



23 July 2007

IG GROUP HOLDINGS PLC
Preliminary Results for the year ended 31 May 2007

IG Group Holdings plc (“IG” or “the Group”) today announces preliminary results for the year ended 31 May 2007.

Highlights

- Revenue up 36% at £122.0 million
- EBITDA¹ up 34% at £70.4 million
- Strong EBITDA margin of 57.7%
- Earnings per share up 33% at 14.52p
- Final dividend of 6.5p per share – total dividend of 8.5p per share
- EBITDA margin improvement from 54.5% in H1 to 60.3% in H2
- Successful launch of TradeSense in UK and recent launch in Australia
- Launch of PureDeal dealing platform

Tim Howkins, Chief Executive

“2007 has been another very successful year for IG and we have now achieved compound annual revenue growth of 40% over the past nine years. The launch of the PureDeal platform is intended to reinforce our market lead in UK spread betting and we have significantly increased our geographic reach. I believe we are well positioned for further profitable growth.”

Jonathan Davie, Chairman

“IG has delivered strong growth across all areas of the business, with an impressive increase in revenue and profits. Reflecting our confidence in the business, the board has recommended a final dividend of 6.5p per share, making a total distribution for 2007 of 8.5p, an increase of 55%.”

Financial highlights

	<i>Year ended</i> <i>31 May 2007</i>	<i>Year ended</i> <i>31 May 2006</i>	<i>Growth</i> <i>%</i>
	<i>£000</i>	<i>£000</i>	
Revenue	121,990	89,391	+36%
EBITDA ¹	70,351	52,629	+34%
Profit before taxation	68,894	51,140	+35%
Profit after taxation	47,867	35,668	+34%
Basic earnings per share	14.67p	10.92p	+34%
Diluted earnings per share	14.52p	10.88p	+33%
Final dividend per share	6.5p	4.0p	+63%
Total dividend per share	8.5p	5.5p	+55%

¹ EBITDA represents earnings before exceptional administrative costs, depreciation, amortisation charges, amounts written off property, plant and equipment and intangible assets, taxation, interest payable on debt and interest receivable on corporate cash balances but includes interest receivable on clients' balances less interest payable to clients.

Chairman's Statement

for the year ended 31 May 2007

It is my pleasure to present this statement after another successful year at IG. Revenue for the year was up 36% to £122m (2006 - £89m) and profit before tax was up 35% to £69m (2006 - £51m). These results were the product of our continuing focus on broadening our domestic and international client base by offering high quality dealing platforms, an extremely broad range of products and excellent customer service.

Our international strategy continues to be to widen our geographic spread where local regulation and market conditions are appropriate. I am pleased with the progress that we have made in the past year in the Asia Pacific region and Europe.

Board

We announced a little over a year ago that Tim Howkins would be taking over as Chief Executive as soon as a new Finance Director was appointed. This change took place at the beginning of October on the appointment of Steve Clutton. The transition went very smoothly resulting in the delivery of continuous strong performance by the restructured management team.

During the year I stepped down as chairman of the remuneration committee. My replacement is Roger Yates, our senior independent non-executive director. We made this change in order to ensure compliance with recommended corporate governance best practice.

Dividend

At the AGM your board will recommend the payment of a final dividend of 6.5p per share. This brings the total dividend for the year to 8.5p, an increase on last year of 55%. This makes the total dividend for the year approximately 60% of earnings. Our policy, which we will review from time to time, will be to pay a similar proportion of earnings in the future. This represents a change from our previously stated policy of paying approximately 50% of earnings. Your board believes that this change is merited by the accumulation of surplus capital over the past two years. At 31 May 2007, the Group had an overall consolidated regulatory capital surplus of approximately £44m before payment of the final dividend for the year. The board will continue to monitor and maintain a prudent regulatory capital surplus.

I would like to close by extending my thanks to all my colleagues at IG, whose skill and hard work have been instrumental in delivering the strong growth in revenue and profit that we have experienced over the last year.

Together with all my colleagues at IG, I look forward to working towards another successful year for our business.

Jonathan Davie

Chairman

23 July 2007

Chief Executive's Report

for the year ended 31 May 2007

Revenue growth of 36% this year continues a long running trend - we have now achieved compound annual growth of approximately 40% over nine years.

