19 July 2011

IG GROUP HOLDINGS plc

Preliminary Results for the year ended 31 May 2011

IG Group Holdings plc ("IG" or "the Group") today announces preliminary results for the year ended 31 May 2011.

Highlights:

- Net trading revenue up 7.3% to £320.4 million (2010: £298.6 million)
- Adjusted profit before tax up 3.4% to £163.0 million (2010: £157.6 million)
- Adjusted diluted earnings per share of 32.64p up 6.1% (2010: 30.77p)
- Final dividend per share of 14.75. Total dividend per share for FY11 of 20.00p, up 8.1% (2010: 18.50p)
- Number of active financial clients, excluding Japan, increased 13% to 117,252
- Dividend per share represents 61.3% of adjusted diluted earnings per share (2010: 60.1%)
- Strong, debt free balance sheet with a 294.2% excess over regulatory capital resources requirement surplus (2010: 338.1%)
- Encouraging start to the new financial year, with revenue from the financial business higher than in June 2010, despite substantially lower levels of market volatility

Tim Howkins
Chief Executive

"The results reflect the continued growth opportunity for the Group as we focus on developing our core businesses. Through the year we have extended our share in some of our largest markets and have taken a number of steps to further strengthen our competitive position. We remain committed to investing in our technology platform, which we see as a key driver of long term profitable growth, and we enter the coming year well positioned to build on our high levels of client service and to maintain and build on our market leading position across our geographical markets."

Jonathan Davie
Chairman

"I am pleased to report another record year, in which the Group has delivered further growth in revenues and active clients across its established and newer markets. The Board has recommended a final dividend for the year of 14.75p per share, making a total distribution of 20.00p per share, an increase of 8% on 2010."

Financial highlights:

For the year ended 31 May	2011	2010	Growth %
Net trading revenue[1] (£m)	320.4	298.6	7.3%
EBITDA[2] (£m)	173.6	165.9	4.6%
Adjusted profit before taxation[3] (£m)	163.0	157.6	3.4%
Statutory profit before taxation (£m)	7.0	140.3	n/a
EBITDA margin[4]	54.2%	55.6%	(2.5%)
Adjusted profit before taxation margin[4]	50.9%	52.8%	(3.6%)
Adjusted diluted earnings per share[3]	32.64p	30.77p	6.1%
Final dividend per share	14.75p	13.50p	9.3%
Total dividend per share	20.00p	18.50p	8.1%
Dividend payout (% adjusted diluted earnings per share)	61.3%	60.1%	2.0%
Own funds generated from operations[5] (£m)	136.7	118.7	15.2%
Total available liquidity[6] (£m)	287.3	274.7	4.6%
Regulatory capital adequacy	294.2%	338.1%	(13.0%)

(1) Net trading revenue is trading revenue excluding interest on segregated client funds and is net of introducing broker commissions.

(2) EBITDA represents operating profit before depreciation, amortisation and impairment of intangible assets and amounts written off property plant and equipment and intangible assets.

(3) Adjusted profit before taxation and adjusted diluted earnings per share exclude both the amortisation and impairment of goodwill and customer relationships associated with our Japanese business, IG Markets Securities (formerly FXOnline), and the goodwill associated with the Sport business.

(4) EBITDA and adjusted profit before taxation margin are calculated with reference to net trading revenue

(5) Own funds generated from operations is analysed in the Operating and Financial Review section of this announcement.

(6) Total available liquidity includes available committed facilities and is stated before the final dividend.

Further information

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Conference call dial-in

There will be an analyst presentation on the results at 9:30am on Tuesday 19 July 2011 at IG Group's offices at Cannon Bridge House, Dowgate Hill, London EC4R 2YA. Those analysts wishing to attend are asked to contact Financial Dynamics. The presentation will be accessible via a conference call on the following number:

+ 44 (0) 20 3059 5845

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

+44 (0) 121 260 4861 Pin: 9548726#

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

Forward-looking statements

This preliminary statement prepared by IG Group Holdings plc contains forward-looking statements about the IG Group. By their very nature, forward-looking statements involve uncertainties because they relate to events, and depend on circumstances, that will or may occur in the future. If the assumptions on which the Group bases its forward -looking statements change, actual results may differ from those expressed in such statements. The forward-looking statements contained herein reflect knowledge and information available at the date of this presentation and the Group undertakes no obligation to update these forward-looking statements.

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

Chairman's Statement

I am pleased to report another record year for the Group. Our annual net trading revenue has increased 7.3% to £320.4 million (2010: £298.6 million) whilst diluted adjusted earnings per share increased 6.1% to 32.64p (2010: 30.77p).

The Group has continued to focus on developing our core financial business. The Board decided that the Sport business was non-core and unlikely to be profitable in the future without greater investment than was merited by its scale within the Group. Despite our best efforts we were unable to find a suitable buyer for the business at a satisfactory price which led to our announcement on 9 June 2011 of the sale of our sporting client list to Spreadex Limited. We are hoping to sell our sports pricing engine to a third party in the coming months.

We remain focused on evaluating opportunities to enter new markets whilst ensuring that we continue to develop our established businesses. To this end we have opened new offices in the Netherlands and acquired a business in South Africa during the past year. We have also commenced the rollout of mobile apps to our clients which has been very well received. We see this as a core feature of future client demand.

At the forthcoming AGM, your Board will recommend the payment of a final dividend of 14.75p per share. This will bring the total dividends for the year to 20.00p, an increase of 8.1% on last year, and represents 61.3% of our adjusted earnings for the year. Our policy continues to be to pay approximately 60% of adjusted earnings, but we recognise that the current year's earnings were suppressed by a number of items which are unlikely to recur.

Regulation

As the pace of regulatory change continues to grow around the globe, control of regulatory risk continues to be a strong theme for the Group. We have remained focused on ensuring that the Group complies with all regulatory obligations, keeps abreast of all regulatory changes and contributes meaningfully to regulatory debate where possible, whilst maintaining constructive and collaborative relationships with our regulators.

One cannot refer to matters of regulation without commenting on the Group's unexpected £4 million charge from the Financial Services Compensation Scheme (FSCS) in January this year. This was our share of a £326 million levy, required by the FSCS to fund compensation claims from customers of various defaulting investment firms, principally Keydata Investment Services Limited. We have called on the FSCS to be more transparent in the future when communicating funding needs to firms and we would like to see the Financial Services Authority (FSA) undertake a thorough investigation into the circumstances of Keydata's failure. We have also asked the FSA to consider whether it is appropriate for firms who deal as principal, like IG Group, to be included in the same compensation category as firms who deal as agent and give advice, given the very different risk profiles of these business models.

Japan

You are all aware of what a difficult year this has been for IG Group in Japan. These difficulties, however, pale into insignificance compared with the earthquake and subsequent tsunami which devastated parts of North East Japan.

Our colleagues in Japan responded magnificently to the grave difficulties that everyone experienced in the aftermath. I am pleased to say that none of our colleagues in Tokyo lost a loved one or member of their respective families in the disaster. We are all very grateful for the great efforts made by everyone to ensure that our business continued to run effectively whilst meeting all Japanese regulatory requirements.

Board evaluation

In 2009 your Board decided to commission The Institute of Chartered Secretaries and Administrators (ICSA), an external consultant, to conduct a full evaluation of the Board commensurate with Principle A. 6 of the Combined Code on Corporate Governance. Your Board has decided not to commission an external review this year, principally because we have two recently-appointed Board members and believe that it would be better to wait until they are more established in their roles.

It is the intention of the Board to appoint an external consultant to evaluate the Board together with the Audit and Remuneration Committees in the coming financial year.

We have carried out an internal review of your Board's activities, and will continue to make improvements to ensure that the Board operates as effectively as possible

Remuneration

The Remuneration Committee, under the Chairmanship of Roger Yates, the Senior Independent Director, has reviewed the remuneration of the Executive and Non-Executive Directors.

We continue with an element of deferral in the bonus structure, reflecting the Financial Services Authority's guidance on best practice and commensurate with our previous commitments. There are no proposed changes this year to the value sharing plan, our long-term incentive scheme, which was inaugurated last year. There has, however, been a small change in the calibration of the Executive Directors' cash bonus; details of which are set out in the Directors' Remuneration report.

Board composition

I am very pleased to welcome Chris Hill and Stephen Hill to the Board to replace Steve Clutton and Rob Lucas respectively.

Chris was previously the CFO of Travelex, the retail currency and cross border payments business and brings considerable experience of managing international businesses. Stephen has had an illustrious career including stints as Managing Director of the Financial Times, taking it through some important changes, and also as the CEO of Betfair. Stephen is presently a Non-Executive Director and Chairman of the Remuneration Committee at Channel 4. His expertise and experience of managing businesses with heavy reliance on the quality and marketing of their products will add great value to the Board.

Nat Le Roux has informed the Board of his wish to step down at the 2012 AGM. Nat's contribution to the success of IG Group during his time as CEO and subsequently as Deputy Chairman cannot be over-stated.

The effect of these changes means that your Board will be fully compliant with Code Provision A.3.2 of the Combined Code after the 2012 AGM.

The Board notes the publication of the Davies Review on Women on Boards in February 2011 and the subsequent consultation of the FRC on changes to the UK Corporate Governance Code, which may result in the Code including a recommendation that companies adopt a boardroom diversity policy. The Board recognises the importance of gender balance throughout the Group.

It is the intention to put every Board Director up for re-election commencing with our 2011 AGM in October, bringing us into advance compliance with paragraph B.7.1 of the UK Corporate Governance Code.

Conclusion

Our results could not have been achieved without the outstanding efforts of all our employees throughout the world. I and my fellow Directors would like to express our gratitude for their personal contributions to making this another record year of earnings for the Group.

We all look forward to working towards another successful year for the Group and all its shareholders.

Jonathan Davie, Chairman

19 July 2011

Chief Executive's Review

In the last year we have taken a number of major steps to further improve our competitive positioning. We have relocated our London head office and data centre, made important advances in our technology offering, achieved market share gains in some of our largest markets and restructured our Japanese business. In the few weeks since the year end we have shut our Sport business and have restructured responsibilities within the senior management team. All of these are important developments which will help us to continue to maintain and build on the Group's leading market position. I discuss each of them below.

