21 July 2009

IG GROUP HOLDINGS PLC

Preliminary Results for the year ended 31 May 2009

IG Group Holdings plc ("IG" or "the Group") today announces preliminary results for the year ended 31 May 2009.

Highlights

- Revenue up 40% at £257.1 million (FY08: £184.0 million)
- EBITDA[1] up 33% at £131.1 million (FY08: £98.5 million)
- Adjusted EPS[2] up 22% at 24.74p (2008: 20.28p)
- Final dividend of 11.0p per share – total dividend of 15.0p per share, up 25%
- Acquisition of FXOnline Japan in October 2008
- New offices opened in Milan and Luxembourg
  New financial accounts opened up 74% at 74,331 (FY08: 42,693)
- Current trading strong

Tim Howkins, Chief Executive

"IG has again delivered excellent growth. We have made encouraging progress in each of our newer offices and they all have scope for significant further expansion. Alongside our direct offering to retail clients we also continue to develop our network of introducers and white label partners. The Group is in good health, with a strong competitive lead and I remain confident about the prospects for the coming year."

Jonathan Davie, Chairman

"2009 has been another very successful year for IG and we have now achieved compound annual revenue growth of 40% over the past eleven years. The board has recommended a final dividend for the year of 11.0p per share, making a total distribution for 2009 of 15.0p per share, an increase of 25% on 2008."

Financial highlights

	Year ended 31 May 2009 £000	*Year ended 31 May 2008 £000*	*Growth %*
Revenue	257,089	184,008	+40%
EBITDA[1]	131,086	98,493	+33%
Profit before taxation (adjusted)[2]	125,872	96,990	+30%
Profit before taxation (statutory)	111,259	96,990	+15%
Diluted earnings per share (adjusted)[2]	24.74p	20.28p	+22%
Diluted earnings per share	22.31p	20.28p	+10%
Final dividend per share	11.0p	9.0p	+22%
Total dividend per share	15.0p	12.0p	+25%

[1] *EBITDA represents earnings before exceptional administrative costs, depreciation, amortisation of intangible assets, amortisation and impairment of intangibles arising on consolidation, 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 2009

It is my pleasure to make this annual statement after another successful year at IG. Our annual revenue has increased 40% to £257m (2008: £184m) and diluted adjusted earnings per share increased 22% to 24.7p (2008: 20.3p).

Whilst we have continued to grow our more established markets in the United Kingdom and Australia, we have also taken further steps in our strategy to diversify internationally. In October 2008 we acquired FXOnline Japan KK and also opened our office in Milan. In January we opened our office in Luxembourg.

IG's continuing success reflects our investment in high quality dealing platforms, an innovative broad range of products and excellent customer service provided to our expanding client base.

Having made significant progress in penetrating new geographic markets for our products, our aim for the forthcoming year is to develop these to ultimately reach the scale that we have achieved in the United Kingdom and Australia.

At the forthcoming AGM, your board will recommend the payment of a final dividend of 11.0p per share. This will bring the total dividend for the year to 15.0p, an increase of 25% on last year. This represents a total dividend of approximately 60% of our earnings for the year which is consistent with the policy that the board announced two years ago. Our policy, which we will review from time to time, is to continue to pay a similar percentage of our earnings in future years.

Board Evaluation

This year your board decided to commission the Institute of Chartered Secretaries and Administrators ("ICSA"), an external consultant, to conduct a full evaluation of the board in accordance with the Principle 6.A of the Combined Code on Corporate Governance.

The board has reviewed and agreed with the recommendations made by ICSA, which I believe will lead to further improvements in board performance in the future.

Remuneration

One matter which is understandably at the top of many investor agendas is that of remuneration. Heretofore the Company has not reviewed executive and non executive basic remuneration on an annual basis. The result is that both executive and non executive directors' basic pay has fallen into the bottom quartile in most relevant surveys.

After consultation with some of our leading shareholders, we have agreed some increases which are set out in detail in the Annual Report. We have also introduced an element of deferral into our bonus structure, reflecting the FSA's recent pronouncements on remuneration best practice.

Henceforth it is the present intention of the Remuneration Committee to review basic pay on an annual basis.

Non Executive Directors

I am sorry to say that Sir Alan Budd has informed the board that he wishes to step down as a non executive director at a moment which is convenient to the board.

Your board has accepted Sir Alan's decision with understanding and regret.

Sir Alan joined the IG board when the Company was floated on the London Stock Exchange in April 2005. His highly distinguished career in both Government and Business and the experience that Sir Alan has brought to your board has been much valued. We will miss his wise counsel.

We have commenced the process of finding a replacement for Sir Alan. Later in our financial year, we will commence the search for an additional independent non executive director in order to make progress to becoming more compliant over time with Code Provision A.3.2 of the Combined Code. We will provide a further update in due course.

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

I and all my colleagues at IG look forward to working towards ensuring another successful year for IG and its shareholders.

Jonathan Davie
Chairman
21 July 2009

Chief Executive's Report

for the year ended 31 May 2009

Against a backdrop of chaos in financial markets worldwide, and a severe global recession, we have achieved good levels of growth in revenue and earnings per share. Our revenue grew by 40% this year, but that includes the impact of acquiring FXOnline Japan KK (FXOnline) part way through the year. Organic growth, excluding the impact of FXOnline, was 25%. Adjusted diluted earnings per share increased by 22% (statutory diluted earnings per share increased by 10%).

This growth was driven by strong account opening. Our financial businesses opened over 74,000 accounts during the year, compared to 43,000 in the previous year.

We have made good progress on our two key strategic objectives of continuing to grow our market-leading UK business and replicating that UK success internationally. Over the last three years, we have progressed from operating in only two countries, the UK and Australia, to having offices in ten countries worldwide. Over those three years we have grown revenue for our UK financial business by 32% per annum compound. Three years ago only 17% of our revenue came from outside the UK, in the second half of this year this proportion had risen to 47% and our non-UK businesses accounted for half of all accounts opened in the year.

