

*Annual Report and Accounts* **2008**



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Group Financial Record (Graphs)

## Calendar

Annual General Meeting

1 July 2009

## Dividends

Interim - paid 28 November 2008

Final - payable 17 July 2009

## Financial Highlights

	<b>Adjusted measures 2008 €'000</b>	Adjusted measures 2007 €'000	Notes	<b>Total IFRS 2008 €'000</b>	Total IFRS 2007 €'000
Revenue	n/a	n/a		<b>109,287</b>	128,829
Operating profit	<b>20,134</b>	22,018	1	<b>15,001</b>	17,342
Profit before income tax	<b>17,232</b>	19,796	1	<b>12,099</b>	15,120
Adjusted earnings per ordinary share - in cent	<b>22.77</b>	24.17	2	<b>n/a</b>	n/a
Basic earnings per ordinary share - in cent	<b>n/a</b>	n/a		<b>15.69</b>	17.42
Group net debt				<b>46,809</b>	19,436
Dividend per ordinary share - in cent	<b>3.63</b>	3.63	3		

### Notes:

- Adjusted profit before income tax and adjusted earnings per share are stated before exceptional items, amortisation of intangible assets and share based payment compensation.
- Reconciliation of adjusted earnings:

	<b>Year ended 31 Dec 2008</b>		<b>Year ended 31 Dec 2007</b>	
	<b>Per share cent</b>	<b>Earnings €'000</b>	Per share cent	Earnings €'000
Profit attributable to equity holders	<b>15.69</b>	<b>11,365</b>	17.42	12,069
Amortisation of intangible assets	<b>4.92</b>	<b>3,566</b>	2.85	1,976
Share based payment compensation	<b>2.16</b>	<b>1,567</b>	3.90	2,700
<b>Adjusted earnings</b>	<b>22.77</b>	<b>16,498</b>	24.17	16,745

- Dividend per ordinary share is calculated as the sum of the interim dividend per share paid in the year of 1.27 cent and the 2.36 cent per share to be proposed at the forthcoming Annual General Meeting.

## Directors & Advisors

### Directors

Patrick Joseph Moran  
*(Chairman)*

Mark Bourke  
*(Chief Executive)*

John Lawrie  
*(Senior Independent Non-Executive)*

Donal Lynch  
*(Executive Director – Legal, Secretarial and Compliance)*

Victor Quigley  
*(Executive Director – Irish Financial Services)*

Thomas Wacker  
*(Non-Executive)*

Frank Ryan  
*(Executive Director – New Markets & New Business Development)*

Declan Kenny  
*(Executive Director – International Trustee and Corporate Services)*

Mark Bogard  
*(Executive Director – UK Operations)*

Colm Barrington  
*(Non-Executive)*

John Rowan  
*(Non-Executive)*

Gary Owens  
*(Executive Director – Irish Operations)*

### Company Secretary

Donal Lynch A.C.I.S

### Trading Address

IFG House

Boosterstown Hall

Boosterstown

Co. Dublin

Telephone (353-1) 275 2800

Fax (353-1) 275 2801

E-Mail: [group@ifg.ie](mailto:group@ifg.ie)

### Principal Bankers

Bank of Ireland Limited

Lower Baggot Street

Dublin 2

Bank of Scotland (Ireland) Limited

124 - 127 St. Stephens Green

Dublin 2

### Stockbrokers

Davy

Davy House

49 Dawson Street

Dublin 2

### Group and Subsidiary Company Auditors

PricewaterhouseCoopers

One Spencer Dock

North Wall Quay

Dublin 1

## Directors & Advisors

### Registered Office

IFG Group plc  
IFG House  
Booterstown Hall  
Booterstown  
Co. Dublin

### Website

[www.ifggroup.com](http://www.ifggroup.com)

### Solicitors

Eversheds O'Donnell Sweeney  
One Earlsfort Centre  
Earlsfort Terrace  
Dublin 2

### Registered in Ireland

No. 21010

### Registrars

Computershare Investor Services (Ireland) Limited  
Heron House  
Corrig Road  
Sandyford Industrial Estate  
Dublin 18

### Principal Subsidiary Company Auditors

OSK  
East Point Plaza  
East Point  
Dublin 3

PricewaterhouseCoopers  
60 Circular Road  
Douglas  
Isle of Man

PricewaterhouseCoopers  
One Spencer Dock  
North Wall Quay  
Dublin 1

# Chairman's Statement

Joe Moran  
Chairman



IFG Group is pleased to announce results for the year ended 31 December 2008. It was a difficult year in market terms, where the Group's revenue quality became evident.

The performance confirms our strategy which focuses on the development of core competencies in asset administration and advisory businesses while diversifying geographic presence.

We have continued to invest in these core businesses which generate high quality repeat income revenue streams which are, in general, time based and not linked to transaction or asset values.

Adjusted profits before income tax for the year were €17.2 million on revenues of €109.3 million (profit before income tax of €12.1 million). This compares with €19.8 million and €128.8 million respectively in the previous year (profit before income tax of €15.1 million). The reduction in revenue is largely confined to our Irish property business where revenue fell by €18.1 million.

Adjusted profits before income tax for the year as reflected are before:

- i) Non cash items including share option charges of €0.3 million and charges in relation to directors' Long Term Incentive Plan ('LTIP') of €1.3 million.
- ii) Amortisation of intangible assets of €3.6 million.

The effect of these items is a charge before tax of €5.2 million.

Adjusted earnings per ordinary share were 22.77 cent (2007: 24.17 cent). On a total IFRS basis, basic earnings per ordinary share were 15.69 cent (2007: 17.42 cent).

At year end, Group net debt was €46.8 million (2007: €19.4 million) an increase of €27.4m. Contingent consideration was €8.7 million (2007: €10.4 million) following the acquisitions made in the Trustee and Corporate and Irish Pension Administration and Advisory Divisions.

The International Division, which accounts for 61% of Group adjusted operating profit, produced excellent results with profits of €12.2 million (2007: €9.7 million) representing growth of 26% over the prior year. These results include a full year from the 2007 Swiss acquisition, Gestinor AG. They also include a six month contribution of €2.0 million of profit from the acquisition of our Cyprus based business, Excel-Serve Management Limited. Given the average sterling depreciation of 16% impacting the results, this is a very strong performance.

The UK, which accounts for 34% of Group adjusted operating profit, business continues to make progress growing profit by 8% in the year when the currency impact is stripped out. Operating profit for the period was €6.8 million (2007: €7.5 million). The underlying growth of the business is organic and represents a very significant achievement given the economic backdrop.

Ireland, taken as a whole represents 5% of Group adjusted operating profit. In Ireland we faced an extremely difficult property market which was more challenging than even the most pessimistic expectations. Transactions and revenue fell by extreme levels. Revenue in the Property Division decreased by 53% across all businesses, with the final quarter deterioration being even worse. Losses in the property division amounted to (€0.9) million (2007: €5.2 million profit). In addition our joint venture partner substantially withdrew from the market. We have taken and continue to take the appropriate cost cutting measures in these businesses as volumes have fallen, seeking, where possible, to use technology to streamline processes.

Our other Irish businesses, Pension administration, Individual Advisory and Credit Insurance performed well meeting expectations despite the tough market conditions.

# Chairman's Statement

## **DIVIDENDS**

Your Board is recommending a final dividend of 2.36 cent per share which when added to the interim dividend already paid of 1.27 cent, makes a total of 3.63 cent per share, maintaining the prior year payout. Subject to shareholder approval, the final dividend will be paid on 17 July 2009 to shareholders on the Register on 3 July 2009.

## **DIRECTORS & MANAGEMENT**

As always, I would like to thank all our people for their continued commitment, dedication and professionalism which is reflected in these results and is the basis of our confidence for the future.

## **CURRENT TRADING**

Whilst your Group must weather the prevailing economic conditions, it is well positioned to deal with these challenges. Current trading is, giving the difficulties, in line with expectations in local currency terms.



**JOE MORAN**  
*Chairman*

# Chief Executive's Review

Mark Bourke  
Chief Executive



## GROUP PERFORMANCE

In 2008 the Group performed well in very difficult economic conditions. The overall Group result achieved is all the more impressive in light of a 16% decrease in the value of sterling, which affects 80% of the Group's earnings. This impact was mitigated by the effect of the translation of £23.9 million borrowings and intercompany trading balances. The net effect of these is a €0.8 million gain due to foreign exchange.

During the year the Group continued to develop our administration and advisory competence and diversified by investing in Cyprus and Switzerland. We have also invested in Ireland in a migration from transaction based business to long term repeat income advisory business.

We have continued to deliver growth overall on a constant currency basis in our core businesses despite the rapid decline in profitability of our transaction based property business, an achievement which clearly has not been the general experience in the financial sector.

	<b>Total operating profit/(loss) 2008 €'000</b>	Total operating profit/(loss) 2007 €'000
<b>Trustee &amp; Corporate Services</b>		
International Trustee & Corporate Services	<b>12,209</b>	9,654
<b>Financial Services &amp; Unallocated</b>		
Pensioner Trustee - UK	<b>3,937</b>	3,672
Financial Services - UK	<b>2,889</b>	3,788
Mortgage and Title Insurance - Ireland	<b>(861)</b>	5,166
Financial Services including Central Overhead - Ireland	<b>1,960</b>	(262)
<b>Adjusted operating profit</b>	<b>20,134</b>	22,018
Share based payment compensation - Trustee & Corporate Services	<b>(259)</b>	(442)
- Financial Services	<b>(1,308)</b>	(2,258)
Amortisation of intangibles - Trustee & Corporate Services	<b>(2,988)</b>	(1,722)
- Financial Services	<b>(578)</b>	(254)
<b>Total operating profit</b>	<b>15,001</b>	17,342
Operating profit - Trustee & Corporate Services	<b>8,962</b>	7,490
- Financial Services & Unallocated	<b>6,039</b>	9,852
<b>Total operating profit</b>	<b>15,001</b>	17,342

# Chief Executive's Review

## TRUSTEE AND CORPORATE SERVICES

### Trustee and Corporate Services – (61% of Group adjusted operating profit)

The International Division has delivered significant year on year growth with profits of €12.2 million (2007: €9.7 million) an increase of 26%. On a constant currency basis this equates to growth of 41%.

Acquisitions in 2007 and 2008 accounted for two thirds of this growth with the remainder being organic. 2008 saw a full year contribution from our 2007 Swiss acquisition and from the fund administration arm set up in 2007 with the purchase of Northern Trust International Fund Administration Services (Isle of Man) Limited. Gestinor AG, the Swiss business acquired in 2007 performed to expectation. The fund administration business however remains in an investment phase and is not expected to reach break-even until the latter part of 2009. Although satisfied with the progress we have clearly been hit by the fall in asset prices as fee structures in the fund administration industry are ad valorem in nature. This is, however, the only aspect of our International business where the value of the assets under administration impact the revenue earned.

On 30 June 2008 IFG acquired Excel-Serve Management Limited (“Excel”), a Cyprus based corporate service provider. Excel was originally the corporate service business of Deloitte which was divested in 2005 in an MBO. The acquisition consideration is a maximum €25.0 million. This acquisition is part of the ongoing execution of the business strategy of developing in the key centres of Isle of Man, Jersey, Cyprus, Switzerland and Ireland. It also builds the distribution capacity through the ongoing relationship with Deloitte in Cyprus and internationally. Excel has performed well in 2008 contributing €2.0m in the second half at an operating level.

We have now developed critical mass in our five primary markets, Isle of Man; Jersey; Switzerland; Ireland and Cyprus. We have also developed our competence in fund administration and entered a partnership arrangement with a Swiss firm in a family office offering.

As we have achieved these specific goals, the business, while continuing to grow locally, will now look to opening other centres.

Although we continue to identify appropriate acquisition targets, our near term appetite for acquisitions is limited by our commitment to conservative gearing levels.

Total assets under administration in this business are estimated in excess of €45 billion.

## FINANCIAL SERVICES

### Pensioner Trustee UK – (20% of Group adjusted operating profit)

The UK Pensioner Trustee business grew profit by 7% in 2008 to €3.9 million (2007: €3.7 million). This equates to 23% on a constant currency basis. This demonstrates the ongoing growth in the sector and that our focus in the area is paying off. In 2008 we maintained the pace of growth in our SIPP book at 19%, growing the number of SIPPs under administration from 5,800 to 6,900. In the period we also merged our London and Bristol administration services and updated our SIPP product offering.

The management remain of the view that SIPPs will be the principal member directed retirement planning vehicle in the UK pensions market for the foreseeable future. We estimate the current assets under administration in the business are c. €3 billion.

As stated in our last report the market has put a high valuation on this kind of business. This is evidenced by the Legal & General purchase of a competitor of similar scale on a multiple of approximately 60 times profit before

## Chief Executive's Review

tax. While these valuations may not be applicable today, the fact remains that the nature of the revenue streams supports our contention that this is a strategically important area.

Our reputation, technical competence, service standards and market position as one of the leading providers of specialist SIPPs remain the basis for our optimism in this market.

### **Financial Services UK – (14% of Group adjusted operating profit)**

In 2008 profit from Financial Services was €2.9 million (2007: €3.8 million). The UK Financial Services business is dominated by our fee based advisory business Saunderson House Limited which has delivered again, this time in extremely challenging markets for clients. We believe this performance is singular in the private wealth advisory market. Both revenue and profit in the business are up 19% in sterling terms.

This performance is a result of the strong proposition, business model, market position and top quality management. We believe that we will continue to attract clients in a market materially impacted by the performance of opaque, complex and sometimes leveraged products, frequently sold in situations with inherent conflicts. We are optimistic that even in a market which is more distressed than 2008, Saunderson House Limited will continue to thrive.

IFG Financial Services and DK Wild worked hard to produce a satisfactory year. Siddalls struggled in a hugely difficult market. Management however believe that the servicing of UK citizens retiring overseas will be a niche market with considerable growth prospects in the long term.

### **Mortgage & Title Insurance Ireland – (Loss of €0.9m is equivalent to (4%) of Group adjusted operating profit)**

The Irish Property Division provides mortgage broking in prime and specialist markets as well as title insurance in the remortgage market. A loss of €0.9 million compares with a profit of €5.2 million in the prior year. In Ireland, the property market collapsed in 2008 with inevitable results in our broking and title insurance businesses. Our response continues to revolve around cost control and consolidation of the broker market by providing a low cost technology driven platform.

Lender cheque issues for the year were €0.9 billion (2007: €1.4 billion). The broker network continues to acquire new brokers. It should be noted that IFG take no lending or insurance risk in relation to these activities.

### **Financial Services including central overhead Ireland – (9% of Group adjusted operating profit)**

Our other Irish units, Group and Individual Advisory (where we have c. €2.0 billion of assets under advice) and Specialist broking performed well in 2008.

Despite the extremely difficult markets in Ireland, the Group made considerable progress on a number of fronts. In the pensions area we made two acquisitions at a total expected cost of €11.7 million including an earn-out of circa €5.8 million over a three to four year period. These bring scale and competence to our business, and more importantly significantly enhance our core offering of pension planning which is independent, tailored to the individual and cost effective. This will form a basis for the advisory skills we bring to our customers in the Irish market.

## Chief Executive's Review

### GROUP FINANCING

	As at 31 December 2008			As at 31 December 2007		
	Core €'m	Investment €'m	Total €'m	Core €'m	Investment €'m	Total €'m
Total net borrowings	43.9	2.9	46.8	16.5	2.9	19.4
Contingent consideration			20.9			10.4
Less restricted cash - held in escrow			(12.2)			-
<b>Total net commitment</b>			<b>55.5</b>			<b>29.8</b>

The Group's net cash generated from operating activities was €12.6 million (2007: €18.1 million). During 2008 the Group made a net investment of €40.3 million (2007: €12.7 million) in acquisitions and capital expenditure. This was funded through a combination of an equity placement of 5% (€7.5 million) in May 2008, an increase in borrowings and internally generated cash.

The bank facilities of the Group were negotiated in 2006. Annual debt repayments in 2009 will be financed from operating cash flow. The next refinancing date is November 2011. On current projections Group net debt will be €20.0 - €25.0 million at the end of 2011.

### OUTLOOK

2008 was a year of excellent performance given particularly difficult markets and sterling's weakness. The Group has continued to strengthen its core administration, advisory services and growing the assets under our administration and advice.

Our strategy of building diversified and geographically spread income streams is proving resilient in adverse economic conditions and will leave us well positioned for any economic recovery. 2009 will be a very challenging year, but one in which IFG expect to deliver solid results.



**MARK BOURKE**  
Chief Executive

# Notice of Meeting

Notice is hereby given that the Forty Fifth Annual General Meeting of IFG Group plc will be held at the Radisson Hotel, Stillorgan, Co. Dublin, on Wednesday 1 July 2009 at 12.00 noon for the following purposes:

## Ordinary Business

- 1 To receive and consider the report of the directors, financial statements and the independent auditors' report thereon for the year ended 31 December 2008.
- 2 To declare the dividend recommended by the directors.
- 3 To re-elect as a director Mark Bourke who retires by rotation in accordance with the Company's Articles of Association.
- 4 To re-elect as a director John Rowan who retires by rotation in accordance with the Company's Articles of Association.
- 5 To re-elect as a director Donal Lynch who retires by rotation in accordance with the Company's Articles of Association.
- 6 To re-elect as a director Declan Kenny who retires by rotation in accordance with the Company's Articles of Association.
- 7 To re-elect as a director Thomas Wacker who retires in accordance with best practice under the Combined Code on Corporate Governance.
- 8 To authorise the directors to agree the remuneration of the auditors.

## Special Business

### 9 As an Ordinary Resolution

"that the directors of the Company be and they are generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 20 of the Companies (Amendment) Act, 1983) up to an aggregate nominal amount not exceeding the present authorised but unissued capital of the Company; provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or 30 September 2010 (if earlier) unless previously renewed, varied or revoked by the Company, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities pursuant to such an offer or agreement as if the authority conferred hereby had not expired".

### 10 As a Special Resolution

"that the directors be and they are hereby empowered pursuant to Section 23 and Section 24 (1) of the Companies (Amendment) Act, 1983 to allot equity securities (within the meaning of Section 23 of the said Act) for cash pursuant to the authority conferred by Resolution 9 above as if Section 23 (1) of the Companies (Amendment) Act, 1983 did not apply to such allotment provided that this power shall be limited:-

- i to the allotment of equity securities in connection with a rights issue in favour of shareholders where the equity securities respectively attributable to the interests of all shareholders are proportionate (as nearly as may be) to the respective number of Ordinary Shares held by them; and
- ii to the allotment (otherwise than pursuant to sub-paragraph i above) of equity securities up to an aggregate nominal value of €890,936 representing ten per cent of the issued share capital of the Company at 31 December 2008.

The power hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or 30 September 2010 (if earlier) unless such power shall be renewed in accordance with and subject to the provisions of the said Section 24 save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to such an offer or agreement as if the authority conferred hereby had not expired".

### 11 As a Special Resolution

"that the Company be and is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 212 of the Companies Act, 1990) on The London Stock Exchange and/or The Irish Stock Exchange of Ordinary Shares of €0.12 each in the capital of the Company ("Ordinary Shares") provided that :

- a. the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 7,424,472 (representing ten per cent of the issued ordinary share capital at 31 December 2008);
- b. the minimum price (exclusive of expenses) which may be paid for an Ordinary Share is €0.12 being the nominal value of an Ordinary Share;

## Notice of Meeting

- c. the maximum price (exclusive of expenses) which may be paid for an Ordinary Share is not more than five per cent above the average of the bid and offer price for an Ordinary Share for the ten business days immediately preceding the day on which the Ordinary Shares are purchased;
- d. unless previously revoked or varied, the authority hereby conferred shall expire at the close of business on 31 December 2010;
- e. the Company may make a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares in pursuance of such a contract or contracts, notwithstanding that this authority has otherwise expired".

### 12 As a Special Resolution

"that for the purposes of Section 209 of the Companies Act, 1990, the reissue price range at which any Treasury Shares (as defined by the said Section 209) for the time being held by the Company may be re-issued off-market shall be as follows:

- a. the maximum price at which a Treasury Share may be re-issued off-market, shall not be more than five per cent above the average of the bid and offer price for an Ordinary Share for the ten business days immediately preceding the day on which the Treasury Share is re- issued;
- b. the minimum price at which a Treasury Share may be re-issued off-market shall not be less than ten per cent below the average of the bid and offer price for an Ordinary Share for the ten business days immediately preceding the day on which the Treasury Share is re-issued.

Unless previously revoked or varied, the authority hereby conferred shall expire at the close of business on 31 December 2010".

### 13 As an Ordinary Resolution

"that the maximum number of Ordinary Shares in respect of which options may be issued under the IFG Group Share Option Scheme 2000 and the IFG Group Share Option (UK) Scheme 2000 be and it is hereby increased by 457,877 Ordinary Shares to 7,424,472 Ordinary Shares".

By order of the Board

*D M Lynch, Secretary*

IFG House  
 Booterstown Hall  
 Booterstown  
 Co Dublin

21 April 2009

#### Notes

- 1 A member entitled to attend and vote may appoint a proxy to attend, speak and vote instead of him and such proxy need not necessarily be a member of the Company. A proxy form is enclosed for this purpose. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of authority must be deposited at the registered office of the Company by not later than 12.00 noon on 29 June 2009. In the case of a corporation, the proxy form must be either under the common seal or under the hand of an officer or attorney authorised in that behalf. In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other registered holders of the shares and for this purpose seniority shall be determined by the order in which the names stand in the register of members. Completing and returning a proxy form shall not preclude a member from attending and voting at the meeting should he/she so wish.
- 2 The following documents will be available at the registered office of the Company on Monday to Friday during normal business hours and at the place of the meeting for a period of fifteen minutes before and during the meeting:
  - a The register of Directors' or Secretary's interest in shares in, or debentures of, the Company or any subsidiary;
  - b The register of interests in shares in the Company;
  - c The rules of the IFG Group Share Option Scheme 2000 and the IFG Group Share Option (UK) Scheme 2000;
  - d The Memorandum and Articles of Association of the Company;
  - e The Service Contracts of Directors.