Revenue[1] growth this year was 7%, which is much lower than I believe the Group is capable of in a more normal economic and market environment. Underlying growth in client numbers was stronger than revenue growth in virtually every market in which we operate. For the Group as a whole the number of clients trading in the year was 11% higher than in the previous year and excluding Japan it was 13% higher. In the first half of the year we faced a headwind of falling volatility and a backdrop of poor economic conditions in many of the countries in which we operate and these factors undoubtedly had an adverse effect on revenue per client. In our third quarter we saw a slight improvement in revenue per client for the Group as a whole. Revenue per client was down 3% in the final quarter of the year, but this was largely due to a single weak month in April when dull markets were combined with an extended UK holiday period. We achieved our best monthly revenue on record in March 2011.

Performance of our main business units

Our UK financial business, which represents 52% of revenue, achieved revenue growth of 3%. This was made up of 8% growth in active clients, offset by a 5% fall in revenue per client. This fall in revenue per client was weighted towards the first half of the year and in the third quarter revenue per client rose slightly when compared to the same quarter a year before, suggesting that our clients were becoming accustomed to lower levels of market volatility. The final quarter of the year was impacted by a poor April.

Our Australian business, which represents 15% of revenue, achieved revenue growth of 4%. This was made up of 11% growth in active clients offset by a 6% fall in revenue per client. Revenue per client recovered well in the final quarter of the year and was at its highest level for the year in May. Recent market research indicates that we have extended our market lead over the last year and that we now have a 34% share of primary accounts, while our nearest competitor has 20%.

Our European businesses grew revenue by 21%, made up of 33% growth in active clients and a 9% fall in revenue per client. Germany was the fastest growing of our European offices with revenue growth of 54%. An 11% increase in revenue per client contributed to this growth. Market research indicates that we are the second largest CFD provider in Germany, and that we are gaining market share rapidly. Europe now contributes over 18% of group revenue and is likely to become an increasingly material contributor to group revenue and revenue growth over the next few years.

Our Japanese business operates in an extremely challenging competitive and regulatory environment and made up only 7% of revenue for the year. The imposition of leverage limits on forex in August 2010 and on equity indices in January 2011 had a significant impact and as a result revenue was 14% lower than in the previous year. There remains a further leverage restriction to come on forex in August 2011, but there are some signs that the Japanese regulators may revisit the appropriateness of the current regime. Furthermore, a new tax regime under which our products will be treated in the same way as exchange listed instruments will come into force on 1 January 2012. I am hopeful that we might, in due course, see Japanese regulation begin to move in a direction which provides improved consumer protection while at the same time better suiting our existing business model. During the year we re-branded our Japanese business as IG Markets Securities.

As previously announced, during the year we wrote off the entire goodwill and other intangibles relating to our Japanese business, a non-cash cost of £143 million. This has no impact on the Group's cash flow, regulatory capital or dividend capacity.

International expansion continues

In September 2010 we acquired the client list and business of our South African white label partner, Ideal CFDs. We now trade in South Africa under the IG Markets brand. The owner of Ideal CFDs initially had a 20% minority interest in our South African subsidiary, but by mutual agreement we exercised our option over half of that interest during April 2011, for £1.2 million, and they now have a 10% interest. We anticipate that we will acquire this remaining 10% interest in January 2013 based on a multiple of profits generated in the period from acquisition until November 2012. Our South African offices in Johannesburg and Durban are now fully integrated into the Group and are showing initial signs of encouraging growth. Revenue for the nine months since acquisition was £2.75 million. Revenue from our white label with Ideal CFDs was previously included within revenue from the UK office and amounted to £1.8 million in the prior year and £0.5 million in the first quarter of the 2011 financial year.

In May 2011 we opened an office in Amsterdam. The Netherlands has an active online trading culture, which we believe is currently poorly serviced by opaquely priced exchange traded derivative products. We regard this as a good indicator that there will be strong demand for our CFD products, which have completely transparent pricing. It is only a few weeks since our Dutch office opened, but we are encouraged by its early performance.

We continue to explore opportunities to expand further geographically.

The US

Our US exchange, Nadex, has seen encouraging growth in volumes of clients coming to it direct. We continue to view brokers as our main route to market and the technological process of getting our first such broker live has been frustratingly slow, but PFGBEST have, within the last few days, begun to promote Nadex products both to their existing clients and to the wider US retail market. They are at the final stages of testing the technology by offering our products to their clients within their demo platform and expect to go fully live shortly. It is much too early to assess the scale of opportunity which PFGBEST represents. Having successfully completed the first integration of a broker to Nadex we would expect that future integrations will be somewhat easier. We are in discussions with other brokers, but it is unlikely that these will commit to the necessary work until we have more evidence of the level of uptake from PFGBEST clients. I continue to believe that there is a significant opportunity for us in the US which will come to fruition over the next few years.

During the year we closed IG Markets Inc, our US forex broker, which was generating negligible revenue, to enable us to concentrate exclusively on Nadex.

extrabet

During the year we ran an extensive sales process to sell our Sport business, extrabet, as a going concern. We were unable to find a buyer on acceptable terms and as a result we decided prior to the year end to sell extrabet's client list. This sale, to Spreadex Limited, completed during June. We have now closed our Sport business, but are in discussions with a number of potential purchasers of our Pricing Engine software.

The decision to close extrabet will allow us to focus exclusively on our much larger and more profitable financial business as well as greatly improve our IT maintenance windows with the removal of a business which was busiest during the weekends.

We have incurred approximately £2.5 million of cash costs relating to the closure of extrabet, principally redundancy and property related costs. In addition we have written off the goodwill associated with our Sport business of £5.25 million, a non-cash cost which has no impact on the Group's cash flow, regulatory capital or dividend capacity.

Investment in technology

We continue to invest heavily in technology, which we see as a key competitive differentiator and driver of long term profitable growth. During the year, in conjunction with the relocation of our head office, we built and equipped a new data centre. We spent a total of almost £5.0 million during the year on hardware and a further £5.0 million on software licences, the majority of which was for a three year enterprise licence for Customer Relationship Management software. However, our largest IT investment is in our people. We now have approximately 350 staff within our IT department, representing over a third of our global workforce. The total employment costs for this IT team exceeded £23.5 million in the year, compared to £18.7 million the year before.

Our IT department covers both ongoing support of existing software and channels and the development of new features and distribution channels. Over the last year we have made significant advances in two areas: mobile and charts.

We have almost 40 people working on our mobile platforms, a level of investment which few of our competitors can match. We released our first iPhone app a year ago for our UK spread betting business and have progressively rolled it out across all of our businesses worldwide. Our CFD iPhone app gives clients the ability to have Direct Market Access to an aggregate order book formed from the primary stock exchange and the main alternative execution venues, a combination of features which we believe to be unique. During the year we also released a Blackberry app and since the year end we have released an app for Android devices. We have been pleased with the initial take up and usage of these apps is steadily increasing. Last month almost 14% of all client-initiated deals were done using mobile devices; around 30% of our active clients use mobile devices to place some of their trades; and over 10% of account applications are made using mobile devices. We will continue to invest heavily in ongoing development of our mobile offering, which we believe will become increasingly important. We are currently developing an app for Windows Phone 7 devices and for tablets, including the iPad.

Over the last two years we have been building our own charts package, to reduce our dependency on a third-party charting package provider. This should produce cost savings for us over the longer term and our clients will also benefit from a much closer integration between dealing and charts. The first stage of this development has gone live in some of the smaller countries in which we operate and will be progressively rolled out worldwide in the coming months. We have capitalised a total of £2.5 million of development costs relating to this project over the last two financial years, which we will now start to amortise over a three- year period.

High levels of Client Service

Our substantial investment in technology enables us to offer unrivalled quality of pricing and execution to our clients. We have been progressively improving the level of automation of our dealing and in May 99.93% of internet deals were automatically processed, with no human intervention and no requotes. At peak load in that month we were processing 347 client orders per second.

We also remain the only spread betting or CFD provider to offer Price Improvement, whereby we pass on a better price to our client if it becomes available while the client order is being executed and, unlike some of our competitors, we will never fill a client order at a worse price than that requested by the client. We are also the only spread betting or CFD provider to source prices from and route execution for equities into Multi-lateral Trading Facilities, allowing our clients to benefit from greater liquidity and narrower market spreads as a result.

Management changes

Chris Hill joined us as CFO in April. He brings extensive experience of managing international businesses and is a valuable addition to our senior management.

Over the last few weeks I have made a number of changes to responsibilities within my senior management team. The aim of these changes is to ensure that we are taking a consistent approach in each of our offices worldwide where it is appropriate to do so, while being sensitive to local regulatory and cultural differences. A key aspect of this is that Peter Hetherington, our Chief Operating Officer, has taken charge of all of our sales offices, ensuring that they all operate in a standardised way and maximise revenue through concentrating on client on-boarding, retention and value.

The other significant change at Board level is that Andrew Mackay has assumed the newly formed role of Director of Corporate Strategy. We believe that there are a number of potentially significant opportunities for both geographic and product expansion which will help to drive our future growth, which Andrew will be focusing on in the coming months.

Current trading and outlook

The new financial year has started well, with revenue from our financial business higher than in June 2010, despite substantially lower levels of market volatility.

Our ongoing investment in technology and our commitment to fair, transparent execution continue to drive market share gains in a number of our key markets, leaving us well placed for future profitable growth.

Tim Howkins, Chief Executive
19 July 2011

(1) 'Revenue' throughout the Chief Executive's Review refers to net trading revenue which is trading revenue excluding interest on segregated client funds and is net of introducing broker commissions.

Competitive environment

The Group has established leading positions in many of the markets in which it operates. We are the market leader in the UK and in Australia, where we extended our lead this year. We are number two in Germany, but are taking market share from our competition.

We have often been the first entrant in new countries, and we embrace competition as it serves to expand the overall market by increasing awareness of the CFD product.

