17 July 2012

IG GROUP HOLDINGS plc
Results for the year ended 31 May 2012

IG Group Holdings plc ("IG" or "the Group") today announces results for the year ended 31 May 2012.

Highlights:

- Net trading revenue up 17.3% to £366.8 million (2011: £312.7 million)
- Profit before tax[(1)] up 13.8% to £185.7 million (2011: £163.2 million)
- Diluted earnings per share[(1)] of 37.54p up 15.3% (2011: 32.57p)
- Cash generated from operations of £140.7 million, after tax (2011: £136.7 million)
- Final dividend per share of 16.75p. Total dividend per share for FY12 of 22.50p, up 12.5% (2011: 20.00p)
- Dividend per share represents 60% of diluted earnings per share
- Strong, debt free balance sheet, with a 330% excess over regulatory capital resources requirement (2011: 294%)
- Solid growth in active clients and revenue per customer

(1) The comparative profit before tax and diluted EPS and the percentage increases calculated thereon are based on an adjusted measure excluding the amortisation and impairment of intangible assets associated with the Group's Japanese Business. Both profit before tax and diluted EPS have been presented for the continuing business, excluding the discontinued Sport business.

Tim Howkins
Chief Executive

"For the year as a whole we increased revenue by 17%. Undoubtedly this success sets us some tough comparatives for the year ahead, but we will continue to invest appropriately in the capabilities of our business, in technology, marketing and geographic and product development, to position the company for long term growth. I remain confident in the prospects for the business going forward."

Jonathan Davie
Chairman

"I am pleased to report on another year of great delivery, with strong growth in revenue, profit and dividend. We have continued with our core strategies, which combine technological excellence with client service to drive growth in new and established markets."

Financial highlights:

For the year ended 31 May	2012[1]	2011[1]	Growth %
Net trading revenue[2] (£m)	366.8	312.7	17.3%
EBITDA[3] (£m)	196.3	173.5	13.1%
Profit before taxation[4] (£m)	185.7	163.2	13.8%
Statutory profit before taxation (£m)	185.7	12.5	
EBITDA margin[5]	53.5%	55.5%	
Profit before taxation margin[5]	50.6%	52.2%	
Diluted earnings per share[4]	37.54p	32.57p	15.3%
Final dividend per share	16.75p	14.75p	
Total dividend per share	22.50p	20.00p	12.5%
Dividend payout (% diluted earnings per share)	59.9%	61.4%	
Own funds generated from operations[6] (£m)	140.7	136.7	
Total available liquidity[7] (£m)	311.5	218.8	
Regulatory capital adequacy	330.5%	294.2%	

(1) *All amounts are stated for the Group's continuing operations. The Group's Sport business has been discontinued in the year-ended 31 May 2012 and the comparative disclosures restated.*

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

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

(4) *The comparative profit before taxation and 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).*

(5) *EBITDA and profit before taxation margin are calculated with reference to net trading revenue.*

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

(7) *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 a presentation on the results for analysts and institutional investors at 9:30am on Tuesday 17 July 2012 at IG Group's offices at Cannon Bridge House, Dowgate Hill, London EC4R 2YA. Those wishing to attend are asked to contact FTI Consulting. The presentation will be accessible via a conference call on the following number:

+ 44 (0) 20 3059 8125

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: 5611245#

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 revenue[(1)] has increased by 17.3% to £366.8m (2011: £312.7million) whilst diluted earnings per share[(2)] increased 15.3% to 37.54p (2011: 32.57p).

We continue to build upon our long history of profitability and have not had a loss making day since 2008. We maintain a strong debt free balance sheet and our capital resources significantly exceed regulatory requirements. We are a highly cash generative business and this allows for both investment in technology and enables us to maintain a high level of dividend payout.

As a result, at the forthcoming AGM, your Board will recommend the payment of a final dividend of 16.75p per share. This will bring the total dividends for the year to 22.5p, an increase of 12.5% on last year and represents 60% of our earnings for the year. Your Board plans to continue with the present policy of distributing approximately 60% of earnings each year.

Regulation

As a global financial services business that operates in highly regulated markets, we recognise the importance of being in compliance with regulatory and legal obligations at all times. As the regulatory environment changes, often in reaction to market events, we understand the importance of maintaining collaborative relationships with the relevant authorities.

One area of focus has been client money, and during the year we have strengthened our stewardship of client money, creating a Client Money Committee under the Chairmanship of our CFO, Chris Hill, to ensure that we continue to meet the highest standards of client care in this regard. A further example is working with regulators to introduce strict rules regarding the protection of client money; in Australia working with the CFD Forum to establish best practice in this area which, are substantially higher than present regulation demands.

I am disappointed to report, that despite our best efforts, the Group's annual charges from the Financial Services Compensation Scheme (FSCS) have remained at the elevated level of £5 million. We continue to press our case that firms such as IG Group, who act as principal, should not be included in the same compensation category as firms who deal as agents and offer advice.

Board Evaluation and Composition

As foreshadowed in my Statement last year, the Board appointed, after a detailed review of potential providers, Dr Tracy Long of Boardroom Review to conduct a full evaluation of the Board and its subsidiary committees, being Audit, Nomination and Remuneration, commensurate with Principle A.6 of the Combined Code on Corporate Governance.

Dr Long's review included interviews with all Board members and the Secretariat and attendance at a Board and various Board committee meetings. I am pleased to report that no major issues were raised and that her recommendations for improvement will be followed up by the Board. It is the present view of the Board to continue the practice of appointing an independent firm to conduct a full board evaluation every third year, whilst relying on internal reviews in the intervening period.

Nat le Roux will step down as Deputy Chairman at this year's AGM. Nat began his career with IG in 1992, and was CEO from 2002 to 2006, prior to taking up his present position. Nat's contribution to the success of IG has been immense; your Board will miss his wise counsel and wisdom.

In searching for a replacement for Nat, the Board recognises that it is important to consider diversity (of gender, skills, knowledge and experience) when appointing new Members to the Board, especially following publication of the Davies Review on Women on Boards.

Andrew Mackay, Director of Corporate Strategy, has decided to step down from the Board and leave the Company to pursue other interests. Andrew joined IG in 1999 as Group Legal Counsel and was appointed to the Board in 2003. He spent three years as Head of Asia Pacific, before his most recent appointment as Head of Corporate Strategy.

Your Board is sorry to lose him and we are exceptionally grateful for the help and guidance he has provided over many years. He has played a key role in IG's development for over a decade, and has been central to the Company's global expansion.

We wish them both the very best for the future.

These changes to our Board mean that after our 2012 AGM, we will be fully compliant with Code Provision A.3.2 of the Combined Code.

It is again our intention this year to put every Board Director up for re-election at the AGM in compliance with paragraph B.7.1 of the UK Corporate Governance Code.

Remuneration

The Remuneration Committee, under the Chairmanship of Roger Yates, the Senior Independent Director, has reviewed the remuneration for senior management during the year.

We are continuing with an element of deferral in the Executive Directors' and Code Staff's bonus structure, reflecting the Financial Services Authority's remuneration principles and commensurate with our previous commitments. There are no proposed changes this year to the Value Sharing Plan, our long-term incentive scheme; however there have been changes to the Executive Directors' performance related bonus scheme, details of which are set out in the Directors' Remuneration Report.

Conclusion

We have continued this year with our core strategies which combine technological excellence with client service to drive growth in new and established markets.

As always, our results could not have been achieved without the relentless focus on client service and commitment from all our employees. I and my fellow Directors would like to express our gratitude to them for their personal contributions to the Group's success this year.

Jonathan Davie, Chairman

17 July 2012

(1) Net trading revenue is trading revenue excluding interest on segregated client funds and is presented net of introducing broker commissions. All references to 'revenue' in this statement are made with regards to net trading revenue.

(2) The comparative diluted EPS and the percentage increases calculated thereon are based on an adjusted measure excluding the amortisation and impairment of intangible assets associated with the Group's Japanese Business. Diluted EPS has been presented for the continuing business, excluding the discontinued Sport business.

Chief Executive's Review

We experienced varying conditions through the year and this was reflected in a range of growth rates across the Group. For the year as a whole we increased revenue(1) by 17.3%. This was split into 28% growth in the first half, 1.5% in the third quarter and then 12% for the final quarter. High levels of market volatility in August 2011 resulted in record monthly revenues. This effect was greatest in our Southern Hemisphere businesses in Australia and Singapore. In the Northern Hemisphere the impact was more muted as it coincided with the summer holidays. Elevated client activity continued to a lesser extent for the remainder of the first half. As is often the case, this period of prolonged elevated client activity was followed by a more subdued period as many of our clients reduced their trading activity. This effect was exacerbated by the extended seasonal holiday period in December and January. This resulted in a muted third quarter. The year ended on a stronger note with good year on year growth in the final quarter, particularly in April and May.

There is a trade-off between the number of active clients and average revenue per client and for the last 18 months our focus, particularly in our longer established markets, has been on improving the quality of our client base. We have sought to recruit higher value new clients, and have ensured that our very largest clients receive a dedicated personal service. I was therefore pleased that during this financial year we achieved improvements in revenue per client of 10%, 9% and 30% respectively in the UK, Australia and Singapore.