IG Index has long been recognised as the leader in the UK spread betting market. This year IG Markets established a market leading position in Contracts for Difference (CFD) in many of the countries in which we operate. Of particular note, independent market research (*) has just confirmed that we are now the most widely used primary CFD provider among active CFD users in Australia. Our approach differs from that of some of our competitors. We quote our CFD clients the underlying market price and offer near-instantaneous execution, with around 99% of client orders accepted. Unlike some of our competitors we do not "re-quote" and we are the only spread betting or CFD provider (other than our own white label partners) to offer Price Improvement whereby the benefit of any significant favourable price movements in the market between order and execution is passed on to clients. I believe that this approach, of high quality, transparent, fair execution is the reason we have attained the position of market leader in so many of the countries in which we operate.

During October we saw extreme volatility, the collapse in share price of many banking stocks and a severe market crash. This resulted in a high incidence of doubtful debts within our client base. For the year as a whole our doubtful debt charge was £18.2m, with over 80% of this charge arising in the first half. We continue to pursue all of the outstanding debts vigorously and we are beginning to achieve some recovery of amounts initially fully provided for.

After October we changed our approach to managing credit risk. The introduction of the close-out process provides a safety net, closing out client positions before they owe us money. Since we made these changes we have seen a second collapse in the prices of banking shares in January and a significant fall in global equity markets in late February and early March. Both of these severe market events provided a good test for our new approach to credit risk management and we incurred almost no doubtful debts in either. This approach not only provides us with protection from doubtful debts, but it also serves to protect and preserve our client base by reducing client losses.

UK

Our UK financial business, which includes clients residing outside the UK who choose to transact through the UK office, achieved revenue of £150.6m, an increase of 9%. This sub-divides into growth in spread betting of 15% and a fall of 3% in CFD, the latter revenue principally driven by the reduced activity of a subset of the client base who trade long only equity positions. Throughout the year we saw a progressive shift in mix between new clients for spread betting and CFDs, with an increasing proportion of new accounts opened in the UK being for CFDs rather than spread betting.

We have a programme of continual improvement of all of our websites and have recently undertaken a complete redesign of the igindex.co.uk website.

Europe

During the year we extended our coverage in Europe, opening a small satellite office in Luxembourg and marketing into Portugal from our office in Madrid. Together our European offices produced revenue of £30.2m, an increase of over 300%. In each of France, Spain and Italy we have established a very clear market lead.

By the end of the year our European offices were contributing 13% of the Group's monthly revenue.

Australia and Singapore

Our Australian business achieved revenue of £27.9m, up 12%. The year ended strongly, with monthly revenue in April and May higher than in any previous month of the year, despite significantly lower volatility.

Revenue for Singapore was £9.5m, more than four times the level achieved in the previous year. Our Singapore office has the highest rate of account opening of any of the offices we have established in the last three years, an impressive achievement when considered relative to population.

Japan

We acquired FXOnline Japan KK ("FXOnline") in October 2008. In its first eight months under our ownership it achieved revenue of £28m and the acquisition was earnings enhancing.

FXOnline's existing retail forex business faces challenges. The competitive landscape has shifted significantly in the last few months, with a number of competitors actively marketing spreads of 1 pip or less on the most popular currency pair - $/Y. To counter this competitive threat we moved to a variable spread model at the beginning of June, so that we go as low as 0.9 pip when underlying market spreads are tight. This change has had some beneficial impact on volume and revenues, but the feedback we have had indicates that Japanese clients prefer a fixed spread model. Within the last few weeks we began to introduce lower fixed spreads progressively across the client base, initially targeting some larger clients who had left us to obtain lower spreads elsewhere. The early indications are that this has had a beneficial impact on revenues. The speed and reliability of our dealing platform mean that we are well equipped to compete in this low spread environment and we will continue to adapt our offering as the competitive landscape evolves. Our experience elsewhere in the world is that there is significant price elasticity in forex, with volumes increasing as spreads reduce. The evidence so far suggests that the same is true in Japan.

As we have previously announced, the Japanese FSA undertook a period of public consultation on proposals to restrict leverage for retail forex in Japan. This consultation period has ended and the FSA are now assessing the responses. We expect that within the next few weeks they will announce the final form which any rules to restrict leverage may take. Prior to the consultation period, the FSA indicated that they intended that restrictions would not come into force for at least a year, and not fully for two years. This extended implementation timetable, if confirmed, will give us considerable time to prepare.

A major objective in buying this business was to acquire a platform from which to launch CFDs and binary options in Japan, a country with a very active speculative trading culture. We launched these products progressively between late March and early May. Early take up has been encouraging and last month these new products contributed more than 5% of our revenue from Japan. The importance of these products has been recognised by existing online brokers and we are in discussions with several parties about establishing white label relationships. We are currently the only provider of binary options in Japan and one of only a handful of CFD providers. We are at a very early stage but I believe we are well positioned to become a leading player in these markets as they develop.

US

We achieved revenue of £2.3m in the US compared to £48k in the previous year. The majority of the revenue came from our US retail forex business, IG Markets Inc, which started to trade shortly before the beginning of the financial year.

In December 2007 we acquired HedgeStreet, a US based, CFTC regulated, exchange. Since then we have been progressively extending the range of contracts trading on the exchange and have adapted our PureDeal dealing platform to provide the front-end for members to trade on the exchange. This development work culminated in the re-launch of the exchange last month under the new name Nadex, the North American Derivatives Exchange. Nadex offers two types of contract: binary options which have an all-or-nothing payout, and spreads, which have a variable payout. Both types of contracts are offered on equity index futures, forex, precious metals and commodities; binary markets are also offered on various economic indicators. Nadex is unique in that members of the public in the US can, at no cost, become a member of the exchange and then trade on it directly on its website, nadex.com.

