



24 July 2006

IG GROUP HOLDINGS PLC
Preliminary Results for the year ended 31 May 2006

IG Group Holdings plc (“IG” or “the Group”) today announces preliminary results for the year ended 31 May 2006.

Highlights

- Turnover up 44% at £89.4 million
- EBITDA* up 51% at £52.6 million
- Strong EBITDA margin* of 58.8%
- Normalised earnings per share up 61% at 10.88p
- Final dividend of 4.0p per share – total dividend of 5.5p per share
- Current trading is strong

Tim Howkins, Chief Executive Designate

“IG has again delivered excellent growth. This is a continuation of a long track record and we have achieved a compound annual revenue growth rate in revenue of 40% over the past eight years. We have spent the last few years expanding our product range, enhancing our technology and developing IG into a multi-national operation, and I believe we are well positioned for further growth”

Jonathan Davie, Chairman

“2006 has been another highly successful year for the business. The significant increase in revenue and profits has resulted in further strong cash generation by the group and the board has recommended a maiden final dividend of 4p per share, making a total distribution for the year of 5.5p per share.”

Financial Highlights

	<i>Year ended 31 May 2006</i>	<i>Year ended 31 May 2005</i>	<i>Growth</i>
Turnover	£89.4m	£62.2m	+44%
EBITDA*	£52.6m	£34.9m	+51%
Profit before taxation	£51.1m	£16.6m	+208%
Profit after taxation	£35.7m	£12.1m	+194%
Basic earnings per share	10.92p	5.83p	+87%
Diluted earnings per share	10.88p	5.41p	+101%
Normalised earnings per share**	10.88p	6.75p	+61%
Final dividend per share	4.0p	-	-
Total dividend per share	5.5p	-	-

*EBITDA represents earnings before exceptional administrative costs, depreciation, amortisation charges, taxation, interest payable on debt and interest receivable on corporate cash balances and includes interest receivable on clients' money net of interest payable to clients

**As set out in note 8 to the interim financial report, normalised earnings per share represents earnings adjusted for normalising items, divided by the number of ordinary shares in issue and to be issued, adjusted for normalising items. Normalising adjustments to earnings comprise the impact, net of tax, of exceptional administrative costs, debt interest, dividends on redeemable preference shares and tax items relating to financing structure. Normalising adjustments to the number of shares comprise the impact of restating the weighted average number of ordinary shares to the equivalent number of ordinary shares in issue in the period and treating the issue of new ordinary shares at the time of the company's flotation as if it had taken place prior to 1 June 2004. The calculation is not intended to comply with IAS33.

Chief executive designate's report

for the year ended 31 May 2006

IG has a track record of reporting good growth levels. Over the past eight years revenues have grown at a compound annual rate of approximately 40%. Even against this strong historic performance, growth rates this year were excellent with revenue up 44%, to £89m, EBITDA up 51% to £53m and normalised earnings per share up 61% to 10.88p. We have spent the last few years expanding our product range, enhancing our technology and beginning to develop IG from a UK-centric business into a multi-national operation. I believe that IG is well positioned for further growth.

Financial

Our regulated financial businesses performed strongly with revenue up 49% to £75.1m. Levels of equity market volatility remained subdued for most of the year, although increasing dramatically in the last two weeks of May. During this period of high market volatility our well-established risk management systems performed robustly with no loss making days and the volatility of our daily revenue remaining low.

Spread betting

Our financial spread betting business had its most successful year. Revenue was £54.8m, up 47%, accounting for 61% of group revenues. The rate of client recruitment increased significantly in the second half of the year and the run rate of account opening in the last three months of our financial year was approximately double the rate of six months earlier. This is the highest sustained level of account recruitment ever achieved. Account opening is a key leading indicator for the business and therefore I am optimistic about the continuing growth prospects of this business.

There are a number of factors that may be responsible for this acceleration in client recruitment. In part, it may simply reflect an increasing recognition that IG is the leading financial spread betting brand, with market-leading dealing software and product range. We continue to improve our client offering to ensure that we further extend this market lead. The increase may also reflect the impact of reducing our spreads on spot currencies in January. Markets which clients trade short-term show the most elasticity of demand after spread cuts and this was the last such market where our spreads were higher than some of our competitors. Moving to fully competitive spreads in these currency markets resulted in a significant increase in the number of new clients we are recruiting who are only, or primarily, interested in betting on currencies.

CFDs

Our London based contracts for difference (CFD) business achieved revenue growth of 60% to £15.0m and now accounts for 17% of group revenues. This business is becoming increasingly international, with more than 40% of revenues now coming from clients outside the UK, largely through a developing network of introducers.

Continental Europe was the most significant geographic area outside the UK, accounting for almost £3m of revenues. We intend to increase our presence in several European countries in the coming months and will commence marketing directly to end-clients rather than solely recruiting clients indirectly via introducers. We plan to establish an office in Germany which will handle account opening and initial enquiries from prospective clients. We will commence advertising in Germany within the next three months. We envisage commencing direct marketing in at least one other European country within the next six months.

