requirement was £210.2 million (31 May 2015: £204.8 million and 30 November 2014: £188.3 million). The Group held collateral of £53.9 million (31 May 2015: £25.3 million and 30 November 2014: £25.7 million) with brokers ensuring broker margin requirements are met (refer to note 12).

⁽²⁾ Other amounts due to the Group include balances that will be transferred to the Group's own cash from segregated client funds on the following working 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. This also includes amounts due from banking counterparties or held within segregated client funds in relation to monies transferred by clients to the Group that remain unsettled at the period-end. The Group is required to segregate these client funds at the point of client funding and not at cash settlement.

⁽³⁾ Amounts due from clients arise when a client's total funds deposited with the Group are insufficient to cover any trading losses incurred and are stated net of an allowance for impairment.

Notes to the consolidated interim condensed financial statements

for the six months ended 30 November 2015 (unaudited)

10. Cash and cash equivalents

	Unaudited 30 November 2015 £m	Unaudited 30 November 2014 £m	31 May 2015 £m
Gross cash and cash equivalents ⁽¹⁾	1,009.7	953.4	1,062.4
Less: segregated client funds ⁽²⁾	(847.3)	(803.8)	(913.6)
Cash and cash equivalents ⁽³⁾	162.4	149.6	148.8

⁽¹⁾ Gross cash and cash equivalents includes each of the Group's own cash, as well as all client monies held.

⁽²⁾ Segregated client funds comprise individual client funds held in segregated client money accounts or money market facilities established under the UK's Financial Conduct Authority (FCA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates. Such monies are not included in the Group's Statement of Financial Position.

⁽³⁾ Cash and cash equivalents includes both title transfer funds held by the Group under a Title Transfer Collateral Arrangement (TTCA) by which a client agrees that full ownership of such monies is unconditionally transferred to the Group, and client monies deposited with the Group's Swiss banking subsidiary, IG Bank SA.

11. Client funds and assets

	Unaudited 30 November 2015 £m	Unaudited 30 November 2014 £m	31 May 2015 £m
Segregated client funds ⁽¹⁾	847.3	803.8	913.6
Segregated client assets ⁽²⁾	100.9	14.2	77.4
Total segregated client funds and assets	948.2	818.0	991.0

⁽¹⁾ Segregated client funds comprise individual client funds held in segregated client money accounts or money market facilities established under the UK's Financial Conduct Authority (FCA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates. Such monies are not included in the Group's Statement of Financial Position.

⁽²⁾ The Group commenced the offering of an execution only stockbroking service in the UK and Ireland on 12 September 2014. As a result, the Group is required to segregate the clients' equity positions under the Financial Conduct Authority's 'CASS' rules.

The Group's Swiss banking subsidiary, IG Bank SA, is also required to protect customer deposits under the FINMA Privileged Deposit Scheme. At 30 November 2015, IG Bank SA was required to hold £4.1 million (30 November 2014: £0.3 million and 31 May 2015: £5.3 million) in satisfaction of this requirement.

Notes to the consolidated interim condensed financial statements for the six months ended 30 November 2015 (unaudited)

12. Financial investments

	Unaudited Six months ended 30 November 2015 £m	Unaudited Six months ended 30 November 2014 £m	Year ended 31 May 2015 £m
UK Government securities:			
Balance at the beginning of the period/year	108.4	82.5	82.5
Purchase of securities ⁽³⁾	53.5	51.0	76.4
Maturity of securities and coupon receipts	(25.5)	(24.9)	(51.3)
Accrued Interest	0.5	-	0.5
Net gains transferred to equity	(0.1)	0.4	0.3
Balance at the end of the period/year⁽¹⁾	136.8	109.0	108.4
Less non-current portion	(103.7)	(58.6)	(75.5)
Current portion	33.1	50.4	32.9

⁽¹⁾ The balance is made up as follows:

	Unaudited 30 November 2015 £m	Unaudited 30 November 2014 £m	31 May 2015 £m
Liquid asset buffer ⁽²⁾	82.9	83.3	83.1
Collateral at broker ⁽³⁾	53.9	25.7	25.3
	136.8	109.0	108.4

⁽²⁾ The UK Government securities are held by the Group in satisfaction of the FCA requirements to hold a "liquid asset buffer" against potential liquidity stress under BIPRU 12.