In Europe revenue per client is some 20% higher than it is in our much longer established UK market, reflecting the relative immaturity of our European businesses where high value early adopters still raise the average. Revenue per client in Europe fell by 5% this year in a continuation of what is now a clear trend. Over time I would expect revenue per client for the established and newer markets to slowly converge.

Performance of our main business units

Our UK business continues to deliver good levels of growth with revenue up 15% for the year, driven by a 10% increase in revenue per client and a 5% growth in active clients.

We saw faster growth in Australia, up 22% driven in almost equal measure by growth in active clients of 11% and increased revenue per client of 9%.

Europe saw 26% growth with a 32% increase in active clients, partially offset by a 5% fall in revenue per client. Germany and Italy were the strongest growing in the first half, but in the second half produced weaker growth while our Iberian business accelerated to become the fastest growing of our European businesses.

Singapore achieved 49% growth, mainly driven by a 30% increase in revenue per client. South Africa produced revenue of £4.0 m compared to £2.7m for the 9 months it was included in the prior year.

There are signs that our Japanese business has stabilised after the leverage restrictions introduced in August. Revenue per quarter has been steady at around £4m in each of the last three quarters. We have reduced the cost base for this business to a level appropriate for its revenue and it continues to generate a reasonable level of profit.

Our US business, Nadex, remains a long term project but we are seeing some very early signs that it is gaining traction, with a steady increase in the number of members trading over the second half of the year, albeit from a small base. This growth was principally driven by direct client recruitment.

Extrabet

During July we closed our Sport business, extrabet, and sold part of its client list to Spreadex under an arrangement where we receive a share in the revenue that they generate from those clients for three years after the sale. During the year this arrangement produced income of £1m, which is reported within other operating income.

The closure of Extrabet has enabled us to focus single-mindedly on our core financial business and has had several benefits, including increasing our ability to carry out systems maintenance and development over the weekends.

Regulation and tax

During the year we have seen a focus from a number of regulators globally on client money protection and also on capital adequacy. These are both areas of competitive advantage for us and we welcome this increased regulatory focus. In Australia a number of competitors have moved to full UK-style client money segregation, something we have always offered our Australian clients.

The Monetary Authority of Singapore has indicated an intention to reduce leverage on forex from fifty times to 20 times. While we do not welcome this development, we believe that the impact it will have on our revenue will be significantly less than similar changes previously made in Japan as the MAS rules are more flexible and recognise the positive impact that stops have on reducing client risk.

Several countries in continental Europe have indicated an intention to bring in a financial transaction tax which is similar in style and scope to UK stamp duty. Initial indications are that it will not apply to derivative transactions and, as with UK stamp duty, it may therefore result in a competitive advantage when comparing trading CFDs on individual equities with us to trading conventional cash equities. We continue to monitor developments in this area closely.

International growth

This was the first full year of operation for our Amsterdam office, which we opened in May 2011 and our South African office which was established in September 2010 when we acquired the business and client list of Ideal CFDs. Both businesses performed well during the year and by the end of the year were achieving monthly revenues of £100k and £400k respectively.

Our corporate development team, under the leadership of Andrew MacKay, has developed plans for further international expansion over the next few years. For competitive reasons I believe it would be counterproductive to provide further detail until shortly before any new country is due to go live.

I would like to add my thanks to those of our Chairman for Andrew's contribution to IG over the past 13 years and in particular the major part he has played in shaping our international expansion to date and providing a plan and the infrastructure which will enable us to continue to expand in the coming years.

Investment in Technology

Our ongoing investment in technology remains key to driving our continued market leadership and our continued growth. The majority of this investment is the direct employment cost of our in house IT department. By the end of the financial year we had 397 people in IT and their cost, including bonus payments, for the year was £28.6m, compared to £23.5m the year before.

One of our key initiatives over the last two years has been the development of apps for all of the major mobile platforms. During the last year we completed the initial roll-out of apps for iPhone, iPad, Android, Blackberry and Windows Phone 7. All of these have been developed as native apps, meaning that they are developed specifically for each mobile operating system and therefore conform closely to the normal user experience for that device. This approach allows us to make full use of all of the features that each operating system provides and will enable us to continue to develop increasingly rich featured apps. Client usage of these apps has been increasing progressively and last month 21% of all client initiated transactions were made using one of these mobile apps, while 43% of the clients who dealt with us last month executed at least one transaction using a mobile app. I believe that mobile will become an ever more important channel for our industry going forward and we intend to continue to invest appropriately to ensure that we are at the forefront of this key technology.

Two other long term IT development projects also came to fruition this year: charts and Insight.

Charts are an important tool which many of our clients use to inform and track their trading decisions and we took the decision three years ago that we should reduce our dependence on external providers and increase our flexibility by bringing our charting in house. This work is largely complete and the charts which the vast majority of our clients use, both on our web based platform and within our mobile apps were developed and are maintained fully in house. We continue to add features to these in response to client feedback.

Insight is a new resource tool which we provide to our clients. It brings together a wide range of information about each financial market which our clients can trade, including information about overall client sentiment. Initial client feedback has been extremely positive and we continue to develop and enhance Insight.

Client Service

Another key development that we have been working on for some time is the on-going improvement of our price delivery and deal execution; this enables us to deliver a superior service to clients. We continue to improve the speed at which we deliver price ticks to clients and the level of automation of our deal execution. I believe this ongoing improvement is one of a number of factors which has helped to drive our improving revenue per client.

Strongly positioned

IG remains extremely strong financially. Perhaps just as importantly we maintain a strong corporate culture with very high levels of employee engagement. During the year we conducted two employee surveys and approximately two thirds of our global employees responded. These surveys provide us with valuable feedback and we continue to make changes so as to further improve employee engagement. I was particularly pleased to see in the most recent survey that roughly 85% of our employees say that they are excited about where IG is going, with similar percentages saying that they are proud of IG, that IG is a company full of great people and that we have a positive working culture. Our talented and highly motivated employees have played a crucial role in driving the success of IG for many years and I believe will continue to be the main driving force of the business going forward.

Current trading and outlook

Revenue in the first six weeks of the current financial period has been lower than the same period last year, as dull markets in this period have presented our clients with fewer trading opportunities. As we have previously commented, comparatives are increasingly challenging for the remainder of the current quarter and the beginning of the next. Against this backdrop revenue this year is forecast to be more weighted towards the second half than historically. Under normal market conditions, we continue to expect modest growth in revenue for the year as a whole. We remain committed to investing appropriately in the capabilities of our business, in technology, marketing and geographic and product development, to position the business for long-term growth. I remain confident in the prospects for the business going forward.

Tim Howkins, Chief Executive
17 July 2012

Footnote:

(1) Net trading revenue is trading revenue excluding interest on segregated client funds and is presented net of introducing broker commissions. All references to 'revenue' in this statement are made with regards to net trading revenue.

Competitive environment

IG Group has established leading positions in many of the markets in which it operates. We are the market leader in the UK, Australia and France where we continued to grow active clients during the period. We are number two in Germany, where the competition is diverse and we have continued to grow both active client numbers and revenues.

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 balance sheet strength and client money segregation policies remain key differentiators in the industry as well as ensuring that we are well placed to deal with changes in the regulatory environment. We have developed the breadth of our technology to incorporate mobile trading access across our products and geographies, with around 20% of the Group's revenue now coming through mobile devices. Our technology platforms offer efficient dealing, high levels of availability and provide us with a competitive advantage in winning and retaining clients.

Our high levels of client service, competitive and transparent pricing and high speed execution are important elements in retaining and attracting clients.

Regulatory environment

Regulatory risk is the risk of non-compliance with, and future changes to, regulatory rules potentially impacting our business in the markets in which we operate.

Our products have several features which make them higher risk when compared to traditional forms of trading. They are leveraged, derivative products, are not listed on any exchange (apart from Nadex products) and are not assignable or tradable with any other third party. Consequently, our regulatory licenses, which enable us to trade our products with retail clients, are subject to a large number of rules. Compliance with these rules is fundamental to the business and we invest significant resources to ensure that we comply with both the letter and the spirit of these rules.

The regulatory environment continues to evolve and there are currently a number of policy initiatives and proposals in development that may impact or have already impacted our sector, as described below:

- The European Commission is reviewing the Markets in Financial Instruments Directive ('MiFID'), having released draft legislation in the second half of 2011. Based on this draft legislation, 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 carried out a large amount of policy work in our industry over the past year. A number of changes have or will come into effect in the coming year as a result of this work, including regulatory capital changes, disclosure changes and client suitability changes. We have engaged closely with ASIC on these issues and we do not expect the changes to have a substantial impact on our business.

- The Monetary Authority of Singapore (MAS) has recently released a consultation paper detailing proposed new rules to regulate providers of retail Over The Counter (OTC) derivatives. The proposals include strengthening client money protection, reducing leverage on FX contracts with no stop level attached and increasing the regulatory capital requirements of licence holders. We are responding to the MAS consultation and assessing the impact that the draft proposals might have on our Singaporean business.

