

# **IG Australia Pty Ltd**

ABN 93 096585410

## **Annual report**

Year ended 31 May 2022

## Corporate Directory

### Directors

K M Algeo  
O B Imre

### Secretary

K L Paton

### Auditor

PricewaterhouseCoopers  
2 Riverside Quay  
Melbourne  
VIC 3006

### Registered Office

Level 15, 55 Collins Street  
Melbourne  
VIC 3000

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## Directors' Report

The directors submit their report together with the audited financial statements of IG Australia Pty Ltd (the "Company") for the year ended 31 May 2022.

### Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report:

K M Algeo  
O B Imre

### Incorporation

The Company was incorporated in Australia on 7 May 2001 and commenced trading from that date. The Company is a wholly-owned subsidiary of Market Data Limited ("MDL") and the ultimate parent company is IG Group Holdings plc (IG Group Holdings plc together with all its subsidiaries undertakings, the "Group").

### Principal activities

The Company obtained the Australian Financial Services Licence ("AFSL", the "Licence") (515106) on 2 June 2020.

The Company trades as principal and market maker for contracts for difference ("CFDs"). The Company is a counterparty to the CFDs that clients enter into and as a result faces market risk. This market risk is hedged with another group company, IG Markets Limited ("IGM"), a company registered in the United Kingdom and is regulated by Financial Conduct Authority ("FCA") on a one-to-one matched basis, leaving the Company with minimal market risk. In Australia, IGM holds an AFSL and is regulated by the Australian Securities and Investments Commission ("ASIC").

On 14 November 2020, the Company adopted a cost plus commission arrangement with IGM that entitles the Company to be fully reimbursed of its expenses and earn a proportion of the business value generated by its client base. This superseded the previous cost plus arrangement which was solely based upon costs incurred by the Company plus a fixed percentage mark-up.

During the financial period, the Company completed the following business migrations from IGM:

- 1) by 28<sup>th</sup> November 2021, leverage product for the Australia clients;
- 2) by 20<sup>th</sup> February 2022, leverage product for the New Zealand clients;
- 3) the final migration for the non-leverage business was fully completed on 24<sup>th</sup> April 2022.

The Company's products and services now include CFD products to both its Australian and New Zealand clients and Share Trading services to its Australian clients only.

### Dividends

No dividend was paid during the financial year (2021: \$Nil).

### Review of operations

The Company's revenue decreased by 5.65% to \$39,854,518 (2021: \$42,239,404) and profit decreased by 5.24% to \$5,109,542 (2021: \$5,392,327). Operating costs decreased by 0.98% to \$34,280,342 (2021: \$34,620,109).

The decrease in revenue was due to ASIC regulatory changes in March 2021. The newly introduced leverage restrictions on the CFD products drove down client income.

### Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company during the financial year.

### Matters subsequent to the end of the financial year

There was no matter or circumstance which has arisen since 31 May 2022 that has significantly affected, or may significantly effect:

- (a) the Company's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Company's state of affairs in future financial years.

### Likely developments and expected results of operations

The Company is always innovating and creating new trading opportunities and improve the betterment of our clients' trading experiences. There are no immediate new developments that will significantly impact its future results that needs to be reported.

### Environmental regulation

The Company is not subject to significant environmental regulation.

## Directors' Report (continued)

### Comparatives

Where necessary, comparative figures have been reclassified to conform with any changes made in this report.

### Shares under option

There were no shares in the Company under option during the financial year or at the date of this report. Details of Group shares schemes are disclosed in note 23 to the financial statements.

### Insurance and indemnities

The Group purchases appropriate liability insurance for all Directors and officers. A premium of \$2,036,173 was paid by the Group during the financial year and it covers the directors included in this report.

### Response to COVID-19

The Company continues to actively monitor and refine its comprehensive business continuity plan which was successfully implemented at the onset of the Covid-19 pandemic during the 2020 financial year. The Company's significant long-term investment in communications and technology infrastructure has enabled the Company to transition to a hybrid working environment, with all employees given the opportunity to work safely from home, and the Company continue to provide the best possible service for its clients when they choose to trade the financial markets.

### Ukraine Crisis

The Company's main clientele are Australian and New Zealand clients. The Ukraine crisis has not affected the Company although the Group has taken appropriate measures to ensure that it complies with the International Sanction rules against any Russian clients whose accounts would be suspended from any trading activities. This has no operational impact to the Company.

### Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar."

### Auditor's independence declaration

A copy of the auditor's independence declaration as required under *section 307C* of the *Corporations Act 2001* is set out on page 6.

### Auditor

PricewaterhouseCoopers continues in office as the auditor of the Company in accordance with *section 327* of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.



K M Algeo  
Director  
Melbourne  
26 July 2022

## Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 13 to 35 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the Company's financial position as at 31 May 2022 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

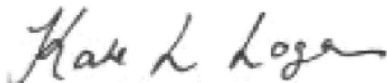


K M Algeo  
Director  
Melbourne  
26 July 2022

## Auditor's Independence Declaration

As lead auditor for the audit of IG Australia Pty Ltd for the year ended 31 May 2022, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



Kate Logan  
Partner  
PricewaterhouseCoopers

Melbourne  
26 July 2022

## Independent auditor's report

To the members of IG Australia Pty Ltd

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### Our opinion

In our opinion:

The accompanying financial report of IG Australia Pty Ltd (the Company) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 31 May 2022 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### *What we have audited*

The financial report comprises:

- the statement of financial position as at 31 May 2022
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

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### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 May 2022, but does not include the financial report and our auditor's report thereon.



Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### **Responsibilities of the directors for the financial report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

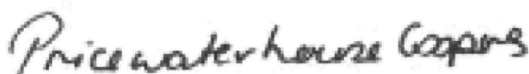
In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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### **Auditor's responsibilities for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.

The logo for PricewaterhouseCoopers, featuring the company name in a stylized, handwritten-style font.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Kate L Logan'.

Kate Logan  
Partner

Melbourne  
26 July 2022

## Statement of Comprehensive Income

for the year ended 31 May 2022

	Note	Year ended 31 May 2022 \$'000	Year ended 31 May 2021 \$'000
Revenue	3	39,854	42,239
Other Operating Income		1,457	58
Interest income on segregated client funds		432	-
<b>Net operating income</b>		41,743	42,297
Operating expenses	4	(32,282)	(34,620)
Net credit losses on financial assets		(1,998)	-
<b>Operating profit</b>		7,463	7,677
Finance income	5	450	115
Finance costs	6	(25)	(40)
<b>Profit before taxation</b>		7,888	7,752
Taxation	9	(2,778)	(2,360)
<b>Profit for the year</b>		5,110	5,392
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the period</b>		5,110	5,392

All of the Company's revenue and profit for the year relate to continuing operations.

