IG GROUP

Annual Report

IG Group Holdings plc | 31 May 2010

Introduction

IG Group Holdings plc is a world leader in the provision of online financial derivatives trading to retail investors. We provide these services directly under our own brands and via a network of partners.

Our award-winning dealing platforms provide clients with easy access to global financial markets and the flexibility to trade on multiple asset classes.

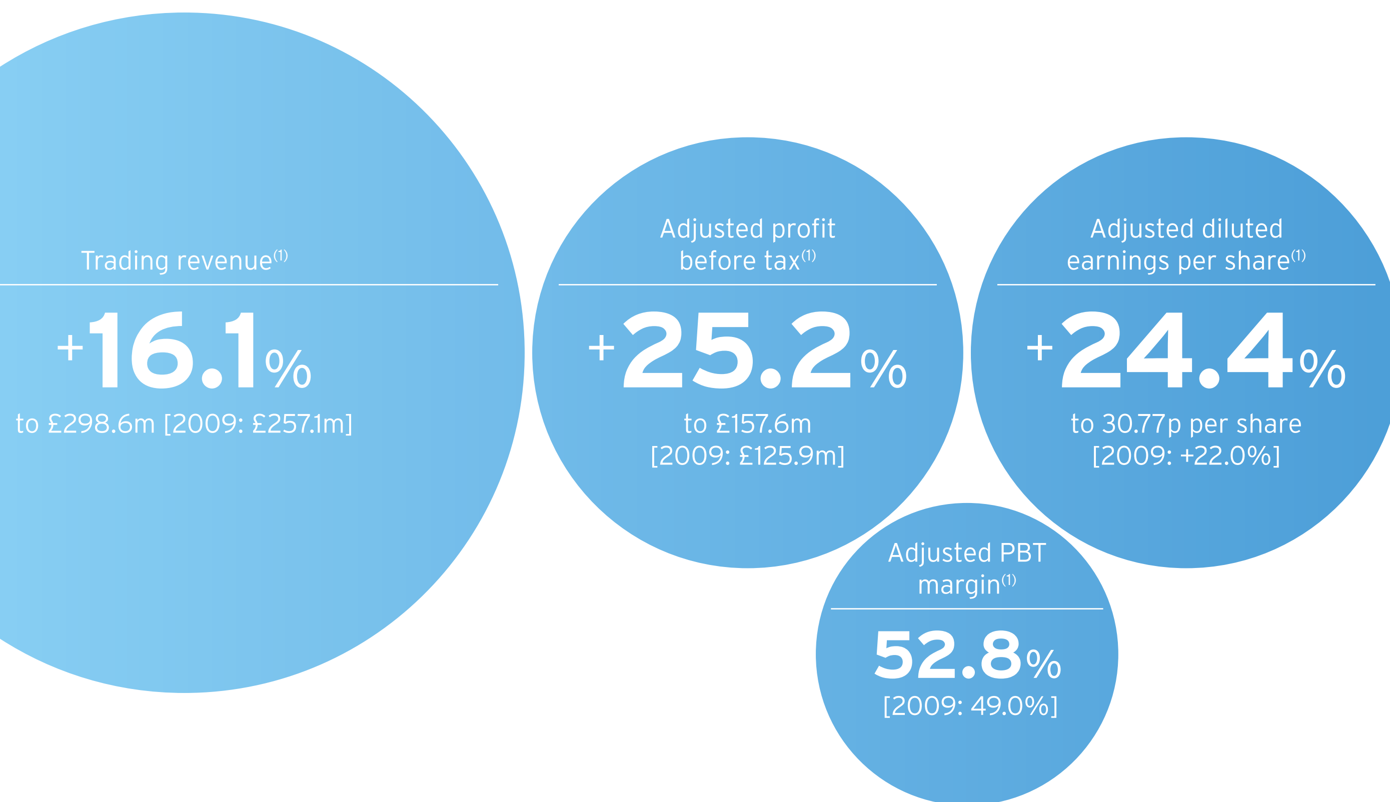
During the year, over 120,000 clients in 123 countries traded Contracts for Difference (CFDs)(i) or spread bets on a range of over 10,000 equity, equity index, commodity, forex, interest rate and binary contracts, covering all major global financial markets.

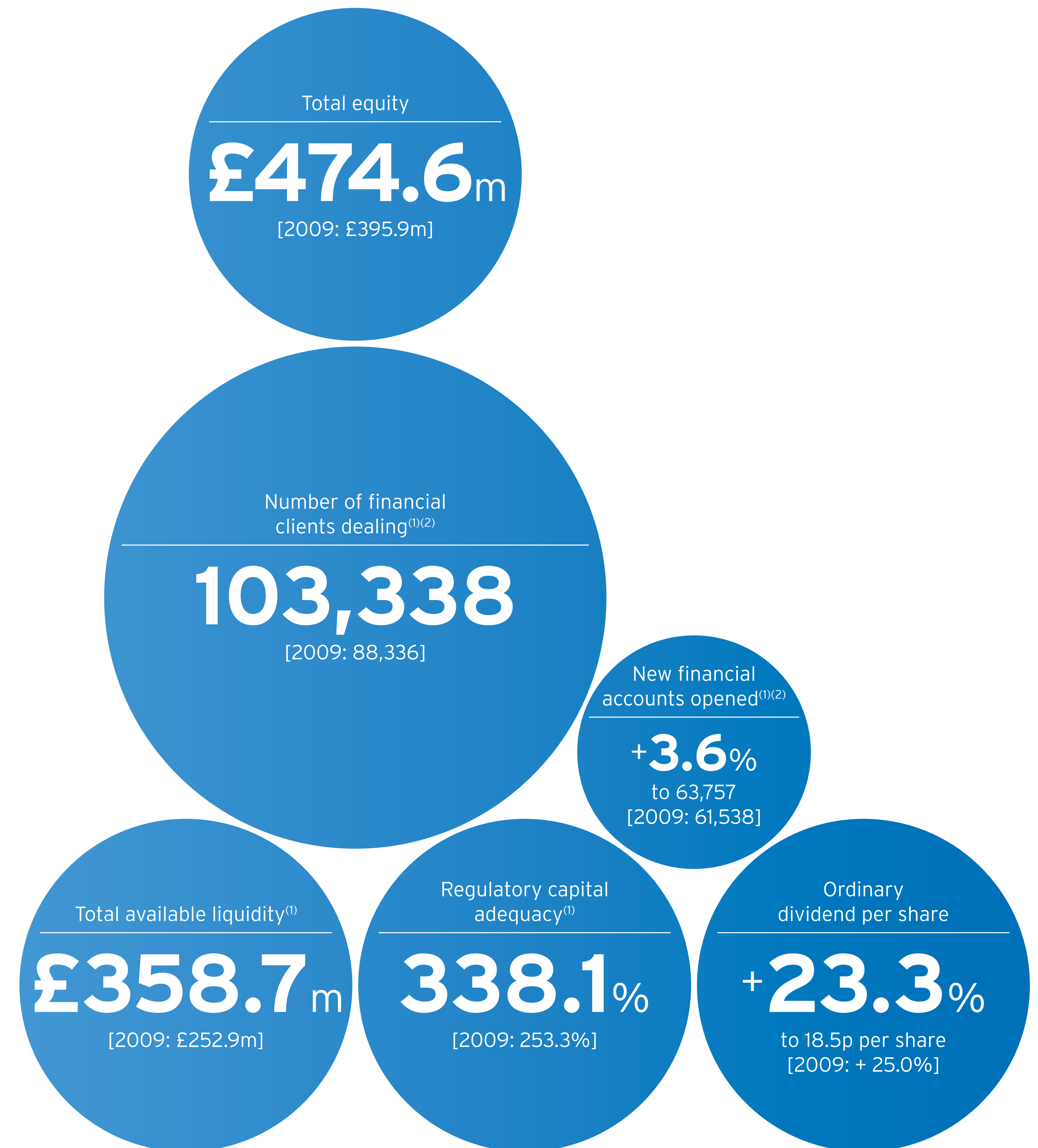
(i) Defined in Glossary of Terms Used with illustrative CFD examples.

IG Group is listed on the London Stock Exchange and is a member of the FTSE 250. Our head office is in London with other offices in Beijing, Chicago, Düsseldorf, Johannesburg, Lisbon, Luxembourg, Madrid, Melbourne, Milan, Paris, Singapore, Stockholm and Tokyo.

The Group is debt-free and has high levels of capital and liquidity to provide assurance to our clients and other counterparties.

Performance at a glance





(1) This term is defined and discussed further in our Key Performance Indicators section on pages 11 and 12.
(2) To facilitate full year-on-year comparison, this excludes clients of FXOnline, our Japanese subsidiary, which was acquired in October 2008.

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This section contains Company and investor information, including details of the Group's registrar and our electronic communications programme.

Five-year Summary

Group income statement – statutory (£000s)

Year ended 31 May	2010	2009	2008	2007	2006
Trading revenue	298,551	257,089	184,008	121,990	89,391
Interest income on segregated client funds	5,791	12,888	26,562	19,195	8,308
Revenue	**304,342**	**269,977**	**210,570**	**141,185**	**97,699**
Interest expense on segregated client funds	(321)	(5,288)	(16,341)	(12,636)	(3,272)
Betting duty	(4,298)	(7,223)	(10,842)	(4,214)	(1,584)
Net operating income	**299,723**	**257,466**	**183,387**	**124,335**	**92,843**
Recovery / (impairment) of trade receivables	1,064	(18,168)	(4,057)	(1,416)	(1,401)
Amortisation of intangibles arising on consolidation	(17,298)	(14,613)	-	-	-
Other administrative expenses	(143,500)	(114,635)	(85,759)	(57,158)	(42,336)
Operating profit	**139,989**	**110,050**	**93,571**	**65,761**	**49,106**
Finance revenue	2,664	2,887	4,047	3,409	2,373
Finance costs	(2,312)	(1,678)	(628)	(276)	(339)
Profit before taxation	**140,341**	**111,259**	**96,990**	**68,894**	**51,140**
Tax expense	(38,855)	(32,607)	(29,702)	(21,027)	(15,472)
Profit for the year	**101,486**	**78,652**	**67,288**	**47,867**	**35,668**

Key performance indicators(1)

Year ended 31 May	2010	2009	2008	2007	2006
Adjusted profit before taxation (£000s)	157,639	125,872	96,990	68,894	51,140
Adjusted profit before taxation margin	52.8%	49.0%	52.7%	56.5%	57.2%
EBITDA (£000s)	165,941	131,086	98,493	70,351	52,626
EBITDA margin	55.6%	51.0%	53.5%	57.7%	58.9%
Adjusted diluted earnings per share	30.77p	24.74p	20.28p	14.52p	10.88p
Regulatory capital adequacy	338.1%	253.3%	228.1%	188.0%	197.2%
Total available liquidity (£000s)	358,686	252,892	274,823	161,975	81,759
Average revenue per financial client (£)	2,425	2,263	3,064	3,184	3,251
Excluding clients of FXOnline (£) (2)	*2,600*	*2,495*	*3,064*	*3,184*	*3,251*
Number of financial clients dealing	120,689	109,747	56,291	34,483	24,709
Excluding clients of FXOnline (2)	*103,338*	*88,336*	*56,291*	*34,483*	*24,709*
Number of financial accounts opened	81,134	74,331	42,693	23,785	18,377
Excluding accounts of FXOnline (2)	*63,757*	*61,538*	*42,693*	*23,785*	*18,377*
Number of financial accounts dealing for the first time	55,674	50,364	29,211	15,809	12,287
Excluding accounts of FXOnline (2)	*46,612*	*44,291*	*29,211*	*15,809*	*12,287*

(1) All key performance indicators are defined and discussed further in our Key Performance Indicators section on pages 11 and 12.
(2) Metric excluded to facilitate full year-on-year comparison as FXOnline was acquired in October 2008.

Other metrics

Year ended 31 May	2010	2009	2008	2007	2006
Trading revenue - % derived from UK office	56.4%	62.0%	81.1%	88.7%	89.5%
Trading revenue - % derived from non-UK offices	43.6%	38.0%	18.9%	11.3%	10.5%
Total equity (£000s)	474,628	395,913	244,716	201,708	170,448
Average number of employees for the year	828	761	551	404	312
Interim dividend paid per share	*5.0p*	*4.0p*	*3.0p*	*2.0p*	*1.5p*
Final dividend proposed per share	*13.5p*	*11.0p*	*9.0p*	*6.5p*	*4.0p*
Total dividend per share	18.5p	15.0p	12.0p	8.5p	5.5p

What we do...

In this section we describe our business and the factors that contribute to our success.

Market-leading brands

Providing online derivatives trading to a global client base:

IG MARKETS

- Contracts for Difference (CFD) trading on forex, shares, indices, commodities and options, plus a full Direct Market Access (DMA) service
- Principal offices in London, Düsseldorf, Lisbon, Madrid, Melbourne, Milan, Paris and Singapore
- Clients in over 123 countries and a network of global partners

IG INDEX

- The largest and longest-running spread betting company in the world
- Spread betting on forex, indices, commodities, binaries and thousands of global shares
- Multi-award-winning and recently confirmed as UK market leader(i)

ONLINE® FX CFD BO

- CFD trading and margined forex
- Based in Tokyo, acquired by IG Group in 2008

nadex.com

- Nadex offers limited-risk derivative contracts on indices, commodities and forex as well as direct-access browser-based trading
- Futures brokers can now trade on Nadex following a change in regulatory designation in April 2010

extrabet.com

- Sports spread betting, fixed-odds, binaries and an online casino, all from one account

Focus on our clients

We are committed to providing our clients with a consistent, world-class service. In 2009, independent research by Investment Trends(i)(ii) confirmed IG Markets as the largest single provider of CFD accounts in the UK and Australia, while IG Index is the UK's largest spread-betting company.

A commitment to client education

The Group monitors a range of key performance indicators to ensure we continue to deliver high-quality client service and maintain our reputation for fair treatment of clients. This commitment includes educating clients throughout their trading life.

We provide all new clients with our established TradeSense education programme. TradeSense covers a number of key topics, and offers reduced trade sizes for the duration of the six-week course, promoting responsible trading and building client confidence.

We also offer a range of seminars, both online and at our offices, designed by our team of financial experts led by our Chief Market Strategist.

Award-winning business and recognised market leader

IG Group brands have been recognised with a number of awards. In 2009 IG Index was awarded Best Spread Betting Firm by Shares Magazine and Best Online Provider at the MoneyAM Online Finance Awards. Our cutting-edge charting package, DealThru Charts, was also recognised with the Best Online Product Innovation award.

(i) Investment Trends: '2009 UK Spread Betting and CFD Report' (November 2009).
(ii) Investment Trends: 'May 2010 Australia CFD Report' (July 2010).

What we do...
(continued)

Competitive and transparent pricing

We offer transparent prices that are competitively low, while maintaining our trademark quality of service and trade execution. Spreads on EUR/USD, for example, start at just one pip, while our commission rates start at 0.1% for UK equities.

New Smart Order Routing

During the year, we introduced Smart Order Routing to source prices from Europe's top three Multilateral Trading Facilities (MTFs): Chi-X, Turquoise and BATS. This provides our clients with greater liquidity and better prices. In addition to MTFs, we also source prices from major European exchanges, such as the London Stock Exchange and Euronext, in search of the narrowest market spreads. Our pricing is then derived from the best bid and offer prices to be found in the underlying market.

Advanced and robust technology

We provide our clients with a fast, reliable and secure trading environment. Over 45,000 clients use our trading platforms on a daily basis, utilising super-quick pricing and one-click dealing, and over 99% of all trades are executed automatically.

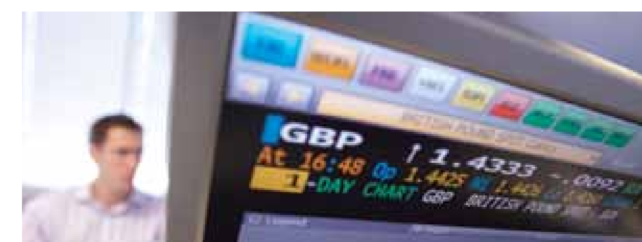
The PureDeal trading platform

Our in-house IT team has developed an award-winning trading platform to keep us at the forefront of the industry. Some of the platform's key features include:

- Fully customisable interface so clients can easily monitor their favourite markets
- Trading tools including Reuters news feeds, research and market analysis
- Extensive charting packages including real-time charts, in-built trading pattern software and DealThru Charts
- Mobile dealing on iPhone, BlackBerry and smartphones

Direct Market Access solutions

We offer Direct Market Access (DMA) through a choice of browser-based and downloadable platforms. DMA offers a number of advantages to traders, including the ability to trade straight into the order book of equity exchanges and view full market depth.



Financial strength

Since IG Index was established in 1974, our operations have expanded and we are now a global leader in online CFD trading and spread betting. We are a multinational organisation supporting over 120,000 clients worldwide who carry out millions of transactions per month.

The IG Group is built on solid financial foundations:

Constituent of the FTSE 250

IG Group is listed on the London Stock Exchange where it is a constituent of the FTSE 250. Our market capitalisation at 31 May 2010 was £1.4bn (2009: £0.8bn).

Client money protection

We adopt a best-practice approach to client money protection. We follow the client asset rules set by the UK's Financial Services Authority (FSA), **segregating all retail clients' funds** in 'client money' bank accounts, in contrast to a number of our competitors.

Risk management and corporate governance

IG Group has a strong and effective enterprise-wide risk management and corporate governance framework. Our centralised operating model allows our experienced management team to effectively control our global operations.

Capital resources

IG Group is strongly capitalised and highly cash generative. At 31 May 2010, consolidated regulatory capital resources represented 338.1% (2009: 253.3%) of capital resources requirement and total equity amounted to £474.6m (2009: £395.9m).

Partners and institutional business

In addition to our focus on the recruitment and servicing of direct retail clients, we also have a diversified base of over 370 global partners.

Partner relationships can take a number of forms:

- A third party introduces the client, but is not actively involved in the ongoing relationship.
- A third party has an ongoing involvement in the client relationship. This may be management of the underlying investment under a power of attorney, or more general relationship management. In some cases, all client contact is via the intermediary.
- A white-label arrangement is created where clients of a third party trade on our PureDeal platform, but under the third party's 'trading banner'.
- FIX is an industry standard protocol for systems connectivity that enables direct electronic access to our pricing and trade execution technology. This enables firms with their own trading platform to offer IG Group products.

Board of Directors

Jonathan Davie

Non-Executive Chairman, 63 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 Persimmon plc and Infrastrata plc and Chairman of First Avenue Partners, an alternatives advisory boutique.

Tim Howkins

Chief Executive, 47 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 the Group's audit. He then joined IG Group as Finance Director in 1999, and became Chief Executive in 2006. During the year, Tim was appointed as a Board Member of the Futures and Options Association.

David Currie

Non-Executive Director, 63 years old

David Currie (Lord Currie of Marylebone) was the founding Chairman of Ofcom, where he served from 2002 to 2009. He was also previously a non-executive director of Abbey National plc from 2001 to 2002; a founder and Chairman of the International Centre of Financial Regulation and Chairman of Independent Audit from 2003 until 2007. Between 2001 and 2007 David was the Dean of Cass Business School. Prior to that, at the London Business School, he was Deputy Dean, Professor of Economics, and headed the Centre for Economic Forecasting and the Regulation Initiative. He is currently a non-executive director of Royal Mail Holdings plc, the Dubai Financial Services Authority and the London Philharmonic Orchestra as well as Chairman of Semperium PPP Investment Partners.

Martin Jackson

Non-Executive Director, 61 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.

Steve Clutton

Finance Director, 49 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.

Peter Hetherington

Chief Operating Officer, 41 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 1994. He became head of financial dealing in 1999 and was appointed a director of IG Group in 2002, since when he has performed the role of Chief Operating Officer.

Andrew MacKay

Head of Asia Pacific, 44 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. Andrew was appointed a director of IG Group in 2003. Following the Group's acquisition of FXOnline in October 2008, Andrew moved to Tokyo to assume the role of Head of Asia Pacific.

Robert Lucas

Non-Executive Director, 47 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.

Nat le Roux

Non-Executive Deputy Chairman, 53 years old

Nat was Chief Executive of IG Group for four years before becoming Non-Executive Deputy Chairman in 2006. He initially joined the Group as Financial Dealing Director in 1992 after a career in futures broking and stock broking. Nat holds an MA in Law from Cambridge University and an MSc in Anthropology from University College London. He is an independent director of the London Metal Exchange.

Roger Yates

Senior Independent Non-Executive Director, 53 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 28 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, until November 2008. In June 2009, he also became a non-executive director of F&C Asset Management plc, and laterly, CEO of Pioneer Investments, a part of the UniCredit Group.

Strategy

Our strategy comprises four elements:

Maintaining market-leading positions

IG Group is the leading provider of CFD trading and spread betting products to retail investors, and our brands hold market-leading positions in the global markets in which we operate.

We seek to have a decisive retail market lead in every country in which we operate.

Expanding our global reach – directly or through partnership

The Group is committed to maintaining its strong global position and our strategy is to target new markets where we believe there is a sizeable long-term opportunity and regulations permit.

We believe CFD products have the potential to reach market penetration levels in most of the markets in which we operate similar to those seen in the UK and Australia, the Group's most developed markets. In addition, we also see significant further partnering opportunities, which complement our direct retail offer. Partnering can be used to develop business in countries where we do not currently have a local presence.

Delivering product and technological innovation

The Group has a culture of innovation and is at the forefront of the market in terms of product offering and technology platforms. Our trading platforms are based on award-winning technology and provide clients with state-of-the-art features in an easy-to-use way, while maintaining high levels of platform resilience and speed of trade execution.

Continuing high standards of client service

In addition to spread betting in the UK, the Group provides a complete CFD service to clients globally, including enhanced websites, dealing platforms, 24-hour customer support and telephone dealing in 11 languages. The key focus of our customer service strategy is the ability to treat clients fairly and deliver a superior customer experience. For higher frequency trading clients, we offer access to a nominated sales trader.

IG Group businesses offer near-instantaneous execution, with around 99% of client orders accepted automatically.

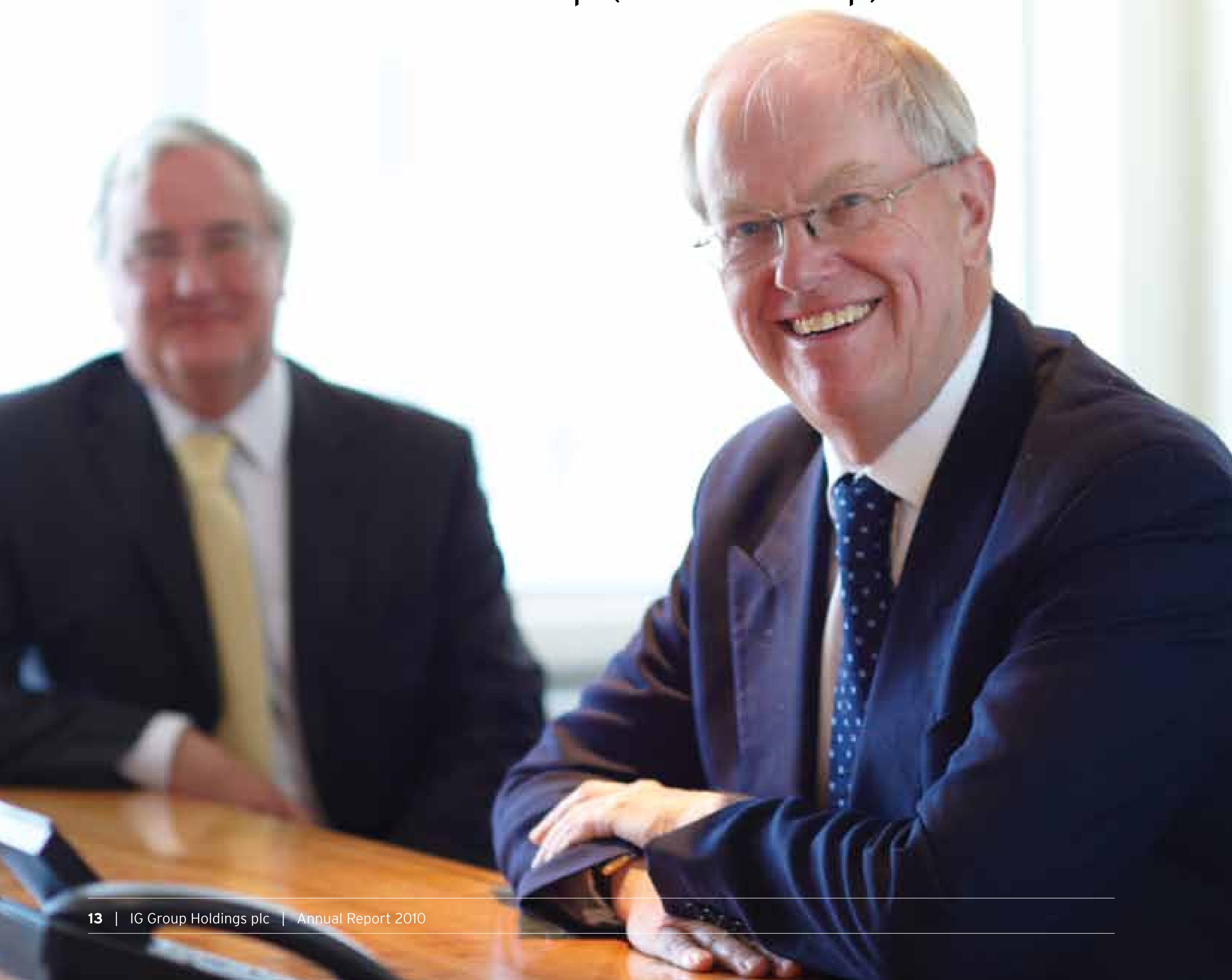
Key Performance Indicators (KPIs)

IG Group's Board of Directors and senior management utilise both financial and non-financial KPIs to monitor performance. These are described in this section, with the actual results for the financial year discussed in the Operating and Financial Review on page 19.

KPI	Description of KPI and how we use it
Financial	
Trading revenue	Represents revenue from commissions, spreads and financing on client trades, net of gains and losses on positions entered into by the Group to hedge open client positions in our Financial or Sport businesses.
Adjusted profit before taxation	This is used as a measure of underlying business profitability. It also facilitates year-on-year profitability comparison. It is calculated as profit before taxation excluding amortisation and impairment of intangible assets arising on consolidation.
Adjusted profit before taxation margin	This is calculated as adjusted profit before taxation expressed as a percentage of trading revenue and facilitates year-on-year performance comparison, as well as against the performance of our peer group.
EBITDA	EBITDA represents operating profit before depreciation, amortisation of intangible assets, amortisation and impairment of intangibles arising on consolidation and amounts written-off property, plant and equipment and intangible assets.
EBITDA margin	EBITDA margin is used by the Group to assess the relative performance of our regional businesses. It is expressed as EBITDA as a percentage of trading revenue.
Adjusted diluted earnings per share	The Group seeks to maximise the growth in earnings per share over time in order to maximise shareholder value. Our long-term incentive plans (LTIPs) and Directors' bonuses are linked to growth in adjusted diluted earnings per share and growth in our share price. Adjusted basic earnings per share is calculated by dividing the profit for the year (before amortisation and impairment of intangibles arising on consolidation and related tax adjustments) 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 Group and held as own shares in employee benefit trusts. Adjusted diluted earnings per share is calculated using the same profit, but adjusts the weighted average number of ordinary shares outstanding to assume conversion of all dilutive ordinary shares arising from share schemes. A reconciliation to statutory earnings per share is included in note 12 to the Financial Statements.
Regulatory capital adequacy	Monitoring our regulatory capital adequacy is key to satisfying regulatory requirements. This KPI is calculated as our consolidated capital resources expressed as a percentage of our 'Pillar 1' consolidated capital resources requirement (calculated under the rules of the UK's Financial Services Authority).
Total available liquidity	Total available liquidity is the total of net working capital and undrawn facilities. This is analysed further in the Operating and Financial Review section on page 29.
Client	
Average revenue per financial client	Average revenue per client comparisons provide useful indicators of business development on a total and geographical basis. It is calculated as total trading revenue (excluding Sport revenue) divided by the number of financial clients dealing.
Number of financial clients dealing	Number of financial clients dealing represents the total number of financial clients who have opened a trade in the financial year. The number of clients dealing is a key driver of revenue growth and reflects the underlying growth of the business. Although year-on-year comparisons of this KPI can be distorted during sustained periods of high financial market volatility, these provide useful indicators of business development on a total and geographical basis.
New financial client account openings Number of new financial accounts dealing for the first time	Over the medium and long-term, the growth of our client base is a key driver of revenue growth. The number of accounts opened and the number of accounts dealing for the first time are leading indicators of future prospects. These are analysed on both a total and a geographical basis.
Client service	The Group monitors a range of client service metrics to ensure that we continue to maintain a high level of client service.