Our US product range now includes contracts analogous to the most popular markets that we offer elsewhere. While we were developing the product range and new front-end we did little marketing for the exchange. Now that the Nadex offering is complete we have, over the last few weeks, begun to increase marketing and public relations activity. Our research indicates that there is a gap in the market in the US for a simple, limited risk, easily accessible way of trading the financial markets. The early reaction we have had from exchange members and the press has been encouraging.

Sport

Our sports business, which represents less than 4% of group revenue, saw a 24% decline in revenue to £8.7m. This fall was mainly attributable to the loss of a number of larger clients, who have curtailed their sports betting activity in the current economic environment.

Towards the end of the year we combined our two sports websites and re-launched them with a new dealing interface under the extrabet.com brand. The extrabet.com website is unique in offering sports spread betting, fixed odds and binary betting from a single platform. With all three forms of betting, the client has the ability to close out a bet so as to lock in a profit or mitigate a loss before the end of the event. Client and press reaction to the new site and dealing interface have been overwhelmingly positive and the early signs are that we are achieving greater take up of sports spread betting by new clients as a result.

Future developments

Over the last three years our main focus has been on extending our geographic reach and we now have businesses in most of the major economies worldwide where regulation permits us to operate. We will open an office in Sweden within the next few months. We are not currently planning further office openings, but will continue to monitor regulatory and other developments in a number of potential markets.

We have made encouraging progress in each of our newer offices and they all have scope for significant further growth. Our main focus for the coming year will be on maximising the recruitment, conversion and retention of clients in each of the countries in which we operate.

Alongside our direct offering to retail clients we continue to develop our network of introducers and white label partners. This network provides us with access to established pools of clients on a revenue sharing basis, with no cost of client acquisition. We have established white label partnerships in a number of countries in recent months and are in discussions with several more potential partners. We expect these partnerships to become a more significant source of revenue in the coming year. We continue to develop the tools to allow our partners to offer our services in a variety of different ways.

Current trading and outlook

The new financial year has started well, despite subdued market volatility. It remains difficult to predict future trends in volatility or customer reaction to changing market and economic conditions. We face challenging comparatives in the first half of this year, particularly in the second quarter, as our revenue last year was boosted by the volatility caused by the extraordinary market events of September and October.

This has been a challenging year for most businesses, including ours. However, I believe we emerge from it in good health, with improved risk management and a strong competitive lead. Our longer term growth trajectory continues to be underpinned by good levels of account opening and I remain confident about the prospects for the coming year.

Tim Howkins
Chief Executive
21 July 2009

* Investment Trends June 2009 CFD report

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Analyst Presentation

There will be an analyst presentation on the results at 09:30am on Tuesday 21 July 2009 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 556 620 and the passcode is 18801952.

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

Group Operating and Financial Review

for the year ended 31 May 2009

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 417(3) of the Companies Act 2006 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 and the operation of an online Casino.

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 UK financial spread betting market. 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 2009 revenue from non-UK clients grew to 43% of total revenue (2008: 27%). It has been a significant year for international expansion with the acquisition of FXOnline Japan KK in October and the opening of offices in Luxembourg and Milan. A Portuguese desk was launched from our Madrid office and a number of white label arrangements were established, most notably in France with two of the country's leading online stockbrokers, providing access to extensive client bases. Shortly after the year end, the Group re-launched its US based CFTC regulated exchange under the new name North American Derivatives Exchange (Nadex) with an expanded product set. Nadex is the only regulated, retail-focused, online futures exchange in the US. The Group will continue to explore the feasibility of other branches or offices where local regulation permits 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 a complete CFD offering, including website, dealing application, customer support and telephone dealing in nine languages, in addition to offering a website and dealing application in a small number of additional languages.

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, a new charting package was launched providing clients with the facility to monitor trends and set parameters to trade from charts. February and March saw the launch of PureDeal (our browser based financial dealing platform) and CFDs respectively in Japan. The introduction of automated margin calling and the close-out monitor process has led to a significant reduction in the number of clients going into deficit and has allowed a reduction in margin requirements on forex and index products. 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

	Year ended 31 May				
	2009 IFRS £000	*2008 IFRS £000*	*2007 IFRS £000*	*2006 IFRS £000*	*2005[1] IFRS £000*
Revenue	257,089	184,008	121,990	89,391	62,177
EBITDA[2]	131,086	98,493	70,351	52,626	34,949
EBITDA margin[2]	51.0%	53.5%	57.7%	58.9%	56.2%
Profit before taxation (adjusted)[3]	125,872	96,990	68,894	51,140	16,621
Profit before taxation (statutory)	111,259	96,990	68,894	51,140	16,621
Diluted earnings per share (adjusted)[3,4]	24.74p	20.28p	14.52p	10.88p	5.41p
Diluted earnings per share (statutory)	22.31p	20.28p	14.52p	10.88p	5.41p
Normalised earnings per share[2]	N/A	N/A	N/A	N/A	6.75p
Interim dividend paid per share	4.0p	3.0p	2.0p	1.5p	–
Final dividend proposed per share	11.0p	9.0p	6.5p	4.0p	–
Total dividend per share	15.0p	12.0p	8.5p	5.5p	–

[1] Figures reported for 2005 were re-stated to reflect changes in accounting policies brought about as a result of the Group's adoption of International Financial Reporting Standards (IFRS).
[2] EBITDA, EBITDA margin, and normalised earnings per share are defined and explained in the key performance indicators commentary.
[3] Excludes amortisation and impairment of intangibles arising on consolidation.
[4] A reconciliation to statutory earnings per share is provided in note 4 of the financial statements.

Group revenue

Group revenue by business segment

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

	2009 *£000*	*2008* *£000*	*Increase/ (decrease)* *%*
Financial	248,346	172,475	44.0%
Sport	8,743	11,533	(24.2%)
	257,089	184,008	39.7%

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.