The Company has no items of other comprehensive income and therefore a single statement of comprehensive income has been presented.

All of the profit for the year is attributable to the owners of the Company.

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

## Statement of Financial Position

as at 31 May 2022

	Note	31 May 2022 \$'000	31 May 2021 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	53,319	17,272
Trade receivables	11	11,338	579
Prepayments and other receivables	12	325	5,674
Total current assets		64,982	23,525
<b>Non-current assets</b>			
Property, plant and equipment	13	1,229	2,188
Intangible assets	14	31	49
Deferred tax assets	15	2,284	1,595
Total non-current assets		3,544	3,832
<b>TOTAL ASSETS</b>		<b>68,526</b>	<b>27,357</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	16	6	139
Other payables	17	42,863	7,182
Provisions	18	2,755	2,296
Lease liabilities	19	666	623
Total current liabilities		46,290	10,240
<b>Non-current liabilities</b>			
Lease liabilities	19	113	779
Total non-current liabilities		113	779
<b>Total Liabilities</b>		<b>46,403</b>	<b>11,019</b>
<b>NET ASSETS</b>		<b>22,123</b>	<b>16,338</b>
<b>EQUITY</b>			
Share capital	20	0.2	0.2
Reserves	21	2,108	1,433
Retained earnings		20,015	14,905
<b>TOTAL EQUITY</b>		<b>22,123</b>	<b>16,338</b>

The above statement of financial position should be read in conjunction with the accompanying notes.

## Statement of Changes in Equity

### for the year ended 31 May 2022

	Note	Share capital \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
<b>At 31 May 2020</b>		–	1,037	9,513	10,550
Profit for the year		–	–	5,392	5,392
Other comprehensive income		–	–	–	–
Total comprehensive income for the year		–	–	5,392	5,392
Equity-settled employee share-based payments	21	–	396	–	396
Dividends paid	22	–	–	–	–
		–	396	–	396
<b>At 31 May 2021</b>		–	1,433	14,905	16,338
Profit for the year		–	–	5,110	5,110
Other comprehensive income		–	–	–	–
Total comprehensive income for the year		–	–	5,110	5,110
Equity-settled employee share-based payments	21	–	675	–	675
Dividends paid	22	–	–	–	–
		–	675	–	675
<b>At 31 May 2022</b>		–	2,108	20,015	22,123

The above statement of changes in equity should be read in conjunction with the accompanying notes.

## Statement of Cash Flows

### for the year ended 31 May 2022

	Note	Year ended 31 May 2022 \$'000	Year ended 31 May 2021 \$'000
<b>Cash flows from operating activities</b>			
Operating profit		7,463	7,677
Adjustments to reconcile operating profit to net cash flow from operating activities			
Depreciation of property, plant and equipment	4	1,038	1,046
Amortisation of intangible assets	4	18	18
Gain on disposal of assets		(7)	-
Share-based payments expense	21, 23	675	396
(Increase) in trade and other receivables		(5,410)	(2,306)
Increase in trade and other payables		36,089	910
Increase in provisions	18	459	393
Cash generated from operations		40,325	8,134
Income taxes paid		(3,578)	(1,880)
<b>Net cash inflow from operating activities</b>		<b>36,747</b>	<b>6,254</b>
<b>Cash flows from investing activities</b>			
Interest received		20	36
Payments for property, plant and equipment	13	(79)	(193)
Proceeds from sale of property, plant and equipment		7	-
<b>Net cash (outflow) from investing activities</b>		<b>(52)</b>	<b>(157)</b>
<b>Cash flows from financing activities</b>			
Interest paid on lease liabilities	6	(25)	(40)
Repayment of lease liabilities	19	(623)	(581)
Dividends paid to parent entity	22	-	-
<b>Net cash (outflow) from financing activities</b>		<b>(648)</b>	<b>(621)</b>
<b>Net increase in cash and cash equivalents</b>		<b>36,047</b>	<b>5,476</b>
Cash and cash equivalents at the beginning of the year		17,272	11,793
<b>Net cash and cash equivalents at the end of year</b>	10	<b>53,319</b>	<b>17,269</b>

The above statement of cash flows should be read in conjunction with the accompanying notes.

## Notes to the financial statements for the year ended 31 May 2022

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# Notes to the financial statements

## for year ended 31 May 2022

### 1. Accounting policies

#### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*.

IG Australia Pty Ltd is a for-profit entity for the purpose of preparing the financial statements.

The directors have the power to amend and reissue the financial statements.

#### FMA exemption notice

The Company is also licenced by the New Zealand Financial Market Authorities (FMA). By law, the Company is required to issue a financial statements on the New Zealand business, prepared as if that business were conducted by a company formed and registered in New Zealand and audited by a qualified auditor by applying the New Zealand's generally accepted accounting practice (GAAP); in this case, the financial statements will comply with the Australian GAAP which is allowed under the Financial Markets Conduct (IG Australia Pty Limited) Exemption Notice 2022 effective 7<sup>th</sup> March 2022.

For the purpose of the FMA, IG Australia has a unique business structure and operates within the global business model that was established by its ultimate parent company, IG Group Holdings. It has not incurred a tax liability in New Zealand during the relevant accounting period.

#### Compliance with Australian Accounting Standards

The financial statements of the Company comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board ("AASB").

#### Historical cost convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit and loss.

#### New and amended standards not yet adopted by the Company

Certain new accounting standards and interpretations have been published that are not mandatory for 31 May 2022 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below:

##### 1) AASB 17 Insurance Contracts, (effective from 1 January 2023):

AASB 17 was issued in July 2017. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of discounted probability-weighted cash flows, an explicit risk adjustment, and a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

The Company does not have insurance contracts that fits the definition under the standard.

#### Critical accounting estimates

The preparation of financial statements requires the Company to make estimates and judgements that affect the amounts reported for assets and liabilities as at the end of the reporting year and the amounts reported for revenues and expenses during the reporting period. The nature of estimates means that actual outcomes could differ from those estimates.

In the Directors' opinion the accounting estimates or judgements that have the most significant impact on the financial statements are the estimation of share-based payment costs (see note 23) and provisions for employee benefits (see note 18).

