

Annual Report

IG Group Holdings plc
Report and Financial Statements
31 May 2008

IG Group Holdings plc is a world leader in financial derivatives trading and sports betting. Our well-known and successful brands cover a global client base.

Contents

At a Glance

Revenue
+ 51%

Revenue up 51% at £184 million

EBITDA
£98.5m

EBITDA up 40% at £98.5 million

EBITDA margin
53.5%

Strong EBITDA margin of 53.5%

Earnings per share
+ 40%

Diluted earnings per share up 40% at 20.28p

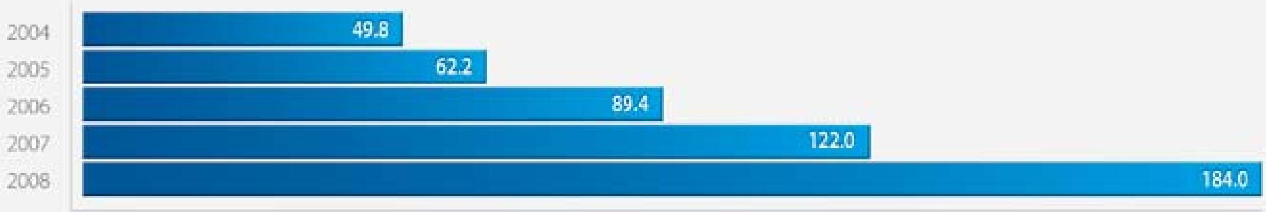
Final dividend
9.0p

Final dividend 9.0p per share – total dividend 12.0p per share

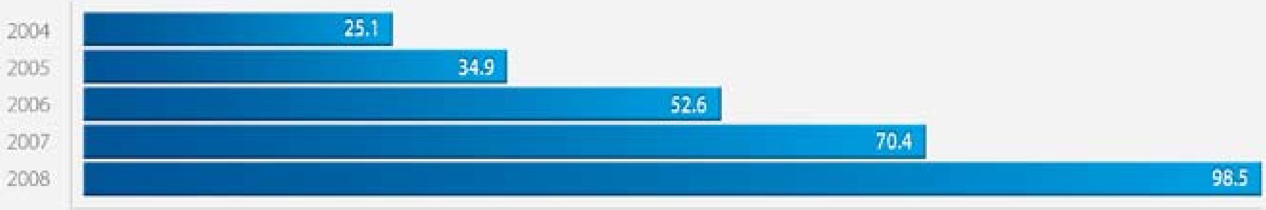
Final dividend increase
+ 38.5%

Final dividend increases 38.5% to 9.0p

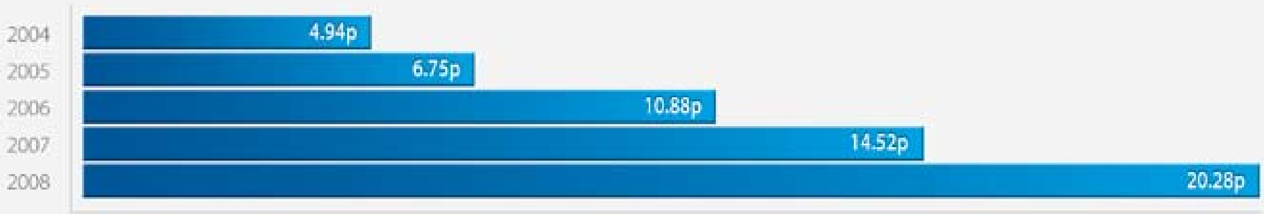
Revenue (£million)



EBITDA (£million)



Earnings per share*



*To aid comparison, normalised earnings per share is presented for 2004 and 2005


Quit while you're ahead
£25 FREE BET
YOU'VE HAD A £10 CORRECT SCORE BET ON SPAIN TO BEAT GERMANY 2-1 AT 8/1
...AFTER 85 MINUTES, SPAIN ARE 2-1 UP. ANOTHER GOAL WOULD SCUPPER YOUR BET! YOUR BET IS WORTH £70.
Take your profit now?
SPAIN SCORE IN INJURY TIME TO MAKE IT 3-1! DID YOU TAKE YOUR PROFIT?
Power + precision
Australia's original CFD provider gives you guaranteed market prices on over 1000 Australian Share CFDs
FREE DEMO
LOW MARGIN RATES
LOW COMMISSIONS
Focus your trading with IG Markets
Innovation as standard: iPhone dealing
WORKS WITH iPHONE 3G
We are committed to giving you more. More markets, more trading tools, the best dealing technology. We were the first to offer spread betting on shares in 1995. Now we cover over 7500 individual shares, plus indices, forex, commodities and more. Join IG Index for the ultimate spread betting service, where innovation comes as standard.
Enjoy our online dealing service through your iPhone:
Touch to trade any of our markets
Rotate iPhone for optimal screen layout
Put PureDeal in your pocket
Brent Crude (March)

Marketing Activity

“Our global marketing strategy utilises engaging creative treatments across multiple media, to ensure high visibility in each of our territories”

In support of our world-leading brands we deploy a global marketing strategy. This utilises a variety of engaging creative treatments across multiple media, to ensure high visibility in each of our territories. Our activity includes print and online advertising, event sponsorship, and a continued presence at seminars and investment shows.

Innovation as standard

In April 2008 we ran the first advert in our 'Innovation as Standard' campaign for IG Index in the UK, to showcase our new iPhone dealing service. The campaign has served to underline that IG continues to lead the way in both platform and product innovation within the spread betting industry.

This series of press and online adverts taps into our history of innovation and reputation as pioneers of spread betting. During a year of significant technological development, the campaign has allowed us to feature each successive new product or feature from IG Index over the course of spring and summer 2008, months that have seen record levels of client recruitment.

Education

Another key driver of client recruitment and trading activity is our education service, comprising the TradeSense course and an ongoing seminar programme. The 'Spread Betting with Confidence' adverts – featured in national UK Sunday newspapers and supported by online and email marketing – spoke to prospective clients who feel they need more knowledge and training before they try spread betting for the first time.

Global marketing

IG Markets, our CFD service, has a truly global client base. To this end we have distinctive ongoing campaigns promoting IG Markets across Europe and also in Australia, Singapore and the US. Our expansion in Europe and Asia Pacific has been supported by extensive direct advertising.

Back in the UK, our leisure brands are promoted in a lighter vein, capturing the unique thrill of the betting experience. For example, we have recently launched an eye-catching new campaign for extrabet.com, bringing the 'quit while you're ahead' proposition to life through a recurring 'comic strip' theme.


Live Search
Page
Tools
Orders to Open
Alerts
Activity
Tickets
Tools
News
Layouts
Help
Logout
Switch to Sports
Display
View as
Pairs
17:46:00
Spot FX EUR/USD
20-AUG-08
Sell
Buy
14877.0
14882
Low: 14712
Amount/Pt
20
GBP
17:45:59
FTSE 100 Daily
20-AUG-08
75.8
Sell
Buy
5374.3
5376.3
Low: 5283
High: 5382.8
Amount/Pt
GBP
17:45:41
Daily Spot Silver
19-AUG-08
Sell
Buy
1322.0
1327
Low: 1254.5
Amount/Pt
GBP
15:17:29
Daily Spot Gold
19-AUG-08
Sell
Buy
875.95
876.45
Low: 875.95
High: 876.45
Amount/Pt
GBP
18706.5
High: 18707.8
41.8
Indicator/Backtest
1 minute
5,500
5,480
5,460
5,440
5,420
5,400
5,380
5,360
5,340
5,317.3
5,300
17:00
19:00
21:00
19
2:00
4:00
6:00
8:00
10:00
12:00
14:00
16:00
Internet
100%

Technology

In March 2008 IG Index became the first UK spread betting company to offer iPhone dealing

Our continuous programme of technological innovation determines the competitive advantage of all the IG businesses, across all our territories.

Deal anytime, anywhere

The IG ethos is to deliver fast and reliable dealing on an exhaustive range of instruments, wherever you are. Our award-winning PureDeal platform is used by over 50,000 active clients worldwide to gain 24-hour access to fast-moving global markets.

In March 2008 IG Index became the first UK spread betting company to offer dealing software tailored for use on Apple's groundbreaking iPhone, iPhone 3G and iPod touch devices. This software has since been rolled out to the IG Markets business in all locations worldwide.

IG clients can also deal on-the-move via mobile phone, BlackBerry or PDA. For the higher-end investor, our Direct Market Access platform, L2 Dealer, provides full market depth data and the ability to interact with the order book. The L2 platform is popular with institutions and professional traders.

Market-leading trading tools

Our research and development aims to enhance the trading experience with an unparalleled suite of tools. From Reuters news to pro-level charting, each new tool is designed to increase a client's chance of trading success.

Innovation comes as standard at IG. Since April 2008 alone we have introduced:

Trailing Stops

A unique type of Stop Order whereby your Stop level trails favourable market moves, helping you to lock in profits

DealThru Charts

Giving you the ability to trade directly from our market-leading charts, with all trades logged automatically on PureDeal

Price Alerts

For real-time notification of price levels across our range of markets, with optional email or SMS messaging.

Partners

> *As our business expands overseas so does our network of partners, which is becoming increasingly diverse*

With a range of partnership models, from straight referral through to full 'white-labelling' of our dealing and back-office systems, our partner network creates significant ongoing revenue.

A global network

We have the power to bring our dealing technology to your clients, and the experience and expertise to support a vast network of partners around the world. The year 2007-2008 has seen IG consolidate its offer to partners through whom we market our CFD and spread betting services, often via white-label relationships.

IG Markets and IG Index together have over 300 Introducing Brokers and Agents who generated revenue during the past year. As our business expands overseas so does our network of partners, which is becoming increasingly diverse. The main partners to IG are advisors, online brokers, private client stockbrokers and wealth managers.

Partnering with IG

Our partner relationships are designed to be mutually beneficial, with generous rebates to successful partners. Payments made to partners by IG Markets alone in 2007-2008 were in excess of £40 million, up from £33 million in 2006-2007.

Cooperation with either IG Markets or IG Index allows our partners to generate new revenue streams using their marketing and sales capabilities while relying on our award-winning dealing platforms, plus our expertise in dealing, risk management and client services.

Chairman's Statement

It is my pleasure to present this statement after another successful year at IG. Revenue for the year was up 51% to £184m (2007 - £122m) and profit before tax was up 41% to £97m (2007 - £69m). These results were the product of our continuing focus on broadening our client base by offering high quality dealing platforms, a broad range of products and excellent customer service.

Our international strategy continues to be to widen our geographic spread where local regulation and market conditions are appropriate. We have made further progress on our strategy this year, opening offices in Paris, Madrid and Chicago.

There remains a great deal of work to be done to build on the initial success we have seen in our recently established overseas businesses. Our aim is to develop each of these operations and we believe that they all have the potential to grow into substantial businesses over time, emulating our success in the United Kingdom and Australia.

Dividend

At the AGM your board will recommend the payment of a final dividend of 9.0p per share. This brings the total dividend for the year to 12.0p, an increase on last year of 41%. This represents a total dividend of approximately 60% of earnings for the year, in line with the policy that I announced last year. Our policy, which we will review from time to time, will be to continue to pay a similar proportion of earnings in future years.

These results could not have been achieved without the hard work and skill of all our employees throughout the world. Along with my fellow directors I would like to extend my thanks to them all for their contribution to these excellent results.

I and my colleagues at IG look forward to working towards another successful year for our business.

Jonathan Davie, Chairman, 21 July 2008

"Revenue for the year was up 51% to £184m and profit before tax was up 41% to £97m"

Chief Executive's Report

We have had another successful year, achieving a very strong level of growth whilst also significantly developing the Group and its client offering. Revenue growth of 51% this year exceeded our long run average – over the last 10 years we have achieved compound annual growth in excess of 40%.

"Over the last 10 years we have achieved compound annual growth in excess of 40%"

As previously indicated, the opening of new businesses in France, Spain and the US has meant that we added costs before these businesses began to generate revenue. In addition, betting duty was a rather higher percentage of revenue than in recent years. Despite these factors, our EBITDA margin this year remains strong, at 53.5%, although down from 57.7% the previous year.

Financial markets were volatile for much of the year. Volatility benefits us because clients tend to trade more actively in these conditions. It is, however, encouraging to note that our best month's revenue in the year was achieved in April, which was not a volatile month when compared to the preceding nine months.

Over the longer term, client recruitment is the most significant driver of our revenue growth. The rate of client recruitment has been increasing progressively for a number of years. This year we recruited more than twice the number of spread betting and CFD clients compared with the previous year and well over three times the number achieved in the year before that. This reflects continued growth of client recruitment within our UK business, together with the extension of our international reach.

This has also been a year of significant innovation for us. The year began with the UK launch of PureDeal, our state-of-the-art browser-based financial dealing platform. We then progressively rolled the platform out across the rest of our offices worldwide, in each case accompanying this with a significant update of the website. The year also saw the introduction of a version of PureDeal customised to work on the iPhone and two new methods for clients to manage risk: trailing stops and bungee bets. Each of these developments has proved to be popular with our clients.

Since the year end we have launched DealThru Charts, our new charting package which allows clients to deal directly from charts. Individually none of these new features is revolutionary, but I believe they combine to make our offering significantly better than those of our competitors. I am sure that our commitment to continuing technology and product innovation is a significant factor in the progressive improvement we have seen in client recruitment.


ANNO · ELIZABETHAE · R · XIII · CONDITVM

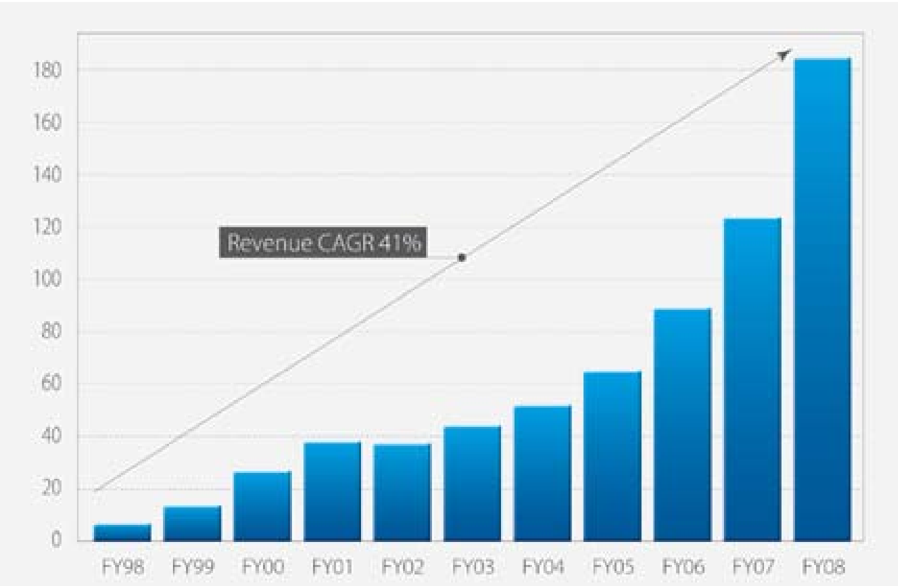
Client education is also an area where we have made significant progress during the course of the last year. We believe that the more help and guidance we are able to provide to clients, the greater will be our recruitment, conversion and retention rates. It is eighteen months since we introduced the TradeSense education programme, which is now available to all our financial clients worldwide.

Over the last few months we have supplemented TradeSense with a programme of seminars, some aimed at existing clients, some at potential clients. These seminars are delivered either in person or online, the latter available both in real-time so that the attendees can ask questions of the presenter, and on-demand, so that attendees can watch at a time of their choosing. All of our international offices have seminar programmes and over the coming months we will continue to develop each of these to emulate the breadth of the UK programme.

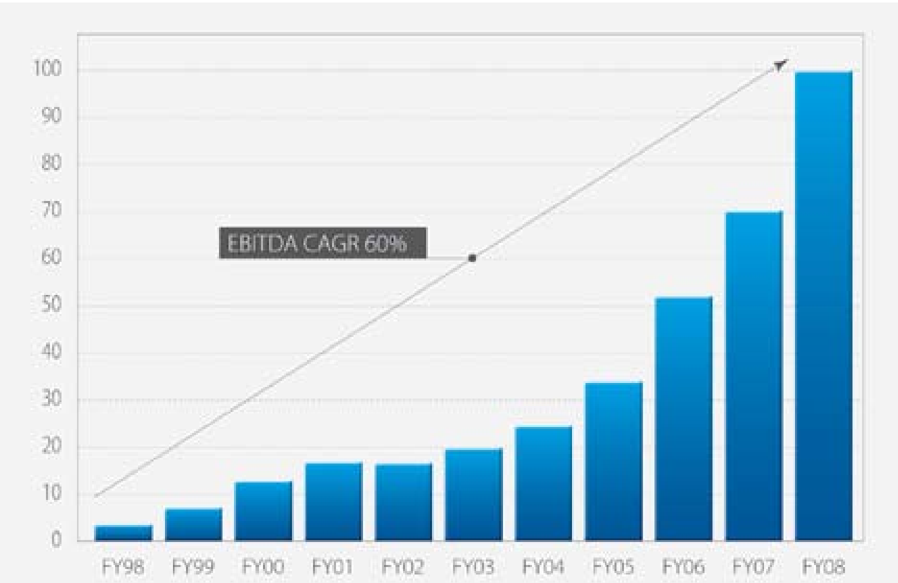
This year has seen us significantly extend our international reach. The Markets in Financial Instruments Directive ("MiFID") enabled us to open offices in Paris and Madrid at the beginning of November.

In early December we completed the acquisition of HedgeStreet in the US. This acquisition also provided the stimulus to activate our dormant US subsidiary, IG Markets Inc. I discuss the performance of these, and all our other businesses, below.

Revenue (£million)



EBITDA (£million)



Financial

Our financial business performed very strongly, with revenue increasing by 57% to £172.5m. Across our spread betting and CFD businesses we opened 41,000 accounts compared to 22,500 the previous year, an increase of 82%.

UK

UK-based clients dealing with our financial business produced revenue of £123.2m, an increase of 46%. Within this, financial spread betting, financial binary betting and CFDs all grew at similar rates. We have opened more than 2,000 UK spread betting accounts in each of the last six months.

> *"Our financial business performed very strongly, with revenue increasing by 57% to £172.5m"*

Europe

We now have four European operations targeting clients in Germany, Italy, France and Spain. In addition to this we have direct clients of the London office in a number of other European countries and we have a number of European introducer relationships, most notably in Ireland and Greece.

Clients based in the rest of Europe generated revenue of £20.4m, an increase of 73% on the prior year. About £7.2m of this revenue came from the four European operations.

We have been very pleased with the rapid progress achieved by our offices in Paris and Madrid. Both of these started at the beginning of November and were covering their direct costs by the end of March. By May they were each generating a level of monthly revenue which took more than two years to achieve when we started our Australian business.