Chairman's Statement

It is my pleasure to make this annual statement after another record year for the Group. Our annual revenue has increased 16.1% to £298.6m (2009: £257.1m), whilst adjusted diluted earnings per share increased 24.4% to 30.77p (2009: 24.74p).



As I made clear last year, we have focused on the further development of our established and newer businesses, and improving our performance in Japan. Our aim is that many of our newer markets should ultimately reach the scale and performance that we have achieved in the UK and Australia.

We continue to evaluate the opportunity to enter new markets and, to this end, we have opened offices in Portugal, Sweden and China (representative) in the past year. We continue to focus on investment in high quality dealing platforms, a broad range of products and excellent customer service provided to our expanding client base.

At the forthcoming AGM, your Board will recommend the payment of a final dividend of 13.5p per share. This will bring the total dividend for the year to 18.5p, an increase of 23.3% on last year. This represents approximately 60% of our adjusted earnings for the year, which is consistent with the policy that the Board announced three years ago.

Board evaluations

In our previous financial year, your Board decided to commission the Institute of Chartered Secretaries and Administrators (ICSA), an external consultant, to conduct a full evaluation of the Board in accordance with Principle A.6 of the Combined Code on Corporate Governance. Your Board does not consider it necessary to undertake such an external review every year and this year have performed our review of performance internally.

Following on from the recommendations made by the ICSA and this year's internal review, I believe that we will continue to make ongoing improvements to ensure the Board continues to operate effectively in the coming year.

Remuneration

One matter which remains at the top of many investor agendas is that of remuneration. As I mentioned in my Chairman's Statement last year, following consultation with some of our larger shareholders, we agreed that the Remuneration Committee, under the Chairmanship of Roger Yates, our Senior Independent Director, should undertake an annual review of the pay of all Executive and Non-executive Directors.

We have again consulted with many of our leading shareholders about the increases which are set out in the Directors' Remuneration Report. We continue with an element of deferral in the bonus structure, reflecting the UK's Financial Services Authority's guidance on best practice and in line with our commitments in previous reports.

In light of feedback from some of our shareholders that they would prefer an element of relative rather than absolute share price performance in our long-term incentive schemes, we have designed a new long-term incentive scheme, which will be put to shareholders for approval at the AGM. The new scheme enables Executive Directors and senior staff to share in the creation of shareholder value, over and above the total shareholder return of the FTSE 350 Financial Services Index, and a 12% compound growth in adjusted profit before tax. We believe that this new scheme provides greater alignment of long-term management incentives with shareholder interests. Further details of this proposed scheme are set out in the Directors' Remuneration Report.

Board composition

I am very pleased to welcome David Currie to the Board to replace Sir Alan Budd who has become the Chairman of the Office of Budgetary Responsibility.

Your Board is very fortunate to have found David, an excellent replacement for Sir Alan Budd, whose wisdom and guidance will be missed. David has considerable knowledge of financial markets and extensive government experience. He has advised two Conservative Chancellors and three Labour Shadow Chancellors. He is presently Chairman of the International Centre for Financial Regulation, a Non-executive Director of the Royal Mail and Chairman of Semperium Investment Partners.

As I mentioned in my statement last year, the Board has also commenced a search for an additional independent non-executive director who will further extend the range of skills and experience possessed by the Board. We very much hope to be able to make an announcement on a new appointment prior to our AGM. Rob Lucas has expressed a desire to step down from your Board at this year's AGM, due to his substantial commitments as the Senior Partner of CVC (Europe). Your Board has accepted Rob's decision with understanding and regret.

Rob will be a great loss to our Board and we thank him for all the insights, professionalism and wisdom that he has imparted to us over the past seven years.

The effect of Rob's retirement and the anticipated arrival of a new independent non-executive director means that we will have made substantial progress towards becoming more compliant with Code Provision A.3.2 of the Combined Code.

As previously announced, Steve Clutton, who has been Finance Director for the last four years, will be leaving the Group shortly, having effected an orderly handover of his responsibilities. The search for his successor is underway. We have enjoyed working with Steve and thank him for his significant contribution in managing the Group's impressive growth over the last four years. We wish him well for the future.

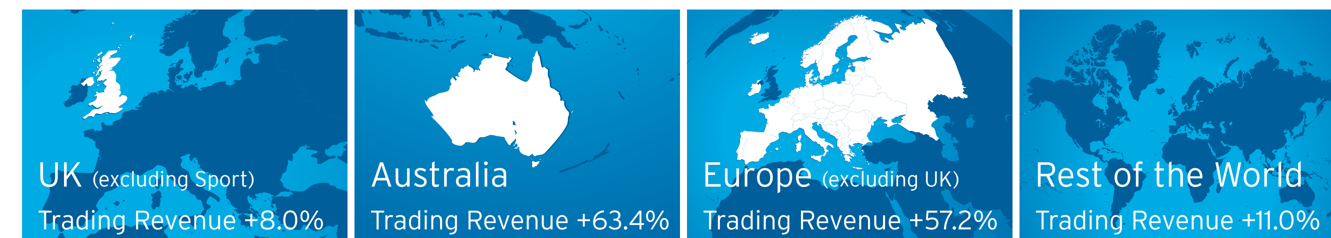
Our results of the past year could not have been achieved without the dedication and skill of all our employees throughout the world. I and my fellow Directors would like to express our thanks to them all for their personal contributions to these excellent results.

I and all my colleagues look forward to working towards another successful year for the Group and all its shareholders.

Jonathan Davie, Chairman
20 July 2010

Chief Executive's Review

Our strategy has two key elements – continuing to grow our existing businesses whilst also extending our global reach. We continue to make good progress on both fronts.



It is now five years since our Initial Public Offering. At that time, in the year to 31 May 2005, our total trading revenue was £62m and Australia, our only office outside the UK, accounted for only 6% of revenue. Over the intervening five years, we have grown trading revenue almost five-fold to £298.6m, we now have offices in 14 countries and almost half of our revenue comes from outside the UK. We have continued to achieve strong growth in the UK, with the trading revenue of our UK financial business growing more than three-fold from less than £52m in 2005 to over £162m in 2010. Both Australia and mainland Europe are now substantial businesses. In the year to 31 May 2010, they achieved revenues of £45.7m and £47.4m respectively. With the highest growth rates in the Group, they are both rapidly approaching the scale that our UK financial business had at the time of our IPO.

Performance of our main business units

The UK is our longest established business. In the previous financial year, we suffered a loss of clients in the extreme volatility of October 2008 and it was a satisfactory achievement that revenue in the first half of this year was flat, reflecting the rebuilding of our client base. Once the anniversary of October 2008 was behind us, year-on-year growth resumed and in the second half of the year, we grew revenue by 18%.

Our Australian business was established eight years ago. It achieved very strong growth this year with revenue increasing by 63.4% from £27.9m to £45.7m. We are the largest retail CFD firm in Australia and recent market research indicates that we have opened up a decisive market lead during the year.

Revenue from our European offices also grew rapidly, up 57.2% from £30.2m to £47.4m. Our main European businesses in Germany, Italy, France and Spain were established between two-and-a-half and four years ago, and all of these markets are therefore at a very early stage and still growing rapidly. Germany is the most established of these markets and achieved the highest growth rate this year.

Our Japanese business made a good recovery in the final quarter of the year, vindicating our strategy of re-positioning the business to appeal more to established traders. There remains much to be done in Japan, where we face a challenging competitive and regulatory environment. The first of a number of leverage restrictions comes into force at the beginning of August and it is inevitable that this will have an immediate adverse impact on our revenues. We are doing what we can to mitigate this impact.

A significant proportion of our partners business comes from advisory brokers who are interested primarily in equity markets. As a result, our partners business grew strongly this year driven by the equity market rally and revenue was up 41.6%. Partners accounted for 16.3% of our trading revenue, compared to 13.4% in the previous year.

A more detailed analysis of our financial performance is set out in the Operating and Financial Review on page 19.

International expansion continues

We have continued with our strategy of international expansion. We opened an office in Sweden in August 2009 and commenced marketing into New Zealand from our Australian office in October 2009. Shortly after the year-end, we opened an office in Portugal, a country which we were previously marketing into from our office in Spain. These new ventures are all making encouraging progress. We continue to evaluate new countries and expect to open an office in at least one additional country during the coming year.

During the year, we also opened a representative office in Beijing. As I indicated in January, this is a long-term opportunity and we do not expect to generate material revenue from China in the short or medium term.

We have exchanged contracts on the acquisition of the business of Ideal CFDs, our white-label partner in South Africa and will complete shortly. The consideration is £1.6m for the business and the vendor will retain a 20% interest in our South African business, which is subject to call and put options in 2013. This is an interesting emerging market and the financial performance of Ideal to date has been all the more impressive because it has been achieved with minimal marketing expenditure. With the resources of the Group behind them, I am hopeful that we can build a more substantial business in South Africa over time.

Chief Executive's Review
(continued)

The US

At the start of the year we re-named HedgeStreet, our CFTC-regulated exchange in the US, as Nadex (the North American Derivatives Exchange). Nadex now offers exchange-traded options and futures over forex, equity indices and commodities as well as some 'event' markets such as economic indicators. Our strategy for Nadex is for the majority of clients to trade on it through brokers. Our own broker, IG Markets Inc, is already connected to the exchange and giving its clients access to it, but has only a small client base. Before other brokers with much larger client bases can be added, the software firms which provide their trading platforms and back office solutions must connect their technology to Nadex. Some of this integration work is already underway, but it is likely to be a few months before the first brokers are able to start offering Nadex products to their clients. I believe that the ultimate potential of Nadex could be significant, but this will not be achieved overnight and we are likely to see the business build steadily over the next few years.

Our client offering

Over the last fifteen months, we have been progressively improving our product offering. This began towards the end of our previous financial year with the introduction of variable spreads on forex, making our forex offering much more competitive. We then enhanced our shares offering with the introduction of tiered-margin rates, enabling us to reduce margin rates for the vast majority of our clients. More significantly, we have connected to the main European Multilateral Trading Facilities, or MTFs, enabling us to pass on to our clients the benefit of the tighter spreads on UK and European shares. We believe we are currently the only spread betting or retail CFD firm connected to these MTFs and that this makes our pricing significantly more attractive than that of our competitors. Finally, in the second half of the year, we improved our equity index offering in Germany, the UK and Australia by cutting our spreads on the main equity indices. This has positioned us more competitively and has driven significant increases in volume. Over the longer term, we anticipate it driving further market share gains in these markets.

We are continually developing our award-winning trading platforms. In a few days we will release a new iPhone App for our UK spread betting business, which will be available free from Apple's App Store. This App provides full dealing functionality for clients and gives non-clients access to a selection of live prices, which we hope will make it a useful client recruitment tool as well as a valuable trading platform. A CFD version of the App will follow shortly.

Investment in IT development

Maintaining our product and technological lead over our competitors is key to the Group's continued success. The major part of our IT development is carried out in-house by our dedicated development team. We continue to increase our investment in this key area and at the year-end, 184 staff (2009: 161) were involved in IT development, equivalent to 21% of our total year-end employee headcount (2009: 20%).

New London headquarters

Next month we will be moving to new headquarters in the City of London. This will give us over 50% more space than our current offices and a much better working environment. More importantly we will initially all be on just two adjacent floors, enhancing internal communication and leading to further operating efficiencies.

We run regular seminars in our offices and hope that many of our clients will take the opportunity to visit our new London headquarters in the coming months for one of these seminars. We also welcome visits from our institutional shareholders, believing that time spent on our dealing floor can be helpful in understanding how our business operates.

Regulation

Our UK regulator, the FSA, has recently published a consultation paper on the treatment of client money. We give all of our retail clients in the UK and Europe full client money protection. In contrast, a number of our competitors do not fully protect client money, so that their clients may be at risk of financial loss should the firm fail. We have always taken our responsibility to protect client money extremely seriously and I am delighted that the FSA has indicated an intention to force our competitors to adopt the same high standards that we adhere to. A similar situation exists in Australia, where most of our competitors do not afford their clients the same full client money protection that we do. I am hopeful that our Australian regulator, ASIC, will also enforce strict client money rules in due course.

Current trading and outlook

We are well placed competitively and have extended our market lead in several of our key markets over the last year. We have demonstrated continued growth from our UK business and strong growth from both Europe and Australia, which are now businesses of significant scale. These businesses should all continue to deliver good levels of growth, underpinned by strong account opening. In the longer term, we have a significant opportunity in the US with Nadex.

The new financial year has started well, with the elevated volatility levels of May continuing into early June and helping to stimulate client activity. It remains difficult, however, to predict future trends in volatility or client reaction to changing market and economic conditions.

I look forward to the coming year with confidence.

Tim Howkins, Chief Executive
20 July 2010

Operating and Financial Review

This section reviews the Group's operating performance and financial results for the year.

Introduction

This Operating and Financial Review (OFR) has been prepared solely to provide additional information to shareholders to assess our strategies and the potential for those strategies to succeed. The OFR should not be relied on by any other party or for any other purpose.

The OFR contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report. Such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The Directors, in preparing the OFR, have sought to comply with the guidance set out in the Accounting Standards Board's Reporting Statement: Operating and Financial Review. The Directors also believe they have adequately discharged their responsibilities under Section 417(3) of the Companies Act 2006 in providing this business review.

Our Strategy and Key Performance Indicators are described on pages 9 to 12, and our business risks and their mitigation described on pages 33 to 38.

Critical accounting estimates and judgements made, together with new and amended accounting standards adopted in the preparation of the Financial Statements, are set out in note 2 to the Financial Statements.

Our business and products

The Group operated in two principal areas of activity throughout the year: Financial and Sport. Further information on our business and our competitive advantage is included in the What we do section on pages 3 to 6.

Financial

- Contracts for Difference (CFDs) and spread bets on equities, equity indices, commodities, forex, interest rates and other financial markets.
- CFDs and spread bets on options and binary options on certain of these markets.
- The operation of a regulated futures and options exchange.

Sport

- Spread bets and fixed-odds bets on sporting and other events and the operation of an online casino.

Competitive environment

We enjoy leading positions in many of the markets in which we operate, markets that experience high degrees of competition.

We have often been the first entrant in a number of new countries, and we embrace competition as it serves to expand the overall market by increasing awareness of the CFD product.

We have continued to deliver growth through all stages of the economic cycle, achieving strong financial performance, high margins and strong cash generation.

Regulatory environment

Our products have several key features which make them higher risk from a retail client's perspective: our products are not listed on any exchange and are not assignable or tradable with any other third party; our products are derivatives and are therefore complex in nature; and our products are leveraged meaning risk to a client's equity is increased.

As such, we need regulatory authorisation to conduct our business in all of the jurisdictions in which we operate. Regulatory compliance is vitally important for our business and we invest a significant amount of resources to ensure that we comply with both the letter and the spirit of the regulations that govern our global business.

The recent financial crisis and subsequent economic downturn has increased regulatory scrutiny on firms within the financial services industry, and there are currently a number of different policy initiatives and proposals being discussed that may impact our sector. Examples of such upcoming changes are:

- In Japan, the Financial Services Agency has announced leverage limits on forex trading, equity CFDs and index CFDs. We already operate under existing leverage limits in certain jurisdictions (e.g. Singapore) which has not had a material impact on the popularity of the CFD product.
- The European Commission is considering regulations on the clearing of OTC derivatives, aimed at bringing the G20's proposed OTC reforms into effect. The aim of these new regulations is to reduce systemic risk. We will monitor any proposed legislation and maintain dialogue both directly and via industry associations with the European Commission.
- The FSA has recently issued revised guidelines on how spread betting and CFD firms must protect client money. We already protect our clients' money to the full extent of these regulations and therefore these new guidelines will not impact our business. The new guidelines may, however, have an impact on the competitive landscape of the UK CFD and spread-betting industry.

We therefore operate in a dynamic financial services industry experiencing constant regulatory change and development. We work closely with our regulators to ensure both that we operate to the highest regulatory standards and that we can adapt to regulatory change, however, we can provide no certainty that potential regulatory changes will not have an adverse impact on our business.

Operating and Financial Review
(continued)

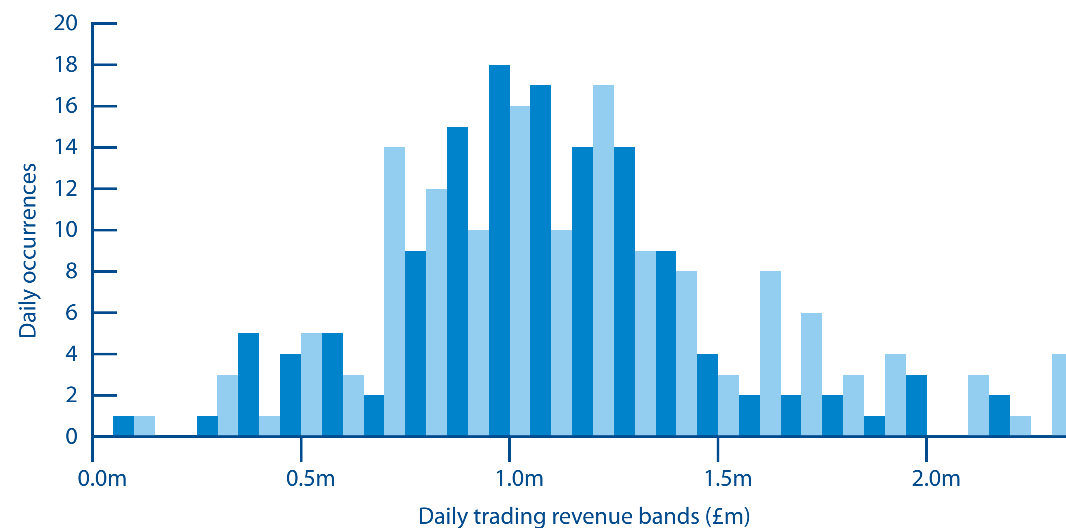
Macro-economic environment

Market conditions, which influence clients' propensity to trade, were mixed. The start of the year benefited from continued strengthening of equity markets, which encouraged clients to trade equity CFDs and spread bet through the first half of the financial year. This was followed by a period of range-bound markets with a tail-off in volatility, resulting in a reduction in client activity. The year ended strongly, with higher client activity boosted by increased volatility levels in both equity and forex markets.

Low volatility of trading revenue

We do not take proprietary market positions based on the expectation of market movements and this is a significant contributory factor to trading revenue stability. This is discussed further in the Our Business Risks section on page 33.

The stability of our revenue is illustrated in the chart below, which shows the distribution of daily trading revenue during the financial year. The Group did not experience a single day of negative trading revenue during the financial year (2009: nil days).



How did we perform against our strategy?

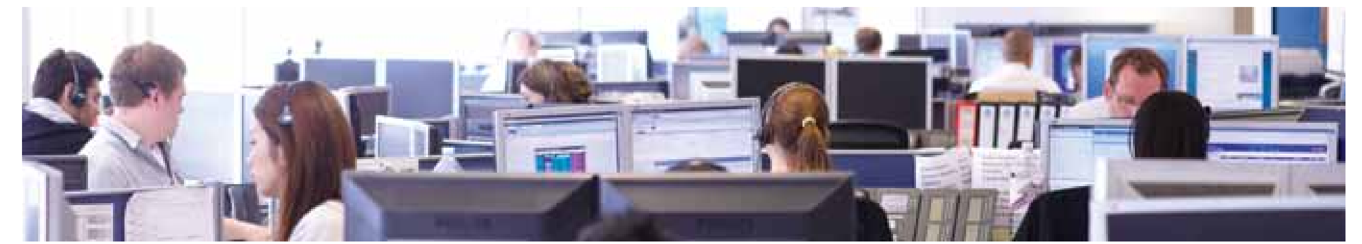
Our strategy is detailed on pages 9 and 10. In this section, we describe how we performed against the key elements of our strategy.

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

Maintaining market-leading positions

We are the market-leading CFD provider in a number of the countries in which we operate, as well as being recognised as the market leader in the UK financial spread betting market.

Independent research[(i)(ii)] confirmed our market-leading positions in the UK and Australia. The UK, our most established market, continues to show good growth evidenced by client recruitment averaging over 3200 new clients per month, an increase of 3% on the prior year, a year which had benefited from periods of extreme volatility. In Australia, we gained a market-leading position as the primary account provider for active CFD traders.



We also remain the clear market leader in several other markets including France, Spain and Italy and are challenging the current market leader in Germany.

Progress in other markets was positive. In Japan, FXOnline faced a challenging competitive environment of reduced spreads and aggressive marketing but responded by repositioning its brand. This was achieved by an increased focus on the quality of our trade execution and the introduction of our wide range of CFD and binary products to the Japanese market, a retail market traditionally focussed on forex trading. This revised strategy achieved positive returns, particularly in the second half of the financial year.

Although leverage restrictions are to be introduced on retail forex and equity CFD trading in Japan, it remains a significant market opportunity for the Group. Research[(iii)] on the Japanese online forex market undertaken in 2009 highlighted our very high rate of order execution, in contrast to that of our competitors. This research confirmed that the 'real' spread paid by our clients is extremely competitive in comparison to our competitors, who tend to advertise lower spreads, but are often unable to fill client orders at their advertised spreads or prices.

Expanding our global reach – directly or through partnership

We now have offices in 14 countries, with clients located in over 123 countries worldwide.

The Group continues to expand its non-UK office client base and in the year ended 31 May 2010, revenue from these clients grew to 43.6% of total trading revenue (2009: 38.0%). International expansion continues with new offices opened in Sweden and Portugal, key developments in the Scandinavian and Iberian markets. We also commenced marketing in New Zealand and opened a representative office in China.

The Group has exchanged contracts to acquire the business of Ideal CFD Financial Services (Pty) Limited, a South Africa based introducing broker of the Group. This acquisition will further strengthen our position in this high-growth market.

The Group continues to develop its partners business, seeing 41.6% growth in revenue this year. For example, during the year, we announced a partnership alliance with Monex Inc, one of Japan's major online financial services brokers.

We also further enhanced our Partners website dedicated to highlighting the benefits of partnering with us through our range of partnership models (see the What we do section on page 3).

White-labelling opportunities (where our products are branded and distributed in the name of third parties) continue to extend the reach of our products.

In the US, we are now allowed to admit futures brokers to the membership of our Nadex Exchange (prior to this, Nadex was only permitted to admit retail clients for membership).

Delivering product and technological innovation

During the year, we introduced our Autochartist pattern recognition tool, which automatically alerts clients to customisable charting patterns and trading opportunities. We will launch a new iPhone App for our UK spread betting business in the near future, and a CFD version of the App is expected later in 2010.

The Group's clients gained access to the best prices from Europe's top three Multilateral Trading Facilities (MTFs), namely Chi-X, Turquoise and BATS. In January 2010, for example, they accounted for almost 39% of total FTSE 100 liquidity.

Continuing high standards of client service

Our commitment to client service has been recognised in recent surveys[(i)(ii)] and we endeavour to maintain the highest levels of client service.

We monitor a range of KPIs covering client service and 'treating customers fairly' standards in support of this.

(i) Investment Trends: '2009 UK Spread Betting and CFD Report' (November 2009).
(ii) Investment Trends: 'May 2010 Australia CFD Report' (July 2010).
(iii) Yano Research Institute.

Operating and Financial Review (continued)

Key performance indicators (KPIs)

As described on pages 11 and 12, we utilise both financial and client KPIs to monitor and control our business performance. A five-year summary of these KPIs is shown on page 2.

Financial KPIs are discussed in the Financial Review section and client KPIs in the Client KPIs section.

Financial review

Group income statement (adjusted)

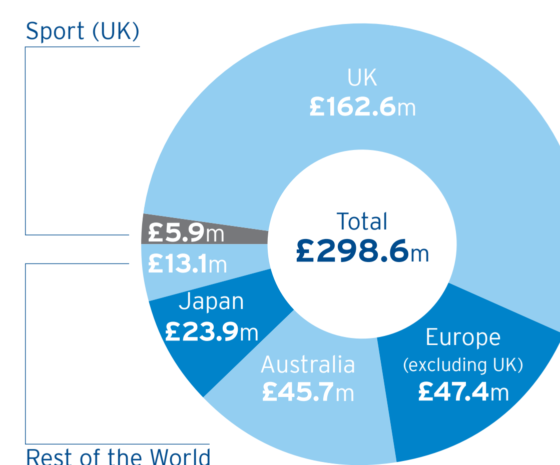
£000	2010	2009
Trading revenue	298,551	257,089
Interest income on segregated client funds	5,791	12,888
Revenue	**304,342**	**269,977**
Interest expense on segregated client funds	(321)	(5,288)
Betting duty	(4,298)	(7,223)
Net operating income	**299,723**	**257,466**
Recovery / (impairment) of trade receivables	1,064	(18,168)
Other administrative expenses	(143,500)	(114,635)
Adjusted operating profit	**157,287**	**124,663**
Finance revenue	2,664	2,887
Finance costs	(2,312)	(1,678)
Adjusted profit before taxation	**157,639**	**125,872**
Tax expense	(46,120)	(38,744)
Adjusted profit for the year	**111,519**	**87,128**
Adjusted diluted earnings per share	*30.77p*	*24.74p*

The Group Income Statement (adjusted) shown above and the calculation of adjusted diluted earnings per share exclude amortisation and impairment of intangibles arising on consolidation (and corresponding deferred tax adjustment), which are included in the statutory Group Income Statement shown on page 60.

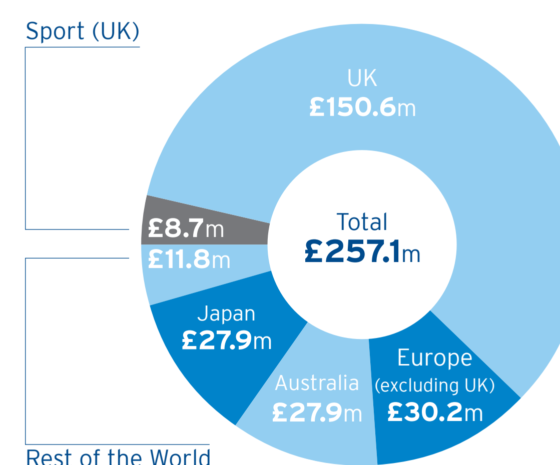
Trading revenue

The geographical split of trading revenue for the financial years ending 31 May 2010 and 2009 is shown in the following charts:

2010 Trading revenue
split by geographical region



2009 Trading revenue
split by geographical region



Total trading revenue for the year reached £298.6m (2009: £257.1m), an increase of 16.1%, reflecting continued growth in many of our markets. As discussed previously, whereas the previous financial year benefited from periods of extreme volatility, market conditions were more mixed during the year. The start of the year saw rising equity markets which gradually settled to a period of range-bound market movements. Towards the end of the financial year, we benefited from an increase in volatility in both forex and equity markets. Volatility boosts client activity, trading revenue and new client account opening rates.