We have continued to deliver growth through all stages of the economic cycle, achieving strong financial performance with high margins and strong cash generation. Our high levels of client service and financial strength are appealing to our clients and ensure that we are well placed to deal with changes in the regulatory environment. Our technology platforms, which offer efficient dealing, liquidity and competitive pricing, are all accessible via browser or mobile and provide us with a competitive advantage in winning and retaining clients.

Regulatory environment

Our products have several key features which make them higher risk from a retail client's perspective: our products are not listed on any exchange (apart from Nadex products) and are not assignable or tradable with any other third party; They are derivatives; and they are leveraged. Consequently we require regulatory authorisation to conduct our business in jurisdictions where we operate. There are a large number of rules that attach to our various regulatory authorisations, and compliance with these rules is fundamental to the business. We therefore invest significant resources to ensure that we comply with both the letter and the spirit of regulations that govern our global business.

Since the financial crisis, we have seen the pace of regulatory change quicken and the level of regulatory intervention increase. There are currently a number of different policy initiatives and proposals being discussed that may impact or have already impacted our sector, as described below:

- The FSA recently issued a discussion paper containing several policy proposals about the extent to which it should be permitted to intervene in product design where there is evidence that such intervention is required in order to prevent consumer detriment. We have shared our views with the FSA on this approach as we do not consider that our clients suffer detriment and will monitor developments carefully.
- The European Commission is reviewing the Markets in Financial Instruments Directive ('MiFID'), with draft legislative proposals due for release in the second half of 2011. Based on early policy proposals of the Commission, we do not believe that the MiFID review will pose a threat to our UK and European businesses but we are monitoring the situation carefully.
- The Australian Securities and Investments Commission (ASIC) has undertaken a large amount of policy work in our industry over the past year. We expect a number of changes to come into effect in the coming year as a result of this, including regulatory capital changes, disclosure changes and client suitability changes. We have engaged with ASIC thoroughly on these issues and we do not expect that these changes will have a substantial impact on our business.
- During the year, the Monetary Authority of Singapore (MAS) brought in guidance encouraging firms to undertake client suitability assessments during the account application process to determine whether their services are suitable for each individual client. We have implemented MAS' guidance within our own Singapore business; the impact of doing so has not been material.
- Our Japanese business operates in an increasingly difficult regulatory environment, with progressive leverage limits being introduced on trading in forex, equity indices, equities and other asset classes during the year. In light of the significant adverse impact of these regulatory changes we fully impaired the carrying value of the goodwill and customer relationships associated with our Japanese business as at 30 November 2010.

In addition, the following events occurred during the year and had an impact upon the Group's regulatory environment:

- The FSA recently tightened client money rules and this has not had a significant effect upon the Group as we already segregated all UK, Europe and Asia Pacific retail client funds into 'client money' bank accounts and were already operating in accordance with best practice in this area.

- During the year, the Financial Services Compensation Scheme (FSCS) issued an interim levy related to the continuing costs of Keydata Investment Services Limited and other failed investment intermediary firms. Being classified as an investment intermediary under FSCS rules, we were required to take part in this levy, our share of which was £4.1 million, significantly higher than in prior years.

- During the year, the decision was taken to close IG Markets Inc, our retail forex business in the US, in order to concentrate on Nadex, our exchange business. This has resulted in our surrendering IG Markets Inc's regulatory membership with the National Futures Association. Similarly, the decision was taken to close extrabet, our sport betting and casino business. This will result in our surrendering extrabet Limited's FSA and Gambling Commission authorisations. This has had the effect of reducing the Group's regulatory complexity and therefore reducing our operational and regulatory risk.

We operate in a dynamic financial services industry and we experience constant regulatory change and development. We work closely with our regulators to ensure both that we operate to the highest regulatory standards and that we can adapt to regulatory change, however, we can provide no certainty that potential regulatory changes will not have an adverse impact on our business.

Financial Review

An overview of the Group's financial performance is provided in both the Chairman's Statement and the Chief Executive's Review. The following section provides a more detailed analysis of the Group's financial performance for the year ended 31 May 2011 including a discussion of the Key Performance Indicators (KPI's) used to monitor and control our business.

The critical accounting estimates and judgments that impact the Group's financial performance, together with new and amended accounting standards adopted in the preparation of the Financial Statements, are set out in note 1 to this announcement.

Summary Group Income Statement

£000	2011	2010	% change
Net trading revenue[1]	320,392	298,551	7.3%
Other net operating income	4,863	1,172	
Net operating income	325,255	299,723	
Operating expenses	(151,642)	(133,782)	13.4%
EBITDA	173,613	165,941	4.6%
Depreciation, amortisation and amounts written off property plant and equipment	(10,583)	(8,654)	
Interest (paid) / received	(30)	352	
Adjusted profit before tax[2]	163,000	157,639	3.4%
Amortisation and impairment of intangibles	(155,953)	(17,298)	
Profit before taxation	7,047	140,341	
Tax expense	(32,339)	(38,855)	
(Loss) / profit for the period	(25,292)	101,486	
Adjusted diluted earnings per share	32.64p	30.77p	6.1%
Total dividend per share	20.00p	18.50p	8.1%

(1) Net trading revenue is trading revenue excluding interest on segregated client funds and is net of introductory broker commissions

(2) Adjusted profit before taxation excludes both the amortisation and impairment of goodwill and customer relationships associated with our Japanese business, IG Markets Securities (formerly FXOnline), and the goodwill associated with the Sport business.

Net trading revenue grew 7.3% to £320.4m in mixed market conditions

Clients can trade on a number of different asset classes from one account and this is a major competitive advantage. As a result, our clients' trading patterns vary with volatility across all the markets in which we offer products. The year-ended 31 May 2011 saw mixed market conditions across asset classes which drove differing levels of client activity.

The profile of the VIX (the Chicago Board Options Exchange Market Volatility Index measure of the implied volatility of the S&P 500), which focuses on equity markets, highlights that volatility has trended back to a more normal level after the extremes of October 2008 to March 2009. Subsequent spikes have occurred in May and June 2010 and in March 2011 and these have driven record levels of client activity.

The first few months of the financial year saw strengthening equity markets, which encouraged clients to trade equity CFDs and spread bet on shares. This was then followed by a period of range-bound markets with a tail-off in volatility, resulting in a reduction of activity. In a similar manner, FX revenues in the year were closely correlated with the Deutsche Bank FX volatility index. Finally, several markets including oil, gold and silver all saw heightened volatility towards the end of the financial year and this boosted activity. As a result March 2011 provided the Group's highest ever monthly net trading revenue.

Net trading revenue grew in all regions except Japan

Given the scale of revenue growth in the prior year which was driven by significant levels of market volatility in the final quarter, and the current year impact of leverage restrictions in Japan, the Group faced a tough set of comparatives during the 2011 financial year. Excluding Japan, revenue from the financial business increased by 9% with Europe and the Rest of the World providing the highest growth rates. Growth rates of net trading revenue by region are highlighted below:

£000's Segment – net trading revenue	2011	2010	% change
UK	167,166	162,545	2.8%
Australia	47,607	45,660	4.3%
Europe	57,464	47,431	21.2%
Japan	20,606	23,946	(13.9%)
Rest of World	19,878	13,037	52.5%
Total financial net trading revenue	312,721	292,619	6.9%

The UK, our largest market, saw a less favourable share trading environment for the CFD business but spread betting revenue grew 6% year on year. The comparatives are affected by the acquisition of Ideal CFDs, our South African white label partner, which was previously included in the UK and is now reported in Rest of the World. Revenue from our white label with Ideal CFDs was previously included within revenue from the UK office and amounted to £1.8 million in the prior year and £0.5 million in the first quarter of the 2011 financial year.

Our Australian business had a strong final quarter, leaving the business well positioned for the new financial year and achieved overall revenue growth of 4% and revenue of £47.6 million (2010: £45.7 million).

The European businesses grew revenue by 21% to £57.5 million (2010: £47.4 million) driven by a strong performance in Germany which was the fastest growing of our European offices with revenue growth of 54%. Our French business grew by 17% whilst Italy and Spain performed well under very challenging economic conditions. Europe now contributes 18% of Group revenue and is likely to become an increasingly significant contributor to Group revenue growth over the next few years.

Our Japanese business operates in an extremely challenging competitive and regulatory environment. The imposition of leverage limits on forex in August 2010 and on equity indices in January 2011 had a severe impact on revenue, which was 14% lower than in the previous year.

The Rest of the World revenue grew 53% to £19.9 million (2010: £13.0 million) due to a strong performance in Singapore which was up 38% and the acquisition of the South African white label partner, Ideal CFDs, previously reported in the UK. Excluding the impact of the acquisition, the Rest of the World annual revenue growth was 31%. This growth rate is diluted by changes in the US which saw us close our OTC business to allow management to focus on the Nadex exchange business which, as reported elsewhere, has made encouraging progress in the financial year.

Changes in revenue by asset class reflect individual market movements

The changing mix of revenues by asset class from the prior to the current year reflects our wide product offering that can provide our clients with interesting trading opportunities under a range of market conditions. Equity indices remain our highest revenue generating asset class, with forex second, despite a reduced contribution during the year. Commodities increased their contribution reflecting the volatility seen in oil, gold and silver markets while shares remained flat.

£000's **Revenue by asset class**	**2011**	**2010**	**% change**
Shares	68,226	67,989	0.3%
Equity indices	111,467	101,944	9.3%
Forex	83,115	86,298	3.7%
Commodities	35,189	25,788	36.5%
Binaries	14,724	10,600	38.9%
Total financial net trading revenue	312,721	292,619	6.9%

Active clients grew 13% (excluding Japan) and revenue per client was stable

Rates of account opening and propensity to trade are heavily influenced by underlying market conditions, as highlighted earlier in this section, as well as our own and competitor activity. The primary drivers of the Group's financial revenue are the number of active clients and the average revenue per client. These are discussed in turn below. A summary of other client metrics is provided in the Investor Resources and Other Information section.