Ireland is also becoming an increasingly important source of clients. This is a country which has seen a large increase in personal wealth over recent years. A substantial portion of this wealth is now managed by private client stock brokers who are increasingly seeking to offer their clients the opportunity to trade equity markets with gearing using CFDs. Over the last six months we have won mandates from many of the major private client stock brokers in Ireland and opened large numbers of accounts. The indications are that there is a significant amount of business still to win.

Looking further afield there are a number of countries where the regulatory regime enables us to offer foreign exchange trading, but not CFDs on individual equities or equity indices. Perhaps the most obvious of these is the US, where we already hold the necessary regulatory authorisation to enable us to offer currency trading to retail clients. We are looking for the right opportunities to allow us to generate substantial revenue in this regulated market. It remains our policy not to accept bets from US resident clients.

Australia

Our Australian office again delivered excellent growth, with revenue up 136% to £8.9m, accounting for 10% of group revenues. There are encouraging signs that we are gaining market share against the backdrop of a rapidly expanding overall market.

We have recently recruited a local marketing manager in Australia and she will be running our marketing efforts in both Australia and Singapore. This appointment will improve our ability to react quickly to changes in local market conditions. We are increasing our marketing expenditure in Australia and, as the market increases in sophistication, our view is that brand awareness is becoming increasingly more important.

During the current financial year our Melbourne office will be relocating to larger premises in order to provide room for future expansion. We also plan to open a small sales office in Sydney.

We continue to believe in the strength of our Australian business and in its potential to continue to deliver further significant growth.

Singapore

Our Singapore office opened in April and has made an encouraging start, with about 300 accounts opened so far.

The early signs are that client interest is primarily in currency markets rather than in CFDs on local shares. We are running seminars to increase awareness of the benefits of equity CFDs.

In addition to serving the Singapore market itself the office is proving a useful base from which to approach introducers in surrounding countries where the regulatory framework permits.

Financial binaries

The financial binary is viewed by most of our clients as an adjunct to the rest of our product range, rather than a stand-alone product. It provides a useful differentiator between our service and that of our competitors and since it is most attractive to clients in low volatility conditions enhances the diversification of our revenue. Volatility rose sharply towards the end of the financial year and this naturally resulted in some shift of client activity away from binaries and into our traditional scalar markets such as Daily FTSE and Daily Wall Street. As a consequence of these factors revenue growth from binaries was muted at only 5%.

Sports

Our sport spread betting business achieved growth of 25% with revenues of £7.6m, 8.5% of group revenues. This is a commendable achievement in a year which, aside from England winning the Ashes, featured no major sporting events other than the normal annual calendar. Our software was originally designed to calculate and distribute prices for financial markets. Applying this technology to sport gives us the ability to price more markets with more frequent updates than any of our competitors.

Our smaller sport fixed odds business doubled its revenues, up to £1.5m, accounting for 2% of group revenues. This business encompasses sports binaries, extrabet and market making into exchanges. Extrabet and market making into exchanges were both new ventures this year and were intended to capitalise on our existing ability to make prices in order to provide incremental revenues from the existing infrastructure of the sports department. Market making into betting exchanges has been a success and while the revenue generated in the year was small, at only £0.3m, I feel that the prospects for this business are encouraging. We were market making in only one exchange for much of the year, and began market making into a second only a few days before the year end. Subsequent to the year end we have seen a significant increase in the volume of business we are transacting on exchanges as the second exchange has come on stream. I believe there is considerable further scope to grow this business, both on the existing exchanges and on others.

Our new sports fixed odds web-site, extrabet.com has received some very favourable coverage in the sporting press and client recruitment has been good: to date we have recruited almost 9,000 clients of whom about two thirds have placed a bet. Transaction sizes are significantly smaller than in our other businesses and the clients are significantly less "sticky", so that towards the end of the World Cup, while we had recruited about 8,000 clients only about 10% of these clients were logging-on on a daily basis. Our planned initial marketing has come to an end, and we will see how client recruitment and behaviour develops over the next few months as we enter the domestic football season.

Investing for the future

As a result of our success in generating new clients, transaction volumes and hence load on our systems have increased significantly. We have completed a capacity planning exercise and are in the process of building new data centres appropriate to the scale of business we hope to become over the next few years. We have also taken an additional floor in our London office building, which adds approximately 50% to our existing office space and is currently being fitted out. Taken together these projects represent significant but necessary capital expenditure to enable IG to continue to deliver the group's growth momentum.

Current trading and outlook

The strong trading that we have seen in recent months continued after the year end. June was another very good month for our financial business, with revenue significantly higher than in June 2005. The World Cup is the most important event in the four-year sporting calendar and helped our sports department produce its best ever month in June. Perhaps more importantly the World Cup proved a good client recruitment opportunity, with our sport spread betting business recruiting more clients than it did during either Euro 2004 or the 2002 World Cup.