- The MAS has also recently issued two consultation papers in relation to proposed changes to technology risk management by financial institutions. One consultation paper relates to the introduction of mandatory requirements relating to critical systems and protecting customer information from unauthorised access. The other consultation paper relates to the introduction of updated technology risk management guidelines that are industry best practices for financial institutions. It is likely that we will need to expend some time and resource on upgrading our IT systems in order to comply with the proposed changes if they are introduced and therefore we are consulting with MAS on the proposals.

- A number of our regulators, including the European Commission, MAS, ASIC and the US Commodity Futures Trading Commission (CFTC), are considering proposals to strengthen the regulations governing OTC markets. This is as a result of the G20's commitment to bringing large parts of the OTC market onto exchanges and/or through clearing houses by the end of 2012. It is unlikely that such proposals will apply to our retail OTC contracts but we are monitoring the situation carefully.

- A number of EU member states are considering or have bought in transactional taxes, for example, the French Stamp Duty on Equity Instruments (expected to be 0.2%). There are also continued discussions at an EU level about the introduction of an EU wide financial transactions tax ("FTT") that would apply to a wide array of financial instruments. From our current understanding, it is unlikely that an EU FTT can be implemented but there is the possibility that an FTT could be introduced by a group of EU member states through the EU process of enhanced cooperation. Whether such taxes will be a benefit or risk for our business remains to be seen and depends on the details of such taxes. We are monitoring the situation carefully.

- The Privacy and Electronic Communications (EC Directive) (Amendment) Regulations 2011, which amend the Privacy and Electronic Communications Regulations 2003 (the "Cookie Directive") has come into force and regulates the way in which we can use cookies as part of our online marketing and as a means to improve customer experience and understand/analyse how our customers interact with our websites. We are still assessing the impact that the Cookie Directive will have on our business.

- As noted in the Chairman's statement the Group's annual charges from the Financial Services Compensation Scheme (FSCS) have remained at elevated levels. In the short term we continue to maintain a dialogue with the FSCS in order that we are aware of potential claims on the compensation pot to which we are required to contribute. In the medium term we understand the Financial Services Authority will undertake a review of the funding arrangements of the FSCS. We are monitoring the situation carefully.

Over the next 12 months the regulatory structure in the UK is due to change. The Financial Services Authority (FSA) will be split into to two new bodies: the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). Following the split, our business will be regulated by the Financial Conduct Authority (FCA).

We work closely with our regulators to ensure that we operate to the highest regulatory standards and can adapt quickly to regulatory change. We are committed to engaging proactively with regulators and industry bodies, and will continue to support changes which promote protection for clients and greater clarity of the risks they face. However, we cannot provide certainty that future 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 2012 including a discussion of the Key Performance Indicators (KPI's) used to monitor and control our business.

Income statement presentation

The comparative administrative expenses, profit before tax and diluted earnings per share and the percentage increases calculated thereon are based on an adjusted measure excluding the amortisation and impairment of intangible assets associated with the Group's Japanese business. Comparative diluted earnings per share also exclude the taxation related to the amortisation of intangible assets associated with the Group's Japanese business.

The comparative income statement has also been restated to exclude the Group's Sport business which was closed during the year and accordingly has been presented as a discontinued operation.

Summary Group Income Statement

£000	2012	2011 Restated	% change
Net trading revenue(1)	366,812	312,721	17%
Other net operating income	2,358	5,875	
Net operating income	369,170	318,596	
Operating expenses	(172,897)	(145,075)	19%
EBITDA	196,273	173,521	13%
Depreciation, amortisation and amounts written off property plant and equipment	(10,760)	(10,308)	
Interest received / (paid)	204	(8)	
Adjusted profit before tax(2)	185,717	163,205	14%
Amortisation and impairment of intangibles	-	(150,703)	
Profit before taxation	185,717	12,502	
Tax expense	(48,583)	(32,792)	
Profit /(loss) for the year from continuing operations(3)	137,134	(20,290)	
Loss from discontinued operations	(374)	(5,002)	
Profit / (loss) after tax and discontinued operations	136,760	(25,292)	
Diluted earnings per share from continuing operations(2)	37.54p	32.57p	15.3%
Total dividend per share	22.5p	20.00p	12.5%

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

(2) In the prior period both profit before tax and diluted earnings per share excluded both the amortisation and impairment of goodwill and customer relationships associated with our Japanese business, IG Markets Securities (formerly FXOnline), and the related taxation

(3) The Group's Sport business was discontinued in the year-ended 31 May 2012 and the comparatives restated accordingly

Net trading revenue grew by 17% to £366.8 million (FY11: £312.7 million).

KPI: Net trading revenue

It was another strong year of growth for the Group, with net trading revenue up by 17% to £366.8 million (FY11: £312.7 million). The diversity provided by the breadth of the tradable product range reduces revenue volatility as it enables clients to switch rapidly between products as the news flow changes. The futures business, where the underlying market is extremely liquid, made up over 50% of the revenue in the year.

Changes in market volatility can have an important impact on net trading revenue in any period. The Chicago Board Options Exchange Market Volatility Index (VIX) provides an indication of the inherent volatility in the S&P 500 and over the financial year was indicative of broader market volatility. We saw a sharp upward movement in this measure in August 2011, remaining relatively high and fluctuating into September, and this corresponded with higher client activity levels and a short term increase in net trading revenue. Reflecting this increased activity, first half revenue was up by 28%. In the second half of the year volatility gradually returned to levels closer to a long run average. For this period Group net revenue was ahead by 7%. Measures of volatility in addition to the VIX are outlined below.

Net trading revenue grew in all regions except Japan

KPI: Geographic net trading revenue

In the year we experienced strong revenue growth across all of our geographic regions except Japan, with the detail in the table:

£000's **Segment – net trading revenue**	**2012**	**2011**	**% change**
UK	191,781	167,166	14.7%
Australia	57,962	47,607	21.8%
Europe	72,217	57,464	25.7%
Japan	16,457	20,606	(20.1%)
Rest of World	28,395	19,878	42.8%
Total financial net trading revenue	366,812	312,721	17.3%

The UK, which delivered 52% of the revenue in the year, continued to grow; revenue here was up by 15% to £191.8 million (FY11: £167.2 million). The first half of the year was ahead by 23%, with a marked positive impact from the higher levels of market volatility from August into September. We continued to see solid growth in the second half (up 6%) as clients adapted to lower levels of volatility.

Our Australian business had a particularly strong year, up almost 22% to £58 million (FY11: £47.6 million), although the extremely strong growth of H1 (43%) was followed by a reasonably flat second half, with signs of competitive pressures and a marked downturn in consumer sentiment becoming visible in the fourth quarter.

Europe (up 26% to £72.2 million) followed a similar pattern to the UK, with growth in both halves of the year, with the first half being particularly strong following the significant levels of volatility in the middle of the period. Germany and Italy were the key contributors' to the growth in the first half. The second half of the year remained very robust (up 12%), with particularly strong growth in France, Spain and Portugal. Europe now contributes 20% of Group revenue.

As was previously announced, the regulator in Japan imposed a further leverage restriction at the end of the first quarter which negatively impacted the ability of clients to trade at the same level as previously. As a direct result of the leverage restrictions, net trading revenue in Japan was down year-on-year by 20%, to £16.5 million (FY11: £20.6 million), however the business showed signs of stabilising with revenue of around £4 million in each of the last three quarters.

The Rest of the World revenue grew by 43% to £28.4 million (FY11: £19.9 million) with around 80% of the total coming from Singapore. The South African business was ahead by 46%, although the prior year comparable only contains nine months revenue following the acquisition in September 2010. Volumes on the Nadex exchange in the USA continue to grow steadily albeit from a low base. Although the revenue here remains immaterial to the Group as a whole, this is a potentially important medium term avenue for the Group.

Changes in revenue by asset class reflect levels of client focus

KPI: Net trading revenue by asset class

The primary shift experienced in the year was the movement towards trading in equity indices, which constituted 44% of the revenue (FY11: 36%). The proportion of shares declined during the first part of the year from 18% to around 12% in December, recovering with the rebound in equity markets in the new calendar year. Forex (22%) also fell as a proportion of overall revenue, although both remain robust at an absolute revenue level. The remaining 16% of revenue is made up by commodities and binaries which maintained the same level of percentage contribution year-on-year.

£000's Revenue by asset class	2012	2011	% change
Shares	67,116	68,226	(1.6%)
Equity indices	160,405	111,467	43.9%
Forex	79,363	83,115	(4.5%)
Commodities	41,851	35,189	18.8%
Binaries	18,077	14,724	23.1%
Total financial net trading revenue	366,812	312,721	17.3%

Active clients grew 11% (excluding Japan) and revenue per client was stable

The primary drivers of the Group's financial revenue are the number of active clients we have and the average revenue per client, which is a factor of their trading frequency and the type and size of trades they place. These are discussed in turn below.