On a like-for-like basis (excluding the impact of FXOnline which was acquired in October 2008), financial trading revenue grew by 21.9%.

The UK financial business continues to deliver solid growth, up 8.0% on the previous year, which had benefited significantly from periods of extreme volatility and high levels of client activity.

Although Australia's 63.4% trading revenue growth benefited from the strength of the Australian dollar, it mainly reflects the continued growth opportunity in one of our most established markets.

Europe (excluding the UK) delivered strong growth of 57.2%. All of the offices contributed to this growth, with the strongest growth seen in Germany.

The trading revenue of FXOnline in Japan fell to £23.9m (2009: £27.9m (8 months)). The business faced a very challenging competitive environment and re-focussed its strategy to attract higher value clients with an emphasis on execution quality and introducing the Group's range of CFD contracts to the Japanese market. Following this, FXOnline delivered sequential revenue growth in each of the last four months of the year.

Rest of World comprises our Singapore and USA businesses, which together saw revenue growth of 11.0%.

Overall, 43.6% of trading revenue was generated by non-UK offices (2009: 38.0%), which reflects our expanding geographic reach.

The trading revenue of our sport business fell 32.2% compared to the prior year and accounted for 2.0% of our total trading revenue (2009: 3.4%).

£48.7m of the total trading revenue (2009: £34.4m) was derived from our partners business, with particularly strong growth seen in the UK, Europe and Australia.

Operating and Financial Review
(continued)

Financial review (continued)

Impairment of trade receivables

The development of our close-out monitor, the introduction of tiered-margining, and lower volatility during the financial year, all contributed to a significant reduction in the level of doubtful debt provision and write-offs from £18.2m in the previous year, to a net recovery of £1.1m. These processes are described in detail in note 34 to the Financial Statements on page 108.

Other administrative expenses

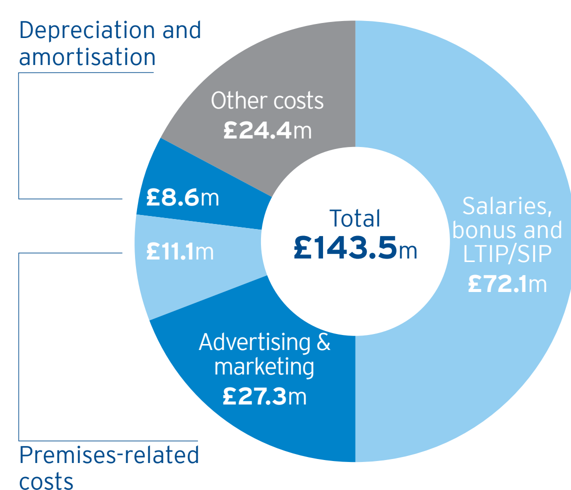
Other administrative expenses excluding amortisation and impairment of intangible assets arising on consolidation, increased by 25.2% to £143.5m (2009: £114.6m) and these are analysed in the charts below:

Employee remuneration costs increased to £72.1m (2009: £54.1m), with £11.7m of this increase a result of enhanced bonus payments driven by improved overall group financial performance. An increase in average number of employees to 828 (2009: 761) also contributed to the increase in our total compensation ratio (i.e. total employee remuneration expressed as a percentage of total trading revenue) to 24.1% (2009: 21.0%).

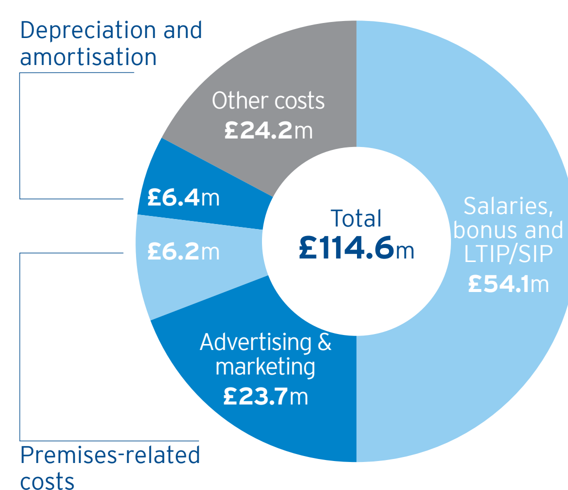
The increase in advertising and marketing costs of £3.6m reflects initiatives to maximise the recruitment, conversion and retention of clients globally.

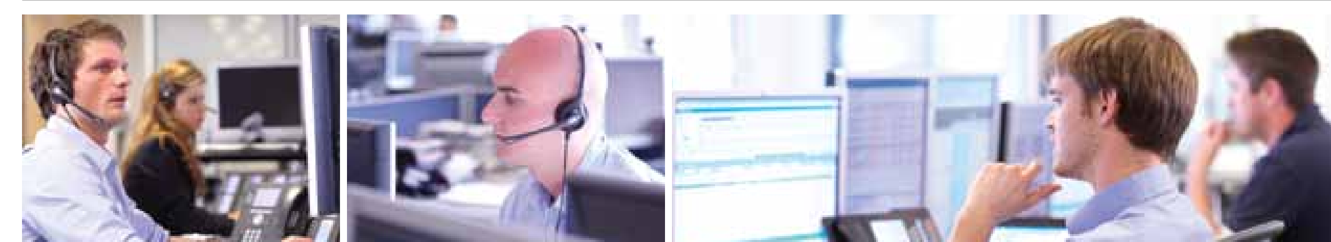
Premises-related costs increased by £4.9m to £11.1m (2009: £6.2m), reflecting exceptional costs of £4.4m (2009: £nil) in relation to the relocation of our London headquarters in 2010 and the opening of offices in Sweden and Portugal. A further £0.5m of exceptional costs arose from accelerated depreciation, also as a result of this relocation.

2010 Other administrative expenses



2009 Other administrative expenses





Adjusted profit before taxation

Adjusted profit before taxation increased to £157.6m (2009: £125.9m), a 25.2% increase on the previous year.

Taxation expense

The effective tax rate (i.e. tax expense, excluding deferred tax adjustments resulting from amortisation of intangibles arising on consolidation, expressed as a percentage of adjusted profit before taxation) fell to 29.3% (2009: 30.8%), principally reflecting an increased proportion of profits flowing from lower corporation tax rate jurisdictions.

EBITDA margins

In contrast to adjusted profit before taxation discussed above, which is used to assess overall group performance, we use EBITDA primarily to assess the regional performance of our business (see note 4 to the Financial Statements ('Segment Information') on page 75). Adjusted operating profit in the Group Income Statement is reconciled to EBITDA in the following table:

£000	2010	2009
Adjusted operating profit	157,287	124,663
Depreciation	6,175	5,402
Amounts written off property, plant and equipment and intangible assets	49	37
Amortisation of intangible assets	2,430	984
EBITDA	**165,941**	**131,086**

EBITDA increased to £165.9m (2009: £131.1m) driven by the increase in trading revenue and the significant improvement in the level of impairment of trade receivables. EBITDA margin (EBITDA expressed as a percentage of total trading revenue) increased to 55.6% (2009: 51.0%).

The following table summarises EBITDA margin by region:

£000	2010	2009
UK (including Sport)	63.4%	55.3%
Australia	60.0%	59.6%
Europe (excluding the UK)	45.7%	40.9%
Japan	27.4%	41.4%
Rest of World	27.1%	21.0%
Group	**55.6%**	**51.0%**

The UK and Australia, being our more established markets, currently enjoy higher EBITDA margin levels than our other regions. In Europe, for example, markets are in their infancy, and while these businesses reach operating profitability quickly, initially they have depressed EBITDA margins, as marketing and other fixed costs are initially high relative to trading revenue.

Operating and Financial Review
(continued)

Financial review (continued)

Dividend policy

The Board has adopted a progressive dividend policy, which reflects the long-term earnings and cash flow potential of the Group.

Our dividend payout target is in the region of 60% of adjusted profit after tax. This policy will be kept under review, but our current intention is to pay out a similar proportion of adjusted earnings in the future.

The Board has recommended a final dividend of 13.5p, to bring the total dividend for the financial year ending 31 May 2010 to 18.5p (2009: 15.0p).

Group Statement of Financial Position

£000	2010	2009
Non-current assets		
Property, plant and equipment	9,632	11,632
Intangible assets arising on consoliation	261,452	256,824
Intangible assets arising from software and licences	3,876	3,783
Deferred tax assets	14,264	7,562
	289,224	279,801
Current assets		
Trade receivables	206,243	183,085
Prepayments and other receivables	7,084	4,928
Cash and cash equivalents	678,564	520,421
	891,891	708,434
Total assets	**1,181,115**	**988,235**
Current liabilities		
Trade payables	608,140	511,656
Other payables	44,825	27,326
Provisions	1,377	-
Income tax payable	38,863	36,560
	693,205	575,542
Non-current liabilities		
Deferred tax liabilities	11,463	16,740
Provisions	1,779	-
Redeemable preference shares	40	40
	13,282	16,780
Total liabilities	**706,487**	**592,322**
NET ASSETS	**474,628**	**395,913**
Capital and reserves		
Equity share capital	18	18
Share premium	206,246	206,246
Other reserves	79,742	45,281
Retained earnings	185,443	141,819
Shareholders' equity	**471,449**	**393,364**
Minority interests	3,179	2,549
TOTAL EQUITY	**474,628**	**395,913**

Non-current assets

As discussed in the Chief Executive's Review, the Group continues to invest in technology and IT development to enhance our capacity and resilience, which are critical to the success of our business. During the year, we also invested £4.1m in property, plant and equipment (2009: £5.1m) including £1.6m in relation to our new London headquarters. Depreciation charged during the year amounted to £6.2m (2009: £5.4m).

At the year-end, intangible assets arising on consolidation totalled £261.5m (2009: £256.8m). This comprises goodwill of £234.2m (2009 £217.0m), primarily arising on the acquisition of IG Group Plc and its subsidiaries in 2003, the acquisition of FXOnline Japan KK in 2008 and £27.3m (2009: £39.8m) in respect of other intangible assets (namely trade name, client lists and customer relationships) arising on the acquisition of FXOnline.

As detailed in note 17 of the Financial Statements, goodwill is subject to an annual impairment review and no impairments have been identified as a result of this review (2009: £nil).

FXOnline trade name and customer relationships are amortised over their useful lives of two and five years respectively. Amortisation charged in the year amounted to £17.3m (2009: £14.6m).

Intangible asset additions during the year amounted to £2.4m (2009: £2.1m) and relate to the acquisition of licences and software and the capitalisation of internal software development costs relating to client trading platform development.

Operating and Financial Review
(continued)

Financial review (continued)

Total available liquidity

At 31 May 2010, the Group had committed facilities with Royal Bank of Scotland Group plc and Lloyds Banking Group plc totalling £160.0m (2009: £120.0m) – neither of these facilities were drawn down during the financial year.

The following table summarises the Group's working capital and liquidity as at 31 May 2010:

£000	2010	2009
Amounts due from brokers	203,714	178,261
Amounts due from clients	2,529	4,824
Cash and cash equivalents	678,564	520,421
Amounts due to clients	(608,140)	(511,656)
Other net current liabilities	(77,981)	(58,958)
Net working capital	**198,686**	**132,892**
Undrawn committed facilities	160,000	120,000
Total available liquidity	**358,686**	**252,892**

Total available liquidity therefore increased by £105.8m at the year-end.

Amounts due to and from clients include unrealised profits and losses on clients' open positions, realised profits or losses on closed positions as well as cash balances on clients' accounts. We hedge the vast majority of financial business clients' open positions. Amounts due from brokers represent cash or treasury bills placed with counterparties in order to provide initial and variation margin to support these positions.

Cash flow

The following table summarises the Group's cash flow during the year, excluding the effect of foreign exchange gains on cash and cash equivalents.

£000	2010	2009
Net cash flow from operating activities	186,648	56,759
Net cash flow from investing activities	(2,481)	(58,051)
Net cash flow from financing activities	(59,152)	35,662
Net increase in cash and cash equivalents	**125,015**	**34,370**

Cash and cash equivalents increased by £125.0m during the year (2009: £34.4m), reflecting the cash generative nature of the business as well as an increase in client balances.

The most significant outflows during the year were £47.7m in respect of taxation (2009: £20.3m), £57.7m for dividends (2009: £44.0m) and capital expenditure of £5.0m (2009: £8.0m). The prior year also saw a cash outflow of £40.6m (net of share placing proceeds) in respect of the acquisition of FXOnline.

Included in cash and cash equivalents is client money, which is segregated in trust bank accounts. This amounted to £550.5m (2009: £421.0m) at the year end, with an equivalent amount included in amounts due to clients. Although the levels of client money can vary depending on the overall mix of financial products being traded by clients, the long-term increase in the level of client money placed by clients with the Group is a positive indicator of future client propensity to trade.

Capital and reserves

During the year to 31 May 2010, 1,524,127 ordinary shares with an aggregate nominal value of £76 were issued following the exercise of long-term incentive plan awards for a consideration of £76.

The Group remains debt-free except for £40,000 (2009: £40,000) of preference shares (see note 23 to the Financial Statements). Own shares held in employee benefit trusts were purchased to satisfy future obligations of share incentive plans (SIP) awards.

Regulatory capital adequacy

Throughout the year, we maintained significant excesses of capital resources over our capital resources requirement, both on a consolidated and individual regulated entity basis.

We believe there are significant benefits to being well capitalised at a time of continuing global economic uncertainty. We are well placed in respect of any regulatory changes which may increase our capital or liquidity requirements, and high levels of liquidity are important in the event of significant market volatility.

The following table summarises the Group's capital adequacy on a consolidated basis. The Group's capital management is reviewed further in note 35 to the Financial Statements on page 120.

£m	2010	2009
Total Tier 1 capital	475.6	396.9
Less: intangible assets (adjusted)	(252.5)	(243.9)
Less: investment in own shares	(1.0)	(1.0)
Total capital resources (CR)	**222.1**	**152.0**
Capital resources requirement - Pillar 1 (CRR)	(65.7)	(60.0)
Surplus	**156.4**	**92.0**
CR expressed as a % of CRR	**338.1%**	**253.3%**

Operating and Financial Review
(continued)

Client KPIs

Average revenue per financial client

This average increased by 7.2% to £2,425 (2009: £2,263) on a total basis, and by 4.2% excluding the effect of FXOnline clients.

Number of financial clients dealing

Financial clients dealing, excluding those of FXOnline, increased to 103,338 (2009: 88,336), a 17.0% growth rate. This was despite lower financial market volatility than experienced in the previous financial year. Strong growth was seen in Europe with a 50.2% increase and 11.4% for spread betting in the UK. Including FXOnline clients, the overall growth rate averaged 10.0%.

New financial account openings

Excluding FXOnline in Japan, the total number of new financial accounts opened increased by 3.6% compared to the previous year. However, this increase must be seen in the context of a prior year where total account openings had increased by 44.1%, driven by high levels of market volatility.

In the UK, spread betting account opening was relatively flat, with total UK growth driven primarily by CFD account openings.

The number of accounts opened in Australia increased by 9.6% over the previous year.

Total accounts opened, including FXOnline, increased by 9.2%.

Risks and uncertainties

There are a number of potential risks and uncertainties, which could have a material impact on our long-term performance. These principal risks are described in the Our Business Risks section on page 33. Our risk management policies and procedures are also discussed in the Corporate Governance Report on page 42.

Resources available to the Group

Our strong reputation for innovation and high levels of customer service reflect over 30 years of investment in technology. The vast majority of development is carried out in-house and our employees continue to be our key resource. Our employees have extensive knowledge of our key markets and actively contribute to the development of new products and services.

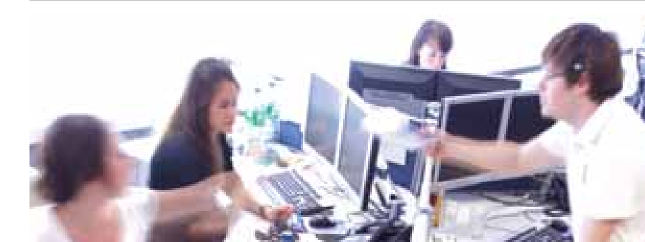
Our continued growth is highly dependent upon attracting and retaining high-calibre employees.

The Group pays performance-related bonuses to most staff and makes awards under long-term incentive plans (LTIPs) to key personnel. In addition, the opportunity to acquire shares under various SIPs has been made available to all UK, Australian and US staff. These awards reward employees for past performance and help to retain them in the future. We also provide a range of other benefits to employees, including pension contributions and private health insurance.

Inclusive of national insurance and pension costs, employment costs comprise:

£000	2010	2009
Fixed employment costs	44,939	40,165
Performance-related bonuses and commissions:		
Pool schemes	13,889	5,136
Specific schemes	8,444	5,525
Share-based payment schemes	4,782	3,256
Total employment costs	**72,054**	**54,082**

The average number of employees increased in the year to 828 (2009: 761), with 28.3% of staff based overseas (2009: 27.3%).



Corporate Social Responsibility

The Group's Corporate Social Responsibility Report has been updated and is published on our corporate website at www.iggroup.com.

Our Business Risks

Effective management of our business risks is critical to the achievement of our strategy. This section describes our key business risks and how we mitigate them.

IG Group's risk appetite

Our risk appetite is detailed in our Group Risk Appetite Statement and is approved by the Board. It describes risk tolerances for all our business risks and ensures there is a comprehensive risk-management framework in place to monitor current risks and identify future risks.

Our risk-management framework is designed to embed management of business risks throughout the organisation. The effectiveness of controls is assessed and confirmed by our assurance functions - Risk Management, Compliance and Internal Audit.

This approach mitigates our reputational risk that arises as a result of failure to manage business risks. The Group places the highest importance on risk management and endeavours to operate with the highest levels of integrity and ethical standards in all business activities.

Our financial risks, specifically credit, market and liquidity risks, are described in further detail in note 34 to the Financial Statements and in our Pillar 3 Disclosures, a regulatory disclosure requirement, which can be found at www.iggroup.com.

Our key risks and their mitigation

The Group's Risk Management function maintains a register of all operational risk events and controls to ensure that the post-mitigation risk is within our risk tolerance.

This process is supported by our rolling three-year Internal Audit Programme, compliance with the requirements of the Financial Services Authority (and other local regulatory requirements), as well as monitoring key risk indicators derived from our Risk Appetite Statement.

In addition to mitigating individual risks, the Group also undertakes various stress and scenario testing as part of our Individual Capital Adequacy Assessment Process (ICAAP) under the requirements of the FSA. These scenarios stress the effect on our capital and liquidity adequacy of a series of combined risk events occurring at the same point in time. The ICAAP process is described further in our Corporate Governance Report on page 42.

The tables on pages 35 to 38 analyse in further detail our principal business risks.

Our Business Risks
(continued)

Risk	Description	Mitigation
Strategic risk	Strategic risk can arise from inadequate Board and senior management processes and external factors that lead to a failure to identify or implement our strategy.	Strategic risk is mitigated by a process for determining risk appetite and strategy, ongoing challenge of these by the Board and monitoring of actual results against four-year operating plans.
Regulatory risk	Regulatory risk is the risk of non-compliance with and future changes in regulatory rules potentially impacting the Group's business in the markets in which it operates.	Our ability to do business is dependent on us obtaining and maintaining the necessary regulatory authorisations and remaining in compliance with these. The risk that we do not comply with existing regulations is mitigated by making compliance a priority throughout all levels of the business and by investing significant resources in our compliance systems and controls. The risk that existing regulations change such that we can no longer conduct our business efficiently or profitably is mitigated by maintaining strong relationships with regulators and by contributing to any consultations on proposals that might affect our business.
Operational risk	Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events.	The Group's system of controls is designed to ensure operational risks are mitigated to the level prescribed by our Group Risk Appetite Statement. We invest significantly in our IT infrastructure to ensure the availability and reliability of our client dealing platforms. This is supported by ongoing business continuity planning and testing of disaster recovery facilities, as well as maintaining BS ISO/IEC 27001:2005 Information Security Management System standards in respect of IT and data security. Combating online fraud is also paramount and the Group has embedded controls at all process levels to mitigate this risk and these are constantly evolving. We also use external fraud mitigation software and have built up a highly experienced fraud prevention capability. In addition, our success is closely aligned to the abilities and experience of our employees. Our performance could be adversely affected by the loss of the services of key individuals. In order to mitigate this risk, we seek to create an open and supportive working environment for our employees. Reward and incentive schemes are regularly reviewed in order to ensure the Group continues to be successful in attracting and retaining the calibre of employees necessary to meet our objectives, while aligning these schemes with our risk appetite, compliance and treating customers fairly objectives. The Group also has a senior management succession plan in place which is regularly updated.

Our Business Risks
(continued)

Risk	Description	Mitigation
Market risk [1]	Market risk is the risk that the fair value of financial assets and financial liabilities will change due to adverse changes in market prices, currency or interest rates.	Market risk is managed on a group-wide and real-time basis. We do 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 residual net position in any of the markets on which we offer products. The Group has a formal risk policy which includes limits for any such residual positions, for every single financial market in which our clients trade, as well as certain groups of markets which the Board consider to be correlated, all subject to our risk appetite.
Credit risk [1]	Credit risk is the risk that a counterparty fails to perform its obligations which results in financial loss for the Group. Adverse changes in the credit quality of individual clients or financial institution counterparties could affect the recoverability of our assets and therefore our financial performance.	Client credit risk arises where client funds deposited with the Group (margin and free equity) are insufficient to cover losses incurred upon liquidation. In addition, a small number of clients are granted credit limits to cover losses on open positions and initial margin requirements. The majority of client positions are monitored in real time on the Group's 'close-out monitor' system or hold limited risk accounts with guaranteed stop-losses where clients cannot lose more than their initial deposits. In addition, in 2009, we introduced tiered-margining, with risk-adjusted margin requirements calculated dependent on such factors as specific financial instrument volatility and size of the client's position. For individual equity CFDs and spread bets, this has resulted in the creation of four margin tiers ranging from 5% in Tier 1 to potentially 90% under Tier 4. It is our policy that all institutional counterparties holding client money accounts must have minimum Standard and Poor's short- and long-term ratings of A-2 and A- respectively. This is also the target minimum ratings for all other banking, as well as broking counterparties, where our funds on deposit may not be subject to 'client money protection'. In some operating jurisdictions, however, it can be problematic to find a banking counterparty satisfying these minimum ratings requirements, although this risk is mitigated by ensuring balances held with these counterparties are minimised.
Liquidity risk [1]	Liquidity risk is the risk that the Group may not be able to meet payment obligations as they fall due.	Given the very short-term maturity profile of both our financial assets and liabilities, the Group does not have any material liquidity mismatches with regard to liquidity maturity profiles, nor do we have exposure to assets whose quality is 'opaque', such as a bank's loan or a security dealer's mortgage-backed securities portfolio. In contrast, our assets (excluding non-current assets), consist primarily of cash at bank and on short-term deposit or short-term trade receivables. We also maintain committed facilities totalling £160.0m (2009: £120.0m) and these are described further in note 34 to the Financial Statements.
Key supplier risk	Key supplier risk is the risk of failure of one of our principal business partners to provide contractual services.	We conduct initial and ongoing due diligence on key suppliers, in addition to using multiple financial brokers, trading exchanges and market data information suppliers.

(1) Discussed in further detail in note 34 to the Financial Statements.

Directors' Statutory Report

The Directors are pleased to submit their Report together with the group Financial Statements for the year ended 31 May 2010.

Principal activities

An overview of the principal activities of the Group is provided in the Business Review section on pages 3 to 6.

Results

The Group's profit for the year, after taxation amounted to £101,486,000 (2009: £78,652,000), of which £101,281,000 (£77,986,000) is attributable to the equity members of the Company.

Dividends

The Directors recommend a final ordinary dividend of 13.5 pence per share, amounting to £48,750,000, making a total of 18.5 pence per share and £66,796,000 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 13, 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 12 October 2010 to those shareholders on the register at 10 September 2010.

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 Business Review section set out on pages 1 to 38. This section also covers an analysis of the position of the Group at the year-end and key performance indicators.

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 48 to 56.

Major interests in shares

Notifications shown below have been received by the Company of shareholdings of three percent or more of its issued ordinary share capital.

	As at 16 July 2010		As at 31 May 2010	
	No. of shares	Percentage	No. of shares	Percentage
Artemis Investment Management Limited	18,260,791	5.06%	18,260,791	5.06%
Lion Trust Investment Services Limited	17,907,353	4.96%	17,907,353	4.96%
Investec Asset Management Limited	17,863,943	4.95%	17,863,943	4.95%
Standard Life Investments Limited	17,564,421	4.86%	17,564,421	4.86%
JP Morgan Chase & Co	15,830,307	4.39%	15,830,307	4.39%
Legal & General Group plc	14,287,840	3.96%	14,287,840	3.96%
CVC Capital Partners Limited	13,954,879	3.86%	13,954,879	3.86%
Reach Capital Management LLC	11,409,480	3.16%	11,409,480	3.16%
Prudential plc	11,066,417	3.06%	11,066,417	3.06%

Share capital and own shares

Details of the Company's equity and preference share capital are given in notes 24 and 23 respectively to the Financial Statements. Details of the Group's required regulatory capital are disclosed in note 35 to the Financial Statements.

The Group purchases its own shares in order to satisfy awards under the Group's share incentive plan schemes and the Group issues shares in respect of Long-Term Incentive Plan schemes. Details of the shares held by the Group's Employee Benefit Trusts and the amounts paid during the year are disclosed in note 25 to the Financial Statements.

Change of control

Following any future change of control of the Company following a takeover bid, the Group's banking facilities will be cancelled and any obligations will become immediately due and payable.

Branches outside the United Kingdom

In line with strategic objectives, the Group has branches in a number of overseas jurisdictions including Australia, France, Germany, Italy, Luxembourg, New Zealand, Portugal, Spain and Sweden.

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 4.5 creditor days of suppliers' invoices outstanding at the year-end (2009: 6) for the Group.

Risk management

The Group's risk appetite and the risk management framework along with the Group's key risks and their mitigation are provided in the Our Business Risks section of the Business Review on pages 33 to 38. The principal activities of the Group outlined in the Business Review give rise to exposure to financial risks in the ordinary course of business.

The main risks associated with the Group's financial instruments, as well as the key operational risks faced by the Group are set out in note 34 to the Financial Statements and in the Business Review, as are the policies agreed by the Board for the management thereof.

Donations

The Group made no political donations (2009: £nil). The Group made charitable donations of £40,355 in the year (2009: £49,912) as follows:

Gambling Trust	£18,000
Charity Cricket Tournament	£6,000
Other	£16,355
Total:	£40,355

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 on the Group's performance, development and policies. Line managers then communicate the points raised in the forum across the organisation.

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.

Equality and diversity

We are an equal opportunities employer and have extensive human resource policies in place to ensure that employees can expect to work in an environment free from discrimination and harassment.