#### Foreign currency translation

The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency. Transactions in foreign currencies are translated into the functional currency at the rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the statement of financial position date.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on translation are taken to the statement of comprehensive income.

#### Revenue recognition

Revenue is recognised when it is probable that economic benefits associated with the transaction will flow to the Company and the revenue can be reliably measured.

Trading revenue represents commissions and service fees charged to clients, measured at the fair value of the consideration received or receivable. Commissions are earned on a fixed proportion of the business value generated by the clients. Service fees are calculated based on the relevant operating expenses incurred by the Company plus a fixed percentage mark-up.

# Notes to the financial statements

for year ended 31 May 2022

## Accounting policies (continued)

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. The effective interest rate is the rate which exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's net carrying amount.

### Finance income on segregated client funds

Interest income on segregated client funds is accrued on a time basis, by reference to the principal amount outstanding and at the applicable interest rate. Interest income on segregated client funds is disclosed within operating profit, as this is consistent with the nature of the Company's operations.

### Income tax

The income tax expense represents the sum of tax currently payable and movements in deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is generally accounted for on all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available, against which deductible temporary differences may be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

### Leases

The Company's leases are recognised as a right-of-use asset with a corresponding lease liability from the date at which the asset is available for use.

Leasing arrangements can contain both lease and non-lease components. The Company has elected to separate out the non-lease component and to account for these separately from the right-of-use asset.

The lease liability is initially measured as the net present value of the following payments;

- fixed payments less any lease incentives,
- variable lease payments dependent on an index or rate initially measured as at the commencement date,
- amounts payable by the Company under residual guarantees, and
- payments of penalties for terminating the lease.

Lease payments are discounted at the Group's estimated incremental secured borrowing rate. This represents the cost to borrow funds to obtain a similar valued right-of-use asset in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising of:

- lease liability at initial recognition,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are depreciated over the duration of the lease term.

Lease payments for low value assets or with a period of 12 months or less are recognised on a straight-line basis as an expense.



# Notes to the financial statements

## for year ended 31 May 2022

### Accounting policies (continued)

#### Business combinations

The Company has adopted the predecessor method of accounting to account for business combinations under common control. Assets and liabilities of the acquired business are stated at predecessor carrying value. No goodwill is recognised and any difference between the consideration given and the carrying value of the assets and liabilities of the acquired business at the date of the transaction is included in the reserves in equity.

#### Cash and cash equivalents

Cash comprises cash on hand and demand deposits which may be accessed without penalty. Cash equivalents comprise short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the cash flow statement, net cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

The majority of the Company's cash balances are held with investment grade banks. The Company considers the risk of default, and how adverse changes in economic and business conditions might impact the ability of the banks to meet their obligations. The Company assesses the expected credit losses on cash and cash equivalents on a forward-looking basis and the impairment methodology depends on whether there has been a significant increase in credit risk since initial recognition.

The Company holds money on behalf of clients in accordance with the client money rules of the ASIC. Such monies are classified as 'segregated client funds' in accordance with the relevant regulatory requirements. Segregated client funds comprise individual client funds held in segregated client money accounts. Segregated client money accounts restrict the Company's ability to control the monies and accordingly such amounts are not held on the Company's statement of financial position.

The amount of segregated client funds held at year-end was \$529,146,376 (2021: \$27,528,645). These amounts are held off-balance sheet. Any excess segregated client funds over the amounts due to clients are included in trade receivables. The return received on managing segregated client funds is included within net operating income.

#### Trade and other receivables

Trade receivables represent balances with counterparties and related parties where the combination of cash held on account result in an amount due to the Company.

Other receivables are financial assets with give rise to payments on specified dates that are solely payments of principal and interest on the principal amount outstanding. They are assets that have not been designated as fair value through profit or loss. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant.

Trade receivables do not contain a significant financing element and so the Company has adopted the simplified approach permitted by AASB 9. This approach requires expected lifetime credit losses to be recognised at initial recognition of the financial asset. The loss allowance is calculated by reference to an aging debt profile, and trade receivables are written off when there is objective evidence of non-collectability or when an event of default occurs.

With related party balances, they are settled on a quarterly basis by cash, therefore any outstanding intercompany amount at balance date will be less than 30 days. The Company adopts the Group policy of accounting for intercompany impairments based on a General approach based on the risk of expected loss.

#### Impairment of non-financial assets

At least annually the directors review the carrying amounts of the Company's tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less selling costs and value in use. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate. This rate reflects current market assessments of the time value of money as well as the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

# Notes to the financial statements

for year ended 31 May 2022

## Accounting policies (continued)

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value based upon estimated useful lives. Estimated residual value and useful lives are reviewed on an annual basis and residual values are based on prices prevailing at the statement of financial position date. Depreciation is charged on a straight line basis over the expected useful lives as follows:

Leasehold improvements	-	over the lease term
Office equipment, fixtures and fittings	-	over 5 years
Computer and other equipment	-	over 3 years
Right of use asset	-	over the lease term

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on derecognition of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is included in the statement of comprehensive income in the period of derecognition.

### Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with a finite life are amortised on a straight-line basis over their expected useful lives, as follows:

Software and licences	-	over the contract term of up to 5 years
Domain name	-	over 10 years

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

### Financial instruments

#### Financial instruments - Classification, recognition and measurement

The Company determines the classification of its financial instruments at initial recognition in accordance with the categories outlined below and re-evaluates this designation at each year-end. When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, directly attributable transaction costs. Financial instruments are disclosed in note 25.

#### (a) Financial assets measured at amortised cost

Financial assets measured at amortised cost are non-derivative financial assets which are held to collect the contractual cash flows. The contractual terms of the financial assets give rise to payments on specified dates that are solely payments of principal and interest on the principal amount outstanding. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Company's financial assets measured at amortised cost comprise 'trade receivables', 'other receivables' and 'cash and cash equivalents'.

#### (b) Financial liabilities

The Company's financial liabilities include trade payables, lease liabilities and borrowings. These are measured subsequently at amortised cost using the effective interest method. The interest expense is calculated each reporting period by applying the effective interest rate, and the resulting charge is reflected in finance costs on the statement of comprehensive income.

#### Financial Instruments – impairment of financial assets

The impairment charge in the statement of comprehensive income includes the change in expected credit losses. Expected credit losses are recognised for financial assets including trade receivables, cash and cash equivalents, prepayments and other receivables. Expected credit losses are calculated as the difference between the contractual cash flows that are due to the Company and the cash flows that the Company expects to receive given the probability of default and loss given default, discounted at the original effective interest rate.