We highlighted in our interim results that this had been a period of significant investment for future growth and that this temporarily impacted EBITDA margins in the first half. In the second half we achieved an EBITDA margin of 60.3%, compared to 54.5% in the first half. This brought the margin for the year as a whole to 57.7%.

The increase in IT staff over the last year gives us considerably more ability to develop our software. Clients can now deal with us using their BlackBerry or mobile phone, our internet dealing platform, or our direct market access platform, L2. "API" (Application Program Interface) technology gives clients the ability to route orders through us directly into an underlying exchange. We have a range of tools specifically for introducers and white label partners to enable them to view and manage the activity of their underlying clients. Technology is an area where we believe we have a strong competitive advantage and we continue to enhance and improve all of these systems in order to maintain this position.

Financial

Our financial business performed strongly with revenue up 37% to £109.8m. Across our spread betting and CFD businesses we opened 22,500 accounts this year, compared to 15,750 the previous year, an increase of 43%.

For much of the year equity volatility was subdued, although we saw a brief upward spike in volatility at the end of February and in early March. Such volatility can put pressure on trading systems - the number of clients logging in, the number of transactions and the number of price updates all increase dramatically as volatility rises. Our systems coped admirably with these conditions and we had no down-time at all during this period of extreme volatility. The scalability and robustness of our internet dealing platform should become increasingly important factors in the recruitment of clients, both directly and when signing up introducers and white label partners.

Our CFD business has increased its geographic reach substantially over the last year with revenue from Europe now significant. We have therefore presented a more detailed geographic analysis of revenues in these results.

Financial betting

Our financial betting revenue grew from £56.4m to £68.8m, an increase of 22% with similar rates of growth in both financial spread betting and financial binary betting. As I have said before, financial binaries are viewed by most of our clients as an adjunct to the rest of our financial product range, rather than as a stand-alone product. In the segmental analysis of our results we have therefore included financial binaries as part of financial rather than separately analysing them.

In January we launched TradeSense, a client education program for new spread betting clients. This has proved very popular and has had a beneficial impact on our recruitment of clients. Since January the number of accounts opened has exceeded 1,000 each month. This compares to levels of around 800 per month in the autumn. Conversion rates have also increased.

We have just launched PureDeal, our new browser-based dealing platform for financial spread betting. As part of this launch we have introduced Price Improvement technology across both spread betting and CFDs - if a better price is available when a client's order is executed we give the client the improved price. PureDeal also features rapid one-click dealing, a customisable user interface and a much greater depth of information as well as Reuters news and a sophisticated charting package with the ability to back-test trading strategies. The launch of PureDeal and Price Improvement are intended to reinforce our position as the market leader in spread betting.

The technology underpinning PureDeal, along with Reuters news and analytics will be rolled out across our remaining websites over the coming months.

UK CFD

UK CFD revenue grew by 90% to £15.9m. Within the UK most retail clients gravitate towards spread betting rather than CFDs but we have seen excellent growth in our UK CFD client base this year. These clients include professionally managed funds, corporate clients, clients introduced by stockbrokers or trading advisors and individuals who are attracted by our Direct Market Access platform, L2. During the spring the London Stock Exchange ran a promotional campaign highlighting the benefits of Direct Market Access and we simultaneously ran advertising to promote L2.

The quality of our L2 software is a significant driver of the growth of our CFD business worldwide and we continue to devote significant IT development time to enhancing its functionality, scalability and robustness.

Europe

Our revenue from Europe grew by 126% from £5.2m to £11.8m and now accounts for 10% of total revenue. Several different initiatives drove this growth. Last autumn we set up an office in Germany, and an Italian desk based in London. In Ireland we have relationships with the majority of the large private client advisory stock brokers who introduce clients to us. As well as these country specific initiatives we have clients in every country in Europe, some direct and some via our ever expanding network of introducers.

The Markets in Financial Instruments Directive comes into force at the beginning of November. This harmonises the regulation of financial instruments, which include CFDs, across Europe and will make it significantly easier for us to do business in some parts of Europe. Our plans are now well advanced to open offices in Paris and Madrid. We have recruited local senior management for both operations and we aim to open these offices in the second quarter of the current year.