Number of active clients – continued growth despite tough comparatives

KPI: Number of active clients

During the year the number of active financial clients increased by 7% to 143,304 (FY11: 133,580). Excluding Japan, where the third and final leverage reduction came into force during the year and active client numbers were down by 19%, the number of active clients increased by 11%.

We continued to grow active client numbers in our two more established markets of the UK and Australia. Overall the UK was up by almost 5%, with spread betting ahead of the CFD business, and Australia was ahead by 11%. Europe once again saw the fastest growth in active clients with a 32% increase, with particularly strong growth in Iberia, and the Rest of the World had another strong year, with a 17% increase.

KPI: Average revenue per client

Average revenue per financial client (total revenue divided by the number of active clients in the given period) varied during the year across products and geographies. In general less mature geographies and newer clients tend to produce higher revenue in the short term and trend towards the longer term average. This measure fell by 5% for the European business as it begins to mature, although it remains around 20% above the level in the UK. The level of average revenue continued to rise in the mature markets of the UK and Australia, rising by 9% in the UK and 10% in Australia driven by our focus on improving the quality of our client base. In the UK the growth was significantly skewed towards the spread betting business with the CFD business still subdued by an unfavorable share trading environment. In the Rest of the World this measure rose by 22%, primarily driven by a 30% rise in the Singapore business.

Other net operating income

Other net operating income includes betting duties paid by the Group in relation to spread betting clients, interest earned on segregated clients funds net of interest paid to those clients and amounts earned under a revenue share arrangement. This is broken out in detail on the statutory income statement.

Betting duties were £8.9 million and saw an increase of £5.8 million from the prior year. Net interest income on segregated client funds increased to £10.3 million (2011: £8.9 million) as a result of both growth in the level of client funds held and better deposit rates.

In the current financial year the Group benefitted from £1.0 million of income earned largely in relation to a revenue share arrangement with Spreadex Limited following the sale of the Group's Sport business client list. Under this arrangement the Group receives semi-annual payments, for three years, calculated by reference to the revenue that the acquirer generates from clients on the list.

Administrative expenses

Administrative expenses, as detailed below, increased by £28.3 million to £183.7 million (2011: £155.4 million). Underlying operating expenses which exclude depreciation, amortisation and amounts written off property plant and equipment and exceptional items, increased by £30.3 million to £174.0 million.

Administrative expenses £000	**2012**	**2011**
Employee remuneration costs	92,669	72,345
Advertising and marketing	31,068	31,292
Premises related costs	10,384	9,098
IT, market data and communications	12,724	12,615
Legal and professional	5,777	3,885
Regulatory fees	6,300	5,788
Bad and doubtful debts	1,337	(2,282)
Other costs	13,729	10,974
Underlying operating expenses	173,988	143,715
Depreciation, amortisation and amounts written off property plant and equipment	10,760	9,916
Exceptional items (including depreciation)	(1,091)	1,752
Total administrative expenses	183,657	155,383

Employee remuneration and advertising and marketing costs comprise 71.1 % (2011: 72.1%) of underlying operating costs in the current year.

Employee remuneration costs

Employee remuneration costs increased to £92.7 million (2011: £72.3 million), with £13.7 million resulting from increases in performance-related bonuses and commissions as well as £5.8 million resulting from an increase in the average number of employees. As a result, the Group's total compensation ratio (i.e. total employee remuneration expressed as a percentage of net trading revenue) increased to 25.3% (2011: 23.1%).

The Group pays performance-related bonuses to most staff and makes awards under Value Sharing and Long-Term Incentive 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	2012	2011 Restated
Fixed employment costs	59,719	53,909
Performance-related bonuses and commissions:		
Pool schemes	18,943	9,444
Specific schemes	9,002	4,770
Share-based payment schemes	5,005	4,222
Total employee remuneration costs	**92,669**	**72,345**

The average number of employees increased in the year to 960 (2011: 893), with year-end headcount being 1,012 (2011: 926).

In the past year, the Group has continued to invest in headcount associated with supporting the client platform and ongoing technological innovation. This investment, in IT development, quality assurance and platform maintenance and hosting, allows the advancement of multiple technology initiatives simultaneously whilst also ensuring we maintain high levels of platform resilience and availability. At 31 May 2012 year-end IT headcount was 397 (2011: 327) an increase of 21% over the level at the prior year-end.

The Group's marketing headcount has also grown over the year, reflecting the investment in both online and offline marketing capability as well as action taken to reduce dependency on external agencies. These initiatives have, whilst increasing headcount, increased the efficiency and cost effectiveness of our online advertising through bringing trafficking for specific markets in house as well as enhancing the Group's ability to run multiple online and offline campaigns in different markets. At 31 May 2012 year-end marketing related headcount was 95 (2011: 67) an increase of 41% over the level at the prior year-end.

Other notable changes in the year include the ongoing reduction of headcount in Japan following action taken to significantly reduce our Japanese cost base and to ensure alignment with the changing needs of this business.

Marketing costs

Advertising and marketing costs have remained flat at £31.1 million (2011: £31.3 million) during the year. This reflects initiatives noted above to reduce our dependency and costs with external agencies (a £0.7 million part year reduction) as well the action taken to reduce the cost base of our Japanese business (a £2.6 million reduction in marketing spend) following a number of expected regulatory restrictions on leverage, the last of which came into force on 1 August 2011. The Group's focus on online channels has seen increased efficiency of spend through the use of new technologies to optimise our websites, bring online advert trafficking in house and extending the markets for which paid search is performed by an in house team.

These savings have allowed incremental investment in sponsorship and targeted offline media campaigns through the year in order to maximise the recruitment, conversion and retention of clients globally. The Group continues to invest in building the IG brand and to that end we have engaged with specialist consultancies during the year.

Other expenses

Premises-related costs increased by £1.3 million to £10.4 million (2011: £9.1 million) as a result of the full year impact of new offices opened during 2011 in the Netherlands and in South Africa, relocation and expansion of the offices in both Spain and Italy and through inflationary cost increases in rent and service charges for both our UK headquarters and disaster recovery site.

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.

Legal and professional fees, which include audit, taxation, legal and other professional fees increased to £5.8 million (2011: £3.9 million). This increase results from a higher spend on taxation support services in the year, reflecting the complexity of the Group's global operations and corporation, payroll and sales tax compliance as well higher spend in relation to legal matters. Details of the ongoing significant litigation against the Group are disclosed in note 12 of this announcement.

The level of charges levied on the Group by the Financial Services Compensation Scheme ('FSCS') in relation to the failure of investment intermediary firms was consistent with that levied in the prior year – with a total levy for the FSCS year ended 31 March 2012 of £5.0 million (year to 31 March 2011: £4.9 million). The Group also pays other regulatory fees to the FSA in the UK as well as regulatory bodies in other jurisdictions where we have operations.

The impact of use of our Close-Out Monitor, which automatically reduces our exposure to bad debts combined with the use of tiered-margining again ensured that new bad debt provisions of £2.3 million (2011: £1.2 million) were less than 1% of net trading revenue. The Group recovered £1.2 million of cash against previously provided bad debts, which along with a £0.5 million charge in relation to a doubtful debt that arose in the year-ended 31 May 2009, contributed to an overall doubtful charge of £1.3 million for the year against and an overall net recovery of £2.3 million in the prior year. The management of credit risk is described in both the 'Managing Our Business Risk' section of the Business Review and in note 36 to the Financial Statements.

Other costs include bank charges, training, travel, recruitment and irrecoverable sales taxes. The increase in other costs primarily results from irrecoverable sales taxes where a charge of £2.0 million was incurred in relation to the application of the Group's VAT recovery agreement with HM Revenue and Customs in prior periods.

Depreciation, amortisation and amounts written off property, plant and equipment increased to £10.8 million (2011: £9.9 million) reflecting the investment over both the current and prior period in IT hardware and software. The amortisation charge associated with the client list acquired with our South African business (Ideal CFDs) was £1.0 million in the year (2011: £1.2 million).

Exceptional items included in profit before tax

£000	2012	2011 Restated[1]
Relocation of the Group's London headquarters	(1,091)	1,752
Total exceptional items included in profit before tax	(1,091)	1,752

[1]Exceptional items reported for the prior year exclude the impairment of intangible assets associated with the Japanese business and the Group's discontinued Sport business.

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, dilapidation accruals and other asset obsolescence. In the year to 31 May 2012 the Group has negotiated with the property landlord both the early surrender of lease and the settlement of dilapidation obligations for the previous London premises resulting in the exceptional credit to the income statement disclosed above.

EBITDA margins

KPI: Geographic EBITDA contribution

The Group uses EBITDA contribution, which includes an allocation of central costs, as a key indicator of regional performance (refer note 4 to the financial statements ('Segment information').

EBITDA increased to £196.3 million (2011: £173.5 million) driven by the increase in net trading revenue and administrative expenses discussed earlier in the Operating and Financial Review. EBITDA margin (EBITDA expressed as a percentage of net trading revenue) decreased to 53.5% (2011: 55.5%).

