IG GROUP

ANNUAL REPORT 2011

IG Group Holdings plc | 31 May 2011

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IG GROUP: WORLD LEADERS IN SPREAD BETTING AND CFDS

INTRODUCTION

IG Group is the leading global provider of Contracts for Difference (CFDs) and spread betting to retail investors[1]. Through our primary businesses, IG Index and IG Markets, we offer these services to over 130,000 clients across more than 130 countries.

Our award-winning dealing platforms provide clients with easy access to global financial markets and the flexibility to trade across multiple asset classes. We offer a range of over 14,000 equity, equity index, commodity, forex, interest rate and binary contracts, covering most major financial markets.

IG Group Holdings plc is listed on the London Stock Exchange and is an established member of the FTSE 250. Our head office is in London, with other offices in Amsterdam, Beijing, Chicago, Durban, Düsseldorf, Johannesburg, Lisbon, Luxembourg, Madrid, Melbourne, Milan, Paris, Singapore, Stockholm and Tokyo.

The Group is debt-free and has high levels of capital and liquidity to provide confidence to our clients and other counterparties. We have delivered significant revenue and profit growth since our IPO in 2005.

(1) For detailed practical examples of a spread bet and a CFD trade, please see the Investor Resources and Other Information section. Definitions can be found in the Glossary of Terms.

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

(3) Diluted adjusted earnings per share excludes the amortisation and impairment of intangible assets associated with the Group's Japanese business and impairment of the goodwill associated with the Group's Sport business and related taxation.

Net trading revenue

+7.3%

£320.4m 2011

£298.6m 2010

Adjusted profit before tax[2]

+3.4%

£163.0m 2011

£157.6m 2010

Diluted adjusted earnings per share[3]

+6.1%

32.64p 2011

30.77p 2010

Total dividend per share

+8.1%

20.00p 2011

18.50p 2010

CHAIRMAN'S STATEMENT

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

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

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

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

Regulation

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

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

Japan

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

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

Board evaluation

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

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

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

Remuneration

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

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

Board composition

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

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

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

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

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

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

Conclusion

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

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

Jonathan Davie, Chairman
19 July 2011

Diluted adjusted earnings per share(1)

32.64p (+6.1%)

Total dividend per share

20.00p (+8.1%)

Dividend payout ratio

61.3%

(1) Diluted adjusted earnings per share excludes the amortisation and impairment of intangible assets associated with the Group's Japanese business and impairment of the goodwill associated with the Group's Sport business and related taxation.

BUSINESS REVIEW

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WHAT WE DO

IG Group's core businesses provide online derivatives trading services to an international retail client base. We provide easy access to global financial markets via our award-winning dealing platforms and offer the flexibility to trade across multiple asset classes from one account.

Through our main businesses, IG Index and IG Markets, we provide over 14,000 spread betting and CFD products on a huge range of financial markets, including forex, stock indices, shares, commodities, binaries, options and interest rates. We are developing a presence in the United States, through Nadex, as here the regulatory environment restricts our traditional products but offers opportunities for growing our unique derivatives exchange business.

IG INDEX

- UK spread betting – the largest and longest-running spread betting company in the world
- Multi-award-winning and recognised as the UK's market leader by independent research[1]
- At the forefront of innovation and a pioneer of new product features, including a range of new mobile apps

IG MARKETS

- Global CFD trading including Direct Market Access (DMA) services
- Clients in 130 countries and a network of global partners
- Independently confirmed as the most popular CFD provider in the UK and Australia[1][2]

nadex

- The first and only US-based retail-oriented exchange to list binary options and limited-risk derivative contracts on forex, indices, commodities and economic events
- A direct access platform for quick and easy use, with total transparency

OUR HISTORY

Since the first IG Group company, IG Index, was established in 1974, our operations have expanded and we are now a multinational organisation supporting over 130,000 clients worldwide.

1974 IG Index is founded, becoming the UK's first financial spread betting company.

1982 We are the first company in the UK to offer spread betting on the FT30.

1995 IG Index becomes the first UK company to allow spread betting on individual shares.

1998 We are the first firm to launch an online dealing platform for financial spread betting.

2002 IG Markets Australia becomes the country's first CFD provider.

2003 Our product range expands as Binary Betting is introduced. IG Group is taken private by management and CVC Capital Partners.

2005 IG Group Holdings plc is relisted on the FTSE.

2006 New offices open in Germany and Singapore.

2007 Our browser-based trading platform is launched. New offices open in the US, Spain and France.

2008 New office opens in Italy and we acquire FXOnline in Japan.

2009 PureDMA, the UK's first browser-based Direct Market Access (DMA) service is introduced. Nadex.com is launched in the US and offices open in Sweden and Luxembourg.

2010 New office opens in Portugal and we acquire the South African business Ideal CFDs, a former introductory broker for IG Markets. An iPhone app is launched for both IG Index and IG Markets.

2011 New office opens in the Netherlands. We expand our mobile offering to include DMA and launch BlackBerry and Android apps. IG Markets sponsors Team Sky, an elite international cycling team.

(1) Investment Trends: '2010 UK Financial Spread Betting & CFD Trading Report' (November 2010)

(2) Investment Trends: '2011 Australia CFD Report' (July 2011)


IG GROUP

OUR STRATEGY

We aim to maximise return for our shareholders by focusing on four key strategic objectives.

STRATEGIC OBJECTIVE

1 MAINTAIN OUR MARKET LEADING POSITIONS

IG Group is the leading global provider of CFD trading and spread betting products to retail investors.

We seek to maintain this number one position and consolidate a decisive retail lead in the major markets in which we operate.

2 EXPAND OUR GLOBAL REACH

Having established a market-leading position in several countries, the Group is now building a growing presence in a number of our other markets.

We are committed to developing market penetration levels across all our businesses, as well as targeting new business opportunities where there is a favourable regulatory environment and sizeable long-term potential for growth.

3 SUSTAIN OUR TECHNOLOGY LEAD

IG Group has a history of innovation and we are currently at the forefront of the market in terms of product offering and technology platforms.

We continue to expand our offering to embrace mobile technology, while maintaining our current high levels of platform resilience, speed and quality of trade execution.

4 CONTINUE HIGH LEVELS OF CLIENT SERVICE

IG Group provides a comprehensive service to clients globally, including 24-hour support[(1)], online help portals and telephone dealing in 11 languages.

We are fully committed to the FSA's Treating Customers Fairly (TCF) initiative, providing a high level of customer service to all our clients, while ensuring our pricing strategy remains competitive, fair and transparent. Our unique Price Improvement technology enables clients to deal at improved rates if a market level moves favourably during trade execution.

(1) Offered in English and Chinese

We use the following set of Key Performance Indicators (KPIs) to measure our performance across all four objectives.

KEY PERFORMANCE INDICATORS (KPIs)

Revenue and profit generation

'Net trading revenue' represents overall Group turnover from commissions, spreads and financing on client trades, and is our primary KPI. 'Adjusted profit before taxation' and 'diluted adjusted earnings per share' are used to measure the quality of our underlying profitability at Group level, facilitating year-on-year profitability comparisons.

- Net trading revenue (total, daily and by asset class)
- Adjusted profit before taxation (PBT)
- Diluted adjusted earnings per share

Client trading activity metrics

There are a number of important client trading KPIs with 'number of active clients' and 'revenue per client' being the key drivers of revenue growth. We also commission independent research to evaluate our market share performance, measured on a primary account basis.

- Market share percentage
- Number of active clients
- Average revenue per client
- Client money levels

see page 10

Performance in newer markets

We use many of the KPIs listed above to evaluate our success in new territories. This includes comparing current performance against the more established markets at a similar stage of maturity.

- Geographic net trading revenue
- Active client base growth, relative to more mature markets

Geographical profitability evaluation

We measure EBITDA (earnings before interest, taxes, depreciation, and amortisation) by geographical area on a contribution basis.

- Geographic EBITDA contribution

see page 12

Trading systems performance

We carry out ongoing assessments to measure the performance of key operating systems, especially at peak trading times.

- Average trade execution time
- Peak orders per second

Technology usage

We observe the deployment and adoption of IT developments closely, with particular focus currently on customer take-up of mobile technology.

- Number of mobile log-ins
- Number of mobile deals

see page 14

Treating Customers Fairly (TCF)

We use a scorecard of 25 TCF measures to ensure we treat customers fairly.

- Percentage of automated transactions

Customer service market research

We commission external research to assess how we perform against peers and client expectations.

- Customer surveys including Net Promoter Score

Our performance against these KPIs is detailed within the Delivering Our Strategy section and the Operating and Financial Review

see page 16

DELIVERING OUR STRATEGY

1 MAINTAIN OUR MARKET LEADING POSITIONS

RECOGNISED MARKET LEADER

Our reputation, product range, advanced trading platforms and financial strength have all contributed to the market leadership of our businesses in many of the countries in which we operate, including the UK, Australia, France, Italy and Spain.

Independent research company Investment Trends has confirmed that IG Markets is the largest single provider of CFD accounts in the UK and Australia, with a primary account market share of 27% and 34% respectively, while IG Index is the UK's largest spread-betting company, with a market share of 39% of primary accounts.(1)(2)

IG Group and its brands have consistently won industry awards in recent years, recognising everything from our overall quality of service, through to technology and top employer awards. The past financial year has been particularly successful, with 16 distinct industry award wins.

SUSTAINING OUR LEADERSHIP

Our strategy is built upon sustaining our lead in the countries where we are already at the forefront, while also growing market share in the less developed markets. We plan to achieve this in the following ways:

Retain and develop our existing client base

- With an emphasis on innovation, competitive pricing and customer service, we aim to anticipate and exceed our clients' expectations with frequent product reviews and technological advances

Attract new clients

- Our market-leading technology platforms, financial strength and stewardship of client money, together with our range of educational resources, all provide new clients with an appropriate environment in which to trade. Our strategic focus is to attract high-net-worth clients who are more suited to trading rather than simply driving for market share. To this end, we introduced additional wealth restrictions in 2011

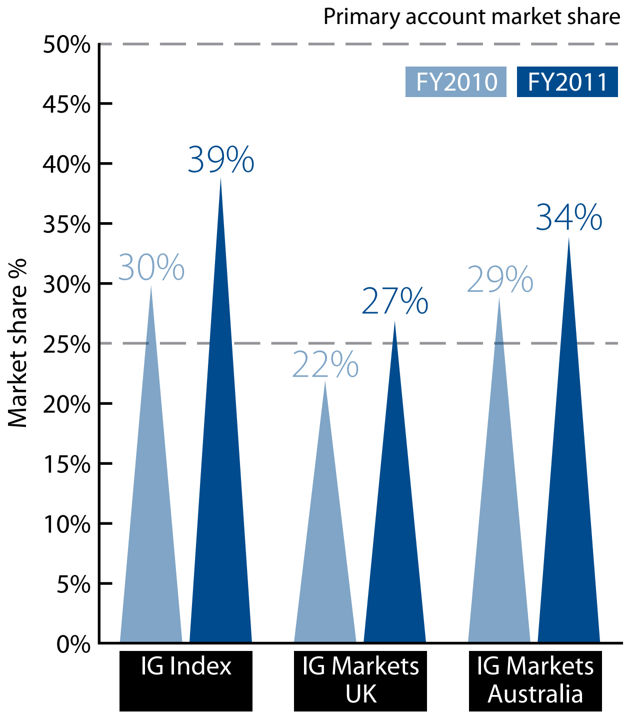
Target competitor clients

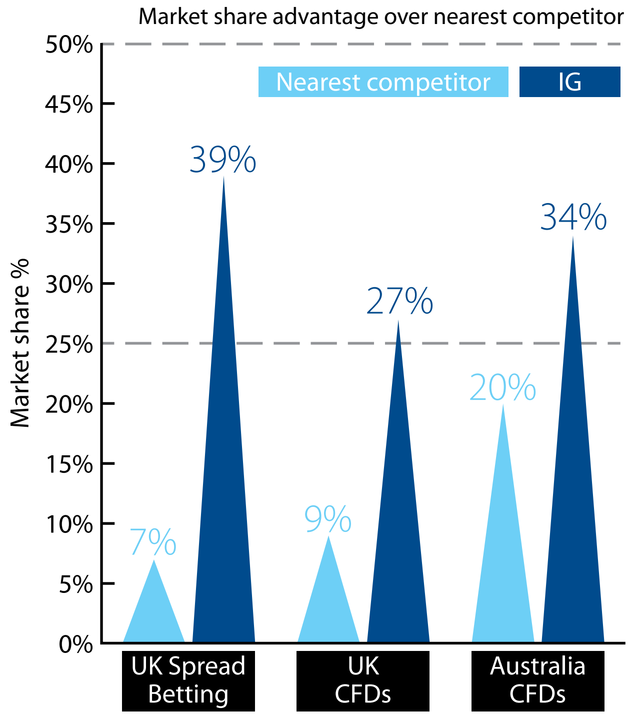
- One of our key marketing strategies is to focus on attracting clients looking to switch provider. We accomplish this by highlighting IG Group's core differentiating factors, namely – our reputation, financial strength, excellent client service, large range of products and superior trading platforms

(1) Investment Trends: '2010 UK Financial Spread Betting & CFD Trading Report' (November 2010)

(2) Investment Trends: '2011 Australia CFD Report' (July 2011)

KPI highlight – market share extended(1)(2)






IG GROUP
AWARD-WINNING BUSINESS
IG GROUP
2011 CRF Institute Research (UK)
One of Britain's Top Employers – awarded for the third year running
2010 Britain's Most Admired Companies (UK)
Ranked No.1 for Quality of Marketing and Speciality & Other Finance
2010 Shares Magazine Awards (UK)
Financial Provider of the Year
IG INDEX
2010 MoneyAM Online Finance Awards (UK)
Best Spread Betting Service
Best Overall Online Provider
Best Online Charts
2010 What Investment Magazine Awards (UK)
Spread Betting Provider of the Year
2010 Financial Times/Investors Chronicle Awards (UK)
Best Spread Betting Firm – awarded for the third time in four years
IG MARKETS
2011 The Bull 'Stockies' Awards (Australia)
Best CFD Provider
2011 Euro am Sonntag Magazine Awards (Germany)
Best CFD Offering ('Bestes CFD-Angebot')
No.1 for Transparency ('Transparenz')
2010 Shares Magazine Awards (UK)
Best CFD Provider – awarded for the third consecutive year
2010 Money Magazine, 'Best of the Best' Awards (Australia)
Best CFD Provider
2010 Canstar Cannex Awards (Australia)
5-Star Outstanding Value CFD Provider
2010 Smart Investor Magazine Awards (Australia)
Recommended Provider for CFDs and Forex

2 EXPAND OUR GLOBAL REACH

GROWING INTERNATIONAL PRESENCE

Our international network is growing rapidly and in the past five years we have opened 11 new offices. We developed our European operations further this year with the opening of an office in Amsterdam, while the acquisition of the Johannesburg-based business Ideal CFDs has provided us with a presence in South Africa.

We have also developed Nadex, our US business, to benefit from recent changes in the regulatory environment which favour trading across an exchange rather than over-the-counter (OTC). In addition, PFGBEST, one of the largest non-clearing Futures Commission Merchants (FCMs) in the US, has now become a Nadex member and has begun to promote Nadex products both to its existing clients and to the wider US retail market.

We believe that our products have the potential to reach market penetration levels similar to those in the UK in the majority of countries where we have a business presence. Aside from our newest offices, our fastest growing country market is in Germany, which has seen a 54% increase in revenue in the past financial year. The Group's primary account market share in Germany[1] is 14% compared to 27% in the UK (CFD accounts) and 34% in Australia.

(1) Investment Trends: '2011 Germany CFD and FX Report' (March 2011).

INCREASING BRAND AWARENESS

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

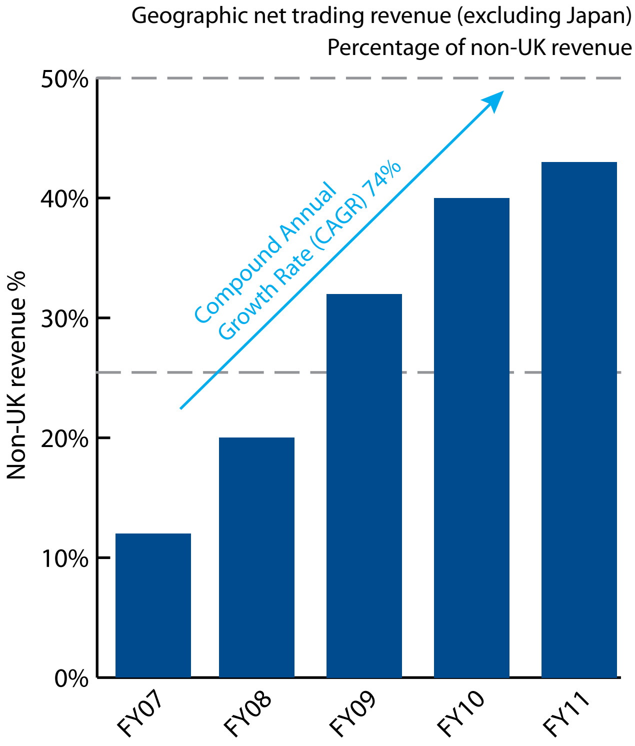
PARTNERS AND INSTITUTIONAL BUSINESS

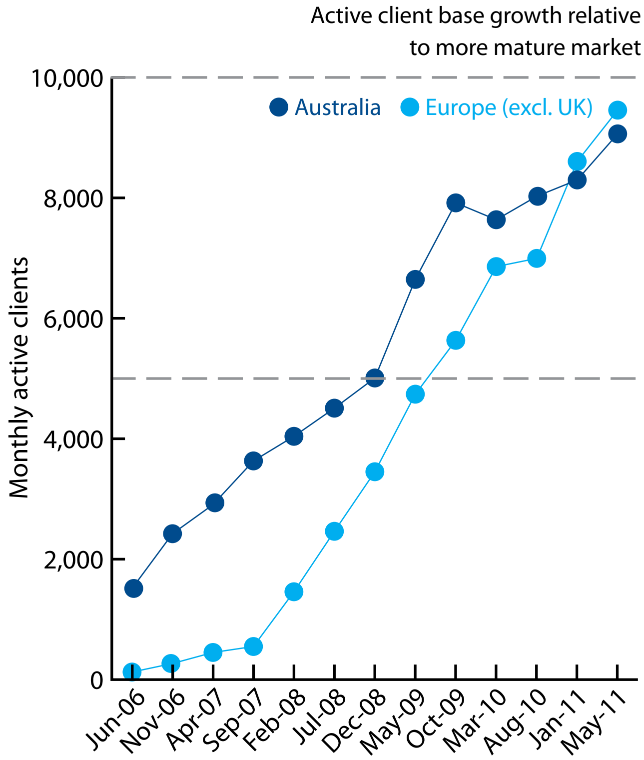
In addition to our focus on the recruitment and servicing of direct retail clients, we have a diversified base of over 370 global partners. Our partnerships, in which a third party introduces the client, enable us to achieve increased client recruitment and a low-cost presence in markets where our brands are not yet fully established.

CENTRALISED OPERATIONS

Our centralised operating model enables our experienced management team to control our global operations effectively. It supports organic growth and ensures that our expansion into new territories is both low-cost and capital-efficient.

KPI highlight – increasing scale in Europe






nadex
North American
Derivatives Exchange
What is Nadex?
Nadex Academy
Trial platform
access
demo

3 SUSTAIN OUR TECHNOLOGY LEAD

ADVANCED AND ROBUST TECHNOLOGY

We provide our clients with a fast, reliable and secure trading environment. Over 45,000 clients use our trading platforms on a daily basis, utilising such features as real-time pricing and one-click dealing. Over 99% of all trades are executed automatically in less than one tenth of second.

Our in-house team of over 200 developers has created an award-winning online platform that uses innovative technology to keep us at the forefront of the industry. Some of the platform's key features include:

- Fully-customisable interface, enabling clients to monitor their favourite markets with ease
- Trading tools including Reuters news feeds, research and market analysis
- Extensive charting packages with real-time charts, inbuilt trading pattern software and the ability to amend orders directly through the charts
- Direct Market Access (DMA) capability, enabling clients to trade straight into the order book of equity exchanges and view the full market depth

EXTENSIVE MOBILE SOLUTIONS

Mobile technology is a major focus of development, and in the past year we have released apps for the iPhone, Android and BlackBerry phones, including the UK's first mobile DMA service for CFDs. Clients have adopted our apps at an impressive rate, with almost 14% of client-initiated deals now being made via mobile and around 10% of new account applications being made on mobile devices. The profile since January 2010 is displayed opposite.

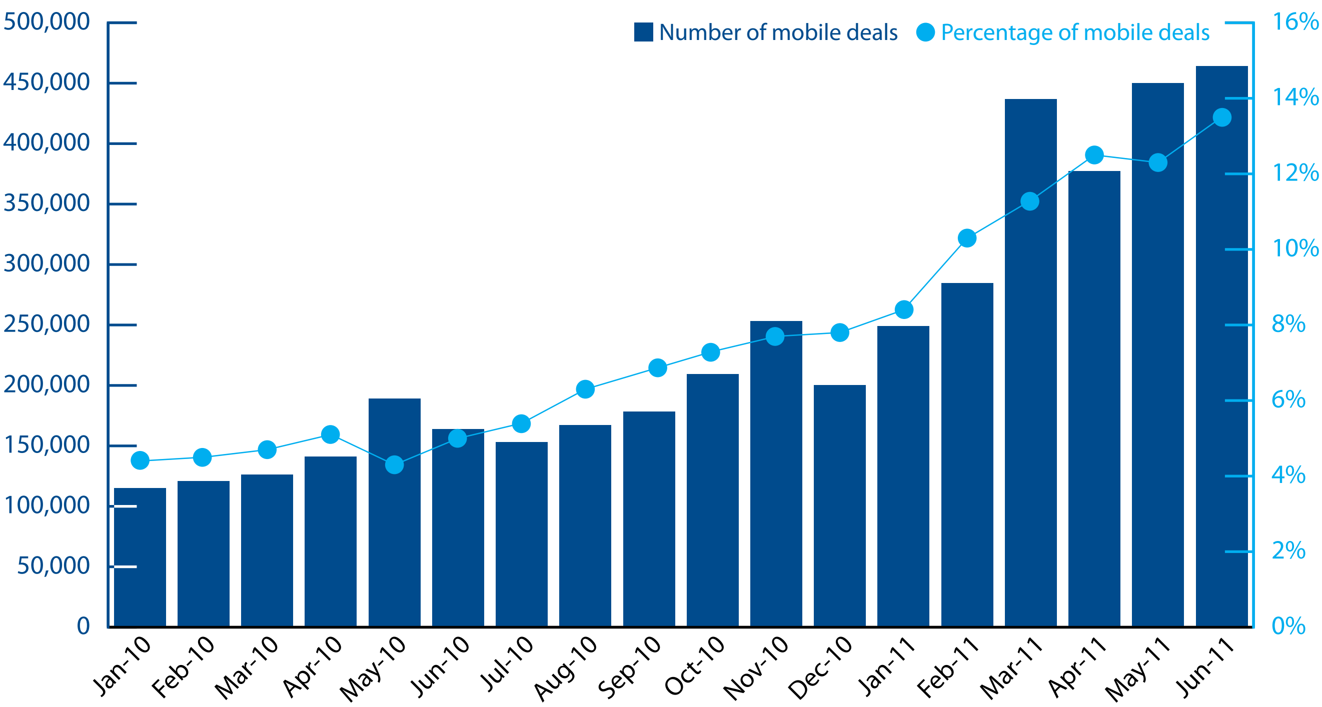
We also provide a mobile dealing platform optimised for touchscreen technology, enabling clients to make full use of our advanced platform features from smartphones and other mobile devices.

FINANCIAL STRENGTH FACILITATES PRODUCT INNOVATION

IG Group is strongly capitalised, debt-free and highly cash generative, providing us with the scale and competitive advantage to focus on technological development. We have built a team of developers with a strong history of innovation working alongside our dealing team. The Group has been at the forefront of introducing new products which have subsequently been adopted by the rest of the industry – for example spread betting on shares, Guaranteed Stops, Binary Bets, Custom Bets and online DMA solutions.

KPI highlight – growing importance of mobile dealing

Number and percentage of mobile deals since January 2010



4 CONTINUE HIGH LEVELS OF CLIENT SERVICE

COMMITMENT TO TREATING CUSTOMERS FAIRLY

At IG Group, we are very proud of our excellent reputation for client service and customer support, and we believe that these high standards are a key differentiator between us and our competitors. As part of our dedication to our clients, we are fully committed to the FSA's 'Treating Customers Fairly' (TCF) initiative and have developed a scorecard of 25 measures to monitor how we treat our clients.

Central to the Group's TCF policy is the quality of our order execution. We offer near-instantaneous execution, with around 99% of client orders accepted automatically. We never re-quote prices and, within our set margin of tolerance, we will accept orders even if the market moves. Our innovative Price Improvement technology enables customers to receive a better price if one becomes available as a trade is executed.

COMPETITIVE AND TRANSPARENT PRICING

We offer transparent prices that are competitively low, while maintaining our trademark quality of service and trade execution. We offer spreads starting from just one pip on the major currency pairs, while our commission rates start at 0.1% for UK equities.

To provide our clients with better prices and greater liquidity, we source prices from Europe's top Multilateral Trading Facilities (MTFs) – Chi-X, Turquoise and BATS – as well as from the major European exchanges, such as the London Stock Exchange and Euronext. This enables us to offer the narrowest market spreads derived from the best bid and offer prices available in the underlying market.

CLIENT SUPPORT AND EDUCATION

We provide extensive educational resources for clients, including:

- An introductory education programme promoting responsible trading
- A wide range of client seminars and webinars, available online and in person
- Daily research bulletins on major financial markets, including equities, commodities and forex
- Live news feeds from Reuters
- A comprehensive online help portal
- Regular technical analysis and in-depth research from both our in-house team and third party sources

CLIENT MONEY PROTECTION

IG Group adopts a best-practice approach to client money protection. We follow the client asset rules set by the UK's Financial Services Authority (FSA) and similar rules of other regulators in whose jurisdiction we operate. In the UK, Europe, US and Asia Pacific we segregate all retail clients' funds into 'client money' bank accounts. The FSA has recently tightened client money rules and this has not had a significant effect upon the Group as we were already operating in accordance with best practice in this area.

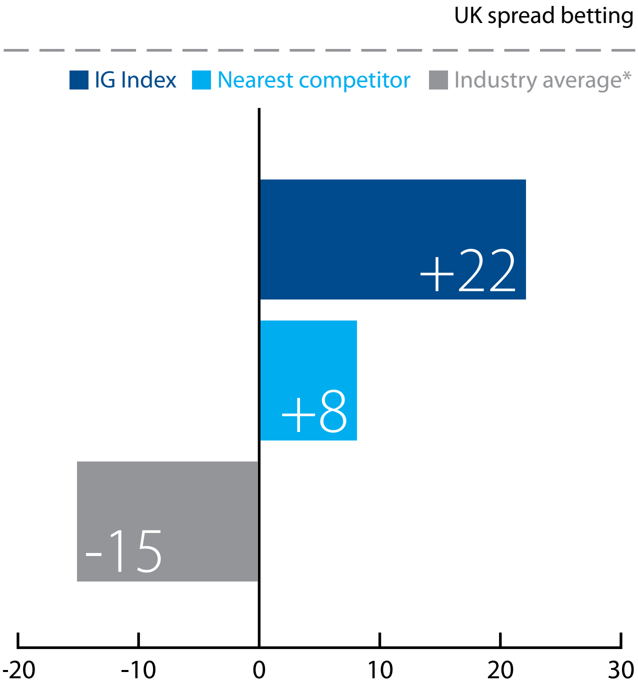
NET PROMOTER SCORE

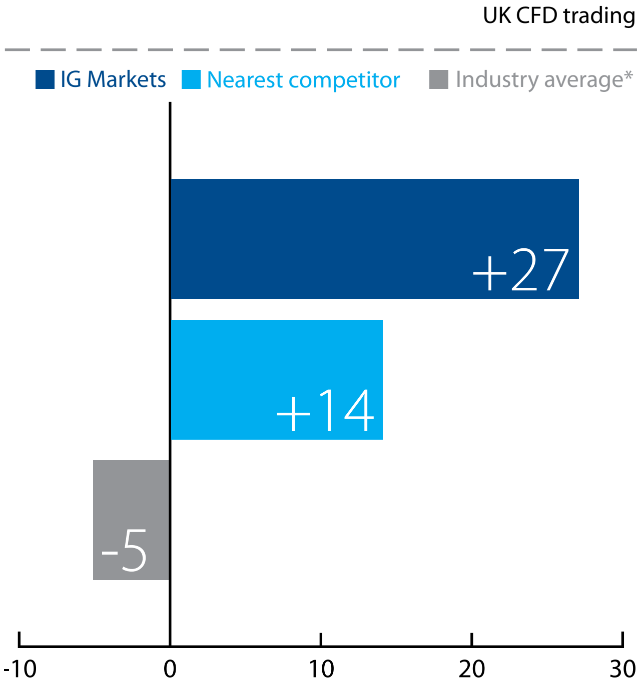
Independent research company Investment Trends has measured customer satisfaction among spread betting and CFD trading clients via the Net Promoter Score (NPS) method. Researchers asked clients if they would recommend their provider to a friend or colleague. The study found that IG Index currently has the highest NPS of all UK spread betting companies(1), while IG Markets has the leading NPS among CFD providers in the UK(1), Australia(2) and Singapore(3).

The Net Promoter Score (NPS) is calculated by asking respondents: 'How likely are you to recommend this company to a friend or colleague?' Respondents reply on a 0-10 scale, with the final NPS calculated as the percentage of promoters (those answering 9 or 10) minus the percentage of detractors (those answering 0 to 6).

(1) Investment Trends: '2010 UK Financial Spread Betting & CFD Trading Report' (November 2010)
(2) Investment Trends: '2011 Australia CFD Report' (July 2011)
(3) Investment Trends: '2010 Singapore FX & CFD Report' (September 2010)

KPI highlight – Net Promoter Score





* Weighted by primary market share

OUR BUSINESS MODEL

Our businesses provide a platform that harnesses demand for retail financial derivatives trading. The recruitment and retention of clients is supported by our range of products, advanced technology, competitive pricing, customer service, financial strength and business expertise. Our system of controls to monitor and manage risk ensures we generate high-quality earnings through each of our revenue sources.

CLIENTS

- Over 49,000 clients recruited in 2011 financial year
- Over 130,000 clients trading in 2011 financial year
- 14 international sales offices
- Online presence in over 130 countries
- 370 business partners to extend global reach

OUR BUSINESSES

IG INDEX

IG MARKETS

nadex
north american derivatives exchange

Forex • Indices • Shares • Commodities • Binaries
Options • Interest Rates • Bonds • ETFs • Sectors

COMMERCIAL MODEL

QUALITY OF EARNINGS

- Risk averse model: our hedging ensures profit is made whether markets go up or down, as long as clients are trading
- No loss-making days since May 2008

REVENUE SOURCES

- An initial spread or commission for each trade
- Client funding charges to reflect leveraged trading
- Additional charges for Guaranteed Stops
- Interest on cash balances
- Revenue is earned across multiple asset classes

RISK MANAGEMENT

- Scale of operations promotes natural hedging opportunities: client positions often balance each other out
- IG Group's liquidity enables funding of large hedging positions with brokers when necessary
- Clients provide margin up-front and are closed out of positions if margin is significantly eroded
- Real-time mark-to-market trading platform calculates client profit and loss continuously, to mitigate excessive losses

TECHNOLOGY & PRICING

- Award-winning trading platform
- Focus on mobile technology
- Competitive pricing including Price Improvement technology

CLIENT FOCUS

- 24/7 customer service
- Comprehensive education and support
- Treating Customers Fairly (TCF) initiative ensures continued quality service

BUSINESS EXPERTISE

- Market leader for 37 years
- Multi-award-winning company
- Recognised as a top employer with high-quality employees

FINANCIAL STRENGTH

- FTSE 250 company
- Regulatory capital surplus
- Facilitates IT investment and product excellence

For detailed practical examples of a spread bet and a CFD trade, please see the Investors Resources section, pages 134-137.

CHIEF EXECUTIVE'S REVIEW

Through the year we have extended our share in some of our largest markets and have taken a number of steps to further strengthen our competitive position. We remain committed to investing in our technology and we enter the coming year well positioned to build on our high levels of client service and to maintain and build on our market-leading position across our geographical markets.

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

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

PERFORMANCE OF OUR MAIN BUSINESS UNITS

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

Our Australian business, which represents 15% of revenue, achieved revenue growth of 4%. This was made up of 11% growth in active clients offset by a 6% fall in revenue per client. Revenue per client recovered well in the final quarter of the year and was at its highest level for the year in May. Recent market research indicates that we have extended our market lead over the last year, and that we now have a 34% share of primary accounts, while our nearest competitor has 20%. Our European businesses grew revenue by 21%, made up of 33% growth in active clients and a 9% fall in revenue per client. Germany was the fastest growing of our European offices with revenue growth of 54%. An 11% increase in revenue per client contributed to this growth. Market research indicates that we are the second largest CFD provider in Germany, and that we are gaining market share rapidly. Europe now contributes over 18% of Group revenue and is likely to become an increasingly material contributor to Group revenue and revenue growth over the next few years.

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

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

INTERNATIONAL EXPANSION CONTINUES

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

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

Revenue for the nine months since acquisition was £2.75 million. Revenue from our white label with Ideal CFDs was previously included within revenue from the UK office and amounted to £1.8 million in the prior year and £0.5 million in the first quarter of the 2011 financial year.

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

We continue to explore opportunities to expand further geographically.