Germany, Italy, Spain and France all have large, affluent populations, with significant interest in online share trading and with active warrants markets. All of these factors make them attractive markets to us. We have no current plans to open offices in the other countries of Europe, although this is something which we will keep under close review. Our approach to the remainder of Europe is to seek local partners who can offer our CFDs to their clients. These partners may be advisory stockbrokers, or they may be online brokers who wish to offer a white label of our dealing software to their clients. The success that we have had in Ireland demonstrates that, with the right partners, it is possible to develop a significant business in a country via introducers rather than marketing directly to clients.

Asia Pacific

Revenue from clients located in the Asia Pacific region grew by 38% to £12.7m. The vast majority of these clients deal with either our Australian or Singapore offices.

The number of accounts opened by our Australian office this year was almost twice that of the prior year. Client recruitment was particularly strong in the final quarter of the financial year following improvements to our online account opening process. As we reported in January, our Australian office had muted growth in the first quarter, as the volatility of May and June 2006 led to clients reducing their activity for a couple of months. The year-on-year growth in revenues that we saw in Australia was distorted by very strong comparative figures, particularly in the spring of 2006 when we saw extremely high levels of Australian client activity in volatile precious metal markets. Year on year revenue growth in both May and June 2007 was higher than for the year as a whole.

We established our Singapore office towards the end of the 2006 financial year, and revenue in that year was therefore negligible. This year the office has delivered revenue of £800,000, 71% of which arose in the second half.

Rest of World

As our plans for expansion across Europe advance, we are now focusing increasingly on opportunities in the rest of the world. Regulatory restrictions limit our ability to offer our full financial product set in many parts of the world, but there are a number of significant areas where trading in foreign exchange ("forex") is both permitted by the regulatory regime and popular with retail clients. These include the US, Japan and much of Asia. Forex represented 20% of our financial revenue this year. The majority of this was from spread betting on forex by UK clients. The launch of our igforex.com website in January was the first step in our plans to broaden our forex offering. The revenue that this site generates is still small, but is growing rapidly. At the moment this site is in English only and we intend to add other languages to the site in the coming months as we begin to extend its international reach. Within the next few months we will also be able to offer clients

the ability to execute their forex business using our DMA platform, L2, and we continue to examine other opportunities to extend the reach of our forex offering.

Sport

This was another year of strong growth from our sports business with revenue up 35% to £12.2m. This growth came from both spread betting, up 14% to £8.7m, and fixed odds, up 143% to £3.5m.

Fixed odds comprise three offerings: sports binary bets, extrabet and market making into betting exchanges. We manage our risk on a unified basis across these three offerings and, where necessary utilise the exchanges to hedge our risk. This has given us increasing ability to deal with clients who want to bet in large size and extrabet is beginning to gain recognition as a bookmaker with the appetite to take sizeable bets from large clients.

Current trading and outlook

We are only a few weeks into the new financial year, but it has started well. A slight increase in equity market volatility meant that we achieved a new record level of monthly revenue in June. Account opening since the year end has continued at the strong levels seen in the final months of the last financial year.

A number of factors should continue to drive growth in the coming year. Our new PureDeal platform and Price Improvement technology are clear competitive differentiators, as is our L2 direct market access platform. TradeSense has had a beneficial impact on our recruitment and conversion of UK spread betting clients, and we hope to replicate this success with its recent launch in Australia. Our recently opened German, Italian and Singaporean operations have all delivered good revenue in their early months, providing a solid base from which to deliver further growth. They will be joined this year by French and Spanish operations. Introducers, particularly in Ireland and the UK, have delivered significant growth in the last year, and we continue to expand our network of introducers around the world.

I look forward to the coming year with confidence.

Tim Howkins
Chief Executive
23 July 2007

For further information please contact:

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Analyst Presentation

There will be an analyst presentation on the results at 09:30am on Monday 23 July 2007 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 542 300 and the passcode is 6781623.

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

Group Operating and Financial Review

for the year ended 31 May 2007

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's Report.

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

Nature, objectives and strategies

The Group's businesses

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

Financial

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, being fixed-odds bets on equities, equity indices, precious and base metals, soft commodities, exchange rates, interest rates and other financial markets.