⁽³⁾ During the six months to 30 November 2015 the Group purchased £29.0 million of UK Government Gilt which is held at brokers as collateral to support the hedging of client market exposures in accordance with the Group's market risk management policy. A further £24.5 million related to the purchase of a UK Government security, an addition to the liquid asset buffer.

The effective interest rates of securities held in the period range from 0.46% to 1.01%.

Financial investments are shown as current assets when they have a maturity less than one year and are held as 'available-for-sale'. The fair value of securities held is based on closing market prices at the period-end as published by the UK Debt Management Office.

Notes to the consolidated interim condensed financial statements for the six months ended 30 November 2015 (unaudited)

13. Cash generated from operations

	Unaudited Six months ended 30 November 2015 £m	Unaudited Six months ended 30 November 2014 £m
Operating activities		
Operating profit	98.5	101.3
Adjustments to reconcile operating profit to net cash generated from operating activities:		
Net interest income on segregated client funds	(1.7)	(2.4)
Depreciation of property, plant and equipment	2.5	2.5
Amortisation of intangible assets	2.5	2.4
Non-cash foreign exchange losses in operating profit	0.6	-
Share-based payments	3.6	3.1
(Increase)/decrease in trade and other receivables ⁽¹⁾	(0.5)	104.9
Increase/(decrease) in trade and other payables	4.7	(29.5)
Cash generated from operations	110.2	182.3

⁽¹⁾ The movement in trade and other receivables includes the purchase of a £29.0 million of UK Government Gilt which is held at brokers as collateral to support the hedging of client market exposures in accordance with the Group's market risk management policy (refer to note 12).

For further explanation of the Group's liquidity and generation of 'own funds' in the period, refer to note 14.

14. Liquidity

The Group manages liquidity risk on a Group-wide basis as disclosed in note 19 of the 31 May 2015 Annual Report. There has not been a significant change in the Group's exposure to, or management of, liquidity risk in the period ended 30 November 2015.

In order to mitigate liquidity risks, the Group regularly stress tests its three-year liquidity forecast to validate the appropriate level of committed unsecured bank facilities held. As at 31 May 2015, the Group had £200.0 million in revolving credit facility from a syndicate of three UK banks. The Group has undertaken a review of its contingent liquidity requirements and upon approval from the Board Risk Committee, concluded to reduce the facility to £160.0 million and include a fourth bank in the syndicate. The inclusion of a fourth bank in the syndicate offers the Group further bank diversification. This new facility has £100.0 million available for up to a 1 year term (with an option to extend for a further year) and £60.0 million available for up to 3 years and was signed on 17 July 2015.

During the six months ended 30 November 2015, £50.0 million was withdrawn from 15 June to 27 July 2015 and 27 August to 03 September 2015 (30 November 2014: none) in anticipation of extreme market volatility.

Additionally, the Group's Japanese business, IG Securities Limited, has a ¥300.0 million liquidity facility as at 30 November 2015 (31 May 2015 and 30 November 2014: ¥300.0 million).

Notes to the consolidated interim condensed financial statements

for the six months ended 30 November 2015 (unaudited)

14. Liquidity (continued)

a) Liquid assets and own funds

'Liquid assets' and 'own funds' are the key measures the Group uses to monitor the overall level of liquidity available to the Group. The derivation of both liquid assets and own funds are shown in the following table:

	Note	Unaudited 30 November 2015 £m	Unaudited 30 November 2014 £m	31 May 2015 £m
Cash and cash equivalents ⁽¹⁾	10	162.4	149.6	148.8
Amounts due from brokers ⁽²⁾	9	200.7	196.5	239.2
Financial investments - held at brokers ^(3.1)	12	53.9	25.7	25.3
Financial investments - liquid assets buffer ^(3.2)	12	82.9	83.3	83.1
Other net amounts due to the Group ⁽⁴⁾		33.5	27.7	27.6
Liquid assets		533.4	482.8	524.0
Less:				
Client funds held on balance sheet ⁽⁵⁾		(26.7)	(11.9)	(16.9)
Own funds		506.7	470.9	507.1

The following notes have been provided in order to further explain the derivation of liquid assets and own funds. The generation of own funds from operations is disclosed in note 14(d).