I feel fortunate, as incoming chief executive, that I inherit a business which is performing strongly. We have well-established businesses in London and Melbourne which are delivering strong growth and I have no reason to believe that this growth will not continue, providing that we continue to develop and enhance our infrastructure and product offering. There are a great many opportunities to extend the reach of our business and the challenge for the coming year is to prioritise and allocate our resources so as to maximise the return on the investment of marketing, IT development and management time. My immediate priorities are to sustain high levels of growth from our existing businesses and to develop significant client bases within Europe, starting with Ireland and Germany.

I approach the chief executive role with great confidence in the future of IG.

Tim Howkins

Finance director and chief executive designate

24 July 2006

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Analyst Presentation

There will be an analyst presentation on the results at 09:30am on Monday 24 July 2006 at Financial Dynamics, Holborn Gate, 26 Southampton Buildings, London WC2A 1PB. Those analysts wishing to attend are asked to contact Financial Dynamics. The presentation will also be accessible via a conference call for those unable to attend in person. The international dial-in is +44 (0) 1452 560 304

A web cast of the presentation will be available at www.iggroup.com.

Group operating and financial review

for the year ended 31 May 2006

Introduction

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

Nature, objectives and strategies

The group's businesses

The group has operated in three principal areas of activity throughout the year; financial, financial binaries and sports.

Financial

Spread bets on equities, equity indices, precious and base metals, soft commodities, exchange rates, interest rates and other financial markets; spread bets on options on certain of these products; exchange traded futures and options. Spot and forward contracts for foreign exchange and contracts for differences (CFDs) on shares, indices and other financial markets.

Financial binaries

Fixed odds betting on equities, equity indices, precious and base metals, soft commodities, exchange rates, interest rates and other financial markets.

Sports

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

Business objective

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

Maintaining a leading position in the group's core UK financial spread betting market

Continuing to broaden the client base

Expanding the group's international reach

Continuing to deliver product and technological innovation

Business strategies

Maintaining a leading position in the group's core UK financial spread betting market

The group is widely recognised as the market leader in the financial spread betting market, which is predominantly a UK business. The group's strategy is to continue to strengthen this market lead by offering the broadest range of products and by offering quality and speed of execution. The group's advertising in this market is focused on maintaining and enhancing awareness of the IG brand.

Continuing to broaden the client base

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

Expanding the group's international reach

The group continues to expand its non-UK client base. It now has offices in Australia and Singapore and will continue to explore the feasibility of other offices where local regulation and market conditions are suitable. In addition the group continues to extend the range of third parties who introduce clients to the group and this is an effective way of establishing a presence for the group's regulated financial business in territories which do not merit the establishment of a local office.

The group now has multi-lingual websites for its CFD, financial binary and sports fixed odds businesses and will continue to offer an increasing range of languages in order to further widen its global reach.

Continuing to deliver product and technological innovation

The group recognises the benefits it has experienced as a result of the introduction of innovative products such as binary bets and extrabet and the introduction of market leading dealing platforms. This culture of innovation is one which the group intends to maintain in order to continue to be at the forefront of the market in terms of product offering and technology platforms.

Five year summary

A discussion of the group's performance is included within the chief executive designate's report.

	<i>Year ended 31 May*</i>				
	<i>2006</i>	<i>2005</i>	<i>2004**</i>	<i>2003**</i>	<i>2002**</i>
	<i>IFRS</i>	<i>IFRS</i>	<i>UK GAAP</i>	<i>UK GAAP</i>	<i>UK GAAP</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Revenue	89,391	62,177	49,839	40,996	33,573
EBITDA***	52,629	34,949	25,128	17,188	14,628
EBITDA margin***	58.9%	56.2%	50.4%	41.9%	43.6%
Profit before tax	51,140	16,621	7,920	15,281	13,375
Basic earnings per share****	10.92p	5.83p	1.55p	–	–
Diluted earnings per share****	10.88p	5.41p	1.43p	–	–
Normalised earnings per share***	10.88p	6.75p	4.94p	3.30p	2.86p
Interim dividend paid per share	1.5p	–	–	–	–
Final dividend proposed per share	4.0p	–	–	–	–
Total dividend per share	5.5p	–	–	–	–

*Figures reported for 2005 have been restated to reflect changes in accounting policies brought about as a result of the group's adoption of international financial reporting standards (IFRS). Figures prior to 1 June 2004 are prepared under UK GAAP rather than IFRS.

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

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

****Basic and diluted earnings per share are presented for the period from 5 September 2003 to 31 May 2004 and for the full years ended 31 May 2005 and 2006. Comparatives are not available for the preceding years as IG Group Holdings plc was not in existence.