Sport

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

Business objective

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

- Maintaining a leading position in the Group's UK financial spread betting market;
- Continuing to broaden the client base;
- Expanding the Group's international reach; and
- Continuing to deliver product and technological innovation.

Business strategies

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

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

Expanding the Group's international reach

The Group continues to expand its non-UK client base and in the year ended 31 May 2007; revenue from non-UK clients grew to 21% of total revenue (2006 - 17%). It now has offices in Australia, Singapore and Germany together with an Italian desk based in London. The Group will continue to explore the feasibility of other branches or offices where local regulation and market conditions are suitable. In particular, the Markets in Financial Instruments Directive, which comes into force in November 2007, will facilitate the Group's entry into further European markets and the Group plans to open offices in Spain and France in the coming year. In addition the Group continues to extend the range of third parties who introduce clients to the Group and this is an effective way of establishing a presence for the Group's regulated financial business in territories which do not merit the establishment of a local office.

The Group has multi-lingual websites for its CFD 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's Report.

	<i>Year ended 31 May</i>				
	<i>2007</i>	<i>2006</i>	<i>2005*</i>	<i>2004**</i>	<i>2003**</i>
	<i>IFRS</i>	<i>IFRS</i>	<i>IFRS</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	121,990	89,391	62,177	49,839	40,996
EBITDA***	70,351	52,629	34,949	25,128	17,188
EBITDA margin***	57.7%	58.9%	56.2%	50.4%	41.9%
Profit before tax	68,894	51,140	16,621	7,920	15,281
Basic earnings per share****	14.67p	10.92p	5.83p	1.55p	–
Diluted earnings per share****	14.52p	10.88p	5.41p	1.43p	–
Normalised earnings per share***	N/A	N/A	6.75p	4.94p	3.30p
Interim dividend paid per share	2.0p	1.5p	–	–	–
Final dividend proposed per share	6.5p	4.0p	–	–	–
Total dividend per share	8.5p	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 Generally Accepted Accounting Practices (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, 2006 and 2007. Comparatives are not available for the year ended 31 May 2003 as IG Group Holdings plc was not in existence.

Group revenue

Group revenue by business segment

As explained in the Chief Executive's Report the financial segment includes financial binaries which were reported separately in the previous year. Figures for the prior year have been restated to aid comparability.

	2007 £000	2006 £000	Increase £000	Increase %
Financial	109,791	80,325	29,466	36.7%
Sport	12,199	9,066	3,133	34.6%
	<u>121,990</u>	<u>89,391</u>	<u>32,599</u>	<u>36.5%</u>

Group revenue by geographical segment

The geographical analysis now classifies revenue according to client location reflecting the increasing proportion of revenue derived from outside the UK. In the previous year the Group presented geographical information according to office location. Figures for the prior year have been restated to aid comparability.

	2007 £000	2006 £000	Increase £000	Increase %
United Kingdom	96,841	73,792	23,049	31.2%
Europe	11,771	5,209	6,562	126.0%
Asia Pacific	12,704	9,199	3,505	38.1%
Rest of World	674	1,191	(517)	(43.4%)
	<u>121,990</u>	<u>89,391</u>	<u>32,599</u>	<u>36.5%</u>

Group profit

	2007 £000	2006 £000	Increase £000	Increase %
Financial	87,948	67,237	20,711	30.8%
Sport	3,679	2,517	1,162	46.2%
Profit before unallocated items	<u>91,627</u>	<u>69,754</u>	<u>21,873</u>	<u>31.4%</u>
Unallocated administrative expenses	(25,865)	(20,650)	(5,215)	25.3%
Unallocated finance revenue	3,426	2,105	1,321	62.8%
Unallocated finance costs	(294)	(69)	(225)	326.1%
Profit before taxation	<u>68,894</u>	<u>51,140</u>	<u>17,754</u>	<u>34.7%</u>

Key performance indicators

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

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

	2007	2006
Financial		
Number of clients dealing	34,483	24,709
Average revenue per client (£)	3,184	3,251
Number of accounts opened	23,785	18,377
Number of accounts dealing for the first time	15,809	12,287
Sport		
Number of clients dealing	19,905	10,268
Number of accounts opened	16,437	3,969
Number of accounts dealing for the first time	12,013	2,796
Volatility of daily revenue		
Coefficient of variability at 31 May	0.46	0.56
Average for the year	0.53	0.48
Highest in year	0.73	0.56
Lowest in year	0.36	0.38

Number of clients dealing

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

The number of financial clients dealing increased by 40% compared with the previous year. The most marked increase was in the number of CFD clients dealing, reflecting growth driven by an increase in introduced business and expansion of the non-UK client base. The number of clients financial betting increased by 21% over the previous year.