⁽¹⁾ Cash and cash equivalents represent cash held on demand with financial institutions (please refer to note 10).

⁽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. These positions are held to hedge client market exposures in accordance with the Group's market risk management policy.

^(3.1) During the six months to 30 November 2015 the Group purchased £29.0 million (30 November 2014: £25.7m) of UK Government Gilt which is held at brokers as collateral to support the hedging of client market exposures in accordance with the Group's market risk management policy.

^(3.2) The UK Government securities held by the Group in satisfaction of the FCA requirements to hold a 'liquid asset buffer' against potential liquidity stress under BIPRU 12.

⁽⁴⁾ Other net amounts due to the Group include balances that will be transferred to/from the Group's own cash from/to segregated client funds on the following working day in accordance with the FCA 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates. This also includes amounts due from banking counterparties or held within segregated client funds in relation to monies transferred by clients to the Group that remain unsettled at the reporting date. The Group is required to segregate these client funds at the point of client funding and not at cash settlement.

⁽⁵⁾ Client funds held on balance sheet include both Title Transfer funds and client monies deposited with the Group's Swiss banking subsidiary. These are recognised on the Group's statement of financial position with an associated payable to clients.

Notes to the consolidated interim condensed financial statements

for the six months ended 30 November 2015 (unaudited)

14. Liquidity (continued)

b) The Group's liquidity requirements

The Group requires day to day liquidity for each of: the full segregation of client monies; the funding of regulatory and working capital in overseas businesses; the funding of margin requirements at brokers to hedge the underlying client positions under both normal and stressed conditions; the funding of a liquid asset buffer; and amounts associated with general working capital.

The available liquid assets measure excludes cash amounts tied up in both the requirement to segregate client funds and in regulatory and working capital of overseas businesses, as they are not considered to be available for the purposes of central market and liquidity risk management.

These requirements are analysed in the following table:

	Unaudited 30 November 2015 £m	Unaudited 30 November 2014 £m	31 May 2015 £m
Liquid assets:	533.4	482.8	524.0
Less amounts required to ensure appropriate client money segregation	(33.5)	(27.7)	(27.6)
Less amounts required for regulatory and working capital of overseas businesses ⁽¹⁾	(61.2)	(42.8)	(58.8)
Available liquid assets	438.7	412.3	437.6
Less broker margin requirement ⁽²⁾	(210.2)	(188.3)	(204.8)
Net available liquidity	228.5	224.0	232.8
Of which is:			
Held as a liquid assets buffer ^(3.1)	82.9	83.3	83.1
Draw down of committed banking facility ^(3.2)	-	-	-

The following notes have been provided in order to further explain the derivation of available liquid assets and net available liquidity:

⁽¹⁾ The Group's regulated subsidiaries in Australia, Japan, Singapore, South Africa, Switzerland, United Arab Emirates and the USA all have minimum cash holding requirements associated with their respective regulatory capital requirements. Additionally, the Group's regulated business or subsidiaries in Australia, Singapore, Japan, South Africa, United Arab Emirates and the USA are required to segregate individual client funds in segregated client money bank accounts. This daily segregation requirement occurs prior to the release of funds from the UK (note: market risk management is performed centrally for the Group in the UK) in relation to the associated hedging positions held at external brokers. Accordingly, cash balances are held in each of the overseas businesses in order to ensure client money segregation obligations are met. Both the regulatory working capital amounts and customer deposits are not available to the Group for the purposes of market risk management.

⁽²⁾ Positions are held with external brokers in order to hedge client market risk exposures in accordance with the Group's market risk management policies.

^(3.1) The liquid assets buffer is not available to the Group in the ordinary course of business, however utilisation is allowed in times of liquidity stress and therefore it is considered as available for the purposes of overall liquidity planning.

^(3.2) The short term banking facility was undrawn at 30 November 2015, 31 May 2015 and 30 November 2014. Refer to note 14(a).