THE US

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

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

European contribution to Group revenue

18%

Growth in active clients (excluding Japan)

+13.5%

Percentage of clients using mobile devices

30%

CHIEF EXECUTIVE'S REVIEW
(continued)

EXTRABET

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

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

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

INVESTMENT IN TECHNOLOGY

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

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

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

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

HIGH LEVELS OF CLIENT SERVICE

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

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

MANAGEMENT CHANGES

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

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

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

CURRENT TRADING AND OUTLOOK

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

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

Tim Howkins, Chief Executive
19 July 2011

OPERATING AND FINANCIAL REVIEW

This section reviews the Group's operating performance and financial results for the year.

OUR STRATEGY AND OUR BUSINESS

IG Group's overall business strategy is set out earlier in the Business Review, along with our plan to deliver that strategy and the Group's business model. The key business risks arising from our strategy, as well as their mitigation, are explained following this Operating and Financial Review.

Additionally a worked example of a CFD trade and a spread bet are provided in the Investor Resources and Other Information section that follows the Group Financial Statements.

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 and in Australia, where we extended our lead this year. We are number two in Germany, but are taking market share from our competition.

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

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

REGULATORY ENVIRONMENT

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

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

- The FSA recently issued a discussion paper containing several policy proposals about the extent to which it should be permitted to intervene in product design where there is evidence that such intervention is required in order to prevent consumer detriment. We have shared our views with the FSA on this approach as we do not consider that our clients suffer detriment and will monitor developments carefully.

- The European Commission is reviewing the Markets in Financial Instruments Directive (MiFID), with draft legislative proposals due for release in the second half of 2011. Based on early policy proposals of the Commission, we do not

believe that the MiFID review will pose a threat to our UK and European businesses but we are monitoring the situation carefully.

- The Australian Securities and Investments Commission (ASIC) has undertaken a large amount of policy work in our industry over the past year. We expect a number of changes to come into effect in the coming year as a result of this, including regulatory capital changes, disclosure changes and client suitability changes. We have engaged with ASIC thoroughly on these issues and we do not expect that these changes will have a substantial impact on our business.

- During the year, the Monetary Authority of Singapore (MAS) brought in guidance encouraging firms to undertake client suitability assessments during the account application process to determine whether their services are suitable for each individual client. We have implemented MAS' guidance within our own Singapore business; the impact of doing so has not been material.

- Our Japanese business operates in an increasingly difficult regulatory environment, with progressive leverage limits being introduced on trading in forex, equity indices, equities and other asset classes during the year. In light of the significant adverse impact of these regulatory changes we fully impaired the carrying value of the goodwill and customer relationships associated with our Japanese business as at 30 November 2010.

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

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

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

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

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

RESOURCES AVAILABLE TO THE GROUP

The Group has a strong, debt-free balance sheet and a history of profitability, enabling continued investment in each of our key brands, growth in our international reach and the development of our advanced and robust technology. The Group has significant capital resources and the surplus over the capital resources requirement is disclosed later in this section under Regulatory Capital Resources.

Our award-winning dealing platforms, our market-leading brands and our active client base are all highlighted within the What We Do and Our Strategy sections of the Business Review.

Our continued growth is highly dependent upon attracting and retaining high-calibre employees. Our employee numbers and remuneration levels are discussed in detail later in the Operating and Financial Review. The Group's employees have extensive knowledge of our key markets and actively contribute to the development of new products and services.

The Group's reputation for innovation and high levels of customer service reflects over 30 years of investment in technology. The vast majority of technology development is carried out in-house and our employees continue to be our key resource.

OPERATING AND FINANCIAL REVIEW
(continued)

FINANCIAL REVIEW

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

The critical accounting estimates and judgments that impact the Group's financial performance, together with new and amended accounting standards adopted in the preparation of the Financial Statements, are set out in note 37 to the Financial Statements.

Regulatory capital resources

£263.6m (+18.7%)

Total dividend per share

+8.1%

Dividend payout ratio[1]

61.3%

(1) Calculated as total dividend per share divided by diluted adjusted earnings per share.

Summary Group Income Statement

£000	2011	2010
Net trading revenue[2]	320,392	298,551
Other net operating income	4,863	1,172
Net operating income	325,255	299,723
Operating expenses	(151,642)	(133,782)
EBITDA	173,613	165,941
Depreciation, amortisation and amounts written off property, plant and equipment	(10,583)	(8,654)
Interest (paid) / received	(30)	352
Adjusted profit before tax[3]	163,000	157,639
Amortisation and impairment of intangibles	(155,953)	(17,298)
Profit before taxation	7,047	140,341
Tax expense	(32,339)	(38,855)
(Loss) / profit for the period	(25,292)	101,486
Diluted adjusted earnings per share	32.64p	30.77p
Total dividend per share	20.00p	18.50p

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

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

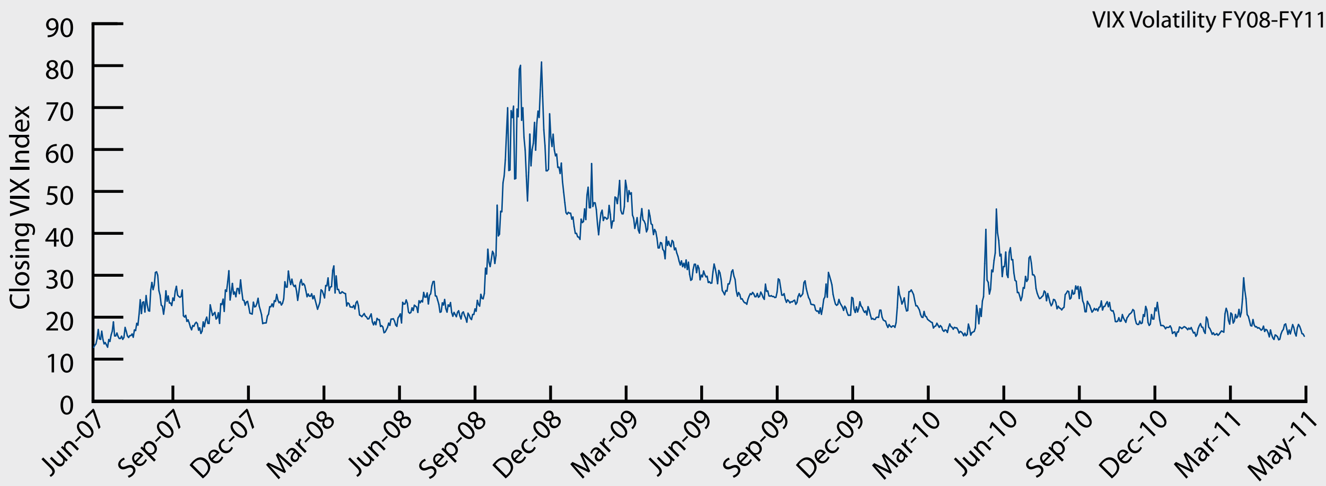
Net trading revenue grew 7.3% to £320.4m in mixed market conditions

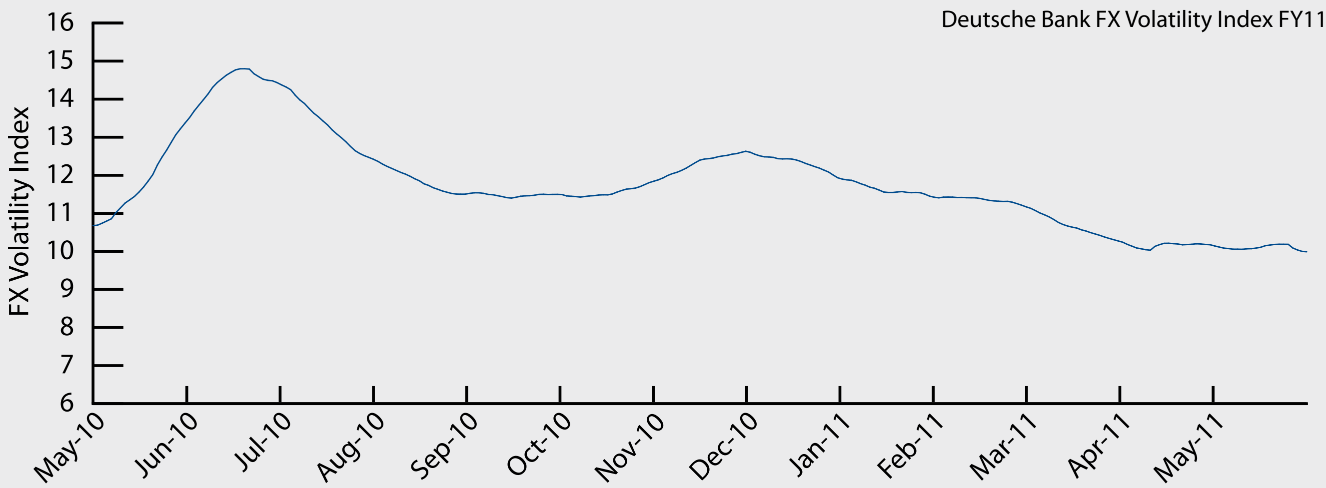
KPI: Net trading revenue

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

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

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





OPERATING AND FINANCIAL REVIEW
(continued)

FINANCIAL REVIEW (continued)

Net trading revenue grew in all regions except Japan

KPI: Geographic net trading revenue

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

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

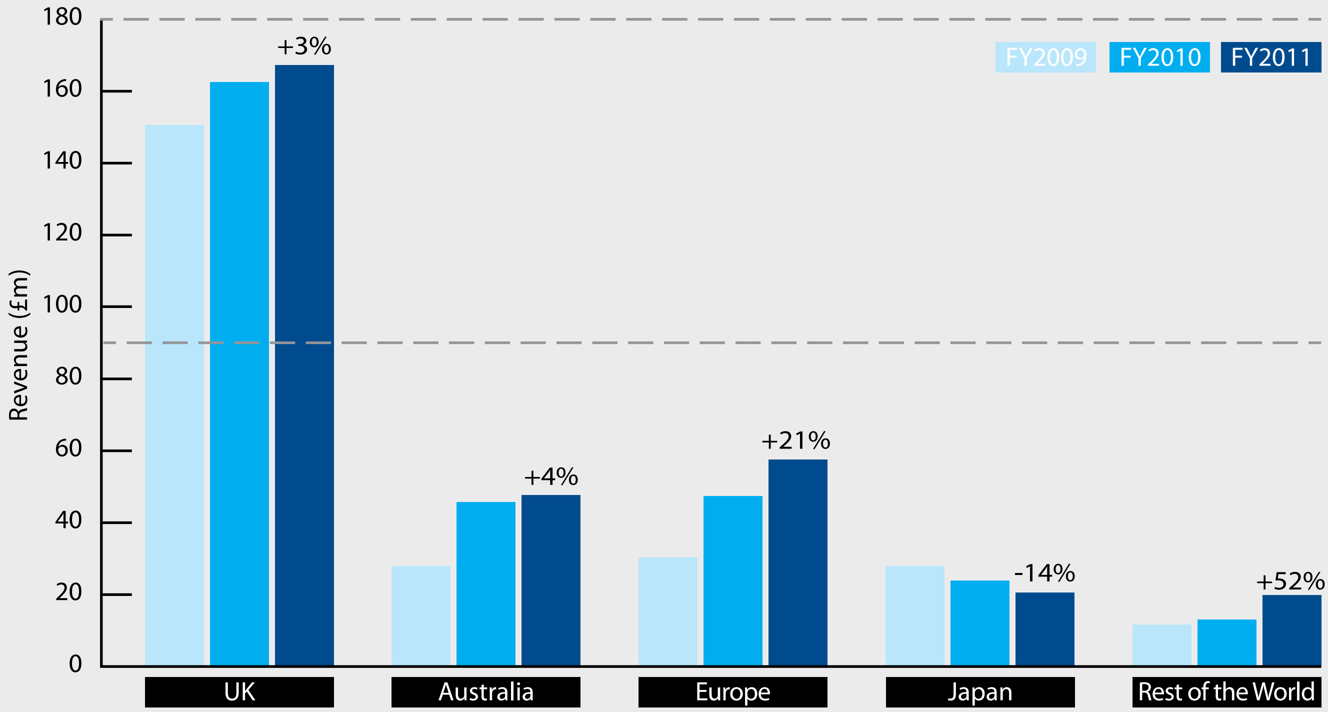
Our Australian business had a strong final quarter, leaving it well positioned for the new financial year with overall revenue growing by 4% to £47.6 million (2010: £45.7 million) for the year.

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

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

The Rest of the World revenue grew 52% to £19.9 million (2010: £13.0 million) due to a strong performance in Singapore which was up 38% and the acquisition of the South African white label partner, Ideal CFDs, previously reported in the UK. Excluding the impact of the acquisition, the Rest of the World annual revenue growth was 31%. This growth rate is diluted by changes in the US which saw us close our OTC business to allow management to focus on the Nadex exchange business which, as reported elsewhere, has made encouraging progress in the financial year.

Geographic net trading revenue

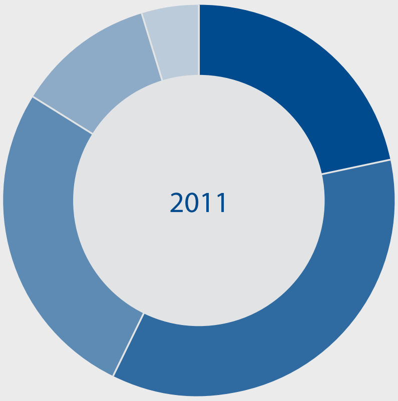


Changes in revenue by asset class reflect individual market movements

KPI: Net trading revenue by asset class

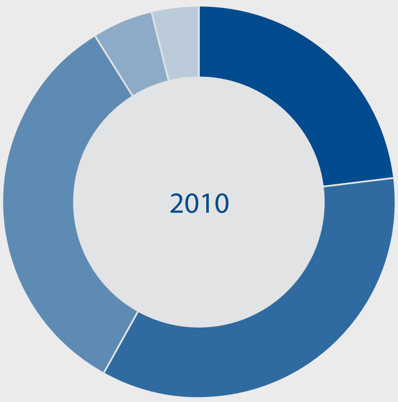
The changing mix of revenues by asset class from the prior to the current year reflects our wide product offering that can provide our clients with interesting trading opportunities under a range of market conditions. Equity indices remain our highest revenue-generating asset class, with forex second,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

FY11 Financial Revenue £312.7m



- 22% Shares
- 36% Equity Indices
- 26% Forex
- 11% Commodities
- 5% Binaries

FY10 Financial Revenue £292.6m



- 23% Shares
- 35% Equity Indices
- 29% Forex
- 9% Commodities
- 4% Binaries

OPERATING AND FINANCIAL REVIEW
(continued)

FINANCIAL REVIEW (continued)

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

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

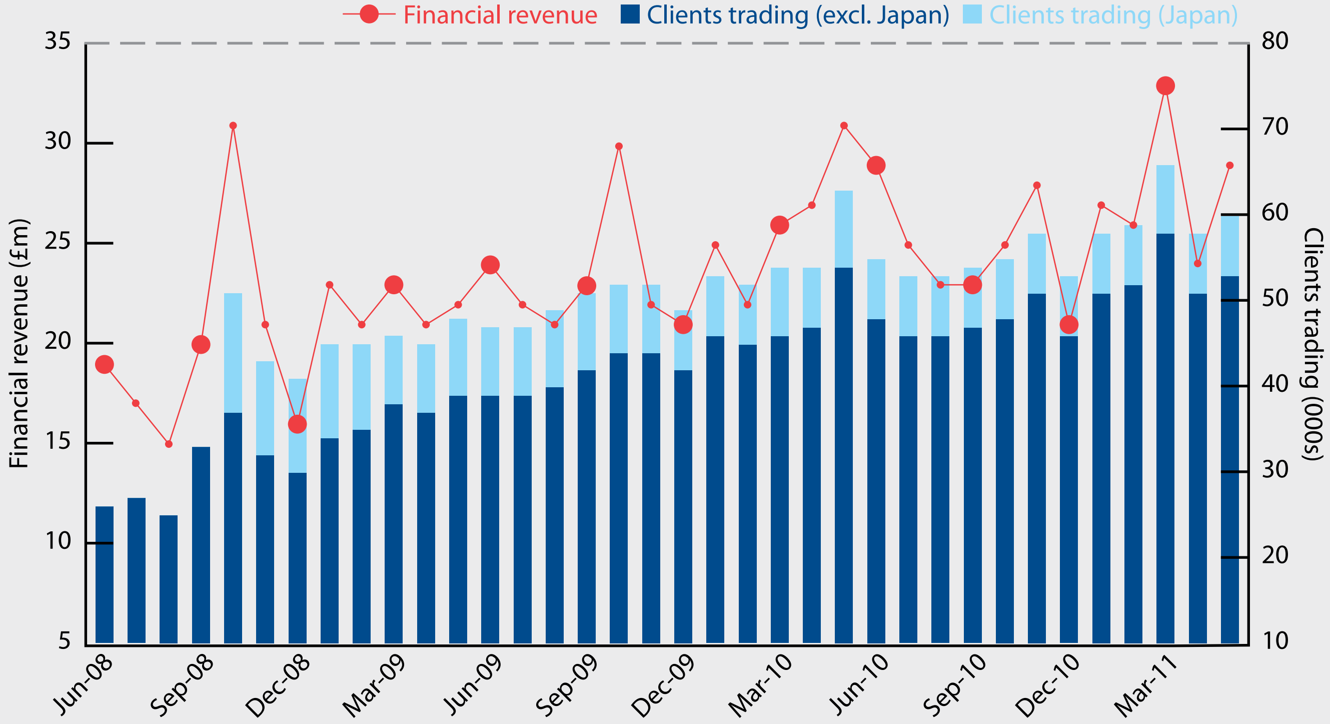
Number of active clients – continued growth despite tough comparatives

KPI: Number of active clients

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

The profile of active clients over the last three years is illustrated below. The more volatile conditions experienced in March 2011 attracted a record number of clients trading in any one month, surpassing the previous record month of May 2010 and, in turn, resulted in our highest ever monthly net trading revenue.

Monthly revenue vs active clients trading FY09-FY11



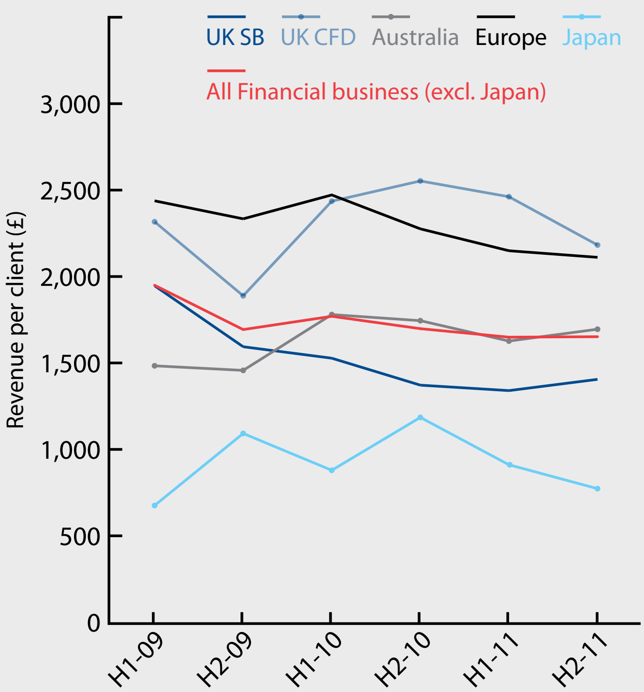
KPI: Average revenue per client
Average revenue per financial client (total revenue divided by the number of active clients) varied during the year across products and geographies.

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

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

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

Average revenue per client FY09-FY11

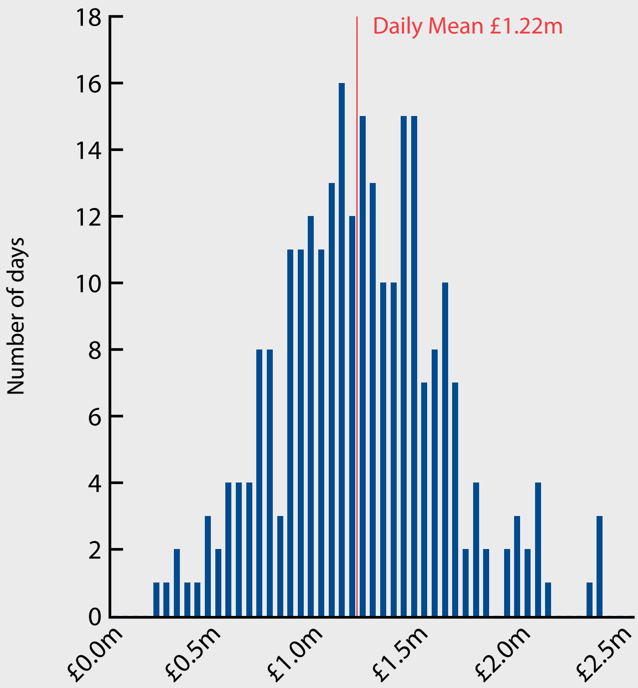


Quality of earnings demonstrated through low volatility of trading revenue

KPI: Daily net trading revenue
The stability of our revenue is illustrated in the chart below, which shows the distribution of daily net trading revenue during the financial year. This demonstrates the quality of the Group's earnings and also the effectiveness of our systems and processes of market risk management. We do not take proprietary market positions based on the expectation of market movements and this is a significant contributory factor to trading revenue stability.

The Group did not experience a single loss-making day during the financial year. Our last loss-making day was a bank holiday in May 2008.

Daily net trading revenue FY11



OPERATING AND FINANCIAL REVIEW
(continued)

FINANCIAL REVIEW (continued)

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

As discussed in the Business Review and elsewhere in the Operating and Financial Review, the Group has now completed a redundancy consultation process with the employees of extrabet prior to the closure of the business.

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

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

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

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

Employee remuneration costs

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

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

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

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

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

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

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

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

OPERATING AND FINANCIAL REVIEW
(continued)

FINANCIAL REVIEW (continued)

Marketing costs

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

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

Other expenses

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

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

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

The full-year impact of use of our close-out monitor, which automatically reduces our exposure to bad debts, and the introduction of tiered-margining, contributed to limiting the levels of new bad debt arising in the year to £1.2 million and an overall net recovery of £2.2 million (2010: £1.1 million) in relation to bad and doubtful debts. The management of credit risk is described in detail in note 33 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. In the prior year, the Group benefitted from sales tax rebates in overseas locations of £1.6 million and a lower effective VAT rate in the UK. UK VAT is payable on the bulk of the Group's UK and European advertising and marketing, IT, market data and legal and professional fees. The UK VAT rate averaged 18.5% in the year ended 31 May 2011 compared to 16.0% in the prior year.

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

Exceptional items included in adjusted profit before tax

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

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

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

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

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

OPERATING AND FINANCIAL REVIEW (continued)

FINANCIAL REVIEW (continued)

EBITDA margins

KPI: Geographic EBITDA contribution

We use EBITDA contribution, which includes an allocation of central costs, primarily to assess the regional performance of our businesses (see note 2 to the Financial Statements).

EBITDA increased to £173.6 million (2010: £165.9 million) driven by the increase in net trading revenue and adjusted administrative expenses discussed earlier in the Operating and Financial Review. EBITDA margin (EBITDA expressed as a percentage of net trading revenue) marginally decreased to 54.2% (2010: 55.6%).

The following table summarises EBITDA margin by region:

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

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

Adjusted profit before taxation

KPI: Adjusted profit before taxation

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

Profit before tax

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

Goodwill and customer relationships impairment – Japan

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

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

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

Goodwill impairment – Sport business

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

Taxation expense

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

The calculation of the Group's tax charge involves a degree of estimation and judgement, in particular with respect to 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 9 to the Financial Statements.

Diluted adjusted earnings per share

KPI: Diluted adjusted earnings per share

Diluted adjusted earnings per share increased to 32.64p (6.1% growth) in the year ended 31 May 2011, from 30.77p the prior year, and excludes amortisation and impairment of intangible assets associated with the Group's Japanese business and impairment of the goodwill associated with the Group's Sport business and related taxation. Diluted adjusted earnings per share (refer to note 10 to the Financial Statements) is used as a primary measure of our underlying profitability, and the annual Directors' performance-related bonuses are calculated by reference to this measure.

Dividend policy

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

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

FINANCIAL REVIEW (continued)

Summary Group Statement of Financial Position

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

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

Intangible assets include goodwill of £107.4 million (2010: £234.2 million), primarily arising on the acquisition of IG Group plc and its subsidiaries in 2003 and the goodwill (£1.9 million) and client list (£1.5 million) arising on the acquisition of our South African business (refer to note 14a to the Financial Statements) in the year. As detailed in note 15 to the Financial Statements the goodwill and client list associated with IG Markets Securities (formerly FXOnline) and the Group's Sport business extrabet have been fully impaired in the period.

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

Liabilities

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

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

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

Client money

KPI: Client money levels

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

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

Available liquidity – Group cash generation funds increased broker margin requirement

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

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

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

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

FINANCIAL REVIEW (continued)

Summary Group Cash Flow Statement

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

£000	2011	2010
Operating activities		
Adjusted profit before tax	163,000	157,639
Depreciation and amortisation	10,866	8,605
Other non-cash items	(1,563)	(4,866)
Net finance costs / (revenue)	30	(352)
Income taxes paid	(43,502)	(47,719)
Net interest income on segregated client funds	7,854	5,413
Own funds generated from operations	**136,685**	**118,720**
Movement in working capital	6,083	30,728
Outflow from investing and financing activities	(95,278)	(61,633)
Increase in own funds	**47,490**	**87,815**
Own funds at 1 June	269,407	178,090
Exchange gains on own funds	7,721	3,501
Own funds at 31 May	**324,618**	**269,406**

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

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

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

Regulatory capital resources

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

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

The following table summarises the Group's capital adequacy on a consolidated basis. The Group's capital management is reviewed further in note 34 to the Financial Statements.

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

CORPORATE SOCIAL RESPONSIBILITY

An overview of our commitment to corporate and social responsibility is included within the Directors' Statutory Report and in more detail on our corporate website at www.iggroup.com.

PREPARATION OF THE OPERATING AND FINANCIAL REVIEW

This Operating and Financial Review (OFR) has been prepared solely to provide additional information to shareholders to assess our strategies and the potential for those strategies to succeed. The OFR should not be relied on by any other party or for any other purpose.

The OFR contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report. Such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The Directors, in preparing the OFR, have sought to comply with the guidance set out in the Accounting Standards Board's Reporting Statement: Operating and Financial Review. The Directors also believe they have adequately discharged their responsibilities under Section 417(3) of the Companies Act 2006 in providing this Business Review.

OUR BUSINESS RISKS

Effective management of our business risks is critical to the delivery of our strategy. This section describes our key business risks and how we manage them. Our risk management policies and procedures are also discussed in the Corporate Governance Report.

OUR RISK APPETITE

In providing products and services to our customers, we are exposed to a number of operational risks and financial risks (including credit, market and liquidity risks). We must also observe legal and regulatory requirements in each market that we operate.

The Board is responsible for establishing our overall appetite for risk, which is detailed and approved in the Risk Appetite Statement. We measure and manage our risk appetite using a set of key risk indicators (KRIs) which either hold a numerical value or relate to a specific risk event. Taken together, the KRIs are a balanced mix of quantitative and qualitative measures that provide an important indication of increasing or reducing risk levels.

OUR RISK MANAGEMENT FRAMEWORK

Our risk management framework is designed to embed management of business risks throughout the organisation. This approach also mitigates our reputational risk that arises from a failure to manage risk effectively.

Responsibility for risk management resides at all levels within the Group, starting with the Board of Directors. The effectiveness of the risk management framework and system of internal controls is monitored and confirmed by our assurance functions of Risk, Compliance and Internal Audit. Our corporate governance structure, including details of how the Board delegates responsibility for internal control and risk management to our Audit and Risk committees, is described in detail in the Corporate Governance Report.

In addition to the management of individual risks, the Group undertakes various stress and scenario testing as part of the Internal Capital Adequacy Assessment Process (ICAAP) and Individual Liquidity Adequacy Assessment (ILAA), prepared according to FSA requirements. The scenarios stress test the effect on capital and liquidity of a series of combined risk events occurring simultaneously.

Our financial risks, specifically credit, market and liquidity risk are described in further detail in note 33 to the Financial Statements and in our Pillar 3 Disclosures, an FSA regulatory disclosure requirement, which can be found at www.iggroup.com.

OUR KEY RISKS AND THEIR MITIGATION

As the nature of our operations has not significantly altered during the year, our liquidity, credit and market risks are largely unchanged, as detailed below. An overview of the changes in the regulatory environment in which we operate is given earlier in the Operating and Financial Review.

Strategic

Strategic risk can arise from inadequate Board and senior management processes as well as external factors that lead to a failure to identify or implement our strategy.

The Board monitors the risks associated with our strategy and maintains an awareness of any external factors which may impact on its delivery.

Regulatory

Regulatory risk is the risk of non-compliance with and future changes in regulatory rules potentially impacting our businesses in the markets in which they operate.

We maintain ongoing relationships with the regulatory authorities that oversee the Group's activities from a legal and regulatory viewpoint, and invest significant resource in compliance systems and controls. This covers both existing regulations and the monitoring of emerging new regulations to ascertain their potential impact on the Group. We also regularly contribute to consultations on proposals that might affect our businesses. A regulatory overview is provided in the Operating and Financial Review.

We monitor the regulatory capital requirements of our businesses on an ongoing basis in accordance with the requirements of the regulators in whose jurisdictions we operate. Our capital management objectives and policies are disclosed in note 34 to the Financial Statements.

Liquidity

Liquidity risk is the risk that the Group may not be able to meet payment obligations as they fall due.

The short-term maturity profile of our financial assets and liabilities means that there are no material liquidity maturity mismatches. Our available liquidity and 'net own cash available' figures are monitored on a daily basis and are described in the Available Liquidity section of the Operating and Financial Review, as well as in the Liquidity Risk section of note 33 to the Financial Statements.

Market

Market risk is the risk that the fair value of financial assets and financial liabilities will change due to adverse movements in market prices, currency values or interest rates.

Market risk is managed on a real-time basis, with all client positions monitored against market risk limits set by the Risk Committee. The Group operates within these limits by hedging the market risk exposure as and when required. We do not take proprietary positions based on the expectation of market movements.

Credit

Credit risk is the risk that a counterparty fails to perform its obligations, resulting in financial loss. Adverse changes in the credit quality of individual clients or institutional counterparties could affect the recoverability of our assets and therefore our financial performance.

We offer a number of risk management tools that enable clients to manage their exposure to credit risk, including:

- Guaranteed and non-guaranteed stops
- Limit orders

In addition, we manage our overall credit risk exposure through:

- Real-time monitoring of client positions via our 'close-out monitor'
- Tiered margining with risk-adjusted margin requirements based on the volatility of the underlying financial instrument and size of the client position
- Using bank and broker counterparties that satisfy minimum credit rating requirements

Operational

Operational risk is the risk of financial loss arising from inadequate or failed internal processes, people and systems or from external events.

Our risk management framework enables our staff to monitor operational risks relating to systems, processes, people and external events. Our system of internal controls aims to reduce, but not eliminate altogether, operational risk exposure – this is described further in the Corporate Governance Report.

The availability and reliability of our client dealing platforms is key to delivering our strategy and we make significant investment in our IT infrastructure to ensure the platforms remain robust. This is supported by ongoing business continuity planning and regular testing of our disaster recovery facilities and procedures, as well as maintaining the ISO27001:2005 Information Security Management System standards in respect of IT and data security.

CORPORATE GOVERNANCE

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DIRECTORS' STATUTORY REPORT

The Directors are pleased to submit their report together with the Group Financial Statements for the year ended 31 May 2011.

Principal activities

An overview of the principal activities of the Group is provided in the Business Review.

Branches outside the United Kingdom

In line with strategic objectives, the Group has branches in a number of overseas jurisdictions including Australia, New Zealand, South Africa, France, Germany, Italy, Luxembourg, the Netherlands, Portugal, Spain and Sweden.

Review of business and future developments

A review of the Group's progress, outlining developments during the year and giving an indication of future developments, is provided in the Business Review. The Business Review also covers an analysis of the financial position of the Group at the year-end and Key Performance Indicators.

Risk management

An overview of the Group's risk appetite and the risk management framework, along with the Group's key risks and their mitigation, is provided in the Our Business Risks section of the Business Review.

The Corporate Governance Report provides an explanation of the Group's governance and control frameworks including the roles and responsibilities of each of the Board, Audit Committee and Risk Committee.

The principal activities of the Group outlined in the Business Review give rise to exposure to financial risks in the ordinary course of business. The main risks associated with the Group's financial instruments, as well as the policies agreed by the Board to manage these risks, are detailed in note 33 to the Financial Statements.

Results

The Group's statutory loss for the year after taxation amounted to £25,292,000 (2010: profit of £101,486,000), of which a loss of £25,453,000 (2010: profit of £101,281,000) is attributable to the equity members of the Company.

The Group's adjusted profit before taxation which excludes amortisation and impairment of intangible assets associated with the Group's Japanese business and impairment of the goodwill associated with the Group's Sport business was £163,000,000 (2010: £157,639,000).

Related party transactions

Details of related party transactions are set out in note 31 to the Financial Statements.

Subsequent events

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

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

Dividends

The Directors recommend a final ordinary dividend of 14.75 pence per share, amounting to £53,368,000, making a total of 20.00 pence per share and £72,337,000 for the year. Dividends are recognised in the Financial Statements in the year in which they are paid, or in the case of a final dividend, when approved by the shareholders. The amount recognised in the Financial Statements, as described in note 11, is made up of this year's interim dividend and the final dividend from the previous year, which were both paid during the year.

The final ordinary dividend, if approved, will be paid on 11 October 2011 to those shareholders on the register at 9 September 2011.

Directors and their interests

Profiles of the Directors who held office at the end of the year are given below, and details of the service contracts for those Directors are shown in the Directors' Remuneration Report. Details of the Directors' interests in the share capital of the Company are set out in the Directors' Remuneration Report.