Number of active clients – continued growth despite tough comparatives

During the year the number of active financial clients, excluding Japan, increased 13% to 117,252 (2010: 103,338). Europe saw strong growth with a 33% increase and the Rest of the World grew 28%. Both Australia and UK spread betting delivered double digit growth but the UK CFD business saw a lower growth rate as a result of less favourable equity trading conditions compared to the prior year. Including Japanese clients, the overall growth rate averaged 11%.

The more volatile conditions experienced in March 2011 attracted a record number of clients trading in any one month, surpassing the previous record month of May 2010 and, in turn, resulted in our highest ever monthly net trading revenue.

Average revenue per client

Average revenue per financial client (total revenue divided by the number of active clients) varied during the year across products and geographies.

Over the course of the financial year, the average revenue from UK spread betting and Australian clients was stable, although the UK CFD business was impacted by the fading of the favourable equity environment in the prior financial year. Overall, revenue per client in the UK was down 6% and up 1% in Australia.

European revenue per client fell 6.1% during the financial year and this reflected both variations across asset classes and geographies. In particular, Germany which is characterised by a lower average revenue per client than its European peers increased average revenue per client by 11%. This was offset by falls in France, Italy and Spain.

Lower revenue per client levels in Japan reflected the impact of new leverage restrictions introduced in stages over the course of the financial year.

Quality of earnings demonstrated through low volatility of trading revenue

The stability of our revenue, with no loss making days in either of the current or prior years, demonstrates the quality of the Group's earnings and also the effectiveness of our systems and processes of market risk management. We do not take proprietary market positions based on the expectation of market movements and this is a significant contributory factor to trading revenue stability.

Sports - extrabet

The Group's Sport business, extrabet, generated £7.7 million of revenue in the current year (2010: £5.9 million) benefitting significantly from the impact of the football World Cup in June 2010. The Sport business represented less than 2.5% of the Group's current year revenue.

As discussed elsewhere the Group has now completed a redundancy consultation process with the employees of extrabet prior to the closure of the business.

Other net operating income

Other net operating income includes betting duties paid by the Group in relation to spread betting clients, and interest earned on segregated clients funds net of interest paid to those clients. This is broken out in detail on the statutory income statement. Betting duties were £4.1 million and saw a decrease of £0.2 million from the prior year. Net interest income on segregated client funds increased to £8.9 million (2010: £5.5 million) as a result of significant growth in the level of client funds held and marginally better deposit rates.

Adjusted administrative expenses

Adjusted administrative expenses, which exclude amortisation and impairment of intangible assets arising on consolidation, increased by £19.8 million to £162.2 million (2010: £142.4 million). Underlying operating expenses which also exclude depreciation, amortisation and amounts written off property plant and equipment and exceptional items, increased by £18.6 million to £148.0 million. The underlying operating costs are analysed in the table below:

Adjusted administrative expenses £000	**2011**	**2010**
Employee remuneration costs	74,726	72,054
Advertising and marketing	32,025	27,297
Premises related costs	9,410	6,669
IT, market data and communications	12,728	11,785
Legal and professional	3,897	4,605
Regulatory fees	5,976	1,378
Bad and doubtful debts	(2,209)	(1,064)
Other costs	11,445	6,636
Underlying operating expenses	147,998	129,360
Depreciation, amortisation and amounts written off property plant and equipment	10,001	8,202
Exceptional items (including depreciation)	4,226	4,874
Total adjusted administrative expenses	162,225	142,436

Employee remuneration and advertising and marketing costs comprise 72.1 % of underlying operating costs in the current year.

Employee remuneration costs

Employee remuneration costs increased to £74.7 million (2010: £72.1 million), primarily resulting from an increase in the average number of employees to 952 (2010: 828) reflecting the investment in our platform and technological innovation referred to in the Chief Executive's Review. The increase in total remuneration cost was mitigated by a £8.1 million reduction in performance-related bonus and commissions payments. As a result our total compensation ratio (i.e. total employee remuneration expressed as a percentage of net trading revenue) decreased to 23.3% (2010: 24.1%).

The Group pays performance-related bonuses to most staff and makes awards under Long-Term Incentive and Value Sharing Plans to key personnel. In addition, the opportunity to acquire shares under various Share Incentive Plans (SIPs) has been made available to all UK, Australian and US staff. These awards reward employees for past performance and help to retain them in the future. We also provide a range of other benefits to employees, including pension contributions and private health insurance.

Inclusive of national insurance and pension costs, employee remuneration costs comprise:

£000's	**2011**	**2010**
Fixed employment costs	56,226	44,939
Performance-related bonuses and commissions:		
Pool schemes	9,505	13,889
Specific schemes	4,770	8,444
Share-based payment schemes	4,225	4,782
Total employee remuneration costs	**74,726**	**72,054**

The average number of employees increased in the year to 952 (2010: 828), with year-end headcount being 989 (2010: 886). An analysis of year-end headcount by geographic segment is provided below.

Year end number of employees	**2011**	**2010**
Central	648	550
UK	100	93
Australia	71	68
Europe	73	69
Japan	37	64
Rest of World	60	42
Group	**989**	**886**

The Group employs a centralised operating model whereby market risk is managed principally in the UK, switching to Australia outside of UK hours. The headcount associated with these operations is included in the Central segment, together with senior management, finance, middle office, IT development, HR, marketing and other support functions. At 31 May 2011 the Group employed 260 staff in IT development roles (2010: 184 staff), reflecting the significant level of continued investment in our technology platforms.

Other notable changes in the year include the reduction of headcount in Japan following action taken to significantly reduce our Japanese cost base with the aim of ensuring continuing profitability of this business and the increase in the Rest of World segment following our acquisition of our South African business along with their 15 staff.

Marketing costs

The increase in advertising and marketing costs to £32.0 million reflects initiatives to maximise the recruitment, conversion and retention of clients globally with spend increasing across each of our businesses, with the exception of Japan. We have seen an increase in spend on TV and outdoor advertising in our larger markets, while online channels have seen increased efficiency through the use of new technologies to optimise our websites and through bringing paid search to an in house team.

Additionally we have invested in expanding international brand awareness through sponsorship. During the year IG Markets has become increasingly involved in professional-level cycling. The sport's audience ties in closely to our core client demographic, and cycling enjoys high exposure in many of our operating countries. Our investment includes an official partnership with professional cycling outfit Team Sky, a number of race sponsorship deals, and the launch of the IG Markets Pro Cycling Index – a new ranking system to recognise the world's best riders.

Other expenses

Premises-related costs increased by £2.7 million to £9.4 million (2010: £6.7 million), reflecting the move to our new London headquarters, where we have additional office space to accommodate the growth in headcount, from August 2010 as well as the full year impact of opening offices in Sweden and Portugal. Additionally we opened new offices in each of South Africa and the Netherlands during the financial year.

IT, market data and communication costs include the cost of IT maintenance and short term license arrangements as well as market data fees from exchanges.

The significant increase in regulatory fees is primarily a result of the interim levy imposed on certain investment management firms by the Financial Services Compensation Scheme ('FSCS') related to the failure of Keydata Investment Services Limited and other failed investment intermediary firms. Being classified as an investment intermediary under FSCS rules, we were required to take part in this levy, our share of which was £4.1 million, significantly higher than the prior year interim levy of £0.3 million.

The full year impact of use of our close-out monitor, which automatically reduces our exposure to bad debts, and the introduction of tiered-margining contributed to limiting the levels of new bad debt arising in the year to £1.2 million and an overall net recovery of £2.2 million (2010: £1.1 million) in relation to bad and doubtful debts.

Other costs include bank charges, training, travel, recruitment and irrecoverable sales taxes. The increase in other costs primarily results from irrecoverable sales taxes. In the prior year, the Group benefitted from sales tax rebates in overseas locations of £1.6 million and a lower effective VAT rate in the UK. UK VAT is payable on the bulk of the Group's UK and European advertising and marketing, IT, market data and legal and professional fees. The UK VAT rate averaged 18.5% in the year-ended 31 May 2011 compared to 16.0% in the prior year.

Depreciation, amortisation and amounts written off property, plant and equipment increased to £10.0 million reflecting investment over the period in IT systems, the move to our new London headquarters and the acquisition of the client list acquired with our South African business (Ideal CFDs). The amortisation charge associated with this client list was £1.2 million in the year.

Exceptional items included in adjusted profit before tax

Exceptional items £000	2011	2010
Relocation of the Group's London headquarters	1,752	4,874
Closure of the Group's Sport business	2,474	-
Total exceptional items included in adjusted profit before tax[1]	4,226	4,874

[1]The above exceptional items exclude the impairment of intangible assets associated with the Japanese and Sport businesses which are not reported in adjusted profit before tax of £148.4 million (see note 4 to this announcement).

The relocation of the Group's London headquarters in August 2010 resulted in an onerous lease charge for the excess office space arising from the overlap of the lease period for the new London headquarters with that of the Group's existing London premises as well as accelerated depreciation of leasehold improvements and other asset obsolescence. No further exceptional costs associated with the relocation are anticipated.

During the financial year, the Directors decided that the Group should investigate selling or closing the Sport business in order to allow management to focus exclusively on the continuing expansion and development of our Financial business. The Group was unable to secure a sale of the business in its entirety as a going concern on acceptable terms and consequently, the Group commenced a redundancy consultation process, subsequently completed on 12 July 2011, with the employees of extrabet prior to the planned closure of the business. As a result exceptional closure related costs of £2.5 million including redundancy (£0.7 million) and onerous lease charges (£1.3 million) have been incurred in the year.

The goodwill and intangible asset impairment charges of £5.25 million and £143.1 million associated with the closure of the Sport business and impairment of our Japanese business are reported outside of adjusted profit before tax and are therefore excluded from the table above.

EBITDA margins

We use EBITDA contribution, which includes an allocation of central costs, primarily to assess the regional performance of our businesses (see note 3 to this announcement). EBITDA increased to £173.6 million (2010: £165.9 million) driven by the increase in net trading revenue and adjusted administrative expenses discussed earlier in the Operating and Financial Review. EBITDA margin (EBITDA expressed as a percentage of net trading revenue) marginally decreased to 54.2% (2010: 55.6%).

