



20 July 2010

IG GROUP HOLDINGS plc
Preliminary Results for the year ended 31 May 2010

IG Group Holdings plc ("IG" or "the Group") today announces preliminary results for the year ended 31 May 2010.

Operating highlights

- Trading revenue up 16% to £298.6m (2009: £257.1m)
- Adjusted profit before taxation up 25% to £157.6m (2009: £125.9m)
- Number of financial clients dealing up 10% to 120,689 (2009: 109,747)
- Year-on-year partners business revenue increased by 42% to £48.7m (2009: £34.4m)
- Re-positioning of FXOnline in Japan successfully completed
- In US, regulatory approval allows futures brokers to trade on our Nadex exchange
- Acquisition of Ideal CFDs, a South African online CFD provider
- New offices opened in China (representative), Portugal and Sweden
- Current trading is strong

Tim Howkins, Chief Executive

"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. I look forward to the coming year with confidence."

Jonathan Davie, Chairman

"During the year, we have focused on the further development of our established and newer businesses, and 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. The Board has recommended a final dividend for the year of 13.5p per share, making a total distribution for 2010 of 18.5p per share, an increase of 23% on 2009."

Financial highlights

Year ended 31 May	2010	2009	Growth
Trading revenue (£m)	298.6	257.1	+ 16.1%
EBITDA (£m) ⁽ⁱ⁾	165.9	131.1	+ 26.6%
EBITDA margin	55.6%	51.0%	+ 4.6%
Adjusted profit before taxation (£m) ⁽ⁱⁱ⁾	157.6	125.9	+ 25.2%
Adjusted profit before taxation margin	52.8%	49.0%	+ 3.8%
Profit before taxation (statutory) (£m)	140.3	111.3	+ 26.1%
Diluted earnings per share	28.00p	22.31p	+ 25.5%
Adjusted diluted earnings per share	30.77p	24.74p	+ 24.4%
Final dividend proposed per share	13.5p	11.0p	+ 22.7%
Total dividend per share	18.5p	15.0p	+ 23.3%
Total equity (£m)	474.6	395.9	+ 19.9%
Regulatory capital adequacy ⁽ⁱⁱⁱ⁾	338.1%	253.3%	+ 84.8%
Total available liquidity (£m) ⁽ⁱⁱⁱ⁾	358.7	252.9	+ 41.8%

⁽ⁱ⁾ 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.

⁽ⁱⁱ⁾ Profit before taxation excluding amortisation and impairment of intangible assets arising on consolidation. Profit before amortisation and impairment of intangibles arising on consolidation is reconciled to profit before tax on the face of the Group Income Statement.

⁽ⁱⁱⁱ⁾ Analysed in the Operating and Financial Review section below.

Further information

IG Group

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Conference call dial-in

There will be an analyst presentation on the results at 9:30am on Tuesday 20 July 2010 at Financial Dynamics, Holborn Gate, 26 Southampton Buildings, London WC2A 1PB. Those analysts wishing to attend are asked to contact Financial Dynamics directly. The presentation will also be accessible via a conference call on the following number:

+ 44 (0) 20 3059 5845 with the password "results"

A replay of the conference call is available for a period of seven days on the following dial-in:

+ 44 (0) 121 260 4861 with the passcode 8799623#

A webcast of the presentation will also be available at: www.iggroup.com

Forward-looking statements

This preliminary statement prepared by IG Group Holdings plc contains forward-looking statements about the IG Group. 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 statement and the Group undertakes no obligation to update these forward-looking statements.

Nothing in this statement should be construed as a profit forecast.

Chairman's Statement

It is my pleasure to make this annual statement after another record year at IG. 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 China (representative), Portugal and Sweden 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 independent consultant, to conduct a full evaluation of the Board in accordance with the 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 on-going 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 increases in director remuneration and 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 the 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.

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 Semperian 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 mean 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 £46m and £47m 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 due to 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 over 63% 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% 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 41.8%. Partners accounted for 16.3% of our trading revenue, compared to 13.4% in the previous year.

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.

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

Introduction

This Operating and Financial Review (OFR) extract 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.

Our business and products

IG operated in two principal areas of activity throughout the year:

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.

How did we perform against our strategy?

The Chief Executive's Report 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.

(i) Investment Trends: '2009 UK Spread Betting and CFD Report' – November 2009.

(ii) Investment Trends: 'May 2010 Australia CFD Report' – July 2010.

