# Balance sheet

**at 28 February 2005**

| | Notes | At 28 February 2005 £ |
|---|---|---|
| ***Fixed assets*** | | |
| Investments in subsidiaries | 2 | 301,471,137 |
| ***Current assets*** | | |
| Debtors | 3 | 214,077 |
| Cash at bank and in hand | | 7,024 |
| | | 221,101 |
| ***Creditors:*** amounts falling due within one year | 4 | (34,696,575) |
| ***Net current liabilities*** | | 266,995,663 |
| ***Creditors:*** amounts falling due after more than one year | 5 | (100,480,352) |
| | | 166,515,311 |
| ***Capital and reserves*** | | |
| Ordinary share capital | 6 | 9,976 |
| Preference share capital | 6 | 35,667,376 |
| Profit and loss account distributable | 7 | 241,513 |
| Profit and loss account non-distributable | 7 | 130,596,446 |
| ***Shareholders' funds*** | | |
| Equity | | 130,847,935 |
| Non-Equity | | 35,667,376 |
| ***Total shareholders' funds*** | | 166,515,311 |

N B le Roux Director

T A Howkins Director

# Notes to the balance sheet

**at 28 February 2005**

## 1. Accounting policies

### Basis of preparation

The balance sheet is prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

### Fixed asset investments

Fixed asset investments are stated at cost, unless, in the opinion of the directors, there has been a permanent diminution in value, in which case an appropriate adjustment is made.

### Capital instruments

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the expected term of the instrument at a constant rate on the carrying amount.

## 2. Fixed asset investments

***Investments in subsidiaries***

| | £ |
|---|---|
| Cost: | |
| At 1 June 2004 | 301,583,927 |
| Over provided in prior period | (112,790) |
| At 28 February 2005 | 301,471,137 |

| *Name of company* | *Country of incorporation* | *Holding* | *Proportion of voting rights held* | *Nature of business* |
|---|---|---|---|---|
| **Subsidiary undertakings held directly:** | | | | |
| IG Group Limited | UK | Ordinary shares | 100% | Holding company |
| IG Finance | UK | Ordinary shares | 100% | Financing |
| **Subsidiary undertakings held indirectly:** | | | | |
| IG Finance Two | UK | Ordinary shares | 100% | Financing |
| IG Finance Three | UK | Ordinary shares | 100% | Financing |
| IG Finance Four | UK | Ordinary shares | 100% | Financing |
| Market Data Limited | UK | Ordinary shares | 100% | Data distribution |
| IG Markets (South Asia) Limited | Cayman Islands | Ordinary shares | 100% | South Asia sales and marketing office |
| IG Index Plc | UK | Ordinary shares | 100% | Spreadbetting |

# Notes to the balance sheet

**at 28 February 2005**

## 2. Fixed asset investments (continued)

| *Name of company* | *Country of incorporation* | *Holding* | *Proportion of voting rights held* | *Nature of business* |
|---|---|---|---|---|
| IG Markets Limited | UK | Ordinary shares | 100% | Margin trading and foreign exchange |
| ITS Market Solutions Limited | UK | Ordinary shares | 60% | Software development and sales |
| IG Nominees Limited | UK | Ordinary shares | 100% | Nominee company |
| Binarybet Limited | UK | Ordinary shares | 100% | Fixed odds Bookmaker |
| IG Australia Pty Limited | Australia | Ordinary shares | 83% | Australia sales and marketing office |
| IG Financial Markets Inc | USA | Ordinary shares | 100% | Foreign exchange margin trading |
| Market Risk Management Inc | USA | Ordinary shares | 100% | Market maker |
| IG Group Limited Employee Benefit Trust | Unincorporated trust | – | – | Employee benefit trust |

## 3. Debtors

| | *28 February 2005* *£* |
|---|---|
| Other debtors | 169,520 |
| Prepayments and accrued income | 44,557 |
| | 214,077 |

## 4. Creditors: amounts falling due within one year

| | *28 February 2005* *£* |
|---|---|
| Amounts due to group companies | 29,656,026 |
| Accruals and deferred income | 382,972 |
| Loan notes | 257,580 |
| Loans (subordinated) | 4,400,000 |
| | 34,696,575 |

The loan notes bear interest at LIBOR minus 1% and have no fixed repayment date.