Our Italian business continues to make good progress. It currently operates as a desk in our London office, but our plans are now well advanced to open an office in Milan in the autumn. We hope that this will enable us to accelerate our rate of client recruitment in Italy without increasing our cost base significantly.

Our German office has also seen revenue growth, but at a slower pace than our other European operations. We have recently made some operational changes which we are hopeful will aid the progression of this business.

Asia Pacific

Asia Pacific delivered strong growth with revenue increasing by 115% to £27.4m. A little over 90% of this revenue is from our Australian office, the remainder is principally from our office in Singapore.

Rest of the World

In December we completed the purchase of HedgeStreet Inc. for £3m in cash. HedgeStreet is a US-based, CFTC regulated, exchange offering binary options. The exchange had ceased active trading a few months prior to our acquiring it.

We re-activated the exchange in February and since then we have undertaken the IT work necessary to expand its range of markets and opening hours. As a result, in the last few weeks we have been able to extend the market hours significantly, and are in the process of adding two-hour intra-day contracts and an additional contract size.

Over the coming weeks we intend to continue to broaden the product range, both in terms of contract types and underlying markets offered. To date we have done almost no marketing or public relations activity for HedgeStreet, despite which we have seen a steady trickle of new exchange members. Once we have further improved the offering we plan to re-brand the exchange and we will then increase marketing and public relations activity.

The acquisition of HedgeStreet provided a catalyst to activate our previously dormant US subsidiary, IG Markets Inc. This company offers forex trading, including spot forex, forex vanilla options and forex binary options. IG Markets Inc. commenced trading only a few weeks before the end of the financial year.

"Asia Pacific delivered strong growth with revenue increasing by 115% to £27.4m"

The combined revenue of these two nascent businesses was not significant in the year to 31 May 2008. As expected, our cost base in the US is higher than that of the other businesses we have started recently.

IG Markets Inc. also operates in a more competitive environment than any of our other recent start-ups. For these reasons we anticipate that it will take longer for our US businesses to reach break-even than has been the case for our other start-ups. However, together they represent a significant opportunity in one of the world's largest retail markets for speculative financial products.

Future Developments

We continue to evaluate new markets and we expect to continue to extend our geographic reach as suitable opportunities arise.

White label and introducer relationships are becoming increasingly important for us and now account for about 14% of financial revenue. We are in discussions with a number of potential white label partners in Europe and the Asia Pacific region.

Sport

Revenue for our sport business fell by 5.5% to £11.5m. The previous year contained the football World Cup, which for us is usually the biggest betting event in the four year sporting calendar. If this is adjusted for then there was underlying growth in the business.

We have recently taken some steps to reduce operating costs in order to improve the contribution that this business makes. In addition, we are working on several projects which we hope will boost the revenue of the business in the coming year.

Current trading and outlook

While it remains difficult to predict future trends in volatility or customer reaction to any change in market conditions, IG is well positioned for further growth.

The new financial year has started well and current trading remains very strong.

The UK's economic outlook has been deteriorating for a number of months now. However, to date we have seen no signs of our UK clients reducing their activity levels as a result. Client recruitment since the year end continued at the high levels seen in previous months.

I remain confident about the prospects for the coming year.

Tim Howkins, Chief Executive, 21 July 2008

Directors' Biographies


01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03


04

01. Jonathan Davie

Non-Executive Chairman, 61 years old

Jonathan qualified as a Chartered Accountant. He joined George M. Hill and Co, a jobber on the London Stock Exchange in 1969. The firm was acquired by Wedd Durlacher Mordaunt and Co where Jonathan became a partner in 1975. Jonathan was the senior dealing partner of the firm on its acquisition by Barclays Bank to form BZW in 1986. Jonathan developed BZW's Fixed Income business prior to becoming CEO of the Global Equities Business in 1991. In 1996 Jonathan became Deputy Chairman of BZW and then Vice Chairman of Credit Suisse First Boston in 1998 on their acquisition of most of BZW's businesses. Jonathan is presently a non-executive director of the Credit Suisse Private Bank in the UK and a partner in First Avenue Partners, an alternatives advisory boutique.

02. Tim Howkins

Chief Executive, 45 years old

Tim has a first class degree in Mathematics and Computer Science from Reading. He qualified as a Chartered Accountant with Ernst & Young and is also a member of the Chartered Institute of Taxation. Tim was one of a group of partners and staff who left Ernst & Young in 1990 to form Rees Pollock, a firm of chartered accountants targeted at entrepreneurial, owner-managed businesses. Tim was a partner in Rees Pollock for seven years and was the partner responsible for IG's audit. He joined IG as Finance Director in 1999, and became Chief Executive in 2006.

03. Steve Clutton

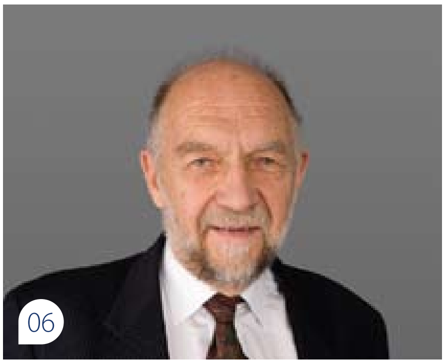
Finance Director, 47 years old

Steve gained a first class degree in Chemistry from Nottingham. After qualifying as a Chartered Accountant with KPMG, he spent five years in corporate finance with Barclays de Zoete Wedd. In 1994 he joined British Telecom heading up its internal corporate finance team before becoming the Chief Financial Officer of BT's international business based in Virginia, USA. Between 2000 and 2004, Steve was Finance Director of Interoute Communications Ltd, a private equity backed supplier of telecoms services with operations throughout Europe. Steve joined IG Group in October 2006 from Barclays Bank plc, where he was Finance Director of UK Retail Banking.

04. Peter Hetherington

Chief Operating Officer, 39 years old

Peter read Economics at Nottingham University and has a Masters in Finance from the London Business School. Peter was an officer in the Royal Navy before joining IG Index, as a graduate trainee, in February 1994. He became head of financial dealing in 1999 and was appointed a director of IG Group in June 2002, since when he has performed the role of Chief Operating Officer.



05. Andrew MacKay

Legal Director, 42 years old

Andrew has a Masters in History from St Andrews University and completed the Law Society Finals examination at the College of Law in London. He qualified as a lawyer with Linklaters and worked there for seven years, principally in the litigation and financial services practices. In 1998, Andrew moved to LIFFE as market investigations manager before joining the IG Group as Legal Counsel in March 1999.

06. Sir Alan Budd

Non-Executive Director, 70 years old

Sir Alan was appointed a non-executive director of IG Group in April 2005. He was Chief Economic Adviser to the Treasury and head of the government economic service between 1991 and 1997 and served as a member of the Monetary Policy Committee of the Bank of England between 1997 and 1999. Prior to 1991, he was group economic adviser at Barclays Bank and Professor of Economics at the London Business School. He was chairman of the Gambling Review Body and is currently Provost of The Queen's College, Oxford.

07. Martin Jackson

Non-Executive Director, 59 years old

Martin was appointed a non-executive director of IG Group and chairman of the audit committee in April 2005. He was the group Finance Director of Friends Provident plc between 2001 and 2003 and Friends Provident Life Office between 1999 and 2001. Prior to that, he was the group Finance Director at London & Manchester Group plc from 1992 to 1998 up to the date of its acquisition by Friends Provident Life Office. He is a non-executive director and chairman of the audit committee of Admiral Group plc and is a fellow of the Institute of Chartered Accountants.

08. Robert Lucas

Non-Executive Director, 45 years old

Robert read Electrical Engineering at Imperial College, London. He joined Marconi post graduation until 1987, when he moved into private equity investment with 3i plc. In 1996, he joined CVC Capital Partners Limited and, in 2004, he became a Managing Partner. Robert is a non-executive director of a number of companies in which funds managed or advised by CVC Capital Partners Limited or its affiliates have invested, including AA/Saga. He became a non-executive director of IG Group in 2003.

09. Nat le Roux

Non-Executive Deputy Chairman, 51 years old

Nat read Law at St Catharine's College, Cambridge. He spent ten years in futures broking and stock broking before joining IG in 1992. Initially he held the position of Financial Dealing Director and was promoted to deputy Chief Executive in 1999. He became Chief Executive in 2002 and held the position for four years before becoming non-executive deputy chairman in 2006.

10. Roger Yates

Senior Independent Non-Executive Director, 51 years old

Roger joined the board as non-executive and Senior Independent Director in February 2006. Roger read Modern History at Worcester College Oxford, and has 27 years' experience in the fund management industry as an investment professional and business manager. Previously he was Chief Investment Officer of Invesco Global and held senior roles for fund management companies LGT and Morgan Grenfell. He joined Henderson Global Investors as Chief Executive in 1999, and in 2003 led the de-merger of Henderson from its then-parent AMP, becoming Chief Executive of the resulting listed entity, now Henderson Group plc.

Group Operating and Financial Review

for the year ended 31 May 2008

Introduction

The Accounting Standards Board issued Reporting Statement: Operating and Financial Review in January 2006. This statement does not have mandatory force and is not an accounting or reporting standard. The directors have considered the recommendations of this reporting statement as appropriate in producing this operating and financial review (OFR). A discussion of the Group's performance and future prospects has been included in the Chief Executive's Report.

In applying this framework, the directors believe that they have adequately discharged their responsibilities under Section 234ZZB of the Companies Act 1985 to provide a balanced and comprehensive review of the development and performance of the business.

Nature, objectives and strategies

The Group's businesses

The Group has operated in two principal areas of activity throughout the year: financial and sport.

Financial

Contracts for difference (CFDs), spread bets and exchange traded futures on equities, equity indices, precious and base metals, soft commodities, exchange rates, interest rates and other financial markets. Exchange traded options and CFDs and spread bets on options on certain of these markets. Financial binaries, including exchange traded and OTC binary options and fixed odds bets on many of these markets. The operation of a regulated futures and options exchange.

Sport

Spread bets and fixed odds bets on sporting and other events.

Business objective

The Group's objective is to maximise shareholder value by pursuing the following strategies:

- Maintaining a leading position in the markets in which the Group operates;
- Continuing to broaden the client base;
- Expanding the Group's international reach; and
- Continuing to deliver product and technological innovation.

Business strategies

The Chief Executive's Report provides an overall assessment of the Group's progress during the year and prospects for the future with reference to the business strategies outlined below.

Maintaining a leading position in the markets in which the Group operates

The Group is widely recognised as the market leader in the financial spread betting market, which is predominantly a UK business. It also has a market leading position in a number of the countries where it offers CFDs. The Group's strategy is to continue to strengthen market position by offering the broadest range of products and by offering quality and speed of execution.

Continuing to broaden the client base

The Group continues to broaden the client base, both directly and through introducers, from what has historically been a relatively narrow but sophisticated group of predominantly retail clients. This includes attracting a greater proportion of leisure-oriented clients for the Group's fixed odds offerings and more market professionals and institutional clients for its CFD business. Further developing the business of market making on betting and financial exchanges, as well as white-labelling opportunities (where the Group's products are branded and distributed in the name of third parties), will extend the reach of the Group's products.

Nature, objectives and strategies (continued)

Expanding the Group's international reach

The Group continues to expand its non-UK client base and in the year ended 31 May 2008 revenue from non-UK clients grew to 27% of total revenue (2007 - 21%). It has been a significant year for international expansion with the opening of offices in Madrid and Paris in November and the acquisition of the HedgeStreet Exchange in the USA in December. The HedgeStreet Exchange was re-opened in February and IG Markets Inc., the retail FX business based in Chicago USA, was launched in April. The Group will continue to explore the feasibility of other branches or offices where local regulation and market conditions are suitable. In addition, the Group continues to extend the range of third parties who introduce clients to the Group and this is an effective way of establishing a presence for the Group's regulated financial business in territories which do not merit the establishment of a local office.

The Group has multi-lingual websites for its CFD business and will continue to offer an increasing range of languages in order to further widen its global reach.

Continuing to deliver product and technological innovation

The Group recognises the benefits it has experienced as a result of the introduction of innovative products. During the year, PureDeal was launched which is a state-of-the-art browser-based financial dealing platform. In addition, methods for clients to manage risk such as trailing stops and bungee bets have been developed. This culture of innovation is one which the Group intends to maintain in order to continue to be at the forefront of the market in terms of product offering and technology platforms.

Five year summary

A discussion of the Group's performance is included within the Chief Executive's Report.

	Year ended 31 May 2008 IFRS £000	2007 IFRS £000	2006 IFRS £000	2005 [1] IFRS £000	2004 [2] UK GAAP £000
Revenue	184,008	121,990	89,391	62,177	49,839
EBITDA [3]	98,493	70,351	52,629	34,949	25,128
EBITDA margin [3]	53.5%	57.7%	58.9%	56.2%	50.4%
Profit before tax	96,990	68,894	51,140	16,621	7,920
Basic earnings per share [4]	20.62p	14.67p	10.92p	5.83p	1.55p
Diluted earnings per share [4]	20.28p	14.52p	10.88p	5.41p	1.43p
Normalised earnings per share [3]	N/A	N/A	N/A	6.75p	4.94p
Interim dividend paid per share	3.0p	2.0p	1.5p	–	–
Final dividend proposed per share	9.0p	6.5p	4.0p	–	–
Total dividend per share	12.0p	8.5p	5.5p	–	–

1 Figures reported for 2005 have been restated to reflect changes in accounting policies brought about as a result of the Group's adoption of International Financial Reporting Standards (IFRS). Figures prior to 1 June 2004 are prepared under UK Generally Accepted Accounting Practices (UK GAAP) rather than IFRS.

2 The financial statements of IG Group Holdings plc include the results of the Group from 5 September 2003 (the date of acquisition of the Group). The five year summary presents revenue, EBITDA, profit before tax and normalised earnings per share as if IG Group Limited (formerly IG Group plc) was a member of the Group throughout.

3 EBITDA, EBITDA margin, and normalised earnings per share are defined and explained in the key performance indicators commentary.

4 Basic and diluted earnings per share are presented for the period from 5 September 2003 to 31 May 2004 and for the full years ended 31 May 2005, 2006, 2007 and 2008.

Group revenue

Group revenue by business segment

The Group operates in two business segments: financial and sport.

	2008 £000	2007 £000	Increase/ (decrease) %
Financial	172,475	109,791	57.1%
Sport	11,533	12,199	(5.5%)
	184,008	121,990	50.8%

Group revenue by geographical segment

The geographical analysis classifies revenue according to client location reflecting the increasing proportion of revenue derived from outside the UK.

	2008 £000	2007 £000	Increase %
United Kingdom	134,713	96,841	39.1%
Europe	20,396	11,771	73.3%
Asia Pacific	27,371	12,704	115.5%
Rest of World	1,528	674	126.7%
	184,008	121,990	50.8%

Group profit

	2008 £000	2007 £000	Increase (decrease) %
Financial	126,265	87,948	43.6%
Sport	1,892	3,679	(48.6%)
Profit before unallocated items	128,157	91,627	39.9%
Unallocated administrative expenses	(34,584)	(25,865)	33.7%
Unallocated finance revenue	4,100	3,426	19.7%
Unallocated finance costs	(683)	(294)	132.3%
Profit before taxation	96,990	68,894	40.8%

Key performance indicators

The Chief Executive's Report provides an overall assessment of the Group's progress during the year and prospects for the future.

The directors have assessed that the following key performance indicators, together with revenue, EBITDA, EBITDA margin, and earnings per share, are the most effective measures of progress towards achieving the Group's strategies and as such towards fulfilling the Group's business objectives.

	2008	2007	Increase/ (decrease) %
Financial			
Number of clients dealing	56,291	34,483	63.2%
Average revenue per client (£)	3,064	3,184	(3.8%)
Number of accounts opened	42,693	23,785	79.5%
Number of accounts dealing for the first time	29,211	15,809	84.8%
Sport			
Number of clients dealing	15,860	19,905	(20.3%)
Number of accounts opened	10,401	16,437	(36.7%)
Number of accounts dealing for the first time	8,102	12,013	(32.6%)
Volatility of daily revenue			
Coefficient of variability at 31 May	0.53	0.46	15.2%
Average for the year	0.55	0.53	3.8%
Highest in year	0.69	0.73	(5.5%)
Lowest in year	0.45	0.36	25.0%

Number of clients dealing

Revenue is determined to a significant extent by the number of clients dealing.

The number of financial clients dealing increased by 63% compared with the previous year. The most marked increase was in the number of CFD clients dealing, reflecting growth driven by the expansion of the non-UK client base. The number of financial betting clients dealing increased by 56% over the previous year.

The number of sports clients dealing directly with IG fell by 20% compared with the previous year which included the football World Cup.

Average revenue per financial client

Average revenue per financial client represents the total revenue divided by the number of clients dealing. This varies significantly for different products and geographies and the overall average reflects changes in the business mix during the year.

Average revenue per financial client reduced slightly from the previous year. Higher average revenues in the UK were offset by lower average revenues elsewhere in the world. In particular, CFD clients in the Asia Pacific and Rest of World segments are more retail in nature and represent a newer client base for which average revenues are significantly lower than for UK CFD clients. As these businesses develop CFD revenues worldwide are tending towards similar levels to those seen in financial betting. The average revenue for financial betting clients was consistent with the previous year.

Key performance indicators (continued)

Number of accounts opened and dealing for the first time

Over the long term, the growth of IG's client base is a key driver of revenue growth. The number of accounts opened and the number of accounts dealing for the first time therefore provide leading indicators of future prospects.

New financial accounts were favourably impacted by the UK launch and subsequent roll-out worldwide of the PureDeal platform and client education programmes. Sport account openings were impacted by the lack of a major football tournament in the year.

Volatility of daily revenue

The coefficient of variability of daily revenue is a statistical measure of the volatility of the Group's revenue from day to day. The Group calculates this as the 60 day standard deviation of daily revenues divided by the 60 day mean. Over recent years the coefficient of variability has fallen significantly as the Group has sought to reduce the volatility of its revenues and hence improve the quality of earnings. The Group has a formal risk policy which includes limits, or a methodology for setting limits for every single financial market which the Group trades. Despite greatly increased volatility in financial markets during the year, daily revenue volatility remained consistent with the prior year.

EBITDA and EBITDA margin

EBITDA represents earnings before exceptional administrative costs, depreciation, amortisation charges, amounts written off property, plant and equipment and intangible assets, taxation, interest payable on debt and interest receivable on corporate cash balances but includes interest receivable on clients' balances less interest payable to clients. The net interest receivable on client balances is considered to be part of the normal activities of the Group and is therefore included in EBITDA.

EBITDA margin represents EBITDA as a percentage of revenue.

The Group's capital structure changed significantly in September 2003 when the Company raised significant debt and preference shares in order to finance the purchase of IG Group plc by IG Group Holdings plc. This acquisition gave rise to significant goodwill. The Group's capital structure changed again in May 2005 when this debt and preference shares were repaid at the time of the Company's initial public offering (IPO). To facilitate comparison of business performance over time the Group uses EBITDA as a primary profit measure. The Group seeks to achieve rapid growth in EBITDA, and bonuses for most staff other than directors of the Company are linked to EBITDA.