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.

(iii) Yano Research Institute.

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 commenced marketing in New Zealand and opened a representative office in China.

The Group have 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 41.8% 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.

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 to 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 the surveys mentioned above and we endeavour to maintain the highest levels of client service.

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

Financial review

The Group Income Statement is presented on an adjusted profit before taxation basis, which excludes amortisation and impairment of intangibles arising on consolidation, and a full statutory basis, which is shown in the Financial Information section below.

The Group considers that the adjusted profit before taxation basis shown below is the best measure of underlying business profitability.

Group income statement (adjusted)

For the year ended 31 May 2010

£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
<i>Adjusted diluted earnings per share</i>	<i>30.77p</i>	<i>24.74p</i>

Trading revenue

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. Toward 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.

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

£m	2010	2009
Financial		
UK	162.6	150.6
Australia	45.7	27.9
Europe (excluding the UK)	47.4	30.2
Rest of World	13.1	11.8
Total Financial (excluding Japan)	268.8	220.5
Japan	23.9	27.9
Total Financial	292.7	248.4
Sport		
UK	5.9	8.7
Trading revenue	298.6	257.1

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-focused 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 US 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 sports 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.

Impairment of trade receivables

The development of our 'close-out' monitor and the introduction of 'tiered-margining', and lower volatility during the financial year, 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.

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 following table:

£000	2010	2009
Salaries, bonus and LTIP/SIP	72,054	54,082
Advertising and marketing	27,297	23,682
Premises-related costs	11,091	6,183
Depreciation and amortisation	8,605	6,386
Other costs	24,453	24,302
Total	143,500	114,635

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 as a result of our London Headquarters relocation.

Adjusted profit before taxation

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

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. 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 of trading revenue) increased to 55.6% (2009: 51.0%).

The following table summarises EBITDA margin by region:

	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.

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).

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 (FY09: £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 and customer relationships) arising on the acquisition of FXOnline.

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.

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. 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.

£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%

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 50.0% 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 9.1% over the previous year. Total accounts opened, including FXOnline, increased by 9.2%.

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%).

Financial Information

Group income statement (statutory)

For the year ended 31 May 2010

£000	Notes	2010			2009		
		Before certain items ¹	Certain items ¹	Total	Before certain items ¹	Certain items ¹	Total
Trading revenue	2	298,551	-	298,551	257,089	-	257,089
Interest income on segregated client funds		5,791	-	5,791	12,888	-	12,888
Revenue	2	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		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	4	157,287	(17,298)	139,989	124,663	(14,613)	110,050
Finance revenue		2,664	-	2,664	2,887	-	2,887
Finance costs		(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	5	(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
<i>Earnings per ordinary share</i>	<i>Note</i>			<i>2010</i>			<i>2009</i>
Basic	6			28.19p			22.42p
Diluted	6			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 (see note 1).

Group statement of financial position

As at 31 May 2010

£000	Notes	2010	2009
Non-current assets			
Property, plant and equipment		9,632	11,632
Intangible assets arising on consolidation		261,452	256,824
Intangible assets arising from software & licences		3,876	3,783
Deferred tax assets		14,264	7,562
		<u>289,224</u>	<u>279,801</u>
Current assets			
Trade receivables	8	206,243	183,085
Prepayments and other receivables		7,084	4,928
Cash and cash equivalents	9	678,564	520,421
		<u>891,891</u>	<u>708,434</u>
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
		<u>693,205</u>	<u>575,542</u>
Non-current liabilities			
Deferred tax liabilities		11,463	16,740
Provisions		1,779	-
Redeemable preference shares		40	40
		<u>13,282</u>	<u>16,780</u>
Total liabilities		706,487	592,322
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
TOTAL EQUITY AND LIABILITIES		1,181,115	988,235

Group statement of comprehensive income

For the year ended 31 May 2010

£000	2010	2009
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

Group statement of changes in shareholders' equity

For the year ended 31 May 2010

£000	Equity share capital	Share premium	Other reserves	Retained earnings	Shareholders' equity	Minority interests	Total equity
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