# Report of the Directors

The Directors of IFG Group plc present their report and the audited financial statements for the year ended 31 December 2008.

## Activities

The principal activities of the Group are the provision of financial advisory services and international corporate and trustee services. The Chairman's Statement on pages 5 and 6 and the Chief Executive's Review on pages 7 to 10 contain a review of the development of the businesses of the Group during the year, the position at the year end and of likely future developments.

## Results

The profit for the financial year after taxation and minority interest was €11,365,000 (2007: €12,069,000).

## Dividends

An interim dividend of 1.27 cent per ordinary share, subject to withholding tax at 20% (2007: 1.16 cent), was paid on 28 November 2008 and a final dividend of 2.36 cent per ordinary share, which may be subject to withholding tax at 20% (2007: 2.47 cent subject to withholding tax at 20%), will be paid on 17 July 2009 to qualifying shareholders on the register on 3 July 2009.

## Business Review

A detailed commentary and review of the divisional activities of the Group is contained in the Chief Executive's review on pages 7 to 10 of the annual report.

## Principal Risks and Uncertainties

The principal risks and uncertainties facing the Group and Company include those that could arise from adverse developments in the following areas:-

- ▶ the regulatory, taxation or legislative environment applicable to the Group's activities;
- ▶ the intensity of competition in the markets in which the Group operates;
- ▶ the economic, technological and other macro factors affecting demand for the Group's services;
- ▶ the Group's ability to successfully manage its costs and to maintain its profit margins during periods of declining income;
- ▶ the ability to attract and retain highly skilled employees and executives;
- ▶ the ability of the Group to avoid disruption to its key information technology systems;
- ▶ significant adverse movement in foreign currencies particularly Sterling pounds;
- ▶ the maintenance of satisfactory relationships with key customers and intermediaries;
- ▶ the ability to contain the level of loss arising from complaints from customers who have allegedly suffered losses as a result of mis-selling of financial products;
- ▶ the performance of its mortgage processing and broking business in Ireland;
- ▶ the risks associated with integrating acquisitions into the business and in successfully realising the growth expected from such acquisitions.

The Directors monitor all of the above risks and take appropriate action to mitigate those risks or address their potential adverse consequences. Financial risk management objectives and policies which have been implemented by executive management are set out in Note 3 to the consolidated financial statements.

## Report of the Directors

### Directors

Patrick Joseph Moran, aged 73, is non-executive Chairman of the Company. He is also a director of a number of other companies.

Mark Bourke, aged 42, is Group Chief Executive. He was previously a Partner in international tax services with PricewaterhouseCoopers US, San Jose, California.

Mark Bogard, aged 47, is an executive Director and is Chief Executive Officer of IFG's UK Operations.

Declan Kenny, aged 47, is an executive Director and is Chief Executive Officer of IFG's International Division.

Gary Owens, aged 50, is Chief Executive Officer of IFG's Irish Operations. He is an Associate of the Chartered Insurance Institute and has held many senior roles in both Life and General Insurance industries. He is also a non-executive director of AIG Ireland Limited, for which he received and retained remuneration of €18,000 in the year.

Colm Barrington, aged 63, is a non-executive Director. He is managing director of Babcock and Brown Limited and Chairman of Aer Lingus plc.

John Lawrie, aged 66, is a non-executive Director and a former chairman of Aberdeen Asset Management Ireland Limited, investment managers to Scottish Provident Ireland whose Irish equity portfolios he managed for over twenty five years.

Donal Lynch, aged 63, a Chartered Secretary, is executive Director of Legal and Secretarial and also Company Secretary.

Frank Ryan, aged 55, is an executive Director with responsibility for new markets and new business developments.

John Rowan, aged 50, is a non-executive Director. He is a fellow of the Institute of Chartered Accountants in Ireland and a former director of Anglo Irish Bank Corporation plc. He is also a non-executive director of Edinburgh House Estates plc.

Victor Quigley, aged 61, is the executive Director responsible for the Group's Irish Financial Services division. He is also founding editor of the 'Irish Broker' magazine and a former Council Member of the IBA.

Thomas Wacker, aged 65, is a non-executive Director and was the chairman and chief executive of the Group's operations in the Isle of Man until 1996. Prior to joining IFG he was chairman of Royal Trust International.

In accordance with the Articles of Association of the Company Mark Bourke, John Rowan, Donal Lynch and Declan Kenny retire by rotation and, being eligible, offer themselves for re-election. In accordance with best practice under The Combined Code on Corporate Governance Tom Wacker retires, and being eligible, offers himself for re-election. The Directors believe that each of the retiring Directors should be re-elected on the basis that they bring the necessary and appropriate balance of skills and experience within the Company and on the Board. Service agreements and contracts are dealt with later in this report.

## Report of the Directors

### Directors' Remuneration - audited

The remuneration of the Directors for the year ended 31 December 2008 is noted below:

	Salary €'000	Fees €'000	Bonus €'000	Other €'000	Pension €'000	Total €'000
Patrick Joseph Moran	-	60	-	-	-	60
Mark Bourke	457	-	119	26	70	672
Mark Bogard	338	-	152	1	-	491
Declan Kenny	273	-	197	9	55	534
Gary Owens	315	-	-	28	63	406
Colm Barrington	-	45	-	-	-	45
John Lawrie	-	45	-	-	-	45
Donal Lynch	200	-	50	16	107	373
Frank Ryan	327	-	-	18	180	525
John Rowan	-	45	-	-	-	45
Victor Quigley	236	19	190	4	297	746
Thomas Wacker	-	45	-	-	-	45
<b>Total</b>	<b>2,146</b>	<b>259</b>	<b>708</b>	<b>102</b>	<b>772</b>	<b>3,987</b>

The remuneration of the Directors for the year ended 31 December 2007 is noted below:

	Salary €'000	Fees €'000	Bonus €'000	Other €'000	Pension €'000	Total €'000
Patrick Joseph Moran	-	60	-	-	-	60
Richard Hayes (resigned 3 July 2007)	20	23	-	-	-	43
Mark Bourke	484	-	376	26	12	898
Mark Bogard	354	-	149	1	-	504
Declan Kenny	273	-	2,409	9	56	2,747
Gary Owens (appointed 6 September 2007)	150	-	100	8	30	288
Colm Barrington	-	45	-	-	-	45
John Lawrie	-	45	-	-	-	45
Donal Lynch	200	-	42	16	105	363
Frank Ryan	105	-	75	23	86	289
John Rowan	-	45	-	-	-	45
Victor Quigley	252	19	-	5	461	737
Thomas Wacker	-	45	-	-	-	45
<b>Total</b>	<b>1,838</b>	<b>282</b>	<b>3,151</b>	<b>88</b>	<b>750</b>	<b>6,109</b>

The remuneration tables above do not include the accounting charges in respect of share based payment entitlements of some of the executive directors. The accounting charges in respect of the share based payment compensation entitlements is disclosed later in the directors' report.

## Report of the Directors

All Directors' pension contributions are paid to defined contribution schemes, with the exception of Declan Kenny who is a member of a defined benefit scheme. Details of Declan Kenny's pension benefits are disclosed below:

	Decrease in accrued benefits during 2008 €'000	Accrued benefit at year end €'000	Transfer value 31 December 2008 €'000	Transfer value 31 December 2007 €'000
Declan Kenny	(7)	66	387	546

### Directors' interest in Long Term Incentive Plan - audited

In addition to the interests in shares outlined below conditional Ordinary Shares of €0.12 each awarded to executive directors under the IFG Long Term Incentive Plan 2006, subject to the Rules of the Plan, and which are held in an Employee Benefit Trust on their behalf, are as follows:

Mark Bourke	250,000 shares
Mark Bogard	250,000 shares
Frank Ryan	250,000 shares
Declan Kenny	145,833 shares
Gary Owens	66,667 shares

Share awards granted / to be granted to executive directors is set out below:

Director	Performance cycle ending	Grant date	Market price per ordinary shares at grant date €	Shares earned at 01.01.08 Number	Shares earned in year Number	Shares earned as at 31.12.08 Number	Maximum that can be earned Number
Mark Bourke	31.12.2010	28.09.2006	2.10	500,000	250,000	750,000	1,250,000
Frank Ryan	31.12.2010	28.09.2006	2.10	500,000	250,000	750,000	1,250,000
Mark Bogard	31.12.2010	28.09.2006	2.10	500,000	250,000	750,000	1,250,000
Gary Owens	31.12.2010	14.07.2007	2.22	200,000	200,000	400,000	800,000
Declan Kenny	31.12.2010	20.11.2007	1.52	312,500	250,000	562,500	1,062,500

The Share Awards under the Long Term Incentive Plan ('LTIP'), approved by shareholders at an Extraordinary General Meeting on 28 September 2006, are contingent on the achievement of defined annual adjusted EPS growth targets for the financial years 2006 to 2010 and on the recipients remaining with the Group until the end of the performance period.

## Report of the Directors

The Share Awards in respect of the year ended 31 December 2008 will, in accordance with the rules of the LTIP, be awarded at the end of the performance period, 31 December 2010.

During 2008, one tranche of Ordinary Shares of 670,834 were issued to the Employee Benefit Trust on behalf of the directors. The market price of these Ordinary Shares at date of issue was €2.11 per share. During 2007, two tranches of shares of 250,000 and 41,666 were issued to the Employee Benefit Trust. The market price of these shares at date of issue was €2.10 per share and €1.42 per share respectively.

The accounting charge calculated in line with the Group's accounting policy in respect of the LTIP for the year including the employer's social security contribution was €1,163,000 (2007: €2,250,000).

### Directors' interests in shares

The interests of the Directors in office and their families, all of which were beneficial, in the €0.12 ordinary shares of the Company at 31 December 2008 and 31 December 2007, or date of appointment, if later, are noted below:

	At 31 December 2008		At 31 December 2007	
	Shares under option	Share holding	Shares under option	Share holding
Patrick Joseph Moran	-	5,413,612	-	5,237,628
Mark Bourke	275,000	553,275	275,000	535,289
Mark Bogard	250,000	10,440	250,000	10,101
Declan Kenny	100,000	558,084	100,000	539,942
Colm Barrington	-	516,800	-	500,000
John Lawrie	-	50,000	-	10,000
Donal Lynch ( <i>also Company Secretary</i> )	275,000	152,074	275,000	147,130
John Rowan	-	25,840	-	25,000
Frank Ryan	120,000	419,713	120,000	406,069
Victor Quigley	75,000	901,211	75,000	871,915
Thomas Wacker	-	314,955	-	304,717
Gary Owens ( <i>appointed 6 September 2007</i> )	-	36,800	-	20,000

There have been no changes in the above holdings between 31 December 2008 and 21 April 2009.

## Report of the Directors

### Share Options - audited

The dates granted and prices of the shares under option are as follows:

VW Quigley	DM Lynch	FE Ryan	DT Kenny	MG Bourke	MA Bogard	Date Granted	Exercise price	Expiry date
-	-	-	-	-	250,000	16.04.2005	99c	15.04.2015
25,000	25,000	-	-	25,000	-	13.07.2004	102c	12.07.2014
-	-	20,000	50,000	-	-	16.04.2004	114c	15.04.2014
-	-	-	-	250,000	-	06.09.2000	170c	05.09.2010
50,000	250,000	-	-	-	-	04.07.2000	140c	03.07.2010
-	-	100,000	25,000	-	-	11.05.2000	114c	10.05.2010
-	-	-	25,000	-	-	24.05.1999	77.45c	23.05.2009
<b>75,000</b>	<b>275,000</b>	<b>120,000</b>	<b>100,000</b>	<b>275,000</b>	<b>250,000</b>	Total at 31 December 2008		
75,000	275,000	120,000	100,000	275,000	250,000	Total at 31 December 2007		

The market price at the beginning and at the end of the year on the Irish Stock Exchange of the Company's Ordinary Shares was €1.63 and €0.47 respectively. During the year the price ranged from €2.24 to €0.47.

The accounting charge calculated in line with the Group's accounting policy in respect of the directors' share options for the year was €14,000. (2007: €56,000)

### Director's Service Agreements and Contracts

There are no contracts of service terminable on more than one year's notice existing or proposed between the IFG Group and any Director of IFG Group plc. Executive Directors Mark Bourke, Mark Bogard, Declan Kenny, Frank Ryan and Gary Owens have each entered into Service Agreements and Contracts of Employment with the Group on terms which include participation in the Long Term Incentive Plan, and, *inter alia*, provides for salaries, pension contributions and compensation commitments in the event of early termination.

Other than as disclosed in Note 35 'Related party transactions', there has not been any contract or arrangement with the Company or any subsidiary during the year in which a Director of the Company was materially interested and which was significant in relation to the Company's business.

# Report of the Directors

## Substantial Shareholdings

So far as the Board is aware, the following are the holdings (other than Directors) of more than 3% of the issued share capital of the Company at 21 April 2009.

	Number of shares	% of issued share capital
TS Capital Limited	5,575,000	7.44
Nordea Bank Danmark AS	4,995,094	6.67
Dexia Bank	4,524,114	6.04
Richard Hayes	4,484,539	5.98
Promethean Investment Fund LLP	4,469,658	5.96
Mawer Investment Management Ltd.	3,087,400	4.12

## Annual General Meeting

Notice of the Company's Forty Fifth Annual General Meeting is set out on pages 11 and 12.

The Directors believe that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders. They intend to vote in favour of each of the resolutions and recommend that shareholders also vote in favour of such resolutions.

The resolutions to be proposed as special business at the meeting are explained below.

## Allotment of Shares

At the Company's Annual General Meeting held on 1 July 2008 the Directors were authorised to allot relevant securities up to an aggregate nominal amount not exceeding the then authorised but unissued share capital of the Company. This authority expires at the conclusion of this year's Annual General Meeting. In resolution number 9, the Directors are seeking authority for renewal of this authority in respect of the current authorised unissued share capital of the Company.

At this meeting, the Directors were also authorised to allot shares in the Company for cash up to a nominal value of €417,995 as if the provisions of Section 23(1) of the Companies (Amendment) Act, 1983 did not apply. This authority expires at the conclusion of this year's Annual General Meeting. Under the Companies (Amendment) Act, 1983, any Ordinary Shares issued for cash must first be offered to existing shareholders unless approval of the ordinary shareholders is obtained that these provisions should not be applied. Your Directors consider it desirable that this authority should be renewed, thereby enabling them to retain the ability to make allotments of ordinary shares for cash, other than by way of rights issues to existing ordinary shareholders. Your Directors believe it appropriate that the authority should be sought for an amount of €890,936, being ten per cent of the nominal amount of the Company's issued share capital at 31 December 2008, to enable it, should the opportunity present itself, to increase the capital base of the Company. The Directors are making the proposal in resolution number 10 which is a special resolution. However, it is not the Directors current intention to use this authority. Approval for this authority is sought until 30 September 2010.

# Report of the Directors

## Authority to Purchase Own Shares

At the Company's Annual General Meeting held on 1 July 2008, the Directors were granted authority to make market purchases (within the meaning of Section 212 of the Companies Act, 1990) up to a maximum aggregate number of 6,966,595 ordinary shares, representing ten per cent of the issued ordinary share capital net of repurchases. The Directors were also authorised to re-issue off-market Treasury Shares within defined price ranges. In resolutions number 11 and 12, which are special resolutions, the Directors are seeking approval for renewal of these authorities for 7,424,472 ordinary shares representing ten per cent of the issued share capital of the Company as at 31 December 2008. The Directors are seeking approval for renewal of this authority until 31 December 2010.

## Authority to increase the number of Shares issued under Share Option Schemes

The Company operates two share option schemes for Directors and employees – the IFG Group Share Option Scheme 2000 and the IFG Group Share Option (UK) Scheme 2000 – under which options of up to ten per cent of the issued share capital of the Company may be granted to employees. In line with the increased capital of the Company an ordinary resolution, set out in resolution number 13, to increase the existing authority to 7,424,472 ordinary shares is being proposed at the Annual General Meeting.

## Research and Development

The Group continues to research and develop new financial services products and to improve existing ones.

## Political and Charitable Donations

The Group made €26,000 in charitable donations and no political donations during the year.

## Subsidiary Undertakings

The Group's principal subsidiaries and associates as at 31 December 2008 are listed on pages 98 to 100. Acquisitions completed during the year are set out in Note 5 to the Financial Statements.

## Events since the year end

There have been no significant events since the year-end.

## Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Irish Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the Company balance sheet in accordance with generally accepted accounting practice in Ireland, comprising applicable law and the Financial Reporting Standards issued by the Accounting Standards Board in the UK and promulgated by the Institute of Chartered Accountants in Ireland. The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the parent company and of the profit or loss of the Group 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 estimates that are reasonable and prudent;
- ▶ state that the Group financial statements comply with IFRSs as adopted by the European Union;
- ▶ prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and the parent company will continue in business.

# Report of the Directors

The directors are also required by applicable law and the Listing Rules issued by the Irish Stock Exchange, to prepare a directors' report and reports relating to directors' remuneration and corporate governance. In accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 ("the Transparency Regulations"), the directors are required to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the company and the Group.

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the company and the Group and to enable them to ensure that the financial statements comply with the Companies Acts 1963 to 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities. The measures taken by the Directors to secure compliance with the Company's obligation to keep proper books of account are the use of appropriate systems and procedures and the employment of competent persons. The books of account are kept at the registered office of the Company. A copy of these financial statements will be published on the Companies website [www.ifggroup.com](http://www.ifggroup.com). The Directors are responsible for the maintenance and integrity of the Group's web site.

Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Directors' statements pursuant to the Disclosure and Transparency Rules

Each of the directors, whose names and functions are listed on page 14 of the Directors' report confirm that, to the best of each person's knowledge and belief:

- ▶ The Group financial statements, prepared in accordance with IFRSs as adopted by the EU,

give a true and fair view of the assets, liabilities, financial position and profit of the Group;

- ▶ The parent company financial statements, prepared in accordance with generally accepted accounting practice in Ireland, give a true and fair view, of the assets, liabilities and financial position of the parent company; and
- ▶ The directors' report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties that they face.

## Going Concern

After making reasonable enquiries, the Directors have a reasonable expectation that the Group and Company have 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.

## Auditors

In accordance with Section 160 of the Companies Act, 1963, PricewaterhouseCoopers, Dublin have indicated their willingness to continue in office.

On behalf of the Board

**M G BOURKE**  
*Chief Executive*

**D M LYNCH**  
*Company Secretary*

21 April 2009

## Corporate Governance

The Irish Stock Exchange (“ISE”) has adopted The Combined Code on Corporate Governance (the “Combined Code 2003”) effective November 2003, the Revised Guidance for Directors on the Combined Code (October 2005), and the updated version of the Combined Code in June 2006 (the “Combined Code 2006”), collectively the “Combined Code”. The following paragraphs set out how the Company currently applies the principles of the Combined Code.

The Company is headed by a Board consisting of seven executive Directors and five non-executive Directors (see biographical details on page 14). The Board provides leadership of the IFG Group and either directly or indirectly through the operation of Committees of Directors and delegated authority, bring an independent judgment on issues of strategy, resources and standards of conduct. The Board sets the Group’s strategic aims and specifies key developments towards the strategic objectives that are to be achieved by management within an agreed budget.

The executive Directors have extensive experience of the financial services business and are responsible for the operational management of the Group’s businesses. This specialist knowledge is backed up by the general business skills of each of the individual Directors involved and by the broadly based skills and knowledge of each of the non-executive Directors. Operational responsibility within the Group rests with the Group Chief Executive and is devolved through an executive structure with clearly delegated and appropriate levels of authority. Members of Group management are accountable for the operation of the systems of internal control within the Group’s core businesses. The Board is satisfied that it has in place an effective team to lead and control your Company.

Whilst primary accountability for managing risk lies with the business units which has put in place the ongoing management and monitoring disciplines for risk and activities under their control, the Board has reviewed these mechanisms where the performance of the business is monitored, risks are identified in a timely manner, their financial implications assessed, control procedures re-evaluated and, where appropriate, required corrective action to be implemented. Within the Company there is a clear division of responsibilities, with the Board retaining

control of major decisions, and importantly, the roles of Chief Executive and Chairman are independent of each other. When deemed appropriate the Chairman may hold meetings with the non-executive Directors without executive Directors being present. There is a procedure in place to enable the Directors to take independent professional advice at the Company’s expense. The Group maintains appropriate insurance cover for its Directors, officers and employees, including cover in respect of legal action against its Directors. The Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Articles of Association of the Company give the necessary power to the Directors to appoint and remove the Company Secretary.

The Combined Code defines “an independent director” as one who is “independent in character and judgement, and whether there are relationships or circumstances which are likely to affect, or could appear to affect the director’s judgement”. Patrick Joseph Moran and Thomas Wacker have held the positions of non-executive Chairman and non-executive Director for more than nine years, respectively. In addition Mr Moran holds ordinary shares representing 7.29% of the issued share capital of the Company. These are matters which may appear relevant to the determination as independent directors under the Code. Having regard to the size of the Company, and the composition of the full Board it is the belief of the Board that the composition of the Board as a whole ensures a sufficiently strong independent contribution from non-executive Directors.

The Board is supplied on a timely basis with information in a form and of a quality to enable it to discharge its duties. In accordance with the guidance laid down by the Financial Reporting Council there is ongoing review of the processes of identification, evaluation and management of the significant risks faced by the Group, such risk processes being in place throughout the year 2008 and up to 21 April 2009, the approval date of the financial statements. The Board meets at least bi-monthly with additional meetings as required. The Board met seven times in the year to 31 December 2008. All members of the Board attended these meetings save for apologies

## Corporate Governance

from Colm Barrington and Declan Kenny (two meetings), and John Rowan and Tom Wacker (one meeting). In addition eight meetings of Board Committees were held in the year to deal with routine business of the Company. The Articles of Association of the Company currently provide that all Directors are subject to retirement by rotation on the basis that one-third, or the number nearest one-third, of their number retire at each Annual General Meeting.