Group revenue

Group revenue by business segment

	<i>2006</i>	<i>2005</i>	<i>Increase</i>	<i>Increase</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>%</i>
Financial	75,129	50,391	24,738	49.1%
Financial binaries	5,196	4,950	246	5.0%
Sports	9,066	6,836	2,230	32.6%
	<u>89,391</u>	<u>62,177</u>	<u>27,214</u>	<u>43.8%</u>

Group revenue by geographical segment

	2006 £000	2005 £000	Increase £000	Increase %
United Kingdom	80,466	58,401	22,065	37.8%
Australia and Singapore	8,925	3,776	5,149	136.4%
	89,391	62,177	27,214	43.8%

Group profit

	2006 £000	% of segment revenue	2005 £000	% of segment revenue
Financial	63,644	84.7%	39,623	78.6%
Financial binaries	3,593	69.1%	3,474	70.2%
Sports	2,517	27.8%	921	13.5%
Profit before unallocated items	69,754		44,018	
Unallocated administrative expenses	(20,650)		(14,047)	
Unallocated finance revenue	2,105		1,186	
Unallocated finance costs	(69)		(14,536)	
Profit before taxation	51,140		16,621	

Key performance indicators

The chief executive designate's report provides an overall assessment of the group's progress during the year and prospects for the future.

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

	Year ended 31 May				
	2006	2005	2004	2003	2002
Number of clients dealing	32,924	26,102	21,263	16,700	15,678
Average revenue per client (£)	2,715	2,387	2,344	2,455	2,141
Number of accounts opened	21,891	18,747	15,992	7,736	6,644
Number of accounts dealing for the first time	14,705	11,297	9,376	5,240	5,005
Volatility of daily revenue					
Coefficient of variability at 31 May	0.56	0.54	0.75	0.88	1.46
Highest in year	0.56	0.75	0.89	1.75	1.59
Lowest in year	0.38	0.42	0.58	0.56	0.65

EBITDA and EBITDA margin

EBITDA represents earnings before exceptional administrative costs, depreciation, amortisation charges, taxation, interest payable on debt and interest receivable on corporate cash balances and includes interest receivable on clients' money net of interest payable to clients. The group's capital structure changed significantly in September 2003 when the company raised significant debt and preference shares in order to finance the purchase of IG Group plc by IG Group Holdings plc. This acquisition gave rise to significant goodwill. The group's capital structure changed again in May 2005 when this debt and preference shares were repaid at the time of the company's initial public offering (IPO). As a result of these changes in capital structure,

profit measures such as profit before or after tax do not fully reflect the underlying financial performance of the business over time. The group therefore utilises EBITDA as a primary profit measure. The group seeks to achieve rapid growth in EBITDA, and bonuses for most staff other than directors of the company are linked to EBITDA.

EBITDA margin represents EBITDA as a percentage of revenue.

	2006 £000	2005 £000
Operating profit	44,070	26,288
Interest on client money	5,036	3,682
Depreciation	2,205	2,236
Amortisation	1,318	1,854
Exceptional administrative costs	–	889
EBITDA	<u>52,629</u>	<u>34,949</u>
EBITDA margin	<u>58.9%</u>	<u>56.2%</u>

EBITDA for the year reached £52.6m which represents an increase of 51% from the previous year. EBITDA margin improved from 56.2% in the previous year to 58.9% in the year under review. This reflects the group's ability to continue to benefit from operational gearing.

Normalised earnings per share

The directors consider that the basic and diluted earnings per share calculations for prior years do not fully reflect changes in the group's capital structure referred to above.

Normalised earnings per share represents earnings adjusted for normalising items, divided by the number of ordinary shares in issue and to be issued, adjusted for normalising items. Normalising adjustments to earnings comprise the impact, net of tax, of exceptional administrative costs, interest and charges on debt finance, redeemable preference share interest payable and tax items relating to the financing structure. Normalising adjustments to the number of shares comprise the impact of restating the weighted average number of A ordinary shares to the equivalent weighted average ordinary shares in issue in the period and treating the issue of new ordinary shares at the time of the company's flotation as if it had taken place prior to 1 June 2004. For the year ended 31 May 2005 the number of shares in issue, excluding treasury shares, at 31 May 2005 was used as the basis of the normalised earnings per share calculation. The calculation is not intended to comply with IAS33.

The group seeks to maximise the growth in normalised earnings per share over time in order to maximise shareholder value. The group's long term incentive plan (LTIP) and directors' bonuses are both linked to growth in normalised earnings per share.

Normalised earnings per share was 10.88p compared with 6.75p in the previous year, an increase of 61.2%.

Number of clients dealing

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

The number of clients dealing reached almost 33,000 during the year which represents a 26% increase over the previous year. The most marked increase this year was in the financial spread betting business although all business lines improved from the previous year.

Average revenue per client

Average revenue per client represents the total revenue divided by the number of clients dealing. This varies significantly for different business segments and the overall average revenue reflects changes in the business mix in the period.

Average revenue per client improved 13.7% over the previous year. This was primarily as a result of an increased proportion of the group's business deriving from the financial segment where average revenues per

client are higher than other segments. There were no significant changes in average revenues per client within each business segment.