	2008 £000	2007 £000
Operating profit	83,350	59,202
Net interest on client balances	10,221	6,559
Depreciation	4,016	3,513
Amortisation	782	856
Amounts written off property, plant and equipment and intangible assets	124	221
EBITDA	98,493	70,351
EBITDA margin	53.5%	57.7%

EBITDA for the year reached £98.5m which represents an increase of 40.0% from the previous year. This growth was driven by the increase in revenue, partially offset by an increase in betting duty and investment in overseas expansion and information technology leading to a reduced EBITDA margin in the year under review to 53.5% from 57.7%.

Key performance indicators (continued)

Earnings per share

The Group seeks to maximise the growth in earnings per share over time in order to maximise shareholder value. The Group's Long Term Incentive Plans (LTIPs) and directors' bonuses are linked to growth in earnings per share and growth in the Company's share price. Further details of LTIPs and directors' bonuses are set out in the directors' remuneration report and note 25 to the financial statements.

Diluted earnings per share were 20.28p compared with 14.52p in the previous year, an increase of 39.7%.

The directors consider that the basic and diluted earnings per share calculations for the years ended 31 May 2005 and prior do not fully reflect changes in the Group's capital structure referred to above. In order to facilitate comparison of performance over the periods to 31 May 2005, normalised earnings per share was established. Normalised earnings per share were not calculated for the year ended 31 May 2006 or subsequently.

Normalised earnings per share represents earnings adjusted for normalising items, divided by the number of ordinary shares in issue and to be issued, adjusted for normalising items. Normalising adjustments to earnings comprise the impact, net of tax, of exceptional administrative costs, interest and charges on debt finance, redeemable preference share interest payable and tax items relating to the financing structure. Normalising adjustments to the number of shares comprise the impact of restating the weighted average number of ordinary shares in issue prior to a subdivision and re-designation on 31 May 2005 to the equivalent weighted average number of ordinary shares in issue in the period and treating the issue of new ordinary shares at the time of the Company's flotation as if it had taken place prior to 1 June 2002.

Employees

The Group's continued growth is highly dependent upon attracting and retaining high calibre employees.

The Group pays performance related bonuses to all staff and has made awards under LTIPs to key personnel. In addition, the opportunity to acquire shares under a Share Incentive Plan (SIP) has been made available to all UK staff. These awards reward employees for past performance and help to retain them in the future. The Group provides a range of benefits to its employees, including pension contributions, private health cover and contributions towards health club membership.

The average number of employees in the Group increased in the year from 404 to 551. At the year end approximately 20% of staff were based overseas.

The Group aims to provide a challenging and rewarding working environment and staff turnover for the year ended 31 May 2008 was less than 20%.

A significant proportion of the employment cost consists of performance related bonuses and commissions which vary according to revenue, profitability or earnings per share growth. Performance related bonuses for the majority of staff are awarded on a discretionary basis while commissions are calculated according to an agreed formula. Inclusive of national insurance and pension costs, employment costs comprise:

	2008 £000	2007 £000
Fixed employment costs	27,768	20,229
Performance related bonuses and commissions	15,971	9,747
Share based payment schemes	4,716	1,842
	48,455	31,818

Financial position

Property, plant and equipment

The Group continues to invest heavily in technology in order to enhance its capacity and resilience which are critical to the success of the business. During the year, the Group entered into a lease for a new disaster recovery location and has commenced the fit-out which will be completed in the year ending 31 May 2009. In addition new offices in London, Europe and the USA were established. In total additions during the year amounted to £5.7m compared with £7.8m in the previous year. Depreciation charged in the year amounted to £4.0m (2007 - £3.5m).

Intangible fixed assets

Goodwill, which has mainly arisen on the acquisition of IG Group plc and its subsidiaries, amounts to £110.0m (2007 - £106.2m). The increase in goodwill during the year reflects the acquisition of the HedgeStreet exchange in the USA. Goodwill has been capitalised and under the provisions of IFRS is subject to an annual impairment review. There were no impairment write offs in the year.

Expenditure on other intangible assets includes client lists, development expenditure and the cost of software and licences. This amounted to £1.3m (2007: £1.4m). Amortisation charged in the year amounted to £0.8m (2007 - £0.9m).

Working capital

An explanation of the liquidity exposure faced by the Group and the management of this risk is included in note 30 to the financial statements. The working capital position at the year end was as follows:

	2008 £000	2007 £000
Amounts due from brokers	252,522	345,076
Amounts due from clients	10,801	7,552
Cash and cash equivalents	471,722	484,556
Amounts due to clients	(582,689)	(726,144)
Net working capital	152,356	111,040

Amounts due to and from clients include unrealised profits/losses on clients' open positions, profits/losses on closed positions as well as the cash balance on clients' accounts. The Group hedges the vast majority of clients' open positions in the financials business and amounts due from brokers represent cash or treasury bills placed with counterparties in order to provide initial and variation margin to support these positions. Net working capital increased by £41.3m during the year.

The Group offers credit only to a minority of clients. A charge for impairment of trade receivables (amounts due from brokers and clients) is established where there is objective evidence of non-collectability. Reference is made to an aged profile of debt and the provision is subject to management review. The charge for the year was approximately 2.2% of revenue (2007 - 1.2%), the increase being as a result of market volatility in the year. The Group continues to pursue outstanding debts vigorously.

At the year end, the Group had total committed bank facilities of £200.0m (2007 - £106.0m), none of which were drawn. Facilities of £160.0m (2007 - £80.0m) are to provide the short-term liquidity which may be necessary to meet payments to market counterparties before payment is received from clients in the event of a large market move. Facilities of £40.0m (2007 - £26.0m) provide the ability for paperless settlement of share transactions (CREST).

Financial position (continued)

Cash flow

Cash and cash equivalents (before the effect of exchange rates) decreased by £22.4m during the year. This reflects the substantial reduction in amounts owed to clients largely the result of a small number of clients reducing their account balances. Client open positions are mainly covered by cash margins, which are reflected in the movement in trade receivables and payables. Excluding these, net cash inflow for the year was £40.3m after significant cash outflows of £29.5m for taxation (2007 - £26.1m); £31.1m for dividends (2007 - £19.7m); capital expenditure of £6.2m (2007 - £9.2m) and acquisition costs of £3.4m (2007 - £nil).

The Group holds client money on account in segregated bank accounts which at the year end amounted to £369.0m compared with £391.3m in the previous year.

Capital structure

	2008 £000	2007 £000
Equity share capital	16	16
Share premium	125,235	125,235
Own shares held in Employee Benefit Trusts	(704)	(503)
Retained earnings	120,129	76,920
Shareholders' equity	244,676	201,668
Minority interests	40	40
Total equity	244,716	201,708
Redeemable preference shares	40	40
Total liabilities	40	40

There were no issues of share capital during the year and the Group remains debt free except for preference shares. Own shares held in Employee Benefit Trusts were purchased to satisfy future obligations of the SIP awards.

Dividend policy

The Company's dividend policy was changed during the year ended 31 May 2007 whereby the dividend payout proportion was increased from 50% to approximately 60% of earnings. This policy will be kept under review, but the Company's current intention is to pay out a similar proportion of earnings in the future.

During the year the Company paid an interim dividend of 3.0p per share amounting to £9.8m. The final dividend for 2008 proposed for approval by shareholders at the AGM is 9.0p per share which will amount to £29.5m taking the total dividends for the year to £39.3m. This represents a dividend cover of 1.7 consistent with prior year.

Regulatory capital

Two of the Group's UK operating subsidiaries are regulated by the FSA. The FSA imposes a minimum level of regulatory capital which must be retained by each Company and also an overall level of regulatory capital which must be maintained by the Group. At 31 May 2008 the Group had an overall consolidated FSA regulatory capital surplus as disclosed in note 30 to the financial statements of approximately £67m (2007 - £44m).

On behalf of the board

Steve Clutton
Finance Director
21 July 2008

Corporate Governance

Statement by the directors in compliance with the Combined Code

The board is satisfied that the Group complied with the provisions of the Combined Code on corporate governance, issued by the Financial Reporting Council in June 2006, for the whole year, with the following exception that the Group was not compliant with paragraph A.3.2 throughout the year.

Paragraph A.3.2 of the Combined Code requires that at least half of the board, excluding the Chairman, are independent non-executive directors. The board is comprised of four executive directors and four non-executive directors excluding the Deputy Chairman and the Chairman.

The board recognises that whilst Nat le Roux, as former Chief Executive and now Deputy Chairman, will be considered a non-independent director, it has taken the view that his 16 years experience with the Group and the value he brings as an advisor in the uniquely specialised market of spread betting and retail contracts for difference justifies his position on the board and is in the best interests of the Group and the shareholders.

One of the non-executive directors, Robert Lucas, is considered to be a non-independent non-executive director as he represents funds managed or advised by CVC Capital Partners Limited and associates ("CVC"), a substantial shareholder, holding 7.7% of the ordinary share capital of the company at 31 May 2008 (2007 – 7.7%). Robert Lucas was invited to remain on the board at last year's AGM because of the very valuable contribution he makes to the board. Robert has been involved with the IG Group since 2003 and has a detailed knowledge of the company and its businesses. His contribution to the board is recognised and he is valued for his challenging participation at board meetings. In this respect, his experience and knowledge of the industry combined with his skills as an investment professional are highly regarded by the independent non-executive directors and on balance weighing up all the considerations and the best interests of the shareholders the board considers that Robert's presence on the board is a positive asset to the IG Group and that this outweighs other considerations.

The board further considers that the three independent non-executive directors are of sufficient calibre and number that their views carry significant weight in the board's decision making and the board considers that its current composition is appropriate. Brief biographies of the directors appear on pages 16 and 17.

The workings of the board and its committees

The board

The division of responsibilities between the Chairman and the Chief Executive is clearly defined in writing and has been approved by the board.

The board is responsible to shareholders for the proper management of the Group. A statement of the directors' responsibilities in respect of the financial statements is set out on page 43 and a statement regarding the use of the going concern basis in preparing these financial statements is given on page 41.

The board has a formal schedule of matters specifically reserved to it. These include:

- Setting Group strategy
- Approving major acquisitions, divestments and capital expenditure
- Approval of extension of the Group's activities into new business or geographic areas
- Approving annual budgets
- Reviewing operational and financial performance
- Reviewing the Group's systems of internal control and risk management
- Approving board, board committee and Company Secretary appointments
- Ensuring adequate succession planning for the board and senior management
- Defining and setting board committee terms of reference
- Approving policies relating to directors' remuneration and the severance of directors' contracts
- Approving any changes to the Group's risk management policy which materially increases the risk profile of the Group
- Receiving reports on the views of the Company's shareholders

Matters not specifically reserved to the board are delegated to the executive directors. These include:

- The development and recommendation of strategic plans for the Group
- Implementation of the strategies of the Group
- Day to day monitoring of the operating and financial results of the Group
- Prioritising the allocation of capital, technical and human resources
- Developing and implementing risk management systems, policies and procedures

All directors have access to the advice and services of the Company Secretary, who is responsible to the board for ensuring that board procedures are followed and that applicable rules and regulations are complied with. Directors receive appropriate training as necessary when they are appointed. Training on the duties and responsibilities of directors is provided by the Group's legal advisers.

The Group purchases appropriate liability insurance for all directors and staff.

The board meets regularly; at least five times a year. In addition to its regular meetings the board meets when necessary to discuss strategic opportunities such as acquisitions. The non-executive directors have a particular responsibility to ensure that the strategies proposed by the executive directors are appropriate and fully considered. To enable the board to discharge its duties, all directors receive appropriate and timely information. Briefing papers are distributed to all directors in advance of board meetings and financial information is distributed monthly. The chairman ensures that the directors take independent professional advice as required.

The following committees deal with specific aspects of the Group's affairs:

Remuneration committee

The remuneration committee is chaired by Roger Yates. It makes recommendations to the board, within agreed terms of reference, on an overall remuneration package for executive directors in order to attract, retain and motivate high quality directors capable of achieving the Group's objectives. Consideration is given to pay and employment policies elsewhere in the Group, especially when determining annual salary increases. The committee determines the contract terms, remuneration and other benefits for each of the executive directors, including performance related bonus schemes, pension rights, compensation payments and contingent share awards. The committee approves all share-based awards under the Group's LTIP and SIP schemes. The board itself determines the remuneration of the non-executive directors.

Audit committee

The audit committee is chaired by Martin Jackson, who has recent and relevant financial experience. It meets not less than three times annually. The committee provides a forum for reporting by the Group's external and internal auditors. Meetings may also be attended for all or part of the meetings, by invitation, by the Chief Executive, the Finance Director, the head of internal audit, the compliance officer, and the external auditors.

The workings of the board and its committees (continued)

The terms of reference set out the roles, responsibilities and objectives of the audit committee. The committee's key activities include selecting appropriate accounting policies, approving significant accounting judgements and estimates, monitoring the integrity of the half year interim report and annual financial statements before their submission to the board and reviewing the effectiveness of the internal control and risk management systems including compliance with regulatory requirements. The audit committee monitors and reviews the effectiveness of internal audit and advises the board on the appointment of external auditors and on their remuneration, and discusses the nature, scope and results of their work. The audit committee keeps under review the level of fees and the independence and objectivity of the external auditors and regularly monitors the non-audit services being provided. A copy of the external auditor policy for non-audit services is available on the Group website in the policies section. This policy sets out types of assignment which the auditors are precluded from undertaking and those which they may undertake. It also sets limits for the levels of fees which may be paid to the external auditors without prior approval of the audit committee or, in the cases of certain types of assignment, without a competitive tendering process. The external auditors provide an annual report to the audit committee confirming the procedures they have undertaken to confirm their independence. During the year, the committee expanded its terms of reference. These changes included:

- Reviewing effectiveness of the Company's implementation of processes to meet the FSA's requirements to demonstrate the consistent fair treatment of customers;
- Reviewing the Company's procedures for detecting internal fraud.

The committee undertakes an annual review of the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters (whistle blowing). This review concluded that these arrangements were satisfactory.

Nomination committee

The nomination committee considers appointments to the board and meets as necessary. The nomination committee is responsible for nominating candidates to fill board vacancies and for making recommendations on board composition and balance.

The committee leads the process for making appointments to the board or where the appointee is likely to become a board member. The committee ensures there is a formal, rigorous and transparent procedure for the appointment of new directors to the board through a full evaluation of the skills, knowledge and experience of directors. The committee also ensures plans are in place for orderly succession for appointments to the board, and to other senior management positions. Responsibility for making senior management appointments is vested in the Chief Executive.

The membership of these committees was as follows:

Audit committee	Remuneration committee	Nomination committee
Martin Jackson (chair)	Roger Yates (chair)	Jonathan Davie (chair)
Sir Alan Budd	Sir Alan Budd	Sir Alan Budd
Roger Yates	Jonathan Davie	Martin Jackson
	Martin Jackson	Roger Yates

Copies of the terms of reference of these committees can be obtained from the Company Secretary on request and are available on the Group's investor relations website.

The workings of the board and its committees (continued)

Relations with shareholders

The board recognises the importance of communications with shareholders. The Chairman's Statement, Chief Executive's Report and Operating and Financial Review include detailed reviews of the business and future developments. There is regular dialogue with institutional shareholders including presentations by management around the time of the Company's preliminary announcement of the year end results and at the half year. These presentations are made available from the Group's investor relations website at www.iggroup.com which also provides information to shareholders and prospective shareholders. Feedback is provided to the board following these investor presentations of any views or concerns expressed by shareholders.

The board uses the annual general meeting to communicate with private and institutional investors and welcomes their participation. The chairman aims to ensure that all of the directors, including the chairmen of the remuneration and audit committees, are available at annual general meetings to answer questions. Details of resolutions to be proposed at the annual general meeting will be contained in the notice of the meeting.

Roger Yates, the Senior Independent Director, is available to meet shareholders on request and to ensure that the board is aware of shareholder concerns not resolved through other mechanisms for shareholder communication.

The Chairman and the Senior Independent Director provide feedback to the board of any views or concerns expressed to them by shareholders.

Internal control

The board of directors is responsible for the Group's system of internal control and reviews its effectiveness at least annually. The system is designed to manage, rather than eliminate, the risk of failure to achieve the business objectives and can only provide reasonable, but not absolute assurance against the risk of material misstatement or loss.

The effectiveness of the Group's system of internal control, covering financial, operational and compliance controls and risk management systems, is reviewed regularly by the board and the audit committee. The audit committee regularly receive and review reports on internal control from internal audit and quarterly reports from the compliance function.

An ongoing process of identifying, evaluating and managing the significant risks facing the Group is co-ordinated by the risk function and is reviewed regularly by the board and the audit committee. The process has been in place for the full year under review and up to the date of approval of the annual report and accounts. The Group's approach to the management of key risks including market, credit and liquidity risks is discussed in note 30 to the financial statements.

Environment report

Given the nature of the Group's business operations, the Group's impact on the environment is very small. The main direct environmental impacts are through energy consumption and business travel. These impacts are monitored and controlled through the financial management processes (energy and travel costs are approximately 1% of overall costs) and, where appropriate, opportunities to improve are sought.

Going forward, additional information will be collected on the number of kilowatt hours (KWH) of energy used and business miles travelled. This will allow the Group to calculate greenhouse gas (GHG) emissions for the next financial year using the emission factors developed by the UK Department for Environment, Food and Rural Affairs (DEFRA).

Attendance at board and committee meetings

The number of full board meetings and committee meetings attended by each director as members of each committee during the year was as set out below. In each case the first figure indicates the number of meetings attended and the second figure indicates the maximum number of meetings during the year for which each individual was a director or committee member.

	Full board meetings	Nomination committee	Audit committee	Remuneration committee
Jonathan Davie (Chairman)	7/7	–	–	2/3
Tim Howkins (Chief Executive)	7/7	–	–	–
Steve Clutton	7/7	–	–	–
Peter Hetherington	7/7	–	–	–
Andrew MacKay	7/7	–	–	–
Sir Alan Budd	6/7	–	4/4	3/3
Martin Jackson	7/7	–	4/4	2/3
Nat le Roux	7/7	–	–	–
Robert Lucas	7/7	–	–	–
Roger Yates	7/7	–	4/4	3/3

Evaluation of the board's performance

During the year the board carried out an evaluation of itself and its committees. The evaluation consisted of one-to-one discussions between the Chairman and directors including meetings with the non-executive directors without the executive directors being present. The results of the evaluation were discussed at a board meeting in May 2008. The performance of the individual executive directors, other than the Chief Executive, is appraised annually by the Chief Executive, to whom they report. The performance of the Chief Executive is appraised annually by the Chairman. The performance of the Chairman is reviewed by the non-executive directors, led by the senior independent non-executive director (Roger Yates), taking into account the views of the executive directors, following which Roger Yates gives feedback to the Chairman.