	2009 *£000*	*2008* *£000*	*Increase* *%*
United Kingdom	147,471	134,713	9.5%
Europe	39,530	20,396	93.8%
Asia Pacific	65,500	27,371	139.3%
Rest of World	4,588	1,528	200.3%
	257,089	184,008	39.7%
Proportion of revenue from non-UK clients	42.6%	26.8%	

Certain clients choose to transact through an office that is outside their country of residence. Analysis of revenue by office is reconciled to revenue by location of client as shown below:

	Location of office				
2009	*United Kingdom*	*Europe*	*Asia Pacific*	*Rest of World*	*Total*
Location of client	*£000*	*£000*	*£000*	*£000*	*£000*
United Kingdom	147,402	34	35	–	147,471
Europe	9,475	30,039	14	2	39,530
Asia Pacific	172	8	65,178	142	65,500
Rest of World	2,255	90	97	2,146	4,588
Total	159,304	30,171	65,324	2,290	257,089
Financial	150,561	30,171	65,324	2,290	248,346
Sport	8,743	–	–	–	8,743
Total	159,304	30,171	65,324	2,290	257,089

2008	United Kingdom	Europe	Asia Pacific	Rest of World	Total
	Location of office				
Location of client	*£000*	*£000*	*£000*	*£000*	*£000*
United Kingdom	134,125	538	10	40	134,713
Europe	13,606	6,739	51	–	20,396
Asia Pacific	225	1	27,145	–	27,371
Rest of World	1,350	22	148	8	1,528
Total	149,306	7,300	27,354	48	184,008
Financial	137,773	7,300	27,354	48	172,475
Sport	11,533	–	–	–	11,533
Total	149,306	7,300	27,354	48	184,008

Group profit

	2009	*2008*	*Increase/ (decrease)*
	£000	*£000*	*%*
Financial	150,476	126,265	19.2%
Sport	1,893	1,892	0.0%
Result before unallocated items	152,577	128,157	19.1%
Unallocated administrative expenses	(42,319)	(34,584)	22.4%
Unallocated finance revenue	2,828	4,100	(31.0%)
Unallocated finance costs	(1,619)	(683)	137.0%
Profit before taxation	111,259	96,990	14.7%

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.

	2009	*2008*	*Increase/ (decrease)* *%*
Financial *			
Number of clients dealing	88,336	56,291	56.9%
Average revenue per client (£)	2,495	3,064	(18.6%)
Number of accounts opened	61,538	42,693	44.1%
Number of accounts dealing for the first time	44,291	29,211	51.6%
Sport			
Number of clients dealing	19,246	15,860	21.3%
Number of accounts opened	13,309	10,401	28.0%
Number of accounts dealing for the first time	10,661	8,102	31.6%
Volatility of daily revenue			
Coefficient of variability at 31 May	0.37	0.53	(30.1%)
Average for the year	0.51	0.55	(7.3%)
Highest in year	0.70	0.69	1.4%
Lowest in year	0.36	0.45	(20.0%)

*FXOnline has been excluded to aid the year on year comparison. Including FXOnline: the number of clients dealing was 112,282; the average revenue per client was £2,212; the number of accounts opened was 74,331; the number of accounts dealing for the first time was 50,364.

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 57% compared with the previous year. This reflects the underlying growth of the business driven by increased penetration of new and existing markets. In addition, increased levels of market volatility seen during the year will have encouraged clients to trade. For example, the Vix Volatility Index rose from 19.8 on 1 June 2008 to 89.5 in October 2008, a record month for both revenue and number of clients trading.

The number of sports clients dealing directly with IG increased by 21% compared with the previous year.

Average revenue per financial client

Average revenue per financial client (total revenue divided by the number of clients dealing) varies significantly for different products and geographies. The 19% reduction in the overall average reflects changes in the business mix during the year and the impact of market volatility. The extraordinary levels of market volatility, in particular during the three months ended November 2008, led to record levels of client recruitment and a spike in the number of clients dealing. The newly recruited clients trading during this period have tended to churn at a higher rate than normally experienced, having a detrimental impact on the simple average.

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 in the financials business increased by 44% and 52% respectively compared with the previous year and are leading indicators of future prospects. The increases seen in the financials business reflect international diversification and the favourable impact of sustained high levels of market volatility which drives account opening and encourages clients to trade.

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 been consistently low reflecting the Group's policy of maintaining low volatility of its revenues and thus maintaining high 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, coefficient of volatility has continued the past trend and fallen year on year.

EBITDA and EBITDA margin

EBITDA represents earnings before exceptional administrative costs, depreciation, amortisation of intangible assets, amortisation and impairment of intangibles arising on consolidation, amounts written off property, plant and equipment and intangible assets, taxation, interest payable on debt and interest receivable on corporate cash balances and 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.

	2009	*2008*
	£000	*£000*
Operating profit	102,450	83,350
Net interest on client balances	7,600	10,221
Depreciation	5,402	4,016
Amortisation of intangible assets	984	782
Amortisation of intangible assets arising on consolidation	14,613	–
Amounts written off property, plant and equipment and intangible assets	37	124
EBITDA	131,086	98,493
EBITDA margin	51.0%	53.5%

EBITDA for the year was £131.1m, a 33% increase on the prior year. This growth was driven by the increase in revenue, partially offset by a substantial increase in the charge for impairment of trade receivables leading to a reduced EBITDA margin in the year under review to 51.0% from 53.5%. EBITDA margin in the second half of the year increased to 54.2% from 47.7% in the first half, reflecting a much reduced impairment of trade receivables charge in the second half of the year following changes made to reduce client credit risk.

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 diluted adjusted earnings per share and growth in the Company's share price. Further details of LTIPs and directors' bonuses are set out in the directors' remuneration report and note 25 to the financial statements.

Diluted adjusted earnings per share were 24.74p compared with 20.28p in the previous year, an increase of 22.0%.

In order to facilitate comparison of performance between periods the Group uses diluted adjusted earnings per share (EPS) as its primary measure of EPS. Diluted adjusted EPS represents adjusted earnings divided by the number of ordinary shares in issue and to be issued. Adjusted earnings comprise earnings excluding amortisation and impairment of intangibles arising on consolidation net of taxation and minority interests.

