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IG Group Limited

Report and financial statements

31 May 2005

 **ERNST & YOUNG**



Directors

N B le Roux
T A Howkins
P G Hetherington
A R MacKay
J Austin
J P Feuer
J Kaye
A D Mackenzie
P Martin
H McLain
M J C Murray
J J Quance
C Romilly
D P H Sykes
G P Wilkes

Secretary

T A Howkins

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers

Bank of Scotland
Citymark
150 Fountainbridge
Edinburgh EH3 9DE

Lloyds TSB Bank plc
100 Lower Thames Street
London EC3R 6HX

Solicitors

Osborne Clarke
Hillgate House
26 Old Bailey
London EC4M 7HW

Clifford Chance Limited Liability Partnership
200 Aldersgate Street
London EC1A 4JJ

Registered Office

Friars House
157-168 Blackfriars Road
London SE1 8EZ

Directors' report

The directors have pleasure in submitting their report together with the financial statements of IG Group Limited for the year ended 31 May 2005.

Principal activity

IG Group Limited is a holding company.

Results

The company's profit for the year after taxation amounted to £6,962,548 (2004 - £144,703,683).

Dividends

Interim dividends amounting to £144,000,000 (2004 - £15,800,000) were paid during the year.

Review of business and future developments

The company's investment in IG Markets (South Asia) Limited was dissolved subsequent to the year end.

The directors are optimistic about the prospect for the company.

Directors and their interests

Interests in the share capital

The directors who served during the year and their interests in the share capital of IG Group Holdings plc at 31 May were as follows:

	2005 <i>Ordinary shares</i>	2005 <i>Preference shares</i>	2004 <i>A Ordinary shares</i>	2004 <i>Preference shares</i>
N B le Roux	15,122,200	10,000	100,814	1,324,239
T A Howkins	5,731,800	10,000	38,212	245,472
P G Hetherington	5,709,900	10,000	38,066	238,759
A R MacKay	2,952,450	10,000	19,683	124,387
J Austin (appointed 12 July 2004)	1,143,900	—	7,626	37,699
J P Feuer (appointed 12 April 2005)	—	—	—	—
J Kaye (appointed 12 April 2005)	91,681	—	728	—
A D Mackenzie (appointed 12 April 2005)	—	—	—	—
P Martin (appointed 5 October 2004)	—	—	100	4,607
A Matthews (appointed 12 July 2004)	508,500	—	3,390	21,542
H McLain (appointed 12 April 2005)	—	—	—	—
M J C Murray (appointed 12 July 2004)	973,600	—	3,368	155,160
J J Quance (appointed 12 July 2004)	790,500	—	5,267	19,009
D P H Sykes (appointed 12 July 2004)	—	—	3,816	175,799
G P Wilkes (appointed 12 July 2004)	2,705,600	—	16,910	107,712

Directors' report

Directors and their interests (continued)

Interests in the share capital (continued)

The group operates a long term incentive plan for management, including the directors of IG Group Limited further described in the group financial statements. IG Group Holdings plc made contingent share awards to the directors on 16 May 2005, when the market price of the shares was 112.5p as follows:

	<i>Senior Management</i>	<i>Senior Management</i>	<i>Total</i>
	<i>Management</i>	<i>IPO High</i>	<i>number of</i>
	<i>IPO Basic</i>	<i>Growth</i>	<i>shares</i>
	<i>Award</i>	<i>Award</i>	<i>awarded</i>
N B le Roux	183,333	550,000	733,333
T A Howkins	141,666	425,000	566,666
P G Hetherington	125,000	375,000	500,000
A R MacKay	112,500	337,500	450,000

Interests in loans and loan notes

Certain of the directors have invested in 11% subordinated loans and loan notes issued by IG Group Holdings plc as disclosed in note 12 to the financial statements.

Creditors payment policy

The company pays creditors on demand, except where fixed dates of payment have been agreed in advance. On average creditors' invoices remained outstanding for less than thirty days throughout the year.

Donations

The company made no political or charitable donations.

Auditors

A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming annual general meeting.

