



21 July 2008

IG GROUP HOLDINGS PLC
Preliminary Results for the year ended 31 May 2008

IG Group Holdings plc (“IG” or “the Group”) today announces preliminary results for the year ended 31 May 2008.

Highlights

- Revenue up 51% at £184.0 million (2007 - £122.0 million)
- EBITDA¹ up 40% at £98.5 million (2007 - £70.4 million)
- Strong EBITDA margin of 53.5% (2007 - 57.7%)
- Earnings per share up 40% at 20.28p (2007 - 14.52p)
- Final dividend of 9.0p per share – total dividend of 12.0p per share, up 41%
- Benefits of increased IT investment and international diversification
- Current trading strong

Tim Howkins, Chief Executive

“2008 has been another highly successful year for IG Group and we have now achieved compound annual revenue growth of over 40% for the past ten years. We have been particularly pleased with our international business – we have opened three new international offices in the past year, and we have seen good international growth which complemented the continued expansion of our UK business. Current trading remains strong, and I remain confident of our prospects.”

Jonathan Davie, Chairman

“IG Group has yet again delivered strong growth in revenue and earnings, achieving impressive returns for shareholders. The Board has recommended a final dividend of 9.0p per share, making a total distribution for 2008 of 12.0p an uplift of 41% over the previous year. The significant increase in dividend reflects the high cash-generating capacity of our business and the Board’s continuing confidence in the Group’s prospects.”

Financial highlights

	<i>Year ended</i> <i>31 May</i> <i>2008</i> <i>£000</i>	<i>Year ended</i> <i>31 May</i> <i>2007</i> <i>£000</i>	<i>Growth</i> <i>%</i>
Revenue	184,008	121,990	+51%
EBITDA ¹	98,493	70,351	+40%
Profit before taxation	96,990	68,894	+41%
Profit after taxation	67,288	47,867	+41%
Basic earnings per share	20.62p	14.67p	+41%
Diluted earnings per share	20.28p	14.52p	+40%
Final dividend per share	9.0p	6.5p	+38%
Total dividend per share	12.0p	8.5p	+41%

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 2008

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

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

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

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

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

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

Jonathan Davie
Chairman
21 July 2008

Chief Executive's Report

for the year ended 31 May 2008

We have had another successful year, achieving a very strong level of growth whilst also significantly developing the Group and its client offering.

Revenue growth of 51% this year exceeded our long run average – over the last 10 years we have achieved compound annual growth in excess of 40%.

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

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

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

This has also been a year of significant innovation for us. The year began with the UK launch of PureDeal, our state-of-the-art browser-based financial dealing platform. We then progressively rolled the platform out across the rest of our offices worldwide, in each case accompanying this with a significant update of the website. The year also saw the introduction of a version of PureDeal customised to work on the iPhone and two new methods for clients to manage risk: trailing stops and bungee bets. Each of these developments has proved to be popular with our clients. Since the year end we have launched DealThru Charts, our new charting package which allows clients to deal directly from charts. Individually none of these new features is revolutionary, but I believe they combine to make our offering significantly better than those of our competitors. I am sure that our commitment to continuing technology and product innovation is a significant factor in the progressive improvement we have seen in client recruitment.

Client education is also an area where we have made significant progress during the course of the last year. We believe that the more help and guidance we are able to provide to clients, the greater will be our recruitment, conversion and retention rates. It is eighteen months since we introduced the TradeSense education programme, which is now available to all our financial clients worldwide. Over the last few months we have supplemented TradeSense with a programme of seminars, some aimed at existing clients, some at potential clients. These seminars are delivered either in person or online, the latter available both in real-time so that the attendees can ask questions of the presenter, and on-demand, so that attendees can watch at a time of their choosing. All of our international offices have seminar programmes and over the coming months we will continue to develop each of these to emulate the breadth of the UK programme.

This year has seen us significantly extend our international reach. The Markets in Financial Instruments Directive ("MiFID") enabled us to open offices in Paris and Madrid at the beginning of November. In early December we completed the acquisition of HedgeStreet in the US. This acquisition also provided the stimulus to activate our dormant US subsidiary, IG Markets Inc. I discuss the performance of these, and all our other businesses, below.