BOARD OF DIRECTORS

Jonathan Davie Non-Executive Chairman 47
Tim Howkins Chief Executive 48
Christopher Hill Chief Financial Officer 49
Peter Hetherington Chief Operating Officer 50
Andrew MacKay Director of Corporate Strategy 51
David Currie Non-Executive Director 52
Martin Jackson Non-Executive Director 53
Stephen Hill Non-Executive Director 54
Nat le Roux Non-Executive Deputy Chairman 55
Roger Yates Senior Independent Non-Executive Director 56

Share capital

Details of the Company's equity and preference share capital are given in notes 23 and 22 respectively to the Financial Statements. Details of the Group's required regulatory capital are disclosed in note 34 to the Financial Statements and in the Operating and Financial Review.

The Group purchases its own shares in order to satisfy awards under the Group's share incentive plan schemes and the Group issues shares in respect of long-term incentive plan schemes. Details of the shares held by the Group's Employee Benefit Trusts and the amounts paid during the year are disclosed in note 24 to the Financial Statements.

Change of control

Following any future change of control of the Company, the Group's banking facilities, which are currently undrawn (refer to note 33 to the Financial Statements), will be cancelled and any obligations will become immediately due and payable.

Annual General Meeting

The Group's Annual General Meeting will be held on 6 October 2011. Details of the resolutions to be proposed at the Annual General Meeting are set out in a separate circular sent to all shareholders.

Registered number

The registered number of IG Group Holdings plc is 04677092.

Supplier payment policy and practice

The Company does not incur significant costs and the Group does not follow any stated code on payment practice. It is the Group's policy to agree terms of payment with suppliers when agreeing the terms for each transaction and to abide by those terms. Standard terms provide for payment of all invoices within 30 days after the date of the invoice, except where different terms have been agreed with the supplier at the outset. There were 5.5 creditor days of suppliers' invoices outstanding at the year-end (2010: 4.5) for the Group.

Donations

The Group made no political donations in the year (2010: £nil). The Group made charitable donations of £119,036 in the year (2010: £40,335) as follows:

	2011
Japanese earthquake relief fund	37,286
The Gambling Trust	26,288
The Entrepreneurs Foundation	20,000
Employee-matched giving (various causes)	11,750
Specialist schools	10,500
Cricket Foundation	5,000
Other	8,212

Major interests in shares

Notifications shown below have been received by the Company of shareholdings of three percent or more of the issued ordinary share capital.

	As at 15 July 2011		As at 31 May 2011	
	No. of shares	percentage	No. of shares	percentage
BlackRock Inc.	18,569,208	5.13%	12,956,579	3.58%
Massachusetts Financial Services Company	18,150,880	5.01%	17,841,957	4.93%
Artemis Investment Management Limited	18,144,994	5.01%	18,144,994	5.01%
Cantillon Capital Management LLC	18,119,287	5.00%	18,119,287	5.00%
Investec Asset Management Limited	17,863,943	4.93%	17,863,943	4.93%
Ameriprise Financial Inc. and its group	17,774,188	4.91%	17,774,188	4.91%
Standard Life Investments Limited	17,564,421	4.85%	17,564,421	4.85%
JP Morgan Chase & Co	15,830,307	4.37%	15,830,307	4.37%
Legal & General Group plc	14,287,840	3.94%	14,287,840	3.94%
Ignis Investment Services Limited	11,851,906	3.27%	11,851,906	3.27%
Prudential plc	11,066,417	3.05%	11,066,417	3.05%

Jonathan Davie
Non-Executive Chairman, 64 years old

Jonathan qualified as a Chartered Accountant. He joined George M. Hill and Co, a jobber on the London Stock Exchange in 1969. The firm was acquired by Wedd Durlacher Mordaunt and Co where Jonathan became a partner in 1975. Jonathan was the senior dealing partner of the firm on its acquisition by Barclays Bank to form BZW in 1986. Jonathan developed BZW's Fixed Income Business prior to becoming CEO of the Global Equities Business in 1991. In 1996 Jonathan became Deputy Chairman of BZW and then Vice Chairman of Credit Suisse First Boston in 1998 on their acquisition of most of BZW's businesses. Jonathan is presently a Non-Executive Director of Persimmon plc and Chairman of First Avenue Partners, an alternatives advisory boutique.

DIRECTORS' STATUTORY REPORT
(continued)

Corporate governance
The Company's statement on corporate governance can be found in the Corporate Governance Report.

Auditors
In the course of the current financial year, the Group's Audit Committee decided it was desirable to put the Group's audit appointment out to a competitive tender process.

Upon careful consideration of proposals from three candidate firms, including the incumbent auditors, the Committee made a recommendation to the Board that PricewaterhouseCoopers LLP be appointed as the Group's auditor. The Board agreed to this recommendation, and effective from 8 December 2010, the Board accepted the resignation of Ernst & Young LLP and the appointment of PricewaterhouseCoopers LLP as the Group's auditor until the conclusion of the Company's next forthcoming AGM in October 2011, when a resolution to re-appoint PricewaterhouseCoopers LLP will be put to shareholders.

Directors' statement as to disclosure of information to auditors
So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware. Each Director has taken all the steps that he is obliged to take as a Director in order to make him aware of any relevant audit information and to establish that the auditors are aware of that information.

Going concern
The Directors have prepared the Financial Statements on a going concern basis, which requires the Directors to have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The Directors have reviewed the Group's processes to control the financial risks to which the Group is exposed, its available liquidity, its regulatory capital position and the annual budget. As a result of this review, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

Corporate and social responsibility
The Group is committed to ensuring that its interactions with employees, clients, suppliers, shareholders, society and the wider environment are managed responsibly. This commitment has been a key feature of the Group's values since its inception in 1974. A sense of responsibility underlies all our businesses and is manifested in everything from our dealings with clients to conscientiousness about the environmental impact we make.

In the following pages we provide an overview of our corporate and social responsibility report. The Group's full corporate and social responsibility report is published on our corporate website at www.iggroup.com.

Business standards
The Group applies high standards across its businesses, and these standards frequently exceed local regulatory requirements of the jurisdictions in which we operate. We also support and adhere to high standards of corporate governance – as set out in the Corporate Governance Report and the Statement by the Directors in Compliance with the Combined Code.

A reputation for honesty and transparency is vital in the financial derivatives industry, and the Group's commitment to these values is a cornerstone of our success. The Group maintains high standards of corporate behaviour throughout our businesses and operations. This is embodied within each of the following service offerings and behaviours.

Commitment to Treating Customers Fairly (TCF):

- As set out in the Business Review we are fully committed to the FSA's Treating Customers Fairly (TCF) initiative and have developed a scorecard of 25 measures to monitor how we treat our clients.

Tim Howkins
Chief Executive, 48 years old

Tim has a first class degree in Mathematics and Computer Science from Reading. He qualified as a Chartered Accountant with Ernst & Young and is also a member of the Chartered Institute of Taxation. Tim was one of a group of partners and staff who left Ernst & Young in 1990 to form Rees Pollock, a firm of Chartered Accountants targeted at entrepreneurial, owner-managed businesses. Tim was a partner in Rees Pollock for seven years and was the partner responsible for IG Group's audit. He then joined IG Group as Finance Director in 1999, and became Chief Executive in 2006. Tim is a member of the Board and Executive Committee of the Futures and Options Association.

- Central to the Group's TCF policy is the quality of our order execution. We offer near-instantaneous execution, with around 99% of client orders accepted automatically. We never re-quote prices and, within our set margin of tolerance, we will accept orders even if the market moves. Our innovative Price Improvement technology enables customers to receive a better price if one becomes available as a trade is executed.

Client support and education:

- We provide extensive educational resources for clients, including an introductory education programme promoting responsible trading and a wide range of client seminars and webinars, available online and in person.

Client suitability:

We have a number of procedures to ensure that our products reach the right audience and that our clients understand how our products work:

- Our products are not suitable for everyone. It is for this reason that we apply strict rules to ensure we only promote our products to the right audience. We also apply strict rules to ensure that any promotion is clear, fair and not misleading and contains a balanced description of the risks alongside the benefits of our product.
- Before we allow clients to open an account, we will undertake an assessment to determine whether our products are appropriate or suitable for the client in question. This involves asking the client about their trading knowledge and experience and about their income/savings. Based on the results of this assessment, we may choose to provide the client with a warning about the appropriateness of the account, or we may decline to open an account.

Limiting client losses:

- We have a number of service offerings that aim to limit client losses, for example we offer clients the ability to include Guaranteed Stops on positions so that the maximum possible loss to the client is known at the outset of the trade. Additionally, our Close-Out Monitor (COM), which automatically liquidates client positions where their margin has been significantly eroded, also aims to limit potential client losses. At 31 May 2011, 98.8% of all client accounts were either subject to Guaranteed Stops or the automatic COM procedure. Further details are set out in note 33 to the Financial Statements.

Protection of our clients' data and funds:

- We prioritise the security of our clients' information and funds and we have achieved the ISO 27001 certificate for Information Security.

Client services

Impeccable client service is at the heart of our commitment to the responsible treatment of all our clients. Our large team of highly-trained, dedicated client service staff delivers a professional and responsive value-based approach to client service. Almost 10% of the Group's total global staff is engaged in client services.

Operations and environment

As a business which conducts over 90% of its client trades online, we do not see ourselves as a significant emitter of environmentally harmful substances. However, we do understand that our operations have an impact on the environment and we are committed to taking greater consideration of our environmental footprint.

Further details on our commitment to the environment can be found in our full corporate and social responsibility report on our corporate website at www.iggroup.com. The report details the Group's carbon emissions, the use of email statements, and endeavours towards sustainability including a section on the environment sustainability charter promoted in the fit-out of the Group's new UK head office at Cannon Bridge House, that amongst other things achieved a recycling rate of 94% of the strip-out materials taken from the site.

Workplace

The Group is rapidly growing and provides a fast-moving and successful working environment. Our employees have pride in what we have achieved and a strong sense of belonging.

The Group pays performance-related bonuses to most staff and makes awards under long-term incentive and value sharing plans to key personnel. In addition, the opportunity to acquire shares under various share incentive plans 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.

Christopher Hill
Chief Financial Officer, 40 years old

Christopher has an MA in Modern History from Oxford University. He is a Chartered Accountant and an associate member of the Association of Corporate Treasurers. Before joining IG Group, he was Chief Financial Officer of Travelex, a group providing cross-border payment and foreign exchange services to corporate and retail customers. Prior to joining Travelex in 2007, Christopher worked at VWR international, a global laboratory supply company (from 2005 to 2007), at General Electric (from 2000 to 2005) and at Arthur Andersen (from 1992 to 2000).

DIRECTORS' STATUTORY REPORT
(continued)

Employee involvement

The Group prides itself on being an open, non-hierarchical organisation with direct and open access amongst all teams and at all levels. In response to the expanding size of the Group during the year, the policy of providing employees with information about the Group continued through quarterly management forums facilitated by the Chief Executive. These included updating line managers on business results and on current initiatives across the Group on a quarterly basis. Employees are encouraged to make these sessions as interactive as they can by challenging ideas, presenting suggestions and views on the Group's performance, development and policies. Line managers then communicate the points raised in the forum across the organisation. The Chief Executive also runs these sessions for all Head Office employees every six months to ensure that employees get the opportunity to hear the 'view from the top'. The recent series of meetings in June 2011 were filmed for the first time so that all of our overseas offices could also be involved in this communication.

The Group's intranet is utilised to communicate with employees. The home page of the intranet is updated weekly to provide details of employee news (for example new starters, leavers, role changes) as well as employee challenges or any Company awards. Employees participate directly in the success of the business through the Group's performance-related bonus schemes and employee share plans. We have around 35 to 40% of eligible employees participating in our partnership share schemes.

Top employer

Our positive working culture was recognised when IG Group was named one of Britain's Top Employers for the third year running in 2011. The award, by the Corporate Research Foundation, was based on a strong performance in each of the surveyed categories: pay and benefits, training and development, corporate culture, and particularly in career development.

Equality and diversity

We are an equal opportunities employer and have extensive human resource policies in place to ensure that employees can expect to work in an environment free from discrimination and harassment.

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or alternative position and to provide appropriate training to achieve this aim.

Society

We are keen to encourage employees to engage in activities that help their development and support local communities. For example, we match any funds employees have raised for sponsored events. A summary of our charitable donations, including the employee matched giving, is provided earlier in the Directors' Statutory Report.

Our Absence Management Policy also offers the opportunity for employees to take up voluntary work, for which we grant additional leave on a like-for-like basis up to a maximum of five matched days per annual leave year.

By order of the Board

Christopher Hill, Chief Financial Officer
19 July 2011

Peter Hetherington
Chief Operating Officer, 42 years old

Peter read Economics at Nottingham University and has a Masters in Finance from the London Business School. Peter was an officer in the Royal Navy before joining IG Index, as a graduate trainee, in 1994. He became Head of Financial Dealing in 1999 and was appointed as Chief Operating Officer of IG Group in 2002.

CORPORATE GOVERNANCE REPORT

STATEMENT BY THE DIRECTORS IN COMPLIANCE WITH THE COMBINED CODE

The Corporate Governance Report, together with the Remuneration Report, details how the Company has applied the principles and complied with the provisions of the June 2008 Combined Code on Corporate Governance, for this financial year, a copy of which can be found on the Financial Reporting Council website www.frc.org.

The Board has reviewed the new UK Corporate Governance Code, which applies to accounting periods beginning on or after 29 June 2010, and which will apply to the Company for the year ending 31 May 2012.

The Board is satisfied that the Company complied with the provisions of the Combined Code for the whole year, with the exception that the Company was not compliant with paragraph A.3.2 throughout the year.

Paragraph A.3.2 of the Combined Code requires that at least half of the Board, excluding the Chairman, are independent Non-Executive Directors. The Board is currently comprised of four Executive Directors and four Non-Executive Directors excluding the Deputy Chairman and the Chairman.

The Deputy Chairman, Nat le Roux is considered a non-independent Director as he is a former Chief Executive of the Group. The Board considers the value he brings with 18 years' experience in the uniquely specialised market of spread betting and Contracts for Difference justifies his position on the Board and is in the best interests of the Group and its shareholders.

Robert Lucas, who resigned from the Board in October 2010, was considered to be a non-independent Non-Executive Director as he represented funds managed or advised by CVC Capital Partners Limited and associates (CVC), a major shareholder, holding 2.93% of the ordinary share capital of the Company at 31 May 2011 (2010: 3.86%).

Following the appointment of David Currie from 4 May 2010, the Board remained committed to becoming compliant with the Combined Code by undertaking a search to appoint an additional independent Non-Executive Director, and the Board was pleased to announce the appointment of Stephen Hill with effect from 28 April 2011.

Nat le Roux has informed the Board of his wish to step down at the 2012 AGM. The effect of these changes means that the Board will be fully compliant with Code Provision A.3.2 of the Combined Code after the 2012 AGM.

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

Profiles of the Directors who held office at the end of the year are shown on pages 46-56.

THE WORKINGS OF THE BOARD AND ITS COMMITTEES

The Board

Composition of the Board

During the year, the Company was headed by an experienced Board of Directors consisting of an independent Non-Executive Chairman, a non-independent Non-Executive Deputy Chairman, four Executive Directors, including the Group Chief Executive Officer, and as of 28 April 2011, four independent Non-Executive Directors.

Christopher Hill, the Group's Chief Financial Officer was appointed on 26 April 2011 and replaces Steven Clutton who resigned on 2 August 2010. Stephen Hill was appointed as an independent Non-Executive Director on 28 April 2011.

The division of responsibilities between the Chairman and the Chief Executive is clearly defined in writing and has been approved by the Board. With the exception of the Deputy Chairman, all the Non-Executive Directors are independent of management, and are considered by the Board to be to be free from any business or other relationships which could interfere with the exercise of their independence.

Senior Independent Director

Roger Yates is the Senior Independent Director and provides an additional contact point for shareholders if the normal contact channels are inappropriate.

Andrew MacKay
Director of Corporate Strategy, 45 years old

Andrew has a Masters in History from St Andrews University and completed the Law Society Finals examination at the College of Law in London. He qualified as a lawyer with Linklaters and worked there for seven years, principally in the litigation and financial services practices. In 1998, Andrew moved to LIFFE as Market Investigations Manager before joining IG Group as Legal Counsel in March 1999. Andrew was appointed a Director of IG Group in 2003. Andrew served as the Group's Head of Asia Pacific for three years before recently returning to London to lead the new Corporate Strategy team.

CORPORATE GOVERNANCE REPORT (continued)

THE WORKINGS OF THE BOARD AND ITS COMMITTEES (CONTINUED)

Re-election of Directors

In accordance with the Combined Code and the Company's Articles of Association, all Directors are subject to election by shareholders at the first opportunity following their appointment and subsequently, must seek re-election at least once every three years.

While the Company is still required to report against the Combined Code for the year ended 31 May 2011, the Board has taken the decision to comply with the recommendations for the annual re-election of Directors in the new UK Corporate Governance Code which will apply to the Company for the year ending 31 May 2012. In addition to Christopher Hill and Stephen Hill, who offer themselves for election following their appointment in April 2011, all Directors will stand for re-election at the Annual General Meeting on 6 October 2011.

Role of the Board

The powers of the Board are set out in the Company's Articles of Association, which are available on the Company's website at www.iggroup.com. The Articles may be amended by way of a special resolution of the members of the Company. The Board may exercise all powers conferred on it by the Articles and in accordance with the Companies Act 2006, and other applicable legislation.

The Board is responsible to shareholders for the proper management of the Group. The Board meets regularly; at least five times a year. In addition, the Board meets when necessary to discuss ad hoc emerging important issues that require consideration between regular Board meetings. The Non-Executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are appropriate and fully considered.

The Board has a formal schedule of matters specifically reserved to it. These include:

- Setting Group strategy
- Approving major acquisitions, divestments and capital expenditure
- Approval of extension of the Group's activities into new business or geographic areas
- Approving annual budgets
- Approving changes relating to the Group's capital structure including reduction of capital, share issues (except under employee share plans) and share buybacks including the use of treasury shares
- Reviewing operational and financial performance
- Setting risk appetite and approving any changes to the Group's risk management policy which materially increases the risk profile of the Group
- Reviewing the Group's systems of internal control and risk management
- Approving Board, Board committee and Company Secretary appointments
- Ensuring adequate succession planning for the Board and senior management
- Defining and setting Board committee terms of reference
- Approving policies relating to Directors' remuneration and the severance of Directors' contracts
- Receiving reports on the views of the Company's shareholders

Matters not specifically reserved to the Board are delegated to the Executive Directors. These include:

- The development and recommendation of strategic plans for the Group
- Implementation of the strategies of the Group
- Day-to-day monitoring of the operating and financial results of the Group
- Prioritising the allocation of capital, technical and human resources
- Developing and implementing risk management systems, policies and procedures

Information provided to the Board

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. To enable the Board to exercise its judgement in the discharge of its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings and financial information is distributed monthly. The Chairman ensures that the Directors take independent professional advice as required, at the Company's expense.

David Currie
Non-Executive Director, 64 years old

David Currie (Lord Currie of Marylebone) was the founding Chairman of Ofcom, where he served from 2002 to 2009. He was also previously a Non-Executive Director of Abbey National plc from 2001 to 2002, and a founder and Chairman of the International Centre of Financial Regulation and Chairman of Independent Audit from 2003 to 2007. Between 2001 and 2007 David was the Dean of Cass Business School. He is currently a Non-Executive Director of Royal Mail Holdings plc, BDO LLP, the Dubai Financial Services Authority and the London Philharmonic Orchestra, as well as Chairman of Semperium PPP Investment Partners. David has recently been appointed as a panel member to the Leveson inquiry into media ethics.

Induction and training

New Directors to the Board are provided with appropriate training and briefings to familiarise them with their duties and the Group's business, operations, risks and governance arrangements. The induction programme includes meetings with senior management. All Directors receive, during their term of office, regular briefings on changes and developments in the Group's business and on any legislative and regulatory changes which are relevant to the Group.

Conflicts of interest

In accordance with the Companies Act 2006, all Directors must disclose both the nature and extent of any potential or actual conflicts with the interests of the Company. The Articles of Association allow the Board to authorise potential conflicts that may arise and to impose such conditions or limitations as it thinks fit.

Insurance and indemnities

The Group purchases appropriate liability insurance for all Directors and officers.

Board evaluation

During the year the Chairman led the Board in conducting an internal evaluation of its effectiveness and of the effectiveness of its committees and individual Directors. This was done by way of a questionnaire which was completed by each Director, and one-to-one discussions between the Chairman and Directors, including meetings with the Non-Executive Directors without the Executive Directors being present. The results of the evaluation were discussed at a Board meeting in July 2011.

The new UK Corporate Governance Code and the Financial Reporting Council's Guidance on Board Effectiveness require the Board to evaluate performance annually, with an external assessment performed every three years. The Board commissioned the Board evaluation team of the Institute of Chartered Secretaries and Administrators (ICSA) to carry out a thorough evaluation of the performance of the Board in 2009, and the Board intends to use an external facilitator to conduct an evaluation of its effectiveness in 2012.

The performance of the individual Executive Directors, other than the Chief Executive, is appraised annually by the Chief Executive, to whom they report. The performance of the Chief Executive is appraised annually by the Chairman. The performance of the Chairman is reviewed by the Non-Executive Directors, led by the Senior Independent Non-Executive Director (Roger Yates), taking into account the views of the Executive Directors, following which Roger Yates gives feedback to the Chairman.

Committees

To support the principles of good corporate governance, the Board manages the Group through Board meetings and a number of committees, each of which has terms of reference and meets regularly. The terms of reference of these committees can be obtained from the Company Secretary on request and are available in the investor relations section of the Group's corporate website, at www.iggroup.com. The minutes of each of the committee meetings are made available to all Directors, and the Board receives an update from each Chairman following each committee meeting.

The following committees deal with specific aspects of the Group's affairs:

Remuneration Committee

The Remuneration Committee comprises Roger Yates (Chair), Jonathan Davie, Martin Jackson, David Currie and Stephen Hill, who are all independent Non-Executive Directors. It makes recommendations to the Board, within agreed terms of reference, on an overall remuneration package for the Executive Directors in order to attract, retain and motivate high-quality Directors capable of achieving the Group's objectives. Consideration is given to the Group Remuneration Policy, especially when determining annual salary increases. The Committee determines the contract terms, remuneration and other benefits for each of the Executive Directors, including performance-related bonus schemes, pension rights, compensation payments and contingent share awards. The Committee approves all share-based awards under the Group's employee incentive schemes and approves the remuneration of the Chairman. The Board itself determines the remuneration of the Non-Executive Directors.

Martin Jackson

Non-Executive Director, 62 years old

Martin was appointed a Non-Executive Director of IG Group and Chairman of the Audit Committee in April 2005. He was the Group Finance Director of Friends Provident plc between 2001 and 2003, of Friends Provident Life Office between 1999 and 2001, and of London & Manchester Group plc from 1992 to 1998 (up until its acquisition by Friends Provident Life Office). He is a Non-Executive Director and Chairman of the Audit Committee of Admiral Group plc and is a fellow of the Institute of Chartered Accountants.

THE WORKINGS OF THE BOARD AND ITS COMMITTEES (CONTINUED)

Review of the Remuneration Committee's performance
During the year the Remuneration Committee reviewed its performance. The review consisted of all members completing an evaluation questionnaire, and a discussion of the results by the Committee took place at a meeting in June 2011. The results were reported to the Board in July 2011.

Nomination Committee
The Nomination Committee comprises Jonathan Davie (Chair), David Currie, Martin Jackson and Roger Yates, and considers appointments to the Board, meeting as necessary. The Nomination Committee is responsible for nominating candidates to fill Board vacancies and for making recommendations on Board composition and balance.

The Nomination Committee leads the process for making appointments to the Board or where the appointee is likely to become a Board member. The Committee ensures there is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board through a full evaluation of the skills, knowledge and experience of candidates. The Committee also ensures plans are in place for orderly succession for appointments to the Board, and to other senior management positions. Responsibility for making senior management appointments is vested in the Chief Executive.

Audit Committee
The Audit Committee is chaired by Martin Jackson, who has recent and relevant financial experience, and also comprises David Currie and Roger Yates. All are independent Non-Executive Directors. The Chief Financial Officer, Group Financial Controller, Head of Internal Audit, Global Head of Legal and Compliance, Head of UK Compliance, Company Secretary and the external auditors attend the Audit Committee by invitation appropriate to the matters under consideration. Other Directors, representatives from the Finance Function and other areas of the business attend the Audit Committee as and when required. The Audit Committee normally meets four times a year and as and when required.

The main duties of the Audit Committee are:

- To monitor the integrity of the Financial Statements of the Group including annual and interim reports, preliminary results announcements and any other formal announcements relating to its financial performance, reviewing significant issues and judgements contained therein
- To keep up-to-date with changes to accounting standards and to review any changes to accounting polices year on year
- To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process
- To consider and make recommendations to the Board on the appointment, re-appointment and removal of the Company's external auditors, which are subject to shareholder approval
- To review the effectiveness of the Group's internal controls and risk management systems
- To monitor and review the effectiveness of the Group's Internal Audit Function
- To review the overall effectiveness of the Group's implementation of the FSA's Treating Customers Fairly (TCF) requirements
- To review the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters
- To report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and make recommendations as to the steps to be taken

The Company Secretary drafts the agenda for each Audit Committee, ensuring that each item in the terms of reference is covered at least once in the financial year, and more frequently if required. The agenda is then finalised by the Chair of the Audit Committee.

Summary of main activities undertaken by the Audit Committee during the financial year:

- Reviewed the Annual Report and interim results of the Group
- Put the Group's audit appointment out to a competitive tender process; reviewed and approved the proposed audit fee and terms of engagement for the financial year ended 31 May 2011
- Reviewed the external auditors' audit planning and other reports, proposed audit fees and performance of the external auditors including their independence and objectivity

Stephen Hill
Non-Executive Director, 51 years old

Stephen has extensive experience in media and online businesses, having worked as the CEO of the Financial Times for Pearson Plc between 1996 and 2002, and as the CEO of Betfair Limited from 2003 to 2005. Stephen is an experienced Non-Executive Director and has previously served on the boards of RSA Insurance Group plc, Psion plc and as Chairman of Interactive Data Corp. Stephen is now Chairman and CEO of the Harbour Group, a private investment company, and Trustee and Treasurer of the Royal National Institute for Deaf People – Action on Hearing Loss, where he chairs the Audit and Investment Committees. Stephen also currently serves on the Advisory Board of the Cambridge University Judge Business School and is on the Board of Channel Four Television Corp.

- Reviewed the policy on the use of external auditors for non-audit services and reviewed all non-audit services provided by the external auditors to ensure compliance with the policy as part of the safeguards in place to ensure the independence of the audit is not compromised; the policy is available on the Group's website at www.iggroup.com
- Reviewed the effectiveness of the Group's internal controls and risk management systems supported by an external evaluation of the internal controls and risk management systems
- Reviewed the effectiveness of the Group's Internal Audit Function, supported by an external evaluation, including a review of the three-year rolling internal audit plan, individual internal audit reports and reports on the implementation of internal audit recommendations
- Reviewed reports from the Compliance Functions
- Reviewed the effectiveness of the Group's application of the FSA's Treating Customers Fairly (TCF) requirements
- Reviewed the Company's procedures for detecting internal fraud
- Reviewed the Group's 'whistle-blowing' arrangements
- Reviewed the Group's Anti-Bribery policy and Gifts and Hospitality policy

In addition, the members of the Audit Committee meet privately in separate meetings with Head of Internal Audit, Head of Compliance and external auditors to focus on respective areas of responsibility, and to discuss any potential issues where support from the Audit Committee may be required.

Following each meeting, the Audit Committee reports to the Board on its activities.

Attendance at Board and committee meetings

The number of full Board and committee meetings attended by each Director during the year is set out below. In each case the first figure indicates the number of meetings attended and the second figure indicates the maximum number of meetings during the year for which each individual was a Director or committee member.

	Full Board meetings	Nominations Committee	Audit Committee	Remuneration Committee
Jonathan Davie (Chairman)	6/6	1/1	-	3/3
Tim Howkins (Chief Executive)	6/6	-	-	-
Steven Clutton(1)	1/1*	-	-	-
David Currie	6/6	1/1	4/4	2/3
Peter Hetherington	5/6	-	-	-
Christopher Hill(2)	1/1*	-	-	-
Stephen Hill(3)	0/1*	-	-	-
Martin Jackson	6/6	1/1	4/4	1/3
Robert Lucas(4)	2/2*	-	-	-
Andrew Mackay	5/6	-	-	-
Nat le Roux	5/6	-	-	-
Roger Yates	6/6	1/1	4/4	3/3

*for those Directors in office for part of the financial year the maximum number of meetings is reduced to show those for which the individual was a Director or Committee member.

(1) Steven Clutton resigned from the Board on 2 August 2010

(2) Christopher Hill was appointed to the Board on 26 April 2011

(3) Stephen Hill was appointed to the Board on 28 April 2011

(4) Robert Lucas resigned from the Board on 7 October 2010

Nat le Roux
Non-Executive Deputy Chairman, 54 years old

Nat was Chief Executive of IG Group for four years before becoming Non-Executive Deputy Chairman in 2006. He initially joined the Group as Financial Dealing Director in 1992 after a career in futures broking and stock broking. Nat holds an MA in Law from Cambridge University and an MSc in Anthropology from University College London. He is an independent Director of the London Metal Exchange, where he chairs the Audit and Risk Committees.

CORPORATE GOVERNANCE REPORT
(continued)

THE WORKINGS OF THE BOARD AND ITS COMMITTEES (CONTINUED)

External auditors

As noted in the Directors' Statutory Report, the Group's Audit Committee decided it was desirable to put the Group's audit appointment out to a competitive tender process during the year, which resulted in the appointment of PricewaterhouseCoopers LLP as the Group's auditor. As a part of the tender process, the Audit Committee reviewed and approved the proposed audit fee and terms of engagement for the financial year ended 31 May 2011. The Audit Committee also recommended to the Board that it proposes to shareholders that PricewaterhouseCoopers LLP be appointed as the Group's external auditor for the financial year ending 31 May 2012. The Audit Committee also monitored the balance of audit and non-audit fees to ensure that the independence and objectivity of PricewaterhouseCoopers LLP is maintained.

As part of its consideration of the annual Financial Statements, the Audit Committee has reviewed and is satisfied that the auditors have remained independent of the Group during the financial year, and have continued to remain so to the date of this report.

Review of the Audit Committee's performance

During the year the Audit Committee reviewed its performance. The review was carried out using an evaluation questionnaire, and a discussion of the results by the committee took place at a meeting in July 2011. The results were reported to the Board in July 2011.

Relations with shareholders

The Board recognises the importance of communications with shareholders. The Chairman's Statement, Chief Executive's Review and the Operating and Financial Review include detailed reviews of the business and future developments. There is regular dialogue with institutional shareholders, including presentations by management around the time of the Group's preliminary announcement of the year-end results and at the half year. These presentations are made available on the Group's website at www.iggroup.com which also provides information to shareholders and prospective shareholders. Feedback is provided to the Board following these investor presentations of any views or concerns expressed by shareholders.

The Board uses the Annual General Meeting to communicate with private and institutional investors and welcomes their participation. The Chairman aims to ensure that all of the Directors, including the Chairmen of the Remuneration and Audit Committees, are available at Annual General Meetings to answer questions. The Annual Report and Accounts and notice of the Annual General Meeting are sent, or made available on the website, to shareholders at least 20 working days prior to the meeting being held.

Roger Yates, the Senior Independent Director, is available to meet shareholders on request, and to ensure that the Board is aware of shareholder concerns not resolved through other mechanisms for shareholder communication.

The Chairman and the Senior Independent Director provide feedback to the Board of any views or concerns expressed to them by shareholders.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group is exposed to a number of business risks in providing products and services to our clients. These risks are outlined in the Our Business Risks section of the Operating and Financial Review.

The Board of Directors is responsible for establishing the overall appetite for these risks, which is detailed and approved in the Risk Appetite Statement, and for the framework of risk management and control that is designed to embed the management of business risk throughout the Group.

The Board reviews and challenges the risk management framework on an annual basis and more frequently through the Audit Committee. Management are responsible for the day-to-day implementation of the risk management framework as well as a system of internal controls.

Roger Yates
Senior Independent Non-Executive Director, 54 years old

Roger joined the Board as Senior Independent Non-Executive Director in February 2006. Roger read Modern History at Worcester College Oxford, and has 28 years' experience in the fund management industry as an investment professional and business manager. Previously he was Chief Investment Officer of Invesco Global and held senior roles for fund management companies LGT and Morgan Grenfell. He joined Henderson Global Investors as Chief Executive in 1999, and in 2003 led the de-merger of Henderson from its then parent AMP, becoming Chief Executive of the resulting listed entity, now Henderson Group plc, until November 2008. In June 2009, he also became a Non-Executive Director of F&C Asset Management plc, and latterly, CEO of Pioneer Investments, a part of the UniCredit Group.

Risk Appetite

The Group's Risk Appetite is articulated in Key Risk Indicators (KRIs) and each KRI has either a numerical measure or relates to a specific risk event. Taken together the KRIs are a balanced mix of quantitative and qualitative measures which provide an important indication of increasing or reducing levels of risk. KRIs are developed based on:

- Measures adopted by the Board to ensure a low level of volatility in revenues and earnings
- Measures covering regulatory requirements
- Measures adopted by the Board to encourage trust from shareholders and clients
- Measures to promote orderly business operations to ensure confidence in the business by staff and business partners

Risk management framework

The risk management framework operates at three levels within the Group:

1) Board-level review and challenge
2) Executive Risk Committee and the assurance functions of Risk, Compliance and Internal Audit
3) Internal controls implemented by management

The Board reviews and challenges the risk management framework and the Audit Committee monitors the ongoing process of identifying, evaluating and managing all significant risks throughout the Group. The Audit Committee normally meets four times a year, and as and when required, and receives periodic reports from the external and internal auditors concerning risk management and internal control.