Review of the audit committee's performance

During the year the audit committee reviewed its performance. The review consisted of all members completing the Audit Committee Institute's evaluation checklist and a discussion of the results by the committee at a meeting in May 2008. The results were reported to the board in May 2008.

Review of the remuneration committee's performance

During the year the remuneration committee reviewed its performance. The review consisted of all members completing an evaluation questionnaire and a discussion of the results by the committee at a meeting in May 2008. The results were reported to the board in July 2008.

Directors subject to re-election

In accordance with the Company's articles of association, the following directors retire, and being eligible, offer themselves for re-election at the next annual general meeting: Nat le Roux and Jonathan Davie.

Directors' Remuneration Report

This report has been prepared by the board following the provisions in schedule 7A of the Companies Act 1985 and gives details of the remuneration and service contracts of the directors.

Information not subject to audit

The remuneration committee, whose composition is set out on page 28, determines the contract terms, remuneration and other benefits for each of the executive directors, including performance related bonus schemes, pension rights, compensation payments and contingent awards.

The committee aims to put in place a remuneration structure for executive directors which positions total remuneration:

- competitively against the market;
- at median for target performance; and
- at upper quartile for above target performance.

The board itself determines the remuneration of the non-executive directors.

Basic salary

Salary is not performance related and is normally reviewed annually at the start of the financial year. Andrew MacKay's salary was increased with effect from 1 June 2008. Salaries for the other executive directors were not increased.

Performance related bonuses

Executive directors' bonuses are based on a fixed formula which is determined in advance of each year by the remuneration committee. The formula for the year ended 31 May 2008 was linked to growth in fully diluted earnings per share compared with the year ended 31 May 2007.

The formula produced bonuses equal to 0% of basic salary at 17% growth, 100% of basic salary at 25% growth, 150% of basic salary at 29% growth and a maximum of 200% of basic salary achieved at 35% growth. Actual growth achieved was 39.7% and accordingly, maximum bonuses of 200% of basic salary were awarded to the executive directors.

The remuneration committee retains the right to vary the bonuses payable if it considers that the formula has not produced an appropriate result.

Performance related bonuses are paid in full within three months of the year end.

For the year ending 31 May 2009, the maximum bonus has been set at 200% of basic salary, payable at growth in fully diluted earnings per share of 35%. No bonus is payable at growth in fully diluted earnings per share of less than 17%.

Information not subject to audit (continued)

Long term incentive plans

The Group operates long term incentive plans (LTIPs) for management, including the executive directors. Contingent share awards were made under the LTIPs during the years ended 31 May 2005, 2007 and 2008 which vest on publication of the results for the financial year to 31 May 2008, 2009 and 2010 respectively. The maximum participation limit of the LTIP scheme is 10% of the issued share capital in a ten year rolling period.

The vesting criteria of these plans are based on compound annual growth rate in fully diluted earnings per share (normalised earnings per share for the awards made in 2005) and share price growth over the relevant three year period as shown in the table below:

Year of award	Scheme	Base period (year ended 31 May)	Base earnings per share (pence)	Measurement period ending 31 May	Compound annual growth	% of award vesting
31 May 2008	Share price growth award	2007	N/A(*)	2010	<22.5% 22.5-100%	Nil 0-100%
31 May 2008	Earnings per share growth award	2007	14.52	2010	<20% 20-25% 25-31%	Nil 37.5-75% 75-100%
31 May 2007	Senior management award	2006	10.88	2009	<10% 10-20% 20-30% 30-40% 40-50%	Nil 0-40% 40-70% 70-90% 90-100%
31 May 2007	Executive award	2006	10.88	2009	<20% 20-50%	Nil 0-100%
31 May 2005	Senior management IPO award	2005	6.75	2008	<20% 20-50%	Nil 0-100%
31 May 2005	Senior management basic award	2005	6.75	2008	<15% 15-20%	Nil 0-100%

* share price growth is determined on a base share price of 310.9 pence per share.

In all cases vesting is pro-rata between the lower and upper limits.

The remuneration committee considers delivery of high rates of growth in earnings per share to be a key driver of shareholder return. The above vesting criteria were selected to ensure that senior management has significant incentive to deliver high rates of growth. LTIP awards are discussed further in note 25 to the financial statements.

Awards may be made to the executive directors in future on the recommendation of the remuneration committee. The remuneration committee will determine appropriate vesting conditions for future awards with regard to prevailing conditions at the time the awards are granted.

The remuneration committee intends to make awards in the year ending 31 May 2009 to senior management, including the executive directors.

The Company operates a share incentive plan (SIP) for all UK employees except executive directors who are not able to participate in the scheme.

Information not subject to audit (continued)

Benefits

The Group provides a range of benefits to its employees, including private health cover and health club membership. The executive directors are entitled to participate in these non-cash benefits on equal terms with all other staff.

Pensions

The Group contributes 15% of basic salary to personal pensions for each of the executive directors. As an alternative to the payment of part of a performance related bonus or basic salary, directors may elect to receive an equivalent contribution to their pension.

Fees

The fees for non-executive directors are determined by the board. The non-executive directors are not involved in any discussions or decisions by the board about their own remuneration.

Service contracts

Each of the executive directors is employed under a service contract, which can be terminated on six months notice by either the Company or the executive director. All service contracts are continuous and contractual termination payments are for the unexpired notice period. The effective dates of the service contracts for each of the executive directors as at the date of this report are:

Executive directors

Tim Howkins	12 April 2005
Steve Clutton	2 October 2006
Peter Hetherington	12 April 2005
Andrew MacKay	12 April 2005

The non-executive directors were each appointed for an initial term of 12 months with appointment continuing indefinitely thereafter subject to re-election, but capable of being terminated on 3 months notice.

There are no special provisions for compensation in the event of loss of office. The remuneration committee would consider the circumstances of individual cases of early termination and determine compensation payments accordingly.

Information not subject to audit (continued)

Interests in share capital

The directors who served during the year and their beneficial interests in the share capital of the Company were as follows:

	31 May 2008 Ordinary Shares	31 May 2008 Preference Shares	31 May 2007 Ordinary Shares	31 May 2007 Preference Shares
J R Davie	910,000	–	1,500,000	–
T A Howkins	4,081,800	10,000	4,081,800	10,000
S Clutton	3,500	–	–	–
P G Hetherington	909,900	10,000	1,909,900	10,000
A R MacKay	1,456,225	10,000	1,476,225	10,000
Sir Alan Budd	16,667	–	16,667	–
D M Jackson	–	–	–	–
R R Lucas	42,664	–	42,664	–
N B le Roux	222,100	10,000	222,100	10,000
R P Yates	25,000	–	25,000	–

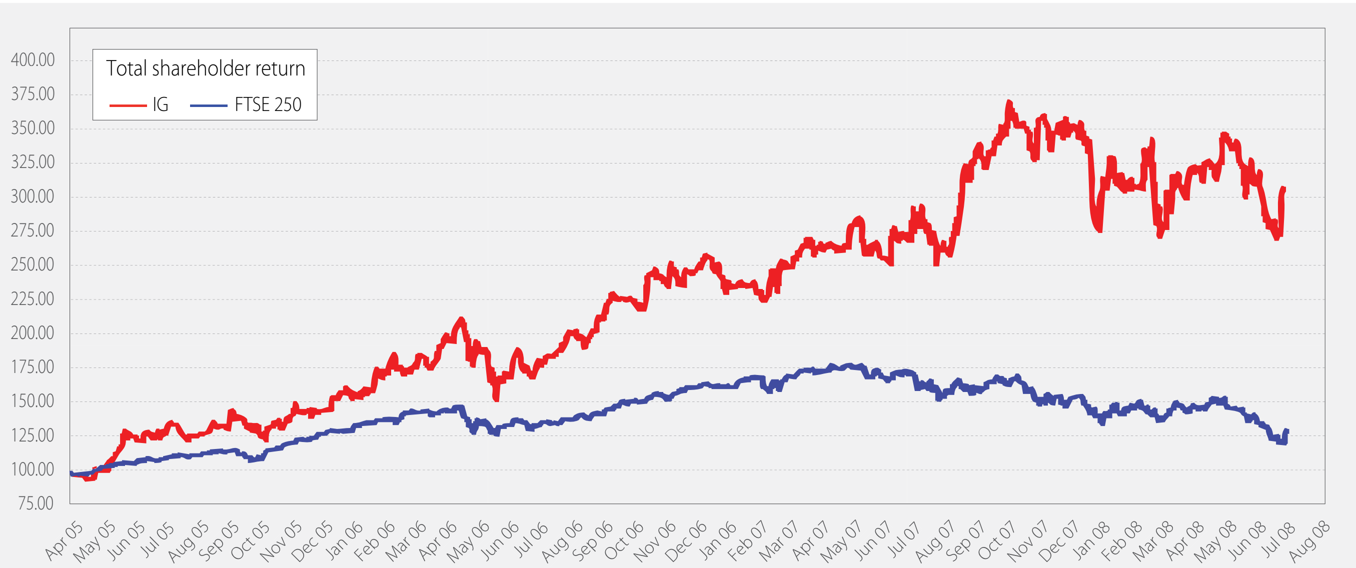
There have been no changes in directors' interests in share capital between the year end and the date of the annual report.

The market price of the Company's ordinary shares on 31 May 2008 was 382.25p and the high and low share prices in the year were 427.00p and 291.75p respectively.

Performance graph

The following graph illustrates the performance of IG Group Holdings plc ordinary shares measured by total shareholder return (share price growth plus dividends paid) in the period since conditional dealings commenced on the London Stock Exchange on 27 April 2005. The most appropriate benchmark is considered by the directors to be the FTSE 250 index as it represents a broad equity market index in which the Company is a constituent member.

The figures have been based to 100 as at 27 April 2005 in order to aid comparison and are presented to 18 July 2008.



Information subject to audit

Directors' remuneration

This section of the report sets out the remuneration of the directors for the year ended 31 May 2008. The remuneration of the directors who served during the year was as follows:

	Basic salary and fees £000	Other benefits and payments (1) £000	Performance related bonuses £000	Pension elections (2) £000	Year ended 2008 £000	Year ended 2007 £000
Executive directors:						
T A Howkins	265	–	530	–	795	609
S Clutton	200	1	400	(181)	420	334
P G Hetherington (4)	160	1	320	(200)	281	326
A R MacKay	180	–	360	(182)	358	205
	805	2	1,610	(563)	1,854	1,474
Non-executive directors:						
J R Davie	80	–	–	–	80	80
Sir Alan Budd	35	–	–	–	35	35
D M Jackson	40	–	–	–	40	40
R R Lucas (3)	30	–	–	–	30	30
N B le Roux	35	–	–	–	35	149
R P Yates	35	–	–	–	35	35
	1,060	2	1,610	(563)	2,109	1,843

(1) All executive directors are entitled to receive professional subscriptions, private health cover and health club membership.

(2) Executive directors can elect to receive pension contributions in lieu of performance related bonuses and salary. These contributions are deducted in the remuneration table and included within pension entitlements below inclusive of employers' national insurance.

(3) Fees of £30,000 (2007- £30,000) relating to the services of Robert Lucas as a director of the Company were paid to CVC Capital Partners Limited.

(4) Included within pension election is £25,000 of salary sacrificed in relation to extended paternity leave.

There was no compensation for loss of office paid during the year (2007 - £ nil).

Information subject to audit (continued)

Pension entitlements

In addition, the Group contributed to personal pensions for each of the executive directors as follows:

	2008 £000	2007 £000
T A Howkins	40	37
S Clutton	235	65
P G Hetherington	217	167
A R MacKay	233	216
N B le Roux	–	13
	725	498

There were no contributions made for the non-executive directors during the year ended 31 May 2008.

Information subject to audit (continued)

Interests in long term incentive plans

Awards under the Company's Long Term Incentive Plans were made to each of the executive directors in the years ended 31 May 2005, 2007 and 2008. There were no awards made in the year to 31 May 2006. The awards made and the maximum numbers of shares that can vest are as follows:

	Award date	Share price at award date	Number as at 31 May 2007	Number awarded during the year	Number lapsed during the year	Number as at 31 May 2008
T A Howkins						
Senior management IPO basic award	16 May 2005	112.5p	141,666	–	–	141,666
Senior management IPO high growth award	16 May 2005	112.5p	425,000	–	–	425,000
Executive award	7 Aug 2006	217.0p	122,120	–	–	122,120
Earnings per share award	23 July 2007	312.25p	–	169,736	–	169,736
Share price growth award	23 July 2007	312.25p	–	169,736	–	169,736
			688,786	339,472	–	1,028,258
S Clutton						
Senior management award	4 Oct 2006	261.75p	76,409	–	–	76,409
Executive award	4 Oct 2006	261.75p	229,226	–	–	229,226
Earnings per share award	23 July 2007	312.25p	–	96,077	–	96,077
Share price growth award	23 July 2007	312.25p	–	96,077	–	96,077
			305,635	192,154	–	497,789
P G Hetherington						
Senior management IPO basic award	16 May 2005	112.5p	125,000	–	–	125,000
Senior management IPO high growth award	16 May 2005	112.5p	375,000	–	–	375,000
Executive award	7 Aug 2006	217.0p	82,949	–	–	82,949
Earnings per share award	23 July 2007	312.25p	–	76,861	–	76,861
Share price growth award	23 July 2007	312.25p	–	76,861	–	76,861
			582,949	153,722	–	736,671

Information subject to audit (continued)

Interests in long term incentive plans (continued)

	Award date	Share price at award date	Number as at 31 May 2007	Number awarded during the year	Number lapsed during the year	Number as at 31 May 2008
A R MacKay						
Senior management IPO basic award	16 May 2005	112.5p	112,500	–	–	112,500
Senior management IPO high growth award	16 May 2005	112.5p	337,500	–	–	337,500
Executive award	7 Aug 2006	217.0p	69,124	–	–	69,124
Earnings per share award	23 July 2007	312.25p	–	86,469	–	86,469
Share price growth award	23 July 2007	312.25p	–	86,469	–	86,469
			519,124	172,938	–	692,062
N B le Roux						
Senior management IPO basic award	16 May 2005	112.5p	61,111	–	–	61,111
Senior management IPO high growth award	16 May 2005	112.5p	183,333	–	–	183,333
			244,444	–	–	244,444

The charge for the year ended 31 May 2008 relating to share-based payments in respect of the directors was £1,467,000 (2007 - £648,000).

On behalf of the board

Steve Clutton
Finance Director
21 July 2008

Directors' Report

The directors have pleasure in submitting their report together with the Group financial statements for the year ended 31 May 2008.

Principal activities

The principal activities of the Group throughout the year have been those of running a spread betting market, trading as principal and market maker for foreign exchange and contracts for difference and acting as a fixed odds bookmaker. During the year the Group began trading on a regulated futures and options exchange. The Group hedges unmatched bets and trades, as considered appropriate, to ensure that it is not unacceptably exposed to material losses.

Results

The Group's profit for the year, after taxation amounted to £67,288,000 (2007 - £47,867,000) all of which is attributable to the members of the Company.

Dividends

The directors recommend a final ordinary dividend of 9.0 pence per share, amounting to £29,475,000 making totals of 12.0 pence per share and £39,300,000 for the year. Dividends are recognised in the financial statements in the year in which they are paid, or in the case of a final dividend, when approved by the shareholders. The amount recognised in the financial statements, as described in note 12, is made up of this year's interim dividend and the final dividend from the previous year, which were both paid during the year.

The final ordinary dividend, if approved, will be paid on 14 October 2008 to those shareholders on the register at 12 September 2008.

Review of business and future developments

A review of the Group's progress, outlining developments during the year and giving an indication of likely future developments, is provided in the Chief Executive's report set out on pages 10 to 15.

An analysis of the position of the Company at the year end and key performance indicators is provided in the operating and financial review on pages 18 to 25.

Directors and their interests

Details of the directors who served and their interests in the share capital of the Company are set out in the directors' remuneration report on pages 31 to 38.

Major interests in shares

Notifications have been received by the Company of the following shareholdings of three percent or more of the issued ordinary share capital:

	As at 18 July 2008 No.	As at 18 July 2008 percentage	As at 31 May 2008 No.	As at 31 May 2008 percentage
Janus Capital Management, LLC	32,430,008	9.9%	32,750,008	10.0%
CVC Capital Partners Limited	25,105,819	7.7%	25,105,819	7.7%
Prudential Limited	17,826,267	5.4%	17,826,267	5.4%
JP Morgan Fleming (ex Fleming)	15,830,307	4.8%	15,830,307	4.8%
Legal and General Investment Management Ltd	13,219,486	4.0%	13,219,486	4.0%
Hound Partners, LLC	10,309,607	3.1%	–	–
Reach Capital Management LLC	9,872,084	3.0%	9,872,084	3.0%

Supplier payment policy and practice

The Company does not incur significant costs and the Group does not follow any stated code on payment practice. It is the Group's policy to agree terms of payment with suppliers when agreeing the terms for each transaction and to abide by those terms. Standard terms provide for payment of all invoices within 30 days after the date of the invoice except where different terms have been agreed with the supplier at the outset. There were 16 creditor days of suppliers' invoices outstanding at the year end (2007 - 17) for the Group.

Financial instruments

The principal activities of the Group outlined above give rise to exposure to financial risks in the ordinary course of business. The objective of the risk department is to manage the Group's financial risk and to minimise the effects of fluctuations in the financial markets on the value of the Group's financial assets and liabilities, on reported profitability and on the cash flows of the Group.

The main risks associated with the Group's financial assets and liabilities are set out in note 30 to the financial statements, as are the policies agreed by the board for their management.

Donations

The Group made no political donations. The Group made charitable donations of £13,779 in the year (2007 - £24,077) as follows:

Children specific	£7,500
Medical research	£1,550
Other	£4,729

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or alternative position and to provide appropriate training to achieve this aim.

Employee involvement

During the year, the policy of providing employees with information about the Group continued through quarterly management forums where line managers are informed of current developments and encouraged to present suggestions and views of the Group's performance, development and policies. Line management communicate the points raised in the forum with their departments.

The Group's intranet is used to communicate with staff. Employees participate directly in the success of the business through the Group's performance related bonus schemes and employee share plans.

Events since the balance sheet date

There have been no significant events since the balance sheet date.

Annual general meeting

The Group's annual general meeting will be held on 7 October 2008. A separate circular will be sent to all shareholders which details the agenda for the AGM.

Auditors

A resolution to re-appoint Ernst & Young LLP as the Group's auditor will be put to the forthcoming annual general meeting.

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on pages 16 to 17. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information (that is information needed by the Group's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Going concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

On behalf of the board

Steve Clutton
Finance Director
21 July 2008

Statement of Directors' Responsibilities
in Respect of the Financial Statements

The directors are responsible for preparing the annual report and the Group and Company financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRS) as adopted by the European Union.