The following table summarises EBITDA margin by region:

	EBITDA margin by region	
Segment	**2012**	**2011 (restated)**
UK	58.5%	63.9%
Australia	64.7%	65.4%
Europe	38.8%	40.2%
Japan	41.2%	24.7%
Rest of World	41.6%	37.0%
Group	53.5%	55.5%

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.

The UK segment's EBITDA margin is lower than that in the prior financial year as a result of both higher betting duties in relation to spread betting clients and due to the costs associated with the application of the Group's VAT recovery agreement in prior years noted earlier. The application of the Group's VAT recovery agreement also had a negative impact on margin in Europe. In Japan, the EBITDA margin improved significantly, as whilst revenues fell from the level in the prior year following the full year impact of leverage restrictions, the actions taken to reduce the cost base of this business ensured improved profitability. The Rest of World EBITDA margin benefitted from the revenue growth in Singapore.

Profit before taxation

KPI: Profit before taxation

As a result of the factors outlined above profit before taxation grew 13.8% to £185.7 million (2011: £163.2 million). Profit before tax margin, calculated with reference to net trading revenue, decreased to 50.6% (2011: 52.2%) reflecting the Group's continuing investment in IT and marketing capability.

Taxation expense

The effective rate of taxation for the year-ended 31 May 2012 increased to 26.2% compared to an adjusted rate of 24.2% for the prior year. The prior year adjusted rate has been calculated after excluding the profit and loss account impact of the Japanese goodwill impairment. The effective rate for the current year is higher than the prior year due to the current tax adjustment in respect of prior years of £1.9 million and lower taxes on overseas earnings 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 11 to the financial statements.

Discontinued operations

During the period the Group completed the sale of the majority of the client list relating to the sport spread betting and fixed odds betting business, extrabet, to Spreadex Limited. Following the completion of a redundancy consultation process with the employees of extrabet those unable to find a role within the Group were made redundant and the business was closed. Accordingly the Group's Sport business is presented within the Group Income Statement as a discontinued operation. In the financial review all numbers, unless otherwise stated, exclude the Sport business. In the year ending 31 May 2012, the discontinued operations contributed a loss after taxation of £0.4 million (2011: loss after taxation of £5.0 million).

Diluted earnings per share

KPI: Diluted earnings per share

Diluted earnings per share from continuing operations increased to 37.54p (15.3% growth) from 32.57p in the year-ended 31 May 2012.

Diluted earnings per share increased to 37.44p (14.7% growth) from 32.64p in the year-ended 31 May 2012. Diluted earnings per share is used as a primary measure of our underlying profitability and elements of both the annual Directors' performance-related bonuses, as well the Long-Term Incentive Plan that vests in September 2012 are calculated with 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 profit after tax. This policy will be kept under review, but our current intention is to pay out a similar proportion of earnings in the future.

The Board has recommended a final dividend of 16.75p, to bring the total dividend for the financial year ending 31 May 2012 to 22.5p (2011: 20.00p) and increase of 12.5%.

Summary Group Cash Flow – high levels cash of generation

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' in order to provide a clear presentation of the Group's available cash resources. For an explanation of the derivation of 'own funds' please refer to the table presented in the following available liquidity section. The prior year summary Group cash flow has been restated to reflect the amended presentation of own funds explained in the following section on available liquidity.

£000	2012	2011 (Restated)
Operating activities		
Profit before tax[1]	185,329	163,000
Depreciation and amortisation	10,760	10,866
Other cash and non-cash adjustments	2,140	6,320
Income taxes paid	(57,554)	(43,503)
Own funds generated from operations	**140,675**	**136,683**
Movement in working capital	21,906	1,068
Outflow from investing and financing activities	(83,324)	(95,278)
Increase in own funds	**79,257**	**42,473**
Own funds at 1 June	309,228	268,479
Exchange gains on own funds	(264)	(1,724)
Own funds at 31 May	**388,221**	**309,228**

(1) Profit before tax is stated inclusive of discontinued operations for the purposes of the cash flow statement.

Own funds generated from operations were £140.7 million (2011: £136.7 million) during the year, reflecting the cash generative nature of the business. Cash conversion, calculated as own funds generated from operations divided by profit before tax remained at high absolute levels (2012: 75.9% 2011: 83.9%).

'Own funds' increased by £79.0 million (2011: £42.5 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 £9.1 million in relation to capital expenditure (2011: £19.9 million) on IT hardware and software, with the prior year number including the cash flows associated with the fit out of the Groups new London headquarters. This item also includes the payment of the final 2011 and interim 2012 dividend payments which total £73.9 million (2011: £67.7 million). The prior year 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).

Available liquidity – Group cash generation funds broker margin requirements

The Group's 'own funds', as set out in the table below, comprise cash balances available to the Group for its own purposes and exclude all monies held on behalf of clients. Own funds are used in normal business operations as well as for the funding of broker margin requirements. Consequently own funds are held either with the Group's banking or broking counterparties. The Group is also entitled to use 'title transfer funds' in normal business operations and as broker margin. Title transfer funds are those held on behalf of corporate clients where the client agrees, under a Title Transfer Collateral Arrangement (TTCA), that full ownership of such monies is unconditionally transferred to the Group. The Group does not accept title transfer funds from individual clients.

Own funds increased to £388.2 million (2011: £309.2 million) in the year to 31 May 2012 reflecting the high level of cash generation set out earlier in this report. 'Net own cash available' also increased to £192.3 million (2011: £91.9 million) following an decrease in the year-end broker margin requirements. '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.

The Group's available own cash enables the funding of large broker margin requirements when required – the level of available liquidity at 31 May 2012 should be considered in light of the intra-year high broker margin requirement of £277.1 million, the continued growth of the business and the Group's commitment to segregation of individual clients money as well the final proposed 2012 dividend all of which draw upon available cash resources.

£000	2012	2011 Restated[1]
Available cash resources		
Own funds	388,221	309,228
Title transfer funds	59,852	71,453
Available cash resources comprise:		
Own cash and title transfer funds	228,156	124,528
Amounts due from brokers	206,997	267,792
Less other amounts due from/ (to) clients[1]	12,920	(11,639)
Available cash resources	**448,073**	**380,681**
Available liquidity		
Available cash resources	448,073	380,681
Less broker margin requirement	(195,954)	(217,360)
Net available cash	252,119	163,321
Less title transfer funds	(59,852)	(71,453)
Net own cash available	192,267	91,868
Of which declared as dividend	(60,769)	(53,051)
Committed banking facilities[2]	180,000	180,000
Total available liquidity (including facilities)	311,498	218,817

[1]The comparative amount has been restated to disclose 'other amounts due from / (to) clients' which represent balances that will be transferred from or to the Groups own cash into segregated client funds on the immediately following working day in accordance the UK's Financial Services Authority (FSA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates.

[2]Draw down of the committed banking facilities is capped at 80% of the actual broker margin requirement on the draw down date. For example the actual committed facilities available for draw down at 31 May 2012 based on the year end broker margin requirement of £196.0 million were £156.8 million. Available draw down of £156.8 million facility equates to total available liquidity as at 31 May 2012 of £287.4 million.

Total available liquidity is stated inclusive of committed banking facilities of £180.0 million (2011: £180.0 million) – none of which were drawn during the current or prior financial year except for test purposes.

Regulatory capital resources

Throughout the year, the Group maintained a significant excess over the capital resources requirement, both on a consolidated and individual regulated entity basis. The Group's regulatory capital surplus is reflected in the own funds and available liquidity disclosed above.

The Group considers there are significant benefits to being well capitalised at a time of continuing global economic uncertainty. The Group is 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. The Group's capital management is reviewed further in note 36 to the financial statements.

£m	**2012**	**2011**
Total Tier 1 capital	448.7	380.1
Less: Intangible assets (adjusted)	(115.4)	(115.3)
Less: Investment in own shares	(1.5)	(1.2)
Total capital resources (CR)	**331.8**	**263.6**
Capital resources requirement (CRR)	(100.4)	(89.6)
Surplus	**231.4**	**174.0**
CR expressed as a % of CRR	**330.5%**	**294.2%**

Summary Group Statement of Financial Position

£000	2012	2011
Property, plant and equipment	15,555	16,761
Intangible assets	115,366	117,202
Deferred tax assets	11,915	11,264
Non-current assets	**143,836**	**145,227**
Trade and other receivables	232,087	278,303
Cash and cash equivalents	228,156	124,528
Current assets	**460,243**	**402,831**
TOTAL ASSETS	**603,079**	**548,058**
Trade and other payables	125,891	128,639
Provisions	1,353	1,427
Income tax payable	28,652	37,060
Current liabilities	**155,896**	**167,126**
Provisions	-	1,991
Redeemable preference shares	40	40
Non-current liabilities	**40**	**2,031**
Total liabilities	**155,936**	**169,157**
Total equity	**447,143**	**378,901**
TOTAL EQUITY AND LIABILITIES	**603,079**	**548,058**

Non-current assets

As discussed in the Business 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 licenses amounted to £3.0 million (2011: £7.1 million) largely relating to the development of the client trading platform and software relating to enhanced marketing capability. During the year we also invested £3.1 million in property, plant and equipment (2011: £14.3 million) including £2.4 million in relation to IT equipment and £1.6 million in relation to our new London headquarters and other overseas offices.