Number of accounts opened and dealing for the first time

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

The number of accounts opened in the year improved by 16.8% during the year and the number of accounts dealing for the first time improved by 30%. This indicates that a much greater proportion of accounts which were opened in the year resulted in a bet or a trade on the account.

Volatility of daily revenue

The coefficient of variability of daily revenue is a statistical measure of the volatility of the group's revenue from day to day. The group calculates this as the 60 day standard deviation of daily revenues divided by the 60 day mean. Over recent years the coefficient of variability has fallen significantly as the group has sought to reduce the volatility of its revenues and hence improve the quality of earnings. The directors consider that the levels of coefficient of variability seen throughout the year ended 31 May 2006 represent an acceptable balance between the cost of hedging and volatility of income.

The coefficient of variability at 31 May 2006 increased slightly over the previous year because of the volatility in equity markets just prior to the year end. The variability of revenue for the year however continued to diminish with both the highest and lowest levels in the year reducing from the previous year.

Employees

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

The group pays performance related bonuses to all staff and has introduced a Long Term Incentive Plan (LTIP) awarded to key personnel and a Share Incentive Plan (SIP) awarded to all staff which reward employees for past performance and help to retain them in the future. The group provides a range of benefits to all of its employees, including pension contributions, private health cover and contributions towards health club membership.

The average number of employees in the group increased in the year from 267 to 312. Of these, the vast majority are based in the UK, with 20 staff based in Australia and 4 based in the Singapore office which was established during the year.

The group aims to provide a challenging and rewarding working environment and staff turnover has been low.

A significant proportion of the employment cost consists of performance related bonuses and commissions which vary according to revenue, profitability or earnings per share growth. These increased by 65.5% compared with the previous year. Performance related bonuses are awarded on a discretionary basis while commissions are calculated according to an agreed formula. Inclusive of national insurance and pension costs, employment costs comprise:

	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>
Fixed employment costs	15,326	12,770
Performance related bonuses and commissions	8,695	5,255
Share based payment schemes	1,696	–
	<u>25,717</u>	<u>18,025</u>

Financial position

Property plant and equipment

The group continues to invest heavily in technology in order to enhance the capacity and resilience of its systems which are critical to the success of the business. Additions during the year amounted to £2.7m compared with £1.8m in the previous year. Depreciation charged in the year amounted to £2.2m (2005: £2.2m).

Intangible fixed assets

The goodwill arising on the acquisition of the group amounting to £106.2m was capitalised and under the provisions of IFRS is subject to an annual impairment review. There were no impairment write offs in the year.

Development expenditure and software and licenses purchased during the year amounted to £0.5m (2005: £0.8m). Amortisation charged in the year amounted £1.3m (2004: £1.9m).

Working capital

	2006 £000	2005 £000
Amounts due from brokers	121,857	40,262
Amounts due from clients	5,254	3,735
Amounts due to clients	(285,635)	(127,358)
Net amounts due to clients	(280,381)	(123,623)
Cash and cash equivalents	247,277	120,550
Loan notes	(92)	(167)
Redeemable preference shares	(40)	(40)
Net funds	247,145	120,343

One of the main elements of working capital is amounts due from the brokers and other counterparties with whom the group hedges its financial business. The group places cash or treasury bills with these brokers in order to provide initial and variation margin to support its positions. This has increased significantly in the year under review as the magnitude of client positions has increased.

Amounts due to and from clients include unrealised profits and losses on clients' open positions, the result of closed positions as well as the cash balance on clients' accounts. The amounts due to and from clients therefore fluctuate according to the movement in markets.

The group only offers credit to a minority of clients. The charge for bad and doubtful debts was approximately 1.6% of revenue. The company continues to pursue outstanding debts vigorously.

Cash flow

Cash and cash equivalents increased by £126.7m over the previous year because of the significant and profitable expansion of the business during the year.

Operating activities generated £128.8m of cash and interest received amounted to £10.6m. Expenditure on property, plant and equipment amounted to £2.7m while £0.5m was spent on additions to intangible assets. Payment in respect of the acquisition of the minority interest in IG Australia Pty Limited amounted to £0.9m, interest paid amounted to £3.6m, an interim dividend of £4.9m was paid during the year and loan notes amounting to £0.1m were redeemed.

The group holds client money on account in segregated bank accounts which at the year end amounted to £199.2m compared with £107.4m in the previous year.

Capital structure

	2006 £000	2005 £000
Equity share capital	16	16
Share premium	125,235	125,197
Retained earnings	45,157	12,706
	<hr/>	<hr/>
Shareholders' equity	170,408	137,919
Minority interests	40	40
	<hr/>	<hr/>
Total equity	170,448	137,959
	<hr/> <hr/>	<hr/> <hr/>
Redeemable preference shares	40	40
Loan notes	92	167
	<hr/>	<hr/>
Total liabilities	132	207
	<hr/> <hr/>	<hr/> <hr/>

There were no issues of share capital during the year and the group remains debt free other than loan notes which are expected to be redeemed on 31 July 2006.