The disclosure of Directors' remuneration is set out in the Directors' Report in accordance with the requirements of the Irish Companies Acts, 1963 to 2006 and with the requirements of the Listing Rules of the Irish Stock Exchange.

The Company places considerable importance and puts significant effort into communications with shareholders. The Group Chief Executive meets regularly with institutional shareholders and brokers catering for private shareholders, where an ongoing programme of dialogue and meetings deals with a wide range of relevant matters including strategy, performance, management and governance are discussed. The Combined Code suggests that the senior independent non-executive Directors should attend meetings with major shareholders, and that major shareholders should be offered the opportunity to meet with new non-executive Directors, in order to develop a balanced understanding of their issues and concerns. To a limited extent this had been followed with occasional meetings with significant shareholders involving the Chairman. The Group does not believe that given its size, it is necessary to implement these code provisions on an ongoing basis. Instead, the Group Chief Executive reports to the Board on meetings with shareholders and brokers. The Chairman is available to shareholders if contact through the normal communication channels is inappropriate. At its Annual General Meeting, the Company complies with the provisions of the Combined Code relating to the disclosure of proxy votes and the separation of resolutions. The outcome of General Meetings of the Company, including voting results, is published on the Company's website following conclusion of the meeting.

The Directors believe the annual report and accounts, interim report and business review, and other shareholder communications, provide a balanced and, in the context of the complexities

imposed by modern financial accounting rules, an understandable assessment of the Company's financial position and prospects.

The process by which Group staff may in confidence raise concerns about possible improprieties in financial reporting and other matters was introduced in the year 2005 and remains in place.

The Directors confirm that the Company has reviewed the provisions of the Combined Code and is in compliance therewith save for:-

- (i) Meetings with major shareholders have not been held with senior non-executive Directors present, such meetings being held with the Group Chief Executive and, to a limited extent, with the Chairman present, as explained above;
- (ii) The non-executive Chairman Patrick Joseph Moran and a 7.29% shareholder in the Company, has held the position of Chairman since 1989. The Company considers that position is acceptable having regard to the size of the Company and the composition of the Board as a whole.

In addition to their statutory responsibilities all non-executive Directors have specific responsibility of attending at Board Meetings and, where appropriate, membership of the Board sub-committees. Regular contact and availability to the Chairman and the Group Chief Executive for advice and ideas, remain critical. Active participation and contribution at Board Meetings is encouraged.

The Chairman is a non-executive Director and carries the same responsibilities as all his non-executive colleagues. However, as well as conducting Board Meetings and being a member of sub-committees, he is the one constant in the management of Board affairs. He is responsible for the leadership of the Board and ensuring its continued effectiveness in carrying out its duties and setting its agenda. He is also responsible for ensuring that all Directors receive accurate, timely and clear information. He ensures that new Directors receive appropriate induction on joining the Board. He facilitates the effective contribution of his non-executive colleagues and ensures constructive relationships exist between executive and non-executive Directors.

A performance evaluation of the Board, its committees and individual Directors is undertaken from time to time. This review of individual

## Corporate Governance

Directors performance is conducted by the Chairman with performance measured against a number of measures, including the ability of the Director to contribute to the development of the Group's strategy, to understand the major risks affecting the Group and to commit the necessary time required to fulfil the role. The Chairman also conducts, in conjunction with the Company Secretary, an annual review of Corporate Governance, the operation and performance of the Board and of its Committees. The Chairman may act on the results of the performance evaluation by recognising the strengths and weaknesses of the Board. When considered appropriate, new members of the Board will be sought and appointed.

### Board Committees

There are four Board Committees:

- i) An Audit Committee, which is comprised of three non-executive Directors. The Committee is chaired by John Lawrie and the members are Joe Moran and Colm Barrington.

The Directors review the effectiveness of the systems of financial, operational and compliance controls of the Group. This includes review of the annual and interim financial statements, company announcements, internal control procedures, accounting policies, and compliance with accounting standards, the appointment and fees of external auditors and such other related functions as may arise.

The Audit Committee and the Board have considered whether an internal audit function should be established and have concluded that, in conjunction with the activities of the Internal Control and Risk Committee, and having regard to the Group's divisional financial control framework, such an appointment should be made. These arrangements have been concluded and will be fully in place effective 1 April 2009.

The Committee has made arrangements by which the Group's staff may, in confidence, raise concerns about possible improprieties in the matters of financial reporting and other matters.

The Committee considers auditor objectivity and independence in the context of non-audit services provided by the Group's auditors. In particular the Committee considers, annually,

reports of the total audit and non-audit fees paid to the Group's external auditors.

The Group has a policy governing the conduct of non-audit work by the auditors. Under that policy, the auditors may not perform services where they (i) are required to audit their own services (ii) participate in activities that would normally be undertaken by management (iii) are remunerated through a 'success fee', where success is dependent on the audit and (iv) act in an advocacy role for the Group. Other than the aforementioned, the Group does not impose an automatic ban on the Group auditors undertaking non-audit work. The auditors are permitted to provide non-audit work services provided they have the skill, competence and integrity to carry out the work and are considered by the Committee to be the most appropriate to undertake such work in the best interests of the Group.

In the year ended 31 December 2008 the Audit Committee met three times. All members of the Committee attended these meetings save for apologies from Colm Barrington (one meeting). The Group Chief Executive was in attendance at each meeting.

- ii) A Remuneration Committee, which is comprised of three non-executive Directors. The Committee is chaired by Joe Moran and the members are John Lawrie and Colm Barrington.

It determines the remuneration of the executive Directors and reviews that of other senior executives in the Group. Salaries are set in relation to industry norms and are designed to attract, retain, motivate and reward executives of suitably high calibre. Group executives may qualify for bonuses determined by the performance of the Group and its business units in relation to challenging objectives and specific budgetary targets.

Detail of Directors' remuneration is set out on page 15 and in note 8 to the Financial Statements.

All of the Directors' pension contributions are paid to defined contribution schemes, with the exception of Declan Kenny who is a member of a defined benefit scheme. The Board of Directors determine the remuneration of the Chairman and non-executive Directors. The

## Corporate Governance

remuneration of the non-executive Directors reflects the time commitment and responsibilities of the role.

It is the policy of the Company to grant share options under the terms of the IFG Group Share Option Scheme 2000 and the IFG Share Option (UK) Scheme 2000 to executive Directors and key employees of the Group to encourage identification with shareholders' interests in general. The number of shares over which options may be granted under these schemes or any other share option scheme during the period of 10 years ending on the relevant date of grant, whether exercised or not, is limited to 10% of the number of shares in issue on the relevant date of grant. Options granted are entirely consistent with the share option schemes rules approved by shareholders. There was no departure from the Company's policy in the period under review and no change in the policy from the previous year.

The Remuneration Committee also ensures compliance with the terms of Long Term Incentive Plan for some of the executives of the Group.

In the year ended 31 December 2008 the Remuneration Committee met twice, with all members present together with the Group Chief Executive in attendance.

- iii) A Nomination Committee, which is comprised of three non-executive Directors. The Committee is chaired by Joe Moran and the members are John Lawrie and Colm Barrington. The Nomination Committee is established to carry out a formal selection process of candidates and to make recommendations to the Board on all new Board appointments (having due regard to the provisions of the Articles of Association of the Company regarding the appointment of Directors). The Committee shall, before an appointment is made, prepare a description of the role and capabilities required for a particular appointment; consider candidates from a wide range of backgrounds and consider candidates on merit against objective criteria; and keep under review, together with the full Board, the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation

to compete effectively in the marketplace. When deemed appropriate, in relation to the proposed appointment of a non-executive Director, the Nomination Committee may employ the services of an external search consultant or the use of open advertising, or both.

In the year ended 31 December 2008 the Nomination Committee met once, with all members and the Group Chief Executive present.

- iv) An Internal Control and Risk Committee, which is comprised of three non-executive Directors. The Committee is chaired by John Rowan and the members are John Lawrie and Tom Wacker.

This Committee was formed to assist the Board in fulfilling its oversight responsibilities for Corporate Governance by evaluating business and reputational risks, by reviewing the systems of internal controls over business operations and by reviewing the Company's processes for monitoring compliance with laws, regulations and codes of conduct. The Committee liaises with the Audit Committee as appropriate.

The evaluation of business risk is conducted through a formal process of risk control assessment review over each trading subsidiary company in each of the operating divisions under risk headings, including, *inter alia*, strategic, regulatory, tax, legal, financial, business processes, and technology and management information systems.

In the year ended 31 December 2008 the Internal Control and Risk Committee met three times. Attendance at these meetings were John Lawrie (three meetings), John Rowan (two meetings) and Tom Wacker (one meeting). The Group Chief Executive also attended one meeting.

The Group Company Secretary acts as secretary to each of the Board Committees. In the view of the Board the Committees have been provided with sufficient resources to undertake their duties and may, where necessary, engage external advisors to support their activities.

### Internal Control

The Board have established procedures necessary to implement the requirements of the Combined Code relating to internal control as reflected in the

## Corporate Governance

September 1999 guidance “Internal Control : Guidance for Directors on the Combined Code” (the Turnbull Guidance) and the Revised Guidance for Directors on the Combined Code (October 2005), and the updated version of the Combined Code (June 2006).

The Group seeks to take appropriate and managed risks in order to achieve superior financial returns for its shareholders. The Directors’ vision for risk management is a business environment where consideration of risk is embedded into business planning and decision making. The Board seeks to have in place the staff, processes and systems to (i) identify and understand the risks in the businesses (ii) select the appropriate risks to accept and (iii) avoid inappropriate risks.

The Directors’ overall responsibilities in respect of the accounting records, the safeguarding of shareholders’ investment, the safeguarding of Company assets, and the prevention and detection of fraud and other irregularities are set out above in the Statement of Directors’ Responsibilities. As part of the process to satisfy these obligations, the Group has an established system of internal control which complements the Group’s decentralised management and legal structures. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The components of this system include:

Formal approval by the Board of matters reserved for their consideration including, *inter alia*, acquisitions and disposals, business strategy, treasury policies, specific risk management policies including insurance, substantial commitments including the granting of security and approval of accounts.

A detailed formal budgeting process for all Group businesses, including for capital expenditure, is undertaken annually and results in a Group budget, which is approved by the plc Board. For each business the actual performance is reported monthly to the Directors of the Group which enables progress against budget and longer term objectives to be monitored, trends to be evaluated and variances to be acted upon. Group forecasts for the year are updated regularly.

Management control regimes have been implemented at either divisional or subsidiary

company levels and govern all areas of internal control. These are supplemented by appropriate Group wide control processes. Under this regime performance is reviewed periodically. Executive Directors regularly attend meetings of subsidiary companies at all Group locations and a review of procedures and practices takes place at these locations or at the Group centre.

An organisation structure which defines authority limits and reporting procedures to management and the plc Board. Professional and experienced staff, of the necessary calibre to fulfil their allotted responsibilities, are appointed, both by recruitment and promotion.

The Group’s governance structures for risk management are based firstly on accountability from the business unit, and secondly, from the Group Chief Executive and compliance Director who have the responsibility for providing assurance over the risk management process and the internal controls environment. Specialist functions undertake policy setting and monitoring roles, such as Compliance.

The Board is responsible for the risk management framework and has delegated to the Internal Control and Risk Committee, in conjunction with the Group Chief Executive, the divisional Directors and the compliance Director the authority to approve the risk framework of the operating subsidiaries. The Board receives, as an ongoing part of the reporting process of management information, regular updates on the key risks and issues. Within each business unit the boards of the principal operating companies oversee the management of strategic risk and receive monthly operational and financial risk reports.

The Directors have reviewed the effectiveness of the Group’s system of internal controls during the year ended 31 December 2008, and such controls remain in place to 21 April 2009. The review covered all material controls, including financial, operational and compliance controls and risk management systems. Where any significant failings or weaknesses were identified actions have been taken or are being taken to remedy them. Through this process the Group Chief Executive and compliance Director were able to confirm to the Board that the systems of internal control comply with the revised Turnbull Guidance.

# Report of the Auditors

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IFG GROUP PLC

We have audited the Group financial statements of IFG Group plc for the year ended 31 December 2008 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. These Group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Report of the Directors that is described as having been audited.

We have reported separately on the parent company financial statements of IFG Group plc for the year ended 31 December 2008.

### Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, and whether the Group financial statements have been properly prepared in

accordance with Irish statute comprising the Companies Acts, 1963 to 2006 and Article 4 of the IAS Regulation. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit. We also report to you our opinion as to whether the Directors' report is consistent with the financial statements.

We also report to you if, in our opinion, any information specified by law or the Listing Rules of the Irish Stock Exchange regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the Combined Code 2006 specified for our review by the Listing Rules of the Irish Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Chairman's Statement, the Chief Executive's Review, the unaudited part of the Report of the Directors and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and generally accepted in Ireland. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial

## Report of the Auditors

statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group'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 Group financial statements and that part of the Report of the Directors described as audited 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 Group financial statements.

### Opinion

In our opinion:

- ▶ the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of the profit and cash flows of the Group for the year then ended; and
- ▶ the Group financial statements and that part of the Report of the Directors described as being audited have been properly prepared in accordance with the Companies Acts, 1963 to 2006 and Article 4 of the IAS Regulation.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the information given in the Report of the Directors is consistent with the Group financial statements.

### **PricewaterhouseCoopers**

*Chartered Accountants and Registered Auditors*

Dublin

22 April 2009

# Consolidated Income Statement

Year Ended 31 December 2008

	Notes	2008 €'000	2007 Restated €'000
<b>Revenue</b>	6	<b>109,287</b>	128,829
Cost of sales		<b>(90,861)</b>	(102,310)
<b>Gross profit</b>		<b>18,426</b>	26,519
Administrative expenses		<b>(4,050)</b>	(9,177)
Other income		<b>625</b>	-
<b>Operating profit</b>	6	<b>15,001</b>	17,342
Finance income	10	<b>1,028</b>	876
Finance costs	10	<b>(3,930)</b>	(3,347)
Share of profit of associate and joint ventures		<b>-</b>	249
<b>Profit before income tax</b>	6	<b>12,099</b>	15,120
Income tax expense	12	<b>(1,675)</b>	(2,686)
<b>Profit for the year</b>		<b>10,424</b>	12,434
<b>Profit for year attributable to:</b>			
Equity holders of the company		<b>11,365</b>	12,069
Minority interest		<b>(941)</b>	365
		<b>10,424</b>	12,434
<b>Earnings per ordinary share (cent)</b>			
Basic	13	<b>15.69</b>	17.42
Diluted	13	<b>15.05</b>	16.46

**On behalf of the Board:**

**D M Lynch**  
(Company Secretary)

**M G Bourke**  
(Chief Executive)

# Consolidated Balance Sheet

As at 31 December 2008

	Notes	2008 €'000	2007 €'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant & equipment	15	4,507	5,558
Intangible assets	16	95,699	75,308
Investments in associates and joint ventures	17	-	299
Deferred income tax assets	18	1,315	1,178
Available-for-sale financial assets	20	105	87
<b>Total non-current assets</b>		<b>101,626</b>	<b>82,430</b>
<b>Current assets</b>			
Trade and other receivables	21	38,884	44,254
Current income tax asset		147	517
Restricted cash - held in escrow		12,211	-
Cash and cash equivalents	22	22,540	25,842
<b>Total current assets</b>		<b>73,782</b>	<b>70,613</b>
<b>Total assets</b>		<b>175,408</b>	<b>153,043</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	23	56,619	35,052
Deferred income tax liabilities	18	4,992	3,172
Retirement benefit obligations	24	231	407
Provisions for other liabilities	25	10,314	4,015
Other non-current liabilities	26	-	1,250
<b>Total non-current liabilities</b>		<b>72,156</b>	<b>43,896</b>
<b>Current liabilities</b>			
Trade and other payables	27	29,371	40,604
Current income tax liabilities		1,440	2,684
Borrowings	23	12,730	10,226
Provisions for other liabilities	25	14,061	8,698
<b>Total current liabilities</b>		<b>57,602</b>	<b>62,212</b>
<b>Total liabilities</b>		<b>129,758</b>	<b>106,108</b>
<b>Net assets</b>		<b>45,650</b>	<b>46,935</b>
<b>EQUITY</b>			
<b>Capital &amp; reserves attributable to equity holders of the company</b>			
Share capital	28	8,909	8,360
Share premium	28	60,025	53,032
Other reserves	29	(22,735)	(6,247)
Retained earnings		(1,579)	(10,172)
Minority interest	30	1,030	1,962
<b>Total equity</b>		<b>45,650</b>	<b>46,935</b>

On behalf of the Board:

**D M Lynch**  
(Company Secretary)

**M G Bourke**  
(Chief Executive)

# Consolidated Cash Flow Statement

Year Ended 31 December 2008

	Notes	2008 €'000	2007 €'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	33	14,740	20,156
Interest received		738	876
Income taxes paid		(2,912)	(2,928)
<b>Net cash generated from operating activities</b>		<b>12,566</b>	<b>18,104</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(1,169)	(1,876)
Sale of property, plant and equipment		3	59
Purchase of subsidiary undertakings net of cash acquired		(30,288)	(5,979)
Deferred and contingent consideration on prior year acquisitions		(6,509)	(4,088)
Purchase of other intangibles		(2,579)	(986)
Dividend received from associate / joint venture		241	174
Sale of available-for-sale financial assets		100	-
Purchase of available-for-sale financial assets		(127)	-
<b>Net cash used in investing activities</b>		<b>(40,328)</b>	<b>(12,696)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(2,772)	(2,476)
Interest paid		(3,165)	(2,576)
Proceeds from issue of share capital		7,459	818
Proceeds from long-term borrowings		33,300	17,153
Repayment of debt		(5,690)	(17,837)
Payment of finance lease liabilities		(44)	(71)
<b>Net cash generated / (used) in financing activities</b>		<b>29,088</b>	<b>(4,989)</b>
Net increase in cash and cash equivalents		1,326	419
Cash and cash equivalents at the beginning of the year		24,291	25,421
Effect of foreign exchange rate changes		(4,333)	(1,549)
<b>Cash and cash equivalents at end of year</b>		<b>21,284</b>	<b>24,291</b>
Cash and cash equivalents for the purpose of the cash flow statement are comprised of cash and short term deposits net of bank overdrafts that are repayable on demand.			
		2008 €'000	2007 €'000
Cash and short term deposits	22	22,540	25,842
Bank overdrafts	23	(1,256)	(1,551)
		<b>21,284</b>	<b>24,291</b>

On behalf of the Board:

**D M Lynch**  
(Company Secretary)

**M G Bourke**  
(Chief Executive)

## Consolidated Statement of Changes in Equity

	Share capital €'000	Share premium €'000	Other reserves €'000	Retained earnings €'000	Attributable to equity holders €'000	Minority interest €'000	Total equity €'000
<b>At 1 January 2007</b>	<b>8,239</b>	<b>52,300</b>	<b>(2,079)</b>	<b>(19,864)</b>	<b>38,596</b>	<b>1,595</b>	<b>40,191</b>
Currency translation adjustments	-	-	(6,771)	-	(6,771)	2	(6,769)
Net investment hedge	-	-	(62)	-	(62)	-	(62)
<b>Net (expense)/income recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>(6,833)</b>	<b>-</b>	<b>(6,833)</b>	<b>2</b>	<b>(6,831)</b>
Profit for the year	-	-	-	12,069	12,069	365	12,434
<b>Total recognised income for 2007</b>	<b>-</b>	<b>-</b>	<b>(6,833)</b>	<b>12,069</b>	<b>5,236</b>	<b>367</b>	<b>5,603</b>
Dividends	-	-	-	(2,377)	(2,377)	-	(2,377)
Issue of share capital	121	732	(35)	-	818	-	818
Share based payment compensation:							
-Value of employee services - share options	-	-	450	-	450	-	450
-Value of employee services - LTIP	-	-	2,250	-	2,250	-	2,250
	<b>121</b>	<b>732</b>	<b>2,665</b>	<b>(2,377)</b>	<b>1,141</b>	<b>-</b>	<b>1,141</b>
<b>At 31 December 2007</b>	<b>8,360</b>	<b>53,032</b>	<b>(6,247)</b>	<b>(10,172)</b>	<b>44,973</b>	<b>1,962</b>	<b>46,935</b>
Currency translation adjustments	-	-	(17,972)	-	(17,972)	9	(17,963)
<b>Net (expense)/income recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>(17,972)</b>	<b>-</b>	<b>(17,972)</b>	<b>9</b>	<b>(17,963)</b>
Profit/(loss) for the year	-	-	-	11,365	11,365	(941)	10,424
<b>Total recognised income for 2008</b>	<b>-</b>	<b>-</b>	<b>(17,972)</b>	<b>11,365</b>	<b>(6,607)</b>	<b>(932)</b>	<b>(7,539)</b>
Dividends	-	-	-	(2,772)	(2,772)	-	(2,772)
Issue of share capital	549	6,993	(83)	-	7,459	-	7,459
Share based payment compensation:							
-Value of employee services - share options	-	-	317	-	317	-	317
-Value of employee services - LTIP	-	-	1,250	-	1,250	-	1,250
	<b>549</b>	<b>6,993</b>	<b>1,484</b>	<b>(2,772)</b>	<b>6,254</b>	<b>-</b>	<b>6,254</b>
<b>At 31 December 2008</b>	<b>8,909</b>	<b>60,025</b>	<b>(22,735)</b>	<b>(1,579)</b>	<b>44,620</b>	<b>1,030</b>	<b>45,650</b>

# Notes to the Consolidated Financial Statements

## 1. General information

IFG Group plc and its subsidiaries (together the Group) are engaged in the provision of financial advisory services and international corporate and trustee services. The Company is a public company, listed on the Irish Stock Exchange (ISE), and is incorporated and domiciled in the Republic of Ireland. The address of its registered office is IFG House, Booterstown Hall, Booterstown, County Dublin, Ireland.