The directors are required to prepare financial statements for each financial year which present fairly the financial position of the Company and of the Group and the financial performance of the Group and cash flows of the Group and of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state that the Group and the Company have complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Group Income Statement
for the year ended 31 May 2008

	Notes	2008 £000	2007 £000
Revenue	3	184,008	121,990
Cost of sales		(10,842)	(4,214)
Gross profit		173,166	117,776
Administrative expenses		(89,816)	(58,574)
Operating profit	5	83,350	59,202
Finance revenue	8	30,609	22,604
Finance costs	9	(16,969)	(12,912)
Profit before taxation		96,990	68,894
Tax expense	10	(29,702)	(21,027)
Profit for the year		67,288	47,867
Profit for the year attributable to:			
Equity holders of the parent		67,288	47,867
Earnings per share (pence)			
- Basic	11	20.62p	14.67p
- Diluted	11	20.28p	14.52p

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

As permitted by Section 230 of the Companies Act 1985, the individual income statement of IG Group Holdings plc has not been presented in these financial statements. The amount of profit after taxation for the financial year dealt with in the financial statements of IG Group Holdings plc is £35,641,000 (2007 - £47,640,000).

The notes on pages 49 to 89 are an integral part of these financial statements.

Statements of Changes in Shareholders' Equity
for the year ended 31 May 2008

Group

	Equity share capital (Note 22) £000	Share premium £000	Own shares held in Employee Benefit Trusts (Note 23) £000	Retained earnings (Note 24) £000	Share-holders' equity £000	Minority interests £000	Total equity £000
At 1 June 2006	16	125,235	–	45,157	170,408	40	170,448
Profit for the year	–	–	–	47,867	47,867	–	47,867
Excess of tax deduction benefit on share-based payments recognised directly in equity (note 10(c))	–	–	–	1,814	1,814	–	1,814
Total recognised income and expense for the year	–	–	–	49,681	49,681	–	49,681
Equity settled employee share-based payments	–	–	–	1,732	1,732	–	1,732
Purchase of own shares	–	–	(503)	–	(503)	–	(503)
Equity dividends paid	–	–	–	(19,650)	(19,650)	–	(19,650)
Movement in shareholders' equity	–	–	(503)	31,763	31,260	–	31,260
At 1 June 2007	16	125,235	(503)	76,920	201,668	40	201,708
Profit for the year	–	–	–	67,288	67,288	–	67,288
Excess of tax deduction benefit on share-based payments recognised directly in equity (note 10(c))	–	–	–	2,352	2,352	–	2,352
Total recognised income and expense for the year	–	–	–	69,640	69,640	–	69,640
Equity settled employee share-based payments	–	–	–	4,682	4,682	–	4,682
Purchase of own shares	–	–	(201)	–	(201)	–	(201)
Equity dividends paid	–	–	–	(31,113)	(31,113)	–	(31,113)
Movement in shareholders' equity	–	–	(201)	43,209	43,008	–	43,008
At 31 May 2008	16	125,235	(704)	120,129	244,676	40	244,716

The notes on pages 49 to 89 are an integral part of these financial statements.

Statements of Changes in Shareholders' Equity
for the year ended 31 May 2008 (continued)

Company

	Equity share capital (Note 22) £000	Share premium £000	Own shares held in Employee Benefit Trusts (Note 23) £000	Retained earnings (Note 24) £000	Total equity £000
At 1 June 2006	16	125,235	–	145,980	271,231
Profit for the year	–	–	–	47,640	47,640
Equity settled employee share-based payments	–	–	–	1,732	1,732
Equity dividends paid	–	–	–	(19,650)	(19,650)
Purchase of own shares	–	–	(503)	–	(503)
At 1 June 2007	16	125,235	(503)	175,702	300,450
Profit for the year	–	–	–	35,641	35,641
Equity settled employee share-based payments	–	–	–	4,682	4,682
Equity dividends paid	–	–	–	(31,113)	(31,113)
Purchase of own shares	–	–	(201)	–	(201)
At 31 May 2008	16	125,235	(704)	184,912	309,459

The notes on pages 49 to 89 are an integral part of these financial statements.

Balance Sheets
at 31 May 2008

		Group		Company	
	Notes	2008 £000	2007 £000	2008 £000	2007 £000
Non-current assets					
Property, plant and equipment	13	9,824	8,158	–	–
Intangible assets	14	112,056	107,675	–	–
Investment in subsidiaries	15	–	–	309,581	304,899
Deferred tax assets	10	8,053	3,940	–	–
		129,933	119,773	309,581	304,899
Current assets					
Trade receivables	17	263,323	352,628	–	–
Prepayments and other receivables		5,690	3,954	1,631	62
Cash and cash equivalents	18	471,722	484,556	46	607
		740,735	841,138	1,677	669
Total assets		870,668	960,911	311,258	305,568
Current liabilities					
Trade payables	19	582,689	726,144	–	–
Other payables	20	26,715	18,472	1,759	5,078
Income tax payable		16,508	14,547	–	–
		625,912	759,163	1,759	5,078
Non-current liabilities					
Redeemable preference shares	21	40	40	40	40
		40	40	40	40
Total liabilities		625,952	759,203	1,799	5,118
NET ASSETS		244,716	201,708	309,459	300,450
Capital and reserves					
Equity share capital	22	16	16	16	16
Share premium		125,235	125,235	125,235	125,235
Own shares held in Employee Benefit Trusts	23	(704)	(503)	(704)	(503)
Retained earnings	24	120,129	76,920	184,912	175,702
Shareholders' equity		244,676	201,668	309,459	300,450
Minority interests		40	40	–	–
TOTAL EQUITY		244,716	201,708	309,459	300,450

Tim Howkins
Director
21 July 2008

Steve Clutton
Director
21 July 2008

The notes on pages 49 to 89 are an integral part of these financial statements.

Cash Flow Statements
for the year ended 31 May 2008

	Note	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Operating activities					
Operating profit/(loss)		83,350	59,202	(2,020)	(1,759)
Adjustments to reconcile operating profit/ (loss) to net cash flow from operating activities					
Depreciation of property, plant and equipment		4,016	3,513	–	–
Amortisation of intangible assets		782	856	–	–
Share-based payments		4,716	1,842	–	–
Property, plant and equipment written off		115	211	–	–
Intangible assets written off		9	10	–	–
Impairment of trade receivables		4,057	1,416	–	–
Decrease/(increase) in trade and other receivables		83,151	(226,563)	37,163	1
(Decrease)/increase in trade and other payables		(145,818)	442,587	(3,998)	22,660
Cash generated from operations		34,378	283,074	31,145	20,902
Income taxes paid		(29,501)	(26,110)	–	–
Net cash flow from operating activities		4,877	256,964	31,145	20,902
Investing activities					
Interest received		31,020	21,000	1	2
Purchase of property, plant and equipment		(4,905)	(7,793)	–	–
Payments to acquire intangible assets		(1,282)	(1,414)	–	–
Purchase of subsidiary undertaking		(3,375)	–	–	–
Net cash acquired on purchase of subsidiary undertaking		132	–	–	–
Net cash flow from investing activities		21,590	11,793	1	2
Financing activities					
Interest paid		(17,550)	(11,508)	(390)	(50)
Equity dividends paid to shareholders of the parent		(31,113)	(19,650)	(31,113)	(19,650)
Purchase of own shares held in Employee Benefit Trusts		(201)	(503)	(201)	(503)
Repayment of financial liabilities		–	(92)	–	(92)
Payment of redeemable preference share dividends		(3)	(3)	(3)	(3)
Net cash flow from financing activities		(48,867)	(31,756)	(31,707)	(20,298)
Net (decrease)/increase in cash and cash equivalents		(22,400)	237,001	(561)	606
Cash and cash equivalents at the beginning of the year		484,556	247,277	607	1
Effect of foreign currency differences on opening balances of cash and cash equivalents		9,566	278	–	–
Net cash and cash equivalents at the end of the year	18	471,722	484,556	46	607

The notes on pages 49 to 89 are an integral part of these financial statements.

Notes to the Financial Statements
at 31 May 2008

1. Authorisation of financial statements and statement of compliance with IFRS

The financial statements of IG Group Holdings plc ("the Company") and its subsidiaries ("the Group") for the year ended 31 May 2008 were authorised for issue by the board of the directors on 21 July 2008 and the balance sheet signed on the board's behalf by TA Howkins and S Clutton. 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 Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) as they apply to the financial statements of the Group and of the Company for the year ended 31 May 2008 and applied in accordance with the provisions of the Companies Act 1985. The principal accounting policies adopted by the Group and the Company are set out in note 2.

2. Accounting policies

Basis of preparation

The accounting policies which follow have been applied in preparing the financial statements for the year ended 31 May 2008.

The Group and Company financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The nature of estimates means that actual outcomes could differ from those estimates.

Basis of consolidation

The Group financial statements consolidate the financial statements of IG Group Holdings plc and the entities it controls (its subsidiaries) made up to the reporting date as listed in note 15.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (discount on acquisition) is credited to the profit and loss in the period of acquisition.

2. Accounting policies (continued)

Basis of consolidation (continued)

The interest of minority shareholders is stated at the minority's proportion of the fair values of the identifiable assets, liabilities and contingent liabilities recognised. Losses applicable to the minority in a consolidated subsidiary's equity may exceed the minority interest in the subsidiary's equity. The excess, and any further losses applicable to the minority, are allocated against the majority interest except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interests until the minority's share of losses previously absorbed by the majority has been recovered.

Minority interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group. All inter-company transactions and balances between Group entities are eliminated on consolidation.

Foreign currencies

The functional currency of each company in the Group is that of the country of incorporation as disclosed in note 15. The Group's most significant functional currency is Sterling. Transactions in other currencies are initially recorded in the functional currency by applying spot exchange rates prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing on the balance sheet 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 income statement, except for exchange differences arising on monetary assets and liabilities that form part of the Group's net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into Sterling at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and taken directly to a translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2. Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. 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 balance sheet date. Depreciation is charged on a straight line basis over the expected useful lives as follows:

- Leasehold improvements - over the lease term of up to 15 years
- Office equipment, fixtures and fittings - over 5 years
- Computer and other equipment - over 2, 3 or 5 years
- Motor vehicles - over 4 years

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 income statement in the period of derecognition.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition. Externally purchased goodwill is recognised at the fair value of the consideration paid. Goodwill is recognised as an asset and is allocated to cash generating units for purposes of impairment testing. Cash generating units represent the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Business combinations on or after 1 June 2004 are accounted for under IFRS 3 using the purchase method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the balance sheet as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the income statement. Goodwill recognised as an asset as at 31 May 2004 is recorded at its carrying amount under UK GAAP and is not amortised. Any goodwill asset arising on the acquisition of equity accounted entities is included within the cost of those entities.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management, usually at business segment level or statutory company level as the case may be. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement.

The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it.

2. Accounting policies (continued)

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Expenditure on internally developed intangible assets, excluding development costs, is taken to the income statement in the year in which it is incurred. Development expenditure is recognised as an intangible asset only after all the following criteria are met:

- the project's technical feasibility and commercial viability can be demonstrated;
- the availability of adequate technical and financial resources and an intention to complete the project have been confirmed; and
- the correlation between development costs and future revenue has been established.

Following initial recognition, the historic cost model is applied, with intangible assets being 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:

■ Client lists	- over the expected trading life of up to 5 years
■ Development costs	- over 3 years
■ Software and licences	- over the contract term of up to 5 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. In addition, the carrying value of capitalised development expenditure is reviewed for impairment annually before being brought into use.

Impairment of assets

At least annually, or when annual impairment testing is required, the directors review the carrying amounts of the Group'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 Group 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, although impairment losses relating to goodwill may not be reversed.

2. Accounting policies (continued)

Investments in subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment losses.

Operating leases

Leases are classified as operating leases where the lessor retains substantially all the risks and benefits of ownership of the asset. Lease payments under an operating lease are recognised as an expense on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Financial instruments

The Group determines the classification of its financial instruments at initial recognition in accordance with the categories outlined below and re-evaluates this designation at each financial 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 assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities classified as held for trading, or designated as such on inception, are included in this category and relate to trade receivables and trade payables as shown in the balance sheet. Financial instruments are classified as held for trading if they are expected to settle in the short term. The Group uses derivative financial instruments, in order to hedge exposures resulting from derivatives with clients, which are also classified as held for trading.

All financial instruments at fair value through the profit and loss are carried in the balance sheet at fair value with gains or losses recognised in the income statement.

Determination of fair value

Bets and other derivative financial instruments are stated at fair value determined by reference to third party market values (bid prices for long positions and offer prices for short positions).

For all other derivative financial instruments where there is no underlying active market, the fair value is determined using an appropriate valuation technique as determined by the Group at the year end.

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 expires.

Financial assets

A financial asset is derecognised where the rights to receive cash flows from the asset have expired; the Group 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 Group 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 Group 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 Group'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 Group could be required to repay.

2. Accounting policies (continued)

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.

Trade receivables and trade payables

Assets or liabilities resulting from profit or losses on open positions are carried at fair value. Amounts due from/to clients and brokers are netted against other assets and liabilities with the same counterparty where a legally enforceable netting agreement is in place and where it is anticipated that assets and liabilities will be netted on settlement.

Trade receivables represent balances with counterparties and clients where the combination of cash held on account and the valuation of financial derivative open positions result in an amount due to the Group. A provision for impairment is established where there is objective evidence of non-collectability. Reference is made to an aged profile of debt and the provision is subject to management review.

Trade payables represent balances with counterparties and clients where the combination of cash held on account and the valuation of financial derivative open positions results in an amount payable by the Group.

Prepayments and other receivables

Prepayments and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as fair value through profit and loss. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when the receivables are derecognised or impaired, as well as through the amortisation process. A provision for impairment is established where there is objective evidence of non-collectability.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits which may be accessed without penalty. Cash equivalents comprise short-term highly liquid investments with a maturity of less than three months from the date of acquisition. For the purposes of the consolidated cash flow statement, net cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

The Group holds money on behalf of clients in accordance with the client money rules of the Financial Services Authority (FSA) and other regulatory bodies. This money is included within cash and cash equivalents on the balance sheet and the corresponding liability to clients is included in trade and other payables. The return received on managing client balances is included within finance revenue.

Other payables

Non-trading financial liabilities 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.

Loan notes

Loan notes are initially recognised at fair value of the consideration received and are subsequently measured at amortised cost using the effective interest rate method.

2. Accounting policies (continued)

Taxation

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 income statement 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet 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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 balance sheet date. Deferred tax is charged or credited in the income statement, 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 Group intends to settle its current tax assets and liabilities on a net basis.

Classification of shares as debt or equity

When shares are issued, any component that creates a financial liability of the Group is presented as a liability in the balance sheet; measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption. The corresponding dividends relating to the liability component are charged as interest expense in the income statement.

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 Group after deducting all of its liabilities.

Own shares held in Employee Benefit Trusts

Shares held in trust by the Company for the purposes of employee share schemes are classified as a deduction from shareholders' equity and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from the sale and the original cost being taken to revenue reserves. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of equity shares.

2. Accounting policies (continued)

Revenue recognition

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

Rendering of services includes gains and losses on the running of betting markets and trading in financial markets, net of commissions expensed. Open positions are carried at fair market value and gains and losses arising on this valuation are recognised in revenue as well as gains and losses realised on positions that have closed.

Finance revenue 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.

Dividends receivable are recognised when the shareholder's right to receive the payment is established.

Cost of sales

Cost of sales represents duties and levies charged on betting revenues. Betting duties are charged at a fixed rate on aggregate net client losses.

Operating profit

Operating profit is the results of the principal activities of the Group after charging depreciation of property, plant and equipment, amortisation of intangible assets, operating lease rentals on land and buildings, foreign exchange differences, profit/loss on sale of property, plant and equipment and other administrative expenses.

Finance costs

The interest cost recognised in the income statement is accrued on a time basis by reference to the principal amount charged at the effective interest rate applicable. The effective interest rate is the rate that exactly discounts the future expected cash flows to the carrying amount of the liability. Issue costs are included in the determination of the effective interest rates.

Retirement benefit costs

The Group operates defined contribution schemes. Contributions are charged to the income statement as and when they become payable according to the rules of the schemes.

Share-based payments

The Company operates two employee share plans: a Share Incentive Plan (SIP) and Long Term Incentive Plans (LTIPs) both of which are equity settled. The cost of these awards is measured at fair value based on the market price of the Company's shares at the date of the grant and are recognised as an expense in the income statement on a straight line basis over the vesting period based on the Company's estimate of the number of shares that will eventually vest.

At each balance sheet 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 balance sheet date is recognised in the income statement as part of administrative expenses, with a corresponding entry in equity.

The Company also operates a Shadow SIP scheme for overseas staff, which is cash settled. The fair value of these awards is measured at the grant date using the Black-Scholes option pricing model taking into account the terms and conditions of the award. A liability is recognised over the expected vesting period and until the liability is settled it is re-measured at each reporting date with changes in fair value recognised in the income statement.

2. Accounting policies (continued)

Recent accounting developments

IFRS 7 "Financial Instruments: Disclosures" has been adopted with effect from 1 June 2007. IFRS 7 introduces new disclosure requirements for financial instruments, but has not affected the valuation or classification of the Group's financial instruments. The comparative disclosures have been restated to comply with the requirements of IFRS 7.

The following standards and interpretations have been issued with an effective date after the date of these financial statements. The Group has not applied these standards and interpretations in the preparation of these financial statements. The impact on the Group's financial statements of the future adoption of the standards and interpretations is still under review, but the Group does not expect any of these changes to have a material effect on the results or net assets of the Group in the period of initial application.

IFRS 8 "Operating Segments" applies to accounting periods beginning after 1 January 2009. This standard replaces IAS 14 "Segment Reporting" and will not affect the results of the Group but will require a change in the disclosure of segmental information. IFRS 8 amends the current segmental reporting requirements of IAS 14 and requires "management approach" to be adopted so that segmental information is presented on the same basis as that used for internal reporting purposes.

IAS 23 (Amendment) "Borrowing Costs" applies to accounting periods beginning after 1 January 2009. The amendment to the standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing borrowing costs is removed.

IAS 1 (Amendment) "Presentation of Financial Statements" applies to accounting periods beginning after 1 January 2009. This amendment prohibits the presentation of items of income and expense (that is "non-owner changes in equity") in the statement of changes in equity. Revised IAS 1 also sets out the additional disclosure requirements for entities making restatement or reclassifications.

IFRS 2 (Amendment) "Share-based payment" applies to accounting periods beginning after 1 January 2009. This amendment clarifies that vesting conditions are service and performance conditions only. It also specifies that all cancellations should receive the same accounting treatment whether cancelled by the entity or by other parties.

IFRS 3 (Amendment) "Business Combinations" applies to accounting periods beginning after 1 July 2009. This standard includes significant changes to how the acquisition method is applied to business combinations.

IAS 27 (Amendment) "Consolidated and separate financial statements" applies to accounting periods beginning after 1 July 2009. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control.

IAS 32 (Amendment) "Financial Instruments: Presentation" and IAS 1(Amendment) "Presentation of Financial Statements – Puttable Instruments and Instruments with obligations arising on Liquidation" applies to accounting periods beginning after 1 January 2009.