The following table summarises EBITDA margin by region:

	EBITDA margin by region	
Segment	**2011**	**2010**
UK (including Sport)	63.0%	63.4%
Australia	57.3%	60.0%
Europe	42.4%	45.7%
Japan	22.2%	27.4%
Rest of World	36.8%	27.1%
Group	54.2%	55.6%

The UK and Australia currently have higher EBITDA margin levels than our other regions because they operate in more established markets. In Europe, for example, markets are in early stages of development, and while these businesses reach operating profitability quickly, initially they have depressed EBITDA margins, as marketing and other costs are initially high relative to net trading revenue.

Adjusted profit before taxation

Adjusted profit before taxation grew 3.4% to £163.0 million (2010: £157.6 million). Adjusted profit before taxation excludes both the amortisation and impairment of goodwill and customer relationships associated with our Japanese business, IG Markets Securities (formerly FXOnline), and the impairment of goodwill associated with the Sport business.

Profit before tax

Including the amortisation and impairment of goodwill and customer relationships associated with IG Markets Securities of £150.7 million and the impairment of goodwill associated with the Sport business of £5.25 million, the Group made a statutory profit before tax of £7.0 million (2010: £140.3 million).

Goodwill and customer relationships impairment - Japan

Our Japanese business, IG Markets Securities, operates in an increasingly difficult regulatory environment, particularly with the progressive introduction of leverage limits on trading in forex, equity indices, equities and other asset classes during the year. As expected, the introduction of a restriction on forex to 50 times leverage from 1 August 2010 and on equity indices to 10 times leverage from 1 January 2011 had an adverse impact on volumes and revenues. There is one further scheduled leverage restriction to come into effect on 1 August 2011, when forex will be reduced to a maximum of 25 times leverage.

In the light of the significant adverse impact of these regulatory changes, we performed an impairment review of the carrying value of the goodwill and customer relationships associated with the business as at 30 November 2010. As required by accounting standards we based this impairment review on a forecast which assumed the continuation of the cost-base at the end of November 2010, but with an assumption of reduced revenue. These assumptions resulted in the full impairment of both the goodwill (£123.0 million) and the customer relationships (£20.1 million). These exceptional charges have had no impact on the Group's cash flow, regulatory capital position or distributable reserves.

Since November we have taken action to reduce our Japanese cost base significantly. These cost reductions should ensure the continuing profitability of this business, albeit at lower margins than the rest of the Group. The future for the forex and CFD industry in Japan is uncertain - as discussed in the Chief Executives Review.

Goodwill impairment - Sport business

As noted earlier the Group has completed a redundancy consultation process with the employees of extrabet prior to the closure of the business. As a result, the goodwill of £5.25 million associated with the Sport business has been fully impaired at the year-end.

Taxation expense

The effective rate of tax increased in the year to 458.9%; however this includes the impact of the Japanese and Sport related goodwill impairments of £128.2 million which are not allowable expenses for the purposes of taxation. Adjusting for these items the effective rate of taxation decreased to 23.9% (2010: 27.7%), reflecting both the relative impact of tax adjustments in respect of prior years on these periods and an increased proportion of profits flowing from lower corporation tax rate jurisdictions in the year ended 31 May 2011.

The calculation of the Group's tax charge involves a degree of estimation and judgement in particular with respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority. Further detail is provided in note 5 to this announcement.

Adjusted diluted earnings per share

Adjusted diluted earnings per share increased to 32.64p (6.1% growth) from 30.77p in the year-ended 31 May 2011, and excludes amortisation and impairment of intangible assets associated with the Group's Japanese business and impairment of the goodwill associated with the Group's Sport business and related taxation. Adjusted diluted earnings per share is used as a primary measure of our underlying profitability and the annual Directors' performance-related bonuses are calculated by reference to this measure.

Dividend policy

The Board has adopted a progressive dividend policy, which reflects the long-term earnings and cash flow potential of the Group. Our dividend payout target is in the region of 60% of adjusted profit after tax. This policy will be kept under review, but our current intention is to pay out a similar proportion of adjusted earnings in the future.

The Board has recommended a final dividend of 14.75p, to bring the total dividend for the financial year ending 31 May 2011 to 20.00p (2010: 18.5p) and increase of 8.1%.

Summary Group Statement of Financial Position

£000	2011	2010
Property, plant and equipment	16,761	9,632
Intangible assets	117,202	265,328
Deferred tax assets	11,264	14,264
Non-current assets	**145,227**	**289,224**
Trade and other receivables	278,303	213,327
Cash and cash equivalents	124,528	128,097
Current assets	**402,831**	**341,424**
TOTAL ASSETS	**548,058**	**630,648**
Trade and other payables	128,639	102,498
Provisions	1,427	1,377
Income tax payable	37,060	38,863
Current liabilities	**167,126**	**142,738**
Deferred tax liabilities	-	11,463
Provisions	1,991	1,779
Redeemable preference shares	40	40
Non-current liabilities	**2,031**	**13,282**
Total liabilities	**169,157**	**156,020**
Total equity	**378,901**	**474,628**
TOTAL EQUITY AND LIABILITIES	**548,058**	**630,648**

Non-current assets

As discussed in the Chief Executive's Review, the Group continues to invest in technology to enhance both our clients' experience and to improve the capacity and resilience of our dealing platforms, each of which are critical to the success of our business. Capitalised investment in relation to development costs and software and licences amounted to £7.1 million (2010: £2.4 million) largely relating to the development of the client trading platform and a three year enterprise licence for Customer Relationship Management software. During the year we also invested £14.3 million in property, plant and equipment (2010: £4.1 million) including £4.9 million in relation to IT equipment and £9.0 million in relation to our new London headquarters.

Intangible assets include goodwill of £107.4 million (2010 £234.2 million), primarily arising on the acquisition of IG Group Plc and its subsidiaries in 2003 and the goodwill (£1.9 million) and client list (£1.5 million) arising on the acquisition of our South African business (refer to note8 of this announcement) in the year. The goodwill and client list associated with IG Markets Securities Japan (formerly FXOnline) and the Group's Sport business extrabet have been fully impaired in the year (2010: £nil).

Current assets

Trade and other receivables include amounts due from brokers and represent cash placed with counterparties in order to provide initial and variation margin in relation to the Group’s market risk management. Amounts due from brokers have increased to £267.8 million (2010: £203.7 million) as a result of larger share positions at the year-end and therefore the Group has a higher collateral requirement with brokers. Broker margin rates have remained consistent over the period. Cash and cash equivalents are discussed in the cash flow section.

Liabilities

Trade and other payables include amounts due to clients in relation to title transfer funds as well as accruals and other payables. Title transfer funds held and thus the related payable to clients have increased over the year largely following the acquisition of our South African business where the majority of client monies are held on a title transfer basis.

Provisions relate solely to the onerous lease liability for the Group’s former headquarters.

Following the amortisation and impairment of the intangible assets associated with IG Markets Securities (formerly FXOnline) in the year, the related deferred taxation liability has been released.

Client money

Total monies held on behalf of clients at year-end was £782.4 million (2010: £612.9 million) of which £714.7 million (2010: £550.5 million) is segregated in trust bank accounts and treated as ‘segregated client money’ and therefore excluded from the Group Statement of Financial Position. The remaining monies held on behalf of clients of £67.7 million (2010: £62.4 million) represents ‘title transfer funds’ which are held under a Title Transfer Collateral Arrangement (TTCA) by which professional or corporate clients agree that full ownership of such monies is unconditionally transferred to the Group. Monies subject to title transfer arrangements are included in the Group Statement of Financial Position.

Although the levels of client money can vary depending on the overall mix of financial products being traded by clients, the long-term increase in the level of client money placed by clients with the Group is a positive indicator of future client propensity to trade.

Available liquidity – Group cash generation funds increased broker margin requirement

'Own funds', which excludes all monies held on behalf of clients increased to £324.6 million (2010: £269.4 million) in the year to 31 May 2011 reflecting the cash generative nature of the business. However, 'net own cash available' fell to £107.3 million (2010: £114.7 million) following an increase in broker margin requirements in relation to the higher year-end equity position. 'Net own cash available' disclosed in the table below represents the Group's available cash resources excluding all monies held on behalf of clients and after the payment of broker margin.

£000	2011	2010
Own cash and title transfer funds	124,528	128,097
Amounts due from brokers	267,792	203,714
Available cash resources	392,320	331,811
Analysed as:		
Own funds	324,618	269,406
Title transfer funds	67,702	62,405
Available liquidity		
Available cash resources	392,320	331,811
Less broker margin requirement	(217,360)	(154,694)
Net available cash	174,960	177,117
Less title transfer funds [1]	(67,702)	(62,405)
Net own cash available	107,258	114,712
Of which declared as dividend	(53,368)	(48,758)
Committed banking facilities	180,000	160,000
Total available liquidity (including facilities)	233,890	225,954

[1] Title transfer funds are held by the Group under a Title Transfer Collateral Arrangement (TTCA) by which a client agrees that full ownership of such monies is unconditionally transferred to the Group.

Total available liquidity is stated inclusive of committed banking facilities of £180.0 million (2010: £160.0 million) – none of which were drawn during the current or prior financial year. The summary Group Cash Flow statement presented in the following section provides an explanation of the movement in 'own funds' for the year.

Summary Group Cash Flow

The following cash flow statement summarises the Group's cash generation during the year and excludes all cash flows in relation to monies held on behalf of clients. Additionally amounts due from brokers have been treated as 'cash equivalents' and included within 'own funds'. For an explanation of the derivation of 'own funds' please refer to the table presented in the available liquidity section.