The number of sports clients dealing directly with IG increased by 94% compared with the previous year. This number excludes those clients dealing on exchanges for which client numbers are unavailable. The growth in sport in the year was due in part to the launch of the Group's fixed odds offering, extrabet.

Average revenue per financial client

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

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

Average revenue per sport client

The average revenue for sport clients cannot be accurately measured as the number of clients betting on exchanges cannot be determined.

Number of accounts opened and dealing for the first time

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

New financial accounts were favourably impacted by the introduction of TradeSense, recruitment of introducers and the promotion of L2 during the year. Sport account numbers benefited in the early part of the year from the football World Cup.

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 2007 represent an acceptable balance between the cost of hedging and volatility of income.

EBITDA and EBITDA margin

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

EBITDA margin represents EBITDA as a percentage of revenue.

The Group's capital structure changed significantly in September 2003 when the Company raised significant debt and preference shares in order to finance the purchase of IG Group plc by IG Group Holdings plc. This acquisition gave rise to significant goodwill. The Group's capital structure changed again in May 2005 when this debt and preference shares were repaid at the time of the Company's initial public offering (IPO). 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.

	2007	2006
	£000	£000
Operating profit	59,202	44,070
Net interest on client balances	6,559	5,034
Depreciation	3,513	2,205
Amortisation	856	1,318
Amounts written off property, plant and equipment and intangible assets	221	2
	<hr/>	<hr/>
EBITDA	70,351	52,629
	<hr/>	<hr/>
EBITDA margin	57.7%	58.9%
	<hr/>	<hr/>

EBITDA for the year reached £70.4m which represents an increase of 34% from the previous year. EBITDA margin reduced slightly in the year under review to 57.7% from 58.9%. This was primarily due to investment for future growth and in particular investment in IT capability and infrastructure.

Earnings per share

The Group seeks to maximise the growth in earnings per share over time in order to maximise shareholder value. The Group's long term incentive plans (LTIPs) and directors' bonuses are linked to growth in earnings per share.

Diluted earnings per share were 14.52p compared with 10.88p in the previous year, an increase of 33.5%.

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

Normalised earnings per share represents earnings adjusted for normalising items, divided by the number of ordinary shares in issue and to be issued, adjusted for normalising items. Normalising adjustments to

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

Employees

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

The Group pays performance related bonuses to all staff and has made awards under Long Term Incentive Plans (LTIPs) to key personnel. In addition, the opportunity to acquire shares under a Share Incentive Plan (SIP) has been made available to all UK staff which rewards employees for past performance and helps 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 312 to 404. Of these, the vast majority are based in the UK, with 29 staff based in Australia, 6 based in the Singapore office, and 6 based in the German 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 12% compared with the previous year. Performance related bonuses for the majority of staff are awarded on a discretionary basis while commissions are calculated according to an agreed formula. Inclusive of national insurance and pension costs, employment costs comprise:

	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>
Fixed employment costs	20,229	15,326
Performance related bonuses and commissions	9,747	8,695
Share based payment schemes	1,842	1,696
	<u>31,818</u>	<u>25,717</u>

Financial position

Property, plant and equipment

The Group continues to invest heavily in technology in order to enhance its capacity and resilience which are critical to the success of the business. Additions during the year amounted to £7.8m compared with £2.7m in the previous year and include the fit-out of additional office space in London, Melbourne and two data centres. Depreciation charged in the year amounted to £3.5m (2006 - £2.2m).

Intangible fixed assets

Goodwill, which has mainly arisen on the acquisition of IG Group plc and its subsidiaries, amounts to £106.2m. This has been capitalised and under the provisions of IFRS is subject to an annual impairment review. There were no impairment write offs in the year.

Development expenditure and software and licences purchased during the year amounted to £1.4m (2006: £0.5m). Amortisation charged in the year amounted £0.9m (2006 - £1.3m).