IFRIC 12 "Service concession arrangements" applies to accounting periods beginning after 1 January 2008.

IFRIC 13 "Customer loyalty programmes" applies to accounting periods beginning after 1 July 2008.

IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" applies to accounting periods beginning after 1 January 2008.

2. Accounting policies (continued)

Critical accounting estimates and judgements

In the directors' opinion there are no critical accounting estimates or judgements that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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 25), the measurement and impairment of goodwill (see note 16), the impairment of trade receivables (see note 5) and the assessment of net market risk and associated disclosures (see note 30).

3. Revenue

Revenue represents the net trading income from financial instruments carried at fair value through profit and loss. Revenue disclosed in the income statement is analysed as follows:

	2008 £000	2007 £000
Rendering of services	184,008	121,990

Finance revenue is disclosed in note 8.

4. Segment information

The operating businesses are organised and managed separately according to the nature of the products provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Primary reporting format – business segments

The primary segment reporting format is by business segment as the Group's risks and rates of return are affected predominantly by differences in the products provided.

Year ended 31 May 2008

	Financial £000	Sport £000	Unallocated £000	Total £000
Revenue	172,475	11,533	–	184,008
Segment result	126,265	1,892	–	128,157
Unallocated administrative expenses				(34,584)
Unallocated finance revenue				4,100
Unallocated finance costs				(683)
Profit before taxation				96,990
Tax expense				(29,702)
Profit for the year				67,288
Assets and liabilities				
Segment assets	745,613	8,285	116,770	870,668
Segment liabilities	591,275	145	34,532	625,952
Other segment information				
Capital expenditure				
Property, plant and equipment	2,417	736	2,522	5,675
Intangible assets	680	137	465	1,282
Depreciation	1,482	590	1,944	4,016
Amortisation	407	84	291	782
Impairment of trade receivables	3,426	631	–	4,057

4. Segment information (continued)

Primary reporting format – business segments (continued)
Year ended 31 May 2007

	Financial £000	Sport £000	Unallocated £000	Total £000
Revenue	109,791	12,199	–	121,990
Segment result	87,948	3,679	–	91,627
Unallocated administrative expenses				(25,865)
Unallocated finance revenue				3,426
Unallocated finance costs				(294)
Profit before taxation				68,894
Tax expense				(21,027)
Profit for the year				47,867
Assets and liabilities				
Segment assets	851,809	7,494	101,608	960,911
Segment liabilities	732,520	143	26,540	759,203
Other segment information				
Capital expenditure				
Property, plant and equipment	3,034	1,188	3,571	7,793
Intangible assets	1,414	–	–	1,414
Depreciation	1,612	483	1,418	3,513
Amortisation	856	–	–	856
Impairment of trade receivables	1,467	(51)	–	1,416

Unallocated administrative expenses comprise overheads, including information technology costs, which are not specifically attributable to business segments.

Unallocated assets and liabilities comprise property, plant and equipment, intangible assets, deferred tax assets, prepayments and other debtors, cash and cash equivalents, accruals, tax liabilities and financial liabilities which are not specifically attributable to business segments.

Unallocated assets include cash and cash equivalents amounting to £99,411,000 (2007 - £90,489,000).

4. Segment information (continued)

Secondary reporting format – geographical segments

Geographical segment information for revenue and profit is based upon client location. The UK segment includes all clients located in the UK; Europe includes all clients located in Ireland and continental Europe; Asia Pacific includes all clients located in Australasia, Asia and the Far East; all other clients are classified as Rest of World. Geographical segment information for assets and capital expenditure is based upon asset location.

The Group has offices in the United Kingdom, Australia, Singapore, Germany, France, Spain and the United States of America.

Year ended 31 May 2008

	UK £000	Europe £000	Asia Pacific £000	Rest of World £000	Unallo-cated £000	Total £000
Revenue	134,713	20,396	27,371	1,528	–	184,008
Segment assets	757,217	54,694	35,246	15,459	8,052	870,668
Other segment information						
Capital expenditure						
Property, plant and equipment	4,377	392	103	803	–	5,675
Intangible assets	923	6	1	352	–	1,282

Year ended 31 May 2007

	UK £000	Europe £000	Asia Pacific £000	Rest of World £000	Unallo-cated £000	Total £000
Revenue	96,841	11,771	12,704	674	–	121,990
Segment assets	945,458	162	10,636	715	3,940	960,911
Other segment information						
Capital expenditure						
Property, plant and equipment	7,212	16	565	–	–	7,793
Intangible assets	1,176	238	–	–	–	1,414

Unallocated assets comprise deferred tax assets.

5. Operating profit

	Group 2008 £000	Group 2007 £000
This is stated after charging/(crediting):		
Depreciation of property, plant and equipment	4,016	3,513
Amortisation of intangible assets	782	856
Operating lease rentals for land and buildings	1,793	1,177
Impairment of trade receivables	4,057	1,416
Foreign exchange differences	(127)	63
Advertising and marketing	11,922	6,996
Property, plant and equipment written off	115	211
Intangible assets written off	9	10

All of the above except foreign exchange differences are included in the administrative expenses of the income statement. Foreign exchange differences are included in revenue.

6. Auditors' remuneration

	Group 2008 £000	Group 2007 £000
Audit of the financial statements	273	250
Additional costs in relation to the audit of prior year financial statements	45	102
Other fees to auditors:		
Audit of financial statements of subsidiaries of the Company pursuant to legislation	85	75
Other services supplied pursuant to legislation	30	–
Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or its subsidiaries	–	71
	115	146

7. Staff costs

The staff costs for the year including directors were as follows:

	Group 2008 £000	Group 2007 £000
Wages and salaries	41,871	26,851
Social security costs	4,284	2,979
Other pension costs	2,300	1,988
	48,455	31,818

Wages and salaries include the following amounts in respect of performance related bonuses, inclusive of national insurance and share-based payments charged to the income statement:

	Group 2008 £000	Group 2007 £000
Performance related bonuses	15,971	9,747
Equity settled share-based payment schemes	4,682	1,732
Cash settled share-based payment schemes	34	110
	20,687	11,589

The directors' emoluments for the year ended 31 May 2008 and the comparative year can be found in the directors' remuneration report on page 35.

The average monthly number of employees was made up as follows:

	Group 2008	Group 2007
Dealing, sales and client support	329	244
Management and administration including IT	222	160
	551	404

8. Finance revenue

	Group 2008 £000	Group 2007 £000
Interest receivable from brokers	7,725	5,155
Interest receivable from clients	885	392
Bank interest receivable	21,999	17,057
	30,609	22,604

Finance revenue includes £26,562,000 (2007 - £19,195,000) of interest receivable in respect of segregated and non-segregated client balances, part of which is held with brokers.

9. Finance costs

	Group 2008 £000	Group 2007 £000
Interest payable to clients	16,341	12,636
Interest payable to brokers	329	174
Interest payable on interest-bearing loans	–	1
Dividend on redeemable preference shares	3	3
Other charges	296	98
	16,969	12,912

10. Taxation

(a) Tax on profit on ordinary activities

Tax charged in the income statement

	Group 2008 £000	Group 2007 £000
Current income tax:		
UK Corporation tax	30,857	21,791
Foreign tax	1,046	–
Adjustment in respect of prior years	(440)	(1,149)
Total current income tax	31,463	20,642
Deferred tax:		
Origination and reversal of temporary differences	(1,761)	385
Tax expense in the income statement (note 10(b))	29,702	21,027

10. Taxation (continued)

(b) Reconciliation of the total tax charge

The rate of corporation tax in the UK was reduced from 30% to 28% from 1 April 2008. The tax expense in the income statement for the year is marginally higher than the standard rate of corporation tax in the UK of 29.67% (2007 - 30%). The differences are reconciled below:

	2008 £000	2007 £000
Accounting profit before income tax	96,990	68,894
Accounting profit multiplied by the UK standard rate of corporation tax of 29.67% (2007 - 30%)	28,777	20,668
Expenses not deductible for tax purposes	1,638	1,463
(Lower)/higher taxes on overseas earnings	(120)	45
Foreign tax losses previously not recognised	(153)	–
Adjustment in respect of prior years	(440)	(1,149)
Total tax expense reported in the income statement	29,702	21,027

The effective tax rate is 30.6% (2007 - 30.5%).

(c) Deferred income tax

The deferred income tax assets included in the balance sheet are as follows:

	Group	
	2008 £000	2007 £000
Deferred tax assets:		
Decelerated capital allowances	817	936
Tax losses available for offset against future tax	759	199
Share-based payments	6,477	2,805
	8,053	3,940

The tax losses available for offset against future tax relate to operating losses arising in overseas subsidiary companies, the recoverability of which is dependent on future operating profits in those entities. A deferred tax asset is recognised where it is anticipated that future operating profits will exceed the losses that have arisen to date. Where it is not anticipated that future operating profits will exceed the losses that have arisen to date a deferred tax asset is not recognised. At the balance sheet date deferred tax assets of £nil (2007 - £153,418) were not recognised because of uncertainty over the recoverability of tax losses against future operating profits.

Share-based payment awards have been charged to the income statement but are not allowable as a tax expense until the awards vest. The excess of tax relief in future periods over the amount charged to the income statement is recognised as a credit directly to equity.

The gross movement in the deferred income tax included in the balance sheet is as follows:

	Group	
	2008 £000	2007 £000
At the beginning of the year	3,940	2,511
Income statement credit/(charge)	1,761	(385)
Tax credited directly to equity	2,352	1,814
At the end of the year	8,053	3,940

10. Taxation (continued)

(c) Deferred income tax (continued)

	Group	
	2008 £000	2007 £000
The deferred income tax credit/(charge) included in the income statement is made up as follows:		
Decelerated capital allowances	(119)	52
Tax losses available for offset against future tax	560	(556)
Share-based payments	1,320	522
Open positions valuation at bid or offer	–	(379)
Employees' short-term compensated absences	–	(24)
	1,761	(385)
The deferred tax credited to equity during the year is as follows:		
Share-based payments	2,352	1,378
Adjustment in respect of prior years for share-based payments	–	436
	2,352	1,814

The deferred tax asset recognised in equity relates to a deductible temporary excess of the estimated future taxation benefit and the amounts charged to date in the income statement.

11. Earnings per ordinary share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as own shares held in Employee Benefit Trusts. Diluted earnings per share is calculated using the same profit figure as that used in basic earnings per share and by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Group	
	2008 £000	2007 £000
Basic and diluted earnings attributable to ordinary shareholders	67,288	47,867
Basic weighted average number of equity shares	326,243,567	326,343,794
Effect of share-based payments	5,515,661	3,288,896
Diluted weighted average number of ordinary shares	331,759,228	329,632,690
Basic earnings per share	20.62p	14.67p
Diluted earnings per share	20.28p	14.52p

12. Dividends

	Company and Group 2008 £000	Company and Group 2007 £000
Declared and paid during the year:		
Final dividend for 2007 at 6.50p per share (2006 - 4.00p)	21,288	13,100
Interim dividend for 2008 at 3.00p per share (2007 - 2.00p)	9,825	6,550
	31,113	19,650
Proposed for approval by shareholders at the AGM:		
Final dividend for 2008 at 9.00p per share (2007 - 6.50p)	29,475	21,288

13. Property, plant and equipment

Group

	Leasehold improvements £000	Office equipment, fixtures and fittings £000	Computer and other equipment £000	Motor vehicles £000	Total £000
Cost:					
At 1 June 2006	1,627	250	8,091	7	9,975
Foreign currency adjustment	–	–	(9)	–	(9)
Additions	3,458	122	4,213	–	7,793
Written off	(351)	(135)	(712)	–	(1,198)
At 31 May 2007	4,734	237	11,583	7	16,561
Foreign currency adjustment	15	6	(158)	–	(137)
Additions	2,078	505	3,092	–	5,675
Acquisition of subsidiary	–	5	115	–	120
Written off	(922)	(47)	(1,712)	–	(2,681)
At 31 May 2008	5,905	706	12,920	7	19,538
Depreciation:					
At 1 June 2006	838	169	4,874	3	5,884
Foreign currency adjustment	–	–	(7)	–	(7)
Provided during the year	857	49	2,605	2	3,513
Written off	(255)	(127)	(605)	–	(987)
At 31 May 2007	1,440	91	6,867	5	8,403
Foreign currency adjustment	–	2	(141)	–	(139)
Provided during the year	1,132	61	2,821	2	4,016
Written off	(830)	(47)	(1,689)	–	(2,566)
At 31 May 2008	1,742	107	7,858	7	9,714
Net book value at 31 May 2008	4,163	599	5,062	–	9,824
Net book value at 31 May 2007	3,294	146	4,716	2	8,158
Net book value at 1 June 2006	789	81	3,217	4	4,091

14. Intangible assets

Group

	Goodwill £000	Client lists £000	Development costs £000	Software and licences £000	Total £000
Cost:					
At 1 June 2006	106,218	588	3,126	1,549	111,481
External purchases	–	238	–	1,176	1,414
Written off	–	–	(7)	(47)	(54)
At 31 May 2007	106,218	826	3,119	2,678	112,841
External purchases	–	–	50	1,232	1,282
Foreign currency adjustment	5	24	–	10	39
Acquisition of subsidiary	3,802	–	–	49	3,851
Written off	–	–	(9)	(292)	(301)
At 31 May 2008	110,025	850	3,160	3,677	117,712
Amortisation:					
At 1 June 2006	–	588	2,782	984	4,354
Provided during the year	–	111	258	487	856
Written off	–	–	(6)	(38)	(44)
At 31 May 2007	–	699	3,034	1,433	5,166
Provided during the year	–	151	89	542	782
Written off	–	–	(9)	(283)	(292)
At 31 May 2008	–	850	3,114	1,692	5,656
Net book value at 31 May 2008	110,025	–	46	1,985	112,056
Net book value at 31 May 2007	106,218	127	85	1,245	107,675
Net book value at 1 June 2006	106,218	–	344	565	107,127

15. Investment in subsidiaries

At cost:

	Company 2008 £000	2007 £000
At the beginning of the year	304,899	303,167
Investment relating to equity settled share-based payments for subsidiary employees	4,682	1,732
At the end of the year	309,581	304,899

15. Investment in subsidiaries (continued)

The following companies are all owned directly or indirectly by IG Group Holdings plc:

Name of Company	Country of incorporation	Holding	Voting rights	Nature of business
Subsidiary undertakings held directly:				
IG Finance	UK	Ordinary shares	100%	Financing
IG Group Limited	UK	Ordinary shares	100%	Holding company
Subsidiary undertakings held indirectly:				
extrabet Limited	UK	Ordinary shares	100%	Fixed odds bookmaker
HedgeStreet Inc	USA	Ordinary shares	100%	Exchange
HedgeStreet Securities Inc	USA	Ordinary shares	100%	Non-trading
IG Asia Pte Limited	Singapore	Ordinary shares	100%	Margin trading and foreign exchange
IG Australia Pty Limited	Australia	Ordinary shares	100%	Australia sales and marketing office
IG Finance Two	UK	Ordinary shares	100%	Financing
IG Finance Three	UK	Ordinary shares	100%	Financing
IG Finance Four	UK	Ordinary shares	100%	Financing
IG Markets Inc	USA	Ordinary shares	100%	Foreign exchange and USA sales office
IG Index plc	UK	Ordinary shares	100%	Spread betting and fixed-odds bookmaker
IG Infotech (India) Private Ltd	India	Ordinary shares	100%	Software development
IG Markets Limited	UK	Ordinary shares	100%	Margin trading and foreign exchange
IG Markets (Deutschland) AG	Germany	Ordinary shares	100%	German sales and marketing office
IG Nominees Limited	UK	Ordinary shares	100%	Nominee company
ITS Market Solutions Limited	UK	Ordinary shares	60%	Software development and sales
IG US Holdings Inc	USA	Ordinary shares	100%	Holding company
Market Data Limited	UK	Ordinary shares	100%	Data distribution
Market Risk Management Inc	USA	Ordinary shares	100%	Market maker
Tower Three Capital Inc	USA	Ordinary shares	100%	Non-trading

Employee Benefit Trusts:

IG Group Holdings plc Inland Revenue Approved Share Incentive Plan (UK trust)
IG Group Limited Employee Benefit Trust (Jersey trust)

15. Investment in subsidiaries (continued)

On 6 December 2007, the Group acquired 100% of the ordinary shares of HedgeStreet Inc. ("HedgeStreet") for a consideration of £3,024,000 ($6,000,000) satisfied in cash. HedgeStreet is a US company which, since 2004, has operated the HedgeStreet Exchange ("the Exchange"). The Exchange is a US based Designated Contract Market operating under the regulatory oversight of the US Commodity Futures Trading Commission ("CFTC"). HedgeStreet is also registered with the CFTC as a Derivatives Clearing Organisation.

Book and fair values of the net liabilites at the date of acquisition were as follows:

	Book values £000	Fair value to group £000
Property, plant and equipment	120	120
Intangible assets	284	49
Prepayments and other receivables	68	57
Cash and cash equivalents	132	132
Trade payables	(508)	(508)
Other payables	(292)	(277)
Net liabilities	(196)	(427)
Goodwill arising on acquisition		3,802
		3,375
Discharged by:		
Cash		3,024
Costs associated with the acquisition, settled in cash		351
		3,375

From the date of acquisition to 31 May 2008, HedgeStreet has incurred a net loss to the Group of £1,210,000. If the combination had taken place at the beginning of the year, the consolidated profit for the Group would have been £64,511,000 and revenue from continuing operations would have been £184,036,000.

Goodwill of £3,802,000 arose on the acquisition of HedgeStreet which forms part of our financials business. This relates to certain intangible assets that cannot be individually separated and reliably measured and includes the future growth potential of the business.

16. Impairment of goodwill

Goodwill has been allocated for impairment testing purposes to two cash generating units (CGU), which are also reportable segments, as follows:

	Group	
	2008 £000	2007 £000
Financial	104,775	100,968
Sport	5,250	5,250
	110,025	106,218

Goodwill arising on the purchase of IG Group plc by IG Group Holdings plc on 5 September 2003 has been allocated according to the profitability of the segments at that date. Goodwill arising since that date has been allocated to the financial segment as it related to the purchase of financial subsidiaries.

For the purposes of impairment testing of goodwill the carrying amount of each CGU (including goodwill) is compared to the recoverable amount of each CGU and any deficits are provided. The carrying amount of a CGU includes only those assets that can be attributed directly, or allocated on a reasonable and consistent basis in accordance with the segmental disclosure in note 4.

The estimated recoverable amount of each CGU was based on value in use calculated using the present value of projected 5 year future cash flows.

Key assumptions used in value in use calculations

The calculation of value in use for both business segments is most sensitive to the following assumptions:

- Growth rate used to extrapolate cash flows beyond the budget period
- Discount rate
- Client recruitment rates
- Average revenue per client

Projected future cash flows for each CGU, measured over a five year period, were based on Board approved two year budgets, reflecting past experience as well as future expected trends, and a subsequent growth rate of 5% which is below the average long term growth rates of the Financial and Sport businesses being 39% and 6% respectively, measured over a five year period.