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.

Corporate governance

The Company's statement on corporate governance can be found in the Corporate Governance Report on pages 42 to 47.

Directors' Statutory Report (continued)

Corporate Social Responsibility

The Group's Corporate Social Responsibility Report has been updated and is published on our corporate website at www.iggroup.com. The report details the Group's continued commitment to its business standards and client service, the Group's workplace, carbon emissions and endeavours towards sustainability. It includes a section on the environment sustainability charter promoted in the fit-out of the Group's new headquarters at Cannon Bridge House, that amongst other things achieved a recycling rate of 94% of the strip-out materials taken from the site.

Events since the year-end date

On 19 July 2010, IG Markets South Africa Limited, a subsidiary of the Group, reached agreement to acquire the client list and business of Ideal CFD Financial Services Pty Limited (Ideal), a South African based introducing broker of the Group for £1.6 million, payable in cash. For further details see note 16b of the Financial Statements.

Annual General Meeting

The Group's Annual General Meeting will be held on 7 October 2010. 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' Statutory Report are listed on pages 7 and 8. 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.
- 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

The Directors have prepared the Financial Statements on a going concern basis which requires the Directors to have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The Directors have reviewed the Group's processes to control the financial risks to which the Group is exposed, its available liquidity, its regulatory capital position and the annual budget. As a result of this review 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.

By order of the Board

Steve Clutton, Finance Director

20 July 2010

Corporate Governance Report

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 2008, for the whole year, with the exception that the Group was not compliant with Provision A.3.2 throughout the year.

Provision 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 currently comprised of four Executive Directors and four Non-executive Directors excluding the Deputy Chairman and the Chairman.

The Deputy Chairman, Nat le Roux is considered a non-independent director as he is a former Chief Executive of the Group. The Board considers the value he brings with 17 years' experience in the uniquely specialised market of spread betting and Contracts for Difference justifies his position on the Board and is in the best interests of the Group and its shareholders.

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 major shareholder, holding 3.86% of the ordinary share capital of the Company at 31 May 2010 (2009: 8.40%). Robert has been involved with the IG Group since 2003 and consequently has a detailed knowledge of the Company and its businesses. He is valued for his challenging participation at Board meetings, and his in-depth private equity experience is highly regarded by the independent non-executive directors. On balance, weighing up all the considerations and the best interests of the shareholders the Board considers that Robert's presence on the Board has been a positive asset to the Group. However, as noted in the Chairman's Statement, Robert Lucas has indicated that he will not seek re-election at this year's AGM.

In 2009, the Board commissioned the Board Evaluation Team of the Institute of Chartered Secretaries and Administrators ('ICSA') to carry out a thorough evaluation of the performance of the Board. ICSA's Board Evaluation Report acknowledged that "the Group has a Board whose members appear well-qualified and appropriate to manage the shareholders' interests", and the team recognised the value of having experienced non-executives on the Board during times of turbulent economic and market conditions. Since then, the new UK Corporate Governance Code has recognised the importance of having a Board that has an appropriate balance of skills, experience, independence and knowledge of the Company and the Board considers that the number and calibre of the non-executives and composition of the Board would qualify the Company to already be compliant with this principle.

We also reported last year that once a replacement for Sir Alan Budd had been appointed, the Board would seek to appoint an additional independent non-executive director. The Board was pleased to report earlier this year the appointment of David Currie to the Board, effective from the 4th May 2010. Sir Alan Budd retired from the Board on the same date. The Nomination Committee's search for an additional independent non-executive director is progressing well and further to the Chairman's Statement, the Company hopes to be able to make an announcement on a new appointment to the Board prior to the forthcoming AGM. The recruitment of this additional independent director, coupled with the retirement of Robert Lucas, will both mark significant progress towards further compliance with Provision A.3.2 of the Combined Code.

Brief biographies of the Directors appear on pages 7 and 8.

Corporate Governance Report (continued)

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 57 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
- Setting risk appetite and 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 the Board meets when necessary to discuss ad hoc emerging important issues that require consideration between regular Board meetings. 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 comprises Roger Yates (Chair), David Currie, Jonathan Davie and Martin Jackson, who are all independent directors. It makes recommendations to the Board, within agreed terms of reference, on an overall remuneration package for the 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 employee incentive schemes and approves the remuneration of the Chairman. The Board itself determines the remuneration of the other Non-executive Directors.

Audit Committee

The Audit Committee members, comprising Martin Jackson (Chair, with recent and relevant financial experience), Roger Yates and David Currie, are all independent non-executive directors. The Finance Director, Group Financial Controller, Head of Internal Audit, Global Head of Legal and Compliance, Head of UK Compliance, Company Secretary and the external auditors attend the Audit Committee by invitation appropriate to the matters under consideration. Other Directors, representatives from the Finance Function and other areas of the business attend the Audit Committee as and when required. The Audit Committee normally meets four times a year and as and when required.

The workings of the Board and its committees (continued)

The main duties of the Audit Committee are:

- To monitor the integrity of the Financial Statements of the Group including annual and interim reports, preliminary results announcements and any other formal announcements relating to its financial performance, reviewing significant issues and judgements contained therein.
- To keep up-to-date with changes to accounting standards and to review any changes to accounting polices year on year.
- To consider and make recommendations to the Board on the appointment, re-appointment and removal of the Company's external auditors, which is subject to shareholder approval.
- To review the effectiveness of the Group's internal controls and risk management systems.
- To monitor and review the effectiveness of the Group's Internal Audit Function.
- To review the overall effectiveness of the Group's implementation of the FSA's Treating Customers Fairly (TCF) requirements.
- To review the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.

The Company Secretary drafts the agenda for each Audit Committee, ensuring that each item in the terms of reference is covered at least once in the financial year and more frequently if required. The agenda is then finalised by the Chair of the Audit Committee.

Summary of main activities undertaken by the Audit Committee during the financial year:

- Reviewed the annual report and interim results of the Group.
- Reviewed key regulatory documents produced by the Group – Internal Capital Adequacy Assessment Process (ICAAP) and the Pillar 3 Disclosures prior to formal approval by the Board.
- Reviewed the external auditor's audit planning and other reports, proposed audit fees and performance of the external auditors including their independence and objectivity.
- Reviewed the policy on the use of external auditors for non-audit services and reviewed all non-audit services provided by the external auditors to ensure compliance with the policy as part of the safeguards in place to ensure the independence of the audit is not compromised; the policy is available on the Group's website at www.iggroup.com.
- Reviewed the effectiveness of the Group's internal controls and risk management systems.
- Reviewed the effectiveness of the Group's Internal Audit Function including a review of the three-year rolling internal audit plan, individual internal audit reports and the report on the implementation of internal audit recommendations.
- Reviewed reports from the Compliance Function.
- Reviewed the effectiveness of the Group's application of the FSA's Treating Customers Fairly (TCF) requirements.
- Reviewed the Company's procedures for detecting internal fraud.
- Reviewed the Group's 'whistle-blowing' arrangements.

In addition, the members of the Audit Committee meet privately in separate meetings with the Head of Internal Audit, Head of Compliance and the external auditor to focus on respective areas of responsibility and to discuss any potential issues where support from the Audit Committee may be required to address any issues arising.

Following each meeting, the Committee reports to the Board on its activities.

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 candidates. 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 (1)	Sir Alan Budd (1)	Sir Alan Budd (1)
Roger Yates	Jonathan Davie	Martin Jackson
David Currie (2)	Martin Jackson	Roger Yates
	David Currie (2)	David Currie (2)

Copies of the terms of reference of these Committees can be obtained from the Company Secretary on request and are available in the Investor Relations section of the Group's website, at www.iggroup.com.

(1) until 4th May 2010

(2) from 4th May 2010

Corporate Governance Report (continued)

Relations with shareholders

The Board recognises the importance of communications with shareholders. The Chairman's Statement, Chief Executive's Review and the 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 on the Group's 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 and risk management

The Board of Directors has overall responsibility for the system of risk management and internal control and has delegated responsibility to the Audit Committee for reviewing the effectiveness of the Group's system of risk management and internal control 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 assurance, but not absolute assurance, against the risk of material mis-statement or loss.

The Audit Committee has reviewed the effectiveness of the Group's system of internal control, covering financial, operational and compliance controls and risk management systems and no significant weaknesses were identified during this review. Furthermore, the Audit Committee regularly receives and reviews reports on internal control from Internal Audit and receives quarterly reports from the Compliance Function.

Executive Directors and senior managers are responsible for the day-to-day operation of the Group's system of internal control which aims to provide reasonable assurance over the:

- Accomplishment of business objectives and goals
- Compliance with policies, plans, procedures, laws and regulations
- Reliability and integrity of financial and management information
- Economic and efficient use of resources
- Safeguarding of assets

The main features of the Group's system of internal control are:

Organisation structure

The Group's organisation charts document the responsibilities of the Executive Directors and clear reporting lines through the organisation. The organisation charts are reviewed and changed as required to meet business requirements.

Risk management framework and risk registers

The Group's risk appetite and significant risk management policies are set by the Board. The main risks relate to strategic, market, credit, liquidity, regulatory, key supplier and operational risk, and these are expanded upon in the Our Business Risks section of this report on pages 33 to 38 and financial risk management note (note 34). The Risk Committee, comprising Chief Executive Officer, Chief Operating Officer and Finance Director as well as the Dealing, Credit and Risk Directors, meets regularly to review the risks faced by the Group, within the parameters set by the Board. The senior independent director, Roger Yates, also attends Risk Committee meetings once a month; and minutes of the Risk Committee meetings are circulated to the Non-executive Directors.

An ongoing process of identifying, evaluating and managing significant risks using risk registers is co-ordinated by the Risk Department, headed by the Risk Director. Heads of department are responsible for departmental risk registers and these are updated regularly and include appropriate action plans for improving controls to mitigate risks. The key risks are reviewed regularly by the Board and the Audit Committee and Internal Audit carries out an annual review of the risk management process and reports to the Audit Committee. The risk management process has been in place for the full year under review and up to the date of approval of the Annual Report and is in accordance with the Turnbull guidance "Internal Control: Guidance for Directors on the Combined Code."

Internal control and risk management (continued)

Capital and liquidity adequacy

During the year, the Group has made significant progress in further developing its Internal Capital Adequacy Assessment Process (ICAAP), a process required under the rules of the UK's Financial Services Authority (FSA), and embedding it further into the Group's risk management process. Key developments arising from the ICAAP have been:

- Projection of capital and liquidity adequacy requirements and stress testing thereof for at least a three-year planning horizon
- Significant enhancement of the Group's stress testing framework for key business risks including identification of combined risk stress scenarios
- Initiatives to refresh the corporate governance framework, the Group's Risk Appetite Statement, key risk indicator (KRI) reporting and establishment of the Group's ICAAP and Individual Liquidity Adequacy Committee (IIC)
- Board approval of a revised liquidity management policy under the requirements of the FSA's Individual Liquidity Adequacy Standards regime

The ICAAP is approved at least annually by the Board or more frequently following any material change to the Group's operating plan. The monitoring of the ICAAP is delegated to the IIC which is responsible for ensuring it is revised as necessary with regard to all identified group risks. The IIC reports to the Risk Committee, which uses the ICAAP as a key component in its role of managing the Group's risk. Reports from the IIC are also made available to the Board in their ongoing consideration of ICAAP requirements.

Policy framework

A framework of policies covering HR, compliance, and information security requirements is in place to provide guidance to all members of staff. Policies are reviewed and changed as and when required and a new channel for distributing policies to all staff across the Group is currently being introduced.

Financial planning and reporting

Business managers across the Group have budget responsibility, with oversight of budgeting and reporting on performance against budget undertaken by the Group's Financial Planning and Analysis Team.

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	Nominations Committee	Audit Committee	Remuneration Committee
Jonathan Davie (Chairman)	7/7	3/3	-	3/3
Tim Howkins (Chief Executive)	7/7	-	-	-
Steve Clutton	7/7	-	-	-
Peter Hetherington	6/7	-	-	-
Andrew Mackay	6/7	-	-	-
Sir Alan Budd (1)	6/6	2/3	4/4	2/3
Martin Jackson	7/7	2/3	5/5	2/3
Nat le Roux	7/7	-	-	-
Robert Lucas	5/7	-	-	-
Roger Yates	7/7	3/3	4/5	3/3
David Currie (2)	1/1	-	1/1	-

(1) Sir Alan Budd stepped down from the Board on 4th May 2010.
(2) David Currie was appointed to the Board on 4th May 2010.

Corporate Governance Report

(continued)

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 July 2010. 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 was carried out using the Audit Committee Institute's evaluation questionnaire and a discussion of the results by the Committee took place at a meeting in July 2010. The results were reported to the Board in July 2010.

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 took place at a meeting in June 2010. The results were reported to the Board in July 2010.

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: Tim Howkins, Peter Hetherington and Andrew MacKay. David Currie offers himself for election at the AGM.

Robert Lucas has expressed his intention to step down from the Board at the next AGM on 7 October after seven years' service to the Board. As previously mentioned, the Nomination Committee is progressing its search for an additional independent Non-executive Director.

As previously announced, Steve Clutton will also be retiring from the Board and will not therefore be offering himself for re-election at the AGM.

Directors' Remuneration Report

This report has been prepared by the Board following the provisions in Schedules 5 and 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 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 44, 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
- At upper quartile for above target performance

The Board itself determines the remuneration of the Non-executive Directors.

Basic salary

During the year, the Remuneration Committee commissioned external advisors to carry out a comprehensive annual review of the remuneration of the Executive Directors and of the Chairman. As regards to the former, the review benchmarked the salary and total remuneration of the Company's Executive Directors against three comparison groups: FTSE 101-250 companies, FTSE 350 financial services companies and a tailored peer group comprising 20 companies with similar market capitalisation selected from the financial, technology and entertainment sectors. The review considered the entire remuneration package for Executive Directors; salary, bonus and LTIPs and revealed an under rewarding of the Executive Directors by between 15% and 23% below the median. The Committee therefore recommended increasing the Executive Director remuneration to just below the bottom quartile of the comparison benchmark data for executive director pay.

While the Remuneration Committee was sensitive to investor concern about executive pay, it felt that there was a particularly strong case for increases in salary given the Company's impressive performance in the past year. To the credit of the Executive Directors and the Company as a whole, during a period of slow economic growth in the UK, the Group has been and remains a successful, growing business as revealed in the results shown elsewhere in this Annual Report. Therefore the Remuneration Committee approved the following salary increases for the Executive Directors effective from 1st June 2010:

Tim Howkins	- from £325,000 to £400,000 (1)
Peter Hetherington	- from £200,000 to £240,000 (2)
Andrew MacKay	- from £230,000 to £270,000
Chief Financial Officer	- from £215,000 to £280,000

The Remuneration Committee also decided to bring the Chairman's salary more into line with the median for non-executive chairmen based upon a benchmark comparison against a tailored comparable group, FTSE 101-250 companies and FTSE 350 financial services companies; in each case the Chairman's salary was in the fourth quartile. Accordingly, his salary has risen to £160,000 from £120,000, with effect from 1 June 2010.

The Board commissioned external advisors to benchmark the Non-executive Directors' remuneration against a tailored comparable group and their remuneration was found to be in the fourth quartile. In recognition of the increasing commitment required from its Non-executive Directors, the Board decided to increase the remuneration of the Non-executive Directors for the first time since 2005, to a uniform rate of £50,000, with the exception of the Audit Committee chairman (Martin Jackson), who shall receive an additional £12,500, bringing his remuneration to £62,500. These changes took effect from 1 June 2010.

Performance-related bonuses

The annual cash bonus for the Group's Executive Directors is calculated by reference to growth in diluted adjusted earnings per share (EPS). Last year the Remuneration Committee was faced with the challenge of calibrating the bonus scheme against a much more difficult financial background and one in which the Group was not immune. Accordingly for the year ended 31 May 2010, this required an EPS growth of 15% to achieve a maximum bonus, set at 200% of salary. For the same period, no bonus was payable if EPS growth was below 2.5%. As shown elsewhere in the Annual Report, actual EPS growth for the year was 24.4% which resulted in a bonus of 200% of salary for each of the Executive Directors. In cash terms, the total bonuses payable to the four Executive Directors was £1.8m compared to £0.5m in the previous year. As reported last year, in light of emerging FSA remuneration guidelines the Remuneration Committee decided to introduce an element of deferral into the cash bonus scheme: the first £100,000 of any bonus to be paid in cash; one third of the resulting balance would also be paid in cash and the remaining two thirds deferred for 12 months and provided in shares. Notwithstanding the foregoing, Steve Clutton will receive his entire performance bonus in cash.

(1) In 2009 Tim Howkins deferred for 12 months an increase in his salary from £265,000 to £325,000.

(2) Peter Hetherington is paid a reduced pro rata salary of £240,000 based upon a £300,000 full time equivalent salary to reflect his flexible working arrangements. Any bonus payments are based on his full-time equivalent salary.

Directors' Remuneration Report (continued)

Information not subject to audit (continued)

For the year which began on 1 June 2010, the Remuneration Committee recalibrated the bonus scheme to a more stretching target; to achieve a maximum bonus, again set at 200% of salary, the Committee has set a target of 17.5% EPS growth or higher. At 12.5% EPS growth a bonus of 100% of salary is payable and below 5% growth, no bonus is paid. The Committee feels that the new targets represent an appropriate balance between a stretching objective and one which is not completely unachievable. The Committee considered the higher EPS growth targets appropriate for the current financial year reflecting the previous year's performance but tempered by conditions of residual economic uncertainty.

The Remuneration Committee retains the right to reduce the bonuses payable if it considers that the formula has not produced an appropriate result.

The cash element of performance-related bonuses is paid in full within three months of the year-end.

Long-term incentive plans

During the year the Committee carried out a review of long-term incentive arrangements. As a result of this review, and following discussions with our shareholders, the Committee is proposing to introduce a new value-sharing plan to replace the existing LTIPs. Shareholder approval for this new plan is being sought at the 2010 AGM and the first awards will be made shortly afterwards.

The new value-sharing plan will comprise annual awards, providing executives with a pre-defined number of shares for each £1m of surplus shareholder value created over three years above a hurdle. For Executive Directors, 60% of the shares will vest on growth in market capitalisation plus net equity cashflows to shareholders (i.e. total shareholder return (TSR)), over and above the equivalent return from investing in the FTSE 350 Financial Services Index and 40% of shares would vest on growth in profit before taxation (times a fixed multiple plus net equity cashflows to shareholders) over and above a hurdle return of 12% pa.

2010 awards will be 400 shares per £1m of surplus shareholder value created over three years for the CEO, and 250 shares per £1m for each of the other Executive Directors. The number of shares that can be earned will be capped when the surplus shareholder value created reaches 100% of the Group's starting market capitalisation, and 50% of any shares earned under the plan will be deferred for one year.

The Remuneration Committee believes that adjusted profit before taxation is the best internal measure of the Group's financial performance as it is highly visible internally, and regularly monitored and reported. The use of relative TSR introduces an element of relative performance into our remuneration package, which is intended to improve robustness to general stock market movements, and focus more closely on the value created for shareholders by management over and above that delivered by peers. We believe that the proposed blend of measures provides strong alignment with shareholder interests and a good balance between internal and external performance and between absolute and relative performance.

The new value-sharing plan will succeed the Long-Term Incentive Plan (LTIP) under which awards were made during the years ended 31 May 2005, 2007, 2008, 2009 and 2010 which vest(ed) on publication of the results for the financial years to 31 May 2008, 2009, 2010, 2011 and 2012 respectively. The Committee does not intend to make any further awards under the existing plan. IG Group will continue to abide by a 10% in 10 years dilution limit and will purchase shares in the market to satisfy awards under this plan, as necessary, to manage within this.

LTIP awards are discussed further in note 27 to the Financial Statements.

Information not subject to audit (continued)

Long-term incentive plans (continued)

The vesting criteria of these plans are based on compound annual growth rate in adjusted diluted earnings per share 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 (year ending 31 May)	Compound annual growth	% of award vesting
31 May 2010	Share price growth award	2009	N/A*	2012	<22.5% 22.5-100%	Nil 0-100%
31 May 2010	Earnings per share award	2009	24.74	2012	<12% 12-18% 18-25%	Nil 0-50% 50-100%
31 May 2009	Share price growth award	2008	N/A*	2011	<22.5% 22.5-100%	Nil 0-100%
31 May 2009	Earnings per share award	2008	20.28	2011	<12% 12-18% 18-25%	Nil 0-50% 50-100%
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 high growth award	2005	6.75	2008	<20% 20-50%	Nil 0-100%

* share price growth is determined on a base share price of 310.9 pence (2008), 306.8 pence (2009) and 225.0 pence (2010).

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

In order to obtain tax-favoured treatment for the Group and participants, up to 100% of the ultimate value of the LTIP awards made in the year ended 31 May 2010 ('2010 LTIP'), which is conditional on the performance conditions noted above, will be delivered to the participants using HM Revenue and Customs ('HMRC') approved options. The HMRC approved options have been granted to participants subject to the rules of the IG Group Limited Executive Share Option Scheme ('Approved Plan') which has been updated and re-approved by HMRC. These approved options have exactly the same vesting and exercise conditions as the 2010 LTIP awards. In order to ultimately exercise a 2010 LTIP award, a participant will have to first exercise the respective Approved Plan option and use the IG Group Limited shares acquired as ultimate payment for that 2010 LTIP award.

The Company operates a Share Incentive Plan (SIP) for all UK employees except for Executive Directors who are not able to participate in the scheme.

Directors' Remuneration Report (continued)

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. The Group has decided to re-introduce subsidised health club membership to all staff from 1 June 2010.

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 with IG Group Limited (a wholly owned intermediate holding company) for the benefit of the Company and the Group, 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 three 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 2010 Ordinary shares	31 May 2010 Preference shares	31 May 2009 Ordinary shares	31 May 2009 Preference shares
J R Davie	600,000	-	1,000,000	-
T A Howkins	3,800,000	10,000	4,601,291	10,000
S Clutton	17,169	-	17,169	-
P G Hetherington	250,000	10,000	976,620	10,000
A R MacKay	867,687	10,000	2,010,680	10,000
Sir Alan Budd	27,438	-	27,438	-
D M Jackson	-	-	-	-
R R Lucas	47,312	-	47,312	-
N B le Roux	100,000	10,000	222,100	10,000
R P Yates	25,000	-	25,000	-
D A Currie	-	-	-	-

There have been no changes in Directors' interests in share capital between the year-end and the date of the Annual Report.

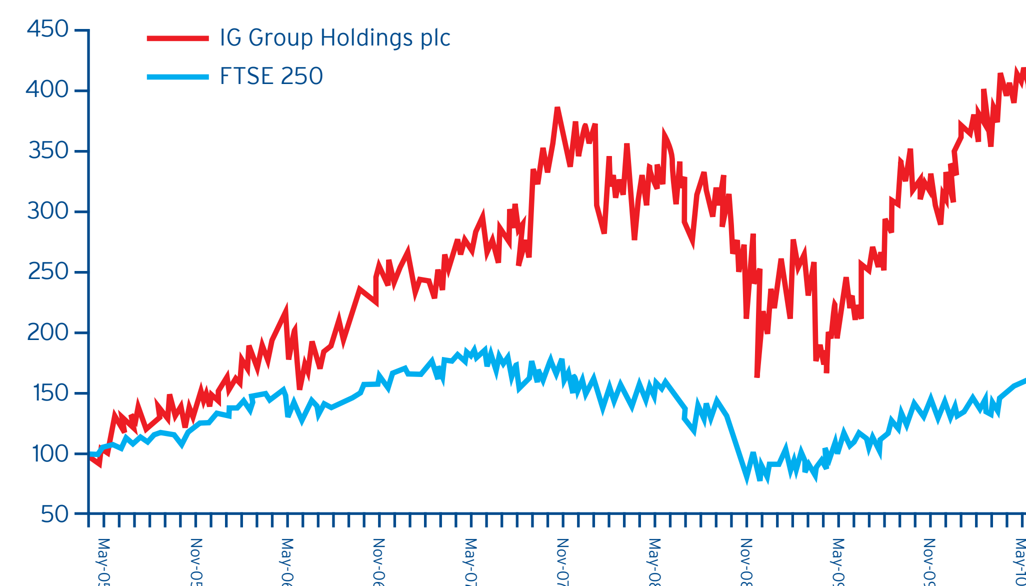
The market price of the Company's ordinary shares on 31 May 2010 was 380.10p and the high and low share prices in the year were 430.00p and 217.75p respectively.

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 rebased to 100 as at 27 April 2005 in order to aid comparison and are presented to 16 July 2010.

Total shareholder return



Directors' Remuneration Report (continued)

Information subject to audit

Directors' remuneration

This section of the report sets out the remuneration of the Directors for the year ended 31 May 2010. 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 (2) Paid in cash £000	Performance related bonuses (2) Deferred into shares £000	Pension elections (3) £000	Year ended 2010 £000	Year ended 2009 £000
Executive directors:							
T A Howkins	265	1	243	287	-	796	431
S Clutton	215	1	430	-	-	646	325
P G Hetherington	200	1	200	200	(40)	561	252
A R MacKay	230	3	220	240	(25)	668	288
	910	6	1,093	727	(65)	2,671	1,296
Non-executive directors:							
J R Davie	120	-	-	-	-	120	80
Sir Alan Budd (5)	32	-	-	-	-	32	35
D M Jackson	40	-	-	-	-	40	40
R R Lucas (4)	30	-	-	-	-	30	30
N B le Roux	35	-	-	-	-	35	35
R P Yates	35	-	-	-	-	35	35
D A Currie (5)	3	-	-	-	-	3	-
	1,205	6	1,093	727	(65)	2,966	1,551

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

(2) The first £100,000 of performance-related bonuses plus one third of the balance are paid to the Executive Directors in cash; the remaining two thirds of the balance is deferred into IG Group Holdings plc ordinary shares for 12 months.

(3) 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.

(4) Fees of £30,000 (2009: £30,000) relating to the services of Robert Lucas as a director of the Company were paid to CVC Capital Partners Limited.

(5) David Currie commenced his employment and Sir Alan Budd terminated his employment on the 4 May 2010.

There was no compensation for loss of office paid during the year (2009: £nil).

Information subject to audit (continued)

Pension entitlements

	2010 £000	2009 £000
T A Howkins	40	40
S Clutton	32	30
P G Hetherington	75	66
A R MacKay	63	52
	210	188

There were no contributions made for the Non-executive Directors during the year ended 31 May 2010.

Directors' Remuneration Report (continued)

Information subject to audit (continued)

Interests in Long-Term Incentive Plans

Awards under the Group's LTIPs have been made to each of the Executive Directors. The awards made and those that have lapsed or been exercised during the year, together with the maximum numbers of shares that can vest are detailed below. The share price on the date of awards vesting in the year were 275.75p (7 August 2009) and 320.00p (4 October 2009).