Intangible assets include goodwill of £107.5 million (2011: £107.4 million), primarily arising on the acquisition of IG Group Plc and its subsidiaries in 2003, the goodwill associated with the acquisition of Nadex of £4.9 million (2011: £4.6 million) and the goodwill (£1.9 million) and client list (£0.4 million) arising on the acquisition of our South African business (refer to note 17a of the financial statements).

Current assets

Trade and other receivables include amounts due from brokers, amounts due to be received from segregated client money accounts on the following working day as well as prepayments. Amounts due from brokers 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 decreased to £207.0 million (2011: £267.8million) primarily as a result of lower equity positions than at the prior year-end. Broker margin rates have remained consistent over the period and therefore this lower equity position resulted in a lower collateral requirement with brokers. Cash and cash equivalents are discussed in the cash flow section.

Client money

KPI: Client money levels

Total monies held on behalf of clients at year-end was £792.6 million (2011: £786.1 million) of which £732.7 million (2011: £714.7 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 £59.9 million (2011: £71.5 million) represents 'title transfer funds' where the client agrees, under a Title Transfer Collateral Arrangement (TTCA), that full ownership of such monies is unconditionally transferred to the Group. Title transfer funds have reduced in the current year following the Group's decision not to accept title transfer funds from individual clients, consequently title transfer funds now include only corporate clients. 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.

Liabilities

Trade and other payables include amounts due to clients in relation to title transfer funds, amounts due to be paid into segregated client money accounts on the following working day as well as accruals and other payables. The reduction in trade and other payables from the level held at 31 May 2011 results from a number of factors. Title transfer funds have reduced by £11.6 million following the Groups decision not accept title transfer funds from all individual clients – as detailed earlier in this report. Additionally amounts due to paid into segregated client money accounts at 31 May 2011 were £11.6 million whereas at 31 May 2012 the following working days transfer was from segregation and to the Group's own funds. Finally, the level of accruals is £19.2 million higher at 31 May 2012 largely as a result of the higher performance-related bonus accruals as discussed earlier in this section.

Provisions relate solely to the amounts payable in relation to onerous lease liability for the Group's former headquarters.

Financial information

Group Income Statement

For the year ended 31 May 2012

	Note	*2012* Total £000	*2011 restated* Before certain items[1] £000	*2011 restated* Certain items[1] £000	*2011 restated* Total £000
Trading revenue		400,262	345,409	-	345,409
Interest income on segregated client funds		10,509	9,115	-	9,115
Revenue		410,771	354,524	-	354,524
Interest expense on segregated client funds		(257)	(176)	-	(176)
Introducing broker commissions		(33,450)	(32,688)	-	(32,688)
Betting duty		(8,907)	(3,064)	-	(3,064)
Other operating income	3	1,013	-	-	-
Net operating income		369,170	318,596	-	318,596
Analysed as:					
Net trading revenue	*2*	*366,812*	*312,721*	-	*312,721*
Other net operating income		*2,358*	*5,875*	-	*5,875*
Administrative expenses[2]		(183,657)	(155,383)	(150,703)	(306,086)
Operating profit		185,513	163,213	(150,703)	12,510
Finance income		2,487	2,403	-	2,403
Finance costs		(2,283)	(2,411)	-	(2,411)
Profit before taxation from continuing operations		185,717	163,205	(150,703)	12,502
Tax expense	6	(48,583)	(44,444)	11,652	(32,792)
Profit / (loss) for the year from continuing operations		137,134	118,761	(139,051)	(20,290)
(Loss) / profit for the year from discontinued operations	5	(374)	248	(5,250)	(5,002)
		136,760	119,009	(144,301)	(25,952)
Equity holders of the parent		136,792	118,848	(144,301)	(25,453)
Non-controlling interests		(32)	161	-	161
		136,760	119,009	(144,301)	(25,292)

Earnings / (loss) per ordinary share from continuing operations	Note	*2012*	*2011 Restated*
Basic	7	37.90p	(5.66p)
Diluted	7	37.54p	(5.66p)

(1) Please refer to note 1 of this announcement for an explanation of both the presentational changes and the restatement of the Group income statement for discontinued operations.

(2) Includes exceptional credit of £1.1m (2011: charge of £1.8m before certain items). Please refer to note 4 for detail.

Group Statement of Comprehensive Income

For the year ended 31 May 2012

Group	*2012*		*2011*	
	£000	*£000*	*£000*	*£000*
Profit / (loss) for the year		136,760		(25,292)
Other comprehensive income/(expense):				
Foreign currency translation on overseas subsidiaries	751		(344)	
Other comprehensive income /(expense) for the year		751		(344)
Total comprehensive income /(expense) for the year		137,511		(25,636)
Total comprehensive income /(expense) attributable to:				
Equity holders of the parent		137,566		(25,797)
Non-controlling interests		(55)		161
		137,511		(25,636)

Group Statement of Financial Position

As at 31 May 2012

	Note	2012 £000	2011 £000
Assets			
Non-current assets			
Property, plant and equipment		15,555	16,761
Intangible assets		115,366	117,202
Investment in subsidiaries		-	-
Deferred tax assets		11,915	11,264
		142,836	145,227
Current assets			
Trade receivables		222,342	270,104
Prepayments and other receivables		9,745	8,199
Cash and cash equivalents	9	228,156	124,528
		460,243	402,831
TOTAL ASSETS		603,079	548,058
Liabilities			
Current liabilities			
Trade payables	11	61,076	83,490
Other payables		64,815	45,149
Provisions		1,353	1,427
Income tax payable		28,652	37,060
		155,896	167,126
Non-current liabilities			
Provisions		-	1,991
Redeemable preference shares		40	40
		40	2,031
Total liabilities			
Capital and reserves			
Equity share capital		18	18
Share premium		206,291	206,246
Other reserves		85,543	80,173
Retained earnings		155,145	92,263
Shareholders' equity		446,997	378,700
Non-controlling interests		146	201
Total equity		447,143	378,901
TOTAL EQUITY AND LIABILITIES		603,079	548,058

Group Statement Changes in Equity

For the year ended 31 May 2012

	Share capital	Share Premium account	Other reserves	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 1 June 2010	18	206,246	79,742	185,443	471,449	3,179	474,628
Loss 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
Profit for the year	-	-	-	136,792	136,792	(32)	136,760
Other comprehensive income/ (expense) for the year	-	-	774	-	774	(23)	751
Total comprehensive income/ (expense)for the year	-	-	774	136,792	137,566	(55)	137,511
Equity-settled employee share-based payments	-	-	5,005	-	5,005	-	5,005
Excess of tax deduction benefit on share-based payments recognised directly in shareholders' equity	-	-	(101)	-	(101)	-	(101)
Issuance of shares	-	45	-	-	45	-	45
Purchase of own shares	-	-	(298)	-	(298)	-	(298)
Exercise of US share incentive plans	-	-	(10)	-	(10)	-	(10)
Equity dividends paid	-	-	-	(73,910)	(73,910)	-	(73,910)
Movement in equity	-	45	5,370	62,882	68,297	(55)	68,242
At 31 May 2012	18	206,291	85,543	155,145	446,997	146	447,143

Group Cash Flow Statement

For the year ended 31 May 2012

	Note	Group 2012 £000	2011 Restated[1] £000
Cash generated from operations	10	234,916	129,082
Income taxes paid		(57,554)	(43,503)
Interest received on segregated client funds		10,111	8,015
Interest paid on segregated client funds		(257)	(161)
Net cash flow from operating activities		187,216	93,433
Investing activities			
Interest received		2,004	2,046
Purchase of property, plant and equipment		(4,709)	(15,387)
Proceeds on disposal of property, plant and equipment		-	313
Payments to acquire intangible fixed assets		(4,432)	(4,521)
Purchase of a non-controlling interest		-	(5,072)
Purchase of a client list and business		-	(2,739)
Net cash flow from investing activities		(7,137)	(25,360)
Financing activities			
Interest paid		(2,013)	(1,897)
Equity dividends paid to equity holders of the parent		(73,910)	(67,727)
Purchase of own shares		(298)	(291)
Proceeds from the issue of shares		37	-
Payment of redeemable preference share dividends		(3)	(3)
Net cash flow from financing activities		(76,187)	(69,918)
Net increase/ (decrease) in cash and cash equivalents		103,892	(1,845)
Cash and cash equivalents at the beginning of the year		124,528	128,097
Exchange loss on cash and cash equivalents		(264)	(1,724)
Cash and cash equivalents at the end of the year	9	228,156	124,528

The cash flows stated above are inclusive of discontinued operations.

[1] The comparative cash flow statement has been restated in order to reflect the representation of other amounts due to or from clients.