The cash flows were discounted using a pre-tax discount rate of 14.1%, derived from the group’s weighted average cost of capital.

Client recruitment rates and average revenue per client were based upon actual amounts measured in prior periods which were projected forward in accordance with expected trends.

The directors have performed sensitivity analysis around the cash flow assumptions and have concluded that no reasonably possible change in key assumptions would cause the carrying amount of either CGU to exceed its recoverable amount.

On the basis of the results of the above analysis there was no impairment of goodwill during the year.

17. Trade receivables

	Group 2008 £000	Group 2007 £000
Amounts due from brokers	252,522	345,076
Amounts due from clients	10,801	7,552
	263,323	352,628

18. Cash and cash equivalents

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Cash at bank and in hand	99,411	92,116	46	607
Short-term deposits	3,348	1,167	–	–
Client money held	368,963	391,273	–	–
	471,722	484,556	46	607

Cash and cash equivalents are deposited for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is not materially different from the book value.

Net interest receivable on client balances amounted to £10,221,000 (2007 - £6,559,000).

Undrawn committed borrowing facilities amounted to £160m (2007 - £106m) at the balance sheet date.

19. Trade payables

	Group 2008 £000	Group 2007 £000
Amounts due to clients	582,689	726,144

20. Other payables

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Accruals	25,501	17,587	1,756	1,282
Other taxes and social security	1,211	882	–	–
Amounts due to group companies	–	–	–	3,793
Dividends on redeemable preference shares	3	3	3	3
	26,715	18,472	1,759	5,078

21. Redeemable preference shares

	Company and Group	
	2008 £000	2007 £000
Authorised:		
Preference shares of £1 each	40	40
Allotted, called up and fully paid:		
Preference shares of £1 each	40	40

The preference shares are entitled to a fixed non-cumulative dividend of 8% paid in preference to any other dividend. Redemption is only permissible in accordance with capital distribution rules or on the winding up of the Company where the holders are entitled to £1 per share plus, if the Company has sufficient distributable reserves, any accrued or unpaid dividends. The preference shares have no voting rights, except that they are entitled to vote should the Company fail to pay any amount due on redemption of the shares. The effective interest rate on these shares is 8% (2007 - 8%).

22. Equity share capital

	Company and Group	
	2008 £000	2007 £000
Authorised:		
500,000,000 ordinary shares of 0.005p each	25	25
65,000 B shares of 0.001p each	–	–
	25	25
Allotted, called up and fully paid:		
At 31 May 2008 and 31 May 2007:		
327,500,959 ordinary shares of 0.005p each	16	16
65,000 B shares of 0.001p each	–	–
	16	16

Except as the ordinary shareholders have agreed or may otherwise agree, on a winding up of the Company, the balance of assets available for distribution after the payment of all of the Company's creditors and subject to any special rights attaching to other classes of shares are distributed among the shareholders according to the amounts paid up on shares by them.

B shares

The B shares carry no entitlement to dividends and no voting rights. To the extent not already received by them the B shareholders shall, on a winding up of the Company be entitled to receive, from the trustee, a consideration equal to the amount realised by the sale by the trustee of approximately 122 ordinary shares for every B share held.

23. Own shares held in Employee Benefit Trusts

The movements in own shares held in Employee Benefit Trusts in respect of employee share plans during the year were as follows:

	Company and Group	
	2008 £000	2007 £000
At the beginning of the year:		
1,206,445 (2007 - 994,833) ordinary shares of 0.005p each	503	–
Purchased during the year:		
59,764 (2007 - 211,612) ordinary shares of 0.005p each	201	503
Exercised during the year:		
93,369 (2007 - nil) ordinary shares of 0.005p each	–	–
At the end of the year:		
1,172,840 (2007 - 1,206,445) ordinary shares of 0.005p each	704	503

The Group has a UK resident Employee Benefit Trust in order to hold shares in the Company in respect of awards under the Group's HM Revenue and Customs approved share incentive plan (SIP). At 31 May 2008 660,765 ordinary shares (2007 - 694,370) were held in the trust and at the balance sheet date have reduced shareholders' equity by £704,149 (2007 - £503,124). These include 185,509 ordinary shares (2007 - 148,351) which were not allocated to employees and are available for future SIP awards. The market value of the shares held conditionally at the balance sheet date was £2,525,774 (2007 - £2,296,629).

The Group has a Jersey resident Employee Benefit Trust which holds shares in the Company. At the balance sheet date the trust held 512,075 (2007 - 512,075) ordinary shares which are available to satisfy awards under the SIP and LTIP schemes. The shares held at the balance sheet date have reduced shareholders' equity by £26 (2007 - £26). The market value of the shares held conditionally at the balance sheet date was £1,957,407 (2007 - £1,693,688).

Upon flotation of the Company on 4 May 2005 5,861,497 ordinary shares and cash of £2.4m were transferred to the Jersey Employee Benefit Trust by institutional shareholders in order to satisfy their obligations to holders of 48,059 B shares and 16,941 B shares respectively. During the year ended 31 May 2008 3,653 (2007 - 33,640) B shares were sold by B shareholders to the trust. The trust sold 445,537 (2007 - 4,102,889) ordinary shares in order to realise the funds necessary to purchase these B shares. The trust unconditionally held 58,834 (2007 - 55,181) B shares at the balance sheet date. The Trust also held 6,166 (2007 - 9,819) B shares and 752,034 (2007 - 1,197,571) ordinary shares which it may sell in order to satisfy its obligations to B shareholders, all of whom are current or former employees.

24. Reserves

Retained earnings

Retained earnings includes the share-based payment reserve which relates to the estimated cost of equity settled employee share plans based on a straight line basis over the vesting period. Retained earnings include a credit for the excess of the tax deduction for employee share-based payments over the amounts charged to the income statement. Retained earnings also include the foreign currency translation reserve which is insignificant in amount.

25. Employee share plans

The Company operates two employee share plans; a share incentive plan (SIP) and long term incentive plans (LTIPs) both of which are equity settled. In addition the Company operates a Shadow SIP scheme for Australian employees which is cash settled. The expense recognised in the income statement in respect of share-based payments was as follows:

	Group 2008 £000	Group 2007 £000
Equity settled share-based payment schemes	4,682	1,732
Cash settled share-based payment schemes	34	110
	4,716	1,842

SIP awards made to UK staff

SIP awards are made available to all UK staff, except executive directors and are equity settled. There are no further performance conditions other than remaining in employment with IG for the term of each award. Shares awarded under the scheme are held in a UK trust in accordance with HM Revenue and Customs rules. Employees are entitled to receive dividends on the shares held in trust for as long as they remain employees.

On 3 May 2005, the SIP awarded all UK employees, except executive directors, a total of 94,267 free shares which vested immediately and 470,758 additional free shares which vest after three years. The price of ordinary shares on the award date was £1.20.

On 24 August 2006, the Company invited all UK employees to subscribe for up to £1,500 of partnership shares when the share price was £2.38. IG offered to match every partnership share with 2 matching shares up to a maximum of £3,000. The matching shares vest after three years.

On 24 July 2007, the Company invited all UK employees to subscribe for up to £1,500 of partnership shares when the share price was £3.36. IG offered to match every partnership share with 1 matching share up to a maximum of £1,500. The matching shares vest after three years.

Shadow SIP awards made to non-UK staff

Shadow SIP awards are made to overseas staff and are cash settled. The fair value of these awards is estimated at the grant date using the Black-Scholes option pricing model taking into account the terms and conditions of the award. A liability is recognised over the expected vesting period and until the liability is settled it is re-measured at each reporting date with changes in fair value recognised in the income statement.

On 9 December 2005, Australian employees were awarded a total of 45,000 shares which settled on a cash basis on 31 May 2008. There were no further performance conditions other than remaining in employment with IG for the term of the award. At the vesting date a bonus was payable to each participant equivalent to the value of 2,500 IG shares at 31 May 2008. The number of awards vesting was the equivalent of 37,500 shares.

LTIP awards

LTIPs allow the award of nil cost or nominal cost shares. UK employees' awards for the years ended 31 May 2005 and 31 May 2007 automatically crystallised on the vesting date. During the year ended 31 May 2008, these awards were modified at the Company's discretion, to offer employees the opportunity to convert all or a proportion of their shares entitlement under the initial share award plans to share options. The modification had no impact on the income statement. LTIP awards made in the year ended 31 May 2008 and to Australian employees are legally categorised as options. The fair value of awards made to UK staff (for the years ended 31 May 2005 and 2007) is the price of ordinary shares at the grant date adjusted for the present value of future dividends to which the holder is not entitled. The fair values of awards made in the year ended 31 May 2008 and to Australian employees for earlier years are calculated using the Black-Scholes option pricing model.

25. Employee share plans (continued)

LTIP awards (continued)

LTIPs vest if specific performance targets are achieved and are conditional upon continued employment at the vesting date. Performance is measured as the compound annual growth rate in fully diluted earnings per share over the three year vesting period and also share price growth over the same period for awards made in the year ended 31 May 2008. For each award a minimum performance target must be achieved before any shares vest and the awards vest fully once the maximum performance target is achieved. Further information on the Company's LTIPs is given in the Directors' Remuneration Report on pages 31 to 38.

On 16 May 2005, when the share price was 112.25p awards were made to staff, conditional upon growth in normalised earnings per share in the three years to 31 May 2008. The vesting date of these awards is upon publication of the Group's results for the year ended 31 May 2008 which was on 21 July 2008.

On 7 August 2006, when the share price was 217.0p awards were made to staff, conditional upon growth in diluted earnings per share in the three years to 31 May 2009. Further awards were made on 4 October 2006, when the share price was 261.75p. The vesting date of these awards is upon publication of the Group's results for the year ending 31 May 2009 which is expected to be 27 July 2009.

On 23 July 2007, when the share price was 312.25p awards were made to staff, conditional upon growth in diluted earnings per share in the three years to 31 May 2010 and upon growth in the IG Group Holdings plc share price in the three years to 31 May 2010. Further awards were made on 14 August 2007, 21 August 2007, 22 October 2007 and 31 January 2008, when the share prices were 311.00p, 304.00p, 398.00p and 364.00p respectively. The vesting date of these awards is upon publication of the Group's results for the year ending 31 May 2010 which is expected to be 26 July 2010.

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

Type of award	Award date	Share price at award	Expected vesting date	At the start of the year No.	Awarded during the year No.	Lapsed during the year No.	Exercised during the year No.	At the end of the year No.
SIP	4 May 2005	120.0p	3 May 2008	347,861	–	(20,830)	(93,369)	233,662
LTIP	16 May 2005	112.25p	21 Jul 2008	5,753,705	–	(108,500)	–	5,645,205
Shadow SIP	9 Dec 2005	183.0p	31 May 2008	37,500	–	–	–	37,500
LTIP	7 Aug 2006	217.0p	27 Jul 2009	1,133,965	–	(29,435)	–	1,104,530
SIP	24 Aug 2006	237.61p	23 Aug 2009	198,658	–	(13,206)	–	185,452
LTIP	4 Oct 2006	261.75p	27 Jul 2009	427,143	–	–	–	427,143
SIP	23 Jul 2007	336.09p	22 Jul 2010	–	59,764	(3,122)	–	56,642
LTIP	23 Jul 2007	312.25p	26 Jul 2010	–	2,366,165	–	–	2,366,165
LTIP	14 Aug 2007	311.0p	26 Jul 2010	–	30,547	–	–	30,547
LTIP	21 Aug 2007	304.0p	26 Jul 2010	–	100,428	–	–	100,428
LTIP	22 Oct 2007	398.0p	26 Jul 2010	–	12,563	–	–	12,563
LTIP	31 Jan 2008	364.0p	26 Jul 2010	–	45,610	–	–	45,610
Year ended 31 May 2008				7,898,832	2,615,077	(175,093)	(93,369)	10,245,447
Year ended 31 May 2007				7,206,317	1,889,155	(1,196,640)	–	7,898,832

25. Employee share plans (continued)

The weighted average fair values of the awards made were 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 2008	126.66p	288.64p	134.49p	120.00p	167.94p
Year ended 31 May 2007	101.35p	213.36p	111.11p	–	126.66p

Liability for cash-settled awards

The carrying amount of the liability for the cash-settled Shadow SIP scheme at 31 May 2008 is £143,344 (2007 - £109,518). The amount of cash-settled awards which had vested at 31 May 2008 was £143,344 (2007 - £nil). The weighted average fair value of cash-settled awards which were granted in the year were £nil at the grant date (2007 - £73,800). The following table lists the inputs to a Black-Scholes option pricing model used in calculating the liability:

Balance sheet date	31 May 2008	31 May 2007
Underlying share price (pence)	382.25	330.75
Expected volatility (%)	48	31
Risk-free interest rate (%)	5.00	5.50
Expected life of awards (years)	0.00	1.00

The expected life of the awards is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the awards were incorporated into the measurement of fair value.

Fair value of equity-settled awards

The fair value of equity-settled share-based payments to employees is determined at the grant date. The weighted average fair value of the equity settled awards granted during the year was £7,548,086 (2007 - £4,030,659) at the grant date. For SIP awards, the fair value is determined to be the share price at the grant date without making an adjustment for expected dividends as awardees are entitled to dividends over the vesting period. For LTIP awards made to UK staff in the years ended 31 May 2005 and 31 May 2007, the fair value is determined to be the share price at the grant date after a deduction for the expected present value of future dividends over the vesting period. LTIP awards made to Australian staff for these periods and awards made in the year ended 31 May 2008 are legally categorised as options and the fair value was calculated using a Black-Scholes option pricing model, using the following inputs:

Grant date	16 May 2005	7 Aug 2006	23 July 2007
Share price at grant date (pence)	112.25p	217.0p	312.25p
Expected life of awards (years)	3.18	2.97	3.00
Risk-free interest rate (%)	5.00	5.00	5.75
Expected volatility (%)	34	32	32
Expected dividend yield (%)	3.73	3.04	3.42

26. Net funds/(debt)

Group

	At 1 June 2006 £000	Cash flow £000	At 1 June 2007 £000	Cash flow £000	At 31 May 2008 £000
Cash at bank and in hand	47,447	44,669	92,116	7,295	99,411
Short-term deposits	605	562	1,167	2,181	3,348
Client money held	199,225	192,048	391,273	(22,310)	368,963
Loan notes	(92)	92	–	–	–
Redeemable preference shares	(40)	–	(40)	–	(40)
	247,145	237,371	484,516	(12,834)	471,682

27. Obligations under leases

Operating lease agreements where the Group is lessee

The Group has entered into commercial leases on certain properties. The lessee has options of renewal on each of these leases with a notice period of three months. There were no restrictions placed upon the lessee by entering into these leases. Future minimum rentals payable under non-cancellable operating leases are as follows:

	2008 £000	2007 £000
Future minimum payments due:		
Not later than one year	1,855	1,486
After one year but not more than five years	8,147	4,544
After more than five years	7,144	1,303
	17,146	7,333

28. Transactions with directors

The Group had no transactions with its directors other than those disclosed in the directors' remuneration report on pages 35-38.

29. Related party transactions

During the year, fees amounting to £30,000 (2007 - £50,000) were paid to CVC Capital Partners Limited relating to the services of Robert Lucas as a director of IG Group Holdings plc of £30,000 (2007 - £30,000), and four other individuals as directors of IG Group Limited amounting to £nil (2007 - £20,000). Funds managed or advised by CVC Capital Partners Limited or its affiliates held 7.7 % of the ordinary share capital of the Company at 31 May 2008 (2007 - 7.7% of the ordinary share capital).

The directors are considered to be the key management personnel of the Group in accordance with IAS 24. The directors' remuneration report on pages 35 to 38 discloses all benefits and share-based payments made during the year and the preceding year to the directors. The total compensation for key management personnel was as follows:

	2008 £000	2007 £000
Salaries and other short-term employee benefits	2,109	1,843
Post-employment benefits	725	498
Share-based payments	1,467	648
	4,301	2,989

There were no further related party transactions during the year or the preceding year.

30. 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 (excluding accrued interest):

Group

	Held for trading £000	Loans and receivables £000	Other amortised cost £000	Total carrying amount £000	Fair value £000
As at 31 May 2008					
Financial assets					
Cash and cash equivalents	–	471,722	–	471,722	471,722
Trade receivables – due from brokers	252,522	–	–	252,522	252,522
Trade receivables – due from clients	10,801	–	–	10,801	10,801
	263,323	471,722	–	735,045	735,045
Financial liabilities					
Trade payables – due to clients	582,689	–	–	582,689	582,689
Redeemable preference shares	–	–	40	40	40
	582,689	–	40	582,729	582,729
As at 31 May 2007					
Financial assets					
Cash and cash equivalents	–	484,556	–	484,556	484,556
Trade receivables – due from brokers	345,076	–	–	345,076	345,076
Trade receivables – due from clients	7,552	–	–	7,552	7,552
	352,628	484,556	–	837,184	837,184
Financial liabilities					
Trade payables – due to clients	726,144	–	–	726,144	726,144
Redeemable preference shares	–	–	40	40	40
	726,144	–	40	726,184	726,184

30. Financial instruments (continued)

Accounting classifications and fair values (continued)

Company

	Held for trading £000	Loans and receivables £000	Other amortised cost £000	Total carrying amount £000	Fair value £000
As at 31 May 2008					
Financial assets					
Cash and cash equivalents	–	46	–	46	46
Financial liabilities					
Redeemable preference shares	–	–	40	40	40
As at 31 May 2007					
Financial assets					
Cash and cash equivalents	–	607	–	607	607
Financial liabilities					
Redeemable preference shares	–	–	40	40	40

Broker margin

Amounts due from brokers, included in trade receivables, represent balances with counterparties where the combination of cash held on account and the valuation of financial derivative open positions results in an amount due to the Group. The cash held on account with counterparties comprises margin and surplus funds which mitigate each counterparty's credit risk exposure to the Group, and amounted to £252,522,000 at 31 May 2008 (2007 - £345,076,000). These transactions are conducted under terms that are usual and customary to standard margin trading activities.

Items of income, expense, gains or losses

Gains and losses arising from financial assets and liabilities classified as held for trading amounted to net gains of £184,008,000 (2007 - £121,990,000).

Finance revenue totalled £30,609,000 (2007 - £22,604,000). The entire amount represents interest income on financial assets not at fair value through profit or loss and includes interest receivable in respect of segregated and non-segregated client balances of £25,562,000 (2007 - £19,195,000), part of which is held with brokers.

Finance costs totalled £16,969,000 (2007 - £12,912,000) which includes interest payable on client balances of £16,341,000 (2007 - £12,636,000). An amount of £16,673,000 represents interest expense on financial liabilities not at fair value through profit or loss (2007 - £12,814,000). The remainder, £296,000 (2007 - £98,000) represents fee expense arising from maintaining the Group's committed bank facilities.