At initial recognition of financial assets, an allowance is made for expected credit losses resulting from default events that are possible within the next 12 months. In the event of a significant increase in credit risk, an allowance is made for expected credit losses resulting from possible default events over the expected life of the financial asset. Financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk since initial recognition are considered to be Stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

An assessment of whether credit risk has increased significantly considers changes in credit rating associated with the asset, whether contractual payments are more than 30 days past due and other reasonable information demonstrating otherwise. In

# Notes to the financial statements

## for year ended 31 May 2022

### Accounting policies (continued)

accordance with the Company's internal credit risk management definition, financial instruments have a low credit risk when it has an external credit rating of 'investment grade' or if no external credit rating is available.

Assets are transferred to stage 3 when an event of default, as defined in the Company's credit risk management policy, occurs or where the assets are credit impaired. The Company determines that a default occurs when a payment is 90 days past due for all assets. This is aligned with the Group's risk management practices.

All changes in expected credit losses subsequent to the assets' initial recognition are recognised as an impairment loss or gain. Financial assets are written off, either partially or in full, against the related allowance when the Company has no reasonable expectations of recovery of the asset. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the statement of comprehensive income.

### Financial instruments - Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expired.

#### (a) Financial assets

A financial asset is derecognised where the rights to receive cash flows from the asset have expired; the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

#### (b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

#### (c) Offsetting financial instruments

Assets or liabilities resulting from profit or losses on open positions are carried at fair value. Amounts due from or to clients and brokers (another group company) are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

### Trade and other payables

Trade payables represent balances with counterparties and related parties where the combination of cash held on account results in an amount payable by the Company.

Other payables are recognised initially at fair value and carried at amortised cost using the effective interest rate method if the time value of money is significant.

### Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Where material, provisions are discounted and recognised at the present value of expenditures expected to settle the obligation with the unwinding of the discount recognised as an interest expense.

### Employee benefits

Liabilities for wages and salaries, including annual leave expected to be settled within 12 months after the end of the period in which the employees render the service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The Company operates a defined contribution superannuation scheme. Contributions to the defined contribution scheme are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

## Notes to the financial statements

### for year ended 31 May 2022

#### Accounting policies (continued)

##### Share-based payments

The ultimate parent company, IG Group Holdings plc (Group), operates three employee share plans: a Share Incentive Plan (SIP), a Long-Term Incentive Plan (LTIP) and a Sustained Performance Plan (SPP).

For market-based vesting conditions, the cost of these awards is measured at fair value calculated using option pricing models (refer to the share based payment note for additional detail of the models and assumptions used for the various award schemes) and are recognised as an expense in the statement of comprehensive income on a straight line basis over the vesting period based on the Company's estimate of the number of shares that will eventually vest.

For non-market based vesting conditions, at each statement of financial position date before vesting, the cumulative expense is calculated representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions determining the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous statement of financial position date is recognised in the statement of comprehensive income as part of administrative expenses, with a corresponding entry in equity.

The grant by the Group of options over its equity instruments to employees of the subsidiary undertakings in the Group is treated as a capital contribution. The fair value of the employee services received is recognised over the vesting period as an increase in the investment in subsidiary undertakings, with a corresponding credit to equity.

##### Contributed equity

Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs. Equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are classified as equity.

##### Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

## 2. Segment report

The Company product and services are offered to the Australian and New Zealand clients. These are the two main geographical segments the company performance has been clearly identified. It achieves economies of scale through shared services while the segment revenue is calculated on a commission basis driven by the value generated by clients from the geographical segments.

The total assets in New Zealand largely consisted of \$5 million Company cash held in the New Zealand banks to fund its operation. The total liability relates to intercompany balances with the Company itself which is funding the New Zealand business operation.

For the period ended 31 May 2022	Australia \$'000	New Zealand \$'000	Total \$'000
Operating income	41,520	223	41,743
Operating expenses	(34,167)	(113)	(34,280)
Operating profit	7,353	110	7,463
Total assets	63,113	5,413	68,526
Total liabilities	41,104	5,299	46,403

## Notes to the financial statements

### for year ended 31 May 2022

#### 3. Revenue

The Company principal activity as a financial service provider is remunerated under a commission based arrangement. The company also provides certain global shared services, such services is remunerated based on a fixed percentage mark-up.

The revenue for the year ended 31 May 2022 comprised:

	Year ended 31 May 2022 \$'000	Year ended 31 May 2021 \$'000
Commission	33,033	16,412
Service charges	6,821	25,827
	<u>39,854</u>	<u>42,239</u>

#### 4. Operating expenses

	Year ended 31 May 2022 \$'000	Year ended 31 May 2021 \$'000
Employee benefits expense	15,313	15,773
Marketing costs	10,625	14,504
Depreciation of property, plant and equipment	1,038	1,046
Amortisation of intangibles	18	18
Net (gains)/losses on disposal of property, plant and equipment	(7)	-
Net foreign exchange losses/(gains)	33	19
Other expenses	5,262	3,260
	<u>32,282</u>	<u>34,620</u>

#### 5. Finance income

	Year ended 31 May 2022 \$'000	Year ended 31 May 2021 \$'000
Bank interest receivable	21	30
Interest receivable from amounts due from Group companies	429	85
	<u>450</u>	<u>115</u>

Amounts due from Group companies carry interest at the BBSW rate plus 2% (2021: BBSW rate plus 2%).

#### 6. Finance costs

	Year ended 31 May 2022 \$'000	Year ended 31 May 2021 \$'000
Interest paid on lease liabilities	25	40
	<u>25</u>	<u>40</u>

Interest on lease liabilities is calculated based on the Group's incremental borrowing rate of 2.37% (2021: 2.37%).

## Notes to the financial statements

### for year ended 31 May 2022

#### 7. Auditor's remuneration

	Year ended 31 May 2022	Year ended 31 May 2021
	\$	\$
<b>PricewaterhouseCoopers Australian firm</b>		
<b>Audit and assurance services</b>		
Audit of the Company	132,087	114,100
Audit of related party	-	12,500
Audit and review of AFSL of the Company	23,200	30,000
Audit and review of AFSL of related party	10,700	10,000
Total remuneration for audit and assurance services	165,987	166,600

#### 8. Key management personnel disclosures

The key management personnel comprise the directors of the Company.