Management has established a Risk Committee to monitor the implementation of the risk management framework as well as the system of internal controls. The Risk Committee is an executive committee and comprises the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Chief Risk Officer as well as the Dealing and Operations Director, Risk Director, the Treasurer and the Regulatory Controller. The Risk Committee meets weekly, and as and when required, to review the risks faced by the Group, within the parameters set by the Board. The Senior Independent Director, Roger Yates, also attends Risk Committee meetings once a month, and minutes of the meetings are circulated to the Non-Executive Directors.

The responsibilities of the Risk Committee include:

- Reviewing the overall level of risk faced by the Group, whilst paying due consideration to the interests and obligations of Group companies, shareholders and customers
- Recommending overall risk appetite, tolerance, scenarios and planning to the Board

In addition to the management of individual risks, the Group undertakes various stress and scenario testing as part of the Individual Capital Adequacy Assessment Process (ICAAP) and Individual Liquidity Adequacy Assessment (ILAA) prepared according to the requirements of the FSA. The scenarios stress test the effect on capital and liquidity of a series of combined risk events occurring simultaneously. Both assessments are overseen by the ICAAP and ILAA Committees, to which Nat le Roux, Martin Jackson and Stephen Hill all contribute via a non-executive working group.

The Risk and Compliance functions are responsible for coordinating the processes of identifying, evaluating, managing and monitoring risks using departmental risk registers. Heads of Department are responsible for the maintenance of these registers and, where necessary, taking action to mitigate risks and enhance the control environment. The Risk Department consolidates the key operational and business risks from the detailed departmental risk registers and reports to the Risk Committee.

Internal controls

Management have designed and implemented a system of internal controls to manage, rather than eliminate, the risk of failure to achieve business objectives and provides reasonable, but not absolute, assurance against the risk of material misstatement or loss. A policy framework has been implemented across the Group to support the adoption of risk management practices and controls.

The framework covers HR, compliance and information security policies which provide guidance to all members of staff. An online Policy Matters tool allows for the effective distribution of new or changed policies to ensure that all relevant staff have read and confirmed (electronically) their understanding of the policy.

The system of internal controls includes, but is not limited to:

- Compliance with policies, plans, procedures, laws and regulations
- Safeguarding of assets
- Reliability and integrity of financial and management information

CORPORATE GOVERNANCE REPORT
(continued)

Internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal controls over financial reporting are carried out under the supervision of the Chief Financial Officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated Financial Statements for external reporting purposes, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the International Accounting Standards Board (IASB).

Internal controls over financial reporting focus on the most material financial statement line items and include policies and procedures that pertain to the maintenance of records that, in reasonable detail:

- Accurately and fairly reflect transactions and dispositions of assets
- Provide reasonable assurances that transactions are recorded as necessary to permit preparation of Financial Statements in accordance with IFRS, and that receipts and expenditures are being made only in accordance with authorisations of management and the Directors
- Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of assets that could have a material effect on the Financial Statements

The Annual Report is reviewed by the Audit Committee and the Board prior to publication.

Internal control systems, no matter how well designed, have inherent limitations and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that internal controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Review of risk management and internal controls

The risk management framework has been in place for the full year under review, and up to the date of approval of the Annual Report, and is in accordance with the Turnbull Guidance 'Internal Control: Guidance for Directors on the Combined Code.'

The Board of Directors and the Audit Committee have reviewed the effectiveness of management's system of internal control, covering financial, operational and compliance controls and risk management systems, and no significant weaknesses were identified during this review.

Accountability and audit

The Statement of Directors' Responsibilities in respect of the Financial Statements is set out immediately prior to the Financial Statements, and a statement regarding the use of the going concern basis in preparing these Financial Statements is given in the Directors' Statutory Report.

The Independent Auditors' Report, which sets out the auditor's reporting responsibilities, is also given immediately prior to the Financial Statements.

DIRECTORS' REMUNERATION REPORT

This report sets out the Group's remuneration policy and details the remuneration of each of the Directors for the financial year ended 31 May 2011. It has been prepared in accordance with the Companies Act 2006, the Combined Code and Schedules 5 and 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

INFORMATION NOT SUBJECT TO AUDIT

The Remuneration Committee, whose composition is set out in the Corporate Governance Report, is responsible for making recommendations to the Board on the Group's remuneration policy. Within the terms of the policy, the Remuneration Committee determines the contract terms, remuneration and other benefits for each of the Executive Directors, including performance-related bonus schemes, pension rights, compensation payments and contingent awards.

The Committee aims to put in place a remuneration structure for Executive Directors which positions total remuneration:

- Competitively against the market
- At median for target performance
- At upper quartile for above-target performance

The Remuneration Committee determines the remuneration of the Chairman, while the Chairman and the Executive members of the Board determine the remuneration of the Non-Executive Directors. No Director or manager is involved in any decisions as to their own remuneration.

Details of the number of meetings and attendance at committee meetings during the year are set out in the Corporate Governance Report.

During the year, the Remuneration Committee received advice from external advisors Kepler Associates.

Remuneration principles

The Remuneration Committee has agreed that the following principles should apply to all matters relating to remuneration of Group employees:

- Remuneration should recognise and reward good and excellent performance of employees that helps drive the sustainable growth of the Group
- Remuneration should be focused on retaining proven senior management
- Remuneration should be consistent with regulatory and corporate governance requirements
- Remuneration should be used to achieve effective risk management
- Remuneration should never be used to reward behaviour that exposes the Group to risks outside its risk appetite
- Remuneration should be aligned with the best interests of the Company's shareholders
- Remuneration should be straightforward, making it understandable for employees and easy for the Group to monitor
- Variable remuneration should not be guaranteed for new staff unless it is exceptional, and if it is provided it must be limited to their first year

Remuneration regulation

During the year, the Remuneration Committee ensured the Group's approach to remuneration was structured in accordance with the FSA's Remuneration Code (the FSA Code). Code Staff are defined as the Group's employees whose professional activities could have a material impact on the Group's risk profile, and who fall into the Code Staff categories set down by the FSA Code. Code Staff have been identified, made aware of the implications of their status and their remuneration has been reviewed by the Remuneration Committee during the financial year.

A summary of the ways in which the Remuneration Committee is committed to ensuring remuneration arrangements are in accordance with the FSA Code is provided below:

- At least 40% of variable remuneration of Code Staff is deferred over three to five years, with awards vesting no faster than on a pro-rata basis (and the first vesting no earlier than one year after the award). Where the amount of variable remuneration is more than £500,000, at least 60% is deferred
- At least 50% of variable remuneration is paid in non-cash form
- The allocation of variable remuneration takes into account all types of current and future risks
- Mechanisms are in place to adjust awarded but unvested variable remuneration, in particular where there is evidence of employees' misbehaviour or material error, or where the firm suffers material financial downturn or material failure in risk management
- Appropriate ratios of variable to fixed remuneration are set, and there is an appropriate balance between the elements. The level of fixed remuneration is sufficient to allow no variable remuneration to be paid where appropriate
- There is a clear written remuneration policy in place which is communicated to employees and ensures the implications of their status is understood

The disclosure of the aggregate remuneration of Code Staff is set out later in this report.

DIRECTORS' REMUNERATION REPORT
(continued)

INFORMATION NOT SUBJECT TO AUDIT (CONTINUED)

Directors' remuneration

Basic salary

During the year, the Remuneration Committee commissioned external advisors Kepler Associates to carry out a comprehensive annual review of the remuneration of the Executive Directors and of the Chairman. As regards to the former, the review benchmarked the salary and total remuneration of the Company's Executive Directors against three comparison groups: FTSE 101-250 companies, FTSE 350 financial services companies and a tailored peer group comprising 20 companies with similar market capitalisation selected from the financial, technology and entertainment sectors. The review considered the total remuneration package for the Chief Executive Officer (salary, bonus and LTIPs) and revealed this fell below the median remuneration paid to chief executive officers in the comparable groups. The Remuneration Committee recommended increasing the Chief Executive Officer's salary to £414,000.

The review revealed the total remuneration package for Executive Directors fell between median and upper quartile. The Remuneration Committee recommended the salaries for the Chief Operating Officer and Head of Asia Pacific be increased to reflect the changes to the responsibilities of executive management for the next financial year. Peter Hetherington, Chief Operating Officer, will take leadership of all of the Group's revenue generating business units, and Andrew Mackay, who has been Head of Asia Pacific for the last three years, will return to London as Director of Corporate Strategy and lead the Group's efforts to identify further opportunities for geographic and product expansion.

The Remuneration Committee approved the following salary increases for the Executive Directors effective from 1 June 2011:

Tim Howkins	- from £400,000 to £414,000
Christopher Hill	- from £280,000 to £289,800
Peter Hetherington	- from £240,000 to £248,400(1)
Andrew MacKay	- from £270,000 to £279,450

(1) Peter Hetherington is paid a reduced pro rata salary of £248,400 based upon a £310,500 full-time equivalent salary to reflect his flexible working arrangements. Any bonus payments are based on his full-time equivalent salary.

The Remuneration Committee also decided to bring the Chairman's salary more into line with the median for non-executive chairmen, based upon a benchmark comparison against a tailored comparable group of FTSE 101-250 companies and FTSE 350 financial services companies. In each case the Chairman's salary was just above the lower quartile. Accordingly, the Remuneration Committee recommended the Chairman's salary is increased from £160,000 to £180,000, with effect from 1 June 2011.

Last year, the Board commissioned external advisors Kepler Associates to benchmark the Non-Executive Directors' remuneration against a tailored comparable group, and their remuneration was found to be in the fourth quartile. In recognition of the increasing commitment required from its Non-Executive Directors, the Board decided to increase the remuneration of the Non-Executive Directors for the first time since 2005, to a uniform rate of £50,000, with the exception of the Audit Committee chairman (Martin Jackson), who receives an additional £12,500, bringing his remuneration to £62,500. These changes took effect from 1 June 2010.

There are no proposed changes to the Non-Executive Directors' fees for the next financial year.

Performance-related bonuses

The annual bonus for the Group's Executive Directors is calculated by reference to growth in diluted adjusted earnings per share (EPS). During the financial year ended 31 May 2011, the bonus scheme approved by the Remuneration Committee required an EPS growth of 17.5% to achieve a maximum bonus, set at 200% of salary. At 12.5% EPS growth a bonus of 100% of salary was payable and below 5% growth, no bonus was payable, with linear growth between these parameters. The Committee felt these targets represented a stretching, but not completely unachievable, objective. As shown elsewhere in the Annual Report, actual EPS growth for the year was 6.08%, which resulted in a bonus of 14.36% of salary for each of the Executive Directors. In cash terms, the total performance-related bonuses payable to the Executive Directors were £143,000 compared to £1.8 million in the previous year.

For the year beginning 1 June 2011, the Remuneration Committee has recalibrated the bonus scheme to reflect current performance and economic conditions. The Committee feels that these targets represent an appropriate balance between a stretching target and one which is not completely unachievable given current economic conditions. The approved profile is as follows:

Growth in EPS	Bonus as a percentage of salary
0%	-
2%	50%
7%	100%
12%	150%
15%	200%

Last year the Remuneration Committee introduced an element of deferral into the cash bonus scheme and these arrangements, which are in line with the final FSA rules on disclosure of remuneration published in December 2010, continue unchanged this year: the first £100,000 of any bonus plus one third of the reminder to be paid in cash, the balance being deferred for 12 months and provided in shares.

The Remuneration Committee retains the right to reduce the bonuses payable if it considers that the formula has not produced an appropriate result. The cash elements of performance-related bonuses are paid in full within three months of the year-end.

Long-term incentive plans

The Group operates long-term incentive plans (LTIPs) for management, including the Executive Directors. Awards were made under the LTIPs during the years ended 31 May 2005, 2007, 2008, 2009 and 2010 which vest(ed) on publication of the results for the financial years to 31 May 2008, 2009, 2010, 2011and 2012 respectively. LTIP awards are discussed further in note 26 to the Financial Statements. No future awards are expected to be made under LTIPs.

The vesting criteria of these plans are based on compound annual growth rate in diluted adjusted earnings per share and share price growth over the relevant three-year period, as shown in the table below:

Year of award	Scheme	Base period (year ended 31 May)	Base earnings per share (pence)	Measurement period (year ending 31 May)	Compound annual growth	% of award vesting
31 May 2010	Share price growth award	2009	N/A[(1)]	2012	<22.5% 22.5-100%	Nil 0-100%
31 May 2010	Earnings per share award	2009	24.74	2012	<12% 12-18% 18-25%	Nil 0-50% 50-100%
31 May 2009	Share price growth award	2008	N/A[(1)]	2011	<22.5% 22.5-100%	Nil 0-100%
31 May 2009	Earnings per share award	2008	20.28	2011	<12% 12-18% 18-25%	Nil 0-50% 50-100%
31 May 2008	Share price growth award	2007	N/A[(1)]	2010	<22.5% 22.5-100%	Nil 0-100%
31 May 2008	Earnings per share award	2007	14.52	2010	<20% 20-25% 25-31%	Nil 37.5-75% 75-100%

(1) Share price growth is determined on a base share price of 310.9 pence (2008), 306.8 pence (2009) and 225.0 pence (2010).

In all cases, vesting is pro-rata between the lower and upper limits.

In order to obtain tax-favoured treatment for the Group and participants, up to 100% of the ultimate value of the LTIP awards made in the year ended 31 May 2010 (2010 LTIP), which is conditional on the performance conditions noted above, will be delivered to the participants using HM Revenue and Customs (HMRC) approved options. The HMRC approved options have been granted to participants subject to the rules of the IG Group Limited Executive Share Option Scheme (Approved Plan) which has been updated and re-approved by HMRC. These approved options have exactly the same vesting and exercise conditions as the 2010 LTIP awards. In order to ultimately exercise a 2010 LTIP award, a participant will have to first exercise the respective Approved Plan option and use the IG Group Limited shares acquired as ultimate payment for that 2010 LTIP award.

Value-sharing plan (VSP)

During the year ended 31 May 2010, the Committee carried out a review of long-term incentive arrangements, and as a result of this review, and following discussions with our shareholders, the Committee proposed to introduce a new value-sharing plan (VSP) to replace the existing LTIPs. Shareholders approved this new plan at the 2010 AGM, and the first awards were made on 29 October 2010.

The VSP comprises annual awards, providing the Executive Directors and other senior staff with a pre-defined number of shares for each £1.0 million of surplus shareholder value created over three years above a hurdle. Surplus value is calculated under two criteria:

(i) Value created from the difference between the total shareholder return (TSR) of IG Group Holdings plc and that of the FTSE350 Financial Services Index, multiplied by IG Group Holdings plc starting market capitalisation, defined as the average market capitalisation in the three months to 31 May 2010

(ii) Growth in profit before taxation (PBT) times a fixed multiple determined by IG Group Holdings plc starting market capitalisation, plus net equity cash flows to shareholders above a hurdle return. For the 2010 VSP, the hurdle return was 12% per annum, with the multiple being 10.467, based on the financial year ended 31 May 2010

DIRECTORS' REMUNERATION REPORT
(continued)

INFORMATION NOT SUBJECT TO AUDIT (CONTINUED)

For Executive Directors, 60% of the shares will vest on the TSR measure and 40% of shares will vest on the PBT measure. Note that the 60/40 ratio between TSR and PBT applies only to Executive Directors. Code Staff and other senior staff are paid on a either a 50/50 or 40/60 split between TSR and PBT.

The Remuneration Committee believes that profit before taxation (excluding impairment of goodwill and intangibles) is the best internal measure of the Group's financial performance as it is highly visible and regularly monitored and reported. The use of relative TSR introduces an element of relative performance into the Group's remuneration package, which is intended to improve robustness to general stock market movements, and focus more closely on the value created for shareholders by management over and above that delivered by peers. The Remuneration Committee believes that the blend of PBT and TSR measures provides strong alignment with shareholder interests and a good balance between internal and external performance and between absolute and relative performance.

LTIP awards and the value-sharing plan are discussed further in note 26 to the Financial Statements.

Benefits

The Group provides a range of benefits to its employees, including private health cover and health club membership. The Executive Directors are entitled to participate in these non-cash benefits on equal terms with all other staff. The Group re-introduced subsidised health club membership to all staff from 1 June 2010.

Pensions

The Group contributes 15% of basic salary to personal pensions for each of the Executive Directors. As an alternative to the payment of part of a performance-related bonus or basic salary, Directors may elect to receive an equivalent contribution to their pension.

Effective from 1 April 2011, the Government introduced new limits on tax-efficient contributions to pensions, which make contributions above £50,000 tax-ineffective. In light of this, the Remuneration Committee agreed that the Executive Directors would be given the option to take part or all of their pension entitlement of 15% of basic salary in cash. This additional cash payment is counted in lieu of pension, and will not be counted as base salary for the purposes of calculating other benefits, such as the cash bonus scheme. This was put in place with effect from 1 April 2011.

The Executive Directors have elected to do the following:

Tim Howkins	Restrict pension contribution to £50,000 and receive the balance of the pension contribution as an additional cash payment
Christopher Hill	Receive the full pension contribution
Peter Hetherington	Receive the entire pension contribution as an additional cash payment
Andrew MacKay	Receive the full pension contribution

Fees

The fees for Non-Executive Directors are determined by the Board. The Non-Executive Directors are not involved in any discussions or decisions by the Board about their own remuneration.

Service contracts

Each of the Executive Directors is employed under a service contract with IG Group Limited (a wholly-owned intermediate holding company) for the benefit of the Company and the Group, which can be terminated on six months' notice by either the Company or the Executive Director. All service contracts are continuous and contractual termination payments are for the unexpired notice period. The effective dates of the service contracts for each of the Executive Directors as at the date of this report are:

Executive Directors:	
Tim Howkins	12 April 2005
Christopher Hill	18 January 2011
Peter Hetherington	12 April 2005
Andrew MacKay	12 April 2005

The Non-Executive Directors were each appointed for an initial term of twelve months with appointment continuing indefinitely thereafter, subject to re-election, but capable of being terminated on three months' notice.

There are no special provisions for compensation in the event of loss of office. The Remuneration Committee would consider the circumstances of individual cases of early termination and determine compensation payments accordingly.

Interests in share capital

	31 May 2011 Ordinary Shares	31 May 2011 Preference Shares	31 May 2010 Ordinary Shares	31 May 2010 Preference Shares
J R Davie	530,000	-	600,000	-
T A Howkins	3,800,000	10,000	3,800,000	10,000
S Clutton (resigned from the Board on 2 August 2010)	N/A	N/A	17,169	-
P G Hetherington	200,833	10,000	250,000	10,000
A R MacKay	494,690	10,000	867,687	10,000
D M Jackson	-	-	-	-
R R Lucas (resigned from the Board on 7 October 2010)	N/A	N/A	47,312	-
N B le Roux	75,000	10,000	100,000	10,000
R P Yates	25,000	-	25,000	-
D A Currie	-	-	-	-
C F Hill	-	-	-	-
S G Hill	-	-	-	-

There have been no changes in Directors' interests in share capital between the year-end and the date of the Annual Report.

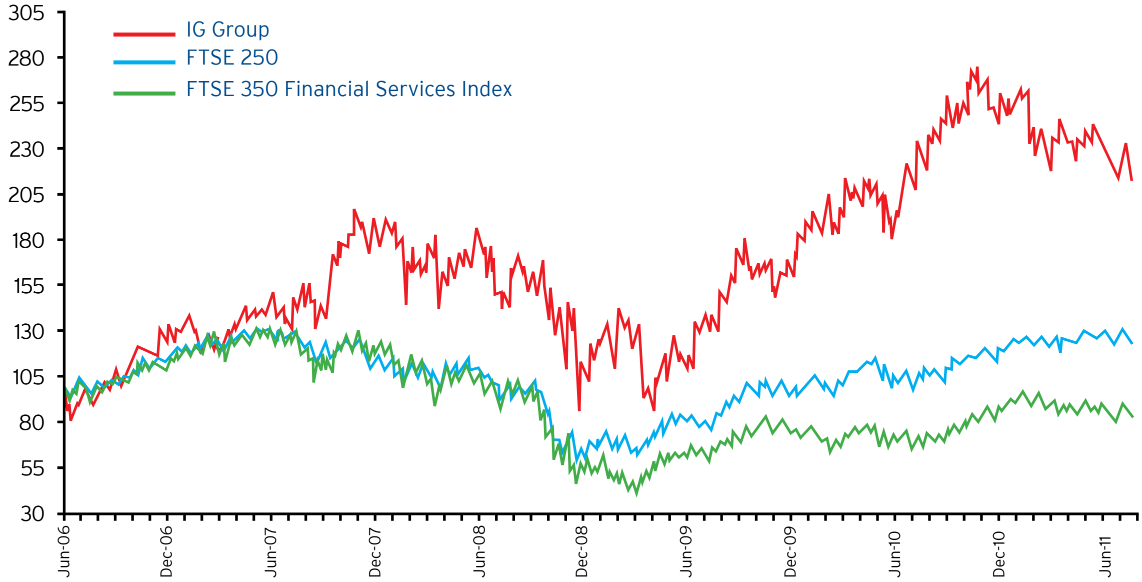
The market price of the Company's ordinary shares on 31 May 2011 was 449.0p and the high and low share prices in the year were 553.0p and 379.2p respectively.

Performance graph

The following graph illustrates the performance of IG Group Holdings plc ordinary shares measured by total shareholder return (share price growth plus dividends paid) in the period from 1 June 2006. The most appropriate benchmarks are considered by the Directors to be:

- The FTSE 250, as it represents a broad equity market index of which the Company is a constituent member
- The FTSE 350 Financial Services Index, given this is the benchmark index for the Group's value sharing plan

The figures have been rebased to 100 as at 1 June 2006 in order to aid comparison and are presented to 18 July 2011.



DIRECTORS' REMUNERATION REPORT
(continued)

INFORMATION SUBJECT TO AUDIT

Directors' remuneration

This section of the report sets out the remuneration of the Directors for the year ended 31 May 2011. The remuneration of the Directors who served during the year was as follows:

			Performance-related bonuses[2]				
	Basic salary and fees £000	Other benefits and payments[1] £000	Paid in cash £000	Deferred into shares £000	Pension elections[3] £000	Year ended 2011 £000	Year ended 2010 £000
Executive Directors:							
T A Howkins[4]	402	1	57	-	-	460	796
S Clutton[5]	36	175	-	-	-	211	646
P G Hetherington	240	1	43	-	(34)	250	561
C F Hill[6]	28	270	4	-	-	302	-
A R MacKay	270	5	39	-	(30)	284	668
	976	452	143	-	(64)	1,507	2,671
Non-Executive Directors:							
J R Davie	160	-	-	-	-	160	120
D M Jackson	63	-	-	-	-	63	40
R R Lucas[7]	11	-	-	-	-	11	30
N B le Roux	50	-	-	-	-	50	35
R P Yates	50	-	-	-	-	50	35
D A Currie	50	-	-	-	-	50	3
A Budd[8]	-	-	-	-	-	-	32
S Hill[9]	4	-	-	-	-	4	-
	1,364	452	143	-	(64)	1,895	2,966

(1) All Executive Directors are entitled to receive professional subscriptions, private health cover and health club membership. This includes the cash element of the compensation for loss of office of £174,000 paid to S Clutton.

(2) The first £100,000 of performance-related bonuses plus one third of the balance are paid to the Executive Directors in cash; the remaining two thirds of the balance is deferred into IG Group Holdings plc ordinary shares for 12 months.

(3) Executive Directors can elect to receive pension contributions in lieu of performance-related bonuses and salary. These contributions are deducted in the remuneration table and included within pension entitlements below, inclusive of employers' National Insurance.

(4) T A Howkins has elected from 1 April 2011 to restrict his pension contribution to £50,000 and receive the remainder of the allowance as additional salary.

(5) S Clutton resigned from the Board on 2 August 2010. This includes the cash element of the compensation for loss of office of £174,000 paid to S Clutton.

(6) C F Hill was appointed to the Board on 26 April 2011. C F Hill was granted an additional bonus on appointment of £270,000, of which £157,000 is payable in cash and remainder deferred into shares of the Company vesting of July 2012.

(7) Fees of £10,583 (2010: £30,000) relating to the services of R R Lucas as a Director of the Company were paid to CVC Capital Partners Limited. R R Lucas resigned from the Board on 7 October 2010.

(8) A Budd terminated his employment on 4 May 2010.

(9) S Hill was appointed to the Board on 28 April 2011.

Compensation for loss of office

Included in the Directors' remuneration for the year are amounts paid as compensation for loss of office to S Clutton, who resigned from the Board on 2 August 2010. Amounts paid as compensation for loss of office comprised:

- Compensation for loss of office, including payment in lieu of notice, of £174,000 (disclosed under 'other benefits and payments')
- Gains associated with the early exercise of the long-term incentive plans in relation to the 2008 and 2009 financial years, pro-rata for the vesting period served in office. This exercise was based on the average daily closing share price of the Company for the six-week period to 31 January 2011 for the share price growth award, and on earnings per share for the year ended 31 May 2010 for the earnings per share awards. This resulted in the early award under the 2008 and 2009 LTIP plans of a total of 261,094 shares in the Company and a gain of £1,191,000
- Legal fees paid by the Company on behalf of S Clutton in relation to his loss of office of £12,604

Total compensation for loss of office was therefore £1,365,000, exclusive of the legal fees paid. There was no compensation for loss of office paid in the prior year.

Pension entitlements

	2011 £000	2010 £000
T A Howkins	58	40
S Clutton[(1)]	5	32
P G Hetherington	74	75
A R MacKay	73	63
C F Hill[(2)]	4	-
	214	210

(1) S Clutton resigned from the Board on 2 August 2010.

(2) C F Hill was appointed to the Board on 26 April 2011.

There were no contributions made for the Non-Executive Directors during the year ended 31 May 2011.

Interests in value sharing plan and in long-term incentive plans

	Award date	Share price at award date	Number as at 31 May 2010	Number awarded during the year	Number lapsed during the year	Number exercised during the year	Number as at 31 May 2011
T A Howkins							
Earnings per share award	23 Jul 2007	312.25p	169,736	-	(18,064)	-	151,672
Share price growth award	23 Jul 2007	312.25p	169,736	-	(158,035)	-	11,701
Earnings per share award	30 Sep 2008	313.75p	174,917	-	-	-	174,917
Share price growth award	30 Sep 2008	313.75p	174,918	-	-	-	174,918
Earnings per share award	25 Sep 2009	318.80p	166,248	-	-	-	166,248
Share price growth award	25 Sep 2009	318.80p	166,249	-	-	-	166,249
Value sharing profit award – 3 year	29 Oct 2010	528.50p	-	117,511	-	-	117,511
Value sharing profit award – 4 year	29 Oct 2010	528.50p	-	117,512	-	-	117,512
Total shareholder return award – 3 year	29 Oct 2010	528.50p	-	176,267	-	-	176,267
Total shareholder return award – 4 year	29 Oct 2010	528.50p	-	176,268	-	-	176,268
			1,021,804	587,558	(176,099)	-	1,433,263

	Award date	Share price at award date	Number as at 31 May 2010	Number awarded during the year	Number lapsed during the year	Number exercised during the year	Number as at 31 May 2011
S Clutton[(1)]							
Earnings per share award	23 Jul 2007	312.25p	96,077	-	(10,225)	(85,852)	-
Share price growth award	23 Jul 2007	312.25p	96,077	-	(89,454)	(6,623)	-
Earnings per share award	30 Sep 2008	313.75p	132,013	-	(42,567)	(89,446)	-
Share price growth award	30 Sep 2008	313.75p	132,013	-	(79,233)	(52,780)	-
Earnings per share award	25 Sep 2009	318.80p	134,881	-	(76,808)	(58,073)	-
Share price growth award	25 Sep 2009	318.80p	134,881	-	(74,087)	(60,794)	-
			725,942	-	(372,374)	(353,568)	-

(1) S Clutton resigned from the Board on 2 August 2010.

DIRECTORS' REMUNERATION REPORT
(continued)

INFORMATION SUBJECT TO AUDIT (CONTINUED)

Interests in value sharing plan and in long-term incentive plans (continued)

	Award date	Share price at award date	Number as at 31 May 2010	Number awarded during the year	Number lapsed during the year	Number exercised during the year	Number as at 31 May 2011
P G Hetherington							
Earnings per share award	23 Jul 2007	312.25p	76,861	-	(8,179)	(68,682)	-
Share price growth award	23 Jul 2007	312.25p	76,861	-	(71,562)	(5,299)	-
Earnings per share award	30 Sep 2008	313.75p	105,611	-	-	-	105,611
Share price growth award	30 Sep 2008	313.75p	105,611	-	-	-	105,611
Earnings per share award	25 Sep 2009	318.80p	125,471	-	-	-	125,471
Share price growth award	25 Sep 2009	318.80p	125,471	-	-	-	125,471
Value sharing profit award – 3 year	29 Oct 2010	528.50p	-	73,445	-	-	73,445
Value sharing profit award – 4 year	29 Oct 2010	528.50p	-	73,445	-	-	73,445
Total shareholder return award – 3 year	29 Oct 2010	528.50p	-	110,167	-	-	110,167
Total shareholder return award – 4 year	29 Oct 2010	528.50p	-	110,168	-	-	110,168
			615,886	367,225	(79,741)	(73,981)	829,389

	Award date	Share price at award date	Number as at 31 May 2010	Number awarded during the year	Number lapsed during the year	Number exercised during the year	Number as at 31 May 2011
A R MacKay							
Earnings per share award	23 Jul 2007	312.25p	86,469	-	(9,202)	(77,267)	-
Share price growth award	23 Jul 2007	312.25p	86,469	-	(80,508)	(5,961)	-
Earnings per share award	30 Sep 2008	313.75p	125,413	-	-	-	125,413
Share price growth award	30 Sep 2008	313.75p	125,413	-	-	-	125,413
Earnings per share award	25 Sep 2009	318.80p	144,291	-	-	-	144,291
Share price growth award	25 Sep 2009	318.80p	144,292	-	-	-	144,292
Value sharing profit award – 3 year	29 Oct 2010	528.50p	-	73,445	-	-	73,445
Value sharing profit award – 4 year	29 Oct 2010	528.50p	-	73,445	-	-	73,445
Total shareholder return award – 3 year	29 Oct 2010	528.50p	-	110,167	-	-	110,167
Total shareholder return award – 4 year	29 Oct 2010	528.50p	-	110,168	-	-	110,168
			712,347	367,225	(89,710)	(83,228)	906,634

Gains made by Directors on share options

The table below shows gains made by individual Directors from the exercise of share options during the year. The gains are calculated by reference to the share price as at the respective exercise date, although the shares may have been retained.

	2011 £000	2010 £000
T A Howkins	-	676
S Clutton[1] (resigned from the Board on 2 August 2010)	1,634	534
P G Hetherington	366	117
A R MacKay	368	94
C F Hill (appointed to the Board on 26 April 2011)	-	-
	2,368	1,421

(1) Includes a gain of £1,191,000 made following the early exercise under the 2008 and 2009 LTIP plans of a total of 261,094 shares in the Company which has been disclosed as compensation for loss of office.

REMUNERATION CODE DISCLOSURE

Code Staff aggregate remuneration

The aggregate remuneration paid to senior management and members of Code Staff whose actions have a material impact on the risk profile of the firm are disclosed in the following table:

	Executive Directors	Other Code Staff	Total
Fixed remuneration (£000s)	1,090	850	1,940
Variable remuneration (£000s)	413	398	811
Share based payment schemes[1] (£000s)	4,303	1,824	6,127
Number of staff	4	6	10

(1) Represents the fair value at date of award and not the actual gain made on exercise of share based payments or the income statement charge taken in the period.

By order of the Board

Christopher Hill, Chief Financial Officer
19 July 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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
- 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

By order of the Board

Christopher Hill, Chief Financial Officer
19 July 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IG GROUP HOLDINGS PLC

We have audited the Financial Statements of IG Group Holdings plc for the year ended 31 May 2011 which comprise Group Income Statement, Group Statement of Comprehensive Income, Statements of Financial Position, Statements of Changes in Equity, Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 68, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Chairman's Statement and the Business Review to identify material inconsistencies with the audited Financial Statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion:

- The Group Financial Statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 May 2011 and of the Group's loss and Group's and parent company's cash flows for the year then ended
- The Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union
- The parent company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006
- The Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The audited section of the Directors' Remuneration Report has been properly prepared in accordance with the Companies Act 2006
- The information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements
- The information given in the Corporate Governance Statement with respect to internal control and risk management systems and about share capital structures is consistent with the Financial Statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company Financial Statements and the audited section of the Directors' Remuneration Report are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- A corporate governance statement has not been prepared by the parent company

Under the Listing Rules we are required to review:

- The Directors' statement, set out on page 48, in relation to going concern
- The sections of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review
- Certain elements of the report to shareholders by the Board on Directors' remuneration

Darren Ketteringham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 July 2011

FINANCIAL STATEMENTS

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GROUP INCOME STATEMENT
for the year ended 31 May 2011

	Note	2011 Before certain items(1) £000	2011 Certain items(1) £000	2011 Total £000	2010 (restated) Before certain items(1) £000	2010 (restated) Certain items(1) £000	2010 (restated) Total £000
Trading revenue		353,246	-	353,246	344,427	-	344,427
Interest income on segregated client funds		9,124	-	9,124	5,791	-	5,791
Revenue		362,370	-	362,370	350,218	-	350,218
Interest expense on segregated client funds		(176)	-	(176)	(321)	-	(321)
Introducing broker commissions		(32,854)	-	(32,854)	(45,876)	-	(45,876)
Betting duty		(4,085)	-	(4,085)	(4,298)	-	(4,298)
Net operating income	2	325,255	-	325,255	299,723	-	299,723
Analysed as:							
Net trading revenue	*1, 2*	*320,392*	-	*320,392*	*298,551*	-	*298,551*
Other net operating income		*4,863*	-	*4,863*	*1,172*	-	*1,172*
Administrative expenses		(162,225)	(155,953)	(318,178)	(142,436)	(17,298)	(159,734)
Operating profit	3, 4	163,030	(155,953)	7,077	157,287	(17,298)	139,989
Finance revenue	7	2,402	-	2,402	2,664	-	2,664
Finance costs	8	(2,432)	-	(2,432)	(2,312)	-	(2,312)
Profit before taxation		163,000	(155,953)	7,047	157,639	(17,298)	140,341
Tax expense	9	(43,991)	11,652	(32,339)	(46,120)	7,265	(38,855)
(Loss) / profit for the year		119,009	(144,301)	(25,292)	111,519	(10,033)	101,486
(Loss) / profit for the year attributable to:							
Equity holders of the parent		118,848	(144,301)	(25,453)	111,314	(10,033)	101,281
Non-controlling interests		161	-	161	205	-	205
		119,009	(144,301)	(25,292)	111,519	(10,033)	101,486

(Loss) / earnings per ordinary share	Note	2011	2010
Basic	10	(7.05p)	28.19p
Diluted	10	(7.05p)	28.00p

(1) Certain items comprise amortisation and impairment of intangible assets associated with the Group's Japanese business and impairment of the goodwill associated with the Group's Sport business and related taxation. Refer to notes 3 and 4 for more information.