# Notes to the balance sheet

**at 28 February 2005**

## 5. Creditors: amounts falling due after more than one year

| | *28 February 2005* £ |
|---|---|
| Loans | 100,480,352 |
| Amounts falling due: | |
| - in more than one year but not more than two years (subordinated) | 4,400,000 |
| - in more than two years but not more than five years (subordinated) | 16,600,000 |
| - in more than five years (subordinated) | 75,293,989 |
| - in more than five years (secured) | 1,000,000 |
| | 97,293,989 |
| Amounts held in Employee Benefit Trust | (4,621) |
| Accrued interest | 3,550,088 |
| | 100,839,436 |
| Less: Issue costs | (359,104) |
| | 100,480,352 |

Details of loans not wholly repayable within five years are as follows:

| | *28 February 2005* £ |
|---|---|
| ***Secured loans*** | |
| Sterling secured loan repayable August 2010 | 169,487 |
| Euro secured loans repayable August 2010 | 322,050 |
| Sterling secured loans repayable August 2013 | 508,463 |
| ***Unsecured subordinated loans*** | |
| 11% subordinated loans | 21,693,989 |
| Sterling subordinated loans repayable by instalments between September 2005 and August 2010 | 13,389,512 |
| Euro subordinated loans repayable by instalments between September 2005 and August 2010 | 25,441,950 |
| Sterling subordinated loans repayable by instalments between August 2010 and August 2013 | 40,168,538 |
| | 101,693,989 |

The 11% subordinated loans have no fixed repayment date but are repayable in full on the sale or flotation of the company or on giving the Financial Services Authority (FSA) five years' notice.

The sterling denominated loans, other than the 11% subordinated loans, bear interest at LIBOR plus 4%.

The Euro denominated loans bear interest at EURIBOR plus 4%. The company has entered into a currency basis swap in order to hedge its FX risk to these loans. Under the terms of that swap the company pays LIBOR plus 9 basis points and receives EURIBOR on a principal amount equal to the principal amount of the Euro denominated loans.

# Notes to the balance sheet

**at 28 February 2005**

## 5. **Creditors:** amounts falling due after more than one year (continued)

The secured loans are secured by fixed and floating charges over certain group assets.

The secured loans repayable August 2010 rank equally and in priority to the secured loan repayable August 2013.

Each of the subordinated loans is in the form of a standard subordinated loan for the purposes of consolidated supervision approved by the FSA.

## 6. Share capital

### Ordinary share capital

| | 28 February 2005 £ |
|---|---|
| *Authorised:* | |
| 1,000,000 A Ordinary shares of 1p each | 10,000 |
| 650 B Ordinary shares of 0.1p each | 1 |
| | 10,001 |
| *Allotted, called up and fully paid:* | |
| 1,000,000 A Ordinary shares of 1p each | 10,000 |
| 2,428 A Ordinary shares held in Employee Benefit Trust | (24) |
| 650 B Ordinary shares of 0.1p each | - |
| | 9,976 |

The B Ordinary shares carry no entitlement to dividends and no voting rights. The B ordinary shares' entitlement to capital is based on a progressive formula linked to the total return to certain holders of A Ordinary shares. In the event of a sale or flotation if this formula produces no entitlement to capital for the B Ordinary shares, the shares are redesignated as deferred redeemable shares. These have no entitlement to dividends, no voting rights and on winding up are entitled to the return of their nominal value only once the A Ordinary shares receive a return of capital of £8,000,000 per share.

# Notes to the balance sheet

**at 28 February 2005**

## 6. Share capital (continued)

**Preference share capital**

| | 28 February 2005 £ |
|---|---|
| *Authorised:* | |
| 35,700,000 preference shares of £1 each | 35,700,000 |
| *Allotted, called up and fully paid:* | |
| 35,700,000 preference shares of £1 each | 35,700,000 |
| 7,605 preference shares held in Employee Benefit Trust | (7,605) |
| | 35,692,395 |
| Less: Issue costs brought forward | 791,741 |
| Amortised during the period | (766,722) |
| Issue costs carried forward | 25,019 |
| Carrying value of preference share capital | 35,667,376 |