	Short-term benefits	Post- employment benefits	Other long- term benefits	Share- based payments	Total
<b>Key management personnel compensation</b>	\$	\$	\$	\$	\$
Year ended 31 May 2022	1,335,999	104,958	22,118	363,999	1,827,074
Year ended 31 May 2021	1,232,670	96,430	13,642	221,045	1,563,787

There were no other transactions with key management personnel.

#### 9. Income tax expense

	Year ended 31 May 2022	Year ended 31 May 2021
	\$'000	\$'000
Current tax	3,467	2,836
Deferred tax	(689)	(476)
	2,778	2,360

#### Reconciliation of the total tax charge

	Year ended 31 May 2022	Year ended 31 May 2021
	\$'000	\$'000
Profit before taxation	7,888	7,752
Tax at the Australian tax rate of 30% (2021: 30%)	2,366	2,326
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</i>		
Temporary differences	1,244	630
Deductions for share-based payments	(143)	(120)
Utilisation of deferred tax assets	(689)	(476)
Income tax expense	2,778	2,360

The effective corporation tax rate is 35% (2021: 30%).

## Notes to the financial statements

### for year ended 31 May 2022

#### 10. Cash and cash equivalents

	31 May 2022	31 May 2021
	\$'000	\$'000
Gross cash at bank	53,319	17,269
Expected credit gain/(loss)	-	3
Cash and cash equivalents	<u>53,319</u>	<u>17,272</u>

Cash at bank include the Company's own cash only. Segregated client funds comprise individual client funds held in segregated client money accounts in accordance with the relevant regulatory requirements. The segregated client funds are not included in the Company's balance sheet.

The Company recognised an expected credit gain of \$323 at 31 May 2022 (2021: expected credit gain of \$3,383).

#### 11. Trade receivables

	31 May 2022	31 May 2021
	\$'000	\$'000
Amounts due from clients	411	-
Other trade receivables	10,927	579
Trade receivables	<u>11,338</u>	<u>579</u>

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

Other Trade receivables represents the Company's own cash held in segregated client funds, in accordance with the ASIC Client Money Rules and includes \$3,423,197 (2021: \$Nil) to be transferred to the Company on the following business day.

#### 12. Prepayments and other receivables

	31 May 2022	31 May 2021
	\$'000	\$'000
Amounts due from Group companies	221	5,582
Other receivables	19	25
Prepayments	85	67
	<u>325</u>	<u>5,674</u>

Prepayments and other receivables included within amounts due from Group companies. The amounts recharged are shown in Note 24.

## Notes to the financial statements

### for year ended 31 May 2022

#### 13. Property, plant and equipment

	Leasehold improvements \$'000	Office equipment, fixtures and fittings \$'000	Computer and other equipment \$'000	Right of use assets \$'000	Total \$'000
<b>Cost:</b>					
At 31 May 2020	922	716	720	2,842	5,200
Additions	-	-	193	-	193
Written off	-	-	-	-	-
At 31 May 2021	922	716	913	2,842	5,393
Additions	-	-	79	-	79
Written off	-	-	(147)	-	(147)
At 31 May 2022	922	716	845	2,842	5,325
<b>Accumulated Depreciation:</b>					
At 31 May 2020	623	342	513	682	2,160
Depreciation during the year	102	106	155	682	1,045
Written off	-	-	-	-	-
At 31 May 2021	725	448	668	1,364	3,205
Depreciation during the year	91	101	164	682	1,038
Written off	-	-	(147)	-	(147)
At 31 May 2022	816	549	685	2,046	4,096
<b>Net book value:</b>					
At 31 May 2022	106	167	160	796	1,229
At 31 May 2021	197	268	245	1,478	2,188
At 31 May 2020	299	374	207	2,160	3,040



## Notes to the financial statements

### for year ended 31 May 2022

#### 14. Intangible assets

	Software and licences \$'000	Domain Name \$'000	Total \$'000
<b>Cost:</b>			
At 31 May 2020	12	175	187
Additions	-	-	-
Written off	-	-	-
At 31 May 2021	12	175	187
Additions	-	-	-
Written off	-	-	-
At 31 May 2022	12	175	187
<b>Accumulated Amortisation:</b>			
At 31 May 2020	12	108	120
Amortised during the year	-	18	18
Written off	-	-	-
At 31 May 2021	12	126	138
Amortised during the year	-	18	18
Written off	-	-	-
At 31 May 2022	12	144	156
<b>Net book value:</b>			
At 31 May 2022	-	31	31
At 31 May 2021	-	49	49
At 31 May 2020	-	67	67

## Notes to the financial statements

### for year ended 31 May 2022

#### 15. Deferred tax assets

Deferred tax assets comprise temporary differences attributable to:

	31 May 2022	31 May 2021
	\$'000	\$'000
Employee benefits	1,577	1,484
Deferred expenses	707	111
	<u>2,284</u>	<u>1,595</u>

The gross movement in the deferred income tax included in the statement of financial position is as follows:

	31 May 2022	31 May 2021
	\$'000	\$'000
At the beginning of the year	1,595	1,119
Employee benefits	93	380
Deferred expenses	596	96
Total charged to comprehensive income	<u>689</u>	<u>476</u>
At the end of the year	<u>2,284</u>	<u>1,595</u>

#### 16. Trade payables

	31 May 2022	31 May 2021
	\$'000	\$'000
Other trade payables	<u>6</u>	<u>139</u>

Other trade payables represent \$6,296 (2021: \$138,969) daily segregation balances that will be transferred from the Company's own cash into segregated client funds on the following business day in accordance with the ASIC Client Money Rules.

#### 17. Other payables

	31 May 2022	31 May 2021
	\$'000	\$'000
Trade payables and accruals	6,256	4,538
Other payables	1,501	1,504
Amounts due to group companies	35,106	1,140
	<u>42,863</u>	<u>7,182</u>

## Notes to the financial statements

### for year ended 31 May 2022

#### 18. Provisions

	31 May 2022 \$'000	31 May 2021 \$'000
Employee benefits	2,438	1,979
Dilapidations	317	317
	<u>2,755</u>	<u>2,296</u>

The entire amount of the provision for employee benefits is presented as due within 12 months, since the Company does not have an unconditional right to defer settlement for any of these obligations.