The directors consider that the basic and diluted earnings per share calculations for the years ended 31 May 2005 and prior does 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.

Key performance indicators (continued)

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 various Share Incentive Plans (SIPs) has been made available to all UK and Australian staff, with a further plan to be introduced to USA staff in the year to 31 May 2010. These awards reward employees for past performance and help to retain them in the future. The Group provides a range of benefits to its employees, including pension contributions, and private health cover.

The average number of employees in the Group increased in the year from 551 to 761, in part reflecting the acquisition of FXOnline. At the year end approximately 30% of staff were based overseas (2008: 20%).

The Group aims to provide a challenging and rewarding working environment. 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. The majority of employees are in a pool scheme that is driven by the overall profitability of the Group and allocated on a discretionary basis. Other staff are in specific schemes driven by formulae related to earnings per share growth or elements of group revenue and profits.

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

	2009	*2008*
	£000	*£000*
Fixed employment costs	40,165	27,768
Performance related bonuses and commissions	10,661	15,971
Share based payment schemes	3,256	4,716
	54,082	48,455

Performance related bonuses and commissions are further split as follows:

	2009	*2008*
	£000	*£000*
Pool scheme	5,136	10,157
Specific schemes	5,525	5,814
	10,661	15,971

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 completed the fit out of its disaster recovery location in Hayes, Middlesex and additional office space was taken in London, Europe and the USA all requiring fit out expenditure. In total, additions during the year amounted to £5.1m compared with £5.7m in the previous year. Depreciation charged in the year amounted to £5.4m (2008: £4.0m).

Financial position (continued)

Intangible assets

Goodwill at the start of the year principally comprised that arising on the acquisition of IG Group plc and its subsidiaries in 2003. The increase in goodwill during the year of £107.0m to £217.0m reflects the acquisition of FXOnline. 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 amounted to £46.0m of which £43.5m related to FXOnline trade name and customer relationships. These are being amortised using the sum of digits method over their useful lives of 2 and 5 years respectively. Amortisation charged in the year amounted to £15.6m (2008: £0.8m).

Working capital

An explanation of the liquidity exposure faced by the Group and the management of this risk is included in note 30 to the financial statements. The working capital position at the year end was as follows:

	2009	*2008*
	£000	*£000*
Amounts due from brokers	178,261	252,522
Amounts due from clients	4,824	10,801
Cash and cash equivalents	520,421	471,722
Amounts due to clients	(511,656)	(582,689)
Other current net liabilities	(58,958)	(37,533)
Net working capital	132,892	114,823

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 £18.1m during the year. Excluding the impact of FXOnline which accounts for £28.5m of the balance at the year end (2008: £nil), net working capital decreased by £10.5m.

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 7.1% of revenue (2008: 2.2%), reflecting the higher incidence of doubtful debts resulting from extreme market volatility in October 2008. The Group continues to pursue outstanding debts vigorously.

At the year end, the Group had total committed bank facilities of £154.4 m (2008: £200.0m), none of which were drawn. Facilities of £120.0m (2008: £160.0m) are to provide short-term liquidity as necessary and facilities of £34.4m (2008: £40.0m) provide for paperless settlement of share transactions (CREST).

Extraordinary movements in world markets during October 2008 coincided with large cash payments in respect of the final dividend (£29.6m) and the acquisition of FXOnline (£40.6m net of share placing proceeds). This resulted in a short term funding requirement to meet the Group's payment obligations to market counterparties and profit making clients before payment was received from losing clients. Consequently the Group utilised its committed bank facilities for a period of 18 days, which were drawn to a peak of £88 million of an available £160 million.

Financial position (continued)

Cash flow

Cash and cash equivalents (before the effect of exchange rates) increased by £34.4m during the year, reflecting the cash generative nature of the business. The most significant cash outflow during the year was £121.6m in respect of the acquisition of FXOnline, part funded by a share placing which raised £81.0m in cash net of issue costs. Other outflows included £20.3m for taxation (2008: £29.5m); £44.0.m for dividends (2008: £31.1m) and capital expenditure of £8.0m (2008: £6.2m).

The Group holds client money on account in segregated bank accounts which at the year end amounted to £421.0m compared with £369.0m in the previous year.

Capital structure

	2009	*2008*
	£000	*£000*
Equity share capital	18	16
Share premium	206,246	125,235
Other reserves	45,281	11,576
Retained earnings	141,819	107,849
Shareholders' equity	393,364	244,676
Minority interests	2,549	40
Total equity	395,913	244,716
Redeemable preference shares	40	40
Total liabilities	40	40

During the year, 4,218,970 ordinary shares with an aggregate nominal value of £210 were issued following the exercise of Long Term Incentive Plan awards for a consideration of £210. In addition, 27,864,407 ordinary shares with an aggregate nominal value of £1,393 were issued in a share placing at a price of £2.95 raising £82.2m excluding issue costs of £1.2m.

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 is for the dividend payout proportion to be approximately 60% of earnings (based on diluted adjusted EPS). 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 4.0p per share amounting to £14.4m. The final dividend for 2009 proposed for approval by shareholders at the AGM is 11.0p per share which will amount to £39.6m taking the total dividends for the year to £54.0m. This represents a dividend cover of 1.6, consistent with prior year.

Regulatory capital

Three 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 2009 the Group had an overall consolidated FSA regulatory capital surplus of approximately £81m (2008: £67m).