## 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements of IFG Group plc are required to be prepared in accordance with EU adopted International Financial Reporting Standards (IFRS), IFRIC interpretations and those parts of the Companies Acts 1963 to 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the application of fair value accounting for certain financial assets and share based payment transactions.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

### 2.2 Consolidation

These financial statements are the consolidated financial statements of IFG Group plc, a company registered in the Republic of Ireland and its subsidiaries ("IFG").

#### *Subsidiaries*

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying shareholdings of more than 50% of the voting rights. Subsidiaries acquired during the year are consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The Group availed of the IFRS 1 exemption in relation to business combinations and has not restated business combinations prior to the date of transition. Subsequent to the transition date the following policy has been adopted.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. Adjustments to the business combination's cost that are contingent on future events are included in the combination's cost at the acquisition

# Notes to the Consolidated Financial Statements

date if the adjustment is probable and has been reliably measured. Adjustments to the initial accounting for a business combination are recognised within twelve months of the acquisition date and are effected as if they were identified at the acquisition date.

The interest of minority shareholders is calculated based on fair values of assets and liabilities at acquisition date.

The excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Inter-company balances and transactions and resulting unrealised income are eliminated in full. Unrealised losses are also eliminated but considered as an impairment indicator of the asset acquired. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### *Transactions and minority interest*

Minority interests represent the proportion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent company. The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interest result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

#### *Associates and joint ventures*

Associates are entities, not being subsidiary undertakings, over which the Group has the ability to exercise significant influence over the operating and financial policies but not control, generally accompanying a shareholding of between 20% and 50% of voting rights.

Joint ventures are entities not being subsidiary or associate undertakings, over which the Group has joint control. The Group recognises its interest in a jointly controlled entity using the equity method from the date joint control is established.

Investments in associates and joint ventures are initially recorded at cost and are accounted for using the equity method of accounting. The Group's share of its associates and joint ventures post-acquisition profits or losses are recognised in the income statement and its share of post acquisition movements in reserves are recognised in reserves. When the Group's share of losses in the undertaking equals or exceeds its interest in the undertaking, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture. The results of associates and joint ventures are included from the effective date on which the Group's significant influence arises until the date on which such significant influence ceases. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associates are recognised in the income statement.

### **2.3 Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing services (business segment), or in providing services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those other segments.

# Notes to the Consolidated Financial Statements

## 2.4 Foreign currency translation

Items recorded in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Euro (€'000), which is the company's functional and presentation currency.

Transactions denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All translation differences are taken to the consolidated income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity together with the exchange difference on the net investment in the foreign entity until the disposal of the net investment, at which time they are recognised in the consolidated income statement.

Results of subsidiary undertakings with different functional currency to the parent are translated into Euro using average exchange rates during the year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the transaction dates). The related balance sheets have been translated using the rates of exchange ruling at the balance sheet date. Adjustments arising on translation of the results of subsidiary undertakings with different functional currency to the parent at average rates, and on the restatement of the opening net assets at closing rates, are dealt with in a separate translation reserve within equity, net of differences on related currency borrowings. All other translation differences are taken to the consolidated income statement including any non-qualifying net investment hedges.

The cumulative currency translation differences arising prior to transition to IFRS have been set to zero for the purposes of ascertaining the gain or loss on disposal of a foreign operation. This was achieved by the Group electing to avail of the IFRS transitional exemption. On disposal of a foreign operation, accumulated currency translation differences are recognised in the income statement as part of the overall gain or loss on disposal. Goodwill and fair value adjustments arising on acquisition of a foreign operation are regarded as assets and liabilities of the foreign operation, are expressed in the functional currency of the foreign operation and are recorded at the exchange rate at the date of the transaction and subsequently retranslated at the applicable closing rates.

## 2.5 Property, plant and equipment

Property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. At the date of transition to IFRS the Group availed of the exemption in IFRS 1 and elected to use previous revaluations of property as deemed cost given that they were broadly comparable to fair value.

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the replaced item can be measured reliably. The carrying amount of the replaced part is derecognised. All repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

# Notes to the Consolidated Financial Statements

Property, plant and equipment are depreciated over their useful economic life on a straight line basis at the following rates:

Buildings	2%
Fixtures & Fittings	10-25%
Motor vehicles	20-25%
Computer equipment	20-33%

The residual value and useful lives of property, plant and equipment are reviewed and adjusted if appropriate at each balance sheet date.

On disposal of property, plant and equipment the cost and related accumulated depreciation and impairments are removed from the financial statements and the net amount, less any proceeds, is taken to the income statement and shown in other income/(losses).

## 2.6 Contingent purchase consideration and earnout obligations

To the extent that contingent purchase and earnout obligations are payable after the balance sheet date, the carrying value on the balance sheet is the net present value of the obligation arrived at using an appropriate pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. Adjustments to the fair value of the obligation arising from changes in estimates are accounted for as changes to the cost of the acquisition and reflected in goodwill.

## 2.7 Intangible assets

### *Goodwill*

Goodwill on acquisitions prior to the date of transition to IFRS has been retained at the previous Irish GAAP amount being its deemed cost subject to being tested for impairment. Goodwill written off to reserves under Irish GAAP prior to 1998 had not been reinstated and is not included in determining any subsequent gain or loss on disposal.

Goodwill on acquisitions is initially measured at cost being the 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 of the acquired subsidiary at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit are disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the proportion of the cash-generating unit retained.

# Notes to the Consolidated Financial Statements

## *Computer software*

Computer software is stated at cost, less amortisation and provisions for impairment, if any. Costs incurred on acquisition of computer software are capitalised as are costs directly related to developing the programs where the software supports a business system and the expenditure leads to the creation of a durable asset. Costs associated with maintaining software are recognised as an expense when incurred. Capitalised computer software is amortised over 3 to 6 years.

## *Other intangibles*

Intangible assets are stated at cost less provisions for amortisation and impairment. Customer relationships acquired as part of a business combination are amortised over their estimated useful lives from the time they are first available for use. The estimated useful lives are determined at acquisition date and currently range from 6 to 10 years.

## **2.8 Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment when events or circumstances indicate that the carrying value may be impaired or may not be recoverable. An impairment loss is recognised to the extent that the carrying value of the assets exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

## **2.9 Financial assets**

The Group classifies its financial assets in the following categories: trade and other receivables, available-for-sale financial assets and held-to-maturity financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

### *Trade and other receivables*

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides services directly to a customer with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Trade and other receivables are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the customer or delinquency in payments are considered to be indicators of a receivable being impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement in administrative expenses. When a trade receivable is uncollectible, it is written off against the provision for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

# Notes to the Consolidated Financial Statements

## *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either classified in this category or not classified in any other category. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

## *Held-to-maturity financial assets*

Restricted cash comprises cash held by the Group but which is ring fenced or used as security for specific arrangements, and to which the Group does not have unfettered access. Restricted cash is classified as held to maturity and carried at amortised cost using the effective interest method.

All financial assets are initially recorded at fair value, including transaction costs. All purchases and sales are recognised on the settlement date. Held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method. Available-for-sale financial assets are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recorded in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risk and rewards of ownership.

Financial assets are assessed for impairment at each balance sheet date. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. For such assets, any impairment charge is the amount currently carried in equity for the difference between the original cost, net of any previous impairment, and the fair value.

## **2.10 Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement. They are however shown as part of borrowings in current liabilities on the balance sheet.

## **2.11 Leases**

Finance leases, which transfer to the Group substantially all the risks and benefits to ownership of the leased asset, are capitalised at the inception of the lease at the fair value of the leased asset or if lower the present value of the minimum lease payments. The corresponding liability net of interest charges to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation. Finance charges are charged to the income statement as part of finance costs over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

# Notes to the Consolidated Financial Statements

## 2.12 Borrowings

All borrowings are initially recognised at fair value, net of transaction costs incurred.

After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement. Gains and losses are recognised in the income statement when the liabilities are derecognised or impaired, as well as through the amortisation process.

Borrowings are classified as current unless there is an enforceable entitlement to repay balances more than twelve months after the balance sheet date in which case they are classified as non-current.

Senior unsecured notes are regarded as compound financial instruments, consisting of a liability component and an equity component. The fair value of the liability component is estimated using the prevailing market interest rate at the date of issue for similar non-convertible debt. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds are allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

## 2.13 Current and deferred income tax

The income tax expense in the income statement represents the sum of the tax chargeable on profits for the year and deferred tax.

Current tax payable is based on taxable profit for the year. Taxable profit differs from profit before income tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using rates that have been enacted or substantially enacted at the balance sheet date. Any taxation not payable within twelve months is disclosed as a non-current liability.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply in the year when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures except to the extent that the timing of the reversal is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit would be available to allow all or part of the deferred income tax asset to be utilised.

# Notes to the Consolidated Financial Statements

## 2.14 Employee benefits

### (A) Pension obligations

The Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

#### *Defined Contribution Plans*

A defined contribution plan is a pension plan where the Group pays a fixed amount to a separate entity. The Group has no further legal or constructive obligations to pay further contributions once the fixed contributions have been paid.

Obligations to the defined contribution pension plans are recognised as an expense in the income statement as incurred.

#### *Defined Benefit Plan*

A defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plans typically define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Group operates a defined benefit pension scheme via its subsidiary IFG Management Limited for eligible employees which require contributions to be made to separately administered funds. The Group's net obligation in respect of the defined benefit pension scheme is calculated, by an external actuary, who estimates the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan asset is deducted together with adjustments for unrecognised actuarial gains or losses and past service costs. The discount rate employed in determining the present value of the scheme's liabilities is determined by reference to market yields at the balance sheet date on high quality corporate bonds for a term consistent with the currency and term of the associated post-employment benefit obligations.

Actuarial gains and losses comprise the effects of differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions. The Group has elected to use the "corridor approach" which refers to actuarial gains and losses in excess of a threshold being the higher of 10% of the fair value of the plan assets or 10% of the present value of the defined benefit obligations at the end of the previous reporting period being charged or credited to income over the employees' expected average remaining working lives. Other than these, the actuarial gain or loss is not recognised.

The net surplus or deficit arising in the Group's defined benefit pension scheme is shown within either non-current assets or liabilities on the face of the Group Balance Sheet and includes adjustments for unrecognised actuarial gains or losses and past service costs.

Past service costs are recognised as an expense over the average period until the benefits become vested, in which case the past service costs are recognised as an expense immediately. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

# Notes to the Consolidated Financial Statements

The amounts charged to the income statement in respect of defined benefit plans consist of current service cost, interest cost, the expected return of any plan assets, actuarial gains and losses ( under the “corridor approach”), the effect of any curtailments or settlements and past service costs.

## **(B) Share based payment compensation**

In line with the transitional arrangements set out in IFRS 2, “Share Based Payment”, the recognition and measurement principles of this standard have been applied only in respect of share entitlements granted after 7 November 2002 and not vested by 1 January 2005.

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the equity instrument granted is recognised as an employee expense in the income statement with a corresponding increase in equity. The fair value of share options is determined using the Black-Scholes model while the fair value of shares awarded is estimated as the market price of the shares at the grant date. The total amount to be expensed over the vesting period is determined by reference to the fair value of the equity instrument granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of equity instruments that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received by the company when share options are exercised are credited to share capital (nominal value) and share premium.

The Group does not operate any cash-settled share-based payment schemes or share-based payment transactions with cash alternatives as defined in IFRS 2.

## **2.15 Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits would be required to settle the obligation and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to passage of time is recognised as an interest expense.

## **2.16 Revenue recognition**

Revenue comprises fees and commissions from the intermediation of financial services, the provision of international trustee & corporate services and the provision of actuarial and pensioner trustee services. Revenue is recognised, when, and to the extent that, the Group has obtained the right to consideration in exchange for the services that it provides.

Accordingly, initial commissions from the intermediation of financial services are recognised as revenue on the effective inception date of the product or service, subject to a reduction for expected clawback where commission is earned on an indemnity basis. Renewal or trail commissions are recognised as revenue when the contingent events which give rise to the right to receive those commissions, typically renewal or persistency, have occurred. In certain circumstances, the Group may obtain a right to consideration when some but not all of its

# Notes to the Consolidated Financial Statements

contractual obligations have been fulfilled. In these circumstances, the Group recognises revenue to the extent that a right to consideration has been obtained in relation to services provided up to that point.

Where the Group receives payment from customers in advance of the performance of its contractual obligations, a liability equal to the amount received is recognised as deferred income. That liability is reduced and the amount of the reduction recognised as revenue, when and as the Group obtains the right to consideration in exchange for the contracted service it provides.

## 2.17 Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets when the following criteria are fulfilled:

- ▶ It is technically feasible to complete the intangible asset so that it will be available for use;
- ▶ Management intends to complete the intangible asset to use it;
- ▶ There is an ability to use the asset;
- ▶ It can be demonstrated how the intangible assets will generate future economic benefits;
- ▶ Adequate technical, financial and other resources to complete the development are available; and
- ▶ The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditure that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recognised as intangible assets and are amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, and not to exceed five years.

Development assets are tested annually for impairment.

## 2.18 Finance cost and finance income

Finance cost comprises interest payable on borrowings calculated using the effective interest rate method. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method. Unwind of the discount rate on provisions is included as finance cost.

Finance income includes interest receivable on funds invested and is recognised in the income statement on a time proportion basis, using the effective interest method.

## 2.19 Share capital

Financial instruments that have been issued are classified as equity and confer on the holder a residual interest in the assets of the Group after deducting all of its liabilities. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders until such shares are cancelled, reissued or disposed. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

# Notes to the Consolidated Financial Statements

## 2.20 Dividends

Dividends on ordinary shares are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Dividends declared after the balance sheet date are disclosed in Note 14 in the financial statements.

## 2.21 Offset

Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously.

## 2.22 Accounting for hedging activities

### *Hedging*

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessments, both at hedge inception and on an ongoing basis, of the effectiveness of the hedge in offsetting changes in the carrying value of the net investments.

### *Net investment hedges*

Where foreign currency borrowings are designated as a hedge instrument and provide an effective hedge against a net investment in a foreign operation, any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Cumulative gains and losses remain in equity until disposal of the net investment in the foreign operation at which point the related differences are transferred to the income statement as part of the overall gain or loss on sale.

## 2.23 Exceptional items

The Group has adopted an income statement format, which seeks to highlight significant items within the Group results for the year. The purpose of this is to highlight significant items within the Group results for the year. Such items include restructuring, impairment of assets, profit or loss on disposal or termination of operations, litigation settlements and profit or loss on disposal of investments. Judgment is used by the Group in assessing the particular items, which by virtue of their scale and nature, should be disclosed in the income statement and notes as exceptional items.

## 2.24 Updates to technical pronouncements

### (a) Standards, amendments and interpretations effective in 2008

- ▶ IFRIC 11, 'IFRS 2- Group and treasury share transactions'. IFRIC 11 provides guidance on whether share based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash settled share-based payment transactions in the stand-alone accounts of the parent and group companies. IFRIC 11 will not have an impact on the Group accounts.

## Notes to the Consolidated Financial Statements

- ▶ IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in IAS 19 on the amount of a defined benefit surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. IFRIC 14 will not have an impact on the Group accounts.
- ▶ IAS 39 and IFRS 7 (Amendments) - 'Reclassification of Financial Assets' (effective from 1 July 2008). The amendment allows for the reclassification of certain financial assets previously classified as "held-for-trading" or "available-for-sale" to another financial asset category under limited circumstances. Various disclosures are required where a reclassification has been made. The Group has not made any such reclassifications.
- ▶ IFRIC 12, 'Service concession arrangements'. IFRIC 12 applies to contractual arrangement whereby a private sector operator participate in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Group operations because none of the Group's companies provide public sector services.

### **(b) Interpretations to existing standards that are not yet effective and have not been early adopted by the Group**

The following standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting period beginning on or after 1 January 2009 or later periods but which the Group has not early adopted:

- ▶ IFRS 8, 'Operating segments' (effective for financial periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. IFRS 8 sets out the requirements for the disclosure of financial and descriptive information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates and its major customers. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the manner in which the segments are reported will change in a manner that is consistent with the internal reporting provided to the chief operating decision maker.
- ▶ IAS 23 (Amendment), 'Borrowing costs' (effective for financial periods beginning on or after 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of the asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Amendment) retrospectively from 1 January 2009 but it will not have any impact on the Group results.
- ▶ IAS 1 (Revised), 'Presentation of financial statements' (effective for financial periods beginning on or after 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one

## Notes to the Consolidated Financial Statements

performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply IAS 1 (Revised) from 1 January 2009. It is likely that this will have an impact on the Group accounts.

- ▶ IFRS 2 (Amendment), 'Share-based payment' (effective for financial periods beginning on or after 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. The amendment also clarifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply IFRS 2 (Amendment) from 1 January 2009. There will not be any impact on the Group accounts as a result of the implementation of this amendment.
- ▶ IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective for financial periods beginning on or after 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply the IAS 32 and IAS 1 (Amendment) from 1 January 2009. It is not expected that this will have any impact on the Group accounts.
- ▶ IFRS 1 (Amendment) 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements' (effective for financial periods beginning on or after 1 January 2009). The amended IFRS 1 allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Group will apply IFRS 1 (Amendment) as subsidiaries of the group transition to IFRS. The amendment will not have any impact on the Group's financial statements. The Company will apply IAS 27 (Amendment) from 1 January 2009. It is expected that this will have an impact on the Groups accounts.
- ▶ IAS 39 (Amendment) – Eligible Hedged Items, "Financial Instruments: Recognition and Measurement" (effective for annual periods beginning on or after 1 July 2009). The amendment to the standard is still subject to endorsement by the EU. This amendment to IAS 39 clarifies how the principles that determine whether a hedged risk or portions of cash flows is eligible for designation should be applied. The Group will apply IAS 39 (Amendment) from the effective date, subject to EU endorsement, and the expected impact is still being addressed.

## Notes to the Consolidated Financial Statements

- ▶ IAS 27 (Revised), 'Consolidated and separate financial statements' (effective for financial periods beginning on or after 1 July 2009). The revised standard is still subject to endorsement by the EU. 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 and these transactions will no longer result in goodwill on acquisitions from non-controlling interests or gains and losses on disposals to non-controlling interests. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010, subject to EU endorsement and the expected impact is still being assessed.
- ▶ IFRS 3 (Revised), 'Business combinations' (effective for financial periods beginning on or after 1 July 2009). The revised standard is still subject to EU endorsement. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010, subject to EU endorsement, and it is likely to have an impact on the Group results and accounts.
- ▶ IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective for annual periods beginning on or after 1 October 2008). The interpretation is still subject to EU endorsement. IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. The Group will apply IFRIC 16 from 1 January 2009, subject to EU endorsement, and is not likely to have an impact on the Group accounts.
- ▶ IFRIC 17, 'Distributions of Non-cash Assets to Owners' (effective for annual periods beginning on or after 1 July 2009). The interpretation is still subject to EU endorsement. This interpretation applies to transactions in which an entity distributes assets (other than cash) as dividends to its owners acting in their capacity as owners and how an entity should measure the dividend payable. The IFRIC also clarifies when an entity should recognise a dividend payable, ie when the dividend is appropriately authorised and no longer at the discretion of the entity. The Group will apply IFRIC 17 from its effective date, subject to EU endorsement, and it is not thought that it will have any impact on the Group accounts.
- ▶ IFRS 7, (Amendment) 'Improving Disclosures about Financial Instruments' (effective 1 January 2009) - The proposals would enhance disclosures about fair value measurements and the liquidity risk of financial instruments. The Group will apply the amendment to IFRS 7 from its effective date subject to EU endorsement. It is not thought that it will have any material impact on the Group accounts.

### **(c) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations**

The following interpretations to existing standards have been published that are mandatory for the Group's accounting period beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

# Notes to the Consolidated Financial Statements

- ▶ IFRS 1 (Revised), 'First-time Adoption of International Financial Reporting Standards', (effective for financial periods beginning on or after 1 July 2009). The revised standard is still subject to EU endorsement. The current IFRS 1 has been amended many times to accommodate first time adoption requirements of new and amended IFRSs, resulting in a more complex and less clear standard. This revised version retains the substance of the original standard but with a changed structure. The revised IFRS 1 is not applicable to the Group as it has already adopted IFRS, however it would be applicable to other entities in the Group should they transition to IFRS at a future date, subject to EU endorsement.
- ▶ IFRIC 13, 'Customer loyalty programmes' (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The Group will apply IFRIC 13 from its effective date but IFRIC 13 is not relevant to the Group's operations because none of the group's companies operate any loyalty programmes.
- ▶ IFRIC 15, 'Agreements for construction of real estates' (effective for annual periods beginning on or after 1 January 2009). The interpretation is still subject to EU endorsement. The interpretation clarifies whether IAS 18, 'Revenue', or IAS 11, 'Construction contracts' should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. The Group will apply IFRIC 15 from its effective date, subject to EU endorsement, but IFRIC 15 is not relevant to the Group's operations as all revenue transactions are accounted for under IAS 18 and not IAS 11.
- ▶ IFRIC 18, 'Transfers of Assets from Customers' (effective for transfers of assets from customers received on or after 1 July 2009). The interpretation is still subject to EU endorsement. This interpretation applies to agreements in which an entity receives from a customer an item of property, plant and equipment (or an amount of cash which must be used to construct or acquire an item of property, plant and equipment) that the entity must use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or do both. The Group will apply IFRIC 18 from its effective date, subject to EU endorsement, but it is not relevant to the Groups operations.

### 3. Financial and Capital risk management

#### Financial risk management

The Group's activities expose it to a number of financial risks: market risk (including interest rate risk, and foreign currency risk), credit risk and liquidity risk. The Group's Finance function seeks to reduce the Group's exposure to foreign exchange, interest rate and other financial risks. It also ensures surplus funds are managed and controlled in a manner which will protect capital sums invested and ensure adequate short-term liquidity, whilst maximising returns. It does not operate as a profit centre and transacts only in relation to underlying business requirements. It operates policies and procedures which are periodically reviewed and approved by the Board of Directors. The Board provides written policies for overall risk management.