#### 19. Leases

The Company has leases which are capitalised as fixed assets under AASB 16. The movements in balances can be reconciled as follows:

	31 May 2022 \$'000	31 May 2021 \$'000
<i>Right-of-use asset</i>		
Lease asset at the beginning of the year	1,478	2,842
Depreciation in the year	(682)	(1,364)
	<u>796</u>	<u>1,478</u>

	31 May 2022 \$'000	31 May 2021 \$'000
<i>Lease liability</i>		
Lease liability at the beginning of the year	1,402	1,983
Payments made in the year	(623)	(581)
	<u>779</u>	<u>1,402</u>

Of which are:

Current lease liabilities	666	623
Non-current lease liabilities	113	779

The Company has provided bank guarantees in respect of its leasehold premises amounting to \$540,646 (2021: \$540,646).

The expense recognised in the statement of comprehensive income of the Company in relation to short-term leases was as follows:

	31 May 2022 \$'000	31 May 2021 \$'000
Expense relating to short-term leases:	<u>143</u>	<u>137</u>

#### 20. Share capital

	31 May 2022 \$	31 May 2021 \$
Fully paid: 200 ordinary shares of \$1 each	<u>200</u>	<u>200</u>

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. Each share entitles the holder to one vote at a meeting of the Company shareholders.

## Notes to the financial statements

### for year ended 31 May 2022

#### 21. Reserves

	31 May 2022	31 May 2021
	\$'000	\$'000
Share-based payments	2,108	1,433

The share-based payment reserve relates to the estimated cost of equity-settled employee share plans net of tax based upon a straight-line basis over the vesting period. The plans are described in note 23.

	31 May 2022	31 May 2021
	\$'000	\$'000
Balance at start of year	1,433	1,037
Recognised in comprehensive income	674	385
Forfeited shares re-used for employees	-	11
Recharged to related party	1	-
At the end of the year	2,108	1,433

#### 22. Dividends

	31 May 2022	31 May 2021
	\$'000	\$'000
Dividends paid during the year	-	-

## Notes to the financial statements

### for year ended 31 May 2022

#### 23. Employee share plans

The ultimate holding company, IG Group Holdings plc (IG Group Holdings plc with its subsidiaries, 'the Group'), operates four employee shares plans which award employees shares in IG Group Holdings plc.

These share plans are: a Sustained Performance Plan (SPP), a Long-Term Incentive Plan (LTIP), a Medium Incentive Plan (MITP) and a Share Incentive Plan (SIP), all of which are equity-settled.

The expense recognised in the statement of comprehensive income of the Company, in relation to awards made to employees of the Company was as follows:

	Year ended 31 May 2022	Year ended 31 May 2021
	\$'000	\$'000
Long-term incentive plan awards	323	178
Sustained performance plan	313	162
Share incentive plan awards	38	45
Recognised in comprehensive income	674	385
Forfeited shares re-used for employees' share incentive plan	-	11
Recharged to related party	1	-
Recognised in the share-based payment reserve	675	396

Some employees of the Company are invited to participate the Group's schemes:

#### **Sustained Performance Plan (SPP)**

The SPP award was introduced in the year ended 31 May 2014 for the Group's executive directors and other selected senior employees. The Remuneration Committee approves any awards made under the plan and is responsible for setting the policy for the operation of the SPP, agreeing performance targets and participation.

The legal grant of awards under the SPP occurs post the relevant performance period. At the outset of the financial year the Group's Remuneration Committee approves, and communicates to the participants, performance conditions and a pre-defined maximum monetary award in terms of multiple of salary. The grant of awards, in the form of equity-settled par value options, is based upon three performance conditions: relative total shareholder return (TSR), earnings per share (EPS) and operational non-financial performance (NFP). Awards subsequently vest periodically in tranches until three years after the expiry of the SPP scheme in August 2023, unless a decision is made by the Group's Remuneration Committee to extend the life of the SPP scheme. As at 31 May 2022, no decision had been made to extend the life of the SPP scheme.

#### **Long Term Incentive Plan (LTIP)**

The LTIP is made available to senior management who are not invited to participate in the SPP. Awards under the LTIP are nominal cost options, which vest after three years, conditional upon continued employment at the vesting date. There are no other performance targets.

The exercise price of all options awarded under the LTIP is 0.005p.

#### **Share incentive plan (SIP)**

SIP awards are made available to all Australian employees. The terms of the award are approved by the Group's Remuneration Committee.

The awards invite all employees to purchase up to \$3,000 (2021: \$3,000) of partnership shares, with the Company matching on a one-for-one (2021: one-for-one) basis. All matching shares vest after three years as long as the employee remains employed with the Company for the term of the award. Shares awarded under the scheme are held in trust in accordance with local tax authority rules. Employees are entitled to receive dividends on the partnership and matching shares held in trust for as long as they remain employees. Awards for employees of the Company were made under the SIP in the years ended 31 May 2010 through to 31 May 2022.

The SIP award made on 15 July 2018 vested during the year ended 31 May 2022. A total of 7,178 matching shares were transferred to the relevant participants.

# Notes to the financial statements

## for year ended 31 May 2022

### Employee share plans (continued)

#### *Fair value of equity-settled*

The fair value of equity-settled share-based payments to employees is determined at the date at which a shared understanding of the terms and conditions of the arrangement is reached between the Company and the participants. The weighted average fair value of the equity-settled awards granted or deemed granted during the year was \$192,704 (2021: \$161,008).

For SIP awards, the fair value is determined to be the share price at the grant date using year end exchange rates, without making an adjustment for expected dividends as not all participants re-invest dividends earned to purchase additional shares.

For LTIP awards the fair value at grant date is determined by taking the share price at grant date using year end exchange rates. An adjustment for the present value of future dividends is not required as dividend equivalents are awarded at the end of the vesting period.

#### Employee share plans

For SPP awards made under the Total Shareholder Return (TSR) criteria, fair value is calculated using an option pricing model prepared by advisors. For the SPP awards made under the earnings per share and non-financial operational measures the fair value is determined by taking the share price at deemed grant date less the present value of future dividends for the duration of the performance period. Dividend equivalents accrue under the SPP on awarded but unvested options post the performance period. Post vesting (minimum holding period) dividend equivalents cease to accrue on unexercised options.

The inputs below were used to determine the fair value of the TSR element of the SPP awards granted on 16 August 2021

Date of grant	16 August 2021
Share price at grant date (pence)	913p
Expected life of awards (years)	0.79
Risk-free sterling interest rate (%)	0.05
IG expected volatility (%)	24.09%

Risk free rate - due to minimal exercise price the risk-free rate has no impact on the fair value calculation.