The preference shares are entitled to a fixed rate non-cumulative dividend of 8% paid in preference to any other dividend. The company's banking arrangements place restrictions on the circumstances in which this dividend can be declared or paid. On a winding up of the company the preference shareholders have a right to receive, in preference to payments to ordinary shareholders, £1 per share plus, if the company has sufficient distributable reserves, any accrued or unpaid preference dividends. The preference shares have no voting rights, except that they are entitled to vote should the company fail to pay any amount due on redemption of the shares. The preference shares are redeemable on a sale or flotation, or at any other time at the option of the company. On redemption the preference shares are entitled to £1 per share plus, if the company has sufficient distributable reserves, any accrued or unpaid dividends.

**Warrants**

The company has issued warrants giving the holders the right to subscribe for 88,629 A Ordinary shares at par. These warrants are exercisable on the sale or flotation of the company, and in the event of a breach of the warrant instrument.

## 7. Reserves

| | Profit and loss account £ |
|---|---|
| At 1 June 2004 | 5,200,968 |
| Retained profit for the period | 125,656,991 |
| At 28 February 2005 | 130,837,959 |

During the period the company received a dividend of £136,000,000 of which £130,596,446 is not distributable. This is a result of an intra-group transaction that occurred on 8 April 2004 when IG Group Limited sold IG Index Plc, IG Markets Limited, Binarybet Limited and IG Australia Pty Limited to Market Data Limited, a wholly owned subsidiary, giving rise to an undistributable profit of £130,596,446.

# Notes to the balance sheet

**at 28 February 2005**

## 8. Related party transactions

J R Kaye is a client of IG Index plc and Binarybet Limited which enter into transactions with him on normal client terms.

### Directors' interests in IG Group Holdings Limited

The directors who served and their interests in the share capital of the company were:

| | *At 28 February 2005* | |
|---|---|---|
| | *A Ordinary shares* | *Preference shares* |
| J R Davie | 8,954 | 32,314 |
| N B le Roux | 100,814 | 1,324,239 |
| P G Hetherington | 38,066 | 238,759 |
| T A Howkins | 38,212 | 245,472 |
| A R Mackay | 19,683 | 124,387 |
| R R Lucas | – | – |
| J R Kaye | – | – |

Capital Investors 2002 Limited holds 1,113 A Ordinary shares on trust for R R Lucas and 742 A Ordinary shares on trust for J R Kaye. In total, Capital Investors 2002 Limited holds 7,276 A Ordinary shares.

No director had an interest in the B Ordinary shares of the company at the date of appointment or at the period end.

The offer by the company to acquire IG Group Limited (formerly IG Group plc) included an option to receive loan notes as an alternative to part of the cash due to shareholders for the sale of IG Group plc shares. The loan notes bear interest at LIBOR minus 1%. The directors' holdings of loan notes were:

| | *At 31 May 2004* | *At 28 February 2005* | *Unpaid interest at 28 February 2005* |
|---|---|---|---|
| | *£* | *£* | *£* |
| T A Howkins | 189,975 | 36,975 | 764 |

Certain directors or their associates have made loans to the company. These loans are 11% subordinated loans further described in note 5. The amounts loaned are as follows:

| | *At 31 May 2004* | *At 28 February 2005* | *Unpaid interest at 28 February 2005* |
|---|---|---|---|
| | *£* | *£* | *£* |
| P G Hetherington | 145,088 | 145,088 | 23,743 |
| T A Howkins | 149,168 | 149,168 | 24,410 |
| J R Davie | 19,637 | 19,637 | 3,213 |
| N B Le Roux | 804,706 | 804,706 | 131,685 |
| A R Mackay | 75,586 | 75,586 | 12,369 |
| | 1,194,185 | 1,194,185 | 195,420 |

# Notes to the balance sheet

**at 28 February 2005**

## 8. Related party transactions (continued)

The group had no other transactions with its directors other than in relation to the management of the group.

Funds managed or advised by CVC Capital Partners Limited or its affiliates hold 64.2% of the issued A ordinary share capital of the company.

CVC Capital Partners Limited and its affiliates have made loans of £18,061,731 to the company. These loans are 11% subordinated loans further described in note 5.