Notes to the consolidated interim condensed financial statements

for the six months ended 30 November 2015 (unaudited)

14. Liquidity (continued)

c) Liquidity management and liquidity risk

A number of measures are used by the Group for managing liquidity risk, one of which is the level of total available liquidity. For this purpose total liquid resources are calculated as set out in the following table inclusive of undrawn committed facility.

	Unaudited 30 November 2015 £m	Unaudited 30 November 2014 £m	31 May 2015 £m
Liquid assets	533.4	482.8	524.0
Undrawn committed banking facility ⁽¹⁾	160.0	200.0	200.0
Total available liquidity (including facility) ⁽²⁾	693.4	682.8	724.0

⁽¹⁾ Draw down of the committed banking facility is capped at 80% of the actual broker margin requirement on the draw down date. The maximum available draw down was £160.0 million at 30 November 2015 (30 November 2014: £150.6 million and 31 May 2015: £163.8 million) based on the broker margin requirements on those dates, of which £nil was drawn down as at 30 November 2015 (30 November 2014: £nil and 31 May 2015: £nil).

⁽²⁾ Stated inclusive of the liquid assets buffer of £82.9 million (30 November 2014: £83.3 million and 31 May 2015: £83.1 million) that is held by the Group in satisfaction of the FCA requirements to hold a "liquid asset buffer" against potential liquidity stress under BIPRU 12. Utilisation of the liquid assets buffer is allowed in times of liquidity stress and therefore it is considered as available for the purposes of overall liquidity planning.

The Group's total available liquidity enables the funding of large broker margin requirements when required – the level of available liquid assets that can be utilised for market risk management at 30 November 2015 should be considered in light of the intra-period high broker margin requirement of £236.8 million (£293.7 million during year ended 31 May 2015), the requirement to hold a liquid assets buffer, the continued growth of the business (both for client trading and geographic expansion), the Group's commitment to segregation of individual client's money as well as the Group's stated dividend policy.

Notes to the consolidated interim condensed financial statements

for the six months ended 30 November 2015 (unaudited)

14 Liquidity (continued)

d) Own funds generated from operations

The following statement summarises the Group's cash generation of own funds during the period and excludes all cash flows in relation to monies held on behalf of clients. Additionally, both amounts due from brokers and financial investments have been included within 'own funds' in order to provide a clear presentation of the Group's available cash resources. The derivation of own funds is explained in note 14(a).

	Unaudited 30 November 2015 £m	Unaudited 30 November 2014 £m	31 May 2015 £m
Operating activities			
Profit before tax	98.6	101.4	169.5
Depreciation and amortisation	5.0	4.9	10.7
Other non-cash adjustments	2.7	4.6	(0.5)
Income taxes paid	(19.1)	(23.5)	(42.9)
Own funds generated from operations	87.2	87.4	136.8
Movement in working capital	(7.3)	(16.8)	7.9
Inflow/(outflow) from investing activities:			
Interest received	0.5	1.2	0.8
Purchase of property, plant and equipment and intangible assets	(4.4)	(6.7)	(12.4)
Outflow from investing activities:			
Interest paid	(0.9)	(0.6)	(1.9)
Equity dividends paid to owners of the parent	(72.1)	(81.9)	(112.8)
Purchase of own shares held in Employee Benefit Trusts	(1.0)	(0.3)	-
Increase/(decrease) in own funds	2.0	(17.7)	18.4
Own funds at start of period	507.1	487.3	487.3
Exchange (losses)/gains on own funds	(2.4)	1.3	1.4
Own funds at end of period	506.7	470.9	507.1

Notes to the consolidated interim condensed financial statements

for the six months ended 30 November 2015 (unaudited)

15. Related party transactions

The nature of the various intercompany services provided by the group companies are similar to those for the year ended 31 May 2015 and there have been no material transactions during the period to 30 November 2015.

The basis of remuneration of key management personnel remains consistent with that disclosed in the Annual Report for the year ended 31 May 2015.

16. Financial risk management and financial instruments

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, equity market risk, interest rate risk and price risk), credit risk and liquidity risk. Liquidity risk is discussed further in note 14 of these financial statements. The Group's activities also exposes the Group to operational risk which is discussed under the Principal risks and uncertainties section below.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 May 2015. There has not been a significant change in the Group's financial risk management processes or policies since the year end.