# Notes to the Consolidated Financial Statements

## a) Market risk

### *Interest rate risk*

The Group has no significant interest bearing exposures other than bank balances and borrowings.

Interest rate risk arising from the Group's borrowing is managed by the issue of fixed rate debt when conditions are favourable. The Group centrally manages the short-term cash surpluses or borrowing requirements of subsidiary companies. The only fixed rate borrowings of the Group at year-end were the remaining euro senior unsecured notes amounting to €920,000 which was repaid in early 2009. At 31 December 2008 if interest rates had increased/decreased by 1.0% with all other variables held constant, post tax profit for the year would have been €671,000 lower/higher.

### *Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Sterling £. Foreign exchange transaction exposure in the Group is mitigated by the fact that trading entities in the Group tend to have the majority of their revenues and expenses denominated in their functional currency. The principal foreign exchange risk arises from fluctuations in the euro value of the Group's net investment in currencies other than the euro.

The Group's policy in regard to translation exposure is to on occasion use foreign currency borrowings to hedge the impact of exchange rate movements on the Group's balance sheet and to use forward rate contracts to mitigate the impact of exchange rate movements on the Group's income statement, when the Group considers it economically viable to do so. In order to achieve this objective, the Group manages its borrowings, where practicable and cost effective, partially to hedge its foreign currency assets. In 2008 no foreign borrowings were used as a hedge of the Group's net investments in its subsidiaries.

During 2008 IFG Group replaced some of its euro denominated long-term borrowings with sterling borrowings so as to manage the impact of weakening sterling rates on operational cash flows. At 31 December 2008, if the euro had weakened/strengthened by 10% against Sterling with all other variables held constant, post tax profit for the year would have been €2,251,000 lower/higher mainly as a result of foreign exchange gains/losses on translation of STG£ denominated net assets. The impact on equity would have been an increase of €7,264,000 and a reduction of €5,943,000 using the 10% change in foreign exchange rates.

## b) Credit risk

The Group has a credit policy in place and monitors credit risk on an ongoing basis. Credit risk is managed at both the Group level and the subsidiary level. It arises from exposures in respect of cash and short-term deposits with banks as well as credit exposures to customers.

Credit risk is managed by limiting the aggregate amount and duration of exposure to counterparties. These judgments are made after taking into account the counterparty's credit rating and by regular monitoring of these ratings. Customers who wish to avail of credit terms with the Group are subject to credit evaluations prior to credit being advanced and are subject to continued monitoring at operating company level. The Group does not hold collateral in respect of amounts receivable from customers.

# Notes to the Consolidated Financial Statements

At the balance sheet date, management believes that there were no significant concentrations of credit risk due to the large number of customers spread across the Group's activities and areas of operation. An impairment provision amounting to 7.2% of the trade and other receivables (2007: 6.9%) has been made at year end. At year end 67% of the trade and other receivables balances were classified as neither past due or impaired (2007: 76%). The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

## c) Liquidity risk

The Group maintains long-term committed facilities that are managed to ensure it has sufficient available funds for operations and planned expansions.

The principal liquidity risks faced by the Group relates to the maturity profile of debt obligations. The Group's finance function ensures that sufficient resources are available to meet such liabilities as they fall due through a combination of liquid investments, cash and cash equivalents, cash flows and undrawn committed bank facilities. Flexibility in funding sources is achieved through a variety of means including (i) maintaining cash and cash equivalents with a range of highly-rated counterparties; (ii) limiting the maturity of such balances; (iii) borrowing the bulk of the Group's debt requirements under committed bank lines ; and (iv) having surplus committed lines of credit.

The undrawn committed facilities available to the Group as at the balance sheet date are quantified in Note 23 and are available to meet current foreseeable borrowing requirements. The repayment schedule analysed by maturity date applicable to the Group's outstanding interest-bearing borrowings as at the balance sheet date is also presented in Note 23.

The following is an analysis of the anticipated contractual cash flows including interest payable for the Group's non-derivative financial liabilities on an undiscounted basis. For the purpose of this table, debt is defined as all classes of borrowing except for obligations under finance leases. Interest is calculated based on debt held at 31 December without taking account of future issuance. Floating rate interest is estimated using the prevailing rate at the balance sheet date. Cash flows in foreign currencies are translated using spot rates at 31 December.

### At 31 December 2008

	Debt	Interest on debt	Trade and other payables	Obligations under finance leases	Finance charge on finance lease obligations	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Due less than one year	12,687	2,722	31,226	43	2	46,680
Between one and two years	7,575	2,264	-	9	1	9,849
Between two and three years	49,035	1,961	-	-	-	50,996
	<b>69,297</b>	<b>6,947</b>	<b>31,226</b>	<b>52</b>	<b>3</b>	<b>107,525</b>

# Notes to the Consolidated Financial Statements

## At 31 December 2007

	Debt	Interest on debt	Trade and other payables	Obligations under finance leases	Finance charge on finance lease obligations	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Due less than one year	10,177	2,525	40,604	49	6	53,361
Between one and two years	5,920	1,948	-	60	2	7,930
Between two and three years	5,000	1,599	-	-	-	6,599
Between three and four years	24,072	1,324	-	-	-	25,396
	45,169	7,396	40,604	109	8	93,286

## Capital risk management

The Group's primary objective in respect of capital risk management is to safeguard its ability to continue as a going concern in order to provide returns for its members.

The Group may on occasion adjust the amount of dividends paid out to its members, return capital to members and issue new shares or buy back shares as the need arises.

Capital is monitored on the basis of the gearing ratio which is calculated as net debt divided by total capital. Net debt is calculated as the sum of total borrowings and contingent consideration on acquisitions less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

At year end, the gearing ratio was 55% (2007: 39%). This increase is due to acquisitions completed during 2008. These acquisitions will significantly contribute to the cash flows of the Group and were funded through the draw-down of bank facilities which mature in November 2011.

The Group's bank facilities required the Group to maintain its consolidated EBITDA/net debt (excluding share of joint ventures) at no lower than 2.5 times for twelve-month periods ending 30 June 2008 and 31 December 2008. Non-compliance with financial covenants would give the relevant lenders the right to terminate facilities and demand early repayment of any sums due under such facilities thus altering the maturity profile of the Group's debt and the Group's liquidity. The Group was fully compliant to-date. The Group monitors compliance with financial covenants on a monthly basis and the consolidated net debt position is reviewed as part of the monthly board papers.

## 4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

# Notes to the Consolidated Financial Statements

## (a) Past business review provision

At year end the Group has a provision of €768,000 (2007: €1,269,000) to cover the costs associated with the review of past business practices at Berkeley Jacobs Financial Services Limited ('BJFS') and possible redress following an investigation by the Financial Services Authority ('FSA'). This provision is based on best estimates available. Should the weighted average cost of capital used in the calculation of the cost of the deferred annuities included in the overall provision reduce by 2% then the overall provision would increase by €33,000.

## (b) Long Term Incentive Plan ('LTIP')

The share awards under the LTIP are contingent on the achievement of defined annual adjusted EPS growth targets and on the recipients remaining with the Group for a period of at least 5 years from the beginning of the performance period. The accounting charge in respect of this plan is based on the number of the share awards that are expected to vest based on the expected achievement of the performance condition.

No shares are awarded for a particular year if adjusted EPS growth is less than CPI plus 7%. The number of shares awarded increases up to a maximum award of 250,000 shares per participant if the adjusted EPS growth of CPI plus 12% is achieved. In the event the cumulative growth is achieved over the period and other vesting conditions are met the total award of 5,612,500 shares will be made.

Management have estimated negligible adjusted EPS growth of Cost Price Index (CPI) for 2009 and 2010. The table below shows the impact on the current year results of a change in the annual growth estimates for 2009 and 2010:

Change to:	Impact on 2008 performance
5% (Inclusive of assumed CPI of 2%) *	Increase in the expense by €875,000
10% (Inclusive of assumed CPI of 2%) **	Increase in the expense by €1,750,000

\* This equates to cumulative growth of 13% over the 5 year period.

\*\* This equates to cumulative growth of 15% over the 5 year period.

## (c) Retirement benefit obligations

The key assumptions used in determining the defined benefit obligation and the expected return on scheme assets are reviewed every year with the input of the Group's independent external actuary. The key assumptions are disclosed in Note 24 to the financial statements.

If the discount rate used in the calculation of the obligation increased by 1%, then the defined benefit obligation would increase by €552,000 at 31 December 2008. If the discount rate decreased by 1% then the obligation at 31 December 2008 would have decreased by €737,000. If inflation rates increased by 1% then the defined obligation would have decreased by €585,000 and a 1% decrease in inflation rates would have increased the obligation by €452,000.

## (d) Goodwill impairment

The Group tests annually whether goodwill had been impaired, in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 16).

# Notes to the Consolidated Financial Statements

If the revised estimated long term growth rates for all businesses were lowered by 1% from management's estimate at 31 December 2008, the Group would not have recognised an impairment against goodwill. If the discount rate used increased by 1% an impairment charge of €603,000 would have been recorded at 31 December 2008. If the estimated long term growth rates were lowered by 1%, the discount rate increased by 1% and the estimated cash flows for the four-year period 2009-2012 reduced by 3%, then an impairment charge of €5,161,000 would have been recorded at 31 December 2008.

## (e) Non goodwill intangible assets

The estimated useful lives of non goodwill intangibles are determined at acquisition date and currently range from 3 to 10 years. In 2008 the amortisation charge was €3,566,000. If the amortisation period was shortened by 1 year for all categories of intangibles, other than goodwill, in 2008 it would have resulted in an additional amortisation charge of €2,402,000.

## 5. Business combinations

On 30 June 2008, the Group acquired 100% of the ordinary share capital of Excel-Serve Management Limited ('Excel'), a Cypriot company. Excel is a specialist corporate services provider offering specialist trust and corporate structures, and company administration services. The initial consideration for Excel was €10,721,000 and was paid on completion. Contingent consideration of €10,722,000 has been placed in escrow and will be released in equal instalments after 12 and 24 months subject to agreed revenue thresholds for the two years post acquisition being attained. A further sum representing net assets on a € for € basis was also payable and this amounted to €4,111,000. The acquired business contributed revenue of €3,241,000 and operating profit of €2,026,000 for the period since acquisition.

The net assets, consideration and goodwill on acquisition can be analysed as follows:

	<b>€'000</b>
Plant & equipment	122
Receivables	4,973
Payables	(1,744)
Deferred tax liability on intangibles	(1,695)
Intangibles on acquisition	16,950
Net assets at acquisition date	18,606
Goodwill on acquisition	6,296
	<hr/> 24,902
<b>Satisfied by:</b>	
Cash payments	12,777
Contingent/deferred consideration	12,777
Expenses	108
	<hr/> 25,662
Cash acquired	(760)
	<hr/> 24,902

## Notes to the Consolidated Financial Statements

The carrying value of plant & equipment, receivables and payables approximated fair value and no adjustment was required upon completion of the final valuation.

On 6 October 2008 the Group acquired 100% of the ordinary share capital of Nameridge Limited ('Nameridge') a company based in Dublin. Nameridge is the corporate pensions division of Pension Systems Limited, which had traded as PSL Consulting. The initial consideration of €1,800,000 was paid on completion and a further €1,200,000 has been placed in escrow. This will be released over a two year period from date of completion subject to agreed revenue thresholds. Further contingent consideration of €3,500,000 may be payable based on the achievement of agreed revenue and new business thresholds in the three year period from completion. The acquired business contributed revenue of €113,000 and net profit of €73,000 for the period from 7 October 2008 to 31 December 2008.

On 14 October 2008, the Group acquired 100% of the ordinary share capital of Pensco Limited ('Pensco') a company based in Dublin. Pensco is engaged in the provision of pensions administration and consultancy services, specialising in defined contribution group schemes. It has developed a leading-market technology framework with the ability to provide customers with real-time information. The initial consideration for Pensco was €4,062,000 which was paid on completion. Further contingent consideration of €3,000,000 may be payable subject to certain revenue and profit thresholds in the period to 31 December 2012. No payment will be made in any period prior to 2012. The acquired business contributed revenue of €463,000 and net profit of €131,000 for the period from 15 October 2008 to 31 December 2008.

The net assets, consideration and goodwill on acquisition of Pensco and Nameridge can be analysed as follows:

	Nameridge €'000	Pensco €'000
Plant & equipment	-	94
Computer software	-	28
Receivables	-	239
Payables	-	(147)
Deferred tax liability on intangibles	(182)	(401)
Deferred tax asset on acquisition	-	350
Intangibles on acquisition - Computer Software	-	2,010
Intangibles on acquisition - Other	1,460	1,200
Net assets at acquisition date	1,278	3,373
Goodwill on acquisition	2,828	3,400
	4,106	6,773
<b>Satisfied by:</b>		
Cash payments	1,800	4,062
Contingent consideration	2,139	2,540
Expenses	167	240
	4,106	6,842
Cash acquired	-	(69)
	4,106	6,773

# Notes to the Consolidated Financial Statements

## Cash flows arising on business combinations can be analysed as follows:

	<b>2008</b> <b>€'000</b>
Cash payments	30,602
Expenses	515
Cash acquired	(829)
	30,288

If these acquisitions had occurred on 1 January 2008, Group revenue would have been €113,450,000 and profit before income tax would have been €12,431,000.

Goodwill on acquisitions is attributable to the profitability of the acquired businesses and the benefits associated with the extension of IFG's scale and specific capabilities to the acquired businesses.

On 13 June 2007 the Group acquired 100% of the ordinary share capital of Northern Trust International Fund Administration Services (Isle of Man) now trading as IFG Fund Administration Limited at which time provisional accounting for the business combination was recorded. A valuation of the acquired intangible assets was completed during 2008 and as a result €591,000 was reclassified from goodwill to intangibles. An amortisation charge of €160,000 has been recorded in the 2008 Group accounts to reflect the charge as if the accounting had been finalised at the date of acquisition.

In 2007, the Group acquired Gestinor AG ('Gestinor') a Swiss company and Corfiser Holdings Limited ('Corfiser') a BVI entity. Contingent consideration was payable by reference to revenue earned in the years 31 December 2007 and 2008. The maximum revenue level was not attained and an adjustment was made to goodwill to reflect the reduced contingent consideration payment made. The adjustment made amounted to €347,000 in the case of Gestinor and €153,000 in the case of Corfiser.

## 6. Segment information

### Primary reporting format-business segments

At 31 December 2008, the Group is organised on a worldwide basis into two main business segments:

- ▶ Provision of financial services
- ▶ Provision of trustee and corporate services incorporating back office services

# Notes to the Consolidated Financial Statements

The segment results for the year ended 31 December 2008 are as follows:

	Financial services	Trustee & corporate services	Unallocated	Total
	€'000	€'000	€'000	€'000
Revenue	66,015	43,272	-	109,287
Operating profit	2,827	8,962	3,212	15,001
Finance costs - net	-	-	(2,902)	(2,902)
Profit before income tax				12,099
Income tax expense				(1,675)
Profit for the year				10,424

The segment results for the year ended 31 December 2007 are as follows:

	Financial services	Trustee & corporate services	Unallocated	Total
	€'000	€'000	€'000	€'000
Revenue	87,864	40,965	-	128,829
Operating profit / (loss)	10,302	7,490	(450)	17,342
Finance costs - net	-	-	(2,471)	(2,471)
Share of profit of associate and joint venture	249	-	-	249
Profit before income tax				15,120
Income tax expense				(2,686)
Profit for the year				12,434

Other non-cash segment items included in the income statement are as follows:

	2008				2007			
	Financial services	Trustee & corporate services	Unallocated	Total	Financial services	Trustee & corporate services	Unallocated	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Depreciation	872	722	78	1,672	742	888	234	1,864
Amortisation of intangibles	554	2,990	22	3,566	210	1,722	44	1,976
Impairment provision for doubtful receivables	508	638	176	1,322	1,918	385	251	2,554

## Notes to the Consolidated Financial Statements

The segment assets and liabilities at 31 December 2008 and capital expenditure for the year then ended are as follows:

	2008				2007			
	Financial services €'000	Trustee & corporate services €'000	Unallocated €'000	Total €'000	Financial services €'000	Trustee & corporate services €'000	Unallocated €'000	Total €'000
Assets	78,435	89,461	7,512	175,408	85,290	59,974	7,480	152,744
Investment in associates and joint ventures	-	-	-	-	299	-	-	299
	78,435	89,461	7,512	175,408	85,589	59,974	7,480	153,043
Liabilities	(13,677)	(32,110)	(83,971)	(129,758)	(17,491)	(31,582)	(57,035)	(106,108)
Capital expenditure	13,636	24,540	-	38,176	1,429	12,952	165	14,546

Segment assets consist primarily of property, plant & equipment, intangible assets, trade receivables and cash. They exclude income tax, deferred tax and investments. Segment liabilities comprise operating liabilities. They exclude items such as taxation and corporate borrowings.

Capital expenditure comprised additions to property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

### Secondary reporting format-geographical segments

The Group's two main business segments operate in four main geographical areas. During 2007 Cyprus did not qualify as a separate segment. However with the acquisition of Excel, Cyprus now qualifies as a separate segment and figures for 2007 have been restated to reflect this new segment.

The home country of the company is Ireland.

	2008 €'000	2007 €'000
<b>Revenue</b>		
Ireland	29,281	47,416
UK	37,659	41,017
IOM & Jersey	31,311	35,509
Cyprus	4,704	177
Other countries	6,332	4,710
	109,287	128,829

Revenue is allocated based on the country where the customer is located.

## Notes to the Consolidated Financial Statements

	2008 €'000	2007 €'000
<b>Total assets</b>		
Ireland	36,274	34,431
UK	51,005	60,533
IOM & Jersey	42,085	46,576
Cyprus	35,599	256
Other countries	10,445	10,948
	<b>175,408</b>	152,744
Associates and joint ventures	-	299
	<b>175,408</b>	153,043

Total assets are allocated based on where the assets are located.

	2008 €'000	2007 €'000
<b>Capital expenditure</b>		
Ireland	13,181	1,642
UK	530	969
IOM & Jersey	997	3,138
Cyprus	23,443	-
Other countries	25	8,797
	<b>38,176</b>	14,546

Capital expenditure is allocated based on where the assets are located.

### 7. Expenses by nature

	2008 €'000	2007 €'000
Depreciation and amortisation	5,238	3,850
Employee benefit expense (Note 9)	58,681	63,030
Advertising costs	897	1,725
Operating lease rentals	2,927	3,450
Auditors remuneration	1,048	1,288
Professional Fees	2,023	1,858
Software support	2,097	1,839
Commissions	7,748	13,756
Foreign exchange (gain)/loss	(3,543)	205
Other expenses	17,795	20,486
	<b>94,911</b>	111,487

No other expenses classified by nature exceed €1.0 million in total and so have not been disclosed.

# Notes to the Consolidated Financial Statements

## 8. Directors' remuneration

	2008 €'000	2007 €'000
<b>Emoluments:</b>		
For services as a director	259	263
For other services	3,728	5,846
	<u>3,987</u>	<u>6,109</u>

## 9. Employee benefit expense

The average number of persons employed by the Group during the year was 783 (2007: 723). At 31 December 2008, 789 persons (2007: 777) were employed by the Group.

	2008 €'000	2007 €'000
Wages and salaries	49,034	51,884
Social welfare costs	5,120	5,357
Pension costs - defined contribution plans	2,780	2,731
Pension costs - defined benefit plan	180	358
Share based payment compensation - share options	317	450
Share based payment compensation - LTIP	1,250	2,250
	<u>58,681</u>	<u>63,030</u>

## 10. Finance income and costs

	2008 €'000	2007 €'000
<b>Finance costs</b>		
Bank borrowings	(3,115)	(2,364)
Senior unsecured notes	(84)	(179)
Provisions - unwinding of discount	(716)	(794)
Finance lease interest	(15)	(10)
Finance costs	<u>(3,930)</u>	<u>(3,347)</u>
<b>Finance income</b>		
Interest income on short-term bank deposits	1,028	876
<b>Net finance costs</b>	<u>(2,902)</u>	<u>(2,471)</u>

# Notes to the Consolidated Financial Statements

## 11. Operating profit

	2008 €'000	2007 €'000
The following items have been charged in operating profit :		
Depreciation	1,672	1,864
Amortisation of intangible assets	3,566	1,976
Operating lease rentals	2,927	3,450
Foreign exchange (gain)/loss	(3,543)	205
Auditors' remuneration		
- audit	842	866
- non audit	206	422
Employee costs (note 9)	58,681	63,030

## 12. Income tax expense

	2008 €'000	2007 €'000
<b>Current tax</b>		
Irish (at 12.5%):		
- current year	164	561
- prior year	(217)	47
UK and other (primarily at 28%):		
- current year	2,670	2,582
- prior year	(528)	(471)
	<b>2,089</b>	<b>2,719</b>
<b>Deferred tax</b>		
Irish:		
- current year	57	60
UK and other:		
- current year	(471)	(93)
	<b>1,675</b>	<b>2,686</b>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profits of the consolidated entities as follows:

	2008 €'000	2007 €'000
Profit before tax	12,099	15,120
Tax calculated at domestic tax rates applicable to profits in the respective countries	2,279	3,737
Income not subject to tax	-	(303)
Adjustment in respect of prior years	(745)	(424)
Tax losses forward on which deferred tax asset no longer recognised	216	-
Utilisation of previously unrecognised tax losses	(137)	(169)
Others	62	(155)
Income tax expense	<b>1,675</b>	<b>2,686</b>

# Notes to the Consolidated Financial Statements

## 13. Earnings per ordinary share

	2008	2007
<b>Basic</b>		
Profit after income tax and minority interest (€'000)	11,365	12,069
Weighted average number of ordinary shares in issue for the calculation of earnings per share	72,447,944	69,268,010
Basic earnings per share (cent)	15.69	17.42
<b>Diluted</b>		
Profit after income tax and minority interest (€'000)	11,365	12,069
Weighted average number of ordinary shares in issue for the calculation of earnings per share	72,447,944	69,268,010
Dilutive effect of share options and warrants	738,203	2,314,029
Dilutive effect of long term incentive plan	2,333,333	1,720,833
Weighted average number of ordinary shares for the calculation of diluted earnings per share	75,519,480	73,302,872
Diluted earnings per share (cent)	15.05	16.46

The number of shares used in the calculation of basic earnings per share and diluted earnings per share has been calculated in accordance with International Accounting Standard No.33.