Notes

As at 31 May 2012

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 2011 or 31 May 2012. 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 2012 and statutory accounts for 2012 will be delivered to the Registrar of Companies following the company's Annual General Meeting on 18 October 2012.

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 2012. 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

In prior periods the Group presented its consolidated income statement in a columnar format as this enabled the Group to present profit for the year before amortisation and impairment of intangible assets associated with both the Group's Japanese and Sport businesses. This 'adjusted' profit measure was used to calculate adjusted EPS as it was considered to better reflect the Group's underlying cash earnings. Both the amortisation and impairment of intangible assets associated with the Group's Japanese and Sport businesses were therefore previously reported in the column 'certain items' on the statutory consolidated income statement. In the period to 31 May 2012 there has been no amortisation and impairment of intangible assets associated with the Group's Japanese or Sport businesses and therefore the column 'certain items' has not been presented. Accordingly the adjusted and unadjusted profit measures for the period ended 31 May 2012 are equivalent.

Discontinued operations consist of a single major line of business or a geographical area that have either been closed or sold during the period or are classified as held for sale at the period-end. The financial performance and cash flows of discontinued operations are separately reported.

In the year ended 31 May 2012 the Group's Sport business has been disclosed as a discontinued operation and the comparative balances restated accordingly.

Critical accounting estimates and judgements

The preparation of financial statements requires the Group 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 remain the impairment of goodwill the impairment of trade receivables – amounts due from clients, the calculation of the Group's current corporation tax charge and recognition of deferred tax assets. The calculation of the Group's current corporation tax charge involves a degree of estimation and judgement with respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority. The Group holds tax provisions in respect of the potential tax liability that may arise on these unresolved items, however, the amount ultimately paid may be materially lower than the amount accrued and could therefore improve the overall profitability and cash flows of the Group in future periods. A deferred tax asset is only recognised to the extent it is considered to be probable that future operating profits will exceed the losses that have arisen to date.

The Director's judgements made with regards to litigation are disclosed in note 12 of this announcement.

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. Segment information

The segment information has been restated in order to disclose the Group's Sport business as a discontinued operation and to reflect changes to the Group's internal reporting methodologies which include the manner of attribution and allocation of certain costs to the segments. The Sport business was previously disclosed within the UK segment and derived its revenue from spread bets and fixed odds bets on sporting and other events and the operation of an online casino. Following this restatement the 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 and aggregated into the disclosable segments of UK, Australia, Europe and Japan with 'Rest of World' comprising the Group's remaining operations in each of South Africa, Singapore and the United States;
- The 'Europe' segment comprises the Group's operations in each of France, Germany, Italy, Luxembourg, the Netherlands, Portugal, Spain and Sweden; 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, Contracts for Difference (CFDs), margined forex and binary options. The Australian, Japanese and European segments derive their revenue from CFDs, margined forex and binary options. The businesses reported within the 'Rest of World' derive 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, middle office, IT development, 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 allocation 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.

Year ended 31 May 2012	*UK*	*Australia*	*Europe*	*Japan*	*Rest of World*	*Central*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Segment net trading revenue	191,781	57,962	72,217	16,457	28,395	-	366,812
Interest income on segregated client funds	-	-	-	-	-	10,509	10,509
Revenue from external customers	191,781	57,962	72,217	16,457	28,395	10,509	377,321
Interest expense on segregated client funds	-	-	-	-	-	(257)	(257)
Other income	-	-	-	-	-	1,013	1,013
Betting duty	(8,907)	-	-	-	-	-	(8,907)
Net operating income	182,874	57,962	72,217	16,457	28,395	11,265	369,170
Segment contribution	151,529	49,833	43,447	10,377	17,909	(76,822)	196,273
Allocation of central costs	(39,378)	(12,336)	(15,422)	(3,598)	(6,088)	76,822	-
Segment EBITDA[1]	112,151	37,497	28,025	6,779	11,821	-	196,273
Depreciation and amortisation	(4,998)	(1,424)	(1,893)	(623)	(1,822)	-	(10,760)
Impairment of intangible assets							-
Profit on disposal of property, plant and equipment							-
Operating profit from continuing operations							185,513
Net finance income							204
Profit before taxation from continuing operations							185,717

[1] EBITDA represents operating profit before depreciation, amortisation and impairment of intangible assets and amounts written off property, plant and equipment and intangible assets.

2. Segment information (continued)

Year ended 31 May 2011 (Restated)	*UK*	*Australia*	*Europe*	*Japan*	*Rest of World*	*Central*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Segment net trading revenue	167,166	47,607	57,464	20,606	19,878	-	312,721
Interest income on segregated client funds	-	-	-	-	-	9,115	9,115
Revenue from external customers	167,166	47,607	57,464	20,606	19,878	9,115	321,836
Interest expense on segregated client funds	-	-	-	-	-	(176)	(176)
Betting duty	(3,064)	-	-	-	-	-	(3,064)
Net operating income	164,102	47,607	57,464	20,606	19,878	8,939	318,596
Segment contribution	140,197	35,888	34,767	8,557	11,156	(57,044)	173,521
Allocation of central costs	(33,383)	(4,753)	(11,645)	(3,461)	(3,802)	57,044	-
Segment EBITDA	106,814	31,135	23,122	5,096	7,354	-	173,521
Depreciation and amortisation	(4,844)	(1,227)	(1,349)	(8,599)	(2,167)	-	(18,186)
Impairment of intangible assets	-	-	-	(143,108)	-	-	(143,108)
Profit on disposal of property, plant and equipment							283
Operating profit from continuing operations							12,510
Net finance costs							(8)
Profit before taxation from continuing operations							12,502

3. Other operating income

	2012	*2011*
	£000	*£000*
Revenue share arrangement	1,013	-

On 8 June 2011, the Group reached an agreement to sell the majority of the client list relating to the Group's Sport business to Spreadex Limited under a revenue share agreement where the Group would receive semi-annual payments for the subsequent three years, calculated by reference to the revenue that the acquirer generates from clients on the list.

4. Exceptional items

During the year the Group reached agreement with the lessor for both the early surrender and the settlement of all outstanding dilapidation obligations with regards to the lease of the Group's previous London headquarters. This resulted in a release of amounts provided or accrued in relation to onerous lease and dilapidation obligations. The release is considered to be exceptional in nature as exceptional onerous lease and dilapidation charges incurred in relation to the lease in the years ended 31 May 2010 and 31 May 2011 were previously disclosed as exceptional.

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 Limited. Additionally in the year ended 31 May 2011, exceptional items, now disclosed within the discontinued operations, were incurred in relation to the Group's Sport business.

	2012	*2011 Restated*
Exceptional items included in continuing operating profit	*£000*	*£000*
Relocation of the Group's London headquarters	(1,091)	1,752
Impairment of goodwill in relation to the Japanese business[1]	-	122,960
Impairment of Japanese customer relationships[1]	-	20,148
Total exceptional items	(1,091)	144,860
Deferred tax credit on exceptional items[1]	-	(8,462)
Tax charge/ (credit) on exceptional items	284	(1,169)
Total exceptional items after tax	(807)	135,229

[1] In the year ended 31 May 2011, the goodwill and customer relationships associated with the Japanese business were considered to be impaired following regulatory change in the Japanese market. These exceptional impairment charges, as well as amortisation of £7.6 million charged immediately prior to impairment, were disclosed in the Group Income Statement in the column 'certain items' consistent with the Group's established accounting policy and presentation.

5. Discontinued operations

During the year-ended 31 May 2011, 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 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 12 July 2011 the Group completed a redundancy consultation process with the employees of extrabet. As a result of this all extrabet employees unable to find a role within the Group were made redundant as of 19 July 2011 and the business was closed.

In the year-ended 31 May 2012 the discontinued business reported a loss after tax of £0.4 million which was mitigated by a £0.3 million credit due to the release of an onerous lease provision following agreement with the lessor for early surrender of the associated property. In the prior year 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) resulted in a £5.0 million loss after tax from discontinued operations.

6. Taxation

(a) Tax on profit on ordinary activities

Tax charged in the income statement:

	Group 2012	2011 Restated
Current income tax:	*£000*	*£000*
UK Corporation Tax	46,756	42,528
Foreign tax	2,738	1,573
Adjustment in respect of prior years	(265)	(1,883)
	49,229	42,218
Total current income tax		
Deferred tax:		
Origination and reversal of temporary differences	(646)	(9,426)
Continuing tax expense in the income statement	48,583	32,792

(b) Reconciliation of the total tax charge

Corporation tax is calculated at 25.67% (2011: 27.67%) of the estimated assessable profit. Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions. The tax expense in the income statement for the year can be reconciled to the income statement as set out below:

	2012	*2011* Restated
	£000	*£000*
Continuing profit before taxation	185,717	12,502
Continuing profit multiplied by the UK standard rate of corporation tax of 25.67% (2011: 27.67%)	47,674	3,459
Goodwill impairment not deductible for tax purposes	-	34,018
Expenses not deductible for tax purposes	1,193	1,797
Lower taxes on overseas earnings	(19)	(4,599)
Adjustment in respect of prior years	(265)	(1,883)
Total tax expense reported in the income statement	48,583	32,792

The effective tax rate is 26.2% (2011: 24.2% adjusted for the impact of the Japanese goodwill impairment of £122.3 million in the year).