Financial instrument valuation hierarchy

The hierarchy of the Group's financial instruments carried at fair value is as follows:

	Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾	Total fair value
As at 30 November 2015 (Unaudited)	£m	£m	£m	£m
Financial assets				
Trade receivables – due from/(to) brokers ⁽⁴⁾	(0.1)	(8.7)	-	(8.8)
Financial investments ⁽⁵⁾	136.8	-	-	136.8

⁽¹⁾ Valued using unadjusted quoted prices in active markets for identical financial instruments. This category includes the Group's open exchange-traded hedging positions. The quoted market price used for financial assets held by the Group is the current bid price.

⁽²⁾ Valued using techniques where a price is derived based significantly on observable market data. For example, where an active market for an identical financial instrument to the product offered by the Group to its clients or used by the Group to hedge its market risk does not exist. This category includes the Group's open non-exchange-traded hedging positions, this comprise shares, foreign currency and foreign currency options. The fair values used in the valuation of these products are sometimes brokered values and may occur after the close of a market but before the measurement date. The effects of discounting are generally insignificant for these Level 2 financial instruments.

⁽³⁾ Valued using techniques that incorporate information other than observable market data that is significant to the overall valuation.

⁽⁴⁾ Trade receivables – due from/(to) brokers' represent the valuation of financial derivative open positions (disclosed as held for trading) results in an amount due from/to the Group. These positions are held to hedge client market exposures and hence are considered to be held for trading and are accordingly accounted for at fair value through profit and loss (FVTPL). These transactions are conducted under terms that are usual and customary to standard margin trading activities and are reported net in the Group Statement of Financial Position as the Group has both the legal right and intention to settle on a net basis.

⁽⁵⁾ Financial investments are UK Government Gilts which are held at brokers as collateral to support the hedging of client market exposures in accordance with the Group's market risk management policy and UK Government securities held by the Group in satisfaction of the FCA requirements to hold a "liquid asset buffer" against potential liquidity stress under BIPRU 12. Refer to note 14.

There have been no changes in the valuation techniques for any of the Group's financial instruments held at fair value in the period (six months ended 30 November 2014: none). During the period ended 30 November 2015, there were no transfers (year ended 31 May 2015: none) between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements. There were no level 3 financial instruments at 30 November 2015 (30 November 2014: none).

	Level 1	Level 2	Level 3	Total fair value
As at 31 May 2015 (Audited)	£m	£m	£m	£m
Financial assets:				
Trade receivables – due from/(to) brokers	0.8	(9.7)	-	(8.9)
Financial investments	108.4	-	-	108.4
As at 30 November 2014 (Unaudited)				
Financial assets:				
Trade receivables – due to brokers	(39.5)	(4.3)	-	(43.8)
Financial investments	109.0	-	-	109.0

Notes to the consolidated interim condensed financial statements

for the six months ended 30 November 2015 (unaudited)

16. Financial risk management and financial instruments (continued)

Group's valuation processes

The Group's finance department includes a team that performs the valuations of financial assets required for financial reporting purposes, including Level 3 fair values (where applicable). This team reports to the chief financial officer (CFO).

Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

17. Contingent liabilities and provisions

From time to time the Group may be involved in disputes in the ordinary course of business. Provision is made for all claims where costs are likely to be incurred and there are currently no contingent liabilities expected to have a material adverse financial impact on the Group's consolidated and condensed results or net assets.

Aside from provisions for impairment included in trade debtors, the Group had no material provisions at 30 November 2015 (31 May 2015 and 30 November 2014: £nil)

Statement of Directors' Responsibilities

The Directors confirm to the best of their knowledge that the condensed consolidated interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting", as adopted by the European Union 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 2015 and their impact on the condensed interim 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 2015 and any material changes in the related party transactions described in the last Annual Report.

The Directors of IG Group Holdings plc are as listed in the IG Group Holdings plc Annual Report for the year ended 31 May 2015. A list of current directors is maintained on the IG Group Holdings plc website: www.iggroup.com

On behalf of the Board

Peter Hetherington
Director
19 January 2016

Independent review report to IG Group Holdings Plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed the condensed consolidated interim financial statements, defined below, in the Interim Results of IG Group Holdings Plc for the six months ended 30 November 2015. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The condensed consolidated interim financial statements, which are prepared by IG Group Holdings Plc, comprise:

- the consolidated interim statement of financial position as at 30 November 2015;
- the consolidated interim income statement and consolidated interim statement of comprehensive income for the period then ended;
- the consolidated interim statement of changes in equity for the period then ended;
- the consolidated interim cash flow statement for the period then ended; and
- the notes to the consolidated interim condensed financial statements.