30. Financial instruments (continued)

Nature and extent of risks arising from financial instruments

The principal activities of the Group outlined in the Directors' Report give rise to exposure to financial risks in the ordinary course of business.

The Board is responsible for reviewing the Group's system of internal control and risk management and approving any changes to the Group's risk management policy which materially increases the risk profile of the Group. Limits as to the acceptable level of risk are established and regularly reviewed by the Board. Under authority delegated by the Board, the Executive Directors formulate high-level Group risk management policy. All changes to the Group's risk management policies are approved by the Chief Executive and the Finance Director.

The Group's finance department, headed by the Finance Director, who is responsible to the Board, comprises risk management, financial planning, financial control and credit departments, which are responsible for the operation of the Group's controls in these areas. The risk management department reports daily to the Group's senior management. The objective of the risk department is to manage the Group's financial risk and to minimise the effects of fluctuations in financial markets on the value of the Group's financial assets and liabilities, on reported profitability and on the cash flows of the Group.

The Group has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Operational risk

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.

Management of market risk

Market risk is managed on a Group-wide basis. The Group's products can be divided into two groups: those which relate to a liquid financial market in which it is normally easy for the Group to hedge and those for which there is not an easily accessible and cost effective hedge. The Group's revenue model for each of these product groups is set out below.

The Group does not take proprietary positions based on an expectation of market movements. However, not all client transactions are hedged and as a result the Group may have a net position in any of the markets on which it offers products.

The Group has a formal risk policy which includes limits, or a methodology for setting limits, for every single financial market which the Group trades, as well as certain groups of markets which the directors consider to be correlated. These limits determine the net exposure arising from client activity and hedging which the Group is prepared to carry. The Group's exposure monitor allows it to continually monitor its exposure against these limits. If the Group's exposure exceeds these limits, the policy requires that sufficient hedging is carried out to bring the exposure back within the defined limit or, if the market is closed, as soon as it re-opens.

Changes to the market risk policy require approval by the Group's Risk Committee, which comprises the Chief Executive, the Finance Director, the Risk Director and the Credit Director. Changes to the market risk policy which may result in a significant increase in market risk require approval of the Board.

Where the Group has positions in markets for which it has not been possible or cost-effective to hedge, the Group's Risk Committee determines the appropriate action and reviews these exposures regularly.

30. Financial instruments (continued)

Market risk (continued)

Sports spread bets and binary bets are difficult or not cost-effective to hedge and there is often no direct underlying market which can be utilised in setting the price which the Group quotes. The Group normally undertakes no hedging for these markets but can lay off large positions if considered necessary. The directors aim to reduce the volatility of revenue from these markets by offering a large number of different betting opportunities, the results of which should, to some extent, offset each other irrespective of the underlying market outcome. The overwhelmingly short-term nature of these bets means that risk on these markets at any point in time is not considered to be significant.

Exposure to market risk

The Group has exposure to market risk to the extent that it has a residual un-hedged position.

The Group's exposure to market risk at any point in time depends primarily on short-term market conditions and client activities during the trading day. The exposure at each balance sheet date is therefore not considered representative of the market risk exposure faced by the Group over the year. The Group's exposure to market risk is determined by the exposure limits described above which change from time to time.

The most significant market risk faced by the Group is on equity positions including shares and indices which are highly correlated and managed on a portfolio basis. Other exposures, including foreign exchange, commodities and interest rates do not give rise to significant market risk. The equity exposure at the balance sheet date and details of the exposure limit at the year end and for the year then ended is as follows:

	2008 £000	2007 £000
Equity exposure at year end	12,920	10,015
Equity exposure limit at year end	15,000	15,000
Average equity exposure limit for the year	15,000	13,750

The Group has no significant concentration of market risk.

Sensitivity analysis

The following sensitivity analysis shows the potential impact of large moves in equity markets on revenue. The percentage applied is based upon the Group's assessment of movements in equity markets and the percentages applied are considered to represent single day market falls that are reasonably possible.

	Equity exposures 2008 £000	Market movement applied %	Potential revenue impact £000
Equities	12,920	5%	646

The Group's average daily gain from financial instruments classified as held for trading was £504,000 (2007 - £334,000) and therefore the potential revenue impact shown above represents 1.3 days trading.

Reasonably possible movements in other markets have no significant impact on the Group's revenue.

Changes in risk variables have no direct impact on the Group's equity as the Group has no financial instruments classified as available for sale, or designated in hedging relationships.

30. Financial instruments (continued)

Market risk (continued)

Foreign currency risk

Foreign currency exposures arise in the normal course of business and the management of this risk forms part of the risk policies outlined above. Limits on the exposures which the Group will accept in each currency are set by the Risk Committee and the Group hedges its exposures as necessary with market counterparties. Foreign currency risk is managed on a Group-wide basis, while the Company's exposure to foreign currency risk is not considered by the directors to be significant.

The functional currency of each company in the Group is that denominated by the country of incorporation as disclosed in note 15. The Group's currency exposures are measured and managed in Sterling.

The Group's exposure monitor measures foreign currency risks including currency balance sheet exposures, equity, commodity, interest and other positions denominated in foreign currencies and bets and trades on foreign currencies. The Group's net exposure to foreign exchange risk based on notional amounts at each balance sheet date was as follows:

	2008 £000	2007 £000
USD	12,548	(8,155)
EUR	8,074	707
AUD	(313)	376
Other	(7,506)	3,367

No sensitivity analysis is presented for foreign exchange risk as the impact of reasonably possible market movements on the Group's revenue and equity are immaterial.

Interest rate risk

The Group has interest rate risk arising from its trading activities which is hedged as part of the overall market risk management. The Group offers bets and contracts for difference (CFDs) on interest rate derivatives and hedges its exposure using exchange traded futures and options. Exposure limits are set by the Risk Committee for each product, and also for groups of products where it is considered that their price movements are likely to be positively correlated. Interest rate risk arising from trading activities is not considered to be significant by the directors and is measured by the Group's exposure monitor on a Group wide basis.

The Group also has interest rate risk relating to financial instruments not at fair value through profit and loss such as cash held with banks which are not included in the Group's exposure monitor. These exposures are not significant and are not hedged.

30. Financial instruments (continued)

Market risk (continued)

The interest rate risk profile of the Group's financial assets and liabilities as at the balance sheet date was as follows:

Group

	Within 1 year		More than 5 years		Total	
	2008 £000	2007 £000	2008 £000	2007 £000	2008 £000	2007 £000
Fixed rate						
Redeemable preference shares (8%)	–	–	(40)	(40)	(40)	(40)
Floating rate						
Trade receivables	263,323	352,628	–	–	263,323	352,628
Trade payables	(582,689)	(726,144)	–	–	(582,689)	(726,144)
Cash and cash equivalents	471,722	484,556	–	–	471,722	484,556
	152,356	111,040	(40)	(40)	152,316	111,000

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year. Trade receivables and payables include client and broker balances upon which interest is paid or received based upon market rates. Cash and cash equivalents includes client money equivalent to the amount included with trade payables. Other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

No sensitivity analysis is presented for interest rate risk as the impact of reasonably possible market movements on the Group's revenue and equity are immaterial.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Management of credit risk

Credit risk is managed on a Group-wide basis. The Group has credit exposure to the banks with which it deposits funds and the market counterparties with which it hedges. The Group sets limits for its maximum exposure to each market counterparty and bank to which it has credit exposure. Certain balances with brokers are held in segregated accounts with banks.

Clients are permitted to deal in circumstances where they may be capable of suffering losses greater than the funds they have on their account, or in limited circumstances are allowed credit. The Group has a formal credit policy which determines the financial and experience criteria which a client must satisfy before being given an account which exposes the Group to credit risk, including trading limits for each client and strict margining rules. The Group accepts collateral from clients in the form of shares or other securities which mitigate credit risk and all such assets are individually assessed and discounted for expected market risk.

30. Financial instruments (continued)

Credit risk (continued)

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure without taking account of any collateral held or other credit enhancements such as personal guarantees. The maximum exposures to credit risk at the reporting date was:

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Cash and cash equivalents	471,722	484,556	46	607
Trade receivables – due from brokers	252,522	345,076	–	–
Trade receivables – due from clients	10,801	7,552	–	–
	735,045	837,184	46	607

The fair value of collateral held at 31 May 2008 against amounts due from clients was £4,521,000 (2007 - £10,727,000).

The Group's largest credit exposure to any one individual broker at 31 May 2008 was £71,614,000, or 28% of the exposure to all brokers (2007 - £108,000,000, 31%). The Group's largest credit exposure to any bank at 31 May 2008 was £125,189,000, or 27% of the exposure to all banks (2007 - £148,000,000, 31%). The Group has no significant exposure to any one particular client.

The balance of cash and cash equivalents and trade receivables – due from brokers, will fluctuate over the course of the reporting period.

The tables below presents further detail on the Group's and the Company's exposure to credit risk. External credit ratings (Moody's long term ratings or equivalent) are available for exposures to brokers and banks, and these are shown below. No external credit rating of clients is available and therefore the balances are unrated.

Amounts due from clients are considered past due from the date that positions are closed and are aged from that date. If debtors arise on open positions the amounts due from clients are considered neither past due nor impaired unless impairment is provided.

30. Financial instruments (continued)

Credit risk (continued)

Group

	Trade receivables – due from brokers		Trade receivables – due from clients		Cash and cash equivalents		Collateral held at fair values	
	2008 £000	2007 £000	2008 £000	2007 £000	2008 £000	2007 £000	2008 £000	2007 £000
Individually impaired								
Gross exposure	–	–	7,036	3,620	–	–	15	89
Allowance for impairment	–	–	(5,864)	(2,849)	–	–	–	–
	–	–	1,172	771	–	–	15	89
Past due but not impaired								
Ageing profile:								
0-3 months	–	–	4,993	1,630	–	–	3,118	–
4-6 months	–	–	14	3	–	–	–	–
7-9 months	–	–	–	–	–	–	–	–
10-12 months	–	–	17	–	–	–	–	–
	–	–	5,024	1,633	–	–	3,118	–
Neither past due nor impaired								
Credit rating:								
Aaa	3,812	2,801	–	–	60,232	36,418	–	–
Aa1-Aa3	160,445	94,403	–	–	379,252	402,302	–	–
A1-A3	71,547	240,584	–	–	32,090	45,762	–	–
Baa1 – Baa3	12,253	–	–	–	–	–	–	–
Unrated	4,465	7,288	4,605	5,148	148	74	1,388	10,638
	252,522	345,076	4,605	5,148	471,722	484,556	1,388	10,638
Total carrying amount	252,522	345,076	10,801	7,552	471,722	484,556	4,521	10,727

Company

	Cash and cash equivalents	
	2008 £000	2007 £000
Neither past due nor impaired		
Credit rating:		
Aa1-Aa3	46	607
	46	607

30. Financial instruments (continued)

Credit risk (continued)

The Group records specific impairments of trade receivables due from clients in a separate allowance account. Impairments are recorded where the Group determines that it is probable that it will be unable to collect all amounts owing according to the contractual terms of the agreement. There are no collective impairments taken, and no other assets are considered impaired. Below is a reconciliation of changes in the separate allowance account during the period:

	2008 £000	2007 £000
Balance at 1 June	2,849	2,069
Impairment loss for the year		
- charge for the year	4,478	2,064
- recoveries	(453)	(387)
Write-offs	(1,010)	(897)
Balance at 31 May	5,864	2,849

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations arising from its financial liabilities.

Management of liquidity risk

Liquidity risk is managed centrally for the whole Group by the Risk department. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its broker margin requirements and liabilities when due, under both normal circumstances and stressed conditions.

In order to monitor and manage this risk, the Group's Risk Department records the available funds daily and undertakes monthly liquidity stress testing. The liquidity testing simulates what would happen to the Group's cash resources should there be a large single market fall and a sequential three day market fall. This testing requires a number of assumptions regarding the impact of large market moves on client and broker positions and balances and the resulting behaviour of clients and brokers in terms of maintaining or closing positions and settling margin requirements.

There were no changes in the management of liquidity risk during the year.

Exposure to liquidity risk

Positions can be closed at any time by clients and can also be closed by the Group, in accordance with the Group's margining rules. If after closing a position a client is in surplus, then the amount owing is repayable on demand by the Group. When client positions are closed, corresponding positions relating to the hedged position are closed with brokers. Accordingly the Group releases cash margin, which is repaid by brokers to the Group on demand.

In the event of a significant movement in world markets, IG could have a short-term funding requirement to meet its payment obligations to market counterparties or winning clients before payment would be received from losing clients. Any failure by IG to meet its payment obligations could result in market counterparties closing IG's hedge positions which would have materially adverse consequences for the Group's business.

The key measure used by the Group for managing liquidity risk is the level of working capital. For this purpose working capital is the net of all trade receivables, cash and cash equivalents and trade payables. Working capital at the balance sheet date was as follows:

30. Financial instruments (continued)

Liquidity risk (continued)

	2008 £000	2007 £000
Amounts due from brokers	252,522	345,076
Amounts due from clients	10,801	7,552
Cash and cash equivalents	471,722	484,556
Trade payables	(582,689)	(726,144)
	152,356	111,040

The Group's liquidity risk under stressed conditions is mitigated by its committed bank facilities which amounted to £160.0m (2007 - £80.0m) at the year end. In the directors' opinion the Group has sufficient funds available to meet all operational requirements in the event of a large market movement. Liquidity management is also dependent on credit risk management described above.

Residual contractual maturities of financial liabilities

The following are the contractual maturities of financial liabilities, excluding estimated interest payments. Given the nature of trade payables (representing liabilities to clients in respect of trading margin deposited, unrealised profits on open positions and surpluses held on account) and the fact that open positions can be closed immediately, trade payables are presented in the table below as on demand.

	On demand		Over 5 years		Total	
	2008 £000	2007 £000	2008 £000	2007 £000	2008 £000	2007 £000
Group						
Trade payables – due to clients	582,689	726,144	–	–	582,689	726,144
Redeemable preference shares	–	–	40	40	40	40
	582,689	726,144	40	40	582,729	726,184
Company						
Redeemable preference shares	–	–	40	40	40	40
	–	–	40	40	40	40

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks outlined above. The directors are responsible for managing operational risk and have identified the following risks which are considered significant to the Group.

Technology

The Group's operations are highly dependent on technology and advanced information systems. Its ability to provide its clients with reliable, real-time access to its systems is fundamental to the success of the business. Such dependency upon technology exposes the Group to significant risk in the event that such technology or systems experience any form of damage, interruption or failure. The Group has business continuity procedures and policies in place which are designed to allow the Group to continue trading in its core markets and its systems are designed to mitigate the risk of failure of any component.

30. Financial instruments (continued)

Operational risk (continued)

Where the Group is dependent upon providers of data, market information, telephone and internet connectivity, the Group mitigates against the risk of failure of any of these suppliers by ensuring that where possible multiple providers and data routes are utilised.

To remain competitive, the Group must continue to enhance and improve the responsiveness, functionality, accessibility and other features of its software, network distribution systems and technologies.

Regulation

The Group's spread betting, CFD and foreign exchange businesses are regulated in a number of jurisdictions. In addition, two of the Group's subsidiaries are subject to regulation as licensed bookmakers by the Gambling Commission. The Group is also subject to various regulation and legislation relating to technology, the provision of internet services and the use of the internet. These regulatory frameworks impose restrictions on certain of the Group's activities and resources which place constraints on the Group operations and development.

The regulatory environment is regularly changing and imposes significant demands on the resources of the Group. As the Group's activities expand, offering new products and penetrating new markets, these regulatory demands will inevitably increase. The increasing complexity of the Group's operations require training and recruitment be tailored to meet these regulatory demands and the costs of compliance are expected to increase.

Capital management

Regulatory capital

The Group's lead regulator is the Financial Services Authority (FSA). Two of the Group's UK operating subsidiaries are regulated by the FSA which imposes a minimum level of regulatory capital which must be retained by each company and also an overall level of regulatory capital which must be maintained by the Group.

Given the Group's recent strong growth, profits have been and continue to be the primary source of new capital. The Group is highly cash generative and plans to maintain a dividend payout ratio of approximately 60% of earnings.

Capital resources are largely comprised of share capital and reserves, net of intangible assets and treasury shares. Capital requirements are derived from credit risk, operational risk, counterparty risk and market risk considerations. Capital resources, capital requirements and surplus capital at the balance sheet dates were as follows:

	2008 £000	2007 £000
Group		
Capital resources	127,480	94,638
Capital requirements	60,893	50,332
Surplus capital resources	66,587	44,306

Certain of the Group's subsidiaries are also regulated by a number of other regulators in overseas jurisdictions.

There have been no material changes in the Group's management of capital during the year.

Independent auditor's report
to the members of IG Group Holdings plc

We have audited the Group and Company financial statements of IG Group Holdings plc for the year ended 31 May 2008 which comprise the Group income statement, the Group and Company statements of changes in shareholders' equity, the Group and Company balance sheets, the Group and Company cash flow statements and the related notes 1 to 30. These Group and Company financial statements have been prepared under the accounting policies set out therein.

We have also audited the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report, the directors' remuneration report, and the Group and Company financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union as set out in the statement of directors' responsibilities.

Our responsibility is to audit the Group and Company financial statements and the part of the directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group and Company financial statements give a true and fair view and whether the Group and Company financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the directors' report is consistent with the Group and Company financial statements. The information given in the directors' report includes that specific information presented in the operating and financial review and Chief Executive's report that is cross referred from the review of business section of the directors' report.

In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited Group and Company financial statements. The other information comprises only the directors' report, the Chairman's statement, the Chief Executive's report, the operating and financial review, the statement of directors' responsibilities the corporate governance statement and the unaudited part of the directors' remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group and Company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group and Company financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Group and Company financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group and Company financial statements and the part of the directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group and Company financial statements and the part of the directors' remuneration report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 May 2008 and of its profit for the year then ended;
- the Company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Company's affairs as at 31 May 2008;
- the Group and Company financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the directors' report is consistent with the Group and Company financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
London

Company Information

Directors

Executive directors

T A Howkins (Chief Executive)
S Clutton
P G Hetherington
A R MacKay

Non-executive directors

J R Davie (Chairman)
Sir Alan Budd
D M Jackson
R R Lucas
N B le Roux (Deputy Chairman)
R P Yates (Senior Independent Director)

Secretary

G Abbi

Auditors

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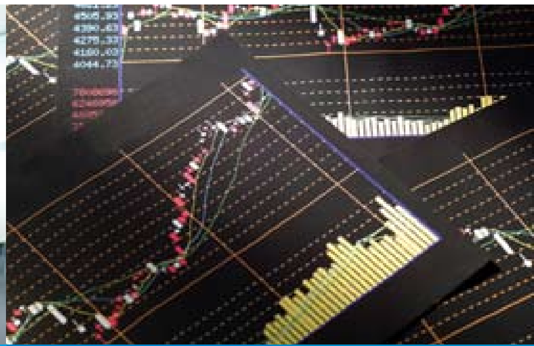
Registered Number

04677092

IG GROUP



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