6. Taxation (continued)

(c) Factors affecting the tax charge in future years

Factors that may affect the Group's future tax charge include the geographic location of the Group's earnings, the transfer pricing policies, the tax rates in those locations, changes in tax legislation, future planning opportunities, the use of brought-forward tax losses and the resolution of open tax issues. The calculation of the Group's total tax charge involves a degree of estimation and judgement with respect to the recognition of deferred tax assets and of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority. The Group holds tax provisions in respect of the potential tax liability that may arise on these unresolved items, however, the amount ultimately payable may be materially lower than the amount accrued and could therefore improve the overall profitability and cash flows of the Group in future periods.

In March 2012, the UK government announced that the main rate of UK corporation tax would be reduced from 26% to 24% with effect from 1 April 2012. Accordingly the Group's UK earnings will be taxable at a lower rate in future periods than has previously been applied. Deferred tax assets relating to the UK have accordingly been measured at the substantively enacted rate of 24% as at 31 May 2012. The proposed reduction in the main rate of corporation tax by 1% per year to 22% is expected to be enacted separately each year. The Group will assess the impact of the reduction in line with its accounting policy in respect of deferred tax at each reporting date.

7. Earnings per ordinary share

(a) Diluted earnings per share

In prior periods the Group presented an adjusted EPS measurement as this was considered the most appropriate measure as it better reflected the business's underlying cash earnings. Adjusted EPS excluded the amortisation and impairment of intangible assets associated with both the Group's Japanese and the discontinued Sport businesses and the related taxation. In the year-ended 31 May 2012 there has been no amortisation or impairment of intangible assets associated with either the Group's Japanese or the discontinued Sport business and therefore the adjusted and unadjusted earnings per share measures are equivalent.

Diluted earnings per share	*Year ended 31 May 2012*	*Year ended 31 May 2011*
Diluted earnings per share from continuing operations	37.54p	32.57p(1)
Diluted earnings per share from discontinued operations	(0.10p)	0.07p(1)
Diluted earnings per share	37.44p	32.64p

(1) The comparative figures shown for the year-ended 31 May 2011 are the diluted adjusted earnings per share calculated after excluding the amortisation and impairment of intangible assets associated with the Group's Japanese business and the related taxation and discontinued Sport business.

7. Earnings per ordinary share (continued)

(b) Calculation of earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company 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. For the year ended 31 May 2011, adjusted earnings excludes the amortisation and impairment of intangible assets associated with the Group's Japanese business and related taxation as well as impairment of the goodwill associated with the Group's Sport business. The following reflects the income and share data used in the earnings per share computation:

	Group	
	2012	*2011 Restated*
	£000	*£000*
Continuing earnings attributable to equity shareholders of the Company	137,166	(20,451)
Add back: Amortisation and impairment[1] of intangibles net of tax and non-controlling interests	-	139,051
Adjusted earnings from continuing operations	137,166	118,600
Discontinued earnings attributable to equity shareholders of the Company	(374)	(5,002)
Add back: Impairment of Sport goodwill	-	5,250
Adjusted earnings from discontinued operations	(374)	248
Weighted average number of shares		
Basic	361,915,111	360,860,327
Dilutive effect of share-based payments	3,404,455	3,205,368
Diluted	365,319,566	364,065,695

[1]Amortisation and impairment of intangible assets associated with the Group's Japanese business.

7. Earnings per ordinary share (continued)

	Group	
	2012	*2011 Restated*
	£000	*£000*
Earnings per share		
Basic earnings/ (loss) per share from continuing operations	37.90p	(5.66p)
Basic loss per share from discontinued operations	(0.10p)	(1.39p)
Basic earnings/ (loss) per share	37.80p	(7.05p)
Basic adjusted earnings per share from continuing operations	N/a[1]	32.86p
Basic adjusted earnings per share from discontinued operations	N/a	0.07p
Basic adjusted earnings per share	N/a	32.93p
Diluted earnings per share		
Diluted earnings/ (loss) per share from continuing operations[2]	37.54p	(5.66p)
Diluted (loss) per share from discontinued operations[2]	(0.10p)	(1.39p)
Diluted earnings/ (loss) per share	37.44p	(7.05p)
Diluted adjusted earnings per share from continuing operations	N/a[1]	32.57p
Diluted adjusted earnings per share from discontinued operations	N/a	0.07p
Diluted adjusted earnings per share	N/a	32.64p

[1] In the year to 31 May 2012 there has been no amortisation or impairment of intangible assets associated with the Group's Japanese or Sport business and therefore the adjusted and unadjusted earnings per share measures are equivalent.

[2] The basic and diluted losses per share are equivalent in the year-ended 31 May 2011 where the effect of potential ordinary shares is anti-dilutive.

8. Dividends

	Company and Group	
	2012	*2011*
	£000	*£000*
Declared and paid during the year:		
Final dividend for 2011 at 14.75p per share (2010: 13.50p)	53,051	48,758
Interim dividend for 2012 at 5.75p per share (2011: 5.25p)	20,859	18,969
	73,910	67,727
Proposed for approval by shareholders at the AGM:		
Final dividend for 2012 at 16.75p per share (2011: 14.75p)	60,769	53,051

The final dividend for 2012 of 16.75p per share amounting to £60,769,000 was approved by the Board on 17 July 2012 and has not been included as a liability at 31 May 2012. This dividend will be paid on 23 October 2012 to those members on the register at the close of business on 21 September 2012.

9. Cash and cash equivalents

	Group	
	2012	*2011*
	£000	*£000*
Gross cash and cash equivalents[(1)]	960,894	839,202
Less: Segregated client funds[(2)]	(732,738)	(714,674)
Own cash and title transfer funds[(3)]	228,156	124,528

[(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 individual 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 included 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 corporate client agrees that full ownership of such monies is unconditionally transferred to the Group.

10. Cash generated from operations

	Group	
	2012	*2011*
		Restated
Operating activities	*£000*	*£000*
Operating profit[(1)]	185,126	7,077
Adjustments to reconcile operating profit to net cash flow from operating activities:		
Net interest income on segregated client funds	(10,252)	(8,948)
Amortisation of customer relationships and trade names (Japan)	-	7,595
Impairment of customer relationships and goodwill	-	148,358
Depreciation of property, plant and equipment	5,934	7,086
Amortisation of intangible assets	4,826	3,780
Non-cash foreign exchange gains in operating profit	(2,190)	1,727
Share-based payments	5,005	4,225
Write off - property, plant and equipment	-	30
Recovery of trade receivables	2,563	754
Decrease / (increase) in trade and other receivables	42,274	(66,578)
Increase in trade and other payables	2,572	22,247
(Decrease) / increase in provisions and other non-cash items	(714)	262
Other non-cash items	(228)	1,467
Cash generated from operations	234,916	129,082

11. Trade payables

	Group 2012	2011 Restated
	£000	£000
Amounts due to title transfer clients	59,852	71,453
Other amounts due to clients[1]	-	11,639
Other trade payables	1,224	398
	61,076	83,490

[1]Other amounts due to clients represent balances that will be transferred from the Group's own cash into segregated client funds on the immediately following working day in accordance with the UK's Financial Services Authority (FSA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates.

12. Litigation

The Group has received a claim issued on 11th November 2010 and served against IG Markets Limited (IG Markets) - a wholly owned subsidiary of the Group - in relation to the insolvency of Echelon Wealth Management Limited (Echelon), a former client of IG Markets. This litigation is on-going.

Three former clients of Echelon (which went into liquidation in October 2008) namely (i) Stokors SA ("Stokors"); (ii) Mr Lucien Selce ("Selce"); and (iii) Phoenicia Asset Management (Holding) SAL ("Phoenicia") are seeking to recover damages from IG Markets.

The damages sought are made up of two parts, firstly approximately €12 million which the three Claimants had on deposit with Echelon at the time of its liquidation, and secondly a claim for lost profits which Stokors and Phoenicia claim they would have made had they not lost these monies deposited by them with Echelon at the time it collapsed. On 30th May 2012 Stokors and Phoenicia amended their Claim in relation to alleged lost profits seeking to recover the sums of €37,706,584 and €19,265,572 respectively (calculated to 25th January 2012) together with continuing alleged daily losses of €31,766 and €16,230 per day respectively which they claim equates to a daily rate of return of 0.4% (or 146% per annum). The Group is investigating the legality of the Claimants' activities giving rise to these alleged rates of return.

On the basis of legal and expert advice received, the Group continues to view the claim as speculative. No provision has therefore been made in the Group statement of financial position as at 31 May 2012 in relation to this matter.

13. Subsequent events

On 17 July 2012, Andrew MacKay, Director of Corporate Strategy, announced his decision to step down from the Board with effect from 31 July 2012 as noted in the Chairman's Statement and Chief Executive's Review.