Working capital

	2007 £000	2006 £000
Amounts due from brokers	345,076	121,857
Amounts due from clients	7,552	5,254
Amounts due to clients	(726,144)	(285,635)
Net amounts due to clients	(718,592)	(280,381)
Cash and cash equivalents	484,556	247,277
Loan notes	-	(92)
Redeemable preference shares	(40)	(40)
Net funds	484,516	247,145

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

These elements of working capital have increased significantly in the year under review reflecting higher levels of client activity and movement in markets.

The Group only offers credit to a minority of clients. The charge for impairment of trade receivables (amounts due from brokers and clients) is established where there is objective evidence of non-collectability. Reference is made to an aged profile of debt and the provision is subject to management review. The charge for the year was approximately 1.2% of revenue (2006 - 1.6%). The Group continues to pursue outstanding debts vigorously.

Cash flow

Cash and cash equivalents increased by £237.3m over the previous year because of the significant and profitable expansion of the business during the year and the substantial inflow of client money. This reflected increased client activity and growth in client open positions, the majority of which was covered by cash margins which were reflected in the movement in trade receivables and payables. Excluding these, net cash inflow for the year was £20.9m after significant cash outflows of £26.1m for taxation (2006 - £0.1m); £19.7m for dividends (2006 - £4.9m) and capital expenditure of £7.8m (2006 - £2.7m).

The Group holds client money on account in segregated bank accounts which at the year end amounted to £391.3m compared with £199.2m in the previous year.

Capital structure

	2007	2006
	£000	£000
Equity share capital	16	16
Share premium	125,235	125,235
Own shares held in Employee Benefit Trusts	(503)	-
Retained earnings	76,920	45,157
	<hr/>	<hr/>
Shareholders' equity	201,668	170,408
Minority interests	40	40
	<hr/>	<hr/>
Total equity	201,708	170,448
	<hr/> <hr/>	<hr/> <hr/>
Redeemable preference shares	40	40
Loan notes	-	92
	<hr/>	<hr/>
Total liabilities	40	132
	<hr/> <hr/>	<hr/> <hr/>

There were no issues of share capital during the year and the Group remains debt free except for preference shares. Own shares held in Employee Benefit Trusts were purchased in satisfaction of the SIP award made during the year. The remaining loan notes were redeemed on 31 July 2006.

Dividend policy

As explained in the Chairman's Statement the Company has increased the dividend payout proportion from 50% to approximately 60% of earnings. This policy will be kept under review, but the Company intends to pay out a similar proportion of earnings in the future.

During the year the Company paid an interim dividend of 2.00p per share amounting to £6.6m. The final dividend for 2007 proposed for approval by shareholders at the AGM is 6.50p per share which will amount to £21.3m taking the total dividends for the year to £27.9m. This represents a dividend cover of 1.72.

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 2007 the Group had an overall consolidated regulatory capital surplus of approximately £44m (2006 - £30m).

On behalf of the board

Steve Clutton
Finance Director
23 July 2007

Group Income Statement

for the year ended 31 May 2007

		2007	2006
	Notes	£000	£000
Revenue		121,990	89,391
Cost of sales		(4,214)	(1,584)
Gross profit		117,776	87,807
Administrative expenses		(58,574)	(43,737)
Operating profit	3	59,202	44,070
Finance revenue		22,604	10,681
Finance costs		(12,912)	(3,611)
Profit before taxation		68,894	51,140
Tax expense		(21,027)	(15,472)
Profit for the year		47,867	35,668
Profit for the year attributable to: Equity holders of the parent		47,867	35,668
Earnings per share (pence)			
- Basic	4	14.67p	10.92p
- Diluted	4	14.52p	10.88p