IG's expected volatility is based on historical TSR volatility of IG Group Holdings plc measured daily over a period prior to the date of grant and commensurate with the remaining performance period.

The interim dividend estimate is the dividend paid in the period from the deemed grant date to the end of the performance period, from which date dividend equivalents accrue on unvested options.

The weighted average fair values per award granted are as follows:

	At the beginning of the year	Awarded during the year	Lapsed during the year	Exercised during the year	At the end of the year
Year ended 31 May 2022	643.44p	793.78p	719.59p	752.43p	679.08p
Year ended 31 May 2021	595.87p	598.94p	830.89p	464.68p	643.44p

## Notes to the financial statements

for year ended 31 May 2022

Employee share plans (continued)

The numbers of shares that vest based on the awards made are as follows:

2022									
Type of Award	Award date	Share price at award	Expected vesting date	At the start of the year	Awarded during the year	Dividend equivalent awarded during the year	Lapsed during the year	Exercised during the year	At the end of the year
SIP	15-Jul-18	935.84p	15-Jul-21	7,178	-	-	-	(7,178)	-
LTIP	7-Aug-18	893.0p	5-Aug-21	10,936	-	2,247	-	(13,183)	-
SIP	15-Jul-19	597.0p	15-Jul-22	2,075	-	-	(283)	-	1,792
LTIP	6-Aug-19	559.2p	6-Aug-22	20,403	-	-	-	-	20,403
SPP	6-Aug-19	559.2p	1-Aug-25	4,460	-	165	-	(1,487)	3,138
SIP	15-Jul-20	740.79p	15-Jul-23	3,663	-	-	(666)	-	2,997
LTIP	6-Aug-20	734.0p	6-Aug-23	27,259	-	-	-	-	27,259
SPP	6-Aug-20	734.0p	1-Aug-25	29,216	-	1,080	-	(9,739)	20,557
SIP	15-Jul-21	827.89p	15-Jul-24	-	4,179	-	(190)	-	3,989
LTIP	5-Aug-21	911.5p	5-Aug-24	-	22,333	-	-	-	22,333
SPP	5-Aug-21	911.5p	1-Aug-25	-	22,063	1,224	-	-	23,287
<b>Total</b>				105,190	48,575	4,716	(1,139)	(31,587)	125,755

2021									
Type of Award	Award date	Share price at award	Expected vesting date	At the start of the year	Awarded during the year	Dividend equivalent awarded during the year	Lapsed during the year	Exercised during the year	At the end of the year
SIP	15-Jul-17	640.0p	15-Jul-20	10,686	-	-	-	(10,686)	-
LTIP	1-Aug-17	626.5p	1-Aug-20	22,754	-	4,747	-	(27,501)	-
SIP	15-Jul-18	935.84p	15-Jul-21	8,806	-	-	(1,266)	(362)	7,178
LTIP	7-Aug-18	893.0p	5-Aug-21	10,936	-	-	-	-	10,936
SIP	15-Jul-19	597.0p	15-Jul-22	2,358	-	-	(283)	-	2,075
LTIP	6-Aug-19	559.2p	6-Aug-22	20,403	-	-	-	-	20,403
SPP	6-Aug-19	559.2p	1-Aug-25	6,334	-	237	-	(2,111)	4,460
SIP	15-Jul-20	740.79p	15-Jul-23	-	4,440	-	(740)	(37)	3,663
LTIP	6-Aug-20	734.0p	6-Aug-23	-	27,259	-	-	-	27,259
SPP	6-Aug-20	734.0p	1-Aug-25	-	27,662	1,554	-	-	29,216
<b>Total</b>				82,277	59,361	6,538	(2,289)	(40,697)	105,190

## Notes to the financial statements

### for year ended 31 May 2022

#### 24. Related party transactions

##### *Parent company*

The parent company throughout the year was Market Data Limited (incorporated in the United Kingdom) which owns 100% of the issued ordinary shares of IG Australia Pty Ltd. The ultimate parent company and ultimate controlling party is IG Group Holdings plc (incorporated in the United Kingdom).

##### *Key management personnel*

Disclosures relating to key management personnel are set out in Note 8.

##### *Transactions with other related parties*

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 May with other related parties, are as follows:

	2022	2021
	\$'000	\$'000
<b>Fellow Group subsidiaries</b>		
Cost plus commission charges to related party (Note 3)	39,854	42,239
Expense recharges to related party	547,584	21,842
Interest recharges to related party (Note 5)	429	85
Expense recharges from related party	298,661	45,733
Amounts owed by related party (Note 12)	221	5,582
Amounts owed to related party (Note 17)	35,106	1,140

Expenses recharged to related parties include hedging, staff costs, travel and subsistence and marketing costs. Included within amounts recharged from related parties are hedging, staff costs, marketing, travel and subsistence, data and communication costs.

All related party transactions were at arm's length.

#### 25. Financial instruments

##### *Accounting classifications and fair values*

The table below sets out the classification of each class of financial assets and liabilities and their fair values. The Company considers the carrying value of all financial assets and liabilities to be a reasonable approximation of fair value and represents the Company's maximum credit exposure as at the balance sheet date without taking account of any collateral held.

Classification of financial instruments:

	Amortised cost	Total carrying amount
	\$'000	\$'000
<b>As at 31 May 2022</b>		
Financial assets:		
Cash and cash equivalents	53,319	53,319
Trade receivables – due from clients	411	411
Other trade receivables	10,927	10,927
Other receivables – due from debtors	19	19
Other receivables – due from group companies	221	221
	<u>64,897</u>	<u>64,897</u>
Financial liabilities:		
Trade payables – due to clients	6	6
Other payables – due to creditors	7,757	7,757
Other payables – due to group companies	35,106	35,106
	<u>42,869</u>	<u>42,869</u>



## Notes to the financial statements

### for year ended 31 May 2022

#### Financial instruments (continued)

	Amortised cost	Total carrying amount
As at 31 May 2021	\$'000	\$'000
Financial assets:		
Cash and cash equivalents	17,272	17,272
Trade receivables – due from clients	-	-
Other trade receivables	579	579
Other receivables – due from debtors	25	25
Other receivables – due from group companies	5,582	5,582
	<u>23,458</u>	<u>23,458</u>
Financial liabilities:		
Trade payables – due to clients	139	139
Other payables – due to creditors	6,041	6,041
Other payables – due to group companies	1,140	1,140
	<u>7,320</u>	<u>7,320</u>

#### 26. Financial risk management

Financial risks arising from financial instruments are analysed into market, credit, concentration and liquidity risks. These risks are managed at a group wide level and details are in the risk management section on the Group Annual Report.