All of the Group's revenue and profit for the year and prior year relate to continuing operations. The comparative Group Income Statement has been restated such that trading revenue is reported gross of introducing broker commission with an equal expense disclosed in arriving at net operating income. Refer to note 37 for more information.

The notes on pages 79 to 127 are an integral part of these Financial Statements.

GROUP STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 May 2011

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

The notes on pages 79 to 127 are an integral part of these Financial Statements.

STATEMENTS OF FINANCIAL POSITION
at 31 May 2011

	Note	Group 2011 £000	Group 2010 £000 (restated)	Company 2011 £000	Company 2010 £000
Assets					
Non-current assets					
Property, plant and equipment	12	16,761	9,632	-	-
Intangible assets	13	117,202	265,328	-	-
Investment in subsidiaries	14	-	-	433,078	428,853
Deferred tax assets	9	11,264	14,264	-	-
		145,227	289,224	433,078	428,853
Current assets					
Trade receivables	16	270,104	206,243	-	-
Prepayments and other receivables		8,199	7,084	64,254	576,920
Cash and cash equivalents	17	124,528	128,097	304	8
		402,831	341,424	64,558	576,928
TOTAL ASSETS		548,058	630,648	497,636	1,005,781
Liabilities					
Current liabilities					
Trade payables	19	83,490	57,673	-	-
Other payables	20	45,149	44,825	6,512	573,276
Provisions	21	1,427	1,377	-	-
Income tax payable		37,060	38,863	3,547	3,387
		167,126	142,738	10,059	576,663
Non-current liabilities					
Deferred tax liabilities	9	-	11,463	-	-
Provisions	21	1,991	1,779	-	-
Redeemable preference shares	22	40	40	40	40
		2,031	13,282	40	40
Total liabilities		169,157	156,020	10,099	576,703
Capital and reserves					
Equity share capital	23	18	18	18	18
Share premium	23	206,246	206,246	206,246	206,246
Other reserves	25	80,173	79,742	18,899	14,991
Retained earnings		92,263	185,443	262,374	207,823
Shareholders' equity		378,700	471,449	487,537	429,078
Non-controlling interests		201	3,179	-	-
Total equity		378,901	474,628	487,537	429,078
TOTAL EQUITY AND LIABILITIES		548,058	630,648	497,636	1,005,781

The notes on pages 79 to 127 are an integral part of these Financial Statements. The comparative Group Statement of Financial Position has been restated to reflect the change in accounting policy for segregated client funds. Refer to note 37 for more information.

Tim Howkins
Chief Executive

Christopher Hill
Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 May 2011

Group	Equity share capital £000 (note 23)	Share premium £000 (note 23)	Other reserves £000 (note 25)	Retained earnings £000	Shareholders' equity £000	Non-controlling interests £000	Total equity £000
At 1 June 2009	18	206,246	45,281	141,819	393,364	2,549	395,913
Profit for the year	-	-	-	101,281	101,281	205	101,486
Other comprehensive income for the year	-	-	27,009	-	27,009	425	27,434
Total comprehensive income for the year	-	-	27,009	101,281	128,290	630	128,920
Equity-settled employee share-based payments (note 26)	-	-	4,782	-	4,782	-	4,782
Excess of tax deduction benefit on share-based payments recognised directly in shareholders' equity (note 9)	-	-	2,861	-	2,861	-	2,861
Purchase of own shares	-	-	(175)	-	(175)	-	(175)
Exercise of US share incentive plans	-	-	(16)	-	(16)	-	(16)
Equity dividends paid (note 11)	-	-	-	(57,657)	(57,657)	-	(57,657)
Movement in equity	-	-	34,461	43,624	78,085	630	78,715
At 31 May 2010	18	206,246	79,742	185,443	471,449	3,179	474,628
(Loss) / profit for the year	-	-	-	(25,453)	(25,453)	161	(25,292)
Other comprehensive (expense) for the year	-	-	(344)	-	(344)	-	(344)
Total comprehensive (expense) / income for the year	-	-	(344)	(25,453)	(25,797)	161	(25,636)
Equity-settled employee share-based payments (note 26)	-	-	4,225	-	4,225	-	4,225
Excess of tax deduction benefit on share-based payments recognised directly in shareholders' equity (note 9)	-	-	(831)	-	(831)	-	(831)
Acquisition of non-controlling interest (note 14b)	-	-	(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 (note 11)	-	-	-	(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

The notes on pages 79 to 127 are an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 May 2011

Company	Equity share capital £000 (note 23)	Share premium £000 (note 23)	Other reserves £000 (note 25)	Retained earnings £000	Total equity £000
At 1 June 2009	18	206,246	10,400	184,390	401,054
Profit for the year	-	-	-	81,090	81,090
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	81,090	81,090
Equity-settled employee share-based payments (note 26)	-	-	4,782	-	4,782
Purchase of own shares	-	-	(175)	-	(175)
Exercise of US share incentive plans	-	-	(16)	-	(16)
Equity dividends paid (note 11)	-	-	-	(57,657)	(57,657)
Movement in equity	-	-	4,591	23,433	28,024
At 31 May 2010	18	206,246	14,991	207,823	429,078
Profit for the year	-	-	-	122,278	122,278
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	122,278	122,278
Equity-settled employee share-based payments (note 26)	-	-	4,225	-	4,225
Purchase of own shares	-	-	(291)	-	(291)
Exercise of US share incentive plans	-	-	(26)	-	(26)
Equity dividends paid (note 11)	-	-	-	(67,727)	(67,727)
Movement in equity	-	-	3,908	54,551	58,459
At 31 May 2011	18	206,246	18,899	262,374	487,537

The notes on pages 79 to 127 are an integral part of these Financial Statements.

CASH FLOW STATEMENTS
for the year ended 31 May 2011

	Note	Group 2011 £000	Group 2010 £000 (restated)	Company 2011 £000	Company 2010 £000
Cash generated from operations	18	119,636	129,126	68,641	58,638
Income taxes paid		(43,503)	(47,719)	-	-
Interest received on segregated client funds		8,015	5,745	-	-
Interest paid on segregated client funds		(161)	(332)	-	-
Net cash flow from operating activities		83,987	86,820	68,641	58,638
Investing activities					
Interest received		2,046	2,557	1	1
Purchase of property, plant and equipment		(15,387)	(2,669)	-	-
Proceeds on disposal of property, plant and equipment	18	313	-	-	-
Payments to acquire intangible fixed assets		(4,521)	(2,369)	-	-
Purchase of a minority interest		(5,072)	-	-	-
Purchase of a client list and business		(2,739)	-	-	-
Net cash flow from investing activities		(25,360)	(2,481)	1	1
Financing activities					
Interest paid		(1,897)	(1,317)	(325)	(918)
Equity dividends paid to equity holders of the parent		(67,727)	(57,657)	(67,727)	(57,657)
Purchase of own shares		(291)	(175)	(291)	(175)
Payment of redeemable preference share dividends		(3)	(3)	(3)	(3)
Net cash flow from financing activities		(69,918)	(59,152)	(68,346)	(58,753)
Net (decrease) / increase in cash and cash equivalents		(11,291)	25,187	296	(114)
Cash and cash equivalents at the beginning of the year		128,097	99,407	8	122
Exchange gains on cash and cash equivalents		7,722	3,503	-	-
Cash and cash equivalents at the end of the year	17	124,528	128,097	304	8

The notes on pages 79 to 127 are an integral part of these Financial Statements. The comparative Group Cash Flow Statement has been restated to reflect the change in accounting policy for segregated client funds. Refer to note 37 for more information.

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1. NET TRADING REVENUE

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

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

(1) As discussed in notes 4 and 35, on 8 June 2011 the Group reached agreement to sell the majority of the client list relating to extrabet's sport spread betting and fixed odds betting and has subsequently closed the Sport business.

In addition to the above, finance revenue is disclosed in note 7. The Group does not derive more than ten percent of external revenue from any one single customer.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

2. SEGMENT INFORMATION

The segment information is presented as follows:

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

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

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

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

(1) The Rest of the World segment includes the Group's South African business which generated net trading revenue of £2.75 million in the nine months following acquisition. In the year ended 31 May 2010 net trading revenue, generated via the former introductory broker of the Group that was acquired during the year (refer to note 14), of £1.8 million was reported in the UK segment.

(2) Segment contribution includes exceptional items of £3,644,000 (2010: £4,422,000) disclosed in note 4, which relate to the UK £2,284,000 (2010: £2,958,000) and Central £1,360,000 (2010: £1,464,000) segments.

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

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

(1) Segment contribution includes exceptional items of £4,422,000 disclosed in note 4, which relate to the UK (£2,958,000) and Central (£1,464,000) segments.

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

3. OPERATING PROFIT

	Group 2011 £000	Group 2010 £000
This is stated inclusive of exceptional items and after charging / (crediting):		
Amortisation of customer relationships and trade names (Japan)(1)	7,595	17,298
Impairment of customer relationships and goodwill(1)	148,358	-
Depreciation of property, plant and equipment	7,086	6,175
Amortisation of intangible assets	3,780	2,430
Advertising and marketing	32,025	27,297
Net recovery of impaired trade receivables	(2,162)	(1,064)
Interim FSCS levy(2)	4,053	280
Operating lease rentals for land and buildings	6,016	6,738
(Profit) / loss on disposal of property, plant and equipment	(283)	49
Foreign exchange differences(3)	(1,080)	(522)

(1) Disclosed within the column 'certain items' in the consolidated Income Statement. 'Certain items' include both the amortisation and impairment of intangible assets associated with the Group's Japanese business, IG Markets Securities (formerly FXOnline), and the impairment of the goodwill associated with the Group's Sport business, extrabet. Refer to note 4 for further details of the impairments arising in the year.

(2) The interim levy imposed on certain investment management firms by the Financial Services Compensation Scheme (FSCS) related to the continuing costs of Keydata Investment Services Limited and other failed investment intermediary firms represented a significant increase in FSCS levies paid by the Group.

(3) All of the above, except foreign exchange differences, are included in administrative expenses within the Income Statement. Foreign exchange differences are included in revenue.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

4. EXCEPTIONAL ITEMS

In the year ended 31 May 2011, exceptional items were incurred in relation to the impairment of goodwill and customer relationships associated with the acquisition of the Group's Japanese business, IG Markets Securities (formerly FXOnline). For details of the goodwill impairment review performed please refer to note 15.

Additionally in the year ended 31 May 2011, exceptional items were incurred in relation to the Group's Sport business.

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

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

Each of the impairment charges discussed above (totalling £148.4 million, 2010: £nil) as well as the amortisation of the Japanese customer relationships (see note 3, 2011: £7.6 million, 2010: £17.3 million) have been disclosed in the Group Income Statement in the column 'certain items' consistent with the Group's established accounting policy and presentation.

(1) The goodwill and customer relationships associated with the Japanese business are considered to be impaired following regulatory change in the Japanese market. The impairment charge disclosed as exceptional is exclusive of the amortisation (£7.6 million) charged in the accounting period immediately prior to impairment. The deferred tax credit on the exceptional items solely relates to the customer relationships. For further detail of the impairment review performed refer to note 15.

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

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

5. AUDITORS' REMUNERATION

Audit fees	Group 2011 £000	Group 2010 £000
Fees payable to the Company's auditors for the audit of the parent company and consolidated Financial Statements	182	311
Other fees to auditors:		
Statutory and regulatory audit of subsidiaries and branches of the Company pursuant to legislation	97	187
Other services supplied pursuant to legislation	66	11
Other services relating to taxation		
- Compliance related services	224	-
- Advisory related services	202	-
Services relating to corporate finance transactions	269	-
All other services	87	13
	945	211

PricewaterhouseCoopers LLP were appointed as the Group's auditors in December 2010 following a competitive tender process. The fees disclosed above are in relation to the full year ended 31 May 2011. Of the total non-audit fees or fees unrelated to the audit (£782,000) paid to PricewaterhouseCoopers, £427,000 was committed prior to their appointment as the Group's auditors.

6. STAFF COSTS

The staff costs for the year, including Directors, were as follows:

	Group 2011 £000	Group 2010 £000
Wages and salaries	64,540	61,662
Social security costs	6,493	6,629
Other pension costs (in relation to direct contribution schemes)	4,418	3,763
	75,451	72,054

Staff costs include the following amounts in respect of performance-related bonuses, inclusive of national insurance, and share-based payments charged to the Income Statement:

	Group 2011 £000	Group 2010 £000
Performance-related bonuses	14,275	22,333
Equity-settled share-based payment schemes	4,225	4,782
	18,500	27,115

The Directors' emoluments, including compensation for loss of office, for the year ended 31 May 2011 and the prior year can be found in the Directors' Remuneration Report. The average monthly number of employees, including Directors, was made up as follows:

	Group 2011 Number	Group 2010 Number
Dealing, sales and client support	595	529
Management and administration including IT	356	299
	951	828

NOTES TO THE FINANCIAL STATEMENTS
(continued)

7. FINANCE REVENUE

	Group 2011 £000	Group 2010 £000
Interest receivable from brokers	1,167	406
Interest receivable from clients	211	509
Bank interest receivable	642	1,749
Other finance revenue	382	-
	2,402	2,664

8. FINANCE COSTS

	Group 2011 £000	Group 2010 £000
Liquidity facility arrangement and non-utilisation fees	1,085	913
Interest payable to clients	136	168
Interest payable to brokers	196	163
Bank interest payable	29	68
Dividend on redeemable preference shares	3	3
Other charges	983	997
	2,432	2,312

Interest payable to clients relates to interest paid or accrued to clients in relation to title transfer funds (refer to note 17).

9. TAXATION

9(a) Tax on profit on ordinary activities

Tax charged in the Income Statement:

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

9(b) Reconciliation of the total tax charge

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

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

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

9. TAXATION (CONTINUED)

9(c) Deferred income tax assets

The deferred income tax assets included in the Statement of Financial Position are as follows:

	Group	
	2011 £000	2010 £000
Decelerated capital allowances	1,662	1,693
Tax losses available for offset against future tax	4,829	6,401
Doubtful debt provision	-	600
Share-based payments	3,713	4,282
Other	1,060	1,288
	11,264	14,264

The tax losses available for offset against future tax relate to operating losses arising in overseas subsidiary companies, the recoverability of which is dependent on sufficient future operating profits in those entities. A deferred tax asset is recognised where it is considered to be probable that future operating profits will exceed the losses that have arisen to date. Where it is not anticipated that future operating profits will exceed the losses that have arisen to date, a deferred tax asset is not recognised.

Share-based payment awards have been charged to the Income Statement but are not allowable as a tax expense until the awards vest. The excess of tax relief in future periods over the amount charged to the Income Statement is recognised as a credit directly to equity.

The gross movement in the deferred income tax assets included in the Statement of Financial Position is as follows:

	Group	
	2011 £000	2010 £000
At the beginning of the year	14,264	7,562
Income statement (charge) / credit	(2,226)	3,768
Tax (debited) / credited directly to equity	(831)	2,861
Foreign currency adjustment	57	73
At the end of the year	11,264	14,264

9(d) Deferred income tax liabilities

The deferred income tax liabilities included in the Statement of Financial Position are as follows:

	Group	
	2011 £000	2010 £000
At the beginning of the year	11,463	16,740
Foreign currency adjustment	189	1,988
Income statement credit	(11,652)	(7,265)
At the end of the year	-	11,463

A deferred tax liability of £18.3 million was recognised in the year ended 31 May 2009 in respect of separately identifiable intangible assets arising on the acquisition of FXOnline. This liability has decreased in the current and prior periods as a result of the amortisation and/or impairment of the underlying intangibles.

9(e) Deferred income tax – Income Statement credit

	Group 2011 £000	Group 2010 £000
The deferred income tax credit included in the Income Statement is made up as follows:		
Decelerated capital allowances	(31)	348
Tax losses available for offset against future tax	(1,572)	3,702
Share-based payments	262	(967)
Doubtful debt provision	(600)	(75)
Other	(285)	760
Amortisation of intangibles arising on acquisition	11,652	7,265
	9,426	11,033
The deferred tax (debited) / credited to equity during the year is as follows:		
Share-based payments	(831)	2,861

The deferred tax asset recognised in equity relates to a deductible temporary excess of the estimated future taxation benefit and the amounts charged to date in the Income Statement.

The effect of the change in UK corporation tax to 26% from 1 April 2011 on the deferred tax assets is a deferred income tax charge of £444,000 (2010: £nil), which is included in the movements above.

9(f) 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 of the recognition of deferred tax assets (refer to note 9(c)) 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 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.

On 1 April 2011 the UK corporation tax rate was reduced from 28% to 26%. Accordingly the Group's UK earnings will be taxable at a lower rate than has previously been applied. Deferred tax assets relating to UK have accordingly been re-measured at 26% as at 31 May 2011.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

10. EARNINGS PER ORDINARY SHARE

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

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. Adjusted earnings excludes the amortisation and impairment of intangible assets associated with the Group's Japanese business and impairment of the goodwill associated with the Group's Sport business and related taxation.

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

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

11. DIVIDENDS

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

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

12. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements £000	Office equipment, fixtures & fittings £000	Computer and other equipment £000	Assets in the course of construction £000	Total £000
Cost:					
At 1 June 2009	8,375	1,352	14,095	-	23,822
Foreign currency adjustment	179	(33)	550	-	696
Additions	624	304	1,569	1,623	4,120
Written off	(949)	(160)	(4,047)	-	(5,156)
At 31 May 2010	8,229	1,463	12,167	1,623	23,482
Foreign currency adjustment	63	(18)	(140)	-	(95)
Additions	1,477	350	4,858	7,651	14,336
Transfers between categories	8,776	489	9	(9,274)	-
Written off	(3,321)	(126)	(1,956)	-	(5,403)
At 31 May 2011	15,224	2,158	14,938	-	32,320
Depreciation:					
At 1 June 2009	3,156	344	8,690	-	12,190
Foreign currency adjustment	128	141	323	-	592
Provided during the year	2,245	293	3,637	-	6,175
Written off	(946)	(144)	(4,017)	-	(5,107)
At 31 May 2010	4,583	634	8,633	-	13,850
Foreign currency adjustment	30	4	(38)	-	(4)
Provided during the year	2,965	417	3,704	-	7,086
Written off	(3,321)	(126)	(1,926)	-	(5,373)
At 31 May 2011	4,257	929	10,373	-	15,559
Net book value – 31 May 2011	10,967	1,229	4,565	-	16,761
Net book value – 31 May 2010	3,646	829	3,534	1,623	9,632
Net book value – 1 June 2009	5,219	1,008	5,405	-	11,632

Assets in the course of construction (AICC) at 31 May 2010 represented the costs associated with the fit out of the Group's new London Headquarters. AICC was transferred to the appropriate asset class and depreciation commenced once the fit out was completed and the office available for use. The fit out assets will be depreciated over their useful economic life or the lease term, whichever is shorter.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

13. INTANGIBLE ASSETS

	Goodwill £000	Client lists and customer relationships £000	Trade name £000	Development costs £000	Software and licences £000	Total £000
Cost:						
At 1 June 2009	216,965	53,207	954	897	5,887	277,910
Foreign currency adjustment	17,193	8,471	154	13	285	26,116
Additions	-	-	-	821	1,567	2,388
Written off	-	-	-	(843)	(1,142)	(1,985)
At 31 May 2010	234,158	61,678	1,108	888	6,597	304,429
Foreign currency adjustment	1,647	1,168	(11)	(67)	(113)	2,624
Acquisition of a business (note 14)	1,843	2,673	-	-	-	4,516
Adjustment to deferred contingent consideration	(2,010)	-	-	-	-	(2,010)
Additions	-	-	-	1,725	5,349	7,074
Written off	-	-	-	(47)	(118)	(165)
At 31 May 2011	235,638	65,519	1,097	2,499	11,715	316,468
Amortisation:						
At 1 June 2009	-	13,782	520	794	2,207	17,303
Foreign currency adjustment	-	3,762	130	2	161	4,055
Provided during the year	-	16,879	419	87	2,343	19,728
Written off	-	-	-	(841)	(1,144)	(1,985)
At 31 May 2010	-	34,423	1,069	42	3,567	39,101
Foreign currency adjustment	-	664	(9)	-	(58)	597
Provided during the year	-	8,750	37	65	2,523	11,375
Impairment (note 15)	128,210	20,148	-	-	-	148,358
Written off	-	-	-	(47)	(118)	(165)
At 31 May 2011	128,210	63,985	1,097	60	5,914	199,266
Net book value – 31 May 2011	107,428	1,534	-	2,439	5,801	117,202
Net book value – 31 May 2010	234,158	27,255	39	846	3,030	265,328
Net book value – 1 June 2009	216,965	39,425	434	103	3,680	260,607

Development costs are entirely internally generated intangible assets. The client list acquired with the business of Ideal CFDs (refer to note 14a) is being amortised on a sum of digits basis over three years.

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2011	2010
At cost:	£000	£000
At the beginning of the year	428,853	424,071
Investment relating to equity-settled share-based payments for subsidiary employees	4,225	4,782
At the end of the year	433,078	428,853

The following companies are all owned directly or indirectly by IG Group Holdings plc:

Name of Company	Country of incorporation	Holding	Voting rights	Nature of business
Subsidiary undertakings held directly:				
IG Group Limited	UK	Ordinary shares	100%(1)	Holding company
IG Jersey Cashbox Limited	Jersey	Ordinary shares	100%	Dormant
Subsidiary undertakings held indirectly:				
IG Index Limited	UK	Ordinary shares	100%	Spread betting
IG Markets Limited	UK	Ordinary shares	100%	Margin trading and foreign exchange
extrabet Limited	UK	Ordinary shares	100%	Spread betting and fixed odds bookmaker
extrabet Financial Limited	UK	Ordinary shares	100%	Non-trading
IG Markets South Africa Limited	UK	Ordinary shares	90%(2)	Margin trading
IG Australia Pty Limited	Australia	Ordinary shares	100%	Australia sales and marketing office
IG Asia Pte Limited	Singapore	Ordinary shares	100%	Margin trading and foreign exchange
IG Markets Inc	USA	Ordinary shares	100%	Futures broker and USA sales office
North American Derivatives Exchange Inc	USA	Ordinary shares	100%	Exchange
IG Markets Securities Limited (formerly FXOnline Japan)	Japan	Ordinary shares	100%	Margin trading and foreign exchange
Market Data Limited	UK	Ordinary shares	100%	Data distribution
Market Risk Management Inc	USA	Ordinary shares	100%	Market maker
IG Infotech (India) Private Limited	India	Ordinary shares	100%	Software development
IG Nominees Limited	UK	Ordinary shares	100%	Nominee company

(1) Both IG Group Limited and Fox Japan Holdings have preference shares in issue. These are 100% held within the IG Group of companies.

(2) The Group has a call option and the vendor a put option over the outstanding 10% of IG Markets South Africa (refer to note 14a).

14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Subsidiary undertakings held indirectly (continued):

Name of Company	Country of incorporation	Holding	Voting rights	Nature of business
Subsidiary undertakings held indirectly** (continued)**:				
IG Finance	UK	Ordinary shares	100%	Financing
IG Finance Two	UK	Ordinary shares	100%	Financing
IG Finance Three	UK	Ordinary shares	100%	Financing
IG Finance Four	UK	Ordinary shares	100%	Financing
IG Finance Five Limited	UK	Ordinary shares	100%	Financing
IG Finance Six Limited	UK	Ordinary shares	100%	Financing
IG Finance Seven Limited	UK	Ordinary shares	100%	Financing
IG Finance Eight Limited	UK	Ordinary shares	100%	Financing
IG Finance Nine Limited	UK	Ordinary shares	100%	Financing
Fox Sub Limited	Gibraltar	Ordinary shares	100%	Financing
Fox Sub Two Limited	Gibraltar	Ordinary shares	100%	Financing
Fox Japan Holdings	Gibraltar	Ordinary shares	100%(1)	Holding company
IG US Holdings Inc	USA	Ordinary shares	100%	Holding company
Market Data Japan KK	Japan	Ordinary shares	100%	Holding company
FXOnline Japan Co., Limited (formerly IG Markets Japan KK)	Japan	Ordinary shares	100%	Non-trading
Blackfriars AG	Germany	Ordinary shares	100%	Dormant

(1) Both IG Group Limited and Fox Japan Holdings have preference shares in issue. These are 100% held within the IG Group of companies.

Employee Benefit Trusts:

IG Group Holdings plc Inland Revenue Approved Share Incentive Plan (UK Trust)

IG Group Limited Employee Benefit Trust (Jersey Trust)

14(a) Acquisition of the client list and business of Ideal CFD Financial Services Pty Limited

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

At the time of producing the interim Financial Statements the Group had not completed the fair value exercise and accordingly the book and fair values of the assets of the acquired business have been updated in the following disclosure.

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

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

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

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

14(b) Acquisition of IG Markets Securities Limited (formerly FXOnline Japan)

The Group exercised the call option over the remaining 12.5% of the issued share capital of IG Markets Securities Limited (formerly FXOnline Japan) in the year. The exercise price was consistent with the formula agreed at the time of the original acquisition and based on performance for the 12-month period ended 30 November 2010. The surplus of the exercise price over the non-controlling interest has been recorded within other equity in the Group Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS
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15. IMPAIRMENT OF GOODWILL

15(a) Analysis of goodwill

Goodwill has been allocated for impairment testing purposes to the cash-generating units (CGUs), as follows:

	Group	
	2011	2010
	£000	£000
UK – Financial	100,012	100,012
UK – Sport	-	5,250
Australia – Financial	934	934
US – Nadex	4,618	5,226
Japan – IG Markets Securities (formerly FXOnline)	-	122,736
South Africa – Ideal CFDs	1,864	-
	107,428	234,158

Goodwill arising on the purchase of IG Group plc by IG Group Holdings plc on 5 September 2003 of £105,262,000 was previously allocated according to the profitability of the Financial and Sport CGUs at that date. Goodwill disclosed as Australia – Financial arose on the acquisition of the non-controlling interest in IG Australia in the year ended 31 May 2006. Goodwill arising on the acquisitions of each of Nadex (formerly HedgeStreet), IG Markets Securities (formerly FXOnline), and Ideal CFDs has been allocated to the separate US, Japanese and South African CGUs respectively, as these businesses generate largely independent cash flows.

15(b) Impairments in the year ended 31 May 2011

(i) Goodwill and customer relationships – Japan:

An impairment review of the goodwill and customer relationships associated with the Japanese business was performed as at 30 November 2010, triggered by regulatory change in the Japanese market. Consistent with the review performed at 31 May 2010, the estimated recoverable amount of the Japanese business was based upon value-in-use calculated as the total of the present value of projected five-year future cash flows and a terminal value.

As anticipated at May 2010, the first of several regulatory restrictions on leverage for forex products, which came into force in August 2010, had an adverse impact on client activity levels and revenue. At 30 November 2010, further leverage restrictions already announced and effective in January 2011 and August 2011 for equity indices and forex respectively were also expected to have a significant impact on the future revenues of this business. Accordingly, client recruitment rates and average revenue per client assumptions, utilised in the value-in-use calculation for the Japanese business, were lowered consistent with the leverage impact experienced in the period.

A pre-tax discount rate of 17.8% (2010: 16.6%) was used to discount the cash flows and a long-term growth rate of 1.5% (2010: 1.5%) was utilised in the terminal value calculation.

As a result the net book values of the goodwill and customer relationships (£123.0 million and £20.1 million respectively) associated with the Group's Japanese business have been fully impaired.

The impairment charges discussed above and the associated reduction in the deferred tax liability of £8.5 million have been disclosed in the Group Income Statement in the column 'certain items' consistent with the Group's established accounting policy and presentation.

(ii) Goodwill – Sport

The Group commenced a redundancy consultation process, subsequently completed on 12 July 2011, with the employees of its Sport business, extrabet, prior to the closure of the business. As a result the goodwill associated with the Sport CGU was impaired to nil as at 31 May 2011, as the Directors consider there is no expected future value in the goodwill.

The impairment charge of £5.25 million has been disclosed in the Group Income Statement in the column 'certain items' consistent with the Group's established accounting policy and presentation.

15(c) Impairment testing at period end

The goodwill associated with the UK, Australian, US and South African CGUs has been subject to impairment test at 31 May 2011 as set out in the following disclosures.

Methodology utilised in the impairment testing

For the purposes of impairment testing of goodwill, the carrying amount of each CGU (including goodwill) is compared to the recoverable amount of each CGU and any deficits are provided. The carrying amount of a CGU includes only those assets that can be attributed directly, or allocated on a reasonable and consistent basis.

The estimated recoverable amount of each CGU is based on value-in-use calculated as the total of the present value of projected five-year future cash flows and a terminal value.

Key assumptions used in value-in-use calculations

The calculation of value-in-use for the CGUs is most sensitive to the following assumptions:

- Growth rates used to extrapolate cash flows beyond the four-year plan period
- The discount rate
- The long-term growth rate used for the terminal value calculation
- Client recruitment and retention rates
- Average revenue per client

Projected future cash flows for each CGU were based upon the Board-approved four-year plan, comprising a one-year budget and three-year forecast which reflect past experience as well as future expected trends. Cash flows beyond the relevant plan period were estimated using a range of Board-approved subsequent growth rates in order to allow for differing growth scenarios. This methodology is consistent with that used for the 31 May 2010 year-end impairment review. These ranges are disclosed in the table below and are consistent with the long-term growth rates of the Group's businesses measured over a five-year period.

The cash flows for the US and South African CGUs were translated into sterling using period end exchange rates.

The cash flows were discounted using pre-tax discount rates as disclosed in the table below. These were derived using region specific, market-based cost of equity and debt assumptions in order to reflect both the financing cost and risk associated with each CGU. The long-term growth rates (g) used in the terminal value calculations are disclosed below and are equivalent to, or lower than the respective long-term growth rate for the economy in which the CGU operates.

	2011	2010	2011	2010	2011	2010
Cash-generating unit	**Discount rate**	**Discount rate**	**Years 4-5 growth rate**	**Years 4-5 growth rate**	**g**	**g**
Financial (UK and Australia)	12.3%	12.3%	4%	4%	2.0%	2.0%
US	18.6%	17.7%	33%	20%	2.0%	2.5%
South Africa	23.3%	N/A	24%	N/A	4.9%	N/A

Client recruitment and retention rates and average revenue per client were based upon actual amounts measured in prior periods which were projected forward in accordance with expected trends.

On the basis of the results of the above analysis there was no impairment of goodwill during the year.

Sensitivity to changes in assumptions

The Directors have performed a sensitivity analysis on the assumptions utilised and have concluded that no reasonably possible change in key assumptions would cause the carrying amount of any CGU to exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS
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16. TRADE RECEIVABLES

	Group	
	2011	2010
	£000	£000
Amounts due from brokers	267,792	203,714
Amounts due from clients	2,312	2,529
	270,104	206,243

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	2011	2010
	£000	£000 (restated)	£000	£000
Gross cash and cash equivalents(1)	839,202	678,564	304	8
Less: Segregated client funds(2)	(714,674)	(550,467)	-	-
Own cash and title transfer funds(3)	124,528	128,097	304	8
Analysed as:				
Cash at bank and in hand	124,528	123,674	304	8
Short-term deposits	-	4,423	-	-

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

(2) Segregated client funds comprise retail client funds held in segregated client money accounts or money market facilities established under the UK's Financial Services Authority (FSA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates. Such monies are not 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 client agrees that full ownership of such monies is unconditionally transferred to the Group.

Cash and cash equivalents are deposited for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The Group's available liquidity, including undrawn committed borrowing facilities, is disclosed in note 33 to the Financial Statements.

18. CASH GENERATED FROM OPERATIONS

		Group		Company	
		2011	2010	2011	2010
		£000	£000	£000	£000
Operating activities	**Note**		(restated)		
Operating profit		7,077	139,989	(5,320)	(3,530)
Adjustments to reconcile operating profit to net cash flow from operating activities:					
Net interest income on segregated client funds		(8,948)	(5,470)	-	-
Amortisation of customer relationships and trade names (Japan)	3	7,595	17,298	-	-
Impairment of customer relationships and goodwill	3	148,358	-	-	
Depreciation of property, plant and equipment	3	7,086	6,175	-	-
Amortisation of intangible assets	3	3,780	2,430	-	-
Non-cash foreign exchange gains in operating profit		1,727	(11,382)	-	-
Share-based payments	26	4,225	4,782	-	-
Write off - property, plant and equipment	12	30	49	-	-
Recovery of trade receivables		754	2,441	-	-
(Increase) / decrease in trade and other receivables		(66,578)	(22,667)	67,776	96,461
Increase / (decrease) in trade and other payables		12,801	(7,675)	6,185	(34,293)
Increase in provisions and other non-cash items		262	3,156	-	-
Other non-cash items		1,467	-	-	-
Cash generated from operations		119,636	129,126	68,641	58,638

In the Group Statement of Cash Flows, proceeds from the sale of property, plant and equipment comprise:

	Group	
	2011	2010
	£000	£000
Net book amount (note 12)	30	49
Profit / (loss) on disposal of property, plant and equipment (note 3)	283	(49)
Proceeds from the disposal of property, plant and equipment	313	-

19. TRADE PAYABLES

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

(1) Gross amounts due to clients includes all amounts owed by the Group to clients in respect of client monies held, including both segregated client and title transfer funds.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

20. OTHER PAYABLES

	Group		Company	
	2011	2010	2011	2010
	£000	£000	£000	£000
Accruals	43,446	43,450	4,254	2,492
Other taxes and social security	1,700	1,372	-	-
Amounts due to Group companies (note 31)	-	-	2,255	570,781
Dividends on redeemable preference shares	3	3	3	3
	45,149	44,825	6,512	573,276

Included within accruals are amounts in relation to employee bonuses, supplier payments, introducing broker commissions and other amounts.