	Award date	Share price at award date	Number as at 31 May 2009	Number awarded during the year	Number lapsed during the year	Number exercised during the year	Number as at 31 May 2010
T A Howkins							
Senior management IPO high growth award	16 May 2005	112.50p	134,769	-	-	(134,769)	-
Executive award	7 August 2006	217.00p	122,120	-	(75,307)	(46,813)	-
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
Earnings per share award	30 September 2008	313.75p	174,917	-	-	-	174,917
Share price growth award	30 September 2008	313.75p	174,918	-	-	-	174,918
Earnings per share award	25 September 2009	318.80p	-	166,248	-	-	166,248
Share price growth award	25 September 2009	318.80p	-	166,249	-	-	166,249
			946,196	332,497	(75,307)	(181,582)	1,021,804
S Clutton							
Senior management award	4 October 2006	261.75p	76,409	-	(20,630)	(55,779)	-
Executive award	4 October 2006	261.75p	229,226	-	(141,356)	(87,870)	-
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
Earnings per share award	30 September 2008	313.75p	132,013	-	-	-	132,013
Share price growth award	30 September 2008	313.75p	132,014	-	-	-	132,014
Earnings per share award	25 September 2009	318.80p	-	134,881	-	-	134,881
Share price growth award	25 September 2009	318.80p	-	134,881	-	-	134,881
			761,816	269,762	(161,986)	(143,649)	725,943

Information subject to audit (continued)

Interests in Long-Term Incentive Plans (continued)

	Award date	Share price at award date	Number as at 31 May 2009	Number awarded during the year	Number lapsed during the year	Number exercised during the year	Number as at 31 May 2010
P G Hetherington							
Executive award	7 August 2006	217.00p	82,949	-	(51,152)	(31,797)	-
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
Earnings per share award	30 September 2008	313.75p	105,611	-	-	-	105,611
Share price award	30 September 2008	313.75p	105,611	-	-	-	105,611
Earnings per share award	25 September 2009	318.80p	-	125,471	-	-	125,471
Share price growth award	25 September 2009	318.80p	-	125,471	-	-	125,471
			447,893	250,942	(51,152)	(31,797)	615,886
A R MacKay							
Executive award	7 August 2006	217.00p	69,124	-	(42,626)	(26,498)	-
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
Earnings per share award	30 September 2008	313.75p	125,413	-	-	-	125,413
Share price growth award	30 September 2008	313.75p	125,413	-	-	-	125,413
Earnings per share award	25 September 2009	318.80p	-	144,291	-	-	144,291
Share price growth award	25 September 2009	318.80p	-	144,292	-	-	144,292
			492,888	288,583	(42,626)	(26,498)	712,347

Gains made by Directors on share options

The table below shows gains made by individual Directors from the exercise of share options during the year. The gains are calculated by reference to the share price as at the respective exercise date, although the shares may have been retained.

	2010 £000	2009 £000
T A Howkins	676	639
S Clutton	534	-
P G Hetherington	117	781
A R MacKay	94	703
N B le Roux	-	382
	1,421	2,505

On behalf of the Board

Steve Clutton, Finance Director
20 July 2010

Statement of Directors' Responsibilities

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
- 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 2006 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.

The Directors are responsible for the maintenance and integrity of the Company's website and legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed on pages 7 and 8, confirms that, to the best of each person's knowledge and belief:

- The Financial Statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation as a whole; and
- The Business Review and the Directors' Statutory Report contained in the Annual Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as whole, together with a description of the principal risk and uncertainties that they face.

By order of the Board

Steve Clutton, Finance Director

20 July 2010

Independent Auditor's Report

to the Members of IG Group Holdings plc

We have audited the Financial Statements of IG Group Holdings plc for the year ended 31 May 2010 which comprise the Group Income Statement, Group and Parent Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Changes in Shareholders' Equity, the Group and Parent Company Cash Flow Statements and the related notes 1 to 36. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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

As explained more fully in the Statement of Directors' Responsibilities set out on page 57 the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements.

Opinion on Financial Statements

In our opinion:

- The Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 May 2010 and of the Group's profit for the year then ended
- The Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union
- The Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006
- The Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006
- The information given in the Directors' Statutory Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements
- The information given in the Corporate Governance Statement set out on pages 42 to 47 in the Corporate Governance Report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the Financial Statements

Independent Auditor's Report
to the Members of IG Group Holdings plc (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- A Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- The Directors' statement, set out on page 41, in relation to going concern; and
- The part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Ernst & Young LLP

Simon Michaelson (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London
20 July 2010

Notes:

1. The maintenance and integrity of the IG Group Holdings plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Group Income Statement
for the year ended 31 May 2010

		2010			2009		
	Note	Before certain items [1] £000	Certain items [1] £000	Total £000	Before certain items [1] £000	Certain items [1] £000	Total £000
Trading revenue	3	298,551	-	298,551	257,089	-	257,089
Interest income on segregated client funds		5,791	-	5,791	12,888	-	12,888
Revenue	3	304,342	-	304,342	269,977	-	269,977
Interest expense on segregated client funds		(321)	-	(321)	(5,288)	-	(5,288)
Betting duty		(4,298)	-	(4,298)	(7,223)	-	(7,223)
Net operating income		299,723	-	299,723	257,466	-	257,466
Recovery / (impairment) of trade receivables	5	1,064	-	1,064	(18,168)	-	(18,168)
Other administrative expenses		(143,500)	(17,298)	(160,798)	(114,635)	(14,613)	(129,248)
Operating profit	5, 6	157,287	(17,298)	139,989	124,663	(14,613)	110,050
Finance revenue	9	2,664	-	2,664	2,887	-	2,887
Finance costs	10	(2,312)	-	(2,312)	(1,678)	-	(1,678)
Profit before taxation		157,639	(17,298)	140,341	125,872	(14,613)	111,259
Tax expense	11	(46,120)	7,265	(38,855)	(38,744)	6,137	(32,607)
Profit for the period		111,519	(10,033)	101,486	87,128	(8,476)	78,652
Profit for the period attributable to:							
Equity holders of the parent		111,314	(10,033)	101,281	86,462	(8,476)	77,986
Minority interests		205	-	205	666	-	666
		111,519	(10,033)	101,486	87,128	(8,476)	78,652

Earnings per ordinary share	Note	2010	2009
Basic	12	28.19p	22.42p
Diluted	12	28.00p	22.31p

(1) Certain items comprise amortisation and impairment of intangibles arising on consolidation and related taxation.

All of the Group's revenue and profit for the year and prior year relate to continuing operations. The comparative Group Income Statement has been restated such that interest on segregated client funds is included within operating profit rather than finance revenue or costs. Refer to notes 2 and 3 for more information.

The notes on pages 67 to 120 are an integral part of these Financial Statements.

Statements of Financial Position
at 31 May 2010

		Group		Company	
	Note	2010 £000	2009 £000	2010 £000	2009 £000
Assets					
Non-current assets					
Property, plant and equipment	14	9,632	11,632	-	-
Intangible assets arising on consolidation	15	261,452	256,824	-	-
Intangible assets arising from software & licences	15	3,876	3,783	-	-
Investment in subsidiaries	16	-	-	428,853	424,071
Deferred tax assets	11	14,264	7,562	-	-
		289,224	279,801	428,853	424,071
Current assets					
Trade receivables	18	206,243	183,085	-	-
Prepayments and other receivables		7,084	4,928	576,920	96,943
Cash and cash equivalents	19	678,564	520,421	8	122
		891,891	708,434	576,928	97,065
TOTAL ASSETS		1,181,115	988,235	1,005,781	521,136
Liabilities					
Current liabilities					
Trade payables	20	608,140	511,656	-	-
Other payables	21	44,825	27,326	573,276	120,042
Provisions	22	1,377	-	-	-
Income tax payable	11	38,863	36,560	3,387	-
		693,205	575,542	576,663	120,042
Non-current liabilities					
Deferred tax liabilities	11	11,463	16,740	-	-
Provisions	22	1,779	-	-	-
Redeemable preference shares	23	40	40	40	40
		13,282	16,780	40	40
Total liabilities		706,487	592,322	576,703	120,082
Capital and reserves					
Equity share capital	24	18	18	18	18
Share premium	24	206,246	206,246	206,246	206,246
Other reserves	26	79,742	45,281	14,991	10,400
Retained earnings		185,443	141,819	207,823	184,390
Shareholders' equity		471,449	393,364	429,078	401,054
Minority interests		3,179	2,549	-	-
Total equity		474,628	395,913	429,078	401,054
TOTAL EQUITY AND LIABILITIES		1,181,115	988,235	1,005,781	521,136

Tim Howkins, Director **Steve Clutton,** Director

The notes on pages 67 to 120 are an integral part of these Financial Statements.

Group Statement of Comprehensive Income
for the year ended 31 May 2010

	2010		2009	
	£000	£000	£000	£000
Profit for the period		101,486		78,652
Other comprehensive income:				
Foreign currency translation on overseas subsidiaries	27,434		32,752	
Other comprehensive income for the period		27,434		32,752
Total comprehensive income for the period		128,920		111,404
Total comprehensive income attributable to:				
Equity holders of the parent		128,290		110,423
Minority interests		630		981
		128,920		111,404

The notes on pages 67 to 120 are an integral part of these Financial Statements.

Statements of Changes in Shareholders' Equity
for the year ended 31 May 2010

Group	Equity share capital £000 Note 24	Share premium £000 Note 24	Other reserves £000 Note 26	Retained earnings £000	Shareholders' equity £000	Minority interests £000	Total equity £000
At 1 June 2008	16	125,235	11,576	107,849	244,676	40	244,716
Profit for the period	-	-	-	77,986	77,986	666	78,652
Other comprehensive income for the period	-	-	32,437	-	32,437	315	32,752
Total comprehensive income for the period	-	-	32,437	77,986	110,423	981	111,404
Shares issued	2	82,199	-	-	82,201	-	82,201
Share issue costs	-	(1,188)	-	-	(1,188)	-	(1,188)
Minority interest arising on acquisition	-	-	-	-	-	1,528	1,528
Equity-settled employee share-based payments	-	-	3,256	-	3,256	-	3,256
Excess of tax deduction benefit on share-based payments recognised directly in shareholders' equity	-	-	(1,730)	-	(1,730)	-	(1,730)
Purchase of own shares	-	-	(258)	-	(258)	-	(258)
Equity dividends paid	-	-	-	(44,016)	(44,016)	-	(44,016)
Movement in shareholders' equity	2	81,011	33,705	33,970	148,688	2,509	151,197
At 31 May 2009	18	206,246	45,281	141,819	393,364	2,549	395,913
Profit for the period	-	-	-	101,281	101,281	205	101,486
Other comprehensive income for the period	-	-	27,009	-	27,009	425	27,434
Total comprehensive income for the period	-	-	27,009	101,281	128,290	630	128,920
Equity-settled employee share-based payments	-	-	4,782	-	4,782	-	4,782
Excess of tax deduction benefit on share-based payments recognised directly in shareholders' equity	-	-	2,861	-	2,861	-	2,861
Purchase of own shares	-	-	(175)	-	(175)	-	(175)
Exercise of US share incentive plans	-	-	(16)	-	(16)	-	(16)
Equity dividends paid	-	-	-	(57,657)	(57,657)	-	(57,657)
Movement in shareholders' equity	-	-	34,461	43,624	78,085	630	78,715
At 31 May 2010	18	206,246	79,742	185,443	471,449	3,179	474,628

The notes on pages 67 to 120 are an integral part of these Financial Statements.

Statements of Changes in Shareholders' Equity
for the year ended 31 May 2010

Company	Equity share capital £000 Note 24	Share premium £000 Note 24	Other reserves £000 Note 26	Retained earnings £000	Total equity £000
At 1 June 2008	16	125,235	7,402	176,806	309,459
Profit for the period	-	-	-	51,600	51,600
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	51,600	51,600
Shares issued	2	82,199	-	-	82,201
Share issue costs	-	(1,188)	-	-	(1,188)
Equity-settled employee share-based payments	-	-	3,256	-	3,256
Purchase of own shares	-	-	(258)	-	(258)
Equity dividends paid	-	-	-	(44,016)	(44,016)
Movement in shareholders' equity	2	81,011	2,998	7,584	91,595
At 31 May 2009	18	206,246	10,400	184,390	401,054
Profit for the period	-	-	-	81,090	81,090
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	81,090	81,090
Equity-settled employee share-based payments	-	-	4,782	-	4,782
Purchase of own shares	-	-	(175)	-	(175)
Exercise of US share incentive plans	-	-	(16)	-	(16)
Equity dividends paid	-	-	-	(57,657)	(57,657)
Movement in shareholders' equity	-	-	4,591	23,433	28,024
At 31 May 2010	18	206,246	14,991	207,823	429,078

The notes on pages 67 to 120 are an integral part of these Financial Statements.

Cash Flow Statements
for the year ended 31 May 2010

		Group		Company	
		2010	2009	2010	2009
	Note	£000	£000	£000	£000
Operating activities					
Operating profit		139,989	110,050	(3,530)	(2,556)
Adjustments to reconcile operating profit to net cash flow from operating activities:					
Net interest income on segregated client funds		(5,470)	(7,600)	-	-
Depreciation of property, plant and equipment		6,175	5,402	-	-
Total amortisation of intangible assets		19,728	15,597	-	-
Non-cash foreign exchange gains in operating profit		(11,382)	(4,640)	-	-
Share-based payments		4,782	3,256	-	-
Write off - property, plant and equipment		49	36	-	-
(Recovery) / impairment of trade receivables		(1,064)	18,168	-	-
(Increase) / decrease in trade and other receivables		(19,162)	88,686	96,461	77,919
Increase / (decrease) in trade and other payables		92,153	(159,585)	(34,293)	(795)
Increase in provisions		3,156	-	-	-
Cash generated from operations		228,954	69,370	58,638	74,568
Income taxes paid		(47,719)	(20,274)	-	-
Interest received on segregated client funds		5,745	12,670	-	-
Interest paid on segregated client funds		(332)	(5,007)	-	-
Net cash flow from operating activities		186,648	56,759	58,638	74,568
Investing activities					
Interest received		2,557	3,429	1	1,065
Purchase of property, plant and equipment		(2,669)	(5,897)	-	-
Payments to acquire intangible fixed assets		(2,369)	(2,142)	-	-
Purchase of subsidiary undertaking		-	(121,643)	-	-
Investment in subsidiary undertaking		-	-	-	(111,234)
Net cash acquired on purchase of subsidiary undertaking		-	68,202	-	-
Net cash flow from investing activities		(2,481)	(58,051)	1	(110,169)
Financing activities					
Interest paid		(1,317)	(1,074)	(918)	(1,059)
Equity dividends paid to equity holders of the parent		(57,657)	(44,016)	(57,657)	(44,016)
Proceeds from the issue of shares		-	81,013	-	81,013
Purchase of own shares		(175)	(258)	(175)	(258)
Payment of redeemable preference share dividends		(3)	(3)	(3)	(3)
Net cash flow from financing activities		(59,152)	35,662	(58,753)	35,677
Net increase / (decrease) in cash and cash equivalents		125,015	34,370	(114)	76
Cash and cash equivalents at the beginning of the period		520,421	471,722	122	46
Exchange gains on cash and cash equivalents		33,128	14,329	-	-
Cash and cash equivalents at the end of the period	19	678,564	520,421	8	122

The comparative Group Cash Flow Statement has been restated such that interest on segregated client funds is included within net cash flow from operating activities. Refer to notes 2 and 3 for more information.

The notes on pages 67 to 120 are an integral part of these Financial Statements.

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for the year ended 31 May 2010

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Notes to the Financial Statements

1. Authorisation of Financial Statements and statement of compliance with IFRS

The Financial Statements of IG Group Holdings plc (the Company) and its subsidiaries (together the Group) for the year ended 31 May 2010 were authorised for issue by the Board of Directors on 20 July 2010 and the Statements of Financial Position 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 2010 and applied in accordance with the provisions of the Companies Act 2006. 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 2010.

The Group has presented its consolidated income statement in a columnar format. This enables the Group to continue its practice of improving the understanding of its results by presenting profit for the year before amortisation and impairment of intangibles arising on consolidation ('certain items'). This is the profit measure used to calculate adjusted EPS (see note 12) and is considered to be the most appropriate measure as it better reflects the Group's underlying cash earnings. Profit before amortisation and impairment of intangibles arising on consolidation is reconciled to profit before tax on the face of the income statement.

The amortisation of separately identifiable intangible assets and any impairment of goodwill (including any tax effect) is included in the income statement within the column 'certain items'. Intangible assets arising on consolidation represent goodwill and other separately identifiable intangible assets on business combinations since 1 June 2004.

As permitted by Section 408(1)(b), (4) of the Companies Act 2006, 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 £81,090,000 (2009: £51,600,000). A statement of comprehensive income for IG Group Holdings plc has also not been presented in these Financial Statements. No items of other comprehensive income arose in the year (2009: £nil).

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.

Going concern

The Directors have prepared the Financial Statements on a going concern basis which requires the Directors to have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

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 16.

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 between Group entities, including unrealised profits arising from them, are eliminated on consolidation.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. The cost of an acquisition is measured at the fair value of consideration paid including an estimate of any contingent or deferred consideration and the directly attributable costs of the acquisition. Contingent or deferred consideration is re-measured at each statement of financial position date. 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)

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 statement of financial position, 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.

Foreign currencies

The functional currency of each company in the Group is that of the country of incorporation (as disclosed in note 16) as this is consistent with the primary economic environment in which the entity operates. 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 statement of financial position date, monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing on the same 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 statement of financial position 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.

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 statement of financial position date. Depreciation is charged on a straight-line basis over the expected useful lives as follows:

Leasehold improvements	- over the lease term 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 (fair value of consideration paid) 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. 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 are accounted for 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 statement of financial position 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. 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.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

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.

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 such as a trade name or customer relationship is recognised at fair value 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
- 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 over their expected useful lives, as follows:

Client lists	- straight-line basis over the expected trading life of up to 5 years
Development costs	- straight-line basis over 3 years
Software and licences	- straight-line basis over the contract term of up to 5 years
Trade names	- sum of digits method over 2 years
Customer relationships	- sum of digits method over 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 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 (or at least annually for goodwill), 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.

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.

2. Accounting policies (continued)

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 instruments are disclosed in note 33 to the Financial Statements.

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 statement of financial position. 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 derivative exposures arising from open client positions, which are also classified as held for trading.

All financial instruments at fair value through the profit and loss are carried in the statement of financial position 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.

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 or 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.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

The Group holds money on behalf of clients in accordance with the client money rules of the UK's Financial Services Authority (FSA) and other regulatory bodies. This money is included within cash and cash equivalents on the statement of financial position and the corresponding liability to clients is included in trade and other payables. The return received on managing client balances is included within operating income.

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.

Provisions

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

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 statement of financial position date.

Deferred tax is generally accounted for on all temporary differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available, against which deductible temporary differences may be utilised. 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 statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date. Deferred tax is charged or credited in the 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 statement of financial position; 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.

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.

2. Accounting policies (continued)

Finance revenue and interest income on segregated client funds 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. Interest income on segregated client funds is disclosed within revenue and therefore operating profit as this is consistent with the nature of the Group's operations.

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

Operating profit

Operating profit is the sum of 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 or loss on sale of property, plant and equipment and other administrative expenses.

Exceptional items

Exceptional items are those items of income and expense that the Group considers are material and/or of such a nature that they merit separate presentation in order to aid a reader's understanding of the Group's financial performance.

Finance costs and interest expense on segregated client funds

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.

Interest expense on segregated client funds is disclosed within operating profit as this is consistent with the nature of the Group's operations.

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

Changes in accounting policies

The accounting policies adopted in the preparation of Financial Statements are consistent with those followed in the preparation of the Group's Annual Report for the year ended 31 May 2009, other than as set out below:

The Group has made presentational changes in order to disclose interest income and expense on segregated client funds within operating profit as opposed to finance revenue or finance costs. This change has been made in order to present operating profit on a basis more consistent with the nature of Group's operations and to increase comparability with the Group's peers. This has resulted in an increase in reported operating profit and revenue for the year ended 31 May 2010 of £5,470,000 and £5,791,000 respectively and of £7,600,000 and £12,888,000 for the year ended 31 May 2009 respectively. There has been a corresponding decrease in finance costs and finance revenue for each year. There is no change to profit before taxation or on earnings per share for either of these years.

New and amended standards adopted by the Group

The following new or amended standards have been adopted by the Group:

- IFRS 7 'Financial Instruments – Disclosures (amendment)': The amended standard requires enhanced disclosures about fair value measurement and liquidity risk. As a disclosure standard the adoption of IFRS 7 has had no impact on the results or the financial position of the Group.
- IFRS 8 'Operating Segments': This new standard replaces IAS 14 'Segment Reporting' and requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. As a disclosure standard, the adoption of IFRS 8 has had no impact on the results or the financial position of the Group. A revised segmental note along with restated comparative information is disclosed in note 4. The adoption of IFRS 8 has also required the Group to review the identification of cash-generating units for the purposes of the goodwill impairment review exercise - see note 17.
- IAS 1 (revised), 'Presentation of Financial Statements': The revised standard prohibits the presentation of non-owner items of income and expense in the consolidated statement of changes in equity, requiring such items to be presented in a statement of comprehensive income. As a disclosure standard the adoption of IAS 1 (revised) has had no impact on the results or the financial position of the Group.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

The following new standards and interpretations are also effective for accounting periods beginning 1 June 2009 but have not had a material impact on the presentation of, nor the results or financial position of the Group:

- IFRS 2 (Amendment) "Share-based payment". 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.
- IAS 32 (Amendment) "Financial Instruments: Presentation" and IAS 1 (Amendment) "Presentation of Financial Statements – Puttable Instruments and Instruments with obligations arising on Liquidation".
- IAS 36 (Amendment) "Impairment of assets". The amendment requires that where fair value less costs to sell is calculated based on discounted cash flows disclosures equivalent to those for a value-in-use calculation should be made.
- IAS 38 (Amendment) "Intangible Assets". The amendment allows the recognition of a prepayment only in the event that payment has been made in advance of obtaining right of access to goods or receipt of services.
- IAS 19 (Amendment) "Employee benefits". The amendment clarifies certain accounting and valuation of defined benefit plans and alters the distinction of short-term and long-term employee benefits.
- IAS 39 (Amendment) "Financial Instruments: Recognition and Measurement". The amendment clarifies certain definitions and aligns the example of a segment with IFRS 8.
- IAS 23 (Amendments) "Borrowing Costs". The amendments to the standard require 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.
- IAS 16 (Amendment) "Property plant and equipment" and consequential amendment to IAS 7 "Statement of cash flows". The amendment relates to entities whose ordinary activities are renting and subsequently selling assets.
- IAS 28 (Amendment) "Investments in Associates". The amendment requires that the investment in an associate is treated as a single asset for the purposes of impairment testing.
- IAS 29 (Amendment) "Financial reporting in hyperinflationary economies".
- IAS 31 (Amendment) "Interests in joint ventures".
- IAS 38 (Amendment) "Intangible Assets". The amendment deletes wording that states that there is 'rarely, if ever' support for use of a method of amortisation that results in a lower rate than the straight-line method.
- IAS 40 (Amendment) "Investment Property". The amendment brings property that is under construction or development for future use as an investment property within the scope of IAS 40.
- IAS 41 (Amendment) "Agriculture". The amendment relates to the valuation methodologies for biological assets.
- IAS 20 (Amendment) "Accounting for government grants and disclosure of government assistance". The amendment relates to accounting for the benefit of a below market rate government loan.
- IFRIC 15 "Agreements for the Construction of Real Estate".
- IFRIC 17 "Distributions of Non-cash Assets to Owners".

The following standards, amendments and interpretations have been published and are mandatory for the Group's accounting periods beginning or after 1 June 2010 or later period, but the Group has not early adopted them:

- IAS 27 (revised) "Consolidated and separate Financial Statements". 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. The Group will apply IFRS 3 (revised) prospectively to all transactions with non-controlling interests from 1 July 2010.
- IFRS 3 (revised) "Business combinations". The revised standard requires that all acquisition costs be expensed and that all payments to purchase a business are to be recorded at fair value at the acquisition date. Any contingent payments are classified as debt and re-measured through the income statement. Non-controlling interests may be measured either at fair value or at the non-controlling interest proportionate share of the acquiree's net assets. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 July 2010.

2. Accounting policies (continued)

- IAS 38 (amendment) "Intangible assets". The amendment clarifies guidance in measuring fair value of an intangible asset acquired in a business combination and permits grouping of intangible assets as a single asset if each asset has similar useful economic lives. The Group will apply the amendment from the same date as IFRS 3 (revised). The amendment will not impact the Group's currently held intangible assets.
- IFRS 5 (amendment) "Measurement of non-current assets (or disposal groups) classified as held for sale". The amendment provides clarification to the existing standard disclosure requirements and will not result in a material impact to the Group's Financial Statements. The Group will apply IFRS 5 (amendment) from 1 July 2010.
- IAS 1 (amendment) "Presentation of Financial Statements". The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. The Group will apply IAS1 (amendment) from 1 July 2010. It is not expected to have a material impact on the Group's Financial Statements.
- IFRS 2 (amendments) "Group cash-settled share-based payment transactions". The amendments include IFRIC 8 and 11 and expand the guidance in IFRIC 11 to address the classification of group arrangements not previously covered. The new guidance is not expected to have a material impact on the Group's Financial Statements.

Critical accounting estimates and judgements

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

In the Directors' opinion, the accounting estimates or judgements that have the most significant impact on the Financial Statements are the impairment of trade receivables (see note 5), the calculation of the Group's taxation charge (see note 11(c) and 11(f)), the measurement and impairment of goodwill (see note 17), the estimation of the onerous lease liability (see note 22), the estimation of share-based payment costs (see note 27) and the assessment of net market risk and associated disclosures (see note 34).

3. Revenue

Trading revenue represents the net trading income from financial instruments carried at fair value through profit and loss. Revenue from external customers includes interest income on segregated client funds and is analysed as follows:

	2010 £000	2009 £000
Trading revenue		
Financial		
Spread betting	104,605	109,396
Contracts for difference	177,414	128,945
Binaries	10,600	10,005
Total Financial	292,619	248,346
Sport	5,932	8,743
Total trading revenue	298,551	257,089
Interest income on segregated client funds	5,791	12,888
Revenue from external customers	304,342	269,977

In addition to the above finance revenue is disclosed in note 9.

Notes to the Financial Statements (continued)

4. Segment information

The Group has adopted IFRS 8 'Operating Segments', which replaced IAS 14 'Segment Reporting', from 1 June 2009 and has restated the segment results from 31 May 2009 accordingly. There is no effect on the overall results of the Group. IFRS 8 requires the Group's segmental information to be disclosed consistent with the basis of internal reports regarding components of the Group that are regularly reviewed by the Chief Operating Decision Maker (CODM) in order to assess the performance and to allocate resources to those 'operating segments'. The Group considers the Executive Directors of the IG Group Holdings plc Board to be the CODM. The Group has determined its operating segments based on the management information received on a regular basis by the CODM. The Group has offices in the UK, Australia, France, Germany, Italy, Luxembourg, Spain, Sweden, Japan, Singapore and the United States. Operating segments that do not meet the quantitative thresholds required by IFRS 8 have been aggregated within the Europe and 'Rest of World' segments as appropriate.

The Group has also early adopted the 'IFRS Improvements Standard' issued in April 2009 that provides an amendment to IFRS 8 such that segment assets are not required to be disclosed as segment assets are not reported to the CODM.

In contrast the predecessor standard required the Group to identify the primary segments (business segment) and secondary segments (geographical) using a risk and rewards approach.

Under IFRS 8, the significant changes in the information presented are that:

- Revenues are reported by the location of the office whereas previously they were reported by location of the client
- The Australian and Japanese segments that were previously reported within an aggregated Asia Pacific segment are separately reported
- The 'Rest of World' segment comprises the Group's Singapore and US operations
- Segment contribution, being segment trading revenue less directly incurred costs, as the measure of segment profit and loss reported to the CODM, has been disclosed

The UK segment derives its revenue from financial spread bets, fixed odd bets on financial markets, Contracts for Difference (CFDs), margined forex and binary options. The UK segment also includes the sport business which derives its revenue from spread bets and fixed odds bets on sporting and other events and the operation of an online casino. The Australian, Japanese and European segments derive their revenue from CFDs, margined forex and binary options. The 'Rest of World' segment derives its revenue from the operation of a regulated futures and options exchange as well as CFDs, margined forex and binary options.

