Going Concern and Viability Statement

Going Concern

The Group meets its day-to-day working capital requirements through its available liquid assets and committed banking facilities. The Group's liquid assets exclude all monies held in segregated client money accounts. In assessing whether it is appropriate to adopt the going concern basis in preparing the Financial Statements, the Directors have considered the resilience of the Group, taking account of its liquidity position and cash generation, the adequacy of capital resources, the availability of external credit facilities and the associated financial covenants, stress-testing of liquidity and capital adequacy that takes into account the principal risks faced by the business, in addition to the impact of the tastytrade acquisition. Further details of these principal risks and how they are mitigated and managed is documented in the Risk Management section on page 46.

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

Viability Statement

The UK Corporate Governance Code (the Code) requires the Directors to make a statement regarding the viability of the Group, including explaining how they have assessed the prospects of the Group, the period of time over which they have made the assessment and why they consider that period to be appropriate.

The Group has a forecasting and planning cycle consisting of a strategic plan, an annual budget for the current year and financial projections for a further three years. The output from this business planning process is used in the Group's capital and liquidity planning, and the most recent forecasts are for the four-year period ending May 2026.

The Group's revenue, which is driven by client transaction fees, has continued to benefit from financial market volatility over the course FY22, along with the revenue generated following the acquisition of tastytrade. Projections of the Group's revenue have conservatively considered financial market volatility returning to normal levels throughout the four-year period. Projections also include assumptions on interest rates that will result in increased interest on client funds in the tastytrade business. The Group has conservatively excluded the impact of potential interest rate rises on its business outside of the US.

The four-year forecasting period is the length of time over which the Board strategically assesses the business and the period of time over which the Board would typically look for investments to pay back.

No significant changes to regulatory capital and liquidity requirements have been assumed over the forecasting period. The Group is subject to the new IFPR which has not resulted in a significant change in the Group's capital and liquidity requirements and resources since its introduction on 1 January 2022. As the risk profile of tastytrade is similar to the Group, it has not contributed to a significant increase in capital requirements since acquisition, although the payment to acquire tastytrade did result in a one-off reduction in capital resources.

The first year of the planning period has a greater degree of certainty. It is therefore used to set detailed financial targets across the Group. It is also used by the Remuneration Committee to set targets for the annual incentive scheme. Caution about the degree of certainty needs to be exercised – in the short term, the performance of the Group's business is impacted by influences such as market conditions and regulatory changes that it cannot control.

The further three-year period provides less certainty of outcome, but provides a robust planning tool against which strategic decisions can be made. These forecasts are also considered when setting targets for the executive and senior management share plans.

The Group undertakes stress testing on these forecasts through the Individual Liquidity Adequacy Assessment (ILAA), Internal Capital Adequacy Assessment Process (ICAAP) and Recovery Plan, providing the Board with a robust assessment of the possible consequences of principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity. The introduction of the IFPR for FCA-regulated investment firms from 1st January 2022 means that in future periods, the Group will perform an ICARA that will combine the ICAAP, ILAA and Recovery Plan processes.

The types of scenarios used include the collapse of a major financial services firm, an unexpected global economic event followed by a market dislocation and operational IT failures. The stress tests evaluate the impact of the scenarios on the relevant principal risks captured by the Group's Risk Management Framework.

Additionally, the Group has undertaken reverse stress testing to understand the circumstances under which the Group's business model is no longer viable. This information is used to ensure the relevant risks are sufficiently well-understood and appropriately managed. Scenarios are reviewed at least annually to ensure they remain relevant, with any updates being incorporated into the ICARA accordingly.

The Group has undertaken extensive modelling and analysis for potential changes in the regulatory landscape, in order to prepare the financial forecasts, and there is a range of potential outcomes. The Group is planning investments in new countries and in new products, that may be less successful than assumed by the financial forecasts and that are dependant on regulatory applications being successful.

The Directors are satisfied that these and other uncertainties have been assessed, and that the financial forecasts reflect an appropriate balance of the potential outcomes.

The Group continues to actively monitor and refine its comprehensive business continuity plan which was successfully implemented at the onset of the Covid-19 pandemic during FY20. The Group's significant long-term investment in communications and technology infrastructure has enabled the Group to transition to a hybrid-working environment, with all employees given the opportunity to work safely from home, and IG continues to provide the best possible service for its clients when they choose to trade the financial markets.

The conflict in Ukraine has had minimal impact on the commercial operations of the Group and steps were taken in the early stages to minimise any prospective future exposure to sanctions on clients and suppliers. Additional employee support has been provided to employees based in Poland, many of whom have been assisting refugees arriving from neighbouring Ukraine, to ensure their continued health and wellbeing.

Overall the Directors consider the Group well-placed to manage its business risks successfully, having taken into account the current economic outlook, the possible consequences of principal risks facing the business in severe but plausible scenarios, and the effectiveness of any mitigating actions on the Group's profitability and liquidity. The Group's business model provides the Directors with comfort that the business is being run in a sustainable way, acting in the interests of its clients and acting responsibly in managing relationships with other stakeholders.

The Board regularly assesses the principal risks facing the Group. These risks include regulatory, legislative, or tax changes which may detrimentally impact our business in the jurisdictions we operate or seek to operate in. In particular a change that impacts on the Group's ability to sell or trade OTC derivatives may have a fundamental effect on the viability of the Group and its businesses. Further details of these principal risks and how they are mitigated and managed is documented in the Risk Management section on pages 48 to 53. The Board receives reports on these and new emerging risks through the Risk Management Framework. On the basis of these and other matters considered and reviewed by the Board during the year, the Directors have reasonable expectations that the Group will be able to continue in operation and meet its liabilities as they fall due over the four-year period ending 31 May 2026.

The Strategic Report up to and including page 55 was approved for issue by the Board on 20 July 2022 and signed on its behalf by:

Charles A Rozes
Chief Financial Officer