Dividend policy

The directors have adopted a progressive dividend policy which reflects the long term earnings and cash flow potential of the group, whilst targeting dividend cover of approximately two times earnings after tax. It is envisaged that interim dividends will be paid in February and final dividends paid in October. If the group accumulates surplus capital, the directors will give due consideration to returning it to shareholders.

During the year the company paid interim dividends amounting to £4.9m. The final dividend for 2006 proposed for approval by shareholders at the AGM is 4.00p per share which amounts to £13.1m taking the total dividends for the year to £18.0m. This represents a dividend cover of 1.98.

Regulatory capital

Two of the group's UK operating subsidiaries are regulated by the FSA. The FSA imposes a minimum level of regulatory capital which must be retained by each company and also an overall level of regulatory capital which must be maintained by the group. At 31 May 2006 the group had an overall consolidated regulatory capital surplus of approximately £30.4m.

On behalf of the board

Tim Howkins

Finance director and chief executive designate

24 July 2006

Group income statement

for the year ended 31 May 2006

		<i>Year ended</i> <i>31 May</i> <i>2006</i> <i>£000</i>	<i>Year ended</i> <i>31 May</i> <i>2005</i> <i>£000</i>
	<i>Notes</i>		
Revenue		89,391	62,177
Cost of sales		(1,584)	(2,528)
Gross profit		<hr/> 87,807	<hr/> 59,649
Administrative expenses		(43,737)	(33,361)
Operating profit	3	<hr/> 44,070	<hr/> 26,288
Finance revenue		10,681	6,013
Finance costs		(3,611)	(15,680)
Profit before taxation		<hr/> 51,140	<hr/> 16,621
Tax expense		(15,472)	(4,495)
Profit for the year		<hr/> 35,668	<hr/> 12,126
		<hr/> <hr/>	<hr/> <hr/>
Profit for the year attributable to:			
Equity holders of the parent		35,668	12,181
Minority interest		–	(55)
		<hr/> 35,668	<hr/> 12,126
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share (pence)			
- Basic	4	10.92p	5.83p
- Diluted	4	10.88p	5.41p
- Normalised	4	10.88p	6.75p

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

Group statement of recognised income and expense

for the year ended 31 May 2006

	<i>2006</i> <i>£000</i>	<i>2005</i> <i>£000</i>
Profit for the year	35,668	12,126
<i>Total recognised income and expense for the year</i>	<u>35,668</u>	<u>12,126</u>
Attributable to:		
Equity holders of the parent	35,668	12,181
Minority interest	–	(55)
	<u>35,668</u>	<u>12,126</u>

Group balance sheet

at 31 May 2006

	2006 £000	2005 £000
Non-current assets		
Property, plant and equipment	4,091	3,614
Intangible assets	107,127	107,538
Deferred tax assets	2,511	1,435
	<hr/> 113,729	<hr/> 112,587
Current assets		
Trade receivables	127,111	43,997
Prepayments and other receivables	2,720	2,123
Cash and cash equivalents	247,277	120,550
	<hr/> 377,108	<hr/> 166,670
Total assets	<hr/> 490,837	<hr/> 279,257
Current liabilities		
Trade payables	285,635	127,358
Other payables	14,607	9,658
Income tax payable	20,015	3,575
Loan notes	92	167
	<hr/> 320,349	<hr/> 140,758
Non-current liabilities		
Other payables	–	500
Redeemable preference shares	40	40
	<hr/> 40	<hr/> 540
Total liabilities	<hr/> 320,389	<hr/> 141,298
NET ASSETS	<hr/> 170,448	<hr/> 137,959
Capital and reserves		
Equity share capital	16	16
Share premium	125,235	125,197
Retained earnings	45,157	12,706
	<hr/> 170,408	<hr/> 137,919
Shareholders' equity	<hr/> 170,408	<hr/> 137,919
Minority interests	40	40
	<hr/> 170,448	<hr/> 137,959
TOTAL EQUITY	<hr/> 170,448	<hr/> 137,959