On behalf of the board

Steve Clutton
Finance Director
21 July 2009

Unaudited Group Income Statement

for the year ended 31 May 2009

	Note	*Year ended 31 May 2009* *Before amortisation and impairment of intangibles arising on consolidation* £000	*Year ended 31 May 2009* *Amortisation and impairment of intangibles arising on consolidation* £000	*Year ended 31 May 2009* *Total* £000	*Year ended 31 May 2008(*)* £000
Revenue		257,089	-	257,089	184,008
Cost of sales		(7,223)	-	(7,223)	(10,842)
Gross profit		249,866	-	249,866	173,166
Impairment of trade receivables		(18,168)	-	(18,168)	(4,057)
Other administrative expenses		(114,635)	(14,613)	(129,248)	(85,759)
Operating profit	3	117,063	(14,613)	102,450	83,350
Finance revenue		15,775	-	15,775	30,609
Finance costs		(6,966)	-	(6,966)	(16,969)
Profit before taxation		125,872	(14,613)	111,259	96,990
Tax expense		(38,744)	6,137	(32,607)	(29,702)
Profit for the year		87,128	(8,476)	78,652	67,288
Profit for the period attributable to:					
Equity holders of the parent		86,462	(8,476)	77,986	67,288
Minority Interests		666	-	666	-
		87,128	(8,476)	78,652	67,288
Earnings per share (pence)	4				
- basic				22.42p	20.62p
- diluted				22.31p	20.28p

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

* amortisation and impairment of intangibles arising on consolidation charge was nil for the year ended 31 May 2008.

Unaudited Group Statement of Changes in Shareholders' Equity

For the year ended at 31 May 2009

	Equity share capital £000	*Share premium £000*	*Other Reserves £000*	*Retained earnings £000*	*Share-holders' equity £000*	*Minority interests £000*	*Total equity £000*
At 1 June 2007	16	125,235	4,743	71,674	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	–	–	2,352	67,288	69,640	–	69,640
Equity settled employee share-based payments	–	–	4,682	–	4,682	–	4,682
Purchase of treasury shares	–	–	(201)	–	(201)	–	(201)
Equity dividends paid	–	–	–	(31,113)	(31,113)	–	(31,113)
Movement in shareholders' equity	–	–	6,833	36,175	43,008	–	43,008
At 1 June 2008	16	125,235	11,576	107,849	244,676	40	244,716
Profit for the year	–	–	–	77,986	77,986	666	78,652
Excess of tax deduction benefit on share-based payments recognised directly in equity	–	–	(1,730)	–	(1,730)	–	(1,730)
Total recognised income and expense for the year	–	–	(1,730)	77,986	76,256	666	76,922
Shares issued	2	82,199	–	–	82,201	–	82,201
Share issue costs	–	(1,188)	–	–	(1,188)	–	(1,188)
Minority interest arising on acquisition	–	–	–	–	–	1,528	1,528
Foreign currency translation on overseas subsidiaries	–	–	32,437	–	32,437	315	32,752
Equity settled employee share-based payments	–	–	3,256	–	3,256	–	3,256
Purchase of treasury shares	–	–	(258)	–	(258)	–	(258)
Equity dividends paid	–	–	–	(44,016)	(44,016)	–	(44,016)
Movement in shareholders' equity	2	81,011	33,705	33,970	148,688	2,509	151,197
At 31 May 2009	18	206,246	45,281	141,819	393,364	2,549	395,913

Unaudited Group Balance Sheets

at 31 May 2009

	Note	*2009* *£000*	*2008* *£000*
Non-current assets			
Property, plant and equipment		11,632	9,824
Intangible assets		260,607	112,056
Investment in subsidiaries		-	-
Deferred tax assets		7,562	8,053
		279,801	129,933
Current assets			
Trade receivables	7	183,085	263,323
Prepayments and other receivables		4,928	5,690
Cash and cash equivalents	8	520,421	471,722
		708,434	740,735
Total assets		988,235	870,668
Current liabilities			
Trade payables	9	511,656	582,689
Other payables	10	27,326	26,715
Income tax payable		36,560	16,508
		575,542	625,912
Non-current liabilities			
Deferred tax liability		16,740	–
Redeemable preference shares		40	40
		16,780	40
Total liabilities		592,322	625,952
NET ASSETS		395,913	244,716
Capital and reserves			
Equity share capital	11	18	16
Share premium		206,246	125,235
Other reserves		45,281	11,576
Retained earnings		141,819	107,849
Shareholders' equity		393,364	244,676
Minority interests		2,549	40
TOTAL EQUITY		395,913	244,716

Unaudited Group Cash Flow Statements

for the year ended 31 May 2009

	2009 *£000*	*2008* *£000*
Operating activities		
Operating profit	102,450	83,350
Adjustments to reconcile operating profit to net cash flow from operating activities		
Depreciation of property, plant and equipment	5,402	4,016
Amortisation of intangible assets	984	782
Amortisation of intangible assets arising on consolidation	14,613	–
Share-based payments	3,256	4,716
Property, plant and equipment written off	37	115
Intangible assets written off	–	9
Impairment of trade receivables	18,168	4,057
Decrease in trade and other receivables	77,725	83,151
(Decrease) in trade and other payables	(153,138)	(145,818)
Cash generated from operations	69,497	34,378
Income taxes paid	(20,274)	(29,501)
Net cash flow from operating activities	49,223	4,877
Investing activities		
Interest received	16,317	31,020
Purchase of property, plant and equipment	(5,897)	(4,905)
Payments to acquire intangible assets	(2,142)	(1,282)
Purchase of subsidiary undertaking	(121,643)	(3,375)
Net cash acquired on purchase of subsidiary undertaking	68,202	132
Net cash flow from investing activities	(45,163)	21,590
Financing activities		
Interest paid	(6,426)	(17,550)
Equity dividends paid to shareholders of the parent	(44,016)	(31,113)
Proceeds from the issue of shares	81,013	–
Purchase of own shares	(258)	(201)
Payment of redeemable preference share dividends	(3)	(3)
Net cash flow from financing activities	30,310	(48,867)
Net increase/(decrease) in cash and cash equivalents	34,370	(22,400)
Cash and cash equivalents at the beginning of the year	471,722	484,556
Effect of foreign currency differences on opening balances of cash and cash equivalents	14,329	9,566
Net cash and cash equivalents at the end of the year	520,421	471,722

Notes

at 31 May 2009

1. Basis of preparation

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 and this preliminary announcement was authorised for issue by the board of directors on 21 July 2009 .