Diluted earnings per share are based on the weighted average number of ordinary shares used in the basic earnings per share calculation, with an adjustment to reflect:

- ▶ the dilutive effect of options and warrants outstanding during the year. This arises when the exercise price is lower than the average market price during the year;
- ▶ the number of shares earned under the Long Term Incentive Plan ('LTIP') which have not been issued.

At 31 December 2008, shares earned by participants under the LTIP, approved by the shareholders on 28 September 2006 but not yet issued amount to 2,333,333 shares (2007: 1,720,833).

## 14. Dividends

Dividends paid and approved during 2008 were €2,772,000 (2007: €2,377,000) amounting to 3.75 (2007: 3.41) cent per share. A final dividend in respect of 2008 of 2.36 cent per share is to be proposed at the Annual General Meeting on 1 July 2009. These financial statements do not reflect this dividend payable.

# Notes to the Consolidated Financial Statements

## 15. Property, plant & equipment

	<b>Buildings</b>	<b>Computer equipment</b>	<b>Fixtures &amp; fittings</b>	<b>Motor vehicles</b>	<b>Total</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>Cost</b>					
At 31 December 2006	3,006	6,075	5,113	278	<b>14,472</b>
Additions	301	974	524	77	<b>1,876</b>
Disposals	-	(825)	(368)	(91)	<b>(1,284)</b>
Business combination	-	56	110	-	<b>166</b>
Reclassification to intangible assets	-	(520)	-	-	<b>(520)</b>
Exchange adjustment	(144)	(336)	(319)	(10)	<b>(809)</b>
At 31 December 2007	3,163	5,424	5,060	254	<b>13,901</b>
Additions	107	834	154	74	<b>1,169</b>
Disposals	(68)	(680)	(1,015)	(85)	<b>(1,848)</b>
Business combination	-	80	136	-	<b>216</b>
Exchange adjustment	(401)	(959)	(619)	(3)	<b>(1,982)</b>
<b>At 31 December 2008</b>	<b>2,801</b>	<b>4,699</b>	<b>3,716</b>	<b>240</b>	<b>11,456</b>
<b>Accumulated depreciation</b>					
At 31 December 2006	(492)	(3,927)	(3,748)	(170)	<b>(8,337)</b>
Charge for year	(165)	(945)	(678)	(76)	<b>(1,864)</b>
Disposals	-	870	293	61	<b>1,224</b>
Reclassification to intangible assets	-	269	-	-	<b>269</b>
Exchange adjustment	34	121	202	8	<b>365</b>
At 31 December 2007	(623)	(3,612)	(3,931)	(177)	<b>(8,343)</b>
Charge for year	(199)	(1,133)	(290)	(50)	<b>(1,672)</b>
Disposals	58	647	1,052	74	<b>1,831</b>
Exchange adjustment	119	717	398	1	<b>1,235</b>
<b>At 31 December 2008</b>	<b>(645)</b>	<b>(3,381)</b>	<b>(2,771)</b>	<b>(152)</b>	<b>(6,949)</b>
<b>Net book amounts</b>					
At 31 December 2007	2,540	1,812	1,129	77	<b>5,558</b>
<b>At 31 December 2008</b>					
- cost	<b>2,801</b>	<b>4,699</b>	<b>3,716</b>	<b>240</b>	<b>11,456</b>
- accumulated depreciation	<b>(645)</b>	<b>(3,381)</b>	<b>(2,771)</b>	<b>(152)</b>	<b>(6,949)</b>
	<b>2,156</b>	<b>1,318</b>	<b>945</b>	<b>88</b>	<b>4,507</b>

# Notes to the Consolidated Financial Statements

## Capital commitments

At 31 December 2008 amounts authorised by the Directors but not contracted for were €nil (2007: €nil). Capital commitments contracted for were €720,000 (2007: €nil).

## Finance Leases

As at 31 December 2008, the capitalised cost of assets held under finance lease was €1,153,000 (2007: €1,177,000) and consists primarily of office equipment. The net book value of these assets was €44,000 (2007: €88,000).

## 16. Intangible assets

	Goodwill	Other <sup>1</sup>	Computer software	Total
	€'000	€'000	€'000	€'000
<b>Year ended 31 December 2008</b>				
Opening net book amount	57,732	16,672	904	75,308
Business combinations	11,433	20,242	2,038	33,713
Additions	-	-	940	940
Internal development additions	-	-	1,639	1,639
Amortisation charge	-	(3,122)	(444)	(3,566)
Exchange adjustment	(10,053)	(2,051)	(231)	(12,335)
Closing net book amount 2008	59,112	31,741	4,846	95,699
<b>At 31 December 2008</b>				
Cost	71,105	36,985	5,754	113,844
Accumulated amortisation & impairment	(11,993)	(5,244)	(908)	(18,145)
Net book amount	59,112	31,741	4,846	95,699
<b>Year ended 31 December 2007</b>				
Opening net book amount	59,383	12,122	441	71,946
Business combinations	3,014	6,865	-	9,879
Additions	-	455	531	986
Amortisation charge	-	(1,736)	(240)	(1,976)
Reclassification from property, plant & equipment	-	-	251	251
Exchange adjustment	(4,665)	(1,034)	(79)	(5,778)
Closing net book amount 2007	57,732	16,672	904	75,308
<b>At 31 December 2007</b>				
Cost	69,725	18,794	1,368	89,887
Accumulated amortisation & impairment	(11,993)	(2,122)	(464)	(14,579)
Net book amount	57,732	16,672	904	75,308

# Notes to the Consolidated Financial Statements

- <sup>1</sup> Other intangibles include the cost of intangibles that were identified and valued as part of the purchase price allocation that resulted from business combinations. Useful lives of other intangibles range from 6 to 10 years. Computer software is amortised over 3 to 6 years.

	<b>At 31 December 2008 €'000</b>	At 31 December 2007 €'000
<b>Goodwill – cash generating units</b>		
Trustee & Corporate Services	<b>20,282</b>	17,118
Pensioner Trustee - UK	<b>14,705</b>	19,098
Financial Services - UK	<b>10,227</b>	13,282
Mortgage & Title Insurance - Ireland	<b>302</b>	302
Financial Services - Ireland	<b>13,596</b>	7,932
	<b>59,112</b>	57,732

## Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ('CGUs') identified according to country of operation and business segment.

Value-in-use calculations are generally utilised to calculate recoverable amounts of a CGU. Value-in-use is calculated as the net present value of the projected risk-adjusted cash flows of the cash generating unit in which the goodwill is contained. These cash flows are based on budgets approved by management covering a one year budget together with a four year forecast. These forecasts do not exceed the long-term average growth rates for the jurisdictions involved. Cash flows beyond the five-year period are extrapolated using the estimated growth rates as stated below.

### Growth Rates 2008 & 2007:

Ireland	2.0% (4.0%)
UK	1.0% (2.5%)
International	2.0% (4.0%)

Net present value of cash flows is achieved by applying a discount rate of the Group pre-tax weighted average cost of capital of 8.9% (2007: 9.5%).

# Notes to the Consolidated Financial Statements

## 17. Investments in associates / joint ventures

	2008 €'000	2007 €'000
Beginning of year	299	300
Disposals in year	(58)	(74)
Dividend received from associates / joint venture	(241)	(176)
Share of profit	-	249
End of year	-	299

The Group's share of the results of its principal associates and joint ventures, all of which are unlisted, and its aggregated assets and liabilities are as follows:

	Assets €'000	Liabilities €'000	Revenues €'000	(Loss)/profit €'000
2008	660	(750)	-	(15)
2007	1,307	(1,008)	2,656	249

The Groups investments in associates and joint ventures comprise shareholdings in Rayband Limited (2007: Rayband Limited and Seniors Money Ireland Limited) all based in Ireland with a holding of 35% (2007: 35% and 50%). The Group has not recognised losses amounting to €15,000 for Rayband Limited in 2008. The Group share of losses in Rayband exceeds its interest in the undertaking and as such no further losses have been recognised.

## 18. Deferred income tax

Deferred income tax assets and liabilities are offset, if and only if, there is a legally enforceable right to set off the recognised amounts and there is an intention to either settle on a net basis or to realise the asset and settle the liability simultaneously.

	2008 €'000	2007 €'000
Deferred tax asset	1,315	1,178
Deferred tax liability not subject to offset	(4,992)	(3,172)
	(3,677)	(1,994)

The gross movement on the deferred income tax account is as follows:

Beginning of year	(1,994)	(944)
Exchange movement	(169)	(14)
Acquisition of subsidiary	(1,928)	(1,069)
Income statement credit	414	33
End of year	(3,677)	(1,994)

## Notes to the Consolidated Financial Statements

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated depreciation €'000	Past business review €'000	Intangibles €'000	Tax losses €'000	Other temporary differences €'000	Total €'000
Deferred tax assets at 1 January 2007	148	404	-	331	598	1,481
Deferred tax liability at 1 January 2007	-	-	(2,425)	-	-	(2,425)
Net deferred tax balance at 1 January 2007	148	404	(2,425)	331	598	(944)
At 1 January 2007	148	404	(2,425)	331	598	(944)
Exchange movement	-	-	-	-	(14)	(14)
Credit / (charged) to income statement	(91)	-	322	191	(389)	33
Business combinations	-	-	(1,069)	-	-	(1,069)
Net deferred tax balance at 31 December 2007	57	404	(3,172)	522	195	(1,994)
Deferred tax assets at 31 December 2007	57	404	-	522	195	1,178
Deferred tax liabilities at 31 December 2007	-	-	(3,172)	-	-	(3,172)
Net deferred tax balance at 31 December 2007	57	404	(3,172)	522	195	(1,994)
At 1 January 2008	57	404	(3,172)	522	195	(1,994)
Exchange movement	(7)	(70)	-	(76)	(16)	(169)
Credit / (charged) to income statement	40	(71)	458	(213)	200	414
Business combinations	71	-	(2,278)	277	2	(1,928)
<b>Net deferred tax balances at 31 December 2008</b>	<b>161</b>	<b>263</b>	<b>(4,992)</b>	<b>510</b>	<b>381</b>	<b>(3,677)</b>
<b>Deferred tax assets at 31 December 2008</b>	<b>161</b>	<b>263</b>	<b>-</b>	<b>510</b>	<b>381</b>	<b>1,315</b>
<b>Deferred tax liabilities at 31 December 2008</b>	<b>-</b>	<b>-</b>	<b>(4,992)</b>	<b>-</b>	<b>-</b>	<b>(4,992)</b>
<b>Net deferred tax balances at 31 December 2008</b>	<b>161</b>	<b>263</b>	<b>(4,992)</b>	<b>510</b>	<b>381</b>	<b>(3,677)</b>

Tax losses on which a deferred tax asset has not been recognised are €3,820,000 (2007: €405,000). These losses have no expiration date and can be carried forward indefinitely. Deferred tax assets are recognised where it is probable that future taxable profit will be available to utilise losses.

# Notes to the Consolidated Financial Statements

## 19. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	<b>Held-to-maturity</b>	<b>Loans and receivables</b>	<b>Available-for-sale financial assets</b>	<b>Total</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>31 December 2008</b>				
<b>Assets as per balance sheet</b>				
Available-for-sale financial assets	-	-	105	105
Trade & other receivables	-	37,179	-	37,179
Restricted cash	12,211	-	-	12,211
Cash & cash equivalents	-	22,540	-	22,540
<b>Total</b>	<b>12,211</b>	<b>59,719</b>	<b>105</b>	<b>72,035</b>

	<b>Loans and receivables</b>	<b>Available-for-sale financial assets</b>	<b>Total</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>31 December 2007</b>			
<b>Assets as per balance sheet</b>			
Available-for-sale financial assets	-	87	87
Trade & other receivables	41,363	-	41,363
Cash & cash equivalents	25,842	-	25,842
<b>Total</b>	<b>67,205</b>	<b>87</b>	<b>67,292</b>

	<b>Other financial liabilities</b>
	<b>€'000</b>
<b>31 December 2008</b>	
<b>Liabilities as per balance sheet</b>	
Borrowings	69,349
Trade & other payables	2,684
<b>Total</b>	<b>72,033</b>

	<b>Other financial liabilities</b>
	<b>€'000</b>
<b>31 December 2007</b>	
<b>Liabilities as per balance sheet</b>	
Borrowings	45,278
Trade & other payables	4,423
<b>Total</b>	<b>49,701</b>

## Notes to the Consolidated Financial Statements

### 20. Available-for-sale financial assets

	Unquoted investments €'000
At 1 January 2008	87
Additions	105
Disposals	(87)
<b>At 31 December 2008</b>	<b>105</b>

Fair value of unquoted investments is based on the net assets of underlying investments. The maximum exposure to credit risk at the reporting date is the fair value of securities classified as available-for-sale. None of the financial assets are impaired.

### 21. Trade and other receivables

	2008 €'000	2007 €'000
Trade and other receivables	37,179	41,363
Less provision for impairment	(2,667)	(2,835)
Trade receivables and other receivables-net	34,512	38,528
Prepayments	3,080	4,237
Loans to associates and joint ventures	1,289	1,271
Value added tax	3	218
	<b>38,884</b>	<b>44,254</b>
Non-current	-	-
Current	<b>38,884</b>	<b>44,254</b>
	<b>38,884</b>	<b>44,254</b>

The income statement charge in respect of the provision for impairment of trade receivables was €1,321,000 (2007: €2,554,000) and has been charged as part of administration expenses.

The carrying value less impairment provision of trade and other receivables approximates fair value.

The Group's exposure to concentration risk in respect of its trade receivables is assessed as low given the large number of customers in diverse geographical locations.

As of 31 December 2008, trade receivables of €18,309,000 (2007: €24,468,000) were fully performing. There is no history of default with any of these clients.

## Notes to the Consolidated Financial Statements

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2008, trade receivables of €6,644,000 (2007: €6,793,000) were past due but not impaired. These relate to a wide range of clients for whom there is no history of default. The ageing analysis of these trade receivables is as follows:

	<b>2008</b>	2007
	<b>€'000</b>	€'000
Less than 3 months	<b>5,000</b>	5,211
3 to 6 months	<b>996</b>	1,111
More than 6 months	<b>648</b>	471
	<b>6,644</b>	6,793

As of 31 December 2008, trade receivables of €12,226,000 (2007: €10,102,000) were impaired and provided for. The amount of the provision was €2,667,000 (2007: €2,835,000). It was assessed that a portion of the receivables from those clients would be recovered. The ageing of these receivables is as follows:

	<b>2008</b>	2007
	<b>€'000</b>	€'000
6 months to one year	<b>6,866</b>	4,656
More than one year	<b>5,360</b>	5,446
	<b>12,226</b>	10,102

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	<b>2008</b>	2007
	<b>€'000</b>	€'000
Euro	<b>13,554</b>	14,303
Sterling	<b>21,646</b>	24,516
USD	<b>1,184</b>	554
Other currencies	<b>795</b>	1,990
	<b>37,179</b>	41,363

# Notes to the Consolidated Financial Statements

Movements on the Group provision for impairment of trade receivables are as follows:

	<b>2008</b>	2007
	<b>€'000</b>	€'000
At 1 January	<b>2,835</b>	1,633
Provision for receivables impairment	<b>1,321</b>	2,554
Receivables written off during year as uncollectible	<b>(1,142)</b>	(1,206)
Unused amounts reversed	<b>(183)</b>	(190)
Exchange adjustment	<b>(164)</b>	44
	<b>2,667</b>	2,835

The creation and release of the provision for impaired receivables has been included within administrative expenses in the income statement.

The other classes within trade and other receivables do not contain any impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

## 22. Cash and cash equivalents

	<b>2008</b>	2007
	<b>€'000</b>	€'000
Cash at bank and in hand	<b>13,708</b>	15,281
Short-term bank deposits	<b>8,832</b>	10,561
	<b>22,540</b>	25,842

Cash and cash equivalents are reported at amortised cost which approximates fair value. Cash at bank and in hand earns interest at floating rates based on daily deposit bank rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

# Notes to the Consolidated Financial Statements

## Currency rate profile of cash and cash equivalents

	Cash at bank and in hand €'000	2008 Short term deposits €'000	Total €'000	Cash at bank and in hand €'000	2007 Short term deposits €'000	Total €'000
Euro	3,823	1,083	4,906	3,816	522	4,338
Sterling	8,998	7,749	16,747	9,921	9,832	19,753
US Dollar	526	-	526	761	207	968
Swiss Franc	343	-	343	599	-	599
Yen	18	-	18	184	-	184
	<b>13,708</b>	<b>8,832</b>	<b>22,540</b>	<b>15,281</b>	<b>10,561</b>	<b>25,842</b>

The majority of cash balances denominated in Euro belong to a cash pooling arrangement whereby the Group benefits from a reduced interest expense. Floating rate cash earns interest based on relevant national bank deposit rates.

## 23. Borrowings

	2008 €'000	2007 €'000
<b>Non-Current</b>		
Bank borrowings	56,610	34,072
Senior unsecured notes	-	920
Leasing finance	9	60
	<b>56,619</b>	<b>35,052</b>
<b>Current</b>		
Bank overdrafts	1,256	1,551
Bank borrowings	10,511	7,936
Senior unsecured notes	920	690
Leasing finance	43	49
	<b>12,730</b>	<b>10,226</b>
<b>Total borrowings</b>	<b>69,349</b>	<b>45,278</b>

# Notes to the Consolidated Financial Statements

## Bank borrowings

Bank borrowings mature at dates between 2009 and 2011 and bear average coupons of 4.0% annually (2007: 5.5% annually).

Total borrowings include secured liabilities. Bank borrowings are secured by a fixed and floating charge over the Group's assets including the guarantee of the holding company.

The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	2008 €'000	2007 €'000	2008 €'000	2007 €'000
Bank borrowings	56,610	34,072	50,595	28,182
Senior unsecured notes	-	920	-	872
Leasing finance	9	60	8	54
	<b>56,619</b>	<b>35,052</b>	<b>50,603</b>	<b>29,108</b>

The fair values are based on cash flows discounted using a rate based on the borrowing rate of 4.0% (2007: 5.5%).

The carrying amount of the Group's borrowings are denominated in the following currencies:

	2008 €'000	2007 €'000
Euro	44,115	45,002
Sterling	25,234	276
	<b>69,349</b>	<b>45,278</b>

The Group has the following undrawn committed borrowing facilities available:

	2008 €'000	2007 €'000
Expiring within one year	9,700	-
Expiring in more than two years	1,847	3,415
	<b>11,547</b>	<b>3,415</b>

These facilities which include our short-term working capital facilities, provide the Group with the necessary funding in each of our functional currencies for our short and long term objectives. All of the working capital facilities in place at 31 December 2008 are denominated in Euro with the exception of Stg £400,000 of undrawn facilities.

Group bank advances totalling €68,680,000 (2007: €43,559,000) are secured on certain of the Group's investments or by a fixed and floating charge over the Group's assets including the guarantee of the holding company.

## Notes to the Consolidated Financial Statements

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The maturity analysis of fixed rate debt is stated by contractual maturity and of floating rate debt by interest rate repricing dates.

	<b>2008</b>	2007
	<b>€'000</b>	€'000
<b>Debt</b>		
Floating and fixed rate less than one year	<b>12,730</b>	10,226
Between one and two years	<b>7,480</b>	5,980
Between two and three years	<b>49,139</b>	5,000
Between three and four years	-	24,072
Between four and five years	-	-
	<b>69,349</b>	45,278

### Senior unsecured notes

The company issued £20.0 million senior unsecured notes with warrants attaching on 18 December 2001. It also issued €10.0 million senior unsecured notes with warrants attaching on 25 February 2002.

Such notes mature seven years from date of issue with repayments during that period.

The fair values of the liability component and the equity conversion component were determined at issuance of the bond. The fair value of the liability component, included in both current and long-term borrowings was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves (Note 28). The cumulative impact of recognising a liability and an equity component on the notes was recognised upon adoption of IAS 32 and IAS 39 on 1 January 2005.

The senior unsecured notes recognised in the balance sheet are calculated as follows:

	<b>2008</b>	2007
	<b>€'000</b>	€'000
Balance at 1 January	<b>1,610</b>	14,154
Repayments	<b>(774)</b>	(12,616)
Interest expense (note 10)	<b>84</b>	179
Exchange adjustments	-	(117)
Amortisation of private placement expenses	-	10
Balance at 31 December	<b>920</b>	1,610

Interest expense on the notes is calculated using the effective interest method by applying the effective interest rate of 8.1% and 8.12% to the liability component.

The fair value of the liability component of the unsecured notes at 31 December 2008 amounted to €872,000. The fair value is calculated using cash flows discounted at a rate of 4.0%.

On 27 February 2009, the Group redeemed €920,000 of the remaining unsecured notes.