Group cash flow statement

for the year ended 31 May 2006

	2006 £000	2005 £000
Operating activities		
Group operating profit	44,070	26,288
<i>Adjustments to reconcile group operating profit to net cash flow from operating activities</i>		
Depreciation of property, plant and equipment	2,205	2,236
Amortisation of intangible assets	1,318	1,854
Share-based payments	1,696	–
Loss on disposal of property, plant and equipment	2	2
Increase in trade and other receivables	(83,627)	(11,190)
Increase in trade and other payables	163,264	39,601
	<hr/>	<hr/>
Cash generated from operations	128,928	58,791
Income taxes paid	(108)	(2,480)
	<hr/>	<hr/>
Net cash flow from operating activities	128,820	56,311
	<hr/>	<hr/>
Investing activities		
Interest received	10,597	6,013
Purchase of property, plant and equipment	(2,682)	(1,841)
Payments to acquire intangible assets	(475)	(839)
Purchase of subsidiary undertakings	–	(21)
Purchase of residual interest in subsidiary undertaking	(934)	–
	<hr/>	<hr/>
Net cash flow from investing activities	6,506	3,312
	<hr/>	<hr/>
Financing activities		
Interest paid	(3,611)	(11,934)
Interim dividends paid to equity shareholders of the parent	(4,913)	–
Proceeds from share issue	–	131,731
Issue costs of new shares	–	(5,779)
Repayment of financial liabilities	(75)	(102,097)
Redemption of redeemable preference shares	–	(35,660)
Payment of redeemable preference share dividends	–	(4,749)
	<hr/>	<hr/>
Net cash flow from financing activities	(8,599)	(28,488)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	126,727	31,135
Cash and cash equivalents at the beginning of the year	120,550	89,415
	<hr/>	<hr/>
Net cash and cash equivalents at the end of year	247,277	120,550
	<hr/> <hr/>	<hr/> <hr/>

Notes

1. Basis of consolidation

The group financial statements incorporate the financial statements of IG Group Holdings plc and entities controlled by the company (its subsidiaries) made up to the reporting date. Control is achieved where the company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

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

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

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

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

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

2. Segment information

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

Primary reporting format – business segments

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

Year ended 31 May 2006

	<i>Financial</i>	<i>Financial</i>	<i>Sports</i>	<i>Total</i>
	<i>£000</i>	<i>Binaries</i>	<i>£000</i>	<i>£000</i>
		<i>£000</i>		
Revenue	75,129	5,196	9,066	89,391
Results				
Segment result	63,644	3,593	2,517	69,754
Unallocated administrative expenses				(20,650)
Unallocated finance revenue				2,105
Unallocated finance costs				(69)
Profit before taxation				51,140
Income tax expense				(15,472)
Net profit for year				35,668
Assets and liabilities				
Segment assets	431,950	1,259	6,229	439,438
Unallocated assets				51,399
Total assets				490,837
Segment liabilities	311,161	2,257	1,788	315,206
Unallocated liabilities				5,183
Total liabilities				320,389
Other segment information				
Capital expenditure				
Property, plant and equipment	1,080	38	589	1,707
Goodwill	434	–	–	434
Other intangible assets	318	9	148	475
Depreciation	877	24	507	1,408
Amortisation	1,028	4	286	1,318

Year ended 31 May 2005

	<i>Financial</i> £000	<i>Financial</i> <i>Binaries</i> £000	<i>Sports</i> £000	<i>Total</i> £000
Revenue	50,391	4,950	6,836	62,177
Results				
Segment result	39,623	3,474	921	44,018
Unallocated administrative expenses				(14,047)
Unallocated finance revenue				1,186
Unallocated finance costs				(14,536)
Profit before taxation				16,621
Income tax expense				(4,495)
Net profit for year				12,126
Assets and liabilities				
Segment assets	247,927	702	7,115	255,744
Unallocated assets				23,513
Total assets				279,257
Segment liabilities	135,325	1,347	926	137,598
Unallocated liabilities				3,700
Total liabilities				141,298
Other segment information				
Capital expenditure				
Property, plant and equipment	730	20	412	1,162
Goodwill	784	–	–	784
Other intangible assets	734	6	99	839
Depreciation	908	23	504	1,435
Amortisation	1,575	3	276	1,854

Unallocated assets and liabilities comprise those tangible fixed assets, deferred tax assets, prepayments and other debtors, cash and cash equivalents, accruals, tax liabilities and financial liabilities which are not specifically attributable to business segments.

Secondary reporting format – geographical segments

The group has offices in the United Kingdom, Australia and Singapore. Clients of the Australian office deal with two of the UK operating subsidiaries, but under customer agreements which are specific to the Australian office. Clients of the Singapore office are serviced by staff in Australia and Singapore. The results of the Singapore office are not material and are reported within the results of the Australian office. Clients of the

London office may be situated anywhere else in the world. Accordingly, the group provides a geographical analysis based on the division of clients serviced from the United Kingdom and from Australia and Singapore.