On behalf of the board



Director

22 DEC 2005

Statement of directors' responsibilities in respect of the accounts

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue trading for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Independent auditors' report

to the members of IG Group Limited

We have audited the company's financial statements for the year ended 31 May 2005 which comprise the profit and loss account, reconciliation of shareholders' funds, balance sheet and the related notes 1 to 13. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

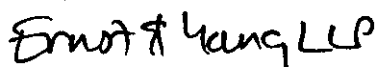
Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 May 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

15 FEB 2006

Profit and loss account

for the year ended 31 May 2005

	Notes	2005 £	2004 £
Administrative expenses excluding exceptional administrative costs		(37,597)	(8,630)
Exceptional administrative costs	2	–	(1,685,989)
Operating loss		(37,597)	(1,694,619)
Profit on disposal of fixed asset investments	2	–	130,596,446
Income from shares in group undertakings		7,000,000	15,800,000
Interest receivable		145	1,856
Profit on ordinary activities before taxation		6,962,548	144,703,683
Tax charge on profit on ordinary activities	5	–	–
Profit on ordinary activities after taxation		6,962,548	144,703,683
Dividends	6	(144,000,000)	(15,800,000)
Retained (loss)/profit for the year		(137,037,452)	128,903,683

There were no recognised gains or losses other than the profit for the period.

Reconciliation of shareholders' funds

for the year ended 31 May 2005

	2005 £	2004 £
Profit for the financial year	6,962,548	144,703,683
Dividends	(144,000,000)	(15,800,000)
New shares issued	—	3,428,885
Net (reduction)/addition to shareholders' funds	(137,037,452)	132,332,568
Opening shareholders' funds	147,671,311	15,338,743
Closing shareholders' funds	10,633,859	147,671,311

Balance sheet

at 31 May 2005

	Notes	2005 £	2004 £
Fixed assets			
Investments	7	48,124	47,623
Current assets			
Debtors	8	16,308,214	150,703,354
Cash at bank and in hand		1,183	1,034
		<u>16,309,397</u>	<u>150,704,388</u>
Creditors: amounts falling due within one year	9	5,723,662	3,080,700
Net current assets		<u>10,585,735</u>	<u>147,623,688</u>
Total assets less current liabilities		<u>10,633,859</u>	<u>147,671,311</u>
Capital and reserves			
Called up share capital	10	5,850,340	5,850,340
Share premium account	11	4,639,826	4,639,826
Profit and loss account	11	143,693	137,181,145
		<u>10,633,859</u>	<u>147,671,311</u>

ERNST & YOUNG

Approved by the board of directors and signed on their behalf by:



Director

22 DEC 2005

Notes to the financial statements

at 31 May 2005

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Group financial statements

The company is exempt under s228 of the Companies Act 1985 from preparing group financial statements because it has been included in the consolidated financial statements of IG Group Holdings plc.

Cash flow statements

The company has taken advantage of the exemption available under Financial Reporting Standard 1 to present a cash flow statement. The company's cash flows have been included in the consolidated cash flow statement of IG Group Holdings plc.

Related party disclosures

As the company is a 100% subsidiary undertaking, and consolidated financial statements for IG Group Holdings plc, are publicly available, group transactions have not been disclosed pursuant to the exemptions permitted in FRS8.

Revenue recognition

Revenue is recognised to the extent that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific criteria must be met before revenue is recognised:

Interest

Revenue is recognised as the interest accrues.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

Fixed asset investments

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

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date or where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Notes to the financial statements

at 31 May 2005

1. Accounting policies (continued)

Deferred taxation (continued)

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Foreign currencies

Assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate prevailing on the date of the transaction. Differences arising are taken to the profit and loss account.

2. Exceptional administrative items

	2005 £	2004 £
Recognised in arriving at operating profit:		
Professional expenses incurred in respect of sale of company	–	(1,685,989)
Recognised below operating profit:		
Profit on disposal of fixed asset investments	–	130,596,446
	–	128,910,457

The tax effect in the profit and loss account relating to the exceptional administrative costs recognised below operating profit is £ nil (2004 - £ nil).

3. Profit on ordinary activities before taxation

The audit fee is borne by a fellow group undertaking.

4. Directors' emoluments

The directors did not receive any emoluments in respect of their services to the company. The company had no employees during the year.

Directors' emoluments, shown below, represent amounts paid to directors for services to the group.

	2005 £	2004 £
Emoluments	1,975,239	1,664,863
Pension contributions	369,867	75,542
	2005 No.	2004 No.
Members of money purchase pension scheme	11	5

Notes to the financial statements

at 31 May 2005

4. Directors' emoluments (continued)

	2005	2004
	£	£
Highest paid director:		
Emoluments	463,820	557,771
Pension	23,500	15,000

5. Tax charge on profit on ordinary activities

(a) The tax charge is made up as follows:

	2005	2004
	£	£
Current tax:		
UK Corporation tax	—	—

(b) Factors affecting current tax charge:

	2005	2004
	£	£
Profit on ordinary activities before tax	6,962,548	144,703,683
Profit on ordinary activities multiplied by standard rate of taxation at 30%	2,088,764	43,411,105
Effects of:		
Non taxable dividends receivable	(2,100,000)	(4,740,000)
Non taxable profit on sale of fixed asset investments	—	(39,178,934)
Expenses not deductible for tax purposes	56,383	507,765
Group relief	(45,147)	64
	—	—

6. Dividends

	2005	2004
	£	£
Ordinary		
Interim paid at 246.1395196p per share (2004 – 27.00697506p)	(144,000,000)	15,800,000

Notes to the financial statements

at 31 May 2005

7. Fixed assets investments

£

Investments in subsidiaries at cost:

At 1 June 2004	47,623
Exchange difference	501
At 31 May 2005	48,124

The company's investment in IG Markets (South Asia) Limited was dissolved subsequent to the year end.