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

Group Statement of Changes in Shareholders' Equity

For the year ended at 31 May 2007

	<i>Equity share capital £000</i>	<i>Share premium £000</i>	<i>Own shares held in Employee Benefit Trusts £000</i>	<i>Retained earnings £000</i>	<i>Share- holders' equity £000</i>	<i>Minority interests £000</i>	<i>Total equity £000</i>
At 1 June 2005	16	125,197	–	12,706	137,919	40	137,959
Total recognised income and expense for the year	–	–	–	35,668	35,668	–	35,668
Adjustment to costs of share issue	–	38	–	–	38	–	38
Employee share- based payments	–	–	–	1,696	1,696	–	1,696
Equity dividends paid	–	–	–	(4,913)	(4,913)	–	(4,913)
At 1 June 2006	16	125,235	–	45,157	170,408	40	170,448
Profit for the year	–	–	–	47,867	47,867	–	47,867
Excess of tax deduction benefit on share-based payments recognised directly in equity	–	–	–	1,814	1,814	–	1,814
Total recognised income and expense for the year	–	–	–	49,681	49,681	–	49,681
Employee share- based payments	–	–	–	1,732	1,732	–	1,732
Purchase of own shares held in Employee Benefit Trusts	–	–	(503)	–	(503)	–	(503)
Equity dividends paid	–	–	–	(19,650)	(19,650)	–	(19,650)
Movement in shareholders' equity	–	–	(503)	31,763	31,260	–	31,260
At 31 May 2007	16	125,235	(503)	76,920	201,668	40	201,708

Group Balance Sheets

at 31 May 2007

	2007	2006
	£000	£000
Non-current assets		
Property, plant and equipment	8,158	4,091
Intangible assets	107,675	107,127
Investment in subsidiaries	-	-
Deferred tax assets	3,940	2,511
	<hr/>	<hr/>
	119,773	113,729
	<hr/>	<hr/>
Current assets		
Trade receivables	352,628	127,111
Prepayments and other receivables	3,954	2,720
Cash and cash equivalents	484,556	247,277
	<hr/>	<hr/>
	841,138	377,108
	<hr/>	<hr/>
Total assets	960,911	490,837
	<hr/>	<hr/>
Current liabilities		
Trade payables	726,144	285,635
Other payables	18,472	14,699
Income tax payable	14,547	20,015
	<hr/>	<hr/>
	759,163	320,349
	<hr/>	<hr/>
Non-current liabilities		
Redeemable preference shares	40	40
	<hr/>	<hr/>
	40	40
	<hr/>	<hr/>
Total liabilities	759,203	320,389
	<hr/>	<hr/>
NET ASSETS	201,708	170,448
	<hr/> <hr/>	<hr/> <hr/>
Capital and reserves		
Equity share capital	16	16
Share premium	125,235	125,235
Own shares held in Employee Benefit Trusts	(503)	-
Retained earnings	76,920	45,157
	<hr/>	<hr/>
Shareholders' equity	201,668	170,408
Minority interests	40	40
	<hr/>	<hr/>
TOTAL EQUITY	201,708	170,448
	<hr/> <hr/>	<hr/> <hr/>

Group Cash Flow Statements

for the year ended 31 May 2007

	2007	2006
	£000	£000
Operating activities		
Operating profit	59,202	44,070
<i>Adjustments to reconcile operating profit to net cash flow from operating activities</i>		
Depreciation of property, plant and equipment	3,513	2,205
Amortisation of intangible assets	856	1,318
Share-based payments	1,842	1,696
Property, plant and equipment written off	211	2
Intangible assets written off	10	-
Impairment of trade receivables	1,416	1,401
(Increase) in trade and other receivables	(226,563)	(85,028)
Increase in trade and other payables	442,587	163,588
Cash generated from operations	283,074	129,252
Income taxes paid	(26,110)	(108)
Net cash flow from operating activities	256,964	129,144
Investing activities		
Interest received	21,000	10,597
Purchase of property, plant and equipment	(7,793)	(2,682)
Payments to acquire intangible assets	(1,414)	(475)
Purchase of residual interest in subsidiary undertaking	-	(934)
Net cash flow from investing activities	11,793	6,506
Financing activities		
Interest paid	(11,508)	(3,611)
Equity dividends paid to shareholders of the parent	(19,650)	(4,913)
Purchase of own shares held in Employee Benefit Trusts	(503)	-
Repayment of financial liabilities	(92)	(75)
Payment of redeemable preference share dividends	(3)	-
Net cash flow from financing activities	(31,756)	(8,599)
Net increase in cash and cash equivalents	237,001	127,051
Cash and cash equivalents at the beginning of the year	247,277	120,550
Effect of foreign currency differences on opening balances of cash and cash equivalents	278	(324)
Net cash and cash equivalents at the end of the year	484,556	247,277