Year ended 31 May 2006

	<i>UK</i> <i>£000</i>	<i>Australia and Singapore</i> <i>£000</i>	<i>Total</i> <i>£000</i>
Revenue	80,466	8,925	89,391
Segment assets	484,921	5,916	490,837
Other segment information			
Capital expenditure			
Property, plant and equipment	2,630	52	2,682
Intangible assets	475	434	909

Year ended 31 May 2005

	<i>UK</i> <i>£000</i>	<i>Australia and Singapore</i> <i>£000</i>	<i>Total</i> <i>£000</i>
Revenue	58,401	3,776	62,177
Segment assets	277,650	1,607	279,257
Other segment information			
Capital expenditure			
Property, plant and equipment	1,815	26	1,841
Intangible assets	839	784	1,623

3. Group operating profit

	<i>Year ended 31 May 2006 £000</i>	<i>Year ended 31 May 2005 £000</i>
This is stated after charging/(crediting):		
Depreciation of property, plant and equipment	2,205	2,236
Amortisation of intangible assets	1,318	1,854
Operating lease rentals for land and buildings	785	763
Foreign exchange differences	(392)	607
(Profit)/loss on sale of property, plant and equipment	2	2
Exceptional administrative costs	–	889

Exceptional administrative costs in the year ended 31 May 2005 related to professional fees payable in connection with listing the company's shares on the London Stock Exchange.

4. Earnings per ordinary share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	<i>Year ended</i> <i>31 May</i> <i>2006</i> <i>£000</i>	<i>Year ended</i> <i>31 May</i> <i>2005</i> <i>£000</i>
Basic earnings attributable to ordinary shareholders	35,668	12,181
Effects of dilution	—	—
Diluted earnings attributable to ordinary shareholders	<u>35,668</u>	<u>12,181</u>
Basic weighted average number of equity shares	326,506,126	208,786,062
Effect of warrants	—	16,365,331
Employee share plans	1,373,861	—
Diluted weighted average number of ordinary shares	<u>327,879,987</u>	<u>225,151,393</u>
Basic earnings per share	<u>10.92p</u>	<u>5.83p</u>
Diluted earnings per share	<u>10.88p</u>	<u>5.41p</u>

On 31 March 2005 there were 1,000,000 A ordinary shares in issue. Each of these shares was re-designated and subdivided into 200 ordinary shares. The weighted average numbers of shares have been shown as if the re-designation and subdivision had taken place prior to 1 June 2004. The weighted average number of shares excludes treasury shares held in employee benefit trusts. There were no movements in treasury shares during the year.

The directors consider that the basic and diluted earnings per share calculations for the year ended 31 May 2005 do not fully reflect changes in the group's capital structure as a result of the flotation of the company on 4 May 2005. Normalised earnings per share represents earnings adjusted for normalising items, divided by the number of ordinary shares in issue and to be issued, adjusted for normalising items. Normalising adjustments to earnings comprise the impact, net of tax, of exceptional administrative costs, interest and charges on debt finance, redeemable preference share interest payable and tax items relating to the financing structure. Normalising adjustments to the number of shares comprise the impact of restating the weighted average number of A ordinary shares to the equivalent weighted average ordinary shares in issue in the period and treating the issue of new ordinary shares at the time of the company's flotation as if it had taken place prior to 1 June 2004. For the year ended 31 May 2005 the number of shares in issue, excluding treasury shares, at 31 May 2005 was used as the basis of the normalised earnings per share calculation. The calculation is not intended to comply with IAS33.

	<i>Year ended 31 May 2006</i>		<i>Year ended 31 May 2005</i>	
	<i>Earnings £000</i>	<i>per share pence</i>	<i>Earnings £000</i>	<i>per share pence</i>
Diluted earnings and earnings per share	35,668	10.88	12,181	5.41
Normalising adjustment to number of shares	–	–	–	(1.67)
Normalising adjustments to earnings:				
Exceptional administrative costs	–	–	889	0.27
Interest and charges on debt finance	–	–	11,851	3.62
Tax effect of above items	–	–	(3,555)	(1.09)
Tax items relating to the financing structure	–	–	(2,004)	(0.61)
Redeemable preference share interest payable	–	–	2,685	0.82
Total normalising adjustments	–	–	9,866	1.34
Normalised earnings attributable to equity shareholders	35,668	10.88	22,047	6.75

	<i>Year ended 31 May 2006</i>	<i>Year ended 31 May 2005</i>
Diluted weighted average number of equity shares	327,879,987	225,151,393
Normalising adjustment to number of shares	–	101,354,733
Weighted average number of equity shares used as basis of normalised earnings per share calculation	327,879,987	326,506,126

5. Dividends

	<i>Year ended 31 May 2006 £000</i>	<i>Year ended 31 May 2005 £000</i>
<i>Declared and paid during the year:</i>		
Interim dividend for 2006 at 1.5p per share (2005: nil)	4,913	–
<i>Proposed for approval by shareholders at the AGM:</i>		
Final dividend for 2006 at 4.00p per share (2005: nil)	13,100	–

6. Basis of preparation

The above financial information for the year ended 31 May 2006 does not constitute statutory accounts. It is an extract from the 2006 unaudited group accounts, which have not yet been delivered to the UK Registrar of Companies; it is expected that the report of the auditors on those accounts will be unqualified.

Copies of full accounts will be posted to all shareholders in September 2006. Further copies will be available, from the date of posting, from the company's headquarters at Friars House, 157-168 Blackfriars Road, London, SE1 8EZ, by telephone on 020 7896 0011 or via the company's website at www.iggroup.com.