##### Market risk

Market risk disclosures are analysed into these categories:

- Non-trading interest rate
- Foreign currency risk

##### Non-trading interest rate risk

The Company has interest rate risk relating to financial instruments on its statement of financial position not held at fair value through profit or loss. These exposures are not hedged.

##### Non trading interest rate risk sensitivity analysis – floating rate

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year.

Interest rate sensitivity has been performed on floating rate financial instruments which are disclosed as amortised cost in note 25 by considering a 0.75% (2021: 0.50%) interest rate increase on the financial assets and liabilities held at statement of financial position date. The impact of such a movement on the Company's profit before tax for the year is \$4,293,076 (2021: \$225,732).

The assumptions is recent high inflationary condition where the central bank is contemplating aggressive increase in cash rate to combat inflation expectations.

##### Foreign currency risk

The Company faces foreign currency exposures on financial assets and liabilities denominated in currencies other than its functional currency. This exposure is hedged with IGM by transferring the net foreign currency exposures the Company has on its statement of financial position at each month end.

Since the impact of foreign exchange rate movements is hedged, the Company would experience an opposite foreign exchange hedging gain for any losses and vice versa. Based on this hedging model, the impact of foreign exchange rate movements is considered immaterial to the Company's profit before tax.

## Notes to the financial statements

### for year ended 31 May 2022

#### Financial risk management (continued)

##### Credit risk

The principal sources of credit risk to the Company's business are from financial institutions, amounts due from group companies and individual clients.

The analysis of neither past due nor impaired credit exposures in the following table excludes individual client funds held in segregated client money accounts established under the Company's regulatory requirements. Under these rules, client money funds held are protected in the event of the insolvency of the Company.

	Cash and cash equivalents		Other receivables – due from group companies		Trade receivables – due from clients	
	31 May 2022	31 May 2021	31 May 2022	31 May 2021	31 May 2022	31 May 2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Individually impaired</b>						
Gross impairment	-	-	-	-	2,235	0.1
Loss allowance	-	-	-	-	(2,053)	(0.1)
	-	-	-	-	182	-
<b>Past due but not impaired</b>						
0-3 months	-	-	-	-	63	-
	-	-	-	-	63	-
<b>Neither past due nor impaired</b>						
Credit rating:						
AA to AA-	53,318	17,271	-	-	-	-
BBB+ to BBB-	-	-	-	5,470	-	-
Unrated	1	1	221	112	166	-
	53,319	17,272	221	5,582	166	-
<b>Total carrying amount</b>	<b>53,319</b>	<b>17,272</b>	<b>221</b>	<b>5,582</b>	<b>411</b>	<b>-</b>

##### Loss allowance

Below is a reconciliation of the total loss allowance:

	Year ended 31 May 2022	Year ended 31 May 2021
	\$'000	\$'000
Balance at the beginning of the year	1	4
Loss allowance for the year:		
- gross charge for the year	2,314	(3)
- recoveries	(335)	-
- debts written off	(67)	-
- recharged from related party	140	-
Balance at the end of the year	2,053	1

The loss allowance has been calculated in accordance with the Group's expected credit loss model.

## Notes to the financial statements

### for year ended 31 May 2022

#### Financial risk management (continued)

The following table provides an overview of the Company's credit risk by Stage and the associated loss allowance.

31 May 2022					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Simplified Approach	Total
<u>Credit grade:</u>	\$'000	\$'000	\$'000	\$'000	\$'000
Investment grade	53,318	-	-	19	53,337
Non-investment grade	222	-	-	13,391	13,613
Gross carrying amount	53,540	-	-	13,410	66,950
Loss allowance	-	-	-	(2,053)	(2,053)
<b>Total carrying amount</b>	<b>53,540</b>	<b>-</b>	<b>-</b>	<b>11,357</b>	<b>64,897</b>

31 May 2021					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Simplified Approach	Total
<u>Credit grade:</u>	\$'000	\$'000	\$'000	\$'000	\$'000
Investment grade	22,741	-	-	25	22,766
Non-investment grade	113	-	-	579	692
Gross carrying amount	22,854	-	-	604	23,458
Loss allowance	(1)	-	-	-	(1)
<b>Total carrying amount</b>	<b>22,853</b>	<b>-</b>	<b>-</b>	<b>604</b>	<b>23,457</b>

#### Concentration risk

The Company has no significant credit exposure to any one particular client or group of connected clients. The Company's credit exposures arise mainly in Australia.

#### Liquidity risk

##### **Derivative and non-derivative cash flows by remaining contractual maturity**

At 31 May 2022, the Company had no derivative financial assets and liabilities. All of the Company's financial assets and liabilities in note 25 are non-derivative.

There were no Company derivative cash flow as at 31 May 2022. Apart from term deposits held against bank guarantees, all of the Company's cash and cash equivalents are available on demand.

## Notes to the financial statements

### for year ended 31 May 2022

**27. Business combination**

On 14 November 2020 the Company entered into an agreement with a fellow Group company, IG Markets Limited ("IGM"), to acquire the rights to market OTC leveraged derivatives and Share Trading services to both new and existing client in Australia and New Zealand for a nominal consideration of \$2. IGM is a company within the Group, registered in the United Kingdom and wholly-owned by Market Data Limited. The acquisition is a business combination under common control as the combining businesses are ultimately controlled by IG Group Holdings Plc through Market Data Limited. The transfer of business occurred in stages and was completed on 24 April 2022. This was also reported as a business combination in the year ended 31 May 2021.

The Company's accounting policies for business combinations under common control are set out in note 1.

**28. Ultimate parent undertaking and controlling party**

The immediate parent undertaking is Market Data Limited, a company incorporated in the United Kingdom.

The ultimate parent undertaking and controlling party is IG Group Holdings plc, a company incorporated in the United Kingdom.

IG Group Holdings plc is the parent of the largest group of undertakings to consolidate these financial statements at 31 May 2022. The consolidated financial statements of IG Group Holdings plc are available from Cannon Bridge House, 25 Dowgate Hill, London EC4R 2YA

**29. Subsequent event**

There were no post balance date events that would significantly affect the financials in this report.