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) as they apply to the financial statements of the Group for the year ended 31 May 2009 and applied in accordance with the provisions of the Companies Act 2006. The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

The Group has presented its consolidated income statement in a columnar format. This enables the Group to continue its practice of improving the understanding of its results by presenting profit for the year before amortisation and impairment of intangibles arising on consolidation. This is the profit measure used to calculate adjusted EPS (see note 4) and is considered to be the most appropriate as it better reflects the Group’s underlying cash earnings. Profit before amortisation and impairment of intangibles arising on consolidation is reconciled to profit before tax on the face of the income statement.

Intangible assets arising on consolidation represent goodwill and other separately identifiable intangible assets on business combinations since 1 June 2004. The amortisation of separately identifiable intangible assets and any impairment of goodwill together with the unwind of related deferred tax liabilities are included in the income statement within the column “amortisation and impairment of intangibles arising on consolidation.”

The above financial information for the year ended 31 May 2009 does not constitute statutory accounts. It is an extract from the 2009 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 2009. 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.

Accounting policies

A new accounting policy has been applied during the year in respect of the amortisation of intangible assets arising on consolidation. Separately identifiable intangible assets acquired by the Group are stated at fair value and are subsequently adjusted for amortisation and any impairment. Amortisation is charged to the income statement on a sum-of-the-digits basis over estimated useful lives as follows:

Trade name	-	2 years
Customer relationships	-	5 years

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.

The Group operates in two principal areas of activity: financial and sport. The types of financial instrument included within each of the above categories are described in the Group Operating and Financial Review.

Year ended 31 May 2009

	Financial	*Sport*	*Unallocated*	*Total*
	£000	*£000*	*£000*	*£000*
Revenue	248,346	8,743	–	257,089
Segment result				
Segment result before amortisation and impairment arising on consolidation	165,089	1,893	–	166,982
Amortisation and impairment of intangibles arising on consolidation	(14,613)	–	–	(14,613)
Segment result	150,476	1,893	–	152,369
Unallocated administrative expenses				(42,319)
Unallocated finance revenue				2,828
Unallocated finance costs				(1,619)
Profit before taxation				111,259
Tax expense				(32,607)
Profit for the year				78,652
Assets and liabilities				
Segment assets	960,775	10,220	17,240	988,235
Segment liabilities	521,857	3,405	67,060	592,322
Other segment information				
Capital expenditure				
Property, plant and equipment	2,870	559	1,691	5,120
Intangible assets	1,171	238	731	2,140
Depreciation	3,066	577	1,759	5,402
Amortisation of intangible assets	521	106	357	984
Amortisation and impairment of intangibles arising on consolidation	14,613	–	–	14,613
Impairment of trade receivables	18,129	39	–	18,168

Year ended 31 May 2008

	Financial £000	*Sport* £000	*Unallocated* £000	*Total* £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 of intangible assets	407	84	291	782
Impairment of trade receivables	3,426	631	–	4,057

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 £2,218,000 (2008: £99,411,000).

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, France, Germany, Italy, Luxembourg, Spain, Australia, Japan, Singapore, and the United States of America.

Year ended 31 May 2009

	UK *£000*	*Europe* *£000*	*Asia Pacific* *£000*	*Rest of World* *£000*	*Unallo-cated* *£000*	*Total* *£000*
Revenue	147,471	39,530	65,500	4,588	–	257,089
Segment assets	661,929	28,487	255,705	34,552	7,562	988,235
Other segment information						
Capital expenditure						
Property, plant and equipment	4,191	185	401	343	–	5,120
Intangible assets	1,803	1	–	336	–	2,140

Year ended 31 May 2008

	UK *£000*	*Europe* *£000*	*Asia Pacific* *£000*	*Rest of World* *£000*	*Unallo-cated* *£000*	*Total* *£000*
Revenue	134,713	20,396	27,371	1,528	–	184,008
Segment assets	757,217	54,694	35,246	15,458	8,053	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

Unallocated assets comprise deferred tax assets.

3. Operating profit

	2009 *£000*	*2008* *£000*
This is stated after charging/(crediting):		
Depreciation of property, plant and equipment	5,402	4,016
Amortisation of intangible assets	984	782
Amortisation of intangible assets arising on consolidation	14,613	–
Operating lease rentals for land and buildings	3,385	1,793
Impairment of trade receivables	18,168	4,057
Foreign exchange differences	735	(127)
Advertising and marketing	23,682	11,922
Property, plant and equipment written off	37	115
Intangible assets written off	–	9

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

4. Earnings per ordinary share

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

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as own shares 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 ordinary shares arising from share schemes. Adjusted earnings is based on earnings before amortisation and impairment of intangibles arising on consolidation.

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

	Group	
	2009	*2008*
	£000	*£000*
Earnings attributable to equity shareholders of parent	77,986	67,288
Amortisation and impairment of intangibles arising on consolidation net of tax and minority interests	8,476	–
Adjusted earnings	86,462	67,288
Weighted average number of shares		
Basic and adjusted	347,904,665	326,243,567
Dilutive effect of share-based payments	1,627,469	5,515,661
Diluted	349,532,134	331,759,228
Earnings per share		
Basic	22.42p	20.62p
Diluted	22.31p	20.28p
Basic adjusted	24.85p	20.62p
Diluted adjusted	24.74p	20.28p

5. Dividends

	2009	*2008*
	£000	*£000*
Declared and paid during the year:		
Final dividend for 2008 at 9.00p per share (2007: 6.50p)	29,636	21,288
Interim dividend for 2009 at 4.00p per share (2008: 3.00p)	14,380	9,825
	44,016	31,113
Proposed for approval by shareholders at the AGM:		
Final dividend for 2009 at 11.00p per share (2008: 9.00p)	39,554	29,475

6. Acquisition of FXOnline Japan KK

On 2 October 2008, the Group acquired 87.5% of the issued share capital of FXOnline Japan KK ("FXOnline"), a leading privately owned Japanese online retail FX trading company, for a total consideration of ¥22.2 billion (£117.6 million). The Group also has a call option to acquire the remaining 12.5% of the issued share capital exercisable from January 2011 according to a pre-agreed formula that is linked to the future performance of FXOnline. The entire consideration was satisfied in cash, which was in part financed by a share placing of 27,864,407 shares at a placing price of £2.95 raising £82.2 million.