£000	2011	2010
Operating activities		
Adjusted profit before tax	163,000	157,639
Depreciation and amortisation	10,866	8,605
Other non-cash items	(1,563)	(4,866)
Net finance costs / (revenue)	30	(352)
Income taxes paid	(43,503)	(47,719)
Net interest income on segregated client funds	7,854	5,413
Own funds generated from operations	**136,684**	**118,720**
Movement in working capital	6,084	30,728
Outflow from investing and financing activities	(95,278)	(61,633)
Increase in own funds	**47,490**	**87,815**
Own funds at 1 June	269,407	178,090
Exchange gains on own funds	7,721	3,501
Own funds at 31 May	**324,618**	**269,406**

Own funds generated from operations were £136.7 million (2010: £118.7 million) during the year, reflecting the cash generative nature of the business. As noted above, 'own funds' represent our own cash and cash equivalents inclusive of margin held at brokers and exclude all amounts held on behalf of clients.

Cash conversion, calculated as own funds generated from operations divided by adjusted profit before tax, increased in the year to 83.9% (2010: 75.3%) largely due to the higher level of non-cash items reported within adjusted profit before tax. The most significant operating outflows during the year were £43.5 million in respect of taxation (2010: £47.7 million).

'Own funds' increased by £47.5 million (2010: £87.8 million) after adjustments for movements in working capital balances and significant outflows in relation to investing and financing activities. The outflow from investing and financing activities includes £19.9 million in relation to capital expenditure (2010: £5.0 million) largely on the new London headquarters and IT equipment as well as the final 2010 and interim 2011 dividend payments which totaled £67.7 million (2010: £57.7 million). The current year also saw a cash outflow of £2.7 million in respect of the acquisition of our South African business and £5.1 million in relation to the acquisition of the minority interest of IG Markets Securities (formerly FXOnline).

Regulatory capital resources

Throughout the year, we maintained a significant excess over our capital resources requirement, both on a consolidated and individual regulated entity basis.

We believe there are significant benefits to being well capitalised at a time of continuing global economic uncertainty. We are well placed in respect of any regulatory changes which may increase our capital or liquidity requirements, and high levels of liquidity are important in the event of significant market volatility.

The following table summarises the Group's capital adequacy on a consolidated basis.

£m	**2011**	**2010**
Total Tier 1 capital	380.1	475.6
Less: Intangible assets (adjusted)	(115.3)	(252.5)
Less: Investment in own shares	(1.2)	(1.0)
Total capital resources (CR)	**263.6**	**222.1**
Capital resources requirement (CRR)	(89.6)	(65.7)
Surplus	**174.0**	**156.4**
CR expressed as a % of CRR	**294.2%**	**338.1%**

Financial information

Group Income Statement

For the year ended 31 May 2011

		2011			*2010 (restated)*		
		Before certain items [1]	*Certain items*[1]	*Total*	*Before certain items*[1]	*Certain items*[1]	*Total*
	Notes	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Trading revenue		353,246	-	353,246	344,427	-	344,427
Interest income on segregated client funds		9,124	-	9,124	5,791	-	5,791
Revenue		362,370	-	362,370	350,218	-	350,218
Interest expense on segregated client funds		(176)	-	(176)	(321)	-	(321)
Introducing broker commissions		(32,854)	-	(32,854)	(45,876)	-	(45,876)
Betting duty		(4,085)	-	(4,085)	(4,298)	-	(4,298)
Net operating income		325,255	-	325,255	299,723	-	299,723
Analysed as:							
Net trading revenue	*2,3*	*320,392*	-	*320,392*	*298,551*	-	*298,551*
Other net operating income		*4,863*	-	*4,863*	*1,172*	-	*1,172*
Administrative expenses		(162,225)	(155,953)	(318,178)	(142,436)	(17,298)	(159,734)
Operating profit	4	163,030	(155,953)	7,077	157,287	(17,298)	139,989
Finance revenue		2,402	-	2,402	2,664	-	2,664
Finance costs		(2,432)	-	(2,432)	(2,312)	-	(2,312)
Profit before taxation		163,000	(155,953)	7,047	157,639	(17,298)	140,341
Tax expense	5	(43,991)	11,652	(32,339)	(46,120)	7,265	(38,855)
(Loss)/ profit for the year		119,009	(144,301)	(25,292)	111,519	(10,033)	101,486
(Loss) / profit for the year attributable to:							
Equity holders of the parent		118,848	(144,301)	(25,453)	111,314	(10,033)	101,281
Non-controlling interests		161	-	161	205	-	205
		119,009	(144,301)	(25,292)	111,519	(10,033)	101,486

(Loss) / earnings per ordinary share	Note	*2011*	*2010*
Basic	6	(7.05p)	28.19p
Diluted	6	(7.05p)	28.00p

[1] Certain items comprise amortisation and impairment of intangible assets associated with the Group's Japanese business and impairment of the goodwill associated with the Group's Sport business and related taxation.

All of the Group's revenue and profit for the year and prior year relate to continuing operations. The comparative Group Income Statement has been restated such that trading revenue is reported gross of introducing broker commission with an equal expense disclosed in arriving at net operating income. Refer to the note 1 for more information.

Group Statement of Comprehensive Income

For the year ended 31 May 2011

	2011		2010	
	£000	*£000*	*£000*	*£000*
(Loss) / profit for the year		(25,292)		101,486
Other comprehensive (expense)/ income:				
Foreign currency translation on overseas subsidiaries	(344)		27,434	
Other comprehensive (expense) / income for the year		(344)		27,434
Total comprehensive (expense) / income for the year		(25,636)		128,920
Total comprehensive (expense) / income attributable to:				
Equity holders of the parent		(25,797)		128,290
Non-controlling interests		161		630
		(25,636)		128,920

Group Statement of Financial Position

As at 31 May 2011

	Note	2011 £000	2010 £000 (restated)
Assets			
Non-current assets			
Property, plant and equipment		16,761	9,632
Intangible assets		117,202	265,328
Investment in subsidiaries		-	-
Deferred tax assets		11,264	14,264
		145,227	289,224
Current assets			
Trade receivables		270,104	206,243
Prepayments and other receivables		8,199	7,084
Cash and cash equivalents	9	124,528	128,097
		402,831	341,424
TOTAL ASSETS		548,058	630,648
Liabilities			
Current liabilities			
Trade payables	11	83,490	57,673
Other payables		45,149	44,825
Provisions		1,427	1,377
Income tax payable		37,060	38,863
		167,126	142,738
Non-current liabilities			
Deferred tax liabilities		-	11,463
Provisions		1,991	1,779
Redeemable preference shares		40	40
		2,031	13,282
Total liabilities		169,157	156,020
Capital and reserves			
Equity share capital		18	18
Share premium		206,246	206,246
Other reserves		80,173	79,742
Retained earnings		92,263	185,443
Shareholders' equity		378,700	471,449
Non-controlling interests		201	3,179
Total equity		378,901	474,628
TOTAL EQUITY AND LIABILITIES		548,058	630,648

The comparative Group Statement of Financial Position has been restated to reflect the change in accounting policy for segregated client funds. Refer to note 1 for more information.

Group Statement Changes in Equity

For the year ended 31 May 2011

	Equity share capital	*Share premium*	*Other reserves*	*Retained earnings*	*Shareholders' equity*	*Non-controlling interests*	*Total equity*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
At 1 June 2009	18	206,246	45,281	141,819	393,364	2,549	395,913
Profit for the year	-	-	-	101,281	101,281	205	101,486
Other comprehensive income for the year	-	-	27,009	-	27,009	425	27,434
Total comprehensive income for the year	-	-	27,009	101,281	128,290	630	128,920
Equity-settled employee share-based payments	-	-	4,782	-	4,782	-	4,782
Excess of tax deduction benefit on share-based payments recognised directly in shareholders' equity	-	-	2,861	-	2,861	-	2,861
Purchase of own shares	-	-	(175)	-	(175)	-	(175)
Exercise of US share incentive plans	-	-	(16)	-	(16)	-	(16)
Equity dividends paid	-	-	-	(57,657)	(57,657)	-	(57,657)
Movement in equity	-	-	34,461	43,624	78,085	630	78,715
At 31 May 2010	18	206,246	79,742	185,443	471,449	3,179	474,628
(Loss) /profit for the year	-	-	-	(25,453)	(25,453)	161	(25,292)
Other comprehensive (expense) for the year	-	-	(344)	-	(344)	-	(344)
Total comprehensive (expense) / income for the year	-	-	(344)	(25,453)	(25,797)	161	(25,636)
Equity-settled employee share-based payments	-	-	4,225	-	4,225	-	4,225
Excess of tax deduction benefit on share-based payments recognised directly in shareholders' equity	-	-	(831)	-	(831)	-	(831)
Acquisition of non-controlling interest	-	-	(2,302)	-	(2,302)	(3,139)	(5,441)
Purchase of own shares	-	-	(291)	-	(291)	-	(291)
Exercise of US share incentive plans	-	-	(26)	-	(26)	-	(26)
Equity dividends paid	-	-	-	(67,727)	(67,727)	-	(67,727)
Movement in equity	-	-	431	(93,180)	(92,749)	(2,978)	(95,727)
At 31 May 2011	18	206,246	80,173	92,263	378,700	201	378,901

Group Cash Flow Statement

For the year ended 31 May 2011

	Note	2011	2010
		£000	£000
			(restated)
Cash generated from operations	10	119,636	129,126
Income taxes paid		(43,503)	(47,719)
Interest received on segregated client funds		8,015	5,745
Interest paid on segregated client funds		(161)	(332)
Net cash flow from operating activities		83,987	86,820
Investing activities			
Interest received		2,046	2,557
Purchase of property, plant and equipment		(15,387)	(2,669)
Proceeds on disposal of property, plant and equipment		313	-
Payments to acquire intangible fixed assets		(4,521)	(2,369)
Purchase of a minority interest		(5,072)	-
Purchase of a client list and business		(2,739)	-
Net cash flow from investing activities		(25,360)	(2,481)
Financing activities			
Interest paid		(1,897)	(1,317)
Equity dividends paid to equity holders of the parent		(67,727)	(57,657)
Purchase of own shares		(291)	(175)
Payment of redeemable preference share dividends		(3)	(3)
Net cash flow from financing activities		(69,918)	(59,152)
Net (decrease)/ increase in cash and cash equivalents		(11,291)	25,187
Cash and cash equivalents at the beginning of the period		128,097	99,407
Exchange gains on cash and cash equivalents		7,722	3,503
Cash and cash equivalents at the end of the period	9	124,528	128,097

The comparative Group Cash Flow statement has been restated to reflect the change in accounting policy for segregated client funds. Refer to note 1 for more information.