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

The Group employs a centralised operating model whereby market risk is managed principally in the UK, switching to Australia outside of UK hours. The costs associated with these operations are included in the Central segment, together with central costs of senior management, finance, middle office, IT development, HR, marketing and other support functions. As the Group manages risk and hedges on a group-wide portfolio basis, the following segmental revenue analysis involves the use of an attribution methodology. Interest income and expense on segregated client funds is managed and reported to the CODM centrally and thus has been reported in the Central segment. In the following analysis, the Central segment costs have been further allocated to the other reportable segments based on segment trading revenue, in order to provide segment EBITDA.

4. Segment information (continued)

Year ended 31 May 2010	UK £000	Australia £000	Europe £000	Japan £000	Rest of World £000	Central £000	Total £000
Segment trading revenue	168,477	45,660	47,431	23,946	13,037	-	298,551
Interest income on segregated client funds	-	-	-	-	-	5,791	5,791
Revenue from external customers	168,477	45,660	47,431	23,946	13,037	5,791	304,342
Interest expense on segregated client funds	-	-	-	-	-	(321)	(321)
Betting duty	(4,298)	-	-	-	-	-	(4,298)
Net operating income	164,179	45,660	47,431	23,946	13,037	5,470	299,723
Segment contribution (1)	135,543	35,226	29,803	10,662	5,761	(51,054)	165,941
Allocation of central costs	(28,810)	(7,808)	(8,111)	(4,095)	(2,230)	51,054	-
Segment EBITDA (2)	106,733	27,418	21,692	6,567	3,531	-	165,941
Depreciation and amortisation	(3,520)	(982)	(855)	(19,237)	(1,309)	-	(25,903)
Amounts written off, property, plant and equipment							(49)
Operating profit							139,989
Net finance revenue							352
Profit before taxation							140,341

(1) Segment contribution includes exceptional items of £4,874,000 disclosed in note 6 which relate to the UK (£2,958,000) and Central (£1,916,000) segments.

(2) EBITDA represents operating profit before depreciation, amortisation of intangible assets, amortisation and impairment of intangibles arising on consolidation and amounts written off property, plant and equipment and intangible assets.

Notes to the Financial Statements (continued)

4. Segment information (continued)

Year ended 31 May 2009	UK £000	Australia £000	Europe £000	Japan [2] £000	Rest of World £000	Central £000	Total £000
Segment trading revenue	159,304	27,945	30,170	27,926	11,744	-	257,089
Interest income on segregated client funds	-	-	-	-	-	12,888	12,888
Revenue from external customers	159,304	27,945	30,170	27,926	11,744	12,888	269,977
Interest expense on segregated client funds	-	-	-	-	-	(5,288)	(5,288)
Betting duty	(7,223)	-	-	-	-	-	(7,223)
Net operating income	152,081	27,945	30,170	27,926	11,744	7,600	257,466
Segment contribution	108,583	20,246	16,232	15,166	3,985	(33,126)	131,086
Allocation of central costs	(20,527)	(3,601)	(3,887)	(3,598)	(1,513)	33,126	-
Segment EBITDA [1]	88,056	16,645	12,345	11,568	2,472	-	131,086
Depreciation and amortisation	(4,374)	(472)	(361)	(15,186)	(606)	-	(20,999)
Amounts written off property, plant and equipment							(37)
Operating profit							110,050
Net finance revenue							1,209
Profit before taxation							111,259

(1) EBITDA represents operating profit before depreciation, amortisation of intangible assets, amortisation and impairment of intangibles arising on consolidation and amounts written off property, plant and equipment and intangible assets.

(2) Results for the Japanese segment include the results of FXOnline Japan KK from the date of acquisition (2 October 2008).

5. Operating profit

	Group 2010 £000	Group 2009 £000
This is stated inclusive of exceptional items and after charging/(crediting):		
Depreciation of property, plant and equipment	6,175	5,402
Amortisation of intangible assets	2,430	984
Amortisation of intangible assets arising on consolidation	17,298	14,613
Operating lease rentals for land and buildings	6,738	3,385
(Recovery) / impairment of trade receivables	(1,064)	18,168
Foreign exchange differences	(522)	735
Advertising and marketing	27,297	23,682
Property, plant and equipment written off	49	36

All of the above, except foreign exchange differences are included in administrative expenses within the Income Statement. Foreign exchange differences are included in revenue.

6. Exceptional items

In the year to 31 May 2010, exceptional items have been incurred by the Group and reported within operating profit in relation to the pending relocation of the Group's London headquarters. No exceptional items were reported in the year ended 31 May 2009.

	2010 £000
Exceptional items included in operating profit	
Onerous lease provision for excess office space [1]	3,156
Double premises costs and dilapidations on London offices [2]	1,266
Accelerated depreciation [3]	452
Total exceptional items	4,874
Tax credit on exceptional items	(1,365)
Total exceptional items after tax	3,509

(1) The excess office space results from the overlap of the lease period for the new London headquarters with that of the Group's existing London premises. Refer to note 22 for futher information.

(2) Double premises costs including rent, rates and service charges were paid in the year for both the existing and new London offices.

(3) Accelerated depreciation of leasehold improvements and other assets that are obsolete post the Group's London headquarters move.

Notes to the Financial Statements (continued)

7. Auditors' remuneration

	Group	
	2010	2009
Audit fees	£000	£000
Group audit	311	352
Other fees to auditors:		
Statutory and regulatory audit of subsidiaries of the Company pursuant to legislation	187	173
Additional costs in relation to the prior year statutory and regulatory audit of subsidiaries of the Company	-	21
Other services supplied pursuant to legislation	11	17
All other services	13	61
	211	272

8. Staff costs

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

	Group	
	2010	2009
	£000	£000
Wages and salaries	61,662	46,015
Social security costs	6,629	5,008
Other pension costs	3,763	3,059
	72,054	54,082

Staff costs include the following amounts in respect of performance-related bonuses, inclusive of National Insurance and share-based payments charged to the Income Statement:

	Group	
	2010	2009
	£000	£000
Performance-related bonuses	22,333	10,661
Equity-settled share-based payment schemes	4,782	3,256
	27,115	13,917

The Directors' emoluments for the year ended 31 May 2010 and the comparative year can be found in the Directors' Remuneration Report on page 48.

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

	Group	
	2010	2009
	Number	Number
Dealing, sales and client support	529	464
Management and administration including IT	299	297
	828	761

9. Finance revenue

	Group	
	2010	2009
	£000	£000
		(restated)
Interest receivable from brokers	406	710
Interest receivable from clients	509	1,285
Bank interest receivable	1,749	892
	2,664	2,887

10. Finance costs

	Group	
	2010	2009
	£000	£000
		(restated)
Interest payable to clients	168	-
Interest payable to brokers	163	599
Bank interest payable	68	150
Dividend on redeemable preference shares	3	3
Other charges	1,910	926
	2,312	1,678

Notes to the Financial Statements (continued)

11. Taxation

(a) Tax on profit on ordinary activities

Tax charged in the Income Statement:

	Group 2010 £000	Group 2009 £000
Current income tax:		
UK Corporation Tax	46,797	30,895
Foreign tax	2,175	4,578
Adjustment in respect of prior years	916	2,391
Total current income tax	49,888	37,864
Deferred tax:		
Origination and reversal of temporary differences	(11,033)	(5,257)
Tax expense in the Income Statement (note 11(b))	38,855	32,607

(b) Reconciliation of the total tax charge

The tax expense in the Income Statement for the year is marginally lower than the standard rate of corporation tax in the UK of 28% (2009: 28%).

The differences are reconciled below:

	2010 £000	2009 £000
Accounting profit before income tax	140,341	111,259
Accounting profit multiplied by the UK standard rate of corporation tax of 28% (2009: 28%)	39,295	31,153
Expenses not deductible for tax purposes	1,844	309
Lower taxes on overseas earnings	(3,200)	(1,246)
Adjustment in respect of prior years	916	2,391
Total tax expense reported in the Income Statement	38,855	32,607

The effective tax rate is 27.7% (2009: 29.3%).

11. Taxation (continued)

(c) Deferred income tax assets

The deferred income tax assets included in the Statement of Financial Position are as follows:

	Group 2010 £000	Group 2009 £000
Decelerated capital allowances	1,693	1,345
Tax losses available for offset against future tax	6,401	2,699
Doubtful debt provision	600	675
Share-based payments	4,282	2,388
Other	1,288	455
	14,264	7,562

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 sufficient future operating profits in those entities. A deferred tax asset is recognised where it is considered to be probable 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.

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 assets included in the Statement of Financial Position is as follows:

	Group 2010 £000	Group 2009 £000
At the beginning of the year	7,562	8,053
Income Statement credit / (charge)	3,768	(880)
Tax credited / (debited) directly to equity	2,861	(1,730)
Acquired on acquisition	-	1,719
Foreign currency adjustment	73	400
At the end of the year	14,264	7,562

Notes to the Financial Statements (continued)

11. Taxation (continued)

(d) Deferred income tax liabilities

The deferred income tax liabilities included in the Statement of Financial Position are as follows:

	Group	
	2010 £000	2009 £000
At the beginning of the year	16,740	-
Acquisition of a subsidiary	-	18,257
Foreign currency adjustment	1,988	4,620
Income Statement charge	(7,265)	(6,137)
At the end of the year	11,463	16,740

A deferred tax liability of £18.3 million was recognised in the year ended 31 May 2009 in respect of separately identifiable intangible assets arising on the acquisition of FXOnline. This decreased by £1.5 million to 31 May 2009 (£6.1 million reduction as a result of the amortisation of the underlying intangibles less £4.6 million foreign currency translation gain). This decreased by a further £5.3 million to 31 May 2010 (£7.3 million reduction as a result of the amortisation of the underlying intangibles less £2.0 million foreign currency translation gain).

(e) Deferred income tax – Income Statement charge

The deferred income tax credit / (charge) included in the Income Statement is made up as follows:

	Group	
	2010 £000	2009 £000
Decelerated capital allowances	348	528
Tax losses available for offset against future tax	3,702	1,940
Share-based payments	(967)	(2,359)
Doubtful debt provision	(75)	675
Other	760	(1,664)
Amortisation of intangibles arising on acquisition	7,265	6,137
	11,033	5,257
The deferred tax credited/(debited) to equity during the year is as follows:		
Share-based payments	2,861	(1,730)

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. Taxation (continued)

(f) Factors affecting the tax charge in future years

Factors that may affect the Group's future tax charge include the geographic location of the Group's earnings, the transfer pricing policies, the tax rates in those locations, changes in tax legislation, future planning opportunities, the use of brought forward tax losses and the resolution of open tax issues.

The calculation of the Group's total tax charge involves a degree of estimation and judgement with respect of the recognition of deferred tax assets (refer to note 11(c)) and of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority. The Group holds tax provisions in respect of the potential tax liability that may arise on these unresolved items, however, the amount ultimately paid may be materially lower than the amount accrued and could therefore improve the overall profitability and cash flows of the Group in future periods.

12. Earnings per ordinary share

The Income Statement may only disclose basic and diluted EPS. The Group has also calculated an adjusted EPS measurement ratio as the Directors consider it is the most appropriate measurement, since it better reflects the business's underlying cash earnings.

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 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 ordinary shares arising from share schemes. Adjusted earnings is based on earnings before amortisation and impairment of intangibles arising on consolidation.

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

	Group	
	2010 £000	2009 £000
Earnings attributable to equity shareholders of parent	101,281	77,986
Amortisation and impairment of intangibles arising on consolidation net of tax and minority interests	10,033	8,476
Adjusted earnings	111,314	86,462
Weighted average number of shares		
Basic and adjusted	359,256,823	347,904,665
Dilutive effect of share-based payments	2,489,555	1,627,469
Diluted	361,746,378	349,532,134
Earnings per share		
Basic	28.19p	22.42p
Diluted	28.00p	22.31p
Basic adjusted	30.98p	24.85p
Diluted adjusted	30.77p	24.74p

Notes to the Financial Statements
(continued)

13. Dividends

	Company and Group	
	2010	2009
	£000	£000
Declared and paid during the year:		
Final dividend for 2009 at 11.00p per share (2008: 9.00p)	39,611	29,636
Interim dividend for 2010 at 5.00p per share (2009: 4.00p)	18,046	14,380
	57,657	44,016
Proposed for approval by shareholders at the AGM:		
Final dividend for 2010 at 13.50p per share (2009: 11.00p)	48,750	39,554

14. Property, plant and equipment

Group	Leasehold improvements £000	Office equipment, fixtures & fittings £000	Computer and other equipment £000	Assets in the course of construction £000	Total £000
Cost:					
At 1 June 2008	5,905	706	12,927	-	19,538
Foreign currency adjustment	166	53	565	-	784
Additions	2,102	469	2,549	-	5,120
Acquisition of subsidiary	204	127	1,158	-	1,489
Written off	(2)	(3)	(3,104)	-	(3,109)
At 31 May 2009	8,375	1,352	14,095	-	23,822
Foreign currency adjustment	179	(33)	550	-	696
Additions	624	304	1,569	1,623	4,120
Written off	(949)	(160)	(4,047)	-	(5,156)
At 31 May 2010	8,229	1,463	12,167	1,623	23,482
Depreciation:					
At 1 June 2008	1,742	107	7,865	-	9,714
Foreign currency adjustment	24	7	116	-	147
Provided during the year	1,390	233	3,779	-	5,402
Written off	-	(3)	(3,070)	-	(3,073)
At 31 May 2009	3,156	344	8,690	-	12,190
Foreign currency adjustment	128	141	323	-	592
Provided during the year	2,245	293	3,637	-	6,175
Written off	(946)	(144)	(4,017)	-	(5,107)
At 31 May 2010	4,583	634	8,633	-	13,850
Net book value - 31 May 2010	3,646	829	3,534	1,623	9,632
Net book value - 31 May 2009	5,219	1,008	5,405	-	11,632
Net book value - 1 June 2008	4,163	599	5,062	-	9,824

Assets in the course of construction (AICC) represent the costs associated with the fit out of the Group's new London headquarters. AICC will be transferred to the appropriate asset class and depreciation commenced once the fit out is complete and the office available for use.

Notes to the Financial Statements
(continued)

15. Intangible assets

	Intangible assets arising on consolidation			Intangible assets arising from software and licences		
	Goodwill £000	Client lists and customer relationships £000	Trade name £000	Development costs £000	Software and licences £000	Total £000
Cost:						
At 1 June 2008	110,025	850	-	3,160	3,677	117,712
Foreign currency adjustment	19,819	9,666	176	(5)	176	29,832
External purchases	-	-	-	99	2,041	2,140
Acquisition of subsidiary	87,121	42,691	778	-	429	131,019
Written off	-	-	-	(2,357)	(436)	(2,793)
At 31 May 2009	216,965	53,207	954	897	5,887	277,910
Foreign currency adjustment	17,193	8,471	154	13	285	26,116
External purchases	-	-	-	821	1,567	2,388
Written off	-	-	-	(843)	(1,142)	(1,985)
At 31 May 2010	234,158	61,678	1,108	888	6,597	304,429
Amortisation:						
At 1 June 2008	-	850	-	3,114	1,692	5,656
Foreign currency adjustment	-	(1,114)	(47)	(1)	5	(1,157)
Provided during the year	-	14,046	567	38	946	15,597
Written off	-	-	-	(2,357)	(436)	(2,793)
At 31 May 2009	-	13,782	520	794	2,207	17,303
Foreign currency adjustment	-	3,762	130	2	161	4,055
Provided during the year	-	16,879	419	87	2,343	19,728
Written off	-	-	-	(841)	(1,144)	(1,985)
At 31 May 2010	-	34,423	1,069	42	3,567	39,101
Net book value - 31 May 2010	234,158	27,255	39	846	3,030	265,328
Net book value - 31 May 2009	216,965	39,425	434	103	3,680	260,607
Net book value - 1 June 2008	110,025	-	-	46	1,985	112,056

Customer relationships and trade name, acquired with FXOnline on 2 October 2008, are amortised on a sum of digits basis over five and two years respectively.

16. Investment in subsidiaries

	Company 2010 £000	Company 2009 £000
At cost:		
At the beginning of the year	424,071	309,581
Investment relating to equity-settled share-based payments for subsidiary employees	4,782	3,256
Increase in investment in IG Group Limited	-	111,234
At the end of the year	428,853	424,071

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% (1)	Holding company
IG Jersey Cashbox Limited	Jersey	Ordinary shares	100%	Dormant
Subsidiary undertakings held indirectly:				
IG Index Limited	UK	Ordinary shares	100%	Spread betting
IG Markets Limited	UK	Ordinary shares	100%	Margin trading and foreign exchange
extrabet Limited	UK	Ordinary shares	100%	Spread betting and fixed odds bookmaker
extrabet Financial Limited	UK	Ordinary shares	100%	Fixed odds bookmaker
IG Markets South Africa Limited	UK	Ordinary shares	100% (2)	Margin trading
IG Australia Pty Limited	Australia	Ordinary shares	100%	Australia sales and marketing office
IG Asia Pte Limited	Singapore	Ordinary shares	100%	Margin trading and foreign exchange
IG Markets Inc	USA	Ordinary shares	100%	Futures broker and USA sales office
North American Derivatives Exchange, Inc	USA	Ordinary shares	100%	Exchange
FXOnline Japan KK	Japan	Ordinary shares	87.5%	Margin trading and foreign exchange
Market Data Limited	UK	Ordinary shares	100%	Data distribution
Market Risk Management Inc	USA	Ordinary shares	100%	Market maker
IG Infotech (India) Private Limited	India	Ordinary shares	100%	Software development
IG Nominees Limited	UK	Ordinary shares	100%	Nominee company

(1) IG Group Limited's preference shares are 100% held within the IG Group of companies.

(2) On completion of the acquisition of the business of Ideal CFD Financial Services Pty Limited (see note 16(b)) the Group's ownership interest will reduce to 80%.

Notes to the Financial Statements (continued)

16. Investment in subsidiaries (continued)

Subsidiary undertakings held indirectly (continued):

Name of Company	Country of incorporation	Holding	Voting rights	Nature of business
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 Finance Five Limited	UK	Ordinary shares	100%	Financing
IG Finance Six Limited	UK	Ordinary shares	100%	Financing
IG Finance Seven Limited	UK	Ordinary shares	100%	Financing
IG Finance Eight Limited	UK	Ordinary shares	100%	Financing
Fox Sub Limited	Gibraltar	Ordinary shares	100%	Financing
Fox Sub Two Limited	Gibraltar	Ordinary shares	100%	Financing
Fox Japan Holdings Limited	Gibraltar	Ordinary shares (1)	100%	Holding company
IG US Holdings Inc	USA	Ordinary shares	100%	Holding company
Market Data Japan KK	Japan	Ordinary shares	100%	Holding company
IG Markets Japan KK	Japan	Ordinary Shares	100%	Non-trading
Blackfriars AG	Germany	Ordinary Shares	100%	Dormant

(1) Fox Japan Holdings Limited's preference shares are 100% held within the IG Group of companies.

Employee Benefit Trusts:

IG Group Holdings plc Inland Revenue Approved Share Incentive Plan (UK Trust)

IG Group Limited Employee Benefit Trust (Jersey Trust)

16(a) Acquisition of FXOnline Japan KK

On 2 October 2008, the Group acquired 87.5% of the issued share capital of FXOnline Japan KK (FXOnline), a leading privately owned Japanese online retail FX provider, for a total consideration of ¥22.2 billion (£117.6 million). The Group also has a call option to acquire the remaining 12.5% of the issued share capital exercisable from January 2011 according to a pre-agreed formula that is linked to the future performance of FXOnline.

Goodwill of £87.1 million arose on the acquisition of FXOnline relating to certain intangible assets that cannot be individually separated and reliably measured and includes the future growth potential of the business. There has not been an amendment to the fair value of the acquired assets in the year ended 31 May 2010 in relation to this acquisition.

16(b) Acquisition of the client list and business of Ideal CFD Financial Services Pty Limited

On 19 July 2010, IG Markets South Africa Limited (IGSA), a subsidiary of the Group, reached agreement to acquire the client list and business of Ideal CFD Financial Services Pty Limited (Ideal), a South African based introducing broker of the Group for £1.6 million, payable in cash. The Group has a call option, and the vendor a put option over the 20% of IGSA that transferred to the vendor of Ideal on completion, exercisable in January 2013, based on a multiple of eight times average pro forma annual post-tax profits of IGSA over the period from completion to 30 November 2012, subject to a cap.

17. Impairment of goodwill

Goodwill has been allocated for impairment testing purposes to the cash-generating units (CGUs), as follows:

Cash-generating unit	Group 2010 £000	Group 2009 £000 (restated)
UK - Financial	100,012	100,012
UK - Sport	5,250	5,250
Australia - Financial	934	934
US - Nadex	5,226	4,690
Japan - FXOnline	122,736	106,079
	234,158	216,965

Goodwill arising on the purchase of IG Group plc by IG Group Holdings plc on 5 September 2003 of £105,262,000 was previously allocated according to the profitability of the Financial and Sport CGUs at that date. On adoption of IFRS 8, the Group has reviewed the identification of the CGUs. The Financial CGU previously identified with goodwill of £100,946,000 is considered to relate to the UK - Financial and Australia - Financial segments identified under IFRS 8 and had been restated accordingly. Goodwill disclosed as Australia – Financial arose on the acquisition of the minority interest in IG Australia in the year ended 31 May 2006. Goodwill arising on the acquisitions of each of Nadex (formerly HedgeStreet) and FXOnline has been allocated to the separate US and Japanese CGUs respectively, as these businesses generate largely independent cash flows.

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.

The estimated recoverable amount of each CGU is based on value-in-use calculated as the total of the present value of projected five-year future cash flows and a terminal value.

Notes to the Financial Statements (continued)

17. Impairment of goodwill (continued)

Key assumptions used in value-in-use calculations

The calculation of value-in-use for the CGUs is most sensitive to the following assumptions:

- Growth rates used to extrapolate cash flows beyond the four-year plan period (2009: three-year period)
- The discount rate
- The long-term growth rate used for the terminal value calculation
- Client recruitment rates
- Average revenue per client

Projected future cash flows for each CGU were based on the Board approved four-year plan (2009: three-year period) comprising a one-year budget and three-year forecast (2009: two-year forecast) which reflect past experience as well as future expected trends. Cash flows beyond the relevant plan period were estimated using a range of Board approved subsequent growth rates in order to allow for differing growth scenarios. This methodology is consistent with that used for the 31 May 2009 year-end impairment review. These ranges are disclosed in the table below and are consistent with the long-term growth rates of the Group's businesses measured over a five-year period.

The cash flows for the US and Japanese CGUs were translated into sterling using period end exchange rates.

The cash flows were discounted using pre-tax discount rates as disclosed in the table below. These were derived using region specific, market-based cost of equity and debt assumptions in order to reflect both the financing cost and risk associated with each CGU. The long-term growth rates (g) used in the terminal value calculations are disclosed below and are equivalent to, or lower than the respective long-term growth rate for the economy in which the CGU operates.

Cash-generating unit	2010 Discount rate	2009 Discount rate	2010 Years 4-5 growth rate	2009 Years 3-5 growth rate	2010 g	2009 g
Financial (UK and Australia)	12.3%	15.0%	4%	4-8%	2.0%	2.0%
Sport	12.3%	15.0%	2%	0-5%	2.0%	2.0%
US	17.7%	19.8%	20%	15-30%	2.5%	3.0%
Japan	16.6%	17.5%	12%	5-10%	1.5%	1.5%

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.

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

Sensitivity to changes in assumptions

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

18. Trade receivables

	Group 2010 £000	Group 2009 £000
Amounts due from brokers	203,714	178,261
Amounts due from clients	2,529	4,824
	206,243	183,085

19. Cash and cash equivalents

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Cash at bank and in hand	123,674	95,560	8	122
Short-term deposits	4,423	3,847	-	-
Own cash and title transfer funds (1)	128,097	99,407	8	122
Segregated client funds (2)	550,467	421,014	-	-
Total cash and cash equivalents	678,564	520,421	8	122

(1) Title transfer funds are held by the Group under a Title Transfer Collateral Arrangement (TTCA) by which a client agrees that full ownership of such monies is unconditionally transferred to the Group.

(2) Segregated client funds comprise retail client funds held in segregated client money accounts or money market facilities established under the UK's Financial Services Authority (FSA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates.

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.

Net interest income on segregated client funds amounted to £5,470,000 (2009: £7,600,000).

Undrawn committed borrowing facilities amounted to £160 million (2009: £120 million) at the year-end.

20. Trade payables

	Group 2010 £000	Group 2009 £000
Amounts due to clients	608,140	511,656

Notes to the Financial Statements
(continued)

21. Other payables

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Accruals	43,450	26,131	2,492	962
Other taxes and social security	1,372	1,192	-	-
Amounts due to group companies (note 32)	-	-	570,781	119,077
Dividends on redeemable preference shares	3	3	3	3
	44,825	27,326	573,276	120,042

22. Provisions

	Group
	2010
	£000
At the beginning of the year	-
Income Statement charge	3,156
At the end of the year	3,156
Current	1,377
Non-current	1,779
Total	3,156

The provision held as at 31 May 2010 represents the Group's obligations for onerous lease commitments arising from the move of the Group's London headquarters less amounts considered recoverable by management through potential sublet income. The actual cost of the onerous leases could differ from the estimates made. The provision will be utilised over the remaining term of the Group's existing London office leases.

23. Redeemable preference shares

	Company and Group	
	2010	2009
	£000	£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% (2009: 8%).

Notes to the Financial Statements (continued)

24. Equity share capital

	Company and Group	
	2010 £000	2009 £000
Authorised:		
500,000,000 ordinary shares of 0.005p each	25	25
65,000 B shares of 0.001p each	-	-
	25	25

	Number of shares	Ordinary share capital £000	Share premium £000
Allotted, called up and fully paid:			
(i) Ordinary shares (0.005p)			
At 1 June 2008	327,500,959	16	125,235
Issued during year (net of issue costs)	32,083,377	2	81,011
At 31 May 2009	359,584,336	18	206,246
Issued during year (net of issue costs)	1,524,127	-	-
At 31 May 2010	361,108,463	18	206,246
(ii) B shares (0.001p)			
At 31 May 2009 and 31 May 2010	65,000	-	-

During the year to 31 May 2010, 1,524,127 ordinary shares with an aggregate nominal value of £76 were issued following the exercise of Long-Term Incentive Plan awards for a consideration of £76.

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.

25. 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	
	2010 £000	2009 £000
At the beginning of the year:		
1,217,574 (2009: 1,172,840) ordinary shares of 0.005p each	962	704
Purchased during the year:		
59,682 (2009: 79,345) ordinary shares of 0.005p each	175	258
Exercised during the year:		
142,815 (2009: 34,611) ordinary shares of 0.005p each	(164)	-
At the end of the year:		
1,134,441 (2009: 1,217,574) ordinary shares of 0.005p each	973	962

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 2010, 614,560 ordinary shares (2009: 702,333) were held in the trust and at the year-end have reduced shareholders' equity by £946,952 (2009: £952,699). These include 221,019 ordinary shares (2009: 201,719) which were not allocated to employees and are available for future SIP awards. The market value of the shares held conditionally at the statement of financial position date was £2,335,942 (2009: £1,587,273).