As disclosed in note 2, 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.

The condensed consolidated 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 and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of condensed consolidated 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 Ireland) 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 condensed consolidated interim financial statements.

Responsibilities for the condensed consolidated interim financial statements and the review

Our responsibilities and those of the directors

The Interim Results, including the condensed consolidated interim financial statements, are the responsibility of, and have been approved by, the directors. The directors are responsible for preparing the Interim unaudited condensed consolidated financial statements in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the company a conclusion on the condensed consolidated 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 and Transparency Rules of the 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.

PricewaterhouseCoopers LLP
Chartered Accountants
19 January 2016
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.

Principal risks and uncertainties

Effective management of our business risks is critical to the successful delivery of our strategy. It is imperative for us to identify the nature and potential impact of these risks, and establish methodologies to measure their effect, so that we can design and operate an environment where risks are effectively controlled throughout the business. The Board is responsible for reviewing the Group's systems of internal control and risk management and approving any changes to the risk management policy which materially increases the risk profile of the Group. The Group Risk Appetite Statement is approved by the Board and describes risk tolerances for all our business risks and ensures there is a comprehensive risk-management framework in place to monitor current and identify future risks.

There have been no significant changes to the Group's exposure to risks, nor the Group's risk management policy in the six month period ended 30 November 2015.

The principal risks and uncertainties, which could impact the Group for the remainder of the current financial year, remain consistent with those detailed from page 48 of the Group's Annual Report 2015 and are summarised as follows:

1. Regulatory risk

We regard regulatory risk as one of our most significant risks. In short, we define regulatory risk as:

- **Breach risk:** the risk that we breach a regulation that applies to our business, leading to client or market detriment, sanctions fines, reputational damage and, in extreme situations, loss of licence.
- **Change risk:** the risk that one of our regulators or policy makers introduces new regulations that make our business less profitable or impossible.
- **Expansion risk:** the risk that policy and regulation in jurisdictions where we do not currently operate remain onerous and closed to our business model, limiting our geographic expansion opportunities.

We invest significant time and resources to manage and control our regulatory risk in parallel with the development of business strategy.

Breach risk

Our compliance, legal and risk teams provide a robust line of defence to ensure that our processes and controls are effective in ensuring we comply with our regulatory obligations. As our business becomes more complex, this risk also grows, and we remain committed to increasing our investment in breach risk controls.

Change risk

The regulatory environment continues to evolve, and there are currently a number of policy initiatives and proposals in development that may impact or have already impacted our sector. These are described in detail in the 2015 Annual Report.

We seek to mitigate change risk by engaging with our regulators and policymakers as much as possible, as part of policy consultations and more generally, and also by investing in public relations programmes and ensuring we have access to up-to-date information on regulatory change.

Expansion risk

Like change risk, we seek to mitigate expansion risk by engaging with regulators and policymakers in countries where we do not yet operate, but which are desirable targets for our future expansion. Of course, regulatory change can also represent an opportunity for our business, and we are in talks with certain regulators who are considering changing their regulations in order to allow retail derivatives trading. These discussions remain at an early stage.

In summary, we work closely with our regulators to ensure that we operate to the highest regulatory standards and can adapt quickly to regulatory change. We are committed to engaging proactively with regulators and industry bodies, and will continue to support changes which promote protection for clients and greater clarity of the risks they face. However, we cannot provide certainty that future regulatory changes will not have an adverse impact on our business.

2. Conduct risk

Conduct risk is the risk that the Group's conduct poses to the achievement of fair outcomes for consumers or to the sound, stable, resilient and transparent operation of the financial markets. Put another way, conduct risk is the risk that the manner in which we carry out our business causes poor outcomes for our clients or the markets.

The Board has developed a conduct risk strategy that applies across the organisation, and training is ongoing to embed this strategy into the current business practices.