Notes

As at 31 May 2011

1. Basis of preparation

The financial information in this announcement is derived from IG Group Holdings plc's group financial statements but does not, within the meaning of Section 435 of the Companies Act 2006, constitute statutory accounts for the years ended 31 May 2010 or 31 May 2011. The financial statements are prepared on a going concern basis and the accounting policies, other than as set out below, are consistent with the Group's 2010 Annual Report.

Although the financial information has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), this preliminary statement does not itself contain sufficient information to comply with IFRS. The Group will publish full IFRS compliant group financial statements in August 2011 and statutory accounts for 2011 will be delivered to the Registrar of Companies following the company's Annual General Meeting on 6 October 2011.

The Group's auditors, PricewaterhouseCoopers LLP, have reported on those financial statements and the report was unqualified, did not emphasise any matters nor contained any statements under Section 498(2) or (3) of the Companies Act 2006.

Copies of full group financial statements will be posted to all shareholders in August 2011. Further copies will be available, from the date of posting, from the Group's Headquarters, Cannon Bridge House, 25 Dowgate Hill, London, EC4R 2YA, by telephone on 020 7896 0011 or via the Group's website at www.iggroup.com.

Presentation of group income statement and group statement of financial position

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 intangible assets associated with the Groups' Japanese business and impairment of the goodwill associated with the Groups' Sport business ('certain items'). This is the profit measure used to calculate adjusted EPS (see note 6) and is considered to be the most appropriate measure as it better reflects the Group's underlying cash earnings.

Accounting policies and the adoption of new or amended accounting standards

The accounting policies adopted in the preparation of financial statements are consistent with those followed in the preparation of the Group's 2010 Annual Report, other than the presentational changes set out below:

- Introductory broker commissions have been disclosed as a component of net operating income as these commissions are directly linked to trading revenue. This change has been made in order to present trading revenue on a basis more consistent with the nature of groups operations and to increase comparability with the Group's peers. This has resulted in an increase in reported trading revenue for the year ended 31 May 2011 of £32,854,000 and for the year ended 31 May 2010 of £45,876,000. An equivalent commission expense has been recognised in each of these periods. There is no change to any of net trading revenue, net operating income or profit before taxation for either of these periods.

- Previously segregated client funds (which comprise retail client funds held in segregated client money accounts or money market facilities) were held on the Group's Statement of Financial Position within cash and cash equivalents and the corresponding liability to clients within trade and other payables. Segregated clients funds have been excluded from the Group's Statement of Financial Position in order to better reflect the statutory trust status of such monies including the restrictions placed on the Group's ability to control the funds as well as increase comparability with the Group's peers. The impact on the financial statements as well as the amount of segregated client funds held at year-end is disclosed in notes 9 and 11 to this announcement.

The Group has adopted the following new or amended standards as of 1 June 2010:

- IAS 27 (revised) "Consolidated and separate financial statements". The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. The application of the amendments to IAS 27 (revised) has not had a material impact on the accounting or disclosure of the acquisition completed in the period.

- IFRS 3 (revised) "Business combinations". The revised standard requires that all acquisition costs be expensed and that all payments to purchase a business are to be recorded at fair value at the acquisition date. Any contingent payments are classified as debt and re-measured through the income statement. Non-controlling interests are measured either at fair value or at the non-controlling interest proportionate share of the acquiree's net assets. The Group has elected to apply the proportionate share of the acquiree's net assets methodology to the acquisition completed in the period. The application of the amendments to IFRS3 (revised) has not had a material impact on the accounting or disclosure of the acquisition completed in the period.

Critical accounting estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the year-end and the amounts reported for revenues and expenses during the year. The nature of estimates means that actual outcomes could differ from those estimates.

In the Directors' opinion, the accounting estimates or judgements that have the most significant impact on the financial statements are the impairment of trade receivables, the calculation of the Group's taxation charge, the measurement and impairment of goodwill, the estimation of share-based payment costs and the assessment of net market risk and associated disclosures.

Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration 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 and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report 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 Company and 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. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are provided in the Corporate Governance Report, confirms that, to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- The Business Review and the Directors' Statutory Report contained in the Annual Report include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

2. Net trading revenue

Net trading revenue, represents trading revenue from financial instruments carried at fair value through profit and loss and has been disclosed net of introducing broker commission as this is consistent with the management information received by the Chief Operating Decision Maker. Revenue from external customers includes interest income on segregated client funds and is analysed as follows:

	2011	*2010*
	£000	*£000*
Net trading revenue		
Financial		
Spread betting	109,796	104,605
Contracts for difference	188,201	177,414
Binaries	14,724	10,600
Total Financial	312,721	292,619
Sport[1]	7,671	5,932
Total net trading revenue	320,392	298,551
Interest income on segregated client funds	9,124	5,791
Revenue from external customers	329,516	304,342

(1) On 8 June 2011 the Group reached agreement to sell the majority of the client list relating to extrabet's sport spread betting and fixed odds betting and has subsequently closed the Sport business.

3. Segment information

The following segment information is presented as follows:

- Segment net trading revenue has been disclosed net of introducing broker commissions as this is consistent with the management information received by the Chief Operating Decision Maker (CODM).
- Net trading revenue is reported by the location of the office;
- The 'Europe' segment comprises the Group's operations in each of France, Germany, Italy, Luxembourg, the Netherlands, Portugal, Spain and Sweden;
- The 'Rest of World' segment comprises the Group's operations in each of South Africa, Singapore and the United States; and,
- Segment contribution, being segment trading revenue less directly incurred costs, as the measure of segment profit and loss reported to the (CODM).

The UK segment derives its revenue from financial spread bets, fixed odd bets on financial markets, Contracts for Difference (CFDs), margined forex and binary options. The UK segment also includes the sport business which derived its revenue from spread bets and fixed odds bets on sporting and other events and the operation of an online casino. The Australian, Japanese and European segments derive their revenue from CFDs, margined forex and binary options. The 'Rest of World' segment derives its revenue from the operation of a regulated futures and options exchange as well as CFDs, margined forex and binary options.

The Group employs a centralised operating model whereby market risk is managed principally in the UK, switching to Australia outside of UK hours. The costs associated with these operations are included in the Central segment, together with central costs of senior management, finance, middle office, IT development, HR, marketing and other support functions. As the Group manages risk and hedges on a group-wide portfolio basis, the following segmental revenue analysis involves the use of an attribution methodology. Interest income and expense on segregated client funds is managed and reported to the CODM centrally and thus has been reported in the Central segment. In the following analysis, the Central segment costs have been further allocated to the other reportable segments based on segment net trading revenue, in order to provide segment EBITDA.

Year ended 31 May 2011	UK	Australia	Europe	Japan	Rest of World[1]	Central	Total
	£000	£000	£000	£000	£000	£000	£000
Segment net trading revenue	174,837	47,607	57,464	20,606	19,878	-	320,392
Interest income on segregated client funds	-	-	-	-	-	9,124	9,124
Revenue from external customers	174,837	47,607	57,464	20,606	19,878	9,124	329,516
Interest expense on segregated client funds	-	-	-	-	-	(176)	(176)
Betting duty	(4,085)	-	-	-	-	-	(4,085)
Net operating income	170,752	47,607	57,464	20,606	19,878	8,948	325,255
Segment contribution	143,822	36,449	35,444	8,557	11,156	(61,815)	173,613
Allocation of central costs	(33,734)	(9,185)	(11,087)	(3,976)	(3,833)	61,815	-
Segment EBITDA	110,088	27,264	24,357	4,581	7,323	-	173,613
Depreciation and amortisation	(5,119)	(1,227)	(1,349)	(8,599)	(2,167)	-	(18,461)
Impairment of intangible assets	(5,250)	-	-	(143,108)	-	-	(148,358)
Profit on disposal of property, plant and equipment							283
Operating profit							7,077
Net finance revenue							(30)
Profit before taxation							7,047

(1) The Rest of World segment includes the Groups' South African business which generated net trading revenue of £2.75 million in the nine months following acquisition. In the year-ended 31 May 2010 net trading revenue, generated via the former introductory broker of the Group that was acquired during the year, of £1.8 million was reported in the UK segment.

Year ended 31 May 2010	UK	Australia	Europe	Japan	Rest of World	Central	Total
	£000	£000	£000	£000	£000	£000	£000
Segment net trading revenue	168,477	45,660	47,431	23,946	13,037	-	298,551
Interest income on segregated client funds	-	-	-	-	-	5,791	5,791
Revenue from external customers	168,477	45,660	47,431	23,946	13,037	5,791	304,342
Interest expense on segregated client funds	-	-	-	-	-	(321)	(321)
Betting duty	(4,298)	-	-	-	-	-	(4,298)
Net operating income	164,179	45,660	47,431	23,946	13,037	5,470	299,723
Segment contribution	135,543	35,226	29,803	10,662	5,761	(51,054)	165,941
Allocation of central costs	(28,810)	(7,808)	(8,111)	(4,095)	(2,230)	51,054	-
Segment EBITDA	106,733	27,418	21,692	6,567	3,531	-	165,941
Depreciation and amortisation	(3,520)	(982)	(855)	(19,237)	(1,309)	-	(25,903)
Loss on disposal of property, plant and equipment							(49)
Operating profit							139,989
Net finance revenue							352
Profit before taxation							140,341

4. Exceptional items

In the year ended 31 May 2011 exceptional items were incurred in relation to the impairment of goodwill and customer relationships associated with the acquisition of the Group's Japanese business, IG Markets Securities (formerly FXOnline). Additionally in the year ended 31 May 2011 exceptional items were incurred in relation to the Group's Sport business.

In the years ended 31 May 2011 and 31 May 2010, exceptional items were incurred in relation to the relocation of the Group's London headquarters.