FXOnline contributed £22.6 million to revenue and £9.2 million to profit before tax excluding £5.4m of synergies generated post acquisition. If the combination had been completed on the first day of the financial period, the estimated revenue would have been £33.4million with profit before tax of £9.6 million for the year, excluding £5.4m of synergies generated post acquisition. A number of exceptional costs were incurred pre acquisition reducing profit for the year.

The book and fair value of the assets acquired is given below.

Net assets acquired	*Book value £000*	*Fair value £000*
Intangible assets arising on acquisition – trade name	-	778
Intangible assets arising on acquisition – customer relationships	-	42,691
Property, plant and equipment	1,489	1,489
Intangible assets – software and licences	429	429
Deferred tax assets	1,719	1,719
Trade receivables	14,251	14,251
Other receivables	485	485
Cash and cash equivalents	68,202	68,202
Trade payables	(65,341)	(65,341)
Other payables	(6,456)	(6,456)
Corporate tax liabilities	(2,555)	(2,555)
Deferred tax liability	-	(18,257)
	12,223	37,435
Goodwill		87,121
Consideration and minority interests		124,556
Represented by:		
Cash		117,612
Deferred contingent consideration		1,385
Acquisition costs capitalised, settled in cash		4,031
Minority interests		1,528
		124,556

The fair value adjustments include the recognition of separately identifiable intangible assets arising on acquisition that meet the identification and measurement requirements of IAS 38. These comprise the FXOnline trade name and customer relationships and are amortised using the sum of digits method over two and five years respectively. The fair value of these assets was determined by an external, professional valuer through an estimate of the present value of earnings or of costs avoided that are attributable to the asset (the relief from royalties and the multi period excess earnings methods respectively).

A deferred tax liability of £18.3m was recognised in respect of separately identifiable intangible assets arising on the acquisition of FXOnline. A deferred tax liability is recognised in a business combination in respect of any identified intangible asset representing the difference between the fair value of the acquired asset and its tax base. Recognition of a deferred tax liability in respect of such a difference gives rise to a corresponding increase in goodwill accounted for in the consolidated balance sheet.

The deferred tax liability of £18.3 million decreased from the date of acquisition to the end of the period by £1.5 million (£6.1m reduction as a result of the amortisation of the underlying intangibles less £4.6m foreign currency translation gain).

Deferred contingent consideration represents managements estimate of the deferred payments expected to be made to the former FXOnline share option holders at 31 January 2011 and 31 January 2012 as a result of the cancellation of their options on acquisition by the Group.

The directors consider that the fair value of the goodwill of £87.1 million that arose on the acquisition of FXOnline is reasonable and related to certain intangible assets that cannot be individually separated and reliably measured. The goodwill includes the future growth potential of the business, the assembled workforce as well as revenue and cost synergies expected to accrue to the Group. These assets are not separately identifiable.

7. Trade receivables

	2009	*2008*
	£000	*£000*
Amounts due from brokers	178,261	252,522
Amounts due from clients	4,824	10,801
	183,085	263,323

8. Cash and cash equivalents

	2009	*2008*
	£000	*£000*
Cash at bank and in hand	95,560	99,411
Short-term deposits	3,847	3,348
Client money held	421,014	368,963
	520,421	471,722

Cash and cash equivalents are deposited for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is not materially different from the book value.

Net interest receivable on client balances amounted to £7,600,000 (2008: £10,221,000).

Undrawn committed borrowing facilities amounted to £120m (2008: £160m) at the balance sheet date.

9. Trade payables

	2009	*2008*
	£000	*£000*
Amounts due to clients	511,656	582,689

10. Other payables

	2009	*2008*
	£000	*£000*
Accruals	26,131	25,501
Other taxes and social security	1,192	1,211
Dividends on redeemable preference shares	3	3
	27,326	26,715

11. Equity share capital

	2009 £000	2008 £000
Authorised:		
500,000,000 ordinary shares of 0.005p each	25	25
65,000 B shares of 0.001p each	–	–
	25	25

	Number of shares	*Ordinary share Capital £000*	*Share premium £000*
Allotted, called up and fully paid:			
(i) ordinary shares (0.005p)			
At 1 June 2007 and 1 June 2008	327,500,959	16	125,235
Issued during year (net of issue costs)	32,083,377	2	81,011
At 31 May 2009	359,584,336	18	206,246
(ii) B shares (0.001p)			
At 31 May 2008 and 31 May 2009	65,000	–	–

During the year to 31 May 2009, 4,218,970 ordinary shares with an aggregate nominal value of £210 were issued following the exercise of Long Term Incentive Plan awards for a consideration of £210. In addition, 27,864,407 ordinary shares with an aggregate nominal value of £1,393 were issued in a share placing on 29 September 2008, at a price of £2.95 in order to finance the acquisition of FXOnline. This share placing raised £82.2 million before issue costs of £1.2 million.

Statement of Directors' Responsibilities in Respect of the Financial Statements

The directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRS) as adopted by the European Union.

The directors are required to prepare financial statements for each financial year which present fairly the financial position of the Company and of the Group and the financial performance of the Group and cash flows of the Group and of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state that the Group and the Company have complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors’ statement pursuant to the Disclosure and Transparency Rules

Each of the directors, whose names and functions are listed on pages 2 and 3, confirm that, to the best of each person’s knowledge and belief:

- the financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation as a whole; and

- the Chief Executive’s Statement, the Group Operating and Financial Review and the Directors’ Report contained in the Annual Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as whole, together with a description of the principal risk and uncertainties that they face.