# Notes to the Consolidated Financial Statements

## Leasing finance

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Gross finance lease liabilities - minimum lease payments:

	<b>2008</b>	2007
	<b>€'000</b>	€'000
Within one year	45	55
Between one and two years	10	62
Between two and five years	-	-
	<b>55</b>	117
Future finance charges on finance leases	<b>(3)</b>	(8)
Present value of leasing finance	<b>52</b>	109

The present value of finance lease liabilities is as follows:

	<b>2008</b>	2007
	<b>€'000</b>	€'000
Within one year	43	49
Between one and two years	9	60
Between two and five years	-	-
	<b>52</b>	109

## 24. Retirement benefit obligations

	<b>2008</b>	2007
	<b>€'000</b>	€'000
<b>Balance sheet obligations for</b>		
Pension benefits	<b>231</b>	407
<b>Income statement charge for (note 9)</b>		
Pension benefits	<b>180</b>	358

IFG entities operate pension arrangements which cover the Group's material obligations to provide pensions to retired employees. These schemes are provided by defined contribution schemes, whereby retirement benefits are determined by the value of funds arising from contributions paid in respect of each employee and defined benefit schemes whereby retirement benefits are based on employee pensionable remuneration and length of service.

The Group operates a defined benefit pension scheme via its subsidiary IFG Management Limited for eligible employees. The scheme was closed to new entrants with effect from 1 November 1997. The assets are held separately from those of the Group being invested with an insurance company. The most recent full valuation for funding purposes was carried out by a qualified actuary at 1 January 2006 and the results have been projected to 31 December 2008 and is available for inspection by the scheme members but is not available for public inspection.

## Notes to the Consolidated Financial Statements

The following information relates to the Group's defined benefit pension scheme.

### Pension benefits

The amounts recognised in the balance sheet are determined as follows:

	<b>2008</b>	2007
	<b>€'000</b>	€'000
Present value of funded obligations	<b>2,740</b>	4,059
Fair value of plan assets	<b>(2,650)</b>	(4,040)
	<b>90</b>	19
Unrecognised actuarial gains	<b>141</b>	388
Liability in the balance sheet	<b>231</b>	407

The movement in the defined benefit obligation over the year is as follows:

	<b>2008</b>	2007
	<b>€'000</b>	€'000
At beginning of the year	<b>4,059</b>	5,797
Interest cost	<b>226</b>	278
Current service cost	<b>177</b>	244
Contributions by members	<b>29</b>	32
Benefits paid	<b>(50)</b>	(732)
Actuarial gains	<b>(844)</b>	(1,160)
Exchange movement	<b>(857)</b>	(400)
At end of the year	<b>2,740</b>	4,059

The movement in the fair value of plan assets over the year is as follows:

	<b>2008</b>	2007
	<b>€'000</b>	€'000
At beginning of the year	<b>4,040</b>	4,043
Expected return on plan assets	<b>221</b>	213
Contributions by employer	<b>244</b>	548
Contributions by members	<b>29</b>	32
Benefits paid	<b>(50)</b>	(732)
Actuarial (loss) / gain	<b>(997)</b>	301
Exchange movement	<b>(837)</b>	(365)
At end of the year	<b>2,650</b>	4,040

## Notes to the Consolidated Financial Statements

The amounts recognised in the income statement are as follows:

	<b>2008</b>	2007
	<b>€'000</b>	€'000
Interest cost	<b>226</b>	278
Current service cost	<b>177</b>	244
Expected return on plan assets	<b>(221)</b>	(213)
Actuarial (losses) / gains outside corridor	<b>(2)</b>	49
	<b>180</b>	358

The total charge has been included in cost of sales in the income statement.

The actual (loss)/return on plan assets was (€776,000) (2007: €514,000).

The principal actuarial assumptions used were as follows:

	<b>2008</b>	2007
Discount rate	<b>6.5%</b>	5.9%
Expected return on plan assets	<b>5.75%</b>	5.75%
Future salary increases	<b>4.2%</b>	4.2%
Future pension increase	<b>2.7%</b>	3.4%

Assumed life expectancy in years, on retirement at 65

Retiring today:

Male	<b>21.5 years</b>	21.5 years
Female	<b>23.5 years</b>	23.5 years

Retiring in 20 years:

Male	<b>23.5 years</b>	23.5 years
Female	<b>26.5 years</b>	26.5 years

Contributions expected to be made to the scheme in 2009 are €400,000.

Assets of the scheme comprise a unitised with profits policy. The expected return on assets is calculated using the assets, market conditions and long term expected rate of interest.

### History of experience gains and losses:

As at 31 December

	<b>2008</b>	2007	2006	2005
	<b>€'000</b>	€'000	€'000	€'000
Present value of defined benefit obligation	<b>2,740</b>	4,059	5,797	5,087
Fair value of plan assets	<b>2,650</b>	4,040	4,043	3,353
Deficit	<b>90</b>	19	1,754	1,734
Experience adjustments on plan liabilities	<b>49</b>	(121)	(34)	(89)
Experience adjustments on plan assets	<b>(997)</b>	301	177	25

# Notes to the Consolidated Financial Statements

## 25. Provisions for other liabilities

	Contingent/ deferred consideration €'000	Others €'000	Total €'000
At 31 December 2007	10,383	2,330	12,713
Additions	-	2,135	2,135
Business combinations	17,456	-	17,456
Utilisations	(7,009)	(674)	(7,683)
Unwinding of discount	642	74	716
Exchange Adjustment	(567)	(395)	(962)
<b>At 31 December 2008</b>	<b>20,905</b>	<b>3,470</b>	<b>24,375</b>
Analysis of provisions:			<b>2008</b>
			<b>€'000</b>
Non-current			<b>10,314</b>
Current			<b>14,061</b>
			<b>24,375</b>

### (a) Contingent/deferred consideration

In the current and prior year the Group was engaged in a number of business acquisitions whose terms provided for an element of the purchase consideration to be contingent on the achievement of certain future revenue targets and/or be paid at periods after the date of acquisition. The provision represents the present value of the best estimate of amounts expected to be paid. Expected timing of outflows associated with the provisions are in the period 2009 - 2013.

### (b) Others

€768,000 (2007: €1,269,000) of the provision classified as "Others" relates to the costs associated with the review of past business practices of one of the Company's subsidiaries, see Note 4.

## Notes to the Consolidated Financial Statements

### 26. Other non-current liabilities

	2008 €'000	2007 €'000
<b>Non-current liabilities</b>		
Deferred income	-	1,250

The Group received an advance payment of €1,250,000 upon the sale of 50% of the mortgage business to GE Capital Woodchester Limited in 2003. As a result of the decision by GE Capital Woodchester Limited to exit the non-conforming market the Group is entitled to retain €625,000 of the payment which has been recognised as other income during 2008. The balance of €625,000 has been refunded by the Group.

### 27. Trade and other payables (amounts falling due within one year)

	2008 €'000	2007 €'000
Trade and other payables	2,684	4,423
Accruals and deferred income	25,150	33,909
PAYE and Social welfare	745	1,204
Value added tax	791	935
Amounts due to associates and joint ventures	1	133
	<b>29,371</b>	<b>40,604</b>
Creditors for taxation and social welfare included above	1,536	2,139

The carrying value of trade and other payables approximates fair value.

# Notes to the Consolidated Financial Statements

## 28. Share capital and share premium

	2008 No of shares	2008 €'000	2007 No of shares	2007 €'000
<b>Authorised</b>				
Ordinary shares of 12c each	85,187,210	10,222	85,187,210	10,222
“A” ordinary shares of €1.27 each	8,200	10	8,200	10
		<b>10,232</b>		<b>10,232</b>

	No of shares	Ordinary shares €'000	Share premium €'000
<b>Allotted and fully paid up</b>			
At 1 January 2007	69,659,284	8,239	52,300
Share options exercised during year	715,000	86	732
LTIP shares issued during year	291,666	35	-
At 31 December 2007	69,665,950	8,360	53,032
Share options exercised during year	458,318	55	442
LTIP shares issued during year	687,501	83	-
Shares issued during year	3,432,958	411	6,551
<b>At 31 December 2008</b>	<b>74,244,727</b>	<b>8,909</b>	<b>60,025</b>

### Share options

The Group operates share option schemes whereby options are granted to employees to acquire shares in IFG Group plc. The exercise price of the granted options is equal to the market price of the shares on the date of grant. Options are conditional on the employee remaining in service for a period of three years (vesting period) and are exercisable between three and ten years from the date of grant. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

At 31 December 2008 share options were outstanding over 3,538,182 (2007: 3,722,500) ordinary shares under the Company's Share Option Schemes.

## Notes to the Consolidated Financial Statements

Movements in the number of share options outstanding and their related average exercise prices are as follows:

	<b>2008 Weighted exercise price in € per share</b>	<b>2008 Options '000</b>	2007 Weighted exercise price in € per share	2007 Options '000
At 1 January	<b>1.29</b>	<b>3,722</b>	1.35	4,177
Granted	<b>1.97</b>	<b>435</b>	2.08	335
Forfeited	<b>1.77</b>	<b>(161)</b>	1.38	(75)
Exercised	<b>1.09</b>	<b>(458)</b>	1.14	(715)
At 31 December	<b>1.56</b>	<b>3,538</b>	1.29	3,722
Options exercisable	<b>1.38</b>	<b>2,585</b>	1.44	2,372

The weighted average share price at the date of exercise for options exercised during the year was €1.93 (2007: €2.16).

Options outstanding at the end of the year entitle holders to purchase ordinary shares as follows:

<b>Number</b>	<b>Exercise price in cent</b>	<b>Period normally exercisable</b>	
		<b>From</b>	<b>To</b>
55,000	77.45	24.05.2002	23.05.2009
245,000	114.00	11.05.2003	10.05.2010
667,500	140.00	04.07.2003	03.07.2010
250,000	170.00	06.09.2003	05.09.2010
75,000	300.00	10.10.2004	09.10.2011
135,000	275.00	17.04.2005	16.04.2012
90,000	190.00	09.07.2005	08.07.2012
475,000	114.00	16.04.2007	15.04.2014
100,000	102.00	13.07.2007	12.07.2014
492,682	99.00	16.04.2008	15.04.2015
253,000	205.00	10.05.2009	09.05.2016
277,500	208.00	12.04.2010	11.04.2017
422,500	197.00	14.04.2011	13.04.2018

# Notes to the Consolidated Financial Statements

## Option pricing

The fair value of options granted was determined using the Black-Scholes valuation model. The significant inputs into the model were share price and exercise price of €1.97 in 2008, (2007: €2.08 and 2006: €2.05) at the grant dates, standard deviation of expected share price returns of 45%, (2007: 79% and 2006: 43%), option life disclosed above and annual risk-free rate of 4.0%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over a seven year period as this represents the historical experience of grant date to exercise date. Weighted average fair value of share options granted in the year was €0.88 (2007: €1.36).

## Directors' interest in the Long Term Incentive Plan

Some executive directors of the Company are participants in a Long Term Incentive Plan (LTIP). The share awards under the LTIP approved by shareholders at an Extraordinary General Meeting on 28 September 2006, are contingent on the achievement of defined annual adjusted EPS growth targets for the financial year 2006 to 2010 and on the recipients remaining with the Group until the end of the performance period. The table below outline the total number of shares earned as of 31 December 2008 and the maximum number of shares that can currently be earned under the LTIP.

Performance cycle ending	Grant date	Market price per ordinary shares at grant date €	Shares earned at 1 January 2008 number	Shares earned in year number	Shares earned as at 31 December 2008 number	Maximum that can be earned number
31.12.2010	28.09.2006	2.10	1,500,000	750,000	2,250,000	3,750,000
31.12.2010	14.07.2007	2.22	200,000	200,000	400,000	800,000
31.12.2010	20.11.2007	1.52	312,500	250,000	562,500	1,062,500

The share based payment compensation charge for the year has been disclosed in Note 9.

## Notes to the Consolidated Financial Statements

### 29. Other reserves

	Capital conversion reserve	Convertible bond	Equity settled share transactions	Translation reserve	Total
	€'000	€'000	€'000	€'000	€'000
At 1 January 2007	414	338	1,867	(4,698)	(2,079)
Currency translation adjustments	-	-	-	(6,771)	(6,771)
Net investment hedge	-	-	-	(62)	(62)
Share based payment compensation:					
- Long term incentive plan	-	-	2,250	-	2,250
- Share options	-	-	450	-	450
- Shares issued under LTIP	-	-	(35)	-	(35)
<b>At 31 December 2007</b>	<b>414</b>	<b>338</b>	<b>4,532</b>	<b>(11,531)</b>	<b>(6,247)</b>
Currency translation adjustments	-	-	-	(17,972)	(17,972)
Share based payment compensation:					
- Long term incentive plan	-	-	1,250	-	1,250
- Share options	-	-	317	-	317
- Shares issued under LTIP	-	-	(83)	-	(83)
<b>At 31 December 2008</b>	<b>414</b>	<b>338</b>	<b>6,016</b>	<b>(29,503)</b>	<b>(22,735)</b>

Capital conversion reserve arose on the redenomination of the shares from Irish pounds to Euro in Year 2001 and the renominialisation of the share capital.

Convertible bond reserve was created on the transition to IFRS and the recognition of the senior unsecured notes as a compound financial instrument. The existence of warrants required the separation of debt from the equity piece of the notes.

Equity settled share transactions reserve records all entries that result in the Group's requirement to settle its obligations in the form of the issue of shares.

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Group's net investment in foreign subsidiaries.

### 30. Equity minority interests

At 31 December 2008, equity minority interest is represented by minority interests in IFG Investment and Mortgage Services Limited, IFG Mortgage & Assurance Services Limited and FNTC Finance Limited.

# Notes to the Consolidated Financial Statements

## 31. Operating lease commitments

The Group leases various properties and equipment under non-cancellable operating lease agreements. The lease expenditure charged to the income statement during the year is disclosed in Note 11. The leases have varying conditions and terms.

The future aggregate minimum lease payments under the non-cancellable operating leases are as follows:

	2008 €'000	2007 €'000
within one year	2,431	2,767
in the second to fifth year	7,414	8,846
over five years	20,182	22,537
	<b>30,027</b>	<b>34,150</b>

## 32. Commitments and contingencies

1. IFG Group plc is not involved in any legal or arbitration proceedings which may have a significant affect on its financial position.

2. Certain subsidiaries of the Company have a contingent liability for any levy in relation to independent financial advisers under the UK Investors Compensation Scheme. There is no basis at the present time for assessing the likelihood or the likely level of any such levy.

## 33. Cash generated from operations

	2008 €'000	2007 €'000
Profit before income tax	12,099	15,120
Depreciation and amortisation	5,238	3,850
Loss / (gain) on sale of property, plant and equipment	14	(1)
Finance costs	3,930	3,347
Finance income	(1,028)	(876)
Group share of profit of associates and joint venture	-	(249)
Foreign exchange (gain) / loss	(3,543)	205
Non-cash share based payment compensation charges	1,567	2,700
Decrease / (increase) in trade & other receivables	4,176	(4,887)
Loan (to) / from associates and joint venture	(16)	31
(Decrease) / increase in trade & other payables	(7,697)	916
	<b>14,740</b>	<b>20,156</b>

# Notes to the Consolidated Financial Statements

## 34. Analysis of net debt

	Opening balance	Cash flow	Acquisition and disposals	Other non cash changes	Closing balance
	€'000	€'000	€'000	€'000	€'000
Cash and short term deposits	25,842	1,436	(288)	(4,450)	<b>22,540</b>
Overdrafts	(1,551)	178	-	117	<b>(1,256)</b>
	24,291	1,614	(288)	(4,333)	<b>21,284</b>
Loans due within one year	(7,936)	4,175	(1,750)	(5,000)	<b>(10,511)</b>
Loans due after one year	(34,072)	(2,475)	(28,250)	8,187	<b>(56,610)</b>
Senior unsecured notes due within one year	(690)	690	-	(920)	<b>(920)</b>
Senior unsecured notes due after one year	(920)	-	-	920	-
Finance leases	(109)	44	-	13	<b>(52)</b>
<b>Total</b>	<b>(19,436)</b>	<b>4,048</b>	<b>(30,288)</b>	<b>(1,133)</b>	<b>(46,809)</b>

### Significant non-cash movements

Included in the non-cash movements of (€1,133,000) are exchange rate movements of (€1,435,000), the cost of loan notes €431,000 and amortisation of cost of senior unsecured notes issued of (€129,000).

## 35. Related party transactions

The Group defines key management as being composed of the Directors of IFG Group plc. The compensation as defined by IAS 24 - Related Party Transactions earned by the key management during the year is disclosed below:

	2008 €'000	2007 €'000
Salaries and other short term benefits	<b>2,956</b>	3,148
Post employment benefit	<b>772</b>	750
Share based payment compensation	<b>1,177</b>	2,291
	<b>4,902</b>	6,189

At 31 December 2008, Group companies were owed €1,289,000 (2006: €1,271,000) by Rayband Limited. These advances are unsecured, interest free and have no fixed repayment date. This company is controlled by Patrick Joseph Moran, a Director of IFG Group plc.

In 2004 IFG completed a share purchase and sale transaction whereby GE Capital Woodchester Limited ('GE Money') acquired from IFG 50% of the issued share capital of each of IFG Investment and Mortgage Services Limited and Mortgage and Assurance Services Limited (together 'MBS'). IFG and GE Money have agreed to vary certain aspects of the arrangements executed between them relating to

# Notes to the Consolidated Financial Statements

MBS. IFG has developed a financial services technology portal for which the Intellectual Property Rights ('IPR') have been retained. Within this portal an intermediaries portal relating to the mortgage business has been developed at a cost of €1,802,000. It has been agreed between both parties that Mortgage and Assurance Services Limited ('MAS') acquire the rights to the intermediaries portal and that IFG will be reimbursed by MAS for this total cost of €1,802,000.

During 2008 Group companies earned €97,000 from TFC, a company based in the Isle of Man and with whom Declan Kenny, Chief Executive of the International Division is a director. This related to the provision of services to TFC from Group companies.

## 36. Comparative changes

In the current year income statement, some expenses which were historically classified as administrative expenses and other expenses have been reclassified to cost of sales. The prior year comparatives have also been reclassified in order to ensure consistency with the current year disclosure. The Directors' believe that the current year disclosure is more appropriate and provides more useful information to the users of the financial statements.

The comparative information for 2007 has been restated as follows:

	Cost of Sales €'000	Administrative Expenses €'000	Other Expenses €'000	Gross Profit €'000
As previously reported	(4,775)	(104,736)	(1,976)	17,342
Professional staff salaries and other costs directly attributable to sales reclassified	(97,535)	95,559	1,976	-
As restated	(102,310)	(9,177)	-	17,342

## 37. Events since the year end

There were no material events subsequent to the year end.

## 38. Company loss for the financial year

In accordance with section 148(8) of the Companies Act, 1963 and section 7 (1A) of the Companies (Amendment) Act, 1986, the Company is availing of the exemption from presenting its individual profit and loss account to the Annual General Meeting and from filing it with the Registrar of Companies. The Company's loss for the year determined in accordance with Irish GAAP is €4,800,000 (2007: Loss €31,915,000).

## 39. Section 17 Guarantee

A number of the company's subsidiary undertakings are availing of the exemption provided for under Section 17 of the Companies (Amendment) Act, 1986 from filing financial statements. The company has provided a guarantee in respect of this exemption.

## 40. Approval of financial statements

The Directors approved the financial statements on 21 April 2009.

# Independent auditors' report to the members of IFG Group plc

We have audited the parent company financial statements of IFG Group plc for the year ended 31 December 2008 which comprises the Balance Sheet and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of IFG Group plc for the year ended 31 December 2008.

## Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the parent company financial statements in accordance with applicable Irish law and the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the parent company financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, and have been properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2006. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

- ▶ whether the company has kept proper books of account;
- ▶ whether the Directors' report is consistent with the financial statements; and
- ▶ whether at the balance sheet date there existed a financial situation which may require the company to convene an extraordinary general meeting of the company; such a financial situation may exist if the net assets of the company, as stated in the balance sheet, are not more than half of its called-up share capital.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises the Report of the Directors, the Chairman's Statement, the Chief Executive's review and the Corporate Governance. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant

# Independent auditors' report to the members of IFG Group plc

estimates and judgments made by the Directors in the preparation of the parent company 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 parent company 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 parent company financial statements.

## Opinion

In our opinion the parent company financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the company's affairs as at 31 December 2008 and have been properly prepared in accordance with the Companies Acts, 1963 to 2006.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion the information given in the Report of the Directors' is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2008 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

## **PricewaterhouseCoopers**

*Chartered Accountants and Registered Auditors*

Dublin

22 April 2009

# Company Balance Sheet – Irish GAAP

As at 31 December 2008

	Notes	2008 €'000	2007 €'000
<b>Financial Assets</b>			
Investments in subsidiaries	1	85,288	49,857
Investments in associates and joint ventures	2	-	141
		<b>85,288</b>	<b>49,998</b>
<b>Current assets</b>			
Debtors	3	67,917	102,120
Restricted cash - held in escrow		1,200	-
Cash at bank and in hand		21	544
		<b>69,138</b>	<b>102,664</b>
<b>Creditors</b> (amounts falling due within one year)	4	<b>(67,123)</b>	<b>(69,356)</b>
<b>Net current assets</b>		<b>2,015</b>	<b>33,308</b>
<b>Total assets less current liabilities</b>		<b>87,303</b>	<b>83,306</b>
<b>Creditors</b> (amounts falling due after one year)	5	-	(2,170)
		<b>87,303</b>	<b>81,136</b>
<b>Provisions for liabilities</b>	6	<b>(4,713)</b>	-
		<b>82,590</b>	<b>81,136</b>
<b>Capital and reserves</b>			
Share capital	7	8,909	8,360
Share premium	8	60,025	53,032
Capital conversion reserve fund	8	414	414
Other reserves	8	6,016	4,532
Retained earnings	8	7,226	14,798
<b>Total shareholders' funds</b>	9	<b>82,590</b>	<b>81,136</b>

**On behalf of the Board:**

**D M Lynch**  
(Company Secretary)

**M G Bourke**  
(Chief Executive)

## Accounting Policies - Company

The principal accounting policies of the company are listed below:

### Basis of Preparation

The financial statements are prepared in Euro, denoted by the symbol €'000 and are prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2006. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

In accordance with section 148(8) of the Companies Act, 1963 and section 7(1A) of the Companies (Amendment) Act, 1986, the Company is availing of the exemption from presenting its individual profit and loss account to the annual general meeting and from filing it with the Registrar of Companies. The Company's loss for the year determined in accordance with Irish GAAP is €4,800,000 (2007: Loss €31,915,000).