3. Liquidity risk

Liquidity risk is the risk that the Group may not be able to meet payment obligations as they fall due. We manage liquidity risk by ensuring that we have sufficient liquidity to meet our broker margin requirements and other financial liabilities when due, under both normal and stressed conditions. Our 'total available liquidity' and 'net available liquidity' figures are monitored on a daily basis and are reported in note 14 of this interim report.

Principal risks and uncertainties (continued)

4. Credit risk

Credit risk is the risk that a counterparty fails to perform its obligations, resulting in financial loss. The principal sources of credit risk to our business are from financial institutions and individual clients.

Financial institution credit risk

All financial institutions with which the Group has a relationship are subject to a credit review. Exposure limits are set and approved by the Executive Risk Committee.

We monitor a number of key metrics on a daily basis in respect of financial institution credit risk. These include balances held, change in short- and long-term credit rating and any change in credit default swap (CDS) price.

The Group is responsible, under various regulatory regimes, for the stewardship of client monies. These responsibilities include appointing and periodically reviewing institutions where we deposit client money. Our aim is that all financial institutions holding client money and assets should have a minimum Standard and Poor's short-term and long-term rating of A-2 and A- respectively. Where this is not possible, we set low exposure limits and seek to use the best available counterparty – preferably one that is considered locally systemic and therefore most likely to receive support. We also maintain multiple brokers for each asset class.

We monitor our exposure to financial institutions with whom the Group holds money through a daily review against financial limits and diversification criteria.

Client credit risk

Client credit risk principally arises when a client's total deposited funds are insufficient to cover any trading losses incurred. In particular, client credit risk can arise where there are significant, sudden movements in the market, due to high general market volatility or specific volatility relating to an instrument in which the client has an open position.

We mitigate, but do not eliminate, client credit risk in a number of ways, including the real time monitoring of client positions via our 'close-out monitor', the ability of clients to set a level in advance at which the deal will be closed (the 'stop' level or 'guaranteed stop' level) and the use of tiered margining.

The 'close out monitor' is an automated liquidation process whereby accounts which have broken the liquidation threshold are automatically identified. Where client losses are such that their total equity falls below the specified liquidation level, their positions will be liquidated, resulting in reduced credit risk exposure for the Group.

Both the 'close out monitor' and client initiated 'stops' result in the transfer of market risk to the Group. Market risk arises following the closure of the underlying client position as the Group (subject to the market risk limits, discussed in the following section with regards to market risk), may hold a corresponding hedging position that will, assuming sufficient market liquidity, be unwound.

5. Market risk

Market risk is the risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments.

The Group's market risk is managed under the 'Market Risk Policy' on a group-wide basis and exposure to market risk at any point in time depends primarily on short-term market conditions and the levels of client activity. The Group utilises market position limits for "operational efficiency" and does not take proprietary positions based on an expectation of market movements. As a result not all net client exposures are hedged and the Group may have a residual net position in any of the financial markets in which it offers products up to the market risk limit.

The Group's Market Risk Policy incorporates a methodology for setting market position limits, consistent with the Group's risk appetite, for each financial market in which the Group's clients can trade, as well as certain markets which the Board consider to be correlated. These limits are determined with reference to the expected liquidity and volatility of the underlying financial product or asset class and represent the maximum long and short client exposure that the Group will hold without hedging the net client exposure.

The Group's real time market position monitoring system allows it to continuously monitor its market exposure against these limits. If exposures exceed these limits, the policy requires that hedging is undertaken to bring the exposure back within the defined limit.

6. Operational risk

Operational risk is the risk of financial loss due to inadequate or failed internal processes and systems. Our approach to managing operational risk is governed by the risk appetite statement and risk management framework. We have designed and implemented a system of internal controls to manage, rather than eliminate, operational risk.

The reliability of our client trading platforms (including a complete disaster recovery solution as part of our business continuity planning) is key to delivering our strategy, and we invest significantly in the technology infrastructure to ensure that these platforms are operationally stable, with system access being centrally controlled. Our investment supports the resilience and reliability of the platform, ensuring low levels of latency, maintaining and testing the system capability under significant load and conducting penetration testing.