The Group has a Jersey resident Employee Benefit Trust which holds shares in the Company. At the statement of financial position date, the trust held 512,075 (2009: 512,075) ordinary shares which are available to satisfy awards under the SIP and LTIP schemes. The shares held at the statement of financial position date have reduced shareholders' equity by £26 (2009: £26). The market value of the shares held conditionally at the statement of financial position date was £1,946,397 (2009: £1,157,290).

The Group has an Australian resident Employee Equity Plan Trust in order to hold shares in the Company in respect of awards under a share incentive plan (SIP). At 31 May 2010, 7,806 ordinary shares (2009: 3,166) were held in the trust and at the statement of financial position date have reduced shareholders' equity by £26,052 (2009: £9,004). These include nil ordinary shares (2009: nil) which were not allocated to employees and are available for future SIP awards. The market value of the shares held conditionally at the statement of financial position date was £29,671 (2009: £7,155).

Upon flotation of the Company on 4 May 2005, 5,861,497 ordinary shares and cash of £2.4 million 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 2010, 2,994 (2009: 777) B shares were sold by B shareholders to the Trust. The Trust sold 365,162 (2009: 94,767) ordinary shares in order to realise the funds necessary to purchase these B shares. The Trust unconditionally held 62,605 (2009: 59,611) B shares at the statement of financial position date. The Trust also held 2,395 (2009: 5,389) B shares and 292,105 (2009: 657,267) ordinary shares which it may sell in order to satisfy its obligations to B shareholders, all of whom are current or former employees.

Notes to the Financial Statements (continued)

26. Other reserves

The share-based payment reserve relates to the estimated cost of equity-settled employee share plans based on a straight-line basis over the vesting period and the associated credit for the excess of the tax deduction for employee share-based payments over the amounts charged to the Income Statement. The foreign currency translation reserve includes amounts in relation to the translation of overseas subsidiaries.

Group	Share-based payments Note 27 £000	Foreign currency translation £000	Own shares held in Employee Benefit Trusts Note 25 £000	Total other reserves £000
At 1 June 2008	12,280	-	(704)	11,576
Equity-settled employee share-based payments	3,256	-	-	3,256
Excess of tax deduction benefit on share-based payments recognised directly in equity (note 11(c))	(1,730)	-	-	(1,730)
Foreign currency translation on overseas subsidiaries	-	32,437	-	32,437
Purchase of treasury shares	-	-	(258)	(258)
At 31 May 2009	13,806	32,437	(962)	45,281
Equity-settled employee share-based payments	4,782	-	-	4,782
Excess of tax deduction benefit on share-based payments recognised directly in equity (note 11(c))	2,861	-	-	2,861
Foreign currency translation on overseas subsidiaries	-	27,009	-	27,009
Exercise of UK share incentive plans	(164)	-	164	-
Exercise of US share incentive plans	(16)	-	-	(16)
Purchase of treasury shares	-	-	(175)	(175)
At 31 May 2010	21,269	59,446	(973)	79,742

26. Other reserves (continued)

Company	Share-based payments Note 27 £000	Own shares held in Employee Benefit Trusts Note 25 £000	Total other reserves £000
At 1 June 2008	8,106	(704)	7,402
Equity-settled employee share-based payments	3,256	-	3,256
Purchase of treasury shares	-	(258)	(258)
At 31 May 2009	11,362	(962)	10,400
Equity-settled employee share-based payments	4,782	-	4,782
Exercise of UK share incentive plans	(164)	164	-
Exercise of US share incentive plans	(16)	-	(16)
Purchase of treasury shares	-	(175)	(175)
At 31 May 2010	15,964	(973)	14,991

Notes to the Financial Statements (continued)

27. Employee share plans

The Company operates two employee share plans: a Share Incentive Plan (SIP) and a Long-Term Incentive Plan (LTIP), both of which are equity-settled. The expense recognised in the Income Statement in respect of share-based payments was as follows:

	Group	
	2010 £000	2009 £000
Equity-settled share-based payment schemes	4,782	3,256
	4,782	3,256

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 the Group 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.

All UK employees, except Executive Directors, are invited to participate in the SIP. The award made in May 2005 awarded a total of 94,267 free shares which vested immediately, and a further 470,758 additional free shares which vested after three years. Awards made subsequent to this date invited all UK employees to subscribe for up to £1,500 of partnership shares, which the Company offered to match on a one-for-one basis up to a maximum of £1,500, except for the award in August 2006, which was on a two-for-one basis, up to a maximum of £3,000. All matching shares vest after three years.

On 22 July 2009, the Company invited all UK employees to subscribe for up to £1,500 of partnership shares when the share price was £2.88. The Group offered to match every partnership share with one matching share up to a maximum of £1,500. The matching shares vest after three years.

SIP awards made to non-UK staff

On 27 January 2009, the Company invited all Australian employees to subscribe for up to A$3,000 of partnership shares when the share price was £2.84. The Group offered to match every partnership share with one matching share up to a maximum of A$3,000. The matching shares vest after three years.

On 9 February 2010, the Company invited all Australian employees to subscribe for up to A$3,000 of partnership shares when the share price was £3.67. The Group offered to match every partnership share with one matching share up to a maximum of A$3,000. The matching shares vest after three years.

A SIP for USA employees was implemented during the year. Each scheme runs for six months, with the employees investing a maximum of 5% of salary into the plan. At the end of each scheme, the employees are invited to purchase shares in IG Group Holdings plc at a discount of 15% to the scheme price, which is the lower of the opening price of the period and the closing price. The schemes in the year ran from 1 June 2009 to 30 November 2009 and from 1 December 2009 to 31 May 2010.

LTIP awards

LTIPs allow the award of nil cost or nominal cost shares which are legally classified as options. 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 diluted adjusted earnings per share over the three-year vesting period and also for awards granted after 1 June 2007, share price growth over a defined six week period. 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 48 to 56.

On 16 May 2005 awards were made to staff, conditional upon growth in normalised earnings per share in the three years to 31 May 2008. These awards vested on 21 July 2008.

27. Employee share plans (continued)

On 7 August 2006, awards were made to staff, conditional upon growth in diluted adjusted earnings per share in the three years to 31 May 2009. A further award was made on 4 October 2006. These awards vested on 21 July 2009.

On 23 July 2007, awards were made to staff, conditional upon growth in diluted adjusted earnings per share in the three years to 31 May 2010 and upon growth in the IG Group Holdings plc share price between the average over the six weeks ending 31 May 2007 and the average over the six weeks ending 31 May 2010. The share price growth over this period was 27.8%, resulting in 6.9% of awards vesting. Further awards were made on 14 August 2007, 21 August 2007, and 31 January 2008. Awards vest three years from the date of grant.

On 30 September 2008, awards were made to staff, conditional upon growth in diluted adjusted earnings per share in the three years to 31 May 2011 and upon growth in the IG Group Holdings plc share price between the average over the six weeks ending 21 October 2008 and the average over the six weeks ending 31 May 2011. These awards will vest on 30 September 2011, subject to performance conditions.

On 25 September 2009, when the share price was 318.80p, awards were made to staff, conditional upon growth in diluted adjusted earnings per share in the three years to 31 May 2012 and upon growth in the IG Group Holdings plc share price between the average over the six weeks ending 31 May 2009 and the average over the six weeks ending 31 May 2012. The awards will vest on 25 September 2012, subject to performance conditions.

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	04 May 2005	120.0p	04 May 2008	199,051	–	–	(79,237)	119,814
LTIP	16 May 2005	112.25p	21 Jul 2008	763,418	–	–	(722,752)	40,666
LTIP	07 Aug 2006	217.0p	07 Aug 2009	1,036,730	–	(374,968)	(657,725)	4,037
SIP	24 Aug 2006	237.61p	24 Aug 2009	172,832	–	(1,262)	(49,296)	122,274
LTIP	04 Oct 2006	261.75p	04 Oct 2009	427,143	–	(215,855)	(143,649)	67,639
SIP	23 Jul 2007	336.09p	23 Jul 2010	53,966	–	(4,391)	(6,690)	42,885
LTIP	23 Jul 2007	312.25p	23 Jul 2010	2,337,342	–	(197,758)	–	2,139,584
LTIP	14 Aug 2007	311.0p	14 Aug 2010	30,547	–	–	–	30,547
LTIP	21 Aug 2007	304.0p	21 Aug 2010	100,428	–	–	–	100,428
LTIP	31 Jan 2008	364.0p	31 Jan 2011	45,610	–	–	–	45,610
SIP	22 Jul 2008	328.0p	22 Jul 2011	75,265	–	(7,913)	(6,550)	60,802
LTIP	30 Sep 2008	313.75p	30 Sep 2011	3,132,290	–	(129,890)	–	3,002,400
SIP	27 Jan 2009	284.0p	27 Jan 2012	3,166	–	–	–	3,166
SIP	22 Jul 2009	288.0p	22 Jul 2012	–	55,042	(5,734)	(1,042)	48,266
LTIP	25 Sep 2009	318.80p	25 Sep 2012	–	3,871,154	(90,182)	–	3,780,972
SIP	09 Feb 2010	367.0p	09 Feb 2013	–	4,640	–	–	4,640
Year ended 31 May 2010				8,377,788	3,930,836	(1,027,953)	(1,666,941)	9,613,730
Year ended 31 May 2009				10,245,447	3,211,635	(788,214)	(4,291,080)	8,377,788

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 2010	212.24p	221.97p	227.07p	158.79p	223.90p
Year ended 31 May 2009	167.94p	182.36p	123.14p	100.47p	212.24p

Notes to the Financial Statements (continued)

27. Employee share plans (continued)

Liability for cash-settled awards

The carrying amount of the liability for the cash-settled Shadow SIP scheme at 31 May 2010 is £nil (2009: £nil). The amount of cash-settled awards which were exercised in the year to 31 May 2010 was £nil (2009: £143,344). No awards were granted in the year (2009: nil).

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 £8,725,451 (2009: £5,856,709) 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 for awards granted in the year ended 31 May 2008, were legally categorised as options and the fair value was calculated using a Black-Scholes option pricing model using the inputs below.

LTIP awards made in the year ended 31 May 2009 and 2010 are under two performance conditions. For those awards under earnings per share, 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. For those awards under the share price criteria, the fair value was calculated using a Monte-Carlo pricing model using the inputs below.

Grant date	16 May 2005	7 Aug 2006	23 July 2007	30 Sept 2008	25 Sept 2009
Share price at grant date (pence)	112.25p	217.00p	312.25p	313.75p	318.80p
Expected life of awards (years)	3.18	2.97	3.00	3.00	3.00
Risk-free Sterling interest rate (%)	5.00	5.00	5.75	4.06	1.91
Expected volatility (%)	34	32	32	40	56
Expected dividend yield (%)	3.73	3.04	3.42	5.50	4.71

28. Capital commitments

Capital expenditure contracted for at the year-end but not yet incurred is as follows:

	Group	
	2010 £000	2009 £000
Property, plant and equipment	6,611	347
Intangible assets	220	299
	6,831	646

Capital commitments for property, plant and equipment at 31 May 2010 primarily relate to the costs associated with the fit out of the Group's new London headquarters.

The Company had no capital commitments at 31 May 2010 (2009: £nil).

29. Obligations under leases

Operating lease agreements

The Group and Company have 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:

Group	2010 £000	2009 £000
Future minimum payments due:		
Not later than one year	3,003	2,739
After one year but not more than five years	10,636	8,168
After more than five years	14,770	5,653
	28,409	16,560

Company	2010 £000	2009 £000
Future minimum payments due:		
Not later than one year	-	-
After one year but not more than five years	2,343	-
After more than five years	10,353	-
	12,696	-

Notes to the Financial Statements (continued)

30. Contingent liabilities

At 31 May 2010, the Group or Company had no contingent liabilities (2009: nil).

31. Transactions with Directors

The Group had no transactions with its Directors other than those disclosed in the Directors' Remuneration Report on pages 48 to 56.

32. Related party transactions

32(a) Group

During the year, fees amounting to £30,000 (2009: £30,000) were paid to CVC Capital Partners Limited relating to the services of Robert Lucas as a Director of IG Group Holdings plc. Funds managed or advised by CVC Capital Partners Limited or its affiliates held 3.86% of the ordinary share capital of the Company at 31 May 2010 (2009: 8.40% 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 48 to 56 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:

	2010 £000	2009 £000
Salaries and other short-term employee benefits	2,966	1,551
Post-employment benefits	210	188
Share-based payments	1,671	940
	4,847	2,679

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

32(b) Company

The Company pays for certain expenses incurred by subsidiaries and received preference dividends from IG Group Limited of £83 million (2009: £54 million).

The Company had the following amounts outstanding with subsidiaries at the year-end:

	2010 £000	2009 £000
Loans to related parties	575,823	96,569
Loans from related parties	570,781	119,077

All amounts remain outstanding at the statement of financial position date and are repayable on demand.

33. Financial instruments

Accounting classifications and fair values - Group

The table below sets out the classification of each class of financial assets and liabilities and their fair values (excluding accrued interest). The Group considers the carrying value of all financial assets and liabilities to be a reasonable approximation of fair value and represents the Group's maximum credit exposure without taking account of any collateral held or other credit enhancements.

- 'Cash and cash equivalents' represent cash held on demand and on deposit with financial institutions.
- 'Trade receivables - due from brokers' represent balances with brokers where the combination of cash held on account (disclosed as loans and receivables) and the valuation of financial derivative open positions (disclosed as held for trading) results in an amount due to the Group. These positions are held to hedge client market exposures and hence are considered to be held for trading and are accordingly accounted for at fair value through profit and loss (FVTPL). These transactions are conducted under terms that are usual and customary to standard margin trading activities and are reported net in the consolidated statement of financial position as the Group has both the legal right and intention to settle on a net basis.
- 'Trade receivables - due from clients' represent balances owed to the Group by clients. Open client positions that are neither past due nor impaired are disclosed as held for trading, while receivables in respect of closed client positions are disclosed as loans and receivables.
- 'Trade payables - due to clients' represent balances where the combination of client cash held on account (disclosed as loans and receivables) and the valuation of financial derivative open positions (disclosed as held for trading) results in an amount payable by the Group. Trade payables – due to clients are reported net in the consolidated statement of financial position as the Group has both the legal right and intention to settle on a net basis.
- 'Redeemable preference shares' are disclosed in note 23.

Classification of financial instruments:

Group	FVTPL - Held for trading £000	Loans and receivables £000	Other amortised cost £000	Total carrying amount £000	Fair value £000
As at 31 May 2010					
Financial assets					
Cash and cash equivalents	-	678,564	-	678,564	678,564
Trade receivables – due from brokers					
Non-exchange traded instruments	(21,647)	199,694	-	178,047	178,047
Exchange-traded instruments	1,263	24,404	-	25,667	25,667
Total trade receivables – due from brokers	(20,384)	224,098	-	203,714	203,714
Trade receivables – due from clients	1,143	1,386	-	2,529	2,529
	(19,241)	904,048	-	884,807	884,807
Financial liabilities					
Trade payables – due to clients	(170,010)	778,150	-	608,140	608,140
Redeemable preference shares	-	-	40	40	40
	(170,010)	778,150	40	608,180	608,180

Notes to the Financial Statements (continued)

33. Financial instruments (continued)

Accounting classifications and fair values - Group (continued)

Group	FVTPL - Held for trading £000	Loans and receivables £000	Other amortised cost £000	Total carrying amount £000	Fair value £000
As at 31 May 2009					
Financial assets					
Cash and cash equivalents	-	520,421	-	520,421	520,421
Trade receivables – due from brokers					
Non-exchange traded instruments	(18,720)	124,973	-	106,253	106,253
Exchange-traded instruments	634	71,374	-	72,008	72,008
Total trade receivables – due from brokers	(18,086)	196,347	-	178,261	178,261
Trade receivables – due from clients	1,466	3,358	-	4,824	4,824
	(16,620)	720,126	-	703,506	703,506
Financial liabilities					
Trade payables – due to clients	(121,800)	633,456	-	511,656	511,656
Redeemable preference shares	-	-	40	40	40
	(121,800)	633,456	40	511,696	511,696

33. Financial instruments (continued)

Accounting classifications and fair values - Group (continued)

Financial instrument valuation hierarchy

The fair value of cash and cash equivalents held by the Group and the cash element of the trade receivables and trade payables approximates to the book value due to the short-term maturity of these balances and is therefore excluded from the following table.

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

Group	Level 1 (1) £000	Level 2 (2) £000	Level 3 (3) £000	Total fair value £000
As at 31 May 2010				
Financial assets				
Trade receivables – due from brokers	1,263	(21,647)	-	(20,384)
Trade receivables – due from clients	-	1,143	-	1,143
	1,263	(20,504)	-	(19,241)
Financial liabilities				
Trade payables – due to clients	-	(170,019)	9	(170,010)
	-	(170,019)	9	(170,010)

(1) Valued using unadjusted quoted prices in active markets for identical financial instruments. This category includes the Group's exchange-traded open hedging positions.

(2) Valued using techniques where a price is derived based significantly on observable market data. For example, where an active market for an identical financial instrument to the product offered by the Group to its clients or used by the Group to hedge its market risk does not exist. This category includes all open financial client positions (excluding binaries) and the Group's open non-exchange traded instrument hedging positions.

(3) Valued using techniques that incorporate information other than observable market data that is significant to the overall valuation. This category includes the Group's sport and leisure bets and binary bets which are valued using a combination of inputs including historical data.

The amounts due from brokers disclosed in the table above represent the fair value of the Group's open hedging positions. The fair value of the Group's open hedging position varies significantly from the fair value of the related client positions as a result of the Group's settlement terms with its brokers, whereby hedging positions are settled and re-opened on a more frequent basis than the underlying client position.

There have been no changes in the valuation techniques for any of the Group's financial instruments held at fair value in the period. During the year ended 31 May 2010, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Notes to the Financial Statements (continued)

33. Financial instruments (continued)

Accounting classifications and fair values - Group (continued)

Reconciliation of the movement in Level 3 of the valuation hierarchy

Group	At 1 June 2009 £000	Gains or losses in revenue (1) £000	Closed positions (2) £000	Transfers £000	At 31 May 2010 (3) £000
Financial liabilities					
Trade payables – due to clients	13	16,532	(16,536)	-	9
	13	16,532	(16,536)	-	9

(1) Disclosed in trading revenue in the Income Statement. This represents client positions that have closed in the period as well those open at the period end.

(2) Value of client positions that have settled in the period.

(3) Value of open client positions at the period end disclosed in trading revenue in the Income Statement.

The impact of a reasonably possible alternative valuation assumption on the valuation of trade payables – due to clients reported within Level 3 of the valuation hierarchy is not significant.

Accounting classifications and fair values - Company

The table below sets out the classification of each class of financial assets and liabilities and their fair values (excluding accrued interest):

Company	Held for trading £000	Loans and receivables £000	Other amortised cost £000	Total carrying amount £000	Fair value £000
As at 31 May 2010					
Financial assets					
Cash and cash equivalents	-	8	-	8	8
Financial liabilities					
Redeemable preference shares	-	-	40	40	40

33. Financial instruments (continued)

Accounting classifications and fair values - Company (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 2009					
Financial assets					
Cash and cash equivalents	-	122	-	122	122
Financial liabilities					
Redeemable preference shares	-	-	40	40	40

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 £298,551,000 (2009: £257,089,000).

Finance revenue (see note 9) totalled £2,664,000 (2009: £2,887,000). The entire amount represents interest income on financial assets not at fair value through profit or loss and includes interest receivable in respect of non-segregated client balances, part of which is held with brokers.

Finance costs (see note 10) totalled £2,312,000 (2009: £1,678,000). An amount of £1,399,000 represents interest expense on financial liabilities not at fair value through profit or loss (2009: £751,000). The remainder, £913,000 (2009: £927,000) represents fee expense arising from maintaining the Group's committed bank facilities.

34. Financial risk management

The Group's Internal Capital Adequacy Assessment Process (ICAAP) provides an ongoing assessment of the risks the Group believes have the potential to have a significant detrimental impact on its financial performance and future prospects and describes how the Group mitigates these risks subject to the Group's risk appetite.

The Board sets the strategy and policies for the management of these risks and delegates the management and monitoring of these risks to the Risk and Audit Committees.

Financial risks arising from financial instruments are analysed into market, credit, concentration and liquidity risks, and these are discussed below.

(i) 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. This is analysed into market price, currency and interest rate risk components.

The Group's market risk is managed on a group-wide basis and exposure to market risk at any point in time depends primarily on short-term market conditions and the levels of client activity. The Group does not take proprietary positions based on an expectation of market movements. However, not all net client exposures are hedged and, as a result, the Group may have a residual net position in any of the financial or sport markets in which it offers products.

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

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

There is a significant level of 'natural' hedging arising from the Group's global client base pursuing varying trading strategies which results in a significant 'portfolio hedging effect'. This effect reduces the Group's net market exposure prior to the Group hedging any residual net client exposures, as well as minimising concentration risk within the market risk portfolio.

Notes to the Financial Statements (continued)

34. Financial risk management (continued)

Where the Group has positions in markets for which it has not been possible or cost-effective to hedge, the Risk Committee determines the appropriate action and reviews these exposures regularly, subject to the risk management framework approved by the Board.

Sport spread bets and binary bets (sport and financial) are typically 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 hedge specific 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.

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.

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 statement of financial position date may therefore not be 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.

a) Market price risk

This is the risk that the fair value of a financial instrument fluctuates as a result of changes in market prices other than due to the effect of currency or interest rate risks.

Equity market price risk:

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. The equity exposure at the year-end and details of the exposure limit at the year-end and for the year then ended is as follows:

	2010 £000	2009 £000
Equity exposure at year-end	8,781*	8,868
Equity exposure limit at year-end	16,500	15,000
Average equity exposure limit for the year	15,813	15,000

* The average equity exposure for the year has been disclosed as this is considered more representative of the Group's typical exposure than the year-end equity exposure of £473,000.

The Group has no significant concentration of market risk.

No sensitivity analysis is presented for equity market price risk as the impact of reasonably possible market movements on the Group's revenue and equity are not significant being below the Group's average daily revenue from financial instruments (2010: £1,148,000; 2009: £989,000). 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.

Other market price risk:

The Group also has market price risk as result of its trading activities (offering bets and contracts for difference (CFDs) on interest rate derivatives and commodities) which is hedged as part of the overall market risk management. The exposure is monitored on a Group-wide basis and is hedged 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.

34. Financial risk management (continued)

The exposure to interest rate derivatives and commodities at the year-end is as follows:

	2010 £000	2009 £000
Interest rate derivatives	8,381	2,805
Commodities	4,999	5,509

No sensitivity analysis is presented for other market price risk as the impact of reasonably possible market movements on the Group's revenue are not significant. Changes in risk variables have no direct impact on the Group's equity as the Group has no financial instruments designated in hedging relationships.

b) Foreign currency risk

The Group is exposed to two sources of foreign currency risk.

i) Translational foreign currency risk

Translation exposures arise from financial and non-financial items held by an entity with a functional currency different from the Group's presentation currency. The functional currency of each company in the Group is that denominated by the country of incorporation as disclosed in note 16. The Group does not hedge translational exposures as they do not have a significant impact on the Group's capital resources.

ii) Transactional foreign currency risk

Transactional foreign currency exposures represent financial assets or liabilities denominated in currencies other than the functional currency of the transacting entity. Transaction 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 Group monitors transactional foreign currency risks including currency statement of financial position 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 year-end was as follows:

	2010 £000	2009 £000
US Dollar	(1,778)	(2,095)
Euro	(1,596)	(98)
Australian Dollar	862	237
Yen	6,826	(209)
Other	(3,859)	1,068

No sensitivity analysis is presented for foreign exchange risk as the impact of reasonably possible market movements on the Group's revenue are not significant. Changes in risk variables have no direct impact on the Group's equity as the Group has no financial instruments designated in hedging relationships.

Notes to the Financial Statements (continued)

34. Financial risk management (continued)

c) Non-trading interest rate risk

The Group also has interest rate risk relating to financial instruments not held at fair value through profit and loss. These exposures are not hedged.

The interest rate risk profile of the Group's financial assets and liabilities as at each year-end was as follows:

	Within 1 year		More than 5 years		Total	
	2010	2009	2010	2009	2010	2009
Group	£000	£000	£000	£000	£000	£000
Fixed rate						
Redeemable preference shares (8%)	-	-	(40)	(40)	(40)	(40)
Floating rate						
Cash and cash equivalents	678,564	520,421	-	-	678,564	520,421
Trade receivables	206,243	183,085	-	-	206,243	183,085
Trade payables	(608,140)	(511,656)	-	-	(608,140)	(511,656)
	276,667	191,850	(40)	(40)	276,627	191,810

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 within trade payables.

Interest rate risk sensitivity analysis

A non-traded interest rate risk sensitivity analysis has been performed on net interest income on segregated client funds on the basis of a 0.25% per annum fall and a 1.25% rise in interest rates at the beginning of the year. The impact of such a fall in interest rates would reduce net interest income on segregated client funds by approximately £0.5 million per annum. The impact of such a rise in interest rates would increase net interest income on segregated client funds by approximately £5.0 million per annum.

(ii) 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. The Group's credit risk is managed on a group-wide basis.

The Group's principal sources of credit risk are financial institution and client credit risk.

a) Financial institution credit risk

Financial institution credit risk is managed in accordance with the Group's 'Counterparty Credit Management Policy'.

Financial institutional counterparties are subject to a credit review when a new relationship is entered into and this is updated semi-annually (or more frequently as required e.g. on change in the financial institution's corporate structure or a downgrading of its credit rating). Proposed maximum exposure limits for these financial institutions are then reviewed and approved by the Risk Committee and exposures are reported against these limits on a daily basis.

As part of its management of concentration risk, the Group is also committed to maintaining multiple brokers for each asset class. Where possible, the Group negotiates for its funds to receive client money protection which can reduce credit exposure.

In respect of financial institution credit risk, the following key metrics are monitored on a daily basis:

- balances held with financial institution counterparties are reported against concentration limits approved by the Group's Risk Committee
- any change in short- and long-term credit rating of financial institutions
- any change in credit default swap (CDS) basis points spread specific to the financial institution

34. Financial risk management (continued)

It is the Group's policy that all financial institutional counterparties holding client money accounts must have minimum Standard and Poor's short- and long-term ratings of A-2 and A- respectively. This is also the target minimum ratings for the Group's bank accounts held with financial institutions but not subject to 'client money protection', although, in some operating jurisdictions, it can be problematic to find a banking counterparty satisfying these minimum ratings requirements. This risk is mitigated by ensuring balances held with these counterparties are minimised.

The Group also actively manages the credit exposure to each of its broking counterparties by only keeping minimum required balances at each broker.

In addition, deposits are typically made on an overnight basis only which enables the Group to react immediately to any downgrading of credit rating or material widening of CDS spreads.

b) Client credit risk

The Group operates a real-time mark-to-market trading platform with client profits and losses being credited and debited automatically to their account.

Client credit risk principally arises when a client's total funds deposited with the Group (margin and free equity) are insufficient to cover any trading losses incurred. In addition, a small number of clients are granted credit limits to cover open losses and margin requirements as described below.

In particular, client credit risk can arise where there are significant, sudden movements in the market i.e. due to high general market volatility or specific volatility relating to an individual financial instrument the client has an open position in.