Group cash flow statement

For the year ended 31 May 2010

£000	Note	2010	2009
Operating activities			
Operating profit		139,989	110,050
<i>Adjustments to reconcile operating profit to net cash flow from operating activities:</i>			
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 & equipment		49	36
(Recovery) / impairment of trade receivables		(1,064)	18,168
(Increase) / decrease in trade and other receivables		(19,162)	88,686
Increase / (decrease) in trade and other payables		92,153	(159,585)
Increase in provisions		3,156	-
Cash generated from operations		228,954	69,370
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
Investing activities			
Interest received		2,557	3,429
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)
Net cash acquired on purchase of subsidiary undertaking		-	68,202
Net cash flow from investing activities		(2,481)	(58,051)
Financing activities			
Interest paid		(1,317)	(1,074)
Equity dividends paid to equity holders of the parent		(57,657)	(44,016)
Proceeds from the issue of shares		-	81,013
Purchase of own shares		(175)	(258)
Payment of redeemable preference share dividends		(3)	(3)
Net cash flow from financing activities		(59,152)	35,662
Net increase / (decrease) in cash and cash equivalents		125,015	34,370
Cash and cash equivalents at the beginning of the period		520,421	471,722
Exchange gains on cash and cash equivalents		33,128	14,329
Cash and cash equivalents at the end of the period	9	678,564	520,421

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.

Notes

1. Basis of preparation

The financial information in this announcement is derived from IG Group Holdings plc's group financial statements but does not, within the meaning of Section 435 of the Companies Act 2006, constitute statutory accounts for the years ended 31 May 2009 or 31 May 2010. The financial statements are prepared on a going concern basis and the accounting policies, other than as set out below, are consistent with the Group's 2009 Annual Report.

Although the financial information has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), this preliminary statement does not itself contain sufficient information to comply with IFRS. The Group will publish full IFRS compliant group financial statements in August 2010 and statutory accounts for 2010 will be delivered to the Registrar of Companies following the Company's Annual General Meeting on 7th October 2010.

The Group's auditors, Ernst & Young LLP, have reported on those financial statements and their reports were unqualified, did not emphasise any matters nor include any statements under Section 498(2) or (3) of the Companies Act 2006.

Copies of full group financial statements will be posted to all shareholders in August 2010. Further copies will be available, from the date of posting, from the Group's Headquarters at Cannon Bridge House, 25 Dowgate Hill, London, EC4R 2SB, by telephone on 020 7896 0011 or via the Group's website at www.iggroup.com.

Presentation of group income statement

The Group has presented its consolidated income statement in a columnar format. This facilitates improving the understanding of its results by presenting profit for the year before amortisation and impairment of intangibles arising on consolidation and related deferred tax adjustments. This is the profit measure used to calculate adjusted diluted EPS (see note 6) as the Group's considers it better reflects underlying cash earnings.

Accounting policies and the adoption of new or amended accounting standards

The accounting policies adopted in the preparation of financial statements are consistent with those followed in the preparation of the Group's 2009 Annual Report, 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 the Group's operations and to facilitate comparability with the Group's peers.

This has resulted in an increase in reported total revenue for the year of £5,791,000 (2009: £12,888,000) and operating profit the year £5,470,000 (2009: £7,600,000). The net of finance costs and finance revenue reduced by a corresponding £5,470,000 (2009: £7,600,000), with no resultant change to profit before taxation or on earnings per share for either of these years.

The Group has also adopted the following new or amended accounting standards in the year:

- 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 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.
- 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.

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 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, the calculation of the Group's taxation charge, the measurement and impairment of goodwill, the estimation of the onerous lease liability, the estimation of share-based payment costs and the assessment of net market risk and associated disclosures.

2. 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:

£000	2010	2009
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
Sports	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

3. 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; and
- 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 sports 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 such 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.

Year ended 31 May 2010 (£000)	UK	Australia	Europe	Japan	Rest of World	Central	Total
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 plant, property 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 4 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.

Year ended 31 May 2009 (£000)	UK	Australia	Europe	Japan ⁽²⁾	Rest of World	Central	Total
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 plant, property and equipment							(37)
Operating profit							110,050
Net finance revenue							1209
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).

4. 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.

£000	2010
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.
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.

5. Taxation

(a) Tax charged in the income statement

£000	2010	2009
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	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:

£000	2010	2009
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%).

6. 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:

£000	2010	2009
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

7. Dividends

£000	2010	2009
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 13.5p per share (2009: 11.00p)	48,750	39,554

8. Trade receivables

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

9. Cash and cash equivalents

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

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.

10. Subsequent events

On 19 July 2010, we exchanged contracts on the acquisition of the 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 IG Markets South Africa Limited (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.