Financial

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

UK

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

Europe

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

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

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

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

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

Asia Pacific

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

Rest of the World

In December we completed the purchase of HedgeStreet Inc. for £3m in cash. HedgeStreet is a US-based, CFTC regulated, exchange offering binary options. The exchange had ceased active trading a few months prior to our acquiring it. We re-activated the exchange in February and since then we have undertaken the IT work necessary to expand its range of markets and opening hours. As a result, in the last few weeks we have been able to extend the market hours significantly, and are in the process of adding two-hour intra-day contracts and an additional contract size. Over the coming weeks we intend to continue to broaden the product range, both in terms of contract types and underlying markets offered. To date we have done almost no marketing or public relations activity for HedgeStreet, despite which we have seen a steady trickle of new exchange members. Once we have further improved the offering we plan to re-brand the exchange and we will then increase marketing and public relations activity.

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

The combined revenue of these two nascent businesses was not significant in the year to 31 May 2008. As expected, our cost base in the US is higher than that of the other businesses we have started recently. IG Markets Inc. also operates in a more competitive environment than any of our other recent start-ups. For these reasons we anticipate that it will take longer for our US businesses to reach break-even than has been the case for our other start-ups. However, together they represent a significant opportunity in one of the world's largest retail markets for speculative financial products.

Future Developments

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

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

Sport

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

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

Current trading and outlook

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

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

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

I remain confident about the prospects for the coming year.

Tim Howkins

Chief Executive
21 July 2008

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Analyst Presentation

There will be an analyst presentation on the results at 09:30am on Monday 21 July 2008 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 568 444 and the passcode is 51169936.

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

Group Operating and Financial Review

for the year ended 31 May 2008

Introduction

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

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

Nature, objectives and strategies

The Group's businesses

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

Financial

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

Sport

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

Business objective

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

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

Business strategies

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

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

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

Continuing to broaden the client base

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

Nature, objectives and strategies (continued)

Expanding the Group's international reach

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

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

Continuing to deliver product and technological innovation

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

Five year summary

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

	<i>Year ended 31 May</i>				
	<i>2008</i>	<i>2007</i>	<i>2006</i>	<i>2005¹</i>	<i>2004²</i>
	<i>IFRS</i>	<i>IFRS</i>	<i>IFRS</i>	<i>IFRS</i>	<i>UK GAAP</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Revenue	184,008	121,990	89,391	62,177	49,839
EBITDA ³	98,493	70,351	52,629	34,949	25,128
EBITDA margin ³	53.5%	57.7%	58.9%	56.2%	50.4%
Profit before tax	96,990	68,894	51,140	16,621	7,920
Basic earnings per share ⁴	20.62p	14.67p	10.92p	5.83p	1.55p
Diluted earnings per share ⁴	20.28p	14.52p	10.88p	5.41p	1.43p
Normalised earnings per share ³	N/A	N/A	N/A	6.75p	4.94p
Interim dividend paid per share	3.0p	2.0p	1.5p	–	–
Final dividend proposed per share	9.0p	6.5p	4.0p	–	–
Total dividend per share	12.0p	8.5p	5.5p	–	–

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

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

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

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

Group revenue

Group revenue by business segment

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

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

Group revenue by geographical segment

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

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

Group profit

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

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

Number of clients dealing

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

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

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

Average revenue per financial client

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

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

Key performance indicators (continued)

Number of accounts opened and dealing for the first time

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

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

Volatility of daily revenue

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

EBITDA and EBITDA margin

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

EBITDA margin represents EBITDA as a percentage of revenue.

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

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

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

Key performance indicators (continued)

Earnings per share

The Group seeks to maximise the growth in earnings per share over time in order to maximise shareholder value. The Group's Long Term Incentive Plans (LTIPs) and directors' bonuses are linked to growth in earnings per share and growth in the Company's share price.

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

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

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

Employees

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

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

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

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

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

	2008 £000	2007 £000
Fixed employment costs	27,768	20,229
Performance related bonuses and commissions	15,971	9,747
Share based payment schemes	4,716	1,842
	<u>48,455</u>	<u>31,818</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. During the year, the Group entered into a lease for a new disaster recovery location and has commenced the fit-out which will be completed in the year ending 31 May 2009. In addition new offices in London, Europe and the USA were established. In total additions during the year amounted to £5.7m compared with £7.8m in the previous year. Depreciation charged in the year amounted to £4.0m (2007 - £3.5m).