21. PROVISIONS

	Group	
	2011	2010
	£000	£000
At the beginning of the year	3,156	-
Income statement charge	1,534	3,156
Utilised in the period	(1,272)	-
At the end of the year	3,418	3,156
Current	1,427	1,377
Non-current	1,991	1,779
Total	3,418	3,156

The provision held as at 31 May 2011 and 31 May 2010 represents the Group's obligations for onerous lease commitments arising from the move of the Group's London Headquarters and the closure of extrabet, less amounts considered recoverable through potential sublet income. The actual cost of the onerous leases could differ from the estimates made. The provision will be utilised over the remaining 28-month term of the Group's existing London office leases.

22. REDEEMABLE PREFERENCE SHARES

	Company and Group	
	2011	2010
	£000	£000
Authorised:		
40,000 preference shares of £1 each	40	40
Allotted, called up and fully paid:		
40,000 preference shares of £1 each	40	40

The preference shares are entitled to a fixed non-cumulative dividend of 8% paid in preference to any other dividend. Redemption is only permissible in accordance with capital distribution rules or on the winding up of the Company, where the holders are entitled to £1 per share, plus, if the Company has sufficient distributable reserves, any accrued or unpaid 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 effective interest rate on these shares is 8% (2010: 8%).

23. EQUITY SHARE CAPITAL

	Company and Group 2011 £000	2010 £000
Authorised:		
500,000,000 ordinary shares of 0.005p each	25	25
65,000 B shares of 0.001p each	-	-
	25	25

	Number of shares	Ordinary share capital £000	Share premium £000
Allotted, called up and fully paid:			
(i) Ordinary shares (0.005p)			
At 1 June 2009	359,584,336	18	206,246
Issued during year	1,524,127	-	-
At 31 May 2010	361,108,463	18	206,246
Issued during year	1,125,091	-	-
At 31 May 2011	362,233,554	18	206,246
(ii) B shares (0.001p)			
At 31 May 2010 and 31 May 2011	65,000	-	-

Ordinary Shares

During the year to 31 May 2011, 1,125,091 (2010: 1,524,127) ordinary shares with an aggregate nominal value of £56 were issued following the exercise of long-term incentive plan awards for a consideration of £56.

Except as the ordinary shareholders have agreed or may otherwise agree, on a winding up of the Company, the balance of assets available for distribution after the payment of all of the Company's creditors and subject to any special rights attaching to other classes of shares are distributed among the shareholders according to the amounts paid up on shares by them.

B shares

The B shares carry no entitlement to dividends and no voting rights. To the extent not already received by them, the B shareholders shall, on a winding up of the Company, be entitled to receive from the trustee a consideration equal to the amount realised by the sale by the trustee of approximately 122 ordinary shares for every B share held.

NOTES TO THE FINANCIAL STATEMENTS
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24. OWN SHARES HELD IN EMPLOYEE BENEFIT TRUSTS

The movements in own shares held in Employee Benefit Trusts in respect of employee share plans during the year were as follows:

	Company and Group	
	2011	**2010**
	£000	**£000**
At the beginning of the year:		
1,134,441 (2010: 1,217,574) ordinary shares of 0.005p each	973	962
Purchased during the year:		
59,735 (2010: 59,682) ordinary shares of 0.005p each	291	175
Exercised during the year:		
58,373 (2010: 142,815) ordinary shares of 0.005p each	(41)	(164)
At the end of the year:		
1,135,803 (2010: 1,134,441) ordinary shares of 0.005p each	1,223	973

The Group has a UK-resident Employee Benefit Trust in order to hold shares in the Company in respect of awards under the Group's HM Revenue and Customs approved share incentive plan (SIP). At 31 May 2011, 611,395 ordinary shares (2010: 614,560) were held in the trust and at the year-end have reduced shareholders' equity by £1,172,943 (2010: £946,952). These include 228,675 ordinary shares (2010: 221,019) which were not allocated to employees and are available for future SIP awards. The market value of the shares held conditionally at the year-end was £2,745,164 (2010: £2,335,942).

The Group has a Jersey-resident Employee Benefit Trust which holds shares in the Company. At the Statement of Financial Position date, the trust held 512,075 (2010: 512,075) ordinary shares which are available to satisfy awards under the SIP and long-term incentive plan (LTIP) schemes. The shares held at the year-end have reduced shareholders' equity by £26 (2010: £26). The market value of the shares held conditionally at the year-end was £2,299,217 (2010: £1,946,397).

The Group has an Australian-resident Employee Equity Plan Trust in order to hold shares in the Company in respect of awards under a SIP. At 31 May 2011, 12,333 ordinary shares (2010: 7,806) were held in the trust and at the year-end have reduced shareholders' equity by £49,991 (2010: £26,052). These include nil ordinary shares (2010: nil) which were not allocated to employees and are available for future SIP awards. The market value of the shares held conditionally at the year-end was £55,375 (2010: £29,671).

Upon flotation of the Company on 4 May 2005, 5,861,497 ordinary shares and cash of £2.4 million were transferred to the Jersey Employee Benefit Trust by institutional shareholders in order to satisfy their obligations to holders of 48,059 B shares and 16,941 B shares respectively. During the year ended 31 May 2011, 1,017 (2010: 2,994) B shares were sold by B shareholders to the Trust. The Trust sold 124,038 (2010: 365,162) ordinary shares in order to realise the funds necessary to purchase these B shares. The Trust unconditionally held 63,622 (2010: 62,605) B shares at the year-end. The Trust also held 1,378 (2010: 2,395) B shares and 168,067 (2010: 292,105) ordinary shares which it may sell in order to satisfy its obligations to B shareholders, all of whom are current or former employees.

25. OTHER RESERVES

The share-based payment reserve relates to the estimated cost of equity-settled employee share plans based on a straight-line basis over the vesting period and the associated credit for the excess of the tax deduction for employee share-based payments over the amounts charged to the Income Statement. The foreign currency translation reserve includes amounts in relation to the translation of overseas subsidiaries.

Group	Share-based payments (note 26) £000	Foreign currency translation £000	Own shares held in Employee Benefit Trusts (note 24) £000	Other reserves £000	Total other reserves £000
At 1 June 2009	13,806	32,437	(962)	-	45,281
Equity-settled employee share-based payments	4,782	-	-	-	4,782
Excess of tax deduction benefit on share-based payments recognised directly in equity (note 9)	2,861	-	-	-	2,861
Foreign currency translation on overseas subsidiaries	-	27,009	-	-	27,009
Exercise of UK share incentive plans	(164)	-	164	-	-
Exercise of US share incentive plans	(16)	-	-	-	(16)
Purchase of own shares	-	-	(175)	-	(175)
At 31 May 2010	21,269	59,446	(973)	-	79,742
Equity-settled employee share-based payments	4,225	-	-	-	4,225
Excess of tax deduction benefit on share-based payments recognised directly in equity (note 9)	(831)	-	-	-	(831)
Acquisition of non-controlling interest	-	-	-	(2,302)	(2,302)
Foreign currency translation on overseas subsidiaries	-	(344)	-	-	(344)
Exercise of UK share incentive plans	(41)	-	41	-	-
Exercise of US share incentive plans	(26)	-	-	-	(26)
Purchase of own shares	-	-	(291)	-	(291)
At 31 May 2011	24,596	59,102	(1,223)	(2,302)	80,173

Company	Share-based payments (note 26) £000	Own shares held in Employee Benefit Trusts (note 24) £000	Total other reserves £000
At 1 June 2009	11,362	(962)	10,400
Equity-settled employee share-based payments	4,782	-	4,782
Exercise of UK share incentive plans	(164)	164	-
Exercise of US share incentive plans	(16)	-	(16)
Purchase of own shares	-	(175)	(175)
At 31 May 2010	15,964	(973)	14,991
Equity-settled employee share-based payments	4,225	-	4,225
Exercise of UK share incentive plans	(41)	41	-
Exercise of US share incentive plans	(26)	-	(26)
Purchase of own shares	-	(291)	(291)
At 31 May 2011	20,122	(1,223)	18,899

NOTES TO THE FINANCIAL STATEMENTS
(continued)

26. EMPLOYEE SHARE PLANS

The Company operates three employee share plans; a share incentive plan (SIP), a long-term incentive plan (LTIP) and a value sharing plan (VSP) each of which are equity-settled. The expense recognised in the Income Statement in respect of share-based payments is as follows:

	Group	
	2011	2010
	£000	£000
Equity-settled share-based payment schemes	4,225	4,782
	4,225	4,782

SIP awards made to UK staff

SIP awards are made available to all UK staff, except Executive Directors, and are equity-settled. There are no further performance conditions other than remaining in employment with the Group for the term of each award. Shares awarded under the scheme are held in a UK trust in accordance with HM Revenue and Customs rules. Employees are entitled to receive dividends on the shares held in trust for as long as they remain employees.

The award made in May 2005 awarded a total of 94,267 free shares which vested immediately, and a further 470,758 additional free shares which vested after three years. Awards made subsequent to this date invited all UK employees to subscribe for up to £1,500 of partnership shares, which the Company offered to match on a one-for-one basis up to a maximum of £1,500, except for the award in August 2006, which was on a two-for-one basis, up to a maximum of £3,000. All matching shares vest after three years.

On 21 July 2010, the Company invited all UK employees to subscribe for up to £1,500 of partnership shares when the share price was £4.8385. The Group offered to match every partnership share with one matching share up to a maximum of £1,500. The matching shares vest after three years.

SIP awards made to non-UK staff

On 5 August 2010, the Company invited all Australian employees to subscribe for partnership shares when the share price was £4.90. The Group offered to match every partnership share with one matching share up to a maximum of A$3,000. The matching shares vest after three years. Similar awards under the same matching conditions were made to Australian employees on 27 January 2009 and 9 February 2010 when the share prices were £2.84 and £3.67 respectively.

A SIP for USA employees was implemented during the year ended 31 May 2010. Each scheme runs for six months, with the employees investing a maximum of 5% of salary into the plan. At the end of each scheme, the employees are invited to purchase shares in IG Group Holdings plc at a discount of 15% to the scheme price, which is the lower of the opening share price of the period and the closing share price. The schemes in the year ran from 1 June 2010 to 30 November 2010 and from 1 December 2010 to 31 May 2011.

LTIP awards

LTIPs allow the award of nil cost or nominal cost shares which are legally classified as options. LTIPs vest if specific performance targets are achieved and are conditional upon continued employment at the vesting date. Awards were made under the LTIP in the years ended 31 May 2005 through to 31 May 2010. Performance is measured as the compound annual growth rate in diluted adjusted earnings per share (EPS) over the three-year vesting period and, in addition, for awards granted after 1 June 2007, share price growth over a defined six week period. For each award a minimum performance target must be achieved before any shares vest, and the awards vest fully once the maximum performance target is achieved. Further information on the Company's LTIPs is given in the Directors' Remuneration Report.

On 16 May 2005, awards were made to staff conditional upon growth in normalised earnings per share in the three years to 31 May 2008. These awards vested on 21 July 2008.

On 7 August 2006, awards were made to staff conditional upon growth in diluted adjusted earnings per share in the three years to 31 May 2009. A further award was made on 4 October 2006. These awards vested on 21 July 2009.

On 23 July 2007, awards were made to staff conditional upon growth in diluted adjusted earnings per share in the three years to 31 May 2010 and upon growth in the IG Group Holdings plc share price between the average over the six weeks ending 31 May 2007 and the average over the six weeks ending 31 May 2010. Further awards were made on 14 August 2007, 21 August 2007, and 31 January 2008, with awards vesting three years from the date of grant. The share price growth over this period was 27.84%, resulting in 6.89% of awards vesting. EPS growth over the three-year period was 28.45%, resulting in 89.36% of awards vesting.

On 30 September 2008, awards were made to staff conditional upon growth in diluted adjusted earnings per share in the three years to 31 May 2011 and upon growth in the IG Group Holdings plc share price between the average over the six weeks ending 21 October 2008 and the average over the six weeks ending 31 May 2011. These awards will vest on 30 September 2011. The share price growth over the period was 50.68%, resulting in 36.36% of awards vesting. EPS growth over the three-year period was 17.19%, resulting in 43.26% of awards vesting.

On 25 September 2009, when the share price was 318.80p, awards were made to staff conditional upon growth in diluted adjusted earnings per share in the three years to 31 May 2012 and upon growth in the IG Group Holdings plc share price between the average over the six weeks ending 31 May 2009 and the average over the six weeks ending 31 May 2012. The awards will vest on 25 September 2012, subject to performance conditions.

Value sharing plan (VSP) awards

The value sharing plan is a conditional award, with a pre-defined number of shares allocated to Executive Directors and other senior staff for each £1.0 million of surplus shareholder value created over three years above a hurdle. The surplus value is calculated under two criteria:

(i) Value created from the difference between the total shareholder return of IG Group Holdings plc and that of the FTSE350 Financial Services Index, multiplied by IG Group Holdings plc starting market capitalisation, defined as the average market capitalisation in the three months to 31 May 2010.
(ii) Growth in profit before taxation times a fixed multiple determined by IG Group Holdings plc starting market capitalisation, plus net equity cashflows to shareholders above a hurdle return. For the 2010 VSP, the hurdle return was 12% per annum, with the multiple being 10.467, based on the financial year ended 31 May 2010.

The awards were granted on 29 October 2010 when the share price was 528.50p, with 50% of awards vesting in July 2013 and the remainder deferred for a further year.

Fair value of equity-settled awards

The fair value of equity-settled share-based payments to employees is determined at the grant date. The weighted average fair value of the equity-settled awards granted during the year was £16,492,467 (2010: £8,725,451) at the grant date. For SIP awards, the fair value is determined to be the share price at the grant date without making an adjustment for expected dividends, as awardees are entitled to dividends over the vesting period. For LTIP awards made to UK staff in the years ended 31 May 2005 and 31 May 2007, the fair value is determined to be the share price at the grant date after a deduction for the expected present value of future dividends over the vesting period. LTIP awards made to Australian staff for these periods, and for awards granted in the year ended 31 May 2008, were legally categorised as options and the fair value was calculated using a Black-Scholes option pricing model using the inputs below.

LTIP awards made in the year ended 31 May 2009 and 2010 are under two performance conditions. For those awards under earnings per share, the fair value is determined to be the share price at the grant date after a deduction for the expected present value of future dividends over the vesting period. For those awards under the share price criteria, the fair value was calculated using a Monte-Carlo pricing model using the inputs below.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

26. EMPLOYEE SHARE PLANS (CONTINUED)

VSP awards made in the year ended 31 May 2011 are under two performance conditions. For those awards under growth in profit before taxation, the fair value is determined to be the share price at the grant date after a deduction for the expected present value of future dividends over the vesting period. For those awards under the total shareholder return (TSR) criteria, the fair value was calculated using a Monte-Carlo pricing model using the inputs below.

Grant date	16 May 2005	7 Aug 2006	23 July 2007	30 Sept 2008	25 Sept 2009	29 Oct 2010
Share price at grant date (pence)	112.25	217.00	312.25	313.75	318.80	528.50
Three-month average market capitalisation at award date (£m)	N/A	N/A	N/A	N/A	N/A	1,469
Expected life of awards (years)	3.18	2.97	3.00	3.00	3.00	2.6
Risk-free sterling interest rate (%)	5.00	5.00	5.75	4.06	1.91	0.97
IG Group Holdings plc expected volatility (%)	34	32	32	40	56	54
Benchmark index expected volatility (%)	N/A	N/A	N/A	N/A	N/A	40
Expected dividend yield (%)	3.73	3.04	3.42	5.50	4.71	3.50

The maximum numbers of shares that vest based on the awards made are as follows:

Type of award	Award date	Share price at award	Expected vesting date	At the start of the year No.	Awarded during the year No.	Lapsed during the year No.	Exercised during the year No.	At the end of the year No.
SIP	04 May 2005	120.00p	04 May 2008	119,814	-	-	(119,814)	-
LTIP	16 May 2005	112.25p	21 Jul 2008	40,666	-	-	-	40,666
LTIP	07 Aug 2006	217.00p	07 Aug 2009	4,037	-	-	-	4,037
SIP	24 Aug 2006	237.61p	24 Aug 2009	122,274	-	-	(122,274)	-
LTIP	04 Oct 2006	261.75p	04 Oct 2009	67,639	-	-	(35,000)	32,639
SIP	23 Jul 2007	336.09p	23 Jul 2010	42,885	-	-	(42,885)	-
LTIP	23 Jul 2007	312.25p	23 Jul 2010	2,139,584	-	(1,109,909)	(807,047)	222,628
LTIP	14 Aug 2007	311.00p	14 Aug 2010	30,547	-	(15,847)	-	14,700
LTIP	21 Aug 2007	304.00p	21 Aug 2010	100,428	-	(52,097)	-	48,331
LTIP	31 Jan 2008	364.00p	31 Jan 2011	45,610	-	(23,660)	(21,950)	-
SIP	22 Jul 2008	328.00p	22 Jul 2011	60,802	-	(4,113)	(457)	56,232
LTIP	30 Sep 2008	313.75p	30 Sep 2011	3,002,400	-	(168,830)	(142,227)	2,691,343
SIP	27 Jan 2009	284.00p	27 Jan 2012	3,166	-	(100)	(249)	2,817
SIP	22 Jul 2009	288.00p	22 Jul 2012	48,266	-	(3,857)	(522)	43,887
LTIP	25 Sep 2009	318.80p	25 Sep 2012	3,780,972	-	(359,706)	(118,867)	3,302,399
SIP	09 Feb 2010	367.00p	09 Feb 2013	4,640	-	(187)	-	4,453
SIP	21 Jul 2010	483.85p	21 Jul 2013	-	54,959	(1,860)	-	53,099
SIP	05 Aug 2010	489.90p	04 Aug 2013	-	4,877	-	-	4,877
VSP	29 Oct 2010	528.50p	31 Jul 2013	-	2,317,152	(88,134)	-	2,229,018
VSP	29 Oct 2010	528.50p	31 Jul 2014	-	2,317,217	(88,133)	-	2,229,084
Year ended 31 May 2011				9,613,730	4,694,205	(1,916,433)	(1,411,292)	10,980,210
Year ended 31 May 2010				8,377,788	3,930,836	(1,027,953)	(1,666,941)	9,613,730

The weighted average fair values of the awards made were as follows:

	At the beginning of the year	Awarded during the year	Lapsed during the year	Exercised during the year	At the end of the year
Year ended 31 May 2011	223.90p	351.34p	261.57p	266.26p	266.29p
Year ended 31 May 2010	212.24p	221.97p	227.07p	158.79p	223.90p

27. CAPITAL COMMITMENTS

Capital expenditure contracted for at the year-end but not yet incurred is as follows:

	Group	
	2011	**2010**
	£000	**£000**
Property, plant and equipment	879	6,611
Intangible assets	345	220
	1,224	6,831

The Group's capital commitments for property, plant and equipment at 31 May 2010 primarily related to the costs associated with the fit out of the Group's new London Headquarters. The Company had no capital commitments at 31 May 2011 (2010: £nil).

28. OBLIGATIONS UNDER LEASES

Operating lease agreements

The Group and Company have entered into commercial leases on certain properties. There were no restrictions placed upon the lessee by entering into these leases. Future minimum rentals payable under non-cancellable operating leases are as follows:

	2011	**2010**
Group	**£000**	**£000**
Future minimum payments due:		
Not later than one year	3,259	3,003
After one year but not more than five years	13,281	11,488
After more than five years	19,918	17,092
	36,458	31,583

	2011	**2010**
Company	**£000**	**£000**
Future minimum payments due:		
Not later than one year	-	-
After one year but not more than five years	6,500	3,195
After more than five years	16,079	12,675
	22,579	15,870

29. LITIGATION

At 31 May 2011 the Group had received a claim, served against IG Markets Limited (IG Markets), a wholly owned subsidiary of the Group, issued in the High Court on 11 November 2010 in relation to the insolvency of Echelon Wealth Management Limited (Echelon) a former client of IG Markets. Three former clients of Echelon, which went into liquidation in October 2008, are seeking to recover damages from IG Markets in a sum in the region of €25 million. The Group, having obtained Counsel's opinion, considers the claim to be without foundation and accordingly no provision has been made in the Group Statement of Financial Position as at 31 May 2011 in relation to this matter.

30. TRANSACTIONS WITH DIRECTORS

The Group had no transactions with its Directors other than those disclosed in the Directors' Remuneration Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

31. RELATED PARTY TRANSACTIONS

31(a) Group

During the year, fees amounting to £10,583 (2010: £30,000) were paid to CVC Capital Partners Limited relating to the services of Robert Lucas as a Director of IG Group Holdings plc. Funds managed or advised by CVC Capital Partners Limited or its affiliates held 2.93% of the ordinary share capital of the Company at 31 May 2011 (2010: 3.86%). Robert Lucas resigned as a director of IG Group Holdings plc on 7 October 2010.

There were no further related party transactions during the year or the preceding year.

The Directors are considered to be the key management personnel of the Group in accordance with IAS 24. The Directors' Remuneration Report discloses all benefits and share-based payments made during the year and the preceding year to the Directors. The total compensation for key management personnel was as follows:

	2011 £000	2010 £000
Salaries and other short-term employee benefits	1,895	2,966
Post-employment benefits	214	210
Share-based payments	1,210	1,671
	3,319	4,847

There were no further related party transactions during the year or the preceding year.

31(b) Company

The Company pays for certain expenses incurred by subsidiaries and received preference dividends from IG Group Limited of £120.8 million (2010: £83.0 million).

The Company had the following amounts outstanding with subsidiaries at the year-end:

	2011 £000	2010 £000
Loans to related parties	63,688	575,823
Loans from related parties	2,255	570,781

All amounts remain outstanding at the year-end and are repayable on demand. A number of intercompany amounts were subject to offset arrangements during the year.

32. FINANCIAL INSTRUMENTS

Accounting classifications and fair values – Group

The table below sets out the classification of each class of financial asset and liability and their fair values (excluding accrued interest). The Group considers the carrying value of all financial assets and liabilities to be a reasonable approximation of fair value and represents the Group's maximum credit exposure without taking account of any collateral held or other credit enhancements.

'Cash and cash equivalents' represent cash held on demand and on deposit with financial institutions (note 17).

'Trade receivables – due from brokers' represent balances with brokers where the combination of cash held on account (disclosed as loans and receivables) and the valuation of financial derivative open positions (disclosed as held for trading) results in an amount due to the Group. These positions are held to hedge client market exposures and hence are considered to be held for trading and are accordingly accounted for at fair value through profit and loss (FVTPL). These transactions are conducted under terms that are usual and customary to standard margin trading activities and are reported net in the Group Statement of Financial Position as the Group has both the legal right and intention to settle on a net basis.

'Trade receivables – due from clients' represent balances owed to the Group by clients.

'Trade payables – due to clients' represent balances where the combination of client cash held on account and the valuation of financial derivative open positions results in an amount payable by the Group. 'Trade payables – due to clients' are reported net in the Group Statement of Financial Position as the Group adjusts the gross amount payable to clients (i.e. monies held on behalf of clients) for profits or losses incurred on a daily basis consistent with the legal right and intention to settle on a net basis.

'Redeemable preference shares' are disclosed in note 22.

The Group's financial instruments are classified as follows:

Group	FVTPL - Held for trading £000	Loans and receivables £000	Other amortised cost £000	Total carrying amount £000	Fair value £000
As at 31 May 2011					
Financial assets					
Cash and cash equivalents	-	124,528	-	124,528	124,528
Trade receivables – due from brokers					
Non-exchange-traded instruments	(5,607)	238,514	-	232,907	232,907
Exchange-traded instruments	543	34,342	-	34,885	34,885
Total trade receivables – due from brokers	(5,064)	272,856	-	267,792	267,792
Trade receivables – due from clients	-	2,312	-	2,312	2,312
	(5,064)	399,696	-	394,632	394,632
Financial liabilities					
Trade payables – due to clients	-	-	83,490	83,490	83,490
Redeemable preference shares	-	-	40	40	40
	-	-	83,530	83,530	83,530

NOTES TO THE FINANCIAL STATEMENTS
(continued)

32. FINANCIAL INSTRUMENTS (CONTINUED)
Accounting classifications and fair values – Group (continued)

Group	FVTPL - Held for trading £000	Loans and receivables £000	Other amortised cost £000	Total carrying amount £000	Fair value £000
As at 31 May 2010					
Financial assets					
Cash and cash equivalents	-	128,097	-	128,097	128,097
Trade receivables – due from brokers					
Non-exchange-traded instruments	(21,647)	199,694	-	178,047	178,047
Exchange-traded instruments	1,263	24,404	-	25,667	25,667
Total trade receivables – due from brokers	(20,384)	224,098	-	203,714	203,714
Trade receivables – due from clients	-	2,529	-	2,529	2,529
	(20,384)	354,724	-	334,340	334,340
Financial liabilities					
Trade payables – due to clients	-	-	57,673	57,673	57,673
Redeemable preference shares	-	-	40	40	40
	-	-	57,713	57,713	57,713

Financial instrument valuation hierarchy
The hierarchy of the Group's financial instruments carried at fair value is as follows:

Group	Level 1[(1)] £000	Level 2[(2)] £000	Level 3[(3)] £000	Total fair value £000
As at 31 May 2011				
Financial assets				
Trade receivables – due from brokers	543	(5,607)	-	(5,064)
	543	(5,607)	-	(5,064)

(1) Valued using unadjusted quoted prices in active markets for identical financial instruments. This category includes the Group's exchange-traded open hedging positions.

(2) Valued using techniques where a price is derived based significantly on observable market data. For example, where an active market does not exist for an identical financial instrument to the product offered by the Group to its clients or used by the Group to hedge its market risk.

(3) Valued using techniques that incorporate information other than observable market data that is significant to the overall valuation.

The amounts due from brokers disclosed in the table above represent the fair value of the Group's open hedging positions. The fair value of the Group's open hedging position varies significantly from the fair value of the related client positions as a result of the Group's settlement terms with its brokers, whereby hedging positions are cash settled on a less frequent basis than the underlying client position.

There have been no changes in the valuation techniques for any of the Group's financial instruments held at fair value in the period. During the year ended 31 May 2011, there were no transfers (2010: nil) between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Group	Level 1[(1)] £000	Level 2[(2)] £000	Level 3[(3)] £000	Total fair value £000
As at 31 May 2010				
Financial assets				
Trade receivables – due from brokers	1,263	(21,647)	-	(20,384)
	1,263	(21,647)	-	(20,384)

Reconciliation of the movement in Level 3 of the valuation hierarchy

Group	At 1 June 2010 £000	Gains or losses in revenue[1] £000	Cash settled positions[2] £000	Transfers £000	At 31 May 2011[3] £000
Financial liabilities					
Trade payables – due to clients	-	22,395	(22,395)	-	-
	-	22,395	(22,395)	-	-

(1) Disclosed in net trading revenue in the Income Statement. This represents client positions that have closed in the period as well those open at the period end.

(2) Value of client positions that have cash settled in the period.

(3) Value of open, unsettled client positions at the period end disclosed in net trading revenue in the Income Statement.

The impact of a reasonably possible alternative valuation assumption on the valuation of 'trade payables – due to clients' reported within Level 3 of the valuation hierarchy is not significant.

Accounting classifications and fair values – Company

The table below sets out the classification of each class of financial asset and liability and their fair values (excluding accrued interest):

Company	Held for trading £000	Loans and receivables £000	Other amortised cost £000	Total carrying amount £000	Fair value £000
As at 31 May 2011					
Financial assets					
Cash and cash equivalents	-	304	-	304	-
Financial liabilities					
Redeemable preference shares	-	-	40	40	40

Company	Held for trading £000	Loans and receivables £000	Other amortised cost £000	Total carrying amount £000	Fair value £000
As at 31 May 2010					
Financial assets					
Cash and cash equivalents	-	8	-	8	8
Financial liabilities					
Redeemable preference shares	-	-	40	40	40

NOTES TO THE FINANCIAL STATEMENTS
(continued)

32. FINANCIAL INSTRUMENTS (CONTINUED)

Items of income, expense, gains or losses – Group

Gains and losses arising from financial assets and liabilities classified as held for trading amounted to net gains of £320,392,000 (2010: £298,551,000).

Finance revenue (see note 7) totalled £2,402,000 (2010: £2,664,000). An amount of £2,020,000 (2010: £2,664,000) represents interest income on financial assets not at fair value through profit or loss and includes interest receivable in respect of non-segregated client balances, part of which is held with brokers.

Finance costs (see note 8) totalled £2,432,000 (2010: £2,312,000). An amount of £1,347,000 represents interest expense on financial liabilities not at fair value through profit or loss (2010: £1,399,000). The remainder, £1,085,000 (2010: £913,000) represents fee expense arising from maintaining the Group's committed bank facilities.

33. FINANCIAL RISK MANAGEMENT

Responsibility for risk management, including financial risks, resides at all levels within the Group, starting with the Board of Directors. Our Corporate Governance structure, including details of how the Board delegates responsibility for internal control and risk management to our Audit and Risk committees, is described in detail in the Corporate Governance section of the Annual Report.

The Group's Internal Capital Adequacy Assessment Process (ICAAP) provides an on-going assessment of the risks the Group believes have the potential to have a significant detrimental impact on its financial performance and future prospects, and describes how the Group mitigates these risks subject to the Group's risk appetite.

Financial risks arising from financial instruments are separated into market, credit, concentration and liquidity risks, and these are discussed below.

33(a) Market risk

Market risk is the risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments. This is analysed into market price, currency and interest rate risk components.

The Group's market risk is managed under the Market Risk Policy on a Group-wide basis and exposure to market risk at any point in time depends primarily on short-term market conditions and the levels of client activity. The Group utilises market position limits for operational efficiency and does not take proprietary positions based on an expectation of market movements. As a result, not all net client exposures are hedged and the Group may have a residual net position in any of the financial markets on which it offers products.

The Group's Market Risk Policy incorporates a methodology for setting market position limits, consistent with the Group's risk appetite, for each financial market in which the Group's clients can trade, as well as certain markets which the Board consider to be correlated. These limits are determined with reference to the liquidity and volatility of the underlying financial product or asset class (and to an extent the volumes which the Group's clients transact) and represent the maximum long and short client exposure that the Group will hold without hedging the net client exposure.

The Group's real-time market position monitoring system allows it to monitor its market exposure against these limits continuously. If exposures exceed these limits, the policy requires that hedging is undertaken to bring the exposure back within the defined limit.

There is a significant level of 'natural' hedging arising from the Group's global client base pursuing varying trading strategies which results in a significant portfolio hedging effect. This reduces the Group's net market exposure prior to the Group hedging any residual net client exposures, as well as minimising concentration risk within the market risk portfolio.

Where the Group has positions in markets for which it has not been possible or cost-effective to hedge, the Risk Committee determines the appropriate action and reviews these exposures regularly, subject to the risk management framework approved by the Board.

Binary bets are typically difficult or not cost-effective to hedge and there is often no direct underlying market which can be utilised in setting the price which the Group quotes. The Group normally undertakes no hedging for these markets, but can hedge specific positions if considered necessary. The Group aims to reduce the volatility of revenue from these markets by offering a large number of different betting opportunities, the results of which should, to some extent, offset each other irrespective of the underlying market outcome. The overwhelmingly short-term nature of these bets means that risk on these markets at any point in time is not considered to be significant.

(i) Market price risk

This is the risk that the fair value of a financial instrument fluctuates as a result of changes in market prices other than due to the effect of currency or interest rate risks.

a) Equity market price risk:

The most significant market risk faced by the Group is on equity positions, including shares and indices, which are highly correlated and managed on a portfolio basis. The equity exposure at the year-end and details of the exposure limit at the year-end and for the year then ended is as follows:

	2011 £000	2010 £000
Equity exposure at year-end	14,877	8,781[(1)]
Equity exposure limit at year-end	16,500	16,500
Average equity exposure limit for the year	16,500	15,813

(1) The average equity exposure for the year ended 31 May 2010 has been disclosed as this is considered more representative of the Group's typical exposure than the year-end equity exposure of £473,000.

The Group has no significant concentration of market risk. No sensitivity analysis is presented for equity market price risk as the impact of reasonably possible market movements on the Group's net trading revenue and equity are not significant, being less than the Group's average daily net trading revenue from financial instruments (2011: £1,252,000; 2010: £1,148,000). Changes in risk variables have no direct impact on the Group's equity as the Group has no financial instruments classified as available for sale, or designated in hedging relationships.

b) Other market price risk:

The Group also has market price risk as result of its trading activities (offering bets and Contracts for Difference (CFDs) on interest rate derivatives and commodities) which is hedged as part of the overall market risk management. The exposure is monitored on a Group-wide basis and is hedged using exchange-traded futures and options. Exposure limits are set by the Risk Committee for each product, and also for groups of products where it is considered that their price movements are likely to be positively correlated.

The exposure to interest rate derivatives and commodities at the year-end are as follows:

	2011 £000	2010 £000
Interest rate derivatives	21,332	8,381
Commodities	10,261	4,999

No sensitivity analysis is presented for other market price risk, as the impact of reasonably possible market movements on the Group's net trading revenue is not significant. Changes in risk variables have no direct impact on the Group's equity as the Group has no financial instruments designated in hedging relationships.