### Basis of Accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain financial assets.

### Financial assets

The Company classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides services directly to a customer with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet and are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the customer and delinquency in payments are considered to be indicators of a receivable being impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement in administrative expenses. When a trade receivable is uncollectible, it is written off against the provision for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

### Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either classified in this category or not classified in any other category. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

All financial assets are initially recorded at fair value, including transaction costs. All purchases and sales are recognised on the settlement date. Available-for-sale financial assets are subsequently

## Accounting Policies - Company

carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recorded in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risk and rewards of ownership.

Financial assets are assessed for impairment at each balance sheet date. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. For such assets, any impairment charge is the amount currently carried in equity for the difference between the original cost, net of any previous impairment, and the fair value.

Investments in subsidiaries are stated in the Company's Balance Sheet at cost, unless they have been impaired in which case they are carried at net realisable value or value in use as appropriate. In situations where the event that caused the original impairment loss has reversed in a way not foreseen in the original impairment assessment, the impairment loss is reversed.

### Deferred taxation

Deferred tax is provided on all material timing differences that have originated but not reversed at the Balance Sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Balance Sheet date.

Timing differences are temporary differences between profits/(losses) computed for tax purposes and profits/(losses) as stated in the financial statements dealt with in different years for tax purposes.

### Foreign currencies

Transactions denominated in foreign currencies are translated into Euro at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All translation differences are taken to the income statement.

### Dividends

Dividends on ordinary shares are recognised as a liability in the company financial statements in the period in which the dividends are approved by the Company's shareholders. Dividends declared after the balance sheet date are disclosed in Note 14 in the Group financial statements.

### Share based payment compensation

The company operates a number of equity-settled, share-based compensation plans for employees of some of its subsidiaries. The fair value of the employee services received in exchange for the equity instruments granted in each of the investments held by the company is recognised as an addition to the investment with a corresponding increase in equity. The fair value of share options is determined using the Black-Scholes model while the fair value of shares awarded is estimated as the market price of the shares at the grant date. The total amount to be expensed over the vesting period is determined by reference to the fair value of the equity instrument granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of equity instruments that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

## Accounting Policies - Company

The proceeds received by the company when share options are exercised are credited to share capital (nominal value) and share premium.

In line with the transitional arrangements set out in FRS 20, "Share Based Payment", the recognition and measurement principles of this standard have been applied only in respect of share entitlements granted after 7 November 2002 and not vested by 1 January 2005.

The Company does not operate any cash-settled share-based payment schemes or share-based payment transactions with cash alternatives as defined in FRS 20.

### **Borrowings**

All borrowings are initially recognised at fair value, net of transaction costs incurred.

After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement. Gains and losses are recognised in the income statement when the liabilities are derecognised or impaired, as well as through the amortisation process.

Borrowings are classified as current unless there is an enforceable entitlement to repay balances more than twelve months after the balance sheet date in which case they are classified as non-current.

Convertible loan notes are regarded as compound financial instruments, consisting of a liability component and an equity component. The fair value of the liability component is estimated using the prevailing market interest rate at the date of issue for similar non-convertible debt. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds are allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

### **Contingent consideration**

To the extent that contingent purchase and earnout obligations are payable after the balance sheet date, the carrying value on the balance sheet is the net present value of the obligation arrived at using an appropriate pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. Adjustments to the fair value of the obligation arising from changes in estimates are accounted for as changes to the cost of the investment.

# Notes to the Company Balance Sheet - Irish GAAP

## 1. Investments in subsidiaries

	€'000
<b>Cost</b>	
At 1 January 2008	
Cost	52,126
Additions	33,864
Capital contribution in respect of share based payment compensation	1,567
Disposals	-
<b>At 31 December 2008</b>	<b>87,557</b>
<b>Impairment provision</b>	
At 1 January 2008	(2,269)
Disposal	-
<b>At 31 December 2008</b>	<b>(2,269)</b>
<b>Net book amount</b>	
At 31 December 2007	49,857
<b>At 31 December 2008</b>	<b>85,288</b>

Principal subsidiaries are listed on pages 98 to 100.

## 2. Investments in associates and joint ventures

	€'000
At 1 January 2008	
Cost	141
Disposal	(141)
<b>At 31 December 2008</b>	<b>-</b>

Principal associates and joint ventures are listed on page 98 and 100.

## Notes to the Company Balance Sheet - Irish GAAP

### 3. Debtors

	2008 €'000	2007 €'000
<b>Amounts receivable within one year</b>		
Amounts due from subsidiaries	63,188	97,258
Loans to associates and joint ventures	1,289	1,270
Other debtors	17	161
Prepayments	-	4
Value added tax	-	4
	<u>64,494</u>	<u>98,697</u>
<b>Amounts receivable after one year</b>		
Amounts due from subsidiaries	3,423	3,423
	<u>67,917</u>	<u>102,120</u>

The carrying value less impairment provision of debtors and other receivables approximates fair value. All receivables from subsidiary undertakings are interest free.

### 4. Creditors (amounts falling due within one year)

	2008 €'000	2007 €'000
Bank advances	3,661	2,936
Trade and other creditors	10	62
Accruals and deferred income	163	136
Senior unsecured notes	920	690
Amounts due to subsidiaries	62,369	65,532
	<u>67,123</u>	<u>69,356</u>
Creditors for taxation and social welfare included above	-	-

The carrying amount of creditors approximates fair value.

## Notes to the Company Balance Sheet - Irish GAAP

### 5. Creditors (amounts falling due after one year)

	2008 €'000	2007 €'000
Other creditors	-	1,250
Senior unsecured notes	-	920
	-	2,170

Disclosure of the interest rate profile of the company's borrowings has been made in Note 23 to the Group financial statements.

### 6. Provisions for liabilities

	Total €'000
At 31 December 2007	-
Acquisition of subsidiaries	4,679
Unwinding of discount	34
<b>At 31 December 2008</b>	<b>4,713</b>

The expected timing of the outflows is in the period 2009 - 2013. The cashflows are contingent on the achievement of revenue and profit targets.

### 7. Share capital

	2008 No of shares	2008 €'000	2007 No of shares	2007 €'000
<b>Authorised</b>				
Ordinary shares of 12c each	85,187,210	10,222	85,187,210	10,222
"A" ordinary shares of €1.27 each	8,200	10	8,200	10
		10,232		10,232

## Notes to the Company Balance Sheet - Irish GAAP

	No of shares	Ordinary shares €'000
<b>Allotted and fully paid up</b>		
At 1 January 2007	68,659,284	8,239
Share options exercised during year	715,000	86
Shares issued under LTIP during year	291,666	35
<hr/>		
At 31 December 2007	69,665,950	8,360
Share options exercised during year	458,318	55
Shares issued under LTIP during year	687,501	83
Shares issued during year	3,432,958	411
<hr/>		
<b>At 31 December 2008</b>	<b>74,244,727</b>	<b>8,909</b>

### 8. Reserves

	Share premium €'000	Capital conversion reserve fund €'000	Other reserves €'000	Retained earnings €'000	Total €'000
At 31 December 2006	52,300	414	1,867	49,090	103,671
Value of employee services					
- Share options	-	-	450	-	450
- LTIP	-	-	2,250	-	2,250
Equity shares issued the LTIP	-	-	(35)	-	(35)
Exercise of equity share options	732	-	-	-	732
Loss for the year	-	-	-	(31,915)	(31,915)
Dividends	-	-	-	(2,377)	(2,377)
<hr/>					
At 31 December 2007	53,032	414	4,532	14,798	72,776
<hr/>					
Value of employee services					
- Share options	-	-	317	-	317
- LTIP	-	-	1,250	-	1,250
Equity shares issued the LTIP	-	-	(83)	-	(83)
Issue of new shares	6,551	-	-	-	6,551
Exercise of equity share options	442	-	-	-	442
Loss for the year	-	-	-	(4,800)	(4,800)
Dividends	-	-	-	(2,772)	(2,772)
<hr/>					
<b>At 31 December 2008</b>	<b>60,025</b>	<b>414</b>	<b>6,016</b>	<b>7,226</b>	<b>73,681</b>

## Notes to the Company Balance Sheet - Irish GAAP

### 9. Reconciliation of movements in shareholders' funds

	2008 €'000	2007 €'000
Loss for the year	(4,800)	(31,915)
Dividends	(2,772)	(2,377)
Issue of new shares	6,962	-
Exercise of equity share options	497	818
Value of employee services		
- Share options	317	450
- LTIP	1,250	2,250
Net addition/(reduction) in shareholders' funds in the year	<b>1,454</b>	<b>(30,774)</b>
Shareholders' funds at 1 January	<b>81,136</b>	111,910
Shareholders' funds at 31 December	<b>82,590</b>	81,136

### 10. Related party transactions

Transactions with entities that are part of the Group or investees of the Group qualifying as related parties are not disclosed as the company is exempt from such disclosures under Paragraph 3(c) of FRS 8 - Related Party Disclosures.

### 11. Cash flow statement

The Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard number 1 (as 1996 revised) on the grounds that a group cash flow statement is included in the consolidated financial statements which are publicly available and include the results of the Company.

### 12. Commitments & Contingencies

The Company along with some of the subsidiaries has guaranteed certain obligations of its subsidiary companies totalling €66,435,000 (2007: €40,623,000).

### 13. Approval of financial statements

The Directors approved the financial statements on 21 April 2009.

## Schedule to the Report of the Directors

### As required by the European Communities (Takeover Bids (Directive 2004/25/EC)) 2006.

Particulars of the authorised and issued Ordinary Share Capital of the Company are set out in Note 28 to the financial statements.

Holders of Ordinary Shares are entitled;

- ▶ to receive duly declared dividends in cash or, when offered, additional Ordinary Shares;
- ▶ to receive notice of and to attend, speak and vote in person or by proxy, at general meetings having, on a show of hands, one vote, and, on a poll, a vote for each Ordinary Share held
- ▶ to appoint a proxy to attend, speak and/or vote at general meetings;
- ▶ to receive, 21 days at least before the Annual General Meeting, a copy of the Annual Report and Financial Statements; and
- ▶ in a winding-up of the Company, and subject to payments of amounts due to creditors and to any holders of shares ranking in priority to the Ordinary Shares, repayment of the capital paid up on the Ordinary Shares and a proportionate part of any surplus of the Company.

When served with notice from the Directors, shareholders are required to inform the Company in writing, not more than 14 days thereafter, of the capacity in which the shareholder holds any Ordinary Shares and if the entire beneficial interest is not held, to furnish, so far as the shareholder is aware, the name and address of any person having any beneficial interest in the Ordinary Shares. Where there is a failure to furnish the information required the Directors are entitled to resolve that the shareholder shall not be entitled to attend general meetings nor to exercise voting rights attached to such Ordinary Shares and, if the shareholder holds 0.25 per cent or more of the issued Ordinary Shares, the Directors are entitled to withhold any dividends payable on such Ordinary Shares and no transfer of such shares can take place except through a Stock Exchange to a bona fide unconnected third party. Such sanctions will cease after not more than seven days from the earlier of receipt by the Company of

notice that the member has sold the Ordinary Shares to an unconnected third party or satisfactory compliance with the notice served as provided for above.

There are no limitations in Irish law on the holding of the Ordinary Shares and transfers of Ordinary Shares require no approval save that the Directors may decline to register a transfer of Ordinary Shares on which the Company has a lien or in the case of a single transfer of Ordinary Shares in favour of more than four persons jointly, upon notice to the transferee within two months after the lodgement of such transfer; Certificated Ordinary Shares are transferable upon production to the Company's Registrars of the original share certificate and the usual form of stock transfer duly executed by the holder of the Ordinary Shares; Uncertificated Ordinary Shares are transferable in accordance with the rules or conditions imposed by the operator of the relevant system which enables title to be evidenced and transferred without a written instrument and in accordance with the Companies Act, 1990 (Uncertificated Securities) Regulations, 1996; Rights attaching to Ordinary Shares remain with the transferor until transferee's name is entered on the Register of Members of the Company.

Where a person is appointed as proxy, the instrument of appointment must be received by the Company not less than 48 hours, (or such lesser time as the Directors may from time to time decide), before the meeting or adjourned meeting, or, in the case of a poll, not less than 48 hours, (or such lesser time as the Directors may from time to time decide), before the taking of the poll.

The Articles may be amended by special resolution of the shareholders.

Directors are appointed by the shareholders in general meeting. No person, other than a Director retiring at a general meeting is eligible for appointment without a recommendation by the Directors unless, not less than 7 nor more than 21 days before the date of the general meeting, written notice by a shareholder, duly qualified to be present and vote at the meeting, of the intention to propose the person for election and notice in writing signed by the person of his willingness to act, shall have

## Schedule to the Report of the Directors

been given to the Company. The Directors may fill a casual vacancy and any Director so appointed holds office only to the next Annual General Meeting following his appointment, when the Director concerned shall retire, but shall be eligible for re-appointment at that meeting. One third of the Directors for the time being are obliged to retire from office at each Annual General Meeting on the basis of the Directors who have been longest in office since their last appointment.

The Board of Directors is responsible for the management of the business of the Company and may exercise all the power of the Company subject to the provisions of the Company's Memorandum and Articles of Association. The powers relating to the issuing; buying back and reissuing of Ordinary Shares are included in the Articles of Association. A copy of the Articles is available on request from the Company Secretary.

## Principal Operating Subsidiaries, Associated Undertakings and Joint Ventures

COMPANY	PRINCIPAL ACTIVITIES	SHAREHOLDING AND VOTING RIGHTS %
<b>Principal Operating Subsidiaries (INCORPORATED IN IRELAND)</b>		
IFG Holdings Limited	Holding company	100
IFG Securities Limited	Group administration services	100
IFG Investment and Mortgage Services Limited	Life assurance, mortgage processors and brokers	50
IFG Quigley Limited	Pension and investment consultants	100
Mortgage and Assurance Services Limited	Life assurance, mortgage processors and brokers	50
Planlife Advisory Services Limited	Employee benefit consultants	100
IFG Pensco Limited	Employee benefit consultants	100
Nameridge Limited	Employee benefit consultants	100
The Endowment Policy Purchasing Company Limited	Purchase and sale of marketable endowment policies	100
Trade Credit Brokers Limited	Credit insurance services	100
Title Underwriting (Ireland) Limited	Provision of title insurance services	100
<i>All at IFG House, Booterstown Hall, Booterstown, Co Dublin telephone (353-1) 2752800 fax (353-1) 2752801</i>		
IFG Managed Services Limited	Trustee & corporate services	100
<i>Universal House, Shannon, Co Clare telephone (353-61) 364 350 fax (353-61)703 440</i>		
<b>(INCORPORATED IN THE ISLE OF MAN)</b>		
IFG Holdings (IOM) Limited	Holding company	100
IFG International Limited	Trustee & corporate services	100
First National Trustee Company Limited	Trustee and administration services	100
IFG Fund Administration (IOM) Limited	Fund administrators	100
<i>All at International House, Castle Hill, Victoria Road, Douglas, Isle of Man telephone (44 1624) 630 600 fax (44 1624) 624 469</i>		

## Principal Operating Subsidiaries, Associated Undertakings and Joint Ventures

COMPANY	PRINCIPAL ACTIVITIES	SHAREHOLDING AND VOTING RIGHTS %
<b>(INCORPORATED IN JERSEY)</b>		
IFG Trust (Jersey) Limited	Trustee & corporate services	100
IFG Fund Administration (Jersey) Limited	Fund administrators	100
<i>IFG House, 15 Union Street, St Helier, Jersey telephone (44 1534) 786 200 fax (44 1534) 767787</i>		
<b>(INCORPORATED IN SWITZERLAND)</b>		
IFG Suisse S.A.	Trustee & corporate services	100
Gestinor AG	Trustee & corporate services	100
<i>P.O. Box 2358, Am Schanzengraben 25 CH-8022 Zürich, Switzerland telephone (41 44) 286 2727 fax (41 44) 286 2737</i>		
<b>(INCORPORATED IN CYPRUS)</b>		
IFG Trust (Cyprus) Limited	Trustee & corporate services	100
Excel-Serve Management Limited	Trustee & corporate services	100
<i>Athienitis Building, Office 401, 8 Kennedy Avenue, P.O. Box 16273, CY-2087 Nicosia telephone (357) 2245 8809 fax (357) 2245 8834</i>		
<b>(INCORPORATED IN BVI)</b>		
IFG Asia Limited	Independent financial advisor	100
<i>8F Shimbashi Kato Building, 5-26-8 Shimbashi, Minato-ku, Toyko 105-0004 Japan telephone (813) 3436 2001 fax (813) 4496 4665</i>		

## Principal Operating Subsidiaries, Associated Undertakings and Joint Ventures

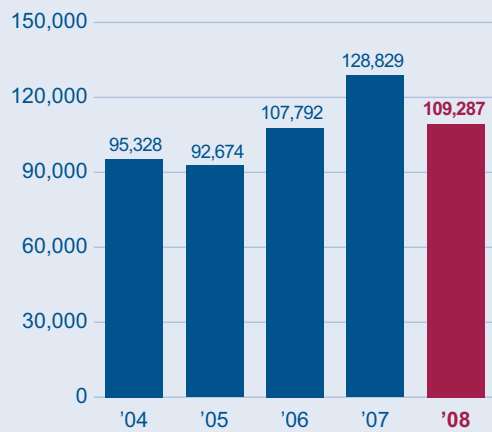
COMPANY	PRINCIPAL ACTIVITIES	SHAREHOLDING AND VOTING RIGHTS %
<b>(INCORPORATED IN U.K.)</b>		
IFG UK Holdings Limited	Holding company	100
IFG Financial Services Limited	Independent financial advisor	100
DK Wild & Company Limited	Independent financial advisor	100
Foster & Cranfield Limited	Auction of Financial assets	100
John Siddall Financial Services Limited	Independent financial advisor	100
The IPS Partnership Limited plc	Pensioner trustee & pension scheme administrators	100
Trade Credit Brokers (UK) Limited	Credit insurance services	100
<i>All at Trinity House, Anderson Road, Swavesey, Cambridgeshire, telephone (44 1954) 233 555 fax (44 1954) 233 500</i>		
Saunderson House Limited	Independent financial advisor	100
<i>1 Long Lane, London, EC1A 9HA telephone (44 207) 315 6500 fax (44 207) 315 6550</i>		
IPS Pensions Limited	Actuarial and pension administration services	100
<i>Queen Square House, 18/21 Queen Square, Bristol, B51 4NH telephone (44 117) 929 0941 fax (0044 117) 922 5076</i>		
<b>(INCORPORATED IN FRANCE)</b>		
Siddalls France SASU	Independent financial advisor	100
<i>Parc Innolin, 3 Rue de Golf, 33700 Merignec, telephone (00 33) 55 6 34 75 51 fax (33) 5 56 34 75 52</i>		
<b>(INCORPORATED IN SPAIN)</b>		
Siddalls Spain SLU	Independent financial advisor	100
<i>Calle, Maria Auxiliadora No5, Local 10, 29602, Marbella, Spain telephone (34) 952 903 205</i>		
<b>PRINCIPAL ASSOCIATES (INCORPORATED IN IRELAND)</b>		
Rayband Limited	Property development	35
<i>IFG House, Booterstown Hall, Booterstown, Co Dublin telephone (353-1) 2752800 fax (353-1) 2752801</i>		

### Notes

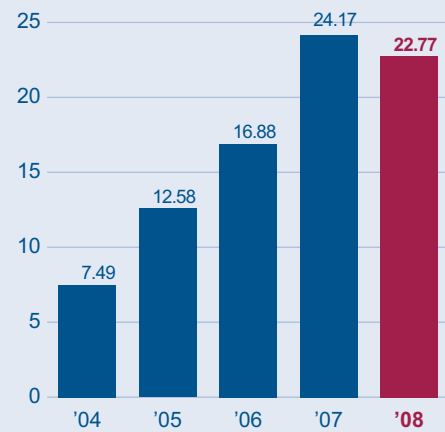
1. The companies operate principally in their countries of incorporation.
2. A full list of subsidiaries, joint ventures and associated undertakings will be filed with the Registrar of Companies.

# Group Financial Record

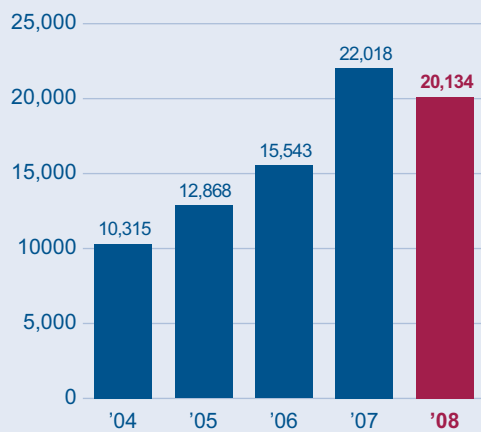
**Revenue**  
€'000



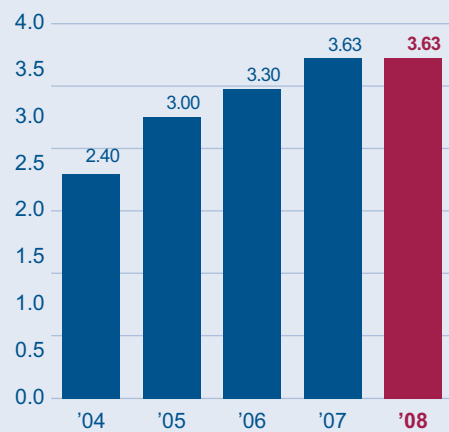
**Adjusted earnings per share**  
€Cent



**Adjusted Profit**  
€'000



**Dividend per ordinary share**  
€Cent





IFG Group plc

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