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Holding</i>	<i>Proportion of voting rights held</i>	<i>Nature of business</i>
Subsidiary undertakings held directly:				
Market Data Limited	UK	Ordinary shares	100%	Data distribution
IG Markets (South Asia) Limited	Cayman Islands	Ordinary shares	100%	South Asia sales and marketing office
Subsidiary undertakings held indirectly:				
IG Index Plc	UK	Ordinary shares	100%	Spreadbetting
IG Markets Limited	UK	Ordinary shares	100%	Margin trading and foreign exchange
ITS Market Solutions Limited	UK	Ordinary shares	60%	Software development and sales
IG Nominees Limited	UK	Ordinary shares	100%	Nominee company
Binarybet Limited	UK	Ordinary shares	100%	Fixed odds bookmaker
IG Australia Pty Limited	Australia	Ordinary shares	100%	Australia sales and marketing office
IG Financial Markets Inc	USA	Ordinary shares	100%	Not yet trading
IG Group Limited Employee Benefit Trust	Unincorporated trust	—	—	Employee benefit trust
IG Group Holdings plc Inland Revenue Approved Share Incentive Plan	Unincorporated trust	—	—	Employee benefit trust

Notes to the financial statements

at 31 May 2005

8. Debtors

	2005 £	2004 £
Amounts due from parent company	16,303,273	150,703,354
Other debtors	4,941	–
	<u>16,308,214</u>	<u>150,703,354</u>

9. Creditors: amounts falling due within one year

	2005 £	2004 £
Amounts due to group companies	3,207,106	559,075
Accruals and deferred income	15	5,084
Proposed dividend	2,516,541	2,516,541
	<u>5,723,662</u>	<u>3,080,700</u>

10. Share capital

	2005 £	2004 £
Authorised: 100,000,000 ordinary shares of 10p each	10,000,000	10,000,000
Allotted, called up and fully paid: 58,503,405 ordinary shares of 10p each	<u>5,850,340</u>	<u>5,850,340</u>

11. Reserves

	Share premium £	Profit and loss account £
At 1 June 2004	4,639,826	137,181,145
Retained loss for the year		– (137,037,452)
At 31 May 2005	<u>4,639,826</u>	<u>143,693</u>

Notes to the financial statements

at 31 May 2005

12. Transactions with directors

The directors of IG Group Limited held shares of the parent company, IG Group Holdings plc as disclosed in the directors' report.

Certain directors or their associates made loans to the parent company, which were all repaid during the year. The loans were 11% subordinated loans further described in the group financial statements as follows:

	<i>Principal outstanding</i>			<i>Unpaid interest</i>	
	<i>2004</i>	<i>Repaid</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>
	£	£	£	£	£
N B le Roux	804,706	(804,706)	—	65,479	—
T A Howkins	149,168	(149,168)	—	12,138	—
P G Hetherington	145,088	(145,088)	—	11,806	—
A R MacKay	75,586	(75,586)	—	6,150	—
J Austin	22,909	(22,909)	—	1,864	—
P Martin	2,800	(2,800)	—	229	—
A Matthews	13,090	(13,090)	—	1,065	—
M J C Murray	155,160	(155,160)	—	12,625	—
J J Quance	11,551	(11,551)	—	940	—
D P H Sykes	106,829	(106,829)	—	8,693	—
G P Wilkes	65,454	(65,454)	—	5,325	—

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

	<i>Principal outstanding</i>			<i>Unpaid interest</i>	
	<i>2004</i>	<i>Repaid</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>
	£	£	£	£	£
T A Howkins	189,975	(189,975)	—	2,110	—
P G Hetherington	76,500	(76,500)	—	850	—
M J C Murray	50,745	(50,745)	—	564	—

In the years ended 31 May 2004 and 31 May 2005 the company had no other transactions with its directors other than in relation to the management of the company.

13. Parent undertaking

The parent undertaking throughout the year was IG Group Holdings plc.

The group accounts which include the results of IG Group Limited can be obtained from Friars House, 157-168 Blackfriars Road, London SE1 8EZ.