(ii) Foreign currency risk

The Group is exposed to two sources of foreign currency risk.

a) Translational foreign currency risk

Translation exposures arise from financial and non-financial items held by an entity with a functional currency different from the Group's presentation currency. The functional currency of each company in the Group is that denominated by the country of incorporation as disclosed in note 14. The Group does not hedge translational exposures as they do not have a significant impact on the Group's capital resources.

b) Transactional foreign currency risk

Transactional foreign currency exposures represent financial assets or liabilities denominated in currencies other than the functional currency of the transacting entity. Transaction exposures arise in the normal course of business and the management of this risk forms part of the risk policies outlined above. Limits on the exposures which the Group will accept in each currency are set by the Risk Committee and the Group hedges its exposures as necessary with market counterparties. Foreign currency risk is managed on a group-wide basis, while the Company's exposure to foreign currency risk is not considered by the Directors to be significant.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

33(a) Market risk (continued)

The Group monitors transactional foreign currency risks, including currency Statement of Financial Position exposures, equity, commodity, interest and other positions denominated in foreign currencies as well as bets and trades on foreign currencies. The Group's net exposure to foreign exchange risk based on notional amounts at each year-end was as follows:

	2011 £000	2010 £000
US dollar	(212)	(1,778)
Euro	351	(1,596)
Australian dollar	(1,134)	862
Yen	5,711	6,826
Other	4,593	(3,859)

No sensitivity analysis is presented for foreign exchange risk as the impact of reasonably possible market movements on the Group's net trading revenue is not significant. Changes in risk variables have no direct impact on the Group's equity as the Group has no financial instruments designated in hedging relationships.

(iii) Non-trading interest rate risk

The Group also has interest rate risk relating to financial instruments not held at fair value through profit and loss. These exposures are not hedged.

The interest rate risk profile of the Group's financial assets and liabilities as at each year-end was as follows:

	Within 1 year		More than 5 years		Total	
Group	**2011 £000**	**2010 £000**	**2011 £000**	**2010 £000**	**2011 £000**	**2010 £000**
Fixed rate						
Redeemable preference shares (8%)	-	-	(40)	(40)	(40)	(40)
Floating rate						
Cash and cash equivalents	124,528	128,097	-	-	124,528	128,097
Trade receivables	270,104	206,243	-	-	270,104	206,243
Trade payables	(83,490)	(57,673)	-	-	(83,490)	(57,673)
	311,142	276,667	(40)	(40)	311,102	276,627

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year. Trade receivables and payables include client and broker balances upon which interest is paid or received based upon market rates.

Interest rate risk sensitivity analysis

A non-traded interest rate risk sensitivity analysis has been performed on net interest income on segregated client funds, based on the value of client funds held at the year-end, on the basis of a 0.25% (2010: 0.25%) per annum fall and a 0.75% (2010: 1.25%) rise in interest rates, at the beginning of the year, as these are considered reasonably possible. The impact of such a fall in interest rates would reduce net interest income on segregated client funds by approximately £1.6 million (2010: £0.5 million) per annum. The impact of such a rise in interest rates would increase net interest income on segregated client funds by approximately £5.3 million (2010: £5.0 million) per annum. Changes in risk variables have no direct impact on the Group's equity as the Group has no financial instruments designated in hedging relationships.

33(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is managed on a Group-wide basis.

The Group's principal sources of credit risk are financial institution and client credit risk.

(i) Financial institution credit risk

Financial institution credit risk is managed in accordance with the Group's Counterparty Credit Management Policy.

Financial institutional counterparties are subject to a credit review when a new relationship is entered into and this is updated semi-annually (or more frequently as required e.g. on change in the financial institution's corporate structure or a downgrading of its credit rating). Proposed maximum exposure limits for these financial institutions are then reviewed and approved by the Risk Committee. As part of its management of concentration risk, the Group is also committed to maintaining multiple brokers for each asset class. Where possible, the Group negotiates for its funds to receive client money protection which can reduce credit exposure.

In respect of financial institution credit risk, the following key metrics are monitored on a daily basis:

- Balances held with each counterparty group against limits approved by the Risk Committee
- Any change in short- and long-term credit rating
- Any change in credit default swap (CDS) price

The Group is responsible under various regulatory regimes for the stewardship of client monies. These responsibilities are defined in the Group's Counterparty Credit Management Policy and include the appointment of and periodic review of institutions with which client money is deposited. The Group's policy is that all financial institutional counterparties holding client money accounts must have minimum Standard and Poor's short- and long-term ratings of A-2 and A- respectively. These are also the target minimum ratings for the Group's own bank accounts held with financial institutions, although in some operating jurisdictions where accounts are maintained to provide local banking facilities for clients it can be problematic to find a banking counterparty satisfying these minimum ratings requirements. Balances held with such counterparties are therefore minimised.

The Group also actively manages the credit exposure to each of its broking counterparties by typically keeping the minimum required balances at each broker. In addition, deposits are typically made on an overnight or breakable term basis which enables the Group to react immediately to any downgrading of credit rating or material widening of CDS spreads.

(ii) Client credit risk

The Group operates a real-time mark-to-market trading platform with client profits and losses being credited and debited automatically to their account. Client credit risk principally arises when a client's total funds deposited with the Group are insufficient to cover any trading losses incurred. In addition, a small number of clients are granted credit limits to cover open losses and margin requirements as described below.

In particular, client credit risk can arise where there are significant, sudden movements in the market i.e. due to high general market volatility or specific volatility relating to an individual financial instrument in which the client has an open position. Credit risk is mitigated in part through our client suitability criteria, supported by an extensive training program which aims to educate clients in all aspects of trading and risk management and encourage them to collateralise their accounts at an appropriate level.

The principal types of client credit risk exposure are managed under the Group's Client Credit Management Policy and depend on the type of account and any credit offered to clients as described in the following sections.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

33. FINANCIAL RISK MANAGEMENT (CONTINUED)
33(b) Credit risk (continued)

Limited risk accounts

The Group's (with the exception of Nadex) products are margin-traded. If the market moves adversely by more than the client's initial margin deposit, the Group is exposed to client credit risk. The Group mitigates this risk on some account and trade types by designating them as limited risk accounts. This involves the client setting a level in advance (the Guaranteed Stop level) at which the deal will be closed-out, meaning a maximum client loss can be calculated at the opening of the trade. Clients placing trades with Guaranteed Stop levels pay a small premium on the transaction. The maximum loss is then the amount the client is required to deposit to open the trade, meaning that in most circumstances the client can never lose more than their initial margin deposit.

Guaranteed Stops transfer an element of market risk to the Group, and are managed under the Group's Market Risk Policy, which restricts both the products on which they are offered and the size of positions subject to Guaranteed Stops.

The close-out monitor

The Group's management of client credit risk is supported by a significantly automated liquidation process, the close-out monitor (COM), whereby accounts which have broken the liquidation threshold are automatically identified.

If the margin of a client which is not subject to the COM liquidation process is eroded, the client is requested to deposit additional funds up to at least the required margin level and will also be restricted from increasing their market positions. If subsequently, the client's intra-day losses increase such that their total equity falls below the specified liquidation level, positions will be liquidated immediately. This has resulted in significantly improved client liquidation times and reduced credit risk exposure for the Group.

The majority of client positions are monitored on the Group's real-time COM system or are limited risk accounts with Guaranteed Stops. As at 31 May 2011, 98.8% (2010: 95.7%) of financial client accounts are subject to the automatic COM procedure or are limited risk accounts.

Credit accounts

Clients holding other types of account are permitted to deal in circumstances where they may be capable of suffering losses greater than the funds they have deposited on their account, or in limited circumstances are allowed credit. The Group has a formal credit policy which determines the financial and experience criteria which a client must satisfy before being given an account which exposes the Group to credit risk, including trading limits for each client and strict margining rules.

The Group may offer credit limits with the result that any open loss can be paid subject to agreed credit terms. These accounts typically only create a credit exposure when the client's loss exceeds their initial margin deposit.

In addition to the waiver of payment of open losses on a trade, the Group may also offer clients credit in respect of their initial margin. This is a permanent waiving of initial margin requirements while the credit limit is active on the account.

Credit limits are only granted following provision by the client of evidence of their available financial resources and credit accounts limits are continuously reviewed by the Group's Credit Department. Credit accounts are small in number, are not actively promoted and in general they are not made available to new clients.

Risk-based tiered margins

The Group applies a tiered-margin requirement for equities and other instruments with risk-adjusted margin requirements dependent on several factors including the volatility and liquidity of the underlying instrument. This has resulted in potential margin requirements of up to 90% of the value of the notional client position for large client positions, but a reduced margin requirement for smaller client positions.

These tiered margins have, in addition to the COM discussed earlier, contributed to the further mitigation of the Group's client counterparty credit risk exposure.

Management of client collateral

The Group also accepts collateral from a small number of clients in the form of shares or other securities which mitigate the Group's credit risk. Clients retain title to the securities lodged whilst their trading account is operating normally, but are required to sign a collateral agreement which will allow the Group to take title and sell the securities in the event of the client defaulting on any margin obligations.

Securities accepted as collateral are normally restricted to FTSE 100 stocks, UK Gilts or other high quality bonds. The collateral value assigned to the client account is updated daily, and each security is assigned a 'haircut' value e.g. a client is typically allowed to use 80% of a FTSE 100 current market value and 90-95% of a UK Gilt market value.

Clients are only permitted to use non-cash collateral value to cover initial margin requirements, and losses in excess of cash held are due and payable as part of the normal margining process.

The fair value of collateral held at 31 May 2011 against amounts due from clients was £5,788,000 (2010: £2,823,000).

Numerical credit risk disclosures
The following tables present further detail on the Group's exposure to credit risk. External credit ratings (Standard and Poor's long-term ratings or equivalent) are available for exposures to brokers and banks, and these are shown below. No external credit rating of clients and certain of the Group's sport related brokers is available and therefore the balances are classified as unrated.

Amounts due from clients are considered past due from the date that positions are closed and are aged from that date. If debtors arise on open positions, the amounts due from clients are considered neither past due nor impaired unless impairment is provided.

The analysis of neither past due nor impaired credit exposures in the following table excludes retail client funds held in segregated client money accounts or money market facilities established under the UK's Financial Services Authority (FSA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates. Under these rules, client money funds held with trust status are protected in the event of the insolvency of the Group.

	Cash and cash equivalents		Trade receivables – due from brokers		Trade receivables – due from clients		Collateral held at fair value	
	2011	2010	2011	2010	2011	2010	2011	2010
	£000	£000	£000	£000	£000	£000	£000	£000
Group	(note 17)		(note 16)		(note 16)			
Individually impaired								
Gross exposure	-	-	-	-	19,408	22,240	-	-
Allowance for impairment	-	-	-	-	(18,382)	(21,461)	-	-
	-	-	-	-	1,026	779	-	-
Past due but not impaired								
Ageing profile:								
0-3 months	-	-	-	-	523	535	-	-
4-6 months	-	-	-	-	-	-	-	-
7-9 months	-	-	-	-	-	-	-	-
10-12 months	-	-	-	-	-	-	-	-
> 12 months	-	-	-	-	-	72	-	-
	-	-	-	-	523	607	-	-
Neither past due nor impaired								
Credit rating:								
AA+ & above	-	-	-	-	-	-	3,509	-
AA to AA-	28,420	13,447	75,814	119,507	-	-	161	-
A+ to A-	89,489	114,091	189,035	80,538	-	-	757	-
BBB+ to BBB-	5,954(1)	348	638	871	-	-	751	-
BB+ to B	420	-	-	-	-	-	102	-
Unrated	245	211	2,305(1)	2,798	763	1,143	508	2,823
	124,528	128,097	267,792	203,714	763	1,143	5,788	2,823
Total carrying amount	124,528	128,097	267,792	203,714	2,312	2,529	5,788	2,823

(1) Balances are primarily related to the Group's operations in South Africa.

Prepayments and other receivables are all unrated (2010: all unrated).

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

33(b) Credit risk (continued)

Impairment of trade receivables due from clients

The Group records specific impairments of trade receivables due from clients in a separate allowance account. Impairments are recorded where the Group determines that it is probable that it will be unable to collect all amounts owing according to the contractual terms of the agreement. There are no collective impairments taken, and no other assets are considered impaired. Below is a reconciliation of changes in the separate allowance account during the period:

Group	2011 £000	2010 £000
Balance at 1 June	21,461	23,897
Impairment loss for the year		
- gross charge for the year	1,159	2,441
- recoveries	(3,321)	(3,505)
Write-offs	(1,172)	(1,367)
Foreign exchange	255	(5)
Balance at 31 May	18,382	21,461

Credit risk – Company

Held within prepayments and other receivables in the Statement of Financial Position of the Company are amounts payable to the Company from related parties that are unrated. Refer to note 31(b). The Company is not otherwise exposed to material amounts of credit risk.

33(c) Concentration risk

Concentration risk is defined as all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position of the Group. In respect of financial risk, such exposures may be caused by credit risk, market risk, liquidity risk or a combination or interaction of those risks.

The following table analyses the Group's credit exposures, at their carrying amounts, by geographical region and excludes retail client funds held in segregated client money accounts or money market facilities established under the UK's Financial Services Authority (FSA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates.

Analysis of credit exposures at carrying amount by geographical segment:

Group	UK £000	Europe £000	Australia £000	Japan £000	Rest of the World £000	Total £000
As at 31 May 2011						
Financial assets						
Cash and cash equivalents	28,967	44,059	39,296	9,133	3,073	124,528
Trade receivables – due from brokers	76,774	134,190	31,492	-	25,336	267,792
Trade receivables – due from clients	2,048	86	178	-	-	2,312
Total financial assets	107,789	178,335	70,966	9,133	28,409	394,632

Group	UK £000	Europe £000	Australia £000	Japan £000	Rest of the World £000	Total £000
As at 31 May 2010						
Financial assets						
Cash and cash equivalents	83,699	3,054	1,790	17,656	21,898	128,097
Trade receivables – due from brokers	80,027	89,197	23,004	-	11,486	203,714
Trade receivables – due from clients	2,298	66	165	-	-	2,529
Total financial assets	166,024	92,317	24,959	17,656	33,384	334,340

The Group's largest credit exposure to any one individual broker at 31 May 2011 was £73,312,000 (AA rated) or 27% of the exposure to all brokers (2010: £44,170,000, AA rated, 22%). Included in cash and cash equivalents, the Group's largest credit exposure to any bank at 31 May 2011 was £39,116,000 (A+ rated) or 31% of the exposure to all banks (2010: £43,302,000, A+ rated, 34%). The Group has no significant exposure to any one particular client or group of connected clients.

All of the Company's credit exposures are in the UK, at both 31 May 2011 and 31 May 2010.

33(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or other financial assets.

Management of liquidity risk

Liquidity risk is managed centrally and on a Group-wide basis. The Group's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its broker margin requirements and other financial liabilities when due, under both normal circumstances and stressed conditions. The Group has carried out an Individual Liquidity Adequacy Assessment (ILAA) during the year, and whilst this applies specifically to the Group's FSA regulated entities, it provides the context in which liquidity is managed on a continuous basis for the whole Group.

The Group does not have any material liquidity mismatches with regard to liquidity maturity profiles due to the very short-term nature of its financial assets and liabilities. Liquidity risk can, however, arise as all retail client funds are required to be placed in segregated client money accounts or money market facilities (as previously discussed). A result of this policy is that short-term liquidity 'gaps' can potentially arise in periods of very high client activity or significant increases or falls in global financial market levels.

During periods of significant market falls the Group will be required to fund margin payments to brokers prior to the release of funds from segregation, and in periods of significant market increases or increased client activity, the Group will be required to fund higher margin requirements at brokers to hedge increased underlying client positions. These additional requirements are funded from the Group's own available cash resources while these retail client positions are open, as retail client funds remain in segregated client money bank accounts.

In order to mitigate this and other liquidity risks, the Group regularly stress tests its three-year liquidity forecast to validate the correct level of committed unsecured bank facilities held. At the year-end, these amounted to £180.0 million (2010: £160.0 million) and were not drawn upon during the current nor proceeding financial year. As well as the three-year liquidity forecast, the Group also produces more detailed short-term liquidity forecasts and detailed stress tests.

The key measure used by the Group for managing liquidity risk is the level of total available liquidity. For this purpose total available liquidity is calculated as set out in the following table inclusive of undrawn committed facilities. Total available liquidity at each year-end was as follows:

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

NOTES TO THE FINANCIAL STATEMENTS
(continued)

33. FINANCIAL RISK MANAGEMENT (CONTINUED)
33(d) Liquidity risk (continued)
In the Directors' opinion the Group has sufficient liquid funds available to meet all operational requirements in the event of a large market movement. Liquidity management is also dependent on credit risk management previously described.

Derivative and non-derivative cash flows by remaining contractual maturity – Group

The following tables present the undiscounted cash flows receivable and payable (excluding interest payments) by the Group under derivative and non-derivative financial assets and liabilities allocated to the earliest period in which the Group can be required to pay although the remaining contractual maturities may be longer.

Amounts payable on demand:

	Derivative £000	Non-derivative £000	Total £000
As at 31 May 2011			
Financial assets			
Cash and cash equivalents	-	124,528	124,528
Trade receivables – due from brokers	(5,064)	272,856	267,792
Trade receivables – due from clients	-	2,312	2,312
	(5,064)	399,696	394,632
Financial liabilities			
Trade payables – due to clients	-	(83,490)	(83,490)
	-	(83,490)	(83,490)
	(5,064)	316,206	311,142

Derivative trade receivables disclosed in the table above represent the Group's open positions with brokers. Non-derivative trade receivables and payables disclosed in the table above represent cash margin held at brokers, closed client debtors, and client trading margin held on deposit respectively. Derivative and non-derivative cash flows are presented alongside each other in the table above as they result from the same underlying trading relationship, and as the Group has both the legal right and intention to settle on a net basis.

Trade receivables are disclosed as repayable on demand, as when client positions are closed the corresponding positions relating to the hedged position are closed with brokers. Accordingly the Group releases cash margin, which is repaid by brokers to the Group on demand.

Trade payables are disclosed in the table above as repayable on demand, as positions can be closed at any time by clients and can also be closed by the Group, in accordance with the Group's margining rules. If after closing a position a client is in surplus, then the amount owing is repayable on demand by the Group.

Amounts payable on demand:

	Derivative £000	Non-derivative £000	Total £000
As at 31 May 2010			
Financial assets			
Cash and cash equivalents	-	128,097	128,097
Trade receivables – due from brokers	(20,384)	224,098	203,714
Trade receivables – due from clients	-	2,529	2,529
	(20,384)	354,724	334,340
Financial liabilities			
Trade payables – due to clients	-	(57,673)	(57,673)
	-	(57,673)	(57,673)
	(20,384)	297,051	276,667

Amounts payable over five years:

The Group has non-derivative cash flows payable over five years in relation to the redeemable preference shares at 31 May 2011 and 2010, as disclosed in note 22.

Derivative and non-derivative cash flows by remaining contractual maturity – Company

The maturity of the Company's non-derivative cash flows is shown in the following table. There were no Company derivative cash flows as at 31 May 2011 (2010: £nil).

	On demand		Over five years		Total	
Company	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000
As at 31 May						
Financial assets						
Cash and cash equivalents	304	8	-	-	304	8
	304	8	-	-	304	8
Financial liabilities						
Redeemable preference shares	-	-	(40)	(40)	(40)	(40)
	-	-	(40)	(40)	(40)	(40)

NOTES TO THE FINANCIAL STATEMENTS
(continued)

34. CAPITAL MANAGEMENT AND RESOURCES

Capital management

The Group is supervised on a consolidated basis by the UK's Financial Services Authority (FSA). The Group's subsidiaries in Australia, Japan, Singapore, South Africa and the United States are also regulated. Individual capital requirements in these jurisdictions are taken into account when managing the Group's capital resources.

The Group's regulatory capital resources management objective is to ensure that the Group complies with the regulatory capital resources requirement set by the FSA and other global regulators in jurisdictions in which the Group's entities operate.

The Group's capital management policy aims to maximise returns on equity while maintaining a strong capital position to enable the Group to take advantage of growth opportunities, whether organic or by acquisition. The Group does not seek to generate higher returns on equity by introducing leverage through, for example, the use of long-term debt finance.

The Group's 2010 ICAAP was approved by the Board in January 2011. There have been no capital requirement breaches during the financial year. The Group also regularly undertakes three-year stress and scenario testing of its main financial and operational risks to project its future capital and liquidity adequacy requirements.

The Group's 'Pillar 3 Disclosures' are published on its website www.iggroup.com and these provide additional information on the Group's enterprise-wide risk management framework and its management of regulatory capital on a consolidated and solo entity basis.

Capital resources

The Group had significant surplus regulatory capital resources over the regulatory capital resources requirement throughout the year. An analysis of the Group's consolidated capital resources and capital resources requirement is provided in the Operating and Financial Review.

35. SUBSEQUENT EVENTS

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

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

36. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRS

The Financial Statements of IG Group Holdings plc (the Company) and its subsidiaries (together the Group) for the year ended 31 May 2011 were authorised for issue by the Board of the Directors on 19 July 2011, and the Statements of Financial Position signed on the Board's behalf by Tim Howkins and Christopher Hill. IG Group Holdings plc is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on the London Stock Exchange.

The Group and Company Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and IFRIC interpretations as they apply to the Financial Statements of the Group and of the Company for the year ended 31 May 2011 and applied in accordance with the provisions of the Companies Act 2006. The Group and Company Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivatives) at fair value through profit and loss.

The principal accounting policies adopted by the Group and the Company are set out in note 37.

37. ACCOUNTING POLICIES

Basis of preparation

The accounting policies which follow have been applied in preparing the Financial Statements for the year ended 31 May 2011.

The Group has presented its consolidated Income Statement in a columnar format. This enables the Group to continue its practice of improving the understanding of its results by presenting profit for the year before amortisation and impairment of intangible assets associated with the Group's Japanese business and impairment of the goodwill associated with the Group's Sport business ('certain items'). This is the profit measure used to calculate adjusted EPS (see note 10) and is considered to be the most appropriate measure as it better reflects the Group's underlying cash earnings. Profit before amortisation and impairment of intangible assets associated with the Group's Japanese business and impairment of the goodwill associated with the Group's Sport business is reconciled to profit before tax on the Income Statement.

As permitted by Section 408(1)(b), (4) of the Companies Act 2006, the individual Income Statement of IG Group Holdings plc (the Company) has not been presented in these Financial Statements. The amount of profit after taxation for the financial year dealt with in the Financial Statements of IG Group Holdings plc is £122,278,000 (2010: £81,090,000). A statement of comprehensive income for IG Group Holdings plc has also not been presented in these Financial Statements. No items of other comprehensive income arose in the year (2010: £nil).

The Group and Company Financial Statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000), except where otherwise indicated.

Going concern
The Directors have prepared the Financial Statements on a going concern basis, which requires the Directors to have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Basis of consolidation
The Group Financial Statements consolidate the Financial Statements of IG Group Holdings plc and the entities it controls (its subsidiaries) made up to the reporting date, as listed in note 14.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities, and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The Financial Statements of the subsidiaries used in the preparation of the consolidated Financial Statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All inter-company balances and transactions between Group entities, including unrealised profits arising from them, are eliminated on consolidation.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. The cost of an acquisition is measured at the fair value of consideration paid, including an estimate of any contingent or deferred consideration. Contingent or deferred consideration is re-measured at each Statement of Financial Position date with periodic changes to the estimated liability recognised in the consolidated Income Statement. Acquisition-related costs are expensed as incurred. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (discount on acquisition) is credited to the profit and loss in the period of acquisition.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

Non-controlling interests
Where the Group and a non-controlling shareholder enter into a forward contract (symmetrical put and call options) under which the Group is required to purchase the non-controlling interest for its fair value (formulae-based valuation), at the forward date, the Group continues to recognise the non-controlling interest at the proportionate share of the acquiree's identifiable net assets, until expiry of the arrangement. The forward liability is also recognised for management's best estimate of the present value of the redemption amount with a corresponding entry in equity. The accretion of the discount on the liability is recognised as a finance charge in the consolidated Income Statement. The liability is re-measured to the final redemption amount with any periodic changes to the estimated liability recognised in the consolidated Income Statement. On expiry of the forward the liability is eliminated as paid and any difference in the value of the non-controlling interest to the exercise price deducted from equity.

On an acquisition-by-acquisition basis, non-controlling interests are measured either at fair value or at the non-controlling interest proportionate share of the acquiree's net assets. The Group has elected to apply the proportionate share of the acquiree's net assets methodology to the acquisition completed during the year.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of the non-controlling interest is recorded in equity.

Losses applicable to the non-controlling shareholder in a consolidated subsidiary's equity may exceed the non-controlling interest in the subsidiary's equity. The excess, and any further losses applicable to the non-controlling shareholder, are allocated against the majority interest, except to the extent that the non-controlling shareholder has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interests until the non-controlling shareholder's share of losses previously absorbed by the majority has been recovered.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented within equity in the consolidated Statement of Financial Position, separately from parent shareholders' equity.

Foreign currencies
The functional currency of each company in the Group is that of the country of incorporation (as disclosed in note 14) as this is consistent with the primary economic environment in which the entity operates. The Group's most significant functional currency is sterling. Transactions in other currencies are initially recorded in the functional currency by applying spot exchange rates prevailing on the dates of the transactions. At each Statement of Financial Position date, monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing on the same date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on translation are taken to the Income Statement, except for exchange differences arising on monetary assets and liabilities that form part of the Group's net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

37. ACCOUNTING POLICIES (CONTINUED)

On consolidation, the assets and liabilities of the Group's overseas operations are translated into sterling at exchange rates prevailing on the Statement of Financial Position date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and taken directly to a translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset, and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value based upon estimated useful lives. Estimated residual value and useful lives are reviewed on an annual basis and residual values are based on prices prevailing at the Statement of Financial Position date. Depreciation is charged on a straight-line basis over the expected useful lives as follows:

Leasehold improvements	-	over the lease term of up to 15 years
Office equipment, fixtures and fittings	-	over 5 years
Computer and other equipment	-	over 2, 3 or 5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on derecognition of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset, and is included in the Income Statement in the period of derecognition.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition (fair value of consideration paid) over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a business at the date of acquisition. Goodwill is recognised as an asset and is allocated to cash-generating units for purposes of impairment testing. Cash-generating units represent the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Business combinations are accounted for using the purchase method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the Statement of Financial Position as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the Income Statement. Any goodwill asset arising on the acquisition of equity accounted entities is included within the cost of those entities.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management, usually at business segment level or statutory company level as the case may be. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the Income Statement.

The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it.

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination, such as a trade name or customer relationship, is recognised at fair value outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Expenditure on internally developed intangible assets, excluding development costs, is taken to the Income Statement in the year in which it is incurred. Development expenditure is recognised as an intangible asset only after all the following criteria are met:

- The project's technical feasibility and commercial viability can be demonstrated
- The availability of adequate technical and financial resources and an intention to complete the project have been confirmed
- The correlation between development costs and future revenue has been established

Following initial recognition, the historic cost model is applied, with intangible assets being carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets with a finite life are amortised over their expected useful lives, as follows:

Development costs	-	straight-line basis over 3 years
Software and licences	-	straight-line basis over the contract term of up to 5 years
Trade names	-	sum of digits method over 2 years
Customer relationships and client lists	-	sum of digits method over 3 to 5 years

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. In addition, the carrying value of capitalised development expenditure is reviewed for impairment annually before being brought into use.

Impairment of assets

At least annually, or when impairment testing is required, the Directors review the carrying amounts of the Group's tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists (or at least annually for goodwill), the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less selling costs and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate. This rate reflects current market assessments of the time value of money as well as the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, although impairment losses relating to goodwill may not be reversed.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment losses.

Operating leases

Leases are classified as operating leases where the lessor retains substantially all the risks and benefits of ownership of the asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Financial instruments

The Group determines the classification of its financial instruments at initial recognition in accordance with the categories outlined below, and re-evaluates this designation at each financial year-end. When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, directly attributable transaction costs. Financial instruments are disclosed in note 32 to the Financial Statements.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities classified as held for trading, or designated as such on inception, are included in this category and relate to the financial derivative open positions included in 'trade receivables – due from brokers' and 'trade payables – due to clients' as shown in the Statement of Financial Position and related notes. Financial instruments are classified as held for trading if they are expected to settle in the short-term. The Group uses derivative financial instruments in order to hedge derivative exposures arising from open client positions, which are also classified as held for trading.

All financial instruments at fair value through the profit and loss are carried in the Statement of Financial Position at fair value with gains or losses recognised in revenue in the consolidated Income Statement.

Determination of fair value

Financial instruments arising from open client positions and the Group's hedging positions are stated at fair value and disclosed according to the valuation hierarchy required by IFRS 7. Fair values are predominantly determined by reference to third party market values (bid prices for long positions and offer prices for short positions) as detailed below:

Level 1: Valued using unadjusted quoted prices in active markets for identical financial instruments.

Level 2: Valued using techniques where a price is derived based significantly on observable market data. For example, where an active market for an identical financial instrument to the product offered by the Group to its clients or used by the Group to hedge its market risk does not exist.

Level 3: Valued using techniques that incorporate information other than observable market data that is significant to the overall valuation.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

37. ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Financial assets

A financial asset is derecognised where the rights to receive cash flows from the asset have expired; the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts, together with any costs or fees incurred, are recognised in profit or loss.

Trade receivables and trade payables

Assets or liabilities resulting from profit or losses on open positions are carried at fair value. Amounts due from or to clients and brokers are netted against other assets and liabilities with the same counterparty where a legally-enforceable netting agreement is in place and where it is anticipated that assets and liabilities will be netted on settlement.

Trade receivables represent balances with counterparties and clients where the combination of cash held on account and the valuation of financial derivative open positions result in an amount due to the Group. A provision for impairment is established where there is objective evidence of non-collectability. Reference is made to an aged profile of debt and the provision is subject to management review.

Trade payables represent balances with counterparties and clients where the combination of cash held on account and the valuation of financial derivative open positions results in an amount payable by the Group.

Prepayments and other receivables

Prepayments and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as fair value through profit and loss. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when the receivables are derecognised or impaired, and when economic benefit is consumed. A provision for impairment is established where there is objective evidence of non-collectability.

Cash and cash equivalents

Cash comprises cash on hand and demand deposits which may be accessed without penalty. Cash equivalents comprise short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the consolidated cash flow statement, net cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

The Group holds money on behalf of clients in accordance with the client money rules of the UK Financial Services Authority (FSA) and other regulatory bodies. Such monies are classified as either 'cash and cash equivalents' or 'segregated client funds' in accordance with the relevant regulatory requirements. Segregated client funds comprise retail client funds held in segregated client money accounts or money market facilities. Segregated client money accounts hold statutory trust status restricting the Group's ability to control the monies and accordingly such amounts are not held on the Group's Statement of Financial Position.

The amount of segregated client funds held at year-end is disclosed in note 17 to the Financial Statements. The return received on managing segregated client funds is included within net operating income.

Title transfer funds are held by the Group under a Title Transfer Collateral Arrangement (TTCA) by which a client agrees that full ownership of such monies is unconditionally transferred to the Group. Title transfers funds are accordingly held on the Group's Statement of Financial Position with a corresponding liability to clients within trade payables.

Other payables

Non-trading financial liabilities are recognised initially at fair value and carried at amortised cost using the effective interest rate method if the time value of money is significant.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Where material, provisions are discounted and recognised at the present value of expenditures expected to settle the obligation, with the unwind of the discount recognised as an interest expense.

Taxation

The income tax expense represents the sum of tax currently payable and movements in deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other periods, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax is generally accounted for on all temporary differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available, against which deductible temporary differences may be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the Statement of Financial Position date. Deferred tax is charged or credited in the Income Statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Classification of shares as debt or equity

When shares are issued, any component that creates a financial liability of the Group is presented as a liability in the Statement of Financial Position, measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption. The corresponding dividends relating to the liability component are charged as interest expense in the Income Statement.

Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs. Equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Own shares held in Employee Benefit Trusts

Shares held in trust by the Company for the purposes of employee share schemes are classified as a deduction from shareholders' equity and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from the sale and the original cost being taken to revenue reserves. No gain or loss is recognised in the Income Statement on the purchase, sale, issue or cancellation of equity shares.

Revenue recognition

Trading revenue represents gains and losses arising on client trading activity, primarily in financial spread betting, contracts for difference, binary bets or sports spread bets and the transactions undertaken to hedge the risk associated with client trading activity. Open client and hedging positions are carried at fair market value and gains and losses arising on this valuation are recognised in revenue as well as gains and losses realised on positions that have closed. The policies and methodologies associated with the determination of fair value have been discussed above under Financial Instruments.

Revenue is recognised when it is probable that economic benefits associated with the transaction will flow to the Group and the revenue can be reliably measured.

Trading revenue is reported gross of introductory broker commission as these amounts are directly linked to trading revenue. Introductory broker commission, along with betting duties paid, are disclosed as an expense in arriving at net operating income.

Finance revenue and interest income on segregated client funds is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. The effective interest rate is the rate which exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's net carrying amount. Interest income on segregated client funds is disclosed within revenue and therefore operating profit, as this is consistent with the nature of the Group's operations.

Net trading revenue, disclosed on the face of the consolidated Income Statement and in the notes to the Financial Statements, represents trading revenue from financial instruments carried at fair value through profit and loss, and has been disclosed net of introductory broker commission as this is consistent with the management information received by the Chief Operating Decision Maker.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

37. ACCOUNTING POLICIES (CONTINUED)

Dividends receivable are recognised when the shareholder's right to receive the payment is established.

Operating profit

Operating profit is the sum of the results of the principal activities of the Group after charging depreciation of property, plant and equipment, amortisation of intangible assets, operating lease rentals on land and buildings, foreign exchange differences, profit or loss on sale of property, plant and equipment and other administrative expenses.

Exceptional items

Exceptional items are those items of income and expense that the Group considers are material and/or of such a nature that they merit separate presentation in order to aid a reader's understanding of the Group's financial performance.