	2011	*2010*
Exceptional items included in operating profit	*£000*	*£000*
Impairment of goodwill in relation to the Japanese business[(1)]	122,960	-
Impairment of Japanese customer relationships[(1)]	20,148	-
Impairment of goodwill in relation to the Sport business[(2)]	5,250	-
Other charges in relation to the closure of the Sport business[(2)]	2,474	-
Relocation of the Group's London headquarters [(3)]	1,752	4,874
Total exceptional items	152,584	4,874
Deferred tax credit on exceptional items[(1)]	(8,462)	-
Tax credit on exceptional items	(1,169)	(1,365)
Total exceptional items after tax	142,953	3,509

Each of the impairment charges discussed above (totalling £148.4 million, 2010: £nil) as well as the amortisation of the Japanese customer relationships (2011: £7.6 million, 2010: £17.3 million) have been disclosed in the Group Income Statement in the column 'certain items' consistent with the Group's established accounting policy and presentation.

[(1)]The goodwill and customer relationships associated with the Japanese business are considered to be impaired following regulatory change in the Japanese market. The impairment charge disclosed as exceptional is exclusive of the amortisation (£7.6 million) charged in the accounting period immediately prior to impairment. The deferred tax credit on the exceptional items solely relates to the customer relationships.

[(2)]During the year, the Directors decided that the Group should investigate selling or closing the Sport business, extrabet, in order to allow management to focus exclusively on the continuing expansion and development of the Financial business. The Group was unable to secure a sale of the Sport business in its entirety as a going concern on acceptable terms and consequently, the Group commenced a redundancy consultation process, subsequently completed on 12 July 2011, with the employees prior to the closure of the business. As a result exceptional costs have been incurred in relation to the impairment of the goodwill associated with the Sport business (£5.25 million) and other closure-related costs including redundancy (£0.7 million) and onerous lease charges (£1.3 million).

[(3)]Includes costs arising in relation to an onerous lease charge for the excess office space resulting from the overlap of the lease period for the new London headquarters with that of the Group's previous London premises, double premises costs and accelerated depreciation of leasehold improvements and other assets that are obsolete following the Group's London headquarters move.

5. Taxation

(a) Tax on profit on ordinary activities

Tax charged in the income statement:

	2011	2010
Current income tax:	*£000*	*£000*
UK Corporation Tax	42,501	46,797
Foreign tax	1,573	2,175
Adjustment in respect of prior years	(2,309)	916
Total current income tax	41,765	49,888
Deferred tax:		
Origination and reversal of temporary differences	(9,426)	(11,033)
Tax expense in the income statement	32,339	38,855

(b) Reconciliation of the total tax charge

The tax expense in the income statement for the year is different to the standard rate of corporation tax in the UK of 27.67% (2010: 28%). The differences are reconciled below:

	2011	*2010*
	£000	*£000*
Accounting profit before income tax	7,047	140,341
Accounting profit multiplied by the UK standard rate of corporation tax of 27.67% (2010: 28%)	1,950	39,295
Goodwill impairment not deductible for tax purposes	35,471	-
Expenses not deductible for tax purposes	1,826	1,844
Lower taxes on overseas earnings	(4,599)	(3,200)
Adjustment in respect of prior years	(2,309)	916
Total tax expense reported in the income statement	32,339	38,855

The effective tax rate is 458.9% (2010: 27.7%); however this includes the impact of the Japanese and Sport related goodwill impairments of £128.2 million which are not allowable expenses for the purposes of taxation. Excluding the effect of these items, the effective rate of taxation is 23.9% (2010: 27.7%).

6. Earnings per ordinary share

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

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as own shares in Employee Benefit Trusts. Diluted earnings per share is calculated using the same profit figure as that used in basic earnings per share and by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive ordinary shares arising from share schemes. Adjusted earnings excludes the amortisation and impairment of intangible assets associated with the Group's Japanese business and impairment of the goodwill associated with the Group's Sport business and related taxation.

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

	2011	2010
	£000	£000
Earnings attributable to equity shareholders of parent	(25,453)	101,281
Amortisation and impairment of intangibles arising on consolidation net of tax and minority interests	144,301	10,033
Adjusted earnings	118,848	111,314
Weighted average number of shares		
Basic and adjusted	360,860,327	359,256,823
Dilutive effect of share-based payments	3,205,368	2,489,555
Diluted	364,065,695	361,746,378
(Loss)/earnings per share		
Basic	(7.05p)	28.19p
Diluted	(7.05p)	28.00p
Basic adjusted	32.93p	30.98p
Diluted adjusted	32.64p	30.77p

7. Dividends

	2011	2010
	£000	£000
Declared and paid during the year:		
Final dividend for 2010 at 13.50p per share (2009: 11.00p)	48,758	39,626
Interim dividend for 2011 at 5.25p per share (2010: 5.00p)	18,969	18,031
	67,727	57,657
Proposed for approval by shareholders at the AGM:		
Final dividend for 2011 at 14.75p per share (2010: 13.50p)	53,368	48,758

The final dividend for 2011 of 14.75p per share amounting to £53,368,000 was approved by the board on 19 July 2011 and has not been included as a liability at 31 May 2011. This dividend will be paid on 11 October 2011 to those members on the register at the close of business on 9 September 2011.

8. Acquisition of the client list and business of Ideal CFD Financial Services Pty Limited

	Book value	Acquisition date fair value
Net assets acquired	*£000*	*£000*
Client list	-	2,673
Cash and cash equivalents	4,177	4,177
Amounts due to clients	(4,177)	(4,177)
Total assets acquired	-	2,673
Fair value of consideration	-	4,516
Goodwill arising on acquisition	-	1,843

On 1 September 2010, subsequent to the Group obtaining regulatory approval in South Africa, the Group completed the acquisition of the client list and business of Ideal CFD Financial Services Pty Limited (Ideal), a South African based introductory broker of the Group for £4.5 million, comprising £1.6 million paid in cash and £2.9 million payable on exercise of the symmetrical put and call options discussed below. Revenue for the nine months since completion to 31 May 2011 was £2.75 million.

The fair value adjustment relates solely to the recognition of a separately identifiable intangible asset arising on acquisition that meets the identification and measurement requirements of IAS 38. This comprises the fair value of the client list of Ideal which is being amortised using the sum of digits method over three years. The Directors consider no other separately identifiable intangible assets to have arisen on the acquisition. A deferred taxation liability has not been recognised in relation to the recognition of the client list as there is no difference between the fair value of the acquired asset and its tax base. In the period from completion to 31 May 2011 £1.2 million of amortisation has been charged in the Group Income Statement in relation to the acquired client list.

At acquisition the Group had a call option and the vendor a put option over the 20% of IG Markets South Africa Limited (IGSA), a subsidiary of the Group that transferred to the vendor of Ideal on completion. The present value of the forecast redemption amount of the options of £2.9 million was initially recorded as a liability in the Group Statement of Financial Position as at 30 November 2010.

On 19 April 2011 the Group acquired an additional 10% of IGSA for £1.2 million. This has no impact on the goodwill or other fair values disclosed in the table above. Following this further acquisition the Group has a call option and the vendor a put option over 10% of IGSA, the present value of the forecast redemption amount is recorded under other payables as a liability in the Group Statement of Financial Position as at 31 May 2011. These options are exercisable in January 2013, based on a multiple of eight time’s average pro forma annual post-tax profits of IGSA over the period from 1 September 2010 to 30 November 2012, subject to a cap.

9. Cash and cash equivalents

	2011	2010
	£000	£000
		(restated)
Gross cash and cash equivalents[1]	839,202	678,564
Less: Segregated client funds[2]	(714,674)	(550,467)
Own cash and title transfer funds[3]	124,528	128,097
Analysed as:		
Cash at bank and in hand	124,528	123,674
Short-term deposits	-	4,423

[1] Gross cash and cash equivalents includes the Group's own cash as well as all client monies held including both segregated client and title transfer funds.

[2] Segregated client funds comprise retail client funds held in segregated client money accounts or money market facilities established under the UK's Financial Services Authority (FSA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates. Such monies are not held in the Group's Statement of Financial Position.

[3]Title transfer funds are held by the Group under a Title Transfer Collateral Arrangement (TTCA) by which a client agrees that full ownership of such monies is unconditionally transferred to the Group.

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.

10. Cash generated from operations

	2011	2010
Operating activities	£000	£000
		(restated)
Operating profit	7,077	139,989
Adjustments to reconcile operating profit to net cash flow from operating activities:		
Net interest income on segregated client funds	(8,948)	(5,470)
Amortisation of customer relationships and trade names (Japan)	7,595	17,298
Impairment of customer relationships and goodwill	148,358	-
Depreciation of property, plant and equipment	7,086	6,175
Amortisation of intangible assets	3,780	2,430
Non-cash foreign exchange gains in operating profit	1,727	(11,382)
Share-based payments	4,225	4,782
Write off - property, plant and equipment	30	49
Recovery of trade receivables	754	2,441
(Increase) / decrease in trade and other receivables	(66,578)	(22,667)
Increase / (decrease) in trade and other payables	12,801	(7,675)
Increase in provisions and other non-cash items	262	3,156
Other non-cash items	1,467	-
Cash generated from operations	119,636	129,126

11. Trade payables

	2011	2010
	£000	£000
		(restated)
Gross amounts due to clients[1]	798,164	608,140
Less: Segregated client funds	(714,674)	(550,467)
Amounts due to clients	83,490	57,673

[1] Gross amounts due to clients includes all amounts owed by the Group to clients in respective of client monies held including both segregated client and title transfer funds.

12. Subsequent events

On 8 June 2011 the Group reached agreement to sell the majority of the client list relating to extrabet's sport spread betting and fixed odds betting business to Spreadex Limited on terms where the Group will receive semi-annual payments for the next three years, calculated by reference to the revenue that the acquirer generates from clients on the list.

On 12 July 2011 the Group completed the redundancy consultation process with the employees of extrabet. As a result of this any extrabet employees unable to find a role within the Group will be made redundant as of 19 July 2011 and the business closed.