The principal types of client credit risk exposure are managed under the Group's 'Client Credit Management Policy' and depend on the type of account and any credit offered to clients as follows:

Limited risk accounts

The Group's products are margin-traded. If the market moves adversely by more than the client's initial margin deposit, the Group is exposed to client credit risk.

The Group mitigates this risk on some account and trade types by designating them as limited risk accounts. This involves setting a level in advance at which the deal will be 'closed-out', meaning a maximum client loss can be calculated at the opening of the trade.

The maximum loss is then the amount the client is required to deposit to open the trade, meaning the client can never lose more than their initial margin deposit. In further mitigation, a significant portion of the client base is managed on the Group's 'close-out monitor' (see below) and the client position will be closed-out if the initial margin is eroded by a specified percentage and the account is not re-funded by the client.

Credit accounts

Clients holding other types of accounts are permitted to deal in circumstances where they may be capable of suffering losses greater than the funds they have deposited 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 can offer credit limits with the result any 'open loss' can be paid subject to agreed credit terms. These accounts typically only create a credit exposure when the client's loss exceeds their initial margin deposit. A client has to deposit an initial margin when opening the trade so the Group is not exposed to credit risk if the client closes the trade before any loss exceeds the initial margin deposit.

In addition to clients waiving paying some or all of any 'open losses' on a trade, the Group can also offer clients credit in respect of their initial margin. This is a permanent waiving of initial margin requirements while the limit is active on the account subject to the credit limit.

Credit limits are only granted following provision by the client of evidence of their available financial resources and credit accounts limits are continuously reviewed by the Group's Credit Department.

The 'close-out monitor'

The Group's management of client credit risk is supported by a significantly automated liquidation process, the 'close-out monitor' (COM), whereby accounts which have broken the liquidation threshold are automatically identified. This has resulted in significantly improved client liquidation times and reduced credit risk exposure for the Group.

The majority of client positions are monitored on the Group's real-time COM system or are limited risk accounts with guaranteed 'stop-losses'. As at 31 May 2010, 95.7% (2009: 93.7%) of financial client accounts are subject to the automatic COM procedure or are 'limited risk' accounts.

Notes to the Financial Statements (continued)

34. Financial risk management (continued)

(ii) Credit risk (continued)

The Group has an extensive training program for clients ('TradeSense') which aims to educate clients in all aspects of trading and risk management and encourage them to collateralise their accounts at an appropriate level.

If the margin of a client who is not subject to COM liquidation process is eroded, the client is requested to deposit additional funds up to at least the required margin level and may also be restricted from increasing their market positions. If subsequently, the client's intra-day losses increase such that their total equity falls below the specified liquidation level, the position is subject to same-day liquidation.

Introduction of risk-based tiered margins

The Group has introduced a tiered-margin requirement for equities and other instruments (tiered deposits) with risk-adjusted margin requirements dependent on several factors including for example financial instrument volatility and average daily turnover of the underlying instrument.

This has resulted in potential margin requirement of up to 90% of the value of the notional client position for large client positions but a reduced margin requirement for smaller client positions.

These tiered deposits have, in addition to the COM discussed above, contributed to the further mitigation of the Group's client counterparty credit risk exposure.

Management of client collateral

The Group also accepts collateral from clients in the form of shares or other securities which mitigate the Group's credit risk. Clients retain title to the securities lodged whilst their trading account is operating normally, but are required to sign a collateral agreement which will allow the Group to take title and sell the securities in the event of the client defaulting on any margin obligations.

Securities accepted as collateral are normally restricted to FTSE 100 stocks (although some FTSE 250 stocks may be accepted) and UK Gilts. The collateral value assigned to the client account is updated daily, and each security is assigned a 'haircut' value e.g. a client is typically allowed to use 80% of a FTSE 100 share's current market value and 90% of a UK Gilt market value.

Clients are only permitted to use non-cash collateral value to cover initial margin requirements, and losses in excess of cash held are due and payable as part of the normal margining process.

The fair value of collateral held at 31 May 2010 against amounts due from clients was £2,823,000 (2009: £595,000).

34. Financial risk management (continued)

The following tables present further detail on the Group's and the Company's exposure to credit risk. External credit ratings (Standard and Poor's long-term ratings or equivalent) are available for exposures to brokers and banks, and these are shown. No external credit rating of clients and certain of the Group's sport related brokers is available and therefore the balances are classified as 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. The analysis of neither past due nor impaired credit exposures in the following table excludes retail client funds held in segregated client money accounts or money market facilities established under the UK's Financial Services Authority (FSA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates. Under these rules, client money funds held with trust status are protected in the event of the insolvency of the Group.

	Cash and cash equivalents		Trade receivables – due from brokers		Trade receivables – due from clients		Collateral held at fair value	
	2010	2009	2010	2009	2010	2009	2010	2009
Group	£000	£000	£000	£000	£000	£000	£000	£000
Individually impaired								
Gross exposure	-	-	-	-	22,240	26,458	-	12
Allowance for impairment	-	-	-	-	(21,461)	(23,897)	-	-
	-	-	-	-	779	2,561	-	12
Past due but not impaired								
Ageing profile:								
0-3 months	-	-	-	-	535	695	-	-
4-6 months	-	-	-	-	-	7	-	-
7-9 months	-	-	-	-	-	65	-	-
10-12 months	-	-	-	-	-	-	-	-
> 12 months	-	-	-	-	72	30	-	-
	-	-	-	-	607	797	-	-
Neither past due nor impaired								
Credit rating:								
AA+	-	-	-	-	-	-	-	-
AA to AA-	13,447	11,823	119,507	87,264	-	-	-	-
A+ to A-	114,091	86,953	80,538	88,054	-	-	-	-
BBB+ to BBB-	348	182	871	1,078	-	-	-	-
Unrated	211	449	2,798	1,865	1,143	1,466	2,823	583
	128,097	99,407	203,714	178,261	1,143	1,466	2,823	583
Total carrying amount	128,097	99,407	203,714	178,261	2,529	4,824	2,823	595

Notes to the Financial Statements (continued)

34. Financial risk management (continued)

(ii) Credit risk (continued)

Company	Cash and cash equivalents 2010 £000	2009 £000
Neither past due nor impaired		
Credit rating:		
AA- to A+	8	122
	8	122

Impairment of trade receivables due from clients

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:

Group	2010 £000	2009 £000
Balance at 1 June	23,897	5,864
Impairment loss for the year		
- gross charge for the year	2,441	22,544
- recoveries	(3,505)	(4,376)
Write-offs	(1,367)	(438)
Foreign exchange	(5)	303
Balance at 31 May	21,461	23,897

34. Financial risk management (continued)

(iii) Concentration risk

Concentration risk is defined as all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position of the Group. In respect of financial risk, such exposures may be caused by credit risk, market risk, liquidity risk or a combination or interaction of those risks.

The following table analyses the Group's credit exposures, at their carrying amounts, by geographical region and excludes retail client funds held in segregated client money accounts or money market facilities established under the UK's Financial Services Authority (FSA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates.

Analysis of credit exposures at carrying amount by geographical segment:

Group	UK £000	Europe £000	Australia £000	Japan £000	Rest of World £000	Total £000
As at 31 May 2010						
Financial assets						
Cash and cash equivalents	83,699	3,054	1,790	17,656	21,898	128,097
Trade receivables – due from brokers	80,027	89,197	23,004	-	11,486	203,714
Trade receivables – due from clients	2,298	66	165	-	-	2,529
Total financial assets	166,024	92,317	24,959	17,656	33,384	334,340

Group	UK £000	Europe £000	Australia £000	Japan £000	Rest of World £000	Total £000
As at 31 May 2009						
Financial assets						
Cash and cash equivalents	62,565	14,183	348	13,880	8,431	99,407
Trade receivables – due from brokers	59,874	88,514	16,036	147	13,690	178,261
Trade receivables – due from clients	4,618	18	111	-	77	4,824
Total financial assets	125,057	102,715	16,495	14,027	22,198	282,492

The Group's largest credit exposure to any one individual broker at 31 May 2010 was £44,170,000 or 22% of the exposure to all brokers (2009: £49,529,000, 27%). Included in cash and cash equivalents, the Group's largest credit exposure to any bank at 31 May 2010 was £43,302,000 or 34% of the exposure to all banks (2009: £50,602,000, 51%). The Group has no significant exposure to any one particular client or group of connected clients.

All of the Company's credit exposures arise in the UK at both 31 May 2010 and 31 May 2009.

Notes to the Financial Statements (continued)

34. Financial risk management (continued)

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or other financial assets.

Management of liquidity risk

Liquidity risk is managed centrally and on a group-wide basis. The Group's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its broker margin requirements and other financial liabilities when due, under both normal circumstances and stressed conditions.

The Group does not have any material liquidity mismatches with regard to liquidity maturity profiles due to the very short-term nature of its financial assets and liabilities. Liquidity risk can, however, arise as a result of the Group adopting what it considers to be best industry practice in placing all retail client funds in segregated client money accounts or money market facilities (as previously discussed). A result of this policy is that short-term liquidity 'gaps' can potentially arise in periods of very high client activity or significant increases in global financial market levels.

During these periods, the Group is required to fund higher margin payments to brokers to hedge increased underlying client positions. This additional requirement is funded from the Group's own available cash resources while these retail client positions are open, as retail client funds remain in segregated client money bank accounts.

In order to mitigate this and other liquidity risks, the Group regularly stress and scenario tests its three-year liquidity forecast to validate the correct level of committed bank facilities held. At the year end, these amounted to £160.0 million (2009: £120.0 million) provided by Lloyds Banking Group plc (£100.0 million (2009: £100.0 million)) and The Royal Bank of Scotland Group plc (£60.0 million (2009: £20.0 million)).

These committed bank facilities were not drawn down during the financial year (2009: drawn down for 24 days with an average drawdown of £37.2 million and a maximum drawdown of £88.0 million).

The key measure used by the Group for managing liquidity risk is the level of total available liquidity. For this purpose total available liquidity is defined as working capital, being the net of cash and cash equivalents, all trade receivables, trade payables and other net current liabilities, plus undrawn committed facilities.

Total available liquidity at each year-end was as follows:

	2010 £000	2009 £000
Cash and cash equivalents	678,564	520,421
Amounts due from brokers	203,714	178,261
Amounts due from clients	2,529	4,824
Trade payables	(608,140)	(511,656)
	276,667	191,850
Other net current liabilities	(77,981)	(58,958)
Net working capital	198,686	132,892
Undrawn committed facilities	160,000	120,000
Total available liquidity	358,686	252,892

In the Directors' opinion the Group has sufficient liquid funds available to meet all operational requirements in the event of a large market movement. Liquidity management is also dependent on credit risk management previously described.

34. Financial risk management (continued)

(iv) Liquidity risk (continued)

Derivative and non-derivative cash flows by remaining contractual maturity - Group

The following tables present the undiscounted cash flows receivable and payable (excluding interest payments) by the Group under derivative and non-derivative financial assets and liabilities allocated to the earliest period in which the Group can be required to pay although the remaining contractual maturities maybe longer.

Amounts payable on demand:

	Derivative £000	Non-derivative £000	Total £000
As at 31 May 2010			
Financial assets			
Cash and cash equivalents	-	678,564	678,564
Trade receivables – due from brokers	(20,384)	224,098	203,714
Trade receivables – due from clients	1,143	1,386	2,529
	(19,241)	904,048	884,807
Financial liabilities			
Trade payables – due to clients	170,010	(778,150)	(608,140)
	170,010	(778,150)	(608,140)
	150,769	125,898	276,667

Derivative trade receivables and payables disclosed in the table above represent the Group's open positions with brokers and clients respectively. Non-derivative trade receivables and payables disclosed in the table above represent cash margin held at brokers, closed client debtors, and client trading margin held on deposit respectively. Derivative and non-derivative cash flows are presented alongside each other in the table above as they result from the same underlying trading relationship and as the Group has both the legal right and intention to settle on a net basis.

Trade receivables are disclosed as repayable on demand as when client positions are closed the 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.

Trade payables are disclosed in the table above as repayable on demand as 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.

Notes to the Financial Statements (continued)

34. Financial risk management (continued)

(iv) Liquidity risk (continued)

Derivative and non-derivative cash flows by remaining contractual maturity - Group (continued)

Amounts payable on demand:

	Derivative £000	Non-derivative £000	Total £000
As at 31 May 2009			
Financial assets			
Cash and cash equivalents	-	520,421	520,421
Trade receivables – due from brokers	(18,086)	196,347	178,261
Trade receivables – due from clients	1,466	3,358	4,824
	(16,620)	720,126	703,506
Financial liabilities			
Trade payables – due to clients	121,800	(633,456)	(511,656)
	121,800	(633,456)	(511,656)
	105,180	86,670	191,850

Amounts payable over 5 years:

The Group has non-derivative cash flows payable over 5 years in relation to the redeemable preference shares at 31 May 2009 and 2010, as disclosed in note 23.

Derivative and non-derivative cash flows by remaining contractual maturity - Company

The maturity of the Company's non-derivative cash flows is shown in the following table. There were no Company derivative cash flows as at 31 May 2010 (2009: £nil).

	On demand		Over 5 years		Total	
Company	2010 £000	2009 £000	2010 £000	2009 £000	2010 £000	2009 £000
As at 31 May						
Financial assets						
Cash and cash equivalents	8	122	-	-	8	122
	8	122	-	-	8	122
Financial liabilities						
Redeemable preference shares	-	-	(40)	(40)	(40)	(40)
	-	-	(40)	(40)	(40)	(40)

35. Capital management and resources

Capital management

The Group is supervised on a consolidated basis by the UK's Financial Services Authority (FSA). The Group's subsidiaries in the United States, Singapore, Australia and Japan are also regulated. Individual capital requirements in these jurisdictions are taken into account when managing the Group's capital resources.

The Group's regulatory capital resources management objective is to ensure that the Group complies with the regulatory capital resources requirement set by the FSA and other global regulators in jurisdictions in which the Group's entities operate.

The Group's capital management policy aims to maximise returns on equity while maintaining a strong capital position to enable the Group to take advantage of growth opportunities, whether organic or by acquisition. The Group does not seek to generate higher returns on equity by introducing leverage through, for example, the use of long-term debt finance.

The Group's 2009 ICAAP was approved by the Board in December 2009. There have been no capital requirement breaches during the financial year. The Group also regularly undertakes three-year stress and scenario testing of its main financial and operational risks to project its future capital and liquidity adequacy requirements.

The Group's 'Pillar 3 Disclosures' are published on its website www.iggroup.com and these provide additional information on the Group's enterprise-wide risk management framework and its management of regulatory capital on a consolidated and solo entity basis.

Capital resources

The Group had significant surplus regulatory capital resources over the regulatory capital resources requirement throughout the year. In calculating the capital requirement, the Group has adopted the standardised approach to credit risk and the basic indicator approach to operational risk.

At the year-end, under FSA rules, consolidated capital resources calculated as a percentage of our Pillar 1 consolidated capital resources requirement represented 338.1% (2009: 253.3%). Total regulatory capital resources as at 31 May 2010 were £222.1 million (2009: £152.0 million). An analysis of the Group's consolidated capital resources and capital resources requirement is provided in the Operating and Financial Review.

36. Subsequent events

On 19 July 2010, IG Markets South Africa Limited, a subsidiary of the Group, reached agreement to acquire the client list and business of Ideal CFD Financial Services Pty Limited (Ideal), a South African based introducing broker of the Group. Refer to note 16(b) for more detail.

Glossary of Terms Used

AGM	Annual General Meeting
APB	Auditing Practices Board
ASIC	Australian Securities and Investment Commission
Binary options	A special form of spread bet with only two outcomes at expiry – if a specific result is achieved, the bet is closed at a level of 100. If the result is not achieved, the bet closes at 0. Binary bets therefore have something in common with a traditional fixed-odds bet, except that the Group makes a continuous price for the binary, between 0 and 100, allowing closure of the bet before the final settlement to crystallise any running profits or losses before expiry.
CFTC	US Commodity Futures Trading Commission
'Close-out' monitor	The Group's automated client liquidation system (see also the Our Business Risks section in the Business Review and note 34 – Financial Instruments).
Combined Code	The Combined Code on Corporate Governance (Combined Code) sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. **Provision A.3.2** - at least half the board, excluding the chairman, should comprise non-executive directors determined by the board to be independent. **Principle A.6 -** Performance Management - The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.
Company	IG Group Holdings plc
Consolidated regulatory capital resources	Tier 1, Tier 2, and Tier 3 capital are calculated under the GENPRU rules of the UK's Financial Services Authority.
Contract for Difference (CFD)	A CFD is an agreement to exchange the difference in value of a financial instrument at the time in which the contract is opened, and the time at which it is closed. Examples on pages 123 to 126 illustrate buying and selling CFDs.
DMA	Direct Market Access allows clients to send orders directly into the order book of a stock exchange.
FIX	The Financial Information eXchange ("FIX") Protocol is a series of messaging specifications for the electronic communication of trade-related messages. It has been developed through the collaboration of various financial institutions.
FSA	The UK's Financial Services Authority
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process
ICSA	Institute of Chartered Secretaries and Administrators
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards (as adopted by the EU)
IIC	The Group's ICAAP and Individual Liquidity Adequacy Committee.
LIBOR	London inter-bank offered rate
LTIP	Long-term incentive plan
MTF	Multilateral trading facility
OTC	'Over the counter' means non-exchange traded financial instruments.
Pillar 1 – Capital resources requirement	Minimum FSA specified rule-based capital requirements for credit, market and operational risk under FSA's BIPRU Rulebook.
Pillar 3 Disclosures	Public disclosure of capital adequacy to facilitate the wider market's role in ensuring regulated firms hold appropriate levels of capital - disclosed on the Group's corporate website (www.iggroup.com).
Pip	A 'percentage in point' is generally, though not always, the fourth decimal place, i.e. 0.0001.
Risk appetite statement	Approved by the Group's Board of Directors and sets out the level of risk that the Group is willing to take in pursuit of its business objectives.
Spread bet	A bet on the outcome of an event. The 'spread' is a range of outcomes, and the 'bet' is on whether the outcome of the event will be above or below the spread. The pay out is based on the accuracy of the bet.
SIP	Share Incentive Plan
Systemic risk	The risk of collapse of an entire financial system, as opposed to specific risk associated with any one individual company.
Tiered-margining	Four margin tiers ranging from 5% in Tier 1 (small trade sizes) to potentially 90% under Tier 4. The margin calculations are dependent on various factors including specific financial instrument volatility.
TSR	Total Shareholder Return
Variation margin	Initial margin is collateral that the holder of a financial instrument has to deposit to cover some or all of the credit risk of his counterparty. The variation margin is not collateral, but a daily payment of running profits and losses on the open position.

Glossary of Terms Used (continued)

Example - buying a CFD

Introduction

In this example, you buy 10,000 CFDs in A plc (assumed to be a FTSE 100 share) on Day 1 (on 25 May 2010), as you expect that A plc's share price will rise. On Day 2, however, the share price has actually fallen, and you decide to sell 10,000 A plc CFDs to close your position and minimise your losses, as you now believe the share price will continue to fall. Your loss is the difference between the selling and buying prices, plus transaction and other costs (illustrated opposite).

As long as your contract is open, your account will show any 'running' loss or any 'running' profit on your open CFD position, but this is not illustrated. You must also have deposited sufficient funds to cover any running losses.

You are also required to have funds deposited on your account before you can begin to trade. In this example, we assume you have deposited £1,000.

It is important to note that you can make losses in excess of your initial deposit, if the market moves against you.

Step 1

Day 1 - opening the position

The quoted bid/offer price for A plc is 126.85p/126.95p.

Trade details		Buy 10,000 A plc CFDs at 126.95p (the offer price)
Your initial margin requirement (i)	£634.75	(calculated as 10,000 x 126.95p x 5%)
Commission (ii)	£12.70	(calculated as 10,000 x 126.95p x 0.10%)

(i) the margin level depends on the size of your CFD position and other factors such as the volatility and liquidity of the underlying share.
(ii) commissions are variable, but for UK FTSE 100 CFDs (as assumed for A plc), this was 0.1% on the 25 May 2010.

Step 2

On Day 1 when you open the trade, you are required to have the initial margin for this trade in your account which equals £634.75 in this example (calculated in Step 1). The available funds in your account therefore fall from £1,000 to £352.55 (i.e. £1,000 - £634.75 - £12.70).

Step 3

In addition, financing is charged on bought CFD positions held open overnight, which for UK FTSE 100 CFDs, means those open at 10pm UK time. In this example, the financing charge is the current one-month sterling LIBOR rate of 0.57%, plus a 2.5% additional margin (both correct as at 25 May 2010), which results in a total financing charge of 3.07% being applied to your CFD contract value. This is re-calculated daily.

Closing Price (Day 1)	127.35p	
Daily interest charged	£1.07	(calculated as (10,000 X 127.35p X 3.07%)/365 days)

Step 4

We will also reflect the impact of any corporate action on the underlying share, such as a dividend. In this example, we assume that A plc goes ex-dividend on 26 May 2010, paying a net dividend of 7p on the same day.

Your account is therefore credited (with this dividend adjustment) to reflect the underlying market price of the share.

Dividend per underlying A plc share	Net 7p
Dividend adjustment on 10,000 A plc CFDs	£700.00

Step 5

Day 2 - closing the position

On Day 2, you decide to close the position as you believe the share price may fall further. The bid/offer price at that point is 122.30p/122.40p.

Trade		Sell 10,000 CFDs at 122.30p (the bid price)
Commission	£12.23	(calculated as 10,000 x 122.30p x 0.10%)
Loss per individual CFD contract	4.65p	(the difference between the selling and buying price = 122.30p - 126.95p)
Gross loss on the trade (£)	£465.00	(calculated as 10,000 x 4.65p)

Calculating your profit or loss

Buying commission (Step 1)	(12.70)
Financing charge (Step 3)	(1.07)
Dividend adjustment (Step 4)	700.00
Selling commission (Step 5)	(12.23)
Gross loss (Step 5)	(465.00)
Net Profit (£)	209.00

Glossary of Terms Used (continued)

Example - selling a CFD

Introduction

In this example, you sell 10,000 CFDs in A plc (assumed to be a FTSE 100 share) on Day 1 (on 25 May 2010), as you expect that A plc's share price will fall. On Day 2, the share price has fallen, and you decide to buy 10,000 A plc CFDs to close your position as you now believe that A plc's share price will rise.

As long as your contract is open, your account will show any 'running' loss or any 'running' profit on your open CFD position, but this is not illustrated. You must also have deposited sufficient funds to cover any running losses.

You are also required to have funds deposited on your account before you can begin to trade. In this example, we assume you have deposited £1,000.

It is important to note that you can make losses in excess of your initial deposit, if the market moves against you.

Step 1

Day 1 - opening the position

The quoted bid/offer price for A plc is 126.85p/126.95p.

Trade details		Sell 10,000 A plc CFDs at 126.85p (the bid price)
Your initial margin requirement (i)	£634.25	(calculated as 10,000 x 126.85p x 5%)
Commission (ii)	£12.69	(calculated as 10,000 x 126.85p x 0.10%)

(i) the margin level depends on the size of your CFD position and other factors such as the volatility and liquidity of the underlying share.
(ii) commissions are variable, but for UK FTSE 100 CFDs (as assumed for A plc), this was 0.1% on the 25 May 2010.

Step 2

On Day 1 when you open the trade, you are required to have the initial margin for this trade in your account which equals £634.25 in this example (calculated in Step 1). The available funds in your account therefore fall from £1,000 to £353.06 (i.e. £1,000 - £634.25 - £12.69).

Step 3

In addition, financing is paid in respect of sold CFD positions held open overnight, which for UK FTSE 100 CFDs, means those open at 10pm UK time. In this example, the financing charge is the net of the current one-month sterling LIBOR rate of 0.57% less a 2.5% additional margin (both correct as at 25 May 2010), which results in a net financing charge of 1.93% being applied to your CFD contract value - this is re-calculated daily.

Closing Price (Day 1)	127.35p	
Daily interest charged	£0.67	(calculated as (10,000 X 127.35p X 1.93%)/365 days)

Step 4

We will also reflect the impact of any corporate action on the underlying share, such as a dividend. In this example, we assume that A plc goes ex-dividend on 26 May 2010, paying a net dividend of 7p on the same day.

When you sell a CFD and the share goes ex-dividend, the dividend value (here £700.00) is debited from your account. This reflects the fall in the underlying market price of the share.

Dividend per underlying A plc share	Net 7p
Dividend adjustment on 10,000 A plc CFDs	£700.00

Step 5

Day 2 - closing the position

On Day 2, you decide to close the position as you believe the share will now continue to rise. The bid/offer price at that point is 122.30p/122.40p.

Trade		Buy 10,000 CFDs at 122.40p (the offer price)
Commission	£12.24	(calculated as 10,000 x 122.40p x 0.10%)
Profit per individual CFD contract	4.45p	(the difference between the selling and buying price = 126.85p - 122.40p)
Gross profit on the trade (£)	£445.00	(calculated as 10,000 x 4.45p)

Calculating your profit or loss

Buying commission (Step 1)	(12.69)
Financing charge (Step 3)	(0.67)
Dividend adjustment (Step 4)	(700.00)
Selling commission (Step 5)	(12.24)
Gross profit (Step 5)	445.00
Net Loss (£)	(280.60)

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Shareholder Information

Receiving shareholder information by email

You may supply the Company with an email address for the purpose of receiving shareholder information, as an alternative to posting whenever shareholder communications are added to the Company website by visiting www.capitashareportal.com and registering online for electronic communications ('e-coms').

If you subsequently wish to change your election, or receive documents or information by post, you can do so by contacting the Company's registrars at:

Capita Registrars
Shareholder Administration Support
34 Beckenham Road
Beckenham
Kent BR3 9ZA

Receiving shareholder information by means of our corporate website

For many shareholders, it will be convenient to access shareholder information on our corporate website at www.iggroup.com. We will notify you by post, or by email if you have elected for e-coms, when shareholder information has been placed on the website and indicate where on the site you can access it.

2010 Final Dividend Dates

Ex dividend date	8 September 2010
Record date	10 September 2010
Last day to elect for DRIP	17 September 2010
AGM	7 October 2010
Payment date	12 October 2010

Annual shareholder calendar

(a) Company reporting

Final results announced	20 July 2010
Annual Report published	August 2010
1st Interim Management Statement	6 September 2010
Annual General Meeting	7 October 2010
Interim results announced	18 January 2011
2nd Interim Management Statement	7 March 2011

(b) Dividend payment

Interim	March
Final	October

Interim report

As part of our e-coms programme, we have decided not to produce a printed copy of our Interim Report. Instead the Interim Report will be published on our website and will be available around mid January each year.

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)
D Currie
D M Jackson
R R Lucas
N B le Roux (Deputy Chairman)
R P Yates (Senior Independent Director)

Company Secretary

G Abbi

Auditors

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Royal Bank of Scotland Group plc
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Solicitors

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Registrars

Capita Registrars
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Registered Number

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Cautionary Statement

Certain statements included in our 2010 Annual Report, or incorporated by reference to it, may constitute 'forward-looking statements' in respect of the Group's operations, performance, prospects and/or financial condition.

By their very nature, forward-looking statements involve uncertainties because they relate to events, and depend on circumstances, that will or may occur in the future. If the assumptions on which the Group bases its forward-looking statements change, actual results may differ from those expressed in such statements. The forward-looking statements contained herein reflect knowledge and information available at the date of this presentation and the Group undertakes no obligation to update these forward-looking statements.

This report does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase any shares or other securities in the Company and nothing in this report should be construed as a profit forecast.

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