Intangible fixed assets

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

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

Working capital

The working capital position at the year end was as follows:

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

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

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

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

Financial position (continued)

Cash flow

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

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

Capital structure

	2008 £000	2007 £000
Equity share capital	16	16
Share premium	125,235	125,235
Own shares held in Employee Benefit Trusts	(704)	(503)
Retained earnings	120,129	76,920
	<hr/>	<hr/>
Shareholders' equity	244,676	201,668
Minority interests	40	40
	<hr/>	<hr/>
Total equity	244,716	201,708
	<hr/>	<hr/>
Redeemable preference shares	40	40
	<hr/>	<hr/>
Total liabilities	40	40
	<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 to satisfy future obligations of the SIP awards.

Dividend policy

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

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

Regulatory capital

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

On behalf of the board

Steve Clutton
Finance Director
21 July 2008

Group Income Statement

for the year ended 31 May 2008

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

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 2008

	<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 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
Equity settled employee share- based payments	–	–	–	1,732	1,732	–	1,732
Purchase of own shares	–	–	(503)	–	(503)	–	(503)
Equity dividends paid	–	–	–	(19,650)	(19,650)	–	(19,650)
Movement in shareholders' equity	–	–	(503)	31,763	31,260	–	31,260
At 1 June 2007	16	125,235	(503)	76,920	201,668	40	201,708
Profit for the year	–	–	–	67,288	67,288	–	67,288
Excess of tax deduction benefit on share-based payments recognised directly in equity	–	–	–	2,352	2,352	–	2,352
Total recognised income and expense for the year	–	–	–	69,640	69,640	–	69,640
Equity settled employee share- based payments	–	–	–	4,682	4,682	–	4,682
Purchase of own shares	–	–	(201)	–	(201)	–	(201)
Equity dividends paid	–	–	–	(31,113)	(31,113)	–	(31,113)
Movement in shareholders' equity	–	–	(201)	43,209	43,008	–	43,008
At 31 May 2008	16	125,235	(704)	120,129	244,676	40	244,716

Group Balance Sheets

at 31 May 2008

	2008	2007
	£000	£000
Non-current assets		
Property, plant and equipment	9,824	8,158
Intangible assets	112,056	107,675
Investment in subsidiaries	-	-
Deferred tax assets	8,053	3,940
	<hr/>	<hr/>
	129,933	119,773
	<hr/>	<hr/>
Current assets		
Trade receivables	263,323	352,628
Prepayments and other receivables	5,690	3,954
Cash and cash equivalents	471,722	484,556
	<hr/>	<hr/>
	740,735	841,138
	<hr/>	<hr/>
Total assets	870,668	960,911
	<hr/>	<hr/>
Current liabilities		
Trade payables	582,689	726,144
Other payables	26,715	18,472
Income tax payable	16,508	14,547
	<hr/>	<hr/>
	625,912	759,163
	<hr/>	<hr/>
Non-current liabilities		
Redeemable preference shares	40	40
	<hr/>	<hr/>
	40	40
	<hr/>	<hr/>
Total liabilities	625,952	759,203
	<hr/>	<hr/>
NET ASSETS	244,716	201,708
	<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	(704)	(503)
Retained earnings	120,129	76,920
	<hr/>	<hr/>
Shareholders' equity	244,676	201,668
Minority interests	40	40
	<hr/>	<hr/>
TOTAL EQUITY	244,716	201,708
	<hr/> <hr/>	<hr/> <hr/>

Group Cash Flow Statements

for the year ended 31 May 2008

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

Notes to the Financial Statements

at 31 May 2008

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.

Year ended 31 May 2008

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

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 year				47,867
Assets and liabilities				
Segment assets	851,809	7,494	101,608	960,911
Segment liabilities	732,520	143	26,540	759,203
Other segment information				
Capital expenditure				
Property, plant and equipment	3,034	1,188	3,571	7,793
Intangible assets	1,414	–	–	1,414
Depreciation	1,612	483	1,418	3,513
Amortisation	856	–	–	856
Impairment of trade receivables	1,467	(51)	–	1,416

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

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

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

Secondary reporting format – geographical segments

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

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

Year ended 31 May 2008

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

Year ended 31 May 2007

	<i>UK</i>	<i>Europe</i>	<i>Asia</i>	<i>Rest of</i>	<i>Unallo-</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>Pacific</i>	<i>World</i>	<i>cated</i>	<i>£000</i>
			<i>£000</i>	<i>£000</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

Unallocated assets comprise deferred tax assets.

3. Operating profit

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

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

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:

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

5. Dividends

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

6. Basis of preparation

The above financial information for the year ended 31 May 2008 does not constitute statutory accounts. It is an extract from the 2008 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 2008. 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.