Finance costs and interest expense on segregated client funds

Finance costs and interest expense on segregated client funds are accrued on a time basis by reference to the principal amount charged at the effective interest rate applicable. The effective interest rate is the rate that exactly discounts the future expected cash flows to the carrying amount of the liability. Issue costs are included in the determination of the effective interest rates.

Interest expense on segregated client funds is disclosed within operating profit as this is consistent with the nature of the Group's operations.

Retirement benefit costs

The Group operates defined contribution schemes. Contributions are charged to the Income Statement as and when they become payable according to the rules of the schemes.

Share-based payments

The Company operates three employee share plans: a share incentive plan (SIP), a long-term incentive plan (LTIP) and a value sharing plan (VSP) all of which are equity-settled. The cost of these awards is measured at fair value calculated using option pricing models (refer to note 26 for additional detail of the models and assumptions used for the various award schemes) and is recognised as an expense in the Income Statement on a straight-line basis over the vesting period based on the Company's estimate of the number of shares that will eventually vest.

At each Statement of Financial Position date before vesting, the cumulative expense is calculated representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions determining the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous Statement of Financial Position date is recognised in the Income Statement as part of administrative expenses, with a corresponding entry in equity.

The grant by the Company of options over its equity instruments to employees of the subsidiary undertakings in the Group is treated as a capital contribution. The fair value of the employee services received is recognised over the vesting period as an increase in the investment in subsidiary undertakings, with a corresponding credit to equity.

Segment information

The Group's segmental information is disclosed in a manner consistent with the basis of internal reports regarding components of the Group that are regularly reviewed by the Chief Operating Decision Maker (CODM) in order to assess the performance and to allocate resources to those 'operating segments'. The Group has therefore determined its operating segments based on the management information received on a regular basis by the Executive Directors of the IG Group Holdings plc Board, as they are considered to be the CODM. Operating segments that do not meet the quantitative thresholds required by IFRS 8 are aggregated.

The Group has also early adopted the 'IFRS Improvements Standard' issued in April 2009 that provides an amendment to IFRS 8 such that segment assets are not required to be disclosed as segment assets are not reported to the CODM.

The Group envisages that the reportable segments may change as overseas businesses move towards operational maturity, breaking through the quantitative thresholds of IFRS 8. The segments are therefore subject to annual review and the comparatives restated to reflect any reclassifications within the segmental reporting.

Changes in accounting policies

The accounting policies adopted in the preparation of Financial Statements are consistent with those followed in the preparation of the Group's Annual Report for the year ended 31 May 2010, other than the presentational changes set out below:

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

- Previously segregated client funds (which comprise retail client funds held in segregated client money accounts or money market facilities) were held on the Group's Statement of Financial Position within cash and cash equivalents, and the corresponding liability to clients within trade and other payables. Segregated clients' funds have been excluded from the Group's Statement of Financial Position in order to better reflect the statutory trust status of such monies, including the restrictions placed on the Group's ability to control the funds, as well as increase comparability with the Group's peers. The impact on the Financial Statements as well as the amount of segregated client funds held at year-end is disclosed in notes 17 and 19 to the Financial Statements. A restated five-year Statement of Financial Position has been included in the Investor Resources and Other Information section of the Annual Report

New and amended standards adopted by the Group

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

- IAS 27 (revised) 'Consolidated and separate Financial Statements'. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. The application of the amendments to IAS 27 (revised) has not had a material impact on the accounting or disclosure of the acquisition completed in the period
- IFRS 3 (revised) 'Business combinations'. The revised standard requires that all acquisition costs be expensed and that all payments to purchase a business are to be recorded at fair value at the acquisition date. Any contingent payments are classified as debt and re-measured through the Income Statement. Non-controlling interests are measured either at fair value or at the non-controlling interest proportionate share of the acquiree's net assets. The Group has elected to apply the proportionate share of the acquiree's net assets methodology to the acquisition completed in the period. The application of the amendments to IFRS3 (revised) has not had a material impact on the accounting or disclosure of the acquisition completed in the period

The following new standards and interpretations are also effective for accounting periods beginning 1 June 2010 but have not had a material impact on the presentation of, nor the results or financial position of the Group:

- IAS 38 (amendment) 'Intangible assets'. The amendment clarifies guidance in measuring fair value of an intangible asset acquired in a business combination and permits grouping of intangible assets as a single asset if each asset has a similar useful economic life
- IFRS 5 (amendment) 'Measurement of non-current assets (or disposal groups) classified as held for sale'. The amendment provides clarification to the existing standard disclosure requirements
- IAS 1 (amendment) 'Presentation of Financial Statements'. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current
- IFRS 2 (amendments) 'Group cash-settled share-based payment transactions'. The amendments include IFRIC 8 and 11 and expand the guidance in IFRIC 11 to address the classification of group arrangements not previously covered

Other new standards, amendments and interpretations, including those listed below, have been issued but are not effective for accounting periods beginning 1 June 2010 and have not been early adopted by the Group:

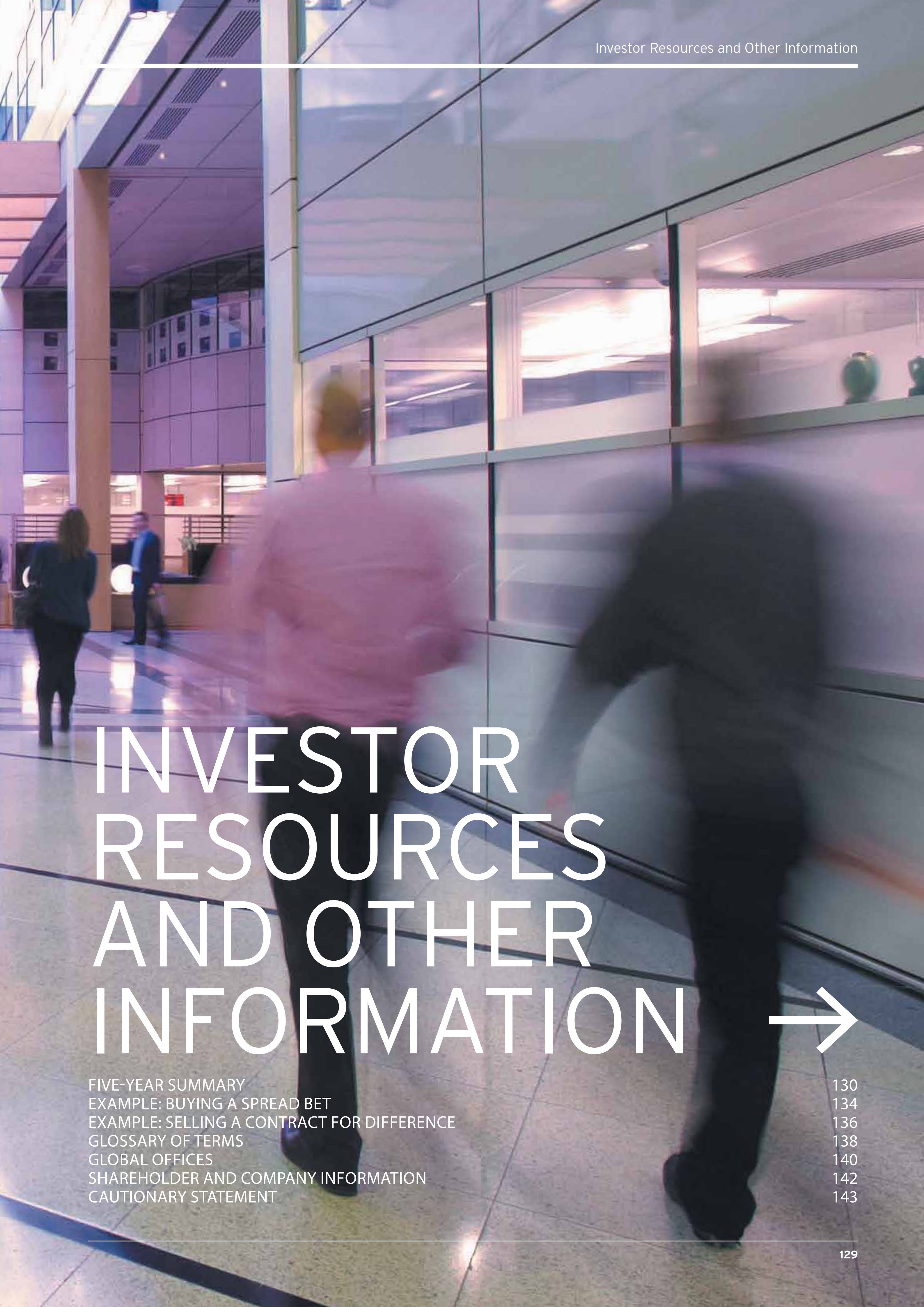
- IFRS 9 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments, recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets. The standard is not applicable until 1 January 2013 and has not yet been endorsed by the EU. The Group has yet to assess the impact of IFRS 9
- IAS 24 (revised) 'Related party disclosures', issued in November 2009 (effective after 1 January 2011)
- IFRS 13 'Fair value measurement' (effective 1 January 2013)
- IAS 19 (revised 2011) 'Employee benefits' (effective 1 January 2013)
- Amendment to IFRS 7 'Financial instruments: disclosures' (effective 1 July 2011)
- Amendment to IAS 12 'Income taxes' on deferred tax (effective 1 January 2012)
- Amendment to IAS 1 'Presentation of Financial Statements' on OCI (effective 1 July 2012)

The new standards and amendments listed above are not expected to have a material impact on the Group or Company.

Critical accounting estimates and judgements

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

In the Directors' opinion, the accounting estimates or judgements that have the most significant impact on the Financial Statements are the impairment of trade receivables (see note 3 and 33), the calculation of the Group's taxation charge (see note 9(c) and 9(f)), the measurement and impairment of goodwill (see note 15), the estimation of share-based payment costs (see note 26) and the assessment of net market risk and associated disclosures (see note 33).



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FIVE-YEAR SUMMARY

GROUP INCOME STATEMENT

For the year ended 31 May	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Net trading revenue	320,392	298,551	257,089	184,008	121,990
Other net operating income	4,863	1,172	377	(621)	2,345
Net operating income	325,255	299,723	257,466	183,387	124,335
Adjusted administrative expenses	(151,642)	(133,782)	(126,380)	(84,894)	(53,984)
EBITDA	173,613	165,941	131,086	98,493	70,351
Depreciation, amortisation and amounts written off property, plant and equipment	(10,583)	(8,654)	(6,423)	(4,922)	(4,590)
EBIT	163,030	157,287	124,663	93,571	65,761
Finance revenue	2,402	2,664	2,887	4,047	3,409
Finance costs	(2,432)	(2,312)	(1,678)	(628)	(276)
Adjusted profit before taxation	163,000	157,639	125,872	96,990	68,894
Amortisation and impairment of intangibles arising on consolidation[(1)]	(155,953)	(17,298)	(14,613)	-	-
Profit before taxation	7,047	140,341	111,259	96,990	68,894
Tax expense	(32,339)	(38,855)	(32,607)	(29,702)	(21,027)
Profit for the year	(25,292)	101,486	78,652	67,288	47,867

(1) Includes the amortisation and impairment of intangible assets associated with the Group's Japanese business and impairment of the goodwill associated with the Group's Sport business and related taxation.

GROUP STATEMENT OF FINANCIAL POSITION

As at 31 May	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Assets					
Non-current assets					
Property, plant and equipment	16,761	9,632	11,632	9,824	8,158
Intangible assets	117,202	265,328	260,607	112,056	107,675
Deferred tax assets	11,264	14,264	7,562	8,053	3,940
	145,227	289,224	279,801	129,933	119,773
Current assets					
Trade receivables	270,104	206,243	183,085	263,323	352,628
Prepayments and other receivables	8,199	7,084	4,928	5,690	3,954
Cash and cash equivalents	124,528	128,097	99,407	102,759	93,283
	402,831	341,424	287,420	371,772	449,865
TOTAL ASSETS	548,058	630,648	567,221	501,705	569,638
Liabilities					
Current liabilities					
Trade payables	83,490	57,673	90,642	213,726	334,871
Other payables	45,149	44,825	27,326	26,715	18,472
Provisions	1,427	1,377	-	-	-
Income tax payable	37,060	38,863	36,560	16,508	14,547
	167,126	142,738	154,528	256,949	367,890
Non-current liabilities					
Deferred tax liabilities	-	11,463	16,740	-	-
Provisions	1,991	1,779	-	-	-
Redeemable preference shares	40	40	40	40	40
	2,031	13,282	16,780	40	40
Total liabilities	169,157	156,020	171,308	256,989	367,930
Capital and reserves					
Total shareholders' equity	378,700	471,449	393,364	244,676	201,668
Non-controlling interests	201	3,179	2,549	40	40
Total equity	378,901	474,628	395,913	244,716	201,708
TOTAL EQUITY AND LIABILITIES	548,058	630,648	567,221	501,705	569,638

Each Statement of Financial Position presented above has been restated in order to be prepared consistently with the accounting policies disclosed in the Financial Statements for the year ended 31 May 2011.

OTHER METRICS

For the year ended 31 May	2011	2010	2009	2008	2007
Earnings per share					
Basic adjusted earnings per share	32.93p	30.98p	24.85p	20.62p	14.67p
Diluted adjusted earnings per share	32.64p	30.77p	24.74p	20.28p	14.52p
Basic (loss) / earnings per share	(7.05p)	28.19p	22.42p	20.62p	14.67p
Diluted (loss) / earnings per share	(7.05p)	28.00p	22.31p	20.28p	14.52p
Dividend per share					
Interim dividend per share	5.25p	5.0p	4.0p	3.0p	2.0p
Final dividend per share	14.75p	13.5p	11.0p	9.0p	6.5p
Total dividend per share	20.0p	18.5p	15.0p	12.0p	8.5p
Dividend payout ratio (against diluted adjusted EPS)	61.3%	60.1%	60.7%	59.2%	58.5%
Profit margin					
Adjusted profit before taxation margin(1)	50.8%	52.8%	49.0%	52.7%	56.5%
EBITDA margin(2)	54.2%	55.6%	51.0%	53.5%	57.7%

(1) Calculated as adjusted profit before tax divided by net trading revenue

(2) Calculated as EBITDA divided by net trading revenue

CLIENT METRICS

For the year ended 31 May	2011	2010	2009	2008	2007
Average revenue per financial client (£)	2,341	2,425	2,263	3,064	3,184
Number of active financial clients	133,580	120,689	109,747	56,291	34,483
Number of financial accounts opened	71,344	81,134	74,331	42,693	23,785
Number of financial accounts trading for the first time	49,246	55,674	50,364	29,211	15,809

CLIENT METRICS – EXCLUDING IG MARKETS SECURITIES (FORMERLY FXONLINE)

For the year ended 31 May	2011	2010	2009	2008	2007
Average revenue per financial client (£)	2,491	2,600	2,495	3,064	3,184
Number of active financial clients	117,252	103,338	88,336	56,291	34,483
Number of financial accounts opened	60,331	63,757	61,538	42,693	23,785
Number of financial accounts dealing for the first time	44,803	46,612	44,291	29,211	15,809

EXAMPLE
BUYING A SPREAD BET

INTRODUCTION

In this example, you decide to buy A plc (assumed to be a FTSE 100 company) at £100 per point, as you expect that A plc's share price will rise. Later in the day the share price has indeed risen and you decide to close your position by selling A plc at our current bid price.

Your profit is the difference between the buying and selling prices, plus or minus any funding charges or other costs (discussed in Steps 3 and 5).

As long as your bet is open, your account will show any 'running' profit or loss on your open position (not illustrated below). You must have deposited sufficient funds to cover any running losses.

You cannot place a bet without having money in your account. In this example, we assume you have £1,000. It is important to note that you can make losses in excess of your initial deposit, if the market moves against you.

Step 1

Opening the position

A plc is trading in the market at 124.3p/124.6p and our daily quote for A plc is 124.1p/124.8p. You decide to buy £100 per point at 124.8p, our offer price. In this example one point represents a 1p movement in the underlying share price, so your £100 per point bet is equivalent to buying 10,000 shares in A plc.

Bet details	You buy £100 per point of A plc at 124.8p (the offer price)
Your initial deposit requirement(1)	£622.50 (calculated as £100 (bet size) x 124.45p (the mid price) x 5% (the deposit factor))
Spread(2)	£20 (calculated as the difference between the market price and our quote (124.8p – 124.6p) x £100 per point)

(1) The deposit factor (and therefore deposit requirement) depends on your account type and other factors such as the volatility and liquidity of the underlying share.

(2) Our dealing spread varies depending on the market and asset class traded and can be variable, especially in volatile market conditions. For examples please see our website, www.igindex.co.uk.

Step 2

When you open the position, you are required to have the initial £622.50 deposit requirement in your account. The available funds in your account will therefore fall from £1,000 to £377.50 (i.e. £1,000 – £622.50). The available funds remaining in your account need to be enough to cover any running losses you may incur, or you run the risk of being closed out the bet.

Step 3

We will also reflect the impact of any corporate action on the underlying share, such as a dividend or a rights issue. In this example we have kept things simple and assumed no corporate actions occur; however for more details please see our website, www.igindex.co.uk.

Step 4

Closing the position

In the afternoon the A plc share price has indeed risen and you decide to close the position, realising your profit on the bet. At this point A plc is trading in the market at 127.3p/127.6p and our daily quote is 127.1p/127.8p.

Bet details	You sell £100 per point at 127.1p (the bid price).
Gross profit on the bet	£270 (calculated as the market price movement of the share (127.3p – 124.6p) x £100 per point)
Spread	£20 (calculated as 127.3p – 127.1p x £100 per point)

Of course, had the market moved in the opposite direction, you would have made a loss of £100 for every penny the share price fell, which may have exceeded your initial deposit.

Step 5

Calculating the profit or loss

	Client	IG Index(3)
Buying spread (Step 1)	(£20.00)	£20.00
Selling spread (Step 4)	(£20.00)	£20.00
Gross profit (Step 4)	£270.00	(£270.00)
IG Index hedging gain(3)	n/a	£270.00
Net gain	£230.00	£40.00

For many markets (for example index futures) we build funding charges into the quote price. For share Daily Funded Bets we make funding adjustments each day at 10pm. We apply funding at the rate of one-month LIBOR +/- a spread (generally 2.5%). In the example above, if the bet had remained open at 10pm, and assuming one-month LIBOR of 0.625%, a funding charge of £1.09 would have been applied against the client account and recorded as revenue for IG Index (calculated as (£100 x 127.8p (assumed closing price) x 3.125%) / 365 = £1.09).

(3) This simple example assumes IG Index is 100% hedged on the client deal and makes an equal and opposite gain on our broker position to the amount paid to the client. The cost of our hedging with the broker has been ignored for simplicity. Therefore our net profit is £40.00, which is recorded in trading revenue and is equivalent to the spread included in our quoted prices.

EXAMPLE
SELLING A CONTRACT FOR DIFFERENCE

INTRODUCTION

In this example, on Day One you decide to sell a CFD for 10,000 shares in B plc (assumed to be a FTSE 100 company) as you expect B plc's share price to fall. On Day Two the share price has indeed fallen, and you decide to close your position as you now believe the share price will rise again.

As long as your contract is open, your account will show any 'running' profit or loss on your open CFD position (not illustrated below). You must have deposited sufficient funds to cover any running losses.

You cannot place a trade without having money in your account. In this example, we assume you have £1,000. It is important to note that you can make losses in excess of your initial deposit requirement (referred to as 'margin requirement' in CFD trading), if the market moves against you.

Step 1

Day One – opening the position

The quoted bid/offer price for B plc is 126.85p/126.95p.

Trade details	You sell a CFD for 10,000 B plc shares at 126.85p (the bid price)
Your initial margin requirement(1)	£634.50 (calculated as 10,000 (number of shares) x 126.9p (the mid price) x 5% (the margin percentage))
Commission(2)	£12.69 (calculated as 10,000 (number of shares) x 126.85p (the bid price) x 0.10% (commission))

(1) The margin percentage (and therefore margin requirement) depends on the size of your CFD position and other factors such as the volatility and liquidity of the underlying share. In this example we have used a margin requirement of 5%.

(2) Commissions are variable, but for UK FTSE 100 CFDs (as assumed for B plc), this was 0.10% on 25 May 2011.

Step 2

When you open the position, you are required to have enough funds in your account to cover the initial margin plus commission on the trade. In this example the margin requirement is £634.50 and the commission is £12.69, so the available funds in your account will fall from £1,000 to £352.81 (i.e. £1,000 – £634.50 – £12.69).

Step 3

Traditionally, clients who held long positions overnight would need to pay a funding charge, while clients with short positions would receive interest if held overnight. This charge or interest is calculated as the one-month sterling LIBOR rate +/- a spread. However, with current market interest rates lower than the spread, clients with short positions also incur a charge. As at 25 May 2011, the current LIBOR rate was 0.625%, while the spread was 2.5%, resulting in a net financing charge of 1.875% for short CFD positions held overnight (which for UK CFDs means those open at 10pm UK time). A corresponding long CFD position would incur a charge of 3.125%. This is re-calculated daily.

Closing price (Day One)	127.35p
Daily interest charged	£0.65 (calculated as (10,000 x 127.35p x 1.875%)/365 days)

Step 4

We will also reflect the impact of any corporate action on the underlying share, such as a dividend or a rights issue. In this example we have kept things simple and assumed no corporate actions occur; however for more details please see our website, www.igmarkets.co.uk.

Step 5

Day Two – closing the position

On Day Two, the share price has fallen and you decide to close the position as you believe the price will now rise. The bid/offer price at this point is 122.30p/122.40p.

Trade details	You buy a CFD for 10,000 shares at 122.40p (the offer price)
Commission	£12.24 (calculated as 10,000 x 122.40p x 0.10%)
Profit per individual share	4.45p (the difference between the selling and buying price (126.85p - 122.40p))
Gross profit on the trade	£445.00 (calculated as 10,000 x 4.45p)

Of course, had the market moved in the opposite direction, you would have made a loss of £100 for every penny the share price gained, which may have exceeded your initial margin outlay.

Step 6

Calculating the profit or loss

	Client	IG Markets(3)
Selling commission (Step 1)	(£12.69)	£12.69
Financing charge (Step 3)	(£0.65)	£0.65
Buying commission (Step 5)	(£12.24)	£12.24
Gross profit (Step 5)	£445.00	(£445.00)
IG Markets hedging gain(3)	n/a	£445.00
Net gain	£419.42	£25.58

(3) This simple example assumes IG Markets is 100% hedged on the client trade and makes an equal and opposite gain on our broker position to the amount paid to the client. The cost of our hedging with the broker has been ignored for simplicity. Thus our net profit is £25.58, which is recorded in trading revenue and consists of the commission and financing charges levied on the client.

GLOSSARY OF TERMS

APB	Auditing Practices Board
AGM	Annual General Meeting
ASIC	Australian Securities and Investment Commission
Binary bet	A special form of spread bet with only two outcomes at expiry – if a specific result is achieved, the bet is closed at a level of 100. If the result is not achieved, the bet closes at 0. Binary bets therefore have something in common with a traditional fixed-odds bet, except that the Group makes a continuous price for the binary, between 0 and 100, allowing closure of the bet before the final settlement to crystallise any running profits or losses before expiry.
CFTC	US Commodities Futures Trading Commission
Close-out monitor	The Group's automatic real-time position-closing system (see the Our Business Risks section in the Business Review and Note 33 – Financial Risk Management).
Combined Code	The Combined Code on Corporate Governance (Combined Code) sets out standards of good practice in relation to Board leadership and effectiveness, remuneration, accountability and relations with shareholders. Provision A3.2 – at least half the Board, excluding the Chairman, should comprise Non-Executive Directors determined by the Board to be independent. Principle A6 – Performance Management – the Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors.
Company	IG Group Holdings plc
Consolidated regulatory capital resources	Tier 1 and Tier 3 capital are calculated under the GENPRU rules of the UK's Financial Services Authority.
Contract for Difference	A CFD is an agreement to exchange the difference in value of a financial instrument at the time at which the contract is opened, and the time at which it is closed.
DMA	Direct Market Access allows clients to send orders directly into the order book of a stock exchange.
FIX	The Financial Information eXchange (FIX) Protocol is a series of messaging specifications for the electronic communication of trade-related messages. It has been developed through the collaboration of various financial institutions.
FSA	The UK's Financial Services Authority
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards (as adopted by the EU)
IIC	ICAAP and Individual Liquidity Adequacy Committee
LIBOR	London inter-bank offered rate
LTIP	Long-term incentive plans
MTF	Multilateral trading facilities

Net Promoter Score (NPS)	The Net Promoter Score (NPS) is a measure of customer satisfaction found by asking clients the question: 'How likely are you to recommend this company to a friend or colleague?' Respondents reply on a 0-10 scale, and are categorised as 'Promoters' (those answering 9 or 10), 'Passives' (those answering 7 or 8) or 'Detractors' (those answering 0 to 6). A company's NPS is then calculated as the percentage of promoters minus the percentage of detractors. Given that the scale is weighted heavily towards detractors, it is not unusual for a company to have a negative NPS.
OTC	'Over the counter' means non-exchange-traded financial instruments.
Pillar 1 – Capital resources requirement	Minimum FSA specified rule-based capital requirements for credit, market and operational risk under the FSA's BIPRU Rulebook.
Pillar 3 Disclosures	Public disclosure of capital adequacy to facilitate the wider market's role in ensuring regulated firms hold appropriate levels of capital – disclosed on our corporate website (www.iggroup.com).
Pip	A 'percentage in point' is generally, though not always, the fourth decimal place, i.e. 0.0001. Used predominantly in forex transactions.
Primary account market share	The percentage of active clients using a firm as their main or sole provider. This is felt to be a more accurate measure of market share than the percentage of active clients holding an account with a particular firm.
Risk appetite statement	Approved by the Group's Board of Directors and sets out the level of risk that the Group is willing to take in pursuit of its business objectives.
Spread bet	A bet on whether a financial market (the underlying market) will rise or fall. We offer two prices on every market; the difference is known as the bid/offer spread. If you think a market is set to rise you 'buy' at the higher (or offer) price, and if you think it will fall you 'sell' at the lower (bid) price. Whether you gain or lose money on the bet – and how much – depends on the size/direction of any movement in the underlying market.
SIP	Share Incentive Plan
Systemic risk	The risk of collapse of an entire financial system, as opposed to specific risk associated with any one individual company.
Tiered margining	We use a system of four margin tiers ranging from 5% in Tier 1 (small trade sizes) to potentially 90% under Tier 4. It includes risk-adjusted margin requirements dependent on specific financial instrument volatility and individual client type.
TSR	Total Shareholder Return
Variation margin	A margin is collateral that the holder of a financial instrument has to deposit to cover some or all of the credit risk of his counterparty. The variation margin is not collateral, but a daily payment of running profits and losses on the open position.

GLOBAL OFFICES

UK

London (headquarters)

IG Index Limited
Cannon Bridge House
25 Dowgate Hill
LONDON
EC4R 2YA

+44 (0)20 7896 0011
helpdesk@igindex.co.uk
www.igindex.co.uk

IG Markets Limited
Cannon Bridge House
25 Dowgate Hill
LONDON
EC4R 2YA

+44 (0)20 7896 0011
helpdesk@igmarkets.com
www.igmarkets.co.uk

extrabet Limited
Friars House
157-168 Blackfriars Road
LONDON
SE1 8EZ

EUROPE (EXCLUDING UK)

Amsterdam

IG Markets Netherlands
Paascheuvelweg 1
1105 BE Amsterdam
NETHERLANDS

+31 (0)20 7946 610
info@igmarkets.nl
www.igmarkets.nl

Düsseldorf

IG Markets Limited
Zweigniederlassung Deutschland
Berliner Allee 10
40212 Düsseldorf
GERMANY

+49 (0) 211 88 23 70 00
info@igmarkets.de
www.igmarkets.de

Lisbon

IG Markets Limited
Av. Eng. Duarte Pacheco
Amoreiras, Torre 1
6º andar, Escritório 6
1070-101 Lisboa
PORTUGAL

+351 800 814 763
info@igmarkets.pt
www.igmarkets.pt

Luxembourg

IG Markets Limited
15, rue du fort Bourbon
L1249
LUXEMBOURG

+352 24 87 11 17
info@igmarkets.lu
www.igmarkets.lu

Madrid

IG Markets Limited
Paseo de la Castellana, 13
Planta 1ª, Derecha
28046 Madrid
SPAIN

+34 91 414 15 15
info@igmarkets.es
www.igmarkets.es

Milan

IG Markets Limited
Via Cesare Correnti, 12
20123 Milano
ITALY

+39 800 897 582
italiandesk@igmarkets.it
www.igmarkets.it

Paris

IG Markets Limited
17 Avenue George V
75008 Paris
FRANCE

+33 (0)1 70 70 81 18
info@igmarkets.fr
www.igmarkets.fr

Stockholm

IG Markets Limited
Stureplan 2
114 35 Stockholm
SWEDEN

+46 (0)8 5051 5000
kundservice@igmarkets.se
www.igmarkets.se

ASIA PACIFIC

Beijing

IG Markets Limited Beijing
Representative Office
St Regis Hotel Office Building
Room 901
9th Floor
No 21 Jian Guo Men Wai Avenue
Chao Yang District
Beijing
P.R. CHINA 100020

+86 10 8532 3886
RepOffice@igmarkets.com.cn
www.igmarkets.com.cn/en

Melbourne

IG Markets Limited
Level 7
417 St Kilda Road
Melbourne VIC 3004
AUSTRALIA

+61 (3) 9860 1711
helpdesk@igmarkets.com.au
www.igmarkets.com.au

Singapore

IG Markets Limited
22-03 Chevron House
30 Raffles Place
SINGAPORE 048622

+65 6390 5118
helpdesk@igmarkets.com.sg
www.igmarkets.com.sg

Tokyo

IG Markets Securities Limited
Shiodome
City Center 10F
1-5-2 Higashi-Shinbashi
Minato-ku, Tokyo 105-7110
JAPAN

+81 3 6704 8500
helpdesk@igmarkets.co.jp
www.igmarkets.co.jp

NORTH AMERICA

Chicago

Nadex, Inc.
311 South Wacker Drive
Suite 2675
Chicago, IL 60606
USA

+1 312 884 0100
customerservice@nadex.com
www.nadex.com

AFRICA

Johannesburg

IG Markets South Africa Limited
Royal Melbourne
Fourways Golf Park
Roos Street
Fourways
Johannesburg
SOUTH AFRICA

+27 (0)11 467 8500
helpdesk@igmarkets.co.za
www.igmarkets.co.za

Durban

IG Markets South Africa Limited
Suite 4 , Aloe Block, Sanyati Park
3 Abrey Road
Kloof
3610
KwaZulu-Natal
SOUTH AFRICA

+27 (0)31 764 2537
helpdesk@igmarkets.co.za
www.igmarkets.co.za

SHAREHOLDER AND COMPANY INFORMATION

RECEIVING SHAREHOLDER INFORMATION BY EMAIL

As an alternative to receiving material by post, you may supply the Company with an email address and we will alert you whenever shareholder communications are added to the Company website. Simply visit www.capitashareportal.com and register online for electronic communications ('e-coms').

If you subsequently wish to change your election, or to receive documents or information by post, you can do so by contacting the Company's registrars at:

Capita Registrars
Freepost Plus RLYX-GZTU-KRRG
SAS
The Registry
34 Beckenham Road
Beckenham
BR3 4TU

Or by telephone on: 0871 664 0391 (calls cost 10p per minute plus network extras; lines are open 9am – 5.30pm, Mon-Fri). Telephone number from outside the UK: +44 (0) 20 8639 3367.

RECEIVING SHAREHOLDER INFORMATION BY MEANS OF OUR CORPORATE WEBSITE

For many shareholders, it will be convenient to access shareholder information on our corporate website at www.iggroup.com. We will notify you by post, or by email if you have elected for e-coms, whenever shareholder information is added to the website, as well as where you can access it on the site.

2011 Final Dividend Dates

Ex-dividend date	7 September 2011
Record date	9 September 2011
Last day to elect for DRIP	16 September 2011
AGM	6 October 2011
Payment date	11 October 2011

Annual shareholder calendar

(a) Company reporting

Final results announced	19 July 2011
Annual Report published	August 2011
FY12 Q1 Interim Management Statement	w/c 5 September 2011
Annual General Meeting	6 October 2011
FY12 Interim results announced	w/c 16 January 2012
FY12 Q3 Interim Management Statement	w/c 5 March 2012

(b) Dividend payment

Interim	March
Final	October

Interim report

As part of our e-coms programme, we have decided not to produce a printed copy of our Interim Report. Instead the Interim Report will be published on our website and will be available from around mid-January each year.

COMPANY INFORMATION

Directors

Executive Directors
T A Howkins (Chief Executive)
C F Hill
P G Hetherington
A R MacKay

Non-Executive Directors
J R Davie (Chairman)
D A Currie
S G Hill
D M Jackson
N B le Roux (Deputy Chairman)
R P Yates (Senior Independent Director)

Company Secretary
B Messer

Auditors
PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Bankers
Lloyds Banking Group plc
10 Gresham Street
London EC2V 7AE

Royal Bank of Scotland Group plc
280 Bishopsgate
London EC2M 4RB

Solicitors
Linklaters
1 Silk Street
London EC2Y 8HQ

Registrars
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Brokers
UBS Limited
1 Finsbury Avenue
London EC2M 2PP

Numis Securities Limited
10 Paternoster Square
London EC4M 7LT

Registered Office
Cannon Bridge House
25 Dowgate Hill
London EC4R 2YA

Registered Number
04677092

Cautionary Statement

Certain statements included in our 2011 Annual Report, or incorporated by reference to it, may constitute 'forward-looking statements' in respect of the Group's operations, performance, prospects and/or financial condition.

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.

This report does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase any shares or other securities in the Company and nothing in this report should be construed as a profit forecast.

IG Group Holdings plc
Cannon Bridge House
25 Dowgate Hill
London
EC4R 2YA
Tel: 020 7896 0011
Fax: 020 7896 0010
www.iggroup.com

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