Notes to the Financial Statements

at 31 May 2007

1. Basis of consolidation

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

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

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

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 the Group's risks and rates of return are affected predominantly by differences in the products provided. As explained in the Chief Executive's Report, the financial segment includes financial binaries, which were reported separately in the previous year. The directors consider that including financial binaries within the financial segment is appropriate for the following reasons: financial binaries are viewed by most of our clients as an adjunct to the rest of our financial product range, rather than as a stand-alone product; financial binaries and other financial businesses share common management and processes; and financial binaries are predominantly traded by the same clients as other financial clients on their regulated accounts. Figures for the prior year have been restated to aid comparability.

Year ended 31 May 2007

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

Year ended 31 May 2006 (restated)

	<i>Financial</i> £000	<i>Sport</i> £000	<i>Unallocated</i> £000	<i>Total</i> £000
Revenue	80,325	9,066	-	89,391
Segment result	67,237	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	433,209	6,229	51,399	490,837
Segment liabilities	313,418	1,788	5,183	320,389
Other segment information				
Capital expenditure				
Property, plant and equipment	1,118	589	975	2,682
Goodwill	434	-	-	434
Other intangible assets	327	148	-	475
Depreciation	901	507	797	2,205
Amortisation	1,032	286	-	1,318

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

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

Unallocated assets include cash and cash equivalents amounting to £90,489,000 (2006 - £47,095,000).

Secondary reporting format – geographical segments

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

The Group has offices in the United Kingdom, Australia, Singapore and Germany. In previous periods geographical segments were reported according to office location. The Australia and Singapore segment dealt with clients serviced from the Melbourne and Singapore offices. The UK segment included the results of all other business. To aid comparability the figures for the previous year have been restated.

Year ended 31 May 2007

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

Year ended 31 May 2006 (restated)

	<i>UK</i> <i>£000</i>	<i>Europe</i> <i>£000</i>	<i>Asia</i> <i>Pacific</i> <i>£000</i>	<i>Rest of</i> <i>World</i> <i>£000</i>	<i>Unallo-</i> <i>cated</i> <i>£000</i>	<i>Total</i> <i>£000</i>
Revenue	73,792	5,209	9,199	1,191	-	89,391
Segment assets	483,205	-	5,121	-	2,511	490,837
Other segment information						
Capital expenditure						
Property, plant and equipment	2,630	-	52	-	-	2,682
Goodwill	-	-	434	-	-	434
Other intangible assets	475	-	-	-	-	475

Unallocated assets comprise deferred tax assets.

3. Operating profit

	2007	2006
	£000	£000
This is stated after charging/(crediting):		
Depreciation of property, plant and equipment	3,513	2,205
Amortisation of intangible assets	856	1,318
Operating lease rentals for land and buildings	1,177	785
Impairment of trade receivables	1,416	1,401
Foreign exchange differences	63	(392)
Property, plant and equipment written off	211	2
Intangible assets written off	10	-

Amortisation of intangible assets is included in the administrative expenses of the income statement.

4. Earnings per ordinary share

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

	2007	2006
	£000	£000
Basic and diluted earnings attributable to ordinary shareholders	47,867	35,668
Basic weighted average number of equity shares	326,343,794	326,506,126
Effect of share-based payments	3,288,896	1,373,861
Diluted weighted average number of ordinary shares	329,632,690	327,879,987
Basic earnings per share	14.67p	10.92p
Diluted earnings per share	14.52p	10.88p

5. Dividends

	2007	2006
	£000	£000
Declared and paid during the year:		
Final dividend for 2006 at 4.00p per share (2005 - nil)	13,100	-
Interim dividend for 2007 at 2.00p per share (2006 - 1.50p)	6,550	4,913
	19,650	4,913
Proposed for approval by shareholders at the AGM:		
Final dividend for 2007 at 6.50p per share (2006 - 4.00p)	21,288	13,100

6. Basis of preparation

The above financial information for the year ended 31 May 2007 does not constitute statutory accounts. It is an extract from the 2006 unaudited Group financial statements, which have not yet been delivered to the UK Registrar of Companies; it is expected that the report of the auditors on those financial statements will be unqualified.

Copies of full financial statements will be posted to